

National Bank of Oman SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2022 (UNAUDITED)



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INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended 30 September 2022 (unaudited)

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2022	2021	2022	2021
		RO'000	RO'000	RO'000	RO'000
Interest income	17	131,725	123,531	46,798	41,855
Interest expense	18	(61,579)	(59,013)	(20,813)	(20,337)
NET INTEREST INCOME		70,146	64,518	25,985	21,518
Income from Islamic financing and Investment activities		7,920	7,279	2,809	2,464
Unrestricted investment account holders' share of profit		(3,769)	(3,999)	(1,286)	(1,218)
NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		4,151	3,280	1,523	1,246
NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		74,297	67,798	27,508	22,764
Fee and commission income (net)	19	15,740	14,415	5,083	4,228
Other operating income	20	11,929	9,826	3,375	2,729
OPERATING INCOME		101,966	92,039	35,966	29,721
Staff costs	21	(26,604)	(28,090)	(8,866)	(8,564)
Other operating expenses	22	(12,948)	(13,689)	(4,274)	(4,763)
Depreciation	7	(4,397)	(4,643)	(1,484)	(1,499)
TOTAL OPERATING EXPENSES		(43,949)	(46,422)	(14,624)	(14,826)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX		58,017	45,617	21,342	14,895
TOTAL IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	23.5	(15,807)	(17,830)	(5,335)	(5,589)
PROFIT BEFORE TAX		42,210	27,787	16,007	9,306
Taxation	13	(6,679)	(4,283)	(2,554)	(1,449)
PROFIT FOR THE PERIOD		35,531	23,504	13,453	7,857
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss					
Equity investments at FVOCI – net change in fair value		(156)	2,736	739	(653)
Tax effect of equity investments at FVOCI – net change in fair value		82	(294)	(4)	(62)
Items that are or maybe reclassified subsequently to profit or loss					
Debt instruments at FVOCI – net change in fair value		-	100	136	(51)
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(74)	2,542	871	(766)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		35,457	26,046	14,324	7,091
Earnings per share:					
Basic and diluted, earnings for the period attributable to equity holders	24	0.019	0.012	0.008	0.005

The attached notes 1 to 34 form part of the interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 30 September 2022 (unaudited)

	Notes	Nine months ended	
		2022	2021
		RO'000	RO'000
Profit before taxation		42,210	27,787
Adjustments for:			
Depreciation	7	4,397	4,643
Provision for credit losses (net)		15,916	17,600
(Release)/ provision of credit losses for loans and advances to banks/Investments (net)		(109)	230
Profit on sale of investments		(2,864)	(218)
Profit on sale of fixed assets		(39)	(787)
Amortisation of Premium/discount (net)		(475)	(492)
Translation difference		32	-
Dividend income		(1,474)	(1,160)
Operating profit before changes in operating assets and liabilities		57,594	47,603
Due from banks and other money market deposits		(1,781)	6,630
Due to banks and other money market placements		1,152	40,462
Loans and advances to customers		(185,403)	(162,317)
Other assets		(32,332)	(3,268)
Customer deposits		95,752	222,700
Other liabilities		24,386	(2,243)
Cash (used in)/from operations activities		(40,632)	149,567
Tax paid		(6,476)	(1,945)
Net cash (used in)/from operating activities		(47,108)	147,622
Investing activities			
Purchase of investments		(50,310)	(123,090)
Proceeds from sale of investments		91,376	12,289
Purchase of property and equipment	7	(2,141)	(3,065)
Proceeds from sale of property and equipment		80	934
Dividend income	20	1,474	1,160
Net cash from/(used in) investing activities		40,479	(111,772)
Financing activities			
Payment of dividend		(6,016)	-
Proceeds from AT1 capital		-	115,500
Redemption of AT1 capital		-	(115,500)
Payment of lease liability		(1,229)	(1,992)
Payment of tier 1 perpetual bond		(4,620)	(4,092)
Net cash used in financing activities		(11,865)	(6,084)
(Decrease)/Increase in cash and cash equivalents		(18,494)	29,766
Cash and cash equivalents at the beginning of the period		265,142	101,343
Cash and cash equivalents at the end of the period		246,648	131,109
Representing:			
Cash and cash equivalents	3	210,527	213,427
Due from Bank (maturing within 3 months)		137,061	86,404
Due to Bank (maturing within 3 months)		(100,940)	(168,722)
		246,648	131,109

The attached notes 1 to 34 form part of the interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2022 (unaudited)

(RO'000)

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Proposed cash dividend</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Tier 1 perpetual bond</i>	<i>Total equity</i>
Balance at 1 January 2022	162,595	34,465	54,198	5,334	6,016	177,347	439,955	115,500	555,455
<i>Total comprehensive income for the period</i>									
Net Profit for the period	-	-	-	-	-	35,531	35,531	-	35,531
Other comprehensive loss for the period	-	-	-	(74)	-	-	(74)	-	(74)
Net income on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	(72)	-	72	-	-	-
<i>Transactions with owners of the Bank</i>									
Payment of interest on tier 1 perpetual bond	-	-	-	-	-	(4,620)	(4,620)	-	(4,620)
Dividend paid during the period	-	-	-	-	(6,016)	-	(6,016)	-	(6,016)
Balance at 30 September 2022	162,595	34,465	54,198	5,188	-	208,330	464,776	115,500	580,276
Balance at 1 January 2021	162,595	34,465	54,198	1,564	-	161,911	414,733	115,500	530,233
<i>Total comprehensive income for the period</i>									
Net profit for the period	-	-	-	-	-	23,504	23,504	-	23,504
Other comprehensive income for the period	-	-	-	2,542	-	-	2,542	-	2,542
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	112	-	(112)	-	-	-
<i>Transactions with owners of the Bank</i>									
Issuance cost on tier 1 perpetual bonds	-	-	-	-	-	(250)	(250)	-	(250)
Payment of interest on tier 1 perpetual bond	-	-	-	-	-	(3,842)	(3,842)	-	(3,842)
Balance at 30 September 2021	162,595	34,465	54,198	4,218	-	181,211	436,687	115,500	552,187
Balance at 1 October 2021	162,595	34,465	54,198	4,218	-	181,211	436,687	115,500	552,187
<i>Total comprehensive income for the period</i>									
Net profit for the period	-	-	-	-	-	6,773	6,773	-	6,773
Other comprehensive income for the period	-	-	-	1,115	-	-	1,115	-	1,115
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	1	-	(1)	-	-	-
<i>Transactions with owners of the Bank</i>									
Proposed dividend	-	-	-	-	6,016	(6,016)	-	-	-
Payment of interest on tier 1 perpetual bond	-	-	-	-	-	(4,620)	(4,620)	-	(4,620)
Balance at 31 December 2021	162,595	34,465	54,198	5,334	6,016	177,347	439,955	115,500	555,455

