

# **National Bank of Oman SAOG**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020 (UNAUDITED)**



PO Box 751 PC 112 Ruwi Sultanate of Oman.

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## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (unaudited)

		<i>Audited</i>		
	<b>30/09/2020</b>	<b>30/09/2019</b>		
	<b>RO'000</b>	<b>RO'000</b>		
	<i>Notes</i>	<i>31/12/2019</i>		
		<i>RO'000</i>		
<b