The attached notes 1 to 34 form part of the interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 September 2022 (unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the Bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman and through overseas branches in the United Arab Emirates and Egypt. In Oman the Bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licenses given by the respective Central Banks. The Bank is in the process of closing down its operations in Egypt and it is expected that the closure process will be completed during the year 2022. The Bank is head quartered at Azaiba, Governorate of Muscat, Sultanate of Oman and its registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The Bank's equity shares are listed on the Muscat Stock Exchange. Perpetual bonds and bonds issued under EMTN programme are listed in the Euronext Dublin.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and the relevant disclosure requirements of 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 2021 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS standards. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine months ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. The functional currencies of the bank's operations are as follows:

Sultanate of Oman:	Rial Omani
United Arab Emirates:	UAE Dirham
Egypt:	US Dollar

The interim condensed financial statements are prepared under the historical cost convention, modified to include measurement of derivative financial instruments and certain investments, either through profit and loss account or through other comprehensive Income, at fair value.

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates (refer note 33).

The significant judgments made by management in applying Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The new standards and amendments to standards that were effective for annual periods beginning from 1 January 2022 did not had any impact on these interim condensed financial statements of the Bank.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	30/09/2022	30/09/2021	31/12/2021
	RO'000	RO'000	RO'000
Cash	36,298	42,554	40,875
Other balances with Central Banks	174,229	170,873	266,495
Cash and cash equivalents	210,527	213,427	307,370
Capital deposit with Central Bank of Oman	500	500	500
Cash and balances with Central Banks	211,027	213,927	307,870

- (i) At 30 September 2022, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (30 September 2021: RO 500,000, 31 December 2021: RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 30 September 2022 is 3% of total deposits and for Central bank of UAE, is 1% of time deposits and 7% of all other deposits.
- (iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS (NET)

	30/09/2022	30/09/2021	31/12/2021
	RO'000	RO'000	RO'000
Loans and advances to banks	7,496	15,400	11,069
Placements with bank	131,754	27,143	13,667
Demand balances	24,415	55,496	90,035
Due from banks and other money market placement	163,665	98,039	114,771
Less: allowance for credit losses	(16)	(85)	(86)
Net due from banks and other money market placement	163,649	97,954	114,685

The Bank's allowance for the credit losses on due from banks and other money market placements is set out as below:

	9 months ended	9 months ended	12 months ended
	30/09/2022	30/09/2021	31/12/2021
	RO'000	RO'000	RO'000
Balance at beginning of period / year	86	87	87
Released during the period / year	(70)	(2)	(1)
Balance at end of period / year	16	85	86

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

5 LOANS, ADVANCES AND ISLAMIC FINANCING ASSETS (NET)

	30/09/2022	<i>30/09/2021</i>	<i>31/12/2021</i>
	RO'000	<i>RO'000</i>	<i>RO'000</i>
Overdrafts	81,722	81,674	70,163
Personal loans	1,438,990	1,384,385	1,409,784
Other loans	1,909,195	1,710,380	1,759,942
Gross loans, advances and Islamic activities for customers	3,429,907	3,176,439	3,239,889
Less: allowance for credit losses	(172,300)	(143,860)	(151,243)
Net loans, advances and Islamic financing assets	3,257,607	3,032,579	3,088,646

Gross loans, advances and financing activities for customers include RO 152 million due from related parties at 30 September 2022 (30 September 2021 – RO 137 million, 31 December 2021 – RO 147 million).

The movement in the provision for impairment of loans, advances and financing activities for customers is set out below:

	<i>9 months ended</i>	<i>9 months ended</i>	<i>12 months ended</i>
	30/09/2022	<i>30/09/2021</i>	<i>31/12/2021</i>
	RO'000	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	151,243	155,892	155,892
Provided during the period / year	27,187	26,404	36,331
Recovered/ released during the period / year	(2,352)	(2,403)	(2,792)
Written off during the period / year	(3,778)	(36,033)	(38,188)
Balance at end of period / year	172,300	143,860	151,243

Provided during the period/year includes contractual interest reserved for RO 6.4 million (30 September 2021 – RO 5.5 million and 31 December 2021 – RO 7.1 million).

Recovered/released during the period/year includes recovery of reserved interest at RO 1.5 million (30 September 2021 – RO 1.1 million and 31 December 2021 – RO 1.2 million).

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity. Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the interim condensed statement of comprehensive income.

As of 30 September 2022, loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 192 million (30 September 2021 – RO 155 million and 31 December 2021 – RO 171 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

6 FINANCIAL INVESTMENTS (NET)

	30/09/2022	30/09/2021	31/12/2021
	RO'000	RO'000	RO'000
<i>Investments measured at Fair value through profit and loss (FVTPL)</i>			
Quoted investments-Oman	541	558	598
Quoted investments-Foreign	415	351	375
Unquoted investments	2,803	2,515	2,589
Total FVTPL	3,759	3,424	3,562
<i>Investments measured at Fair value through other comprehensive income (FVOCI)</i>			
FVOCI – Equity investments			
Quoted investments-Oman	18,298	14,221	14,709
Quoted investments-Foreign	28,128	20,112	21,209
Unquoted investments	13	324	22
Total FVOCI – equity instruments	46,439	34,657	35,940
FVOCI - Debt instruments			
Government development bonds-Oman	-	4,010	4,038
Total FVOCI – debt instruments	-	4,010	4,038
Total FVOCI	46,439	38,667	39,978
<i>Investments measured at amortised cost</i>			
Government development bonds-Oman	233,848	272,255	258,699
Government Sukuk-Oman	17,279	16,433	16,438
Treasury Bills	80,000	103,740	107,000
Quoted investments-Oman	28,525	21,975	21,974
Total – amortised cost	359,652	414,403	404,111
Total financial investments	409,850	456,494	447,651
Less: Impairment	(434)	(550)	(473)
Total financial investments	409,416	455,944	447,178

Movement in allowances for the credit losses for debt securities at fair value through other comprehensive income and amortised cost:

	30/09/2022	30/09/2021	31/12/2021
	RO'000	RO'000	RO'000
Balance at beginning of period / year	473	318	318
(Released) / provided during the period / year	(39)	232	155
Balance at end of period / year	434	550	473

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

6 FINANCIAL INVESTMENTS (NET) (CONTINUED)

Details of significant investments

Details of investments exceeding 10% of the carrying value of the Bank's investment portfolio are as follows:

	<i>Bank's portfolio</i> %	<i>Carrying value</i> RO'000
<u>30/09/2022</u>		
Government Development Bonds and Sukuk-Oman	61%	251,127
Treasury Bills	20%	80,000
<u>30/09/2021</u>		
Government Development Bonds and Sukuk -Oman	64%	292,698
Treasury Bills	23%	103,740
<u>31/12/2021</u>		
Government Development Bonds and Sukuk -Oman	62%	279,175
Treasury Bills	24%	107,000

The Bank received dividends of RO 1.47 million from its equity instruments for 30 September 2022, recorded as other operating income. (30 September 2021: RO 1.16 million)

During the year, the Bank has disposed of one of the Investments in amortised cost debt securities, taking into the account for regulatory guidelines.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

7 PROPERTY AND EQUIPMENT

	<i>Freehold land and buildings and leasehold improvements</i>	<i>Motor vehicles, furniture and equipment</i>	<i>Capital work in progress</i>	<i>Right to use assets</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Reconciliation of carrying amount:					
Balance as at 1 January 2022, net of accumulated depreciation	44,553	11,572	1,109	2,658	59,892
Additions	108	533	850	650	2,141
Disposals	-	(2)	(39)	-	(41)
Transfers	167	540	(707)	-	-
Depreciation	(939)	(2,163)	-	(1,295)	(4,397)
Balance at 30 September 2022, net of accumulated depreciation	43,889	10,480	1,213	2,013	57,595
At cost	60,970	47,801	1,213	4,453	114,437
Accumulated depreciation	(17,081)	(37,321)	-	(2,440)	(56,842)
Net carrying value at 30 September 2022	43,889	10,480	1,213	2,013	57,595
Reconciliation of carrying amount:					
Balance as at 1 January 2021, net of accumulated depreciation	45,852	12,330	1,240	3,146	62,568
Additions	19	782	1,126	1,138	3,065
Disposals	(122)	(5)	(20)	-	(147)
Transfers	96	930	(1,026)	-	-
Depreciation	(982)	(2,269)	-	(1,392)	(4,643)
Balance at 30 September 2021, net of accumulated depreciation	44,863	11,768	1,320	2,892	60,843
At cost	60,728	46,656	1,320	5,677	114,381
Accumulated depreciation	(15,865)	(34,888)	-	(2,785)	(53,538)
Net carrying value at 30 September 2021	44,863	11,768	1,320	2,892	60,843
Reconciliation of carrying amount:					
Balance as at 1 January 2021, net of accumulated depreciation	45,852	12,330	1,240	3,146	62,568
Additions	22	915	1,336	1,341	3,614
Disposals	(122)	(7)	(17)	-	(146)
Transfers	96	1,354	(1,450)	-	-
Depreciation	(1,295)	(3,020)	-	(1,829)	(6,144)
Balance at 31 December 2021, net of accumulated depreciation	44,553	11,572	1,109	2,658	59,892
At cost	60,695	47,081	1,109	5,488	114,373
Accumulated depreciation	(16,142)	(35,509)	-	(2,830)	(54,481)
Net carrying value at 31 December 2021	44,553	11,572	1,109	2,658	59,892

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)
8 OTHER ASSETS

	30/09/2022 RO'000	30/09/2021 RO'000	31/12/2021 RO'000
Interest receivable and others	36,740	25,717	24,608
Positive fair value of derivatives (note 31)	21,853	4,076	3,091
Customers' indebtedness for acceptances (note 12)	36,535	26,320	35,097
	95,128	56,113	62,796

9 DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS

	30/09/2022 RO'000	30/09/2021 RO'000	31/12/2021 RO'000
Borrowings	250,525	326,839	293,063
Other balances	17,120	3,833	4,666
	267,645	330,672	297,729

10 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS

	30/09/2022 RO'000	30/09/2021 RO'000	31/12/2021 RO'000
Current accounts	1,276,337	1,189,341	1,301,202
Savings accounts	621,473	638,178	640,518
Term deposits	1,115,674	922,360	976,012
	3,013,484	2,749,879	2,917,732

11 EURO MEDIUM TERM NOTES

The bank has established Euro medium term notes programme for USD 1,500 million. These Bonds are listed in the Irish Stock Exchange and governed by English law. As at reporting date, the bank has an issuance for RO 192.5 million (USD 500 million) (30 September 2021 - RO 192.5 million - USD 500 million and 31 December 2021 - RO 192.5 million - USD 500 million), maturing in September 2023. The carrying amount of EMTN is stated after taking into account the amount of MTM value of the fair value hedge (Refer note 31).

12 OTHER LIABILITIES

	30/09/2022 RO'000	30/09/2021 RO'000	31/12/2021 RO'000
Interest payable and other accruals	65,307	45,179	62,426
Lease commitment	1,315	2,106	1,751
Allowances for credit losses for loan commitments and Financial guarantees (refer below)	2,090	2,860	2,616
Negative fair value of derivatives (note 31)	26,045	3,444	2,075
Liabilities under acceptances (note 8)	36,535	26,320	35,097
Deferred tax liability (note 13)	496	304	511
	131,788	80,213	104,476

Movement in the allowance for credit losses - non-funded loans, advances and financing activities for customers:

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	12 months ended 31/12/2021 RO'000
Balance at beginning of period / year	2,616	2,850	2,850
(Released) / provided during the period / year	(526)	10	(234)
Balance at end of period / year	2,090	2,860	2,616

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)
13 TAXATION

	<i>30/09/2022</i>	<i>30/09/2021</i>	<i>31/12/2021</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Statement of comprehensive income			
Current tax expense for the period/year	6,612	4,289	5,554
Deferred tax expense / (income)	67	(6)	37
	<u>6,679</u>	<u>4,283</u>	<u>5,591</u>

The Bank is liable to income tax at the following rates:

- Sultanate of Oman: 15% of taxable income
- United Arab Emirates: 20% of taxable income
- Egypt: 22.5% of taxable income

Set out below is reconciliation between incomes tax calculated on accounting profit with income tax expense for the period:

	<i>30/09/2022</i>	<i>30/09/2021</i>	<i>31/12/2021</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Accounting profit	42,210	27,787	35,868
Tax at applicable rate	6,332	4,168	5,380
Non-deductible expenses	62	86	25
Tax exempt revenues	(354)	(212)	(377)
Others	572	247	526
Total	<u>6,612</u>	<u>4,289</u>	<u>5,554</u>

The Bank's liabilities for taxation in the Sultanate of Oman have been assessed and agreed up to the year ended 31 December 2013.

Management believes that additional taxes, if any, in respect of open tax assessments would not be significant to the Bank's financial position as at 31 December 2021.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The Bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2021.

	<i>30/09/2022</i>	<i>30/09/2021</i>	<i>31/12/2021</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Income tax liability			
Through comprehensive income	6,612	4,289	5,554
Through prior years	6,794	7,620	7,624
Through retained earnings	4	-	(3)
	<u>13,410</u>	<u>11,909</u>	<u>13,175</u>

	<i>30/09/2022</i>	<i>30/09/2021</i>	<i>31/12/2021</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Recognised deferred tax (liability)/asset			
Deferred tax assets are attributable to the following:			
Deductible temporary differences relating to provisions	(56)	54	11
FVOCI investments	(440)	(358)	(522)
	<u>(496)</u>	<u>(304)</u>	<u>(511)</u>

Movement of deferred tax (liability)/asset

	<i>30/09/2022</i>	<i>30/09/2021</i>	<i>31/12/2021</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at the beginning of the year	(511)	(16)	(16)
Charge during the period/year through profit and Loss	(67)	6	(37)
Tax effect of movement in FVOCI investments	82	(294)	(458)
	<u>(496)</u>	<u>(304)</u>	<u>(511)</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

14 OTHER RESERVES

	<i>FVOCI reserve RO '000</i>	<i>Impairment Reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2022	(5,246)	10,580	5,334
Net movement on FVOCI investments	(156)	-	(156)
Tax effect of investments at FVOCI – net change in fair value	82	-	82
Transfer to retained earnings	(72)	-	(72)
At 30 September 2022	(5,392)	10,580	5,188
At 30 September 2021	(6,362)	10,580	4,218
At 31 December 2021	(5,246)	10,580	5,334

- (i) The Impairment reserve represents in accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

15 TIER 1 PERPETUAL BOND

The bank has following Perpetual Tier 1 Capital Securities (the “Tier 1 Securities”). The Tier 1 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 Securities do not have a fixed or final maturity date. They are redeemable by the bank at its sole discretion on any interest payment date on or after the first call date subject to the prior consent of the Central Bank of Oman.

Issuance Month/Year	Issued Amount	Coupon Rate
Apr 2021	USD 300 million (OMR 115.5 million)	Fixed interest rate of 8% with a reset after 5 years

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

16 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30/09/2022 RO'000</i>	<i>30/09/2021 RO'000</i>	<i>31/12/2021 RO'000</i>
Guarantees	275,411	289,249	282,871
Documentary letters of credit	67,138	50,842	73,376
Undrawn commitment to lend	205,903	255,643	119,266
	548,452	595,734	475,513

- (i) The allowances for credit losses for commitments and financial guarantees amounts to RO 2.1 million (30 September 2021 – RO 2.9 million and December 2021 – 2.6 million) and is included under note 12.
- (ii) Guarantees include RO 6.83 million (30 September 2021 – RO 14.0 million and 31 December 2021 – 14.13 million) relating to non-performing loans.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)
17 INTEREST INCOME

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	3 months ended 30/09/2022 RO'000	3 months ended 30/09/2021 RO'000
Interest from Loans and advances	117,762	110,099	41,708	37,176
Interest from banks	934	458	587	162
Interest from investments	13,029	12,974	4,503	4,517
	131,725	123,531	46,798	41,855

18 INTEREST EXPENSE

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	3 months ended 30/09/2022 RO'000	3 months ended 30/09/2021 RO'000
Interest to customer deposits	46,181	43,599	14,633	15,010
Interest to banks	7,202	6,952	3,107	2,506
Interest to EMTN	8,196	8,462	3,073	2,821
	61,579	59,013	20,813	20,337

19 FEE AND COMMISSION INCOME (NET)

The commission and fee income shown in the statement of comprehensive income is net of commission and fee paid of RO 15.74 million for the period ended 30 September 2022 (30 September 2021 – RO 14.42 million). The disaggregation of fee and commission income is provided under note 29.

20 OTHER OPERATING INCOME

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	3 months ended 30/09/2022 RO'000	3 months ended 30/09/2021 RO'000
Net gains from foreign exchange dealings	4,360	4,783	1,525	1,729
Gain on investments	2,864	218	578	116
Dividend income	1,474	1,160	161	78
Other income	3,231	3,665	1,111	806
	11,929	9,826	3,375	2,729

21 STAFF COSTS

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	3 months ended 30/09/2022 RO'000	3 months ended 30/09/2021 RO'000
Employees' salaries	20,514	21,057	6,776	6,832
Contribution to social insurance schemes	2,160	1,907	790	628
Other staff costs	3,930	5,126	1,300	1,104
	26,604	28,090	8,866	8,564

The bank employed 1,432 employees as of 30 September 2022 (30 September 2021 – 1,471 employees)

22 OTHER OPERATING EXPENSES

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	3 months ended 30/09/2022 RO'000	3 months ended 30/09/2021 RO'000
Establishment costs	3,175	3,061	1,128	1,098
Operating and administration expenses	9,416	10,227	3,013	3,555
Directors remuneration and sitting fees	357	401	133	110
	12,948	13,689	4,274	4,763

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

23.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement:

Impairment charge and provision held as of 30 September 2022

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	19,364	NA
Provisions required as per CBO norms/ held as per IFRS 9	195,580	174,840	(20,740)
Gross non-performing loan ratio (percentage)	-	5.59	5.59
Net non-performing loan ratio (percentage)	-	5.03	5.03

Mapping of IFRS 9 and CBO norms as of 30 September 2022

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,703,688	36,263	5,568	30,695	2,698,120	-
	Stage 2	369,616	4,100	9,356	(5,256)	360,260	-
	Stage 3	-	-	-	-	-	-
Subtotal		3,073,304	40,363	14,924	25,439	3,058,380	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	164,729	1,688	32,979	(31,291)	131,750	-
	Stage 3	-	-	-	-	-	-
Subtotal		164,729	1,688	32,979	(31,291)	131,750	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	8,956	2,285	2,558	(183)	6,398	90
Subtotal		8,956	2,285	2,558	(183)	6,398	90
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	25,566	11,820	10,738	2,120	14,828	1,038
Subtotal		25,566	11,820	10,738	2,120	14,828	1,038
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	157,352	119,061	111,101	27,195	46,251	19,235
Subtotal		157,352	119,061	111,101	27,195	46,251	19,235
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	793,959	-	976	(976)	792,983	-
	Stage 2	83,362	-	1,564	(1,564)	81,798	-
	Stage 3	-	-	-	-	-	-
Subtotal		877,321	-	2,540	(2,540)	874,781	-
Total	Stage 1	3,497,647	36,263	6,544	29,719	3,491,103	-
	Stage 2	617,707	5,788	43,899	(38,111)	573,808	-
	Stage 3	191,874	133,166	124,397	29,132	67,477	20,363
	Total	4,307,228	175,217	174,840	20,740	4,132,388	20,363

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

23.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement (continued):

Impairment charge and provision held as of 30 September 2021

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	19,772	NA
Provisions required as per CBO norms/ held as per IFRS 9	161,461	147,355	(14,106)
Gross non-performing loan ratio (percentage)	-	4.89	4.89
Net non-performing loan ratio (percentage)	-	4.45	4.45

Mapping of IFRS 9 and CBO norms as of 30 September 2021

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,435,820	33,339	9,161	24,178	2,426,659	-
	Stage 2	475,312	5,185	10,354	(5,169)	464,958	-
	Stage 3	-	-	-	-	-	-
	Subtotal	2,911,132	38,524	19,515	19,009	2,891,617	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	110,098	1,123	26,903	(25,780)	83,195	-
	Stage 3	-	-	-	-	-	-
	Subtotal	110,098	1,123	26,903	(25,780)	83,195	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	16,897	6,277	8,289	(1,880)	8,608	132
	Subtotal	16,897	6,277	8,289	(1,880)	8,608	132
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	11,465	3,846	9,760	(5,598)	1,705	316
	Subtotal	11,465	3,846	9,760	(5,598)	1,705	316
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	126,847	97,154	79,393	31,850	47,454	14,089
	Subtotal	126,847	97,154	79,393	31,850	47,454	14,089
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	747,372	-	1,256	(1,256)	746,116	-
	Stage 2	94,580	-	2,239	(2,239)	92,341	-
	Stage 3	-	-	-	-	-	-
	Subtotal	841,952	-	3,495	(3,495)	838,457	-
Total	Stage 1	3,183,192	33,339	10,417	22,922	3,172,775	-
	Stage 2	679,990	6,308	39,496	(33,188)	640,494	-
	Stage 3	155,209	107,277	97,442	24,372	57,767	14,537
	Total	4,018,391	146,924	147,355	14,106	3,871,036	14,537

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

23.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement:

Restructured loans as at 30 September 2022

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	173,090	1,751	6,590	(4,839)	166,500	-
	Stage 3	-	-	-	-	-	-
Subtotal		173,090	1,751	6,590	(4,839)	166,500	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	31,412	23,293	19,154	7,408	12,258	3,269
Sub total		31,412	23,293	19,154	7,408	12,258	3,269
Total	Stage 1	-	-	-	-	-	-
	Stage 2	173,090	1,751	6,590	(4,839)	166,500	-
	Stage 3	31,412	23,293	19,154	7,408	12,258	3,269
	Total	204,502	25,044	25,744	2,569	178,758	3,269

Restructured loans as at 30 September 2021

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	58,608	1,046	4,351	(3,305)	54,257	-
	Stage 3	-	-	-	-	-	-
Subtotal		58,608	1,046	4,351	(3,305)	54,257	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	36,415	31,590	26,297	9,749	10,118	4,456
Sub total		36,415	31,590	26,297	9,749	10,118	4,456
Total	Stage 1	-	-	-	-	-	-
	Stage 2	58,608	1,046	4,351	(3,305)	54,257	-
	Stage 3	36,415	31,590	26,297	9,749	10,118	4,456
	Total	95,023	32,636	30,648	6,444	64,375	4,456

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

23.3 Movement in Expected credit losses (ECL)

As at 30 September 2022	Stage 1	Stage 2	Stage 3	Total
	RO' 000	RO'000	RO'000	RO'000
Exposure subject to ECL				
- Loans and Advances to Customers	2,703,688	534,345	191,874	3,429,907
- Investment Securities (Debt)	404,075	5,775	-	409,850
- Loan Commitments and Financial Guarantees	465,090	83,362	-	548,452
- Due from Banks, Central Banks and Other Financial Assets	163,665	-	-	163,665
	3,736,518	623,482	191,874	4,551,874
Opening Balance - as at 1 January 2022				
- Loans and Advances to Customers	9,043	32,763	109,437	151,243
- Investment Securities (Debt)	301	172	-	473
- Loan Commitments and Financial Guarantees	908	1,708	-	2,616
- Due from Banks, Central Banks and Other Financial Assets	86	-	-	86
	10,338	34,643	109,437	154,418
Net transfer between stages				
- Loans and Advances to Customers	7,160	(4,153)	(3,007)	-
- Investment Securities (Debt)	(124)	124	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	7,036	(4,029)	(3,007)	-
Charge for the Period (net)				
- Loans and Advances to Customers	(10,636)	13,726	21,745	24,835
- Investment Securities (Debt)	136	(175)	-	(39)
- Loan Commitments and Financial Guarantees	(260)	(266)	-	(526)
- Due from Banks, Central Banks and Other Financial Assets	(70)	-	-	(70)
	(10,830)	13,285	21,745	24,200
Write off for the period				
- Loans and Advances to Customers	-	-	(3,778)	(3,778)
	-	-	(3,778)	(3,778)
Closing Balance - as at 30 September 2022				
- Loans and Advances to Customers	5,567	42,336	124,397	172,300
- Investment Securities (Debt)	313	121	-	434
- Loan Commitments and Financial Guarantees	648	1,442	-	2,090
- Due from Banks, Central Banks and Other Financial Assets	16	-	-	16
	6,544	43,899	124,397	174,840

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)
23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)
23.3 Movement in Expected credit losses (ECL) (continued)

As at 30 September 2021	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Exposure subject to ECL				
- Loans and Advances to Customers	2,435,820	585,410	155,209	3,176,439
- Investment Securities (Debt)	450,719	5,775		456,494
- Loan Commitments and Financial Guarantees	501,154	94,580		595,734
- Due from Banks, Central Banks and Other Financial Assets	98,039			98,039
	3,485,732	685,765	155,209	4,326,706
Opening Balance - as at 1 January 2021				
- Loans and Advances to Customers	11,840	31,626	112,426	155,892
- Investment Securities (Debt)	318			318
- Loan Commitments and Financial Guarantees	910	1,940		2,850
- Due from Banks, Central Banks and Other Financial Assets	87			87
	13,155	33,566	112,426	159,147
Net transfer between stages				
- Loans and Advances to Customers	(162)	(7,547)	7,709	-
- Investment Securities (Debt)	(119)	119		-
- Loan Commitments and Financial Guarantees	-	-		-
- Due from Banks, Central Banks and Other Financial Assets				-
	(281)	(7,428)	7,709	-
Charge for the Period (net)				
- Loans and Advances to Customers	(2,517)	13,178	13,340	24,001
- Investment Securities (Debt)	105	127	-	232
- Loan Commitments and Financial Guarantees	(43)	53	-	10
- Due from Banks, Central Banks and Other Financial Assets	(2)	-	-	(2)
	(2,457)	13,358	13,340	24,241
Write off for the period				
- Loans and Advances to Customers	-	-	(36,033)	(36,033)
	-	-	(36,033)	(36,033)
Closing Balance - as at 30 September 2021				
- Loans and Advances to Customers	9,161	37,257	97,442	143,860
- Investment Securities (Debt)	304	246	-	550
- Loan Commitments and Financial Guarantees	867	1,993	-	2,860
- Due from Banks, Central Banks and Other Financial Assets	85	-	-	85
	10,417	39,496	97,442	147,355

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

23.4 Movement in loans

As at 30 September 2022	Stage 1	Stage 2	Stage 3	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Exposure subject to ECL				
Opening Balance - as at 1 January 2022	2,482,125	586,363	171,401	3,239,889
Transfer to stage 1	33,203	(32,197)	(1,006)	-
Transfer to stage 2	(12,498)	14,437	(1,939)	-
Transfer to stage 3	(1,375)	(3,593)	4,968	-
New loans and advances	580,475	123,133	22,689	726,297
Recovery of loans and advances	(378,242)	(153,798)	(461)	(532,501)
Write off for the period	-	-	(3,778)	(3,778)
Closing Balance - as at 30 September 2022	2,703,688	534,345	191,874	3,429,907

As at 30 September 2021	Stage 1	Stage 2	Stage 3	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Exposure subject to ECL				
Opening Balance - as at 1 January 2021	2,253,382	621,396	168,976	3,043,754
Transfer to stage 1	17,675	(17,675)	-	-
Transfer to stage 2	(15,839)	15,839	-	-
Transfer to stage 3	(9,453)	(9,588)	19,041	-
New loans and advances	346,275	118,976	32,614	497,865
Recovery of loans and advances	(156,220)	(143,538)	(29,389)	(329,147)
Write off for the period	-	-	(36,033)	(36,033)
Closing Balance - as at 30 September 2021	2,435,820	585,410	155,209	3,176,439

23.5 Impairment credit losses on financial assets

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	3 months ended 30/09/2022 RO'000	3 months ended 30/09/2021 RO'000
(Impairment)/reversal of impairment for credit losses:				
Due from Banks	70	2	1	(15)
Loans and advances to customers	(20,823)	(20,861)	(7,698)	(6,833)
Investments	39	(232)	(7)	(86)
Financial guarantees	526	(10)	505	496
Total	(20,188)	(21,101)	(7,199)	(6,438)
Recoveries and releases from:				
Provision for credit losses	824	1,329	61	337
Loans and advances written off	3,557	1,942	1,803	512
Total	4,381	3,271	1,864	849
Net Impairment losses	(15,807)	(17,830)	(5,335)	(5,589)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)
24 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	9 months ended 30/09/2022 RO'000	9 months ended 30/09/2021 RO'000	3 months ended 30/09/2022 RO'000	3 months ended 30/09/2021 RO'000
Profit after tax (RO'000s)	35,531	23,504	13,453	7,857
Less: Interest on tier 1 perpetual bond	(4,620)	(3,842)	-	-
Profit attributable to shareholders	30,911	19,662	13,453	7,857
Weighted average number of shares outstanding during the year (in '000s)	1,625,946	1,625,946	1,625,946	1,625,946
Earnings per share (RO)	0.019	0.012	0.008	0.005

No figure for diluted earnings per share has been presented, as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.

25 ASSET LIABILITY MISMATCH

The asset liability mismatch is based on CBO circular BM 955 and given as follows:

	Assets RO'000	Equity and liabilities RO'000	Mismatch RO'000
<i>Maturities as at 30 September 2022</i>			
0 - 3 month	913,066	1,027,320	(114,254)
3 - 12 month	452,036	1,206,473	(754,437)
1 – 5 years	951,123	841,736	109,387
More than 5 years	1,878,197	1,118,893	759,304
Total	4,194,422	4,194,422	-
<i>Maturities as at 30 September 2021</i>			
0 - 3 month	904,109	1,014,830	(110,721)
3 - 12 month	254,353	1,038,249	(783,896)
1 – 5 years	953,594	798,560	155,034
More than 5 years	1,805,304	1,065,721	739,583
Total	3,917,360	3,917,360	-
<i>Maturities as at 31 December 2021</i>			
0 - 3 month	1,003,384	976,426	26,958
3 - 12 month	301,745	987,923	(686,178)
1 – 5 years	955,930	1,003,163	(47,233)
More than 5 years	1,820,008	1,113,555	706,453
Total	4,081,067	4,081,067	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

26 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank conducts transactions with certain of its directors, shareholders, senior management and companies over which they have significant interest. Principal shareholders comprise of all shareholders with holding more than 10% of the paidup share capital and others include directors, senior management and associate companies of principal shareholders and directors. The Bank engages in transactions with related parties only on arm's length terms and in accordance with relevant laws and regulations. Terms of these transactions are approved by the Bank's Board and Management.

	30/09/2022			31/12/2021		
	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Loans and advances	-	152,463	152,463	-	147,445	147,445
Customers' deposits	155,563	81,258	236,821	106,081	61,386	167,467
Due from banks	988	-	988	603	-	603
Due to banks	373	-	373	260	-	260
Letters of credit, guarantees and acceptances	874	15,361	16,235	618	16,930	17,548
Investments	3,083	541	3,624	2,453	598	3,051

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

	30/09/2022			30/09/2021		
	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Interest income	21	5,936	5,957	2	4,999	5,001
Commission income	7	309	316	5	252	257
Interest expense	3,513	1,607	5,120	843	873	1,716
Other expenses	-	892	892	-	248	248

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

27 SHAREHOLDERS

The shareholders of the Bank who own 10% or more of the Bank's shares:

	30/09/2022	30/09/2021	31/12/2021
Number of shares held ('000)			
The Commercial Bank of Qatar	567,453	567,453	567,453
Suhail Salim Abdullah Al Mukhaini Bahwan	239,805	-	-
Suhail Bahwan Group (Holdings) L.L.C	-	239,734	239,734
Civil Service Employee Pension Fund	186,425	184,815	184,652
% of shareholding			
The Commercial Bank of Qatar	34.90%	34.90%	34.90%
Suhail Salim Abdullah Al Mukhaini Bahwan	14.75%	-	-
Suhail Bahwan Group (Holdings) L.L.C	-	14.74%	14.74%
Civil Service Employee Pension Fund	11.47%	11.37%	11.36%

The percentage shareholding is calculated based on the total shares of the Bank outstanding at the reporting date.

28 CAPITAL ADEQUACY

The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	30/09/2022	30/09/2021	31/12/2021
	RO'000	RO'000	RO'000
Capital base			
Common equity Tier 1	414,691	399,641	419,995
Additional Tier 1 - capital	115,500	115,500	115,500
Tier 2 capital	21,426	29,967	26,387
Total capital base	551,617	545,108	561,882
Risk weighted assets			
Credit risk	3,264,398	3,205,097	3,232,312
Operational risk	230,414	233,953	230,414
Market risk	102,976	90,439	95,617
Total risk weighted assets	3,597,788	3,529,489	3,558,343
Common Equity Tier 1 Ratio	11.5%	11.3%	11.8%
Tier 1 Ratio	14.7%	14.6%	15.0%
Risk asset ratio (Basel II norms)	15.3%	15.4%	15.8%

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2022 (unaudited)

29 SEGMENT REPORTING

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

- Retail Banking offers various products and facilities to individual retail and high net-worth customers to meet everyday banking needs. This includes asset products like personal loans, housing loan, credit cards and term loans and liability products like savings account, current account and term deposits.
- Wholesale Banking delivers a variety of products and services to Corporate, Government and Financial Institutions, that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes investment Banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.
- International operations include UAE and Egypt operations.
- Islamic Banking offers various products as per Shari'a principles.
- Funding Center – The Funding center is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the Bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the support functions are allocated to operating segments for performance measurement purposes.

Segment information by business line is as follows:

	Retail Banking RO'000	Wholesale Banking RO'000	International Banking RO'000	Islamic Banking RO'000	Funding center RO'000	Total RO'000
30 September 2022						
Operating income	45,289	59,432	2,719	4,889	(10,363)	101,966
Net profit/(loss)	13,443	33,576	(3,131)	789	(9,146)	35,531
Total assets	1,338,670	2,031,836	114,676	219,021	490,219	4,194,422
30 September 2021						
Operating income	43,517	56,336	2,962	3,588	(14,364)	92,039
Net profit/(loss)	11,763	23,240	(205)	783	(12,077)	23,504
Total assets	1,321,580	1,855,823	145,037	187,240	407,680	3,917,360

Disaggregated revenues

IFRS15 requires the disclosure of disaggregated revenue from contracts with customers for major products / service lines. The below table provides disaggregation of commission and fee income (net) into revenues within Bank's reportable segments. Contract revenue is further segregated based on the products and services:

30 September 2022	Retail RO'000	Wholesale RO'000	International RO'000	Islamic RO'000	Total RO'000
Transactional	6,613	-	2	47	6,662
Trade Income	40	2,351	190	99	2,680
Account Services	87	740	(28)	22	821
Underwriting & Syndication	626	3,286	135	369	4,416
Investment banking	-	1,161	-	-	1,161
Total	7,366	7,538	299	537	15,740
30 September 2021					
	Retail RO'000	Wholesale RO'000	International RO'000	Islamic RO'000	Total RO'000
Transactional	5,832	0	2	37	5,871
Trade Income	25	2,126	119	44	2,314
Account Services	99	700	6	14	819
Underwriting & Syndication	453	3,678	165	89	4,385
Investment banking	0	1,026	0	0	1,026
Total	6,409	7,530	292	184	14,415

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)
29 SEGMENT REPORTING (continued)

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

- i) Oman
- ii) United Arab Emirates (UAE)
- iii) Egypt

Transactions between the above segments are conducted at estimated market rates on an arm's length basis. Segment information by geography is as follows:

For the period ended 30 September 2022	Oman RO'000	UAE RO'000	Egypt RO'000	Total RO'000
Net interest income and income from Islamic financing and Investment activities	72,111	2,186	-	74,297
Fees, Commission and other operating income	27,136	780	(247)	27,669
Operating income/(loss)	99,247	2,966	(247)	101,966
Operating expenses	(41,983)	(1,955)	(11)	(43,949)
Operating profit/(loss)	57,264	1,011	(258)	58,017
Impairment losses (net) and taxation	(19,785)	(2,701)	-	(22,486)
Segment profit/(loss) for the period	37,479	(1,690)	(258)	35,531
Other information				
Segment assets	4,079,746	113,183	1,493	4,194,422
Segment capital expenses	1,465	26	-	1,491

For the period ended 30 September 2021	Oman RO'000	UAE RO'000	Egypt RO'000	Total RO'000
Net interest income and income from Islamic financing and Investment activities	66,165	1,627	6	67,798
Fees, Commission and other operating income	22,912	584	745	24,241
Operating income/(loss)	89,077	2,211	751	92,039
Operating expenses	(44,449)	(2,032)	59	(46,422)
Operating profit/(loss)	44,628	179	810	45,617
Impairment losses (net) and taxation	(22,116)	3	-	(22,113)
Segment profit/(loss) for the period	22,512	182	810	23,504
Other information				
Segment assets	3,772,323	122,721	22,316	3,917,360
Segment capital expenses	1,915	12	-	1,927

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)
30 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
30 September 2022			
Investment measured at FVTPL			
Quoted equities	956	-	956
Unquoted equities	-	2,803	2,803
Total	956	2,803	3,759
Investment measured at FVOCI			
Quoted equities	46,426	-	46,426
Unquoted equities	-	13	13
Total	46,426	13	46,439
TOTAL FINANCIAL INVESTMENTS	47,382	2,816	50,198
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
30 September 2021			
Investment measured at FVTPL			
Quoted equities	909	-	909
Unquoted equities	-	2,515	2,515
Total	909	2,515	3,424
Investment measured at FVOCI			
Quoted equities	34,333	-	34,333
Quoted debt	4,010	-	4,010
Unquoted equities	-	324	324
Total	38,343	324	38,667
TOTAL FINANCIAL INVESTMENTS	39,252	2,839	42,091

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
31 December 2021			
Investment measured at FVTPL			
Quoted equities	973	-	973
Unquoted equities	-	2,589	2,589
Total	973	2,589	3,562
Investment measured at FVOCI			
Quoted equities	35,918	-	35,918
Quoted debt	4,038	-	4,038
Unquoted equities	-	22	22
Total	39,956	22	39,978
TOTAL FINANCIAL INVESTMENTS	40,929	2,611	43,540

The Bank's primary medium and long-term financial liabilities are the borrowed funds and subordinated liabilities. The fair values of these financial liabilities not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 31).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2022 (unaudited)

31 DERIVATIVES

	<i>Positive fair value (Note 8) RO'000</i>	<i>Negative fair value (Note 12) RO'000</i>	<i>Notional amount total RO'000</i>	Notional amounts by term to maturity		
				Within 3 months RO'000	3 – 12 months RO'000	Above 1 Year RO'000
30 September 2022						
Fair Value hedge	-	(4,681)	192,500	-	-	192,500
Interest rate swaps	21,022	(21,022)	459,085	6,757	35,528	416,800
Forward foreign exchange purchase contracts	11	(332)	432,082	150,672	262,154	19,256
Forward foreign exchange sales contracts	820	(10)	432,082	150,580	261,798	19,704
Total	21,853	(26,045)	1,515,749	308,009	559,480	648,260
30 September 2021						
Interest rate swaps	3,245	(3,245)	458,120	5,574	23,623	428,923
Forward purchase contracts	-	(195)	234,484	81,373	127,958	25,153
Forward sales contracts	831	(4)	234,484	81,562	127,291	25,631
Total	4,076	(3,444)	927,088	168,509	278,872	479,707
31 December 2021						
Interest rate swaps	2,049	(2,049)	462,212	7,829	22,550	431,833
Forward purchase contracts	8	(16)	254,848	54,015	200,833	-
Forward sales contracts	1,034	(10)	254,848	54,001	199,840	1,007
Total	3,091	(2,075)	971,908	115,845	423,223	432,840

Derivatives are valued at level 2 based on quoted forward rates.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2022 (unaudited)

32 LIQUIDITY COVERAGE RATIO

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is applicable from January 1, 2015 with a minimum ratio of 60% and increasing by 10% every year thereafter till it reaches a minimum required level of 100% on 1 January, 2020.

	September 2022		September 2021	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
High quality liquid assets				
Total High Quality Liquid Assets (HQLA)	-	559,090	-	635,997
Cash outflows				
Stable deposits	419,150	12,575	647,604	32,380
Less stable deposits	328,402	32,840	131,110	13,111
Retail deposits and deposits from small business customers	747,552	45,415	778,714	45,491
Unsecured wholesale funding, of which:				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,299,254	476,807	1,229,623	488,512
Additional requirements, of which:				
Credit and liquidity facilities	29,186	2,919	50,690	5,069
Other contractual funding obligations	31,275	1,564	-	1,437
Other contingent funding obligations	483,477	120,495	408,649	54,476
Total cash outflows	2,590,744	647,200	2,467,676	594,985
Cash inflows				
Inflows from fully performing exposures	333,637	224,230	287,772	173,307
Other cash inflows	128,809	128,809	16,116	49,346
Total cash inflows	462,446	353,039	303,888	222,653
Total high quality liquid assets	-	559,090	-	635,997
Total net cash outflows	-	294,160	-	372,332
Liquidity coverage ratio (%)	-	190.06	-	170.81

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2022 (unaudited)

33 ESTIMATES AND JUDGMENTS

Outbreak of Coronavirus (COVID-19)

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. From the latter half of Q1-2020, the economic environment and business landscape of the Bank have witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic coupled with the significant depression in the global crude oil prices. Tightening of market conditions, lockdowns, restrictions on trade and movement of people have caused significant disruptions to businesses and economic activities globally and across industries & sectors.

Government measures

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. The Central Banks in Oman and in the UAE had instituted a host of measures to protect the stability of country's economy. These measures include deferral of loan installments for the affected borrowers (particularly the corporates and SMEs), deferment and waiver of interest/profit for affected Omani nationals employed in private sector, waiver of certain fees, providing capital relief and increasing the lending ratio etc. Some of these measures have been extended until 31 October 2022.

Impact of COVID-19 on the Bank

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration has been given both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, will not automatically lead to loans being measured on the basis of lifetime losses and considerable judgment has been exercised to measure ECLs at this time. When it is not possible to reflect such information in the models, management overlays or adjustments has been considered. This is also broadly consistent with guidelines issued by other regulators within the GCC.

The central Bank of Oman has issued further IFRS 9 related guidances. These are summarized below:

- Measures related to deferment of loan repayment by a borrower may not on its own, trigger the counting of 30 "days past due" (DPD) or more backstop used to determine significant increase in credit risk (SICR) or the 90 days past due backstop used to determine default. However, Banks should continue to assess the obligor's likelihood of payment of amount due after the deferment period, and in case of SICR or credit impairment and if the same is not of a temporary nature, the risks should be recognized.
- The deferment of repayment by borrowers may indicate short term liquidity or cash flow problems and hence the deferment of loan repayment may not be a sole deciding factor for SICR or impairment until and unless Banks have sighted other supportable evidences of credit quality deterioration.
- Similarly, any covenant breach having particular relevance to Covid-19 e.g. delay in submission of audited financial accounts or any other breach, may be considered differently than normal breaches related to consistent borrower specific risk factors leading to borrowers default. This sort of breach may not necessarily and automatically trigger SICR resulting in moving accounts to Stage-2.
- Banks must develop estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration should be given both to the effects of Covid-19 coupled with oil prices and policy measures taken to stabilize the economy.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2022 (unaudited)

33 ESTIMATES AND JUDGMENTS (continued)

Impact of COVID-19 on the Bank (continued)

- For the all affected borrowers who have availed deferrals, Banks must proactively offer forbearance solutions that includes aligning their repayments to the future cash flows of the borrowers. This sort of measures may be considered differently in terms of classification and provisioning. For all the affected borrowers, whose deferral period ended by 31 December 2021, the revised terms to be finalised on or before 31 October 2022.

The bank has made appropriate impairment provisions taking note of the above guidelines.

- Nevertheless, any changes made to ECL estimates will be subject to very high levels of uncertainty, as reasonable and supportable forward-looking information may not be currently available to substantiate those changes. As such, the macro-economic forecasts applied in the ECL models couldn't be recalibrated upfront with pre-mature effects of Covid-19 and support measures. Besides the individual and collective LGD's may also get impacted due to Covid-19 effect on market prices of collateral and guarantees. For this reason, Banks are expected to use post model adjustments and management overlays by applying multiple macroeconomic scenarios with careful application of probability weights to each of such scenarios while computing ECL on portfolio basis as prudence.
- The CBO has recently issued guidelines to allow restructuring of credit facilities to borrowers impacted by COVID 19 and who had availed deferrals to be implemented by October 31, 2022 which was extended further by 1 month. All banks & FLC's are expected to finalize the restructuring of all impacted borrowers by 31st October 2022 to continue for such cases to fall under the domain of BSD/CD & FLC's/2021/004 dated 18th November 2021. The bank is currently in discussion with such borrowers to assess and support such a restructuring.

An informal impairment forum has been established between risk and finance to estimate ECL on a periodic basis. This forum also reviews the model performance periodically and recommends any changes if required, to the BRCC for consideration/approval

Bank's retail portfolio largely comprises of nationals employed in government sector and hence this segment is expected to largely remain insulated from job cuts and salary reductions. Retail lending to private sector employees which forms a small proportion of Banks total retail portfolio is expected to witness some impact in the short to medium term due to the pandemic and hence could lead to potential credit stress. The Bank is fully committed to help its customers through this turbulent period as directed by the CBO. The Bank continued to support its customers and partners through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Supreme Committee entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Bank continually reviews its precautionary and administrative measures in response to changes on the ground.

Recalibration of IFRS 9 model

As at the first quarter 2022, the bank had refreshed its macro-economic forecast based on latest IMF estimates of the primary factors used in the model. The ECL estimates reported from Q1-22 are based on these inputs.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2022 (unaudited)

34 COMPARATIVE AMOUNTS

Certain of the corresponding figures for 2021 have been reclassified in order to conform with the presentation for the current year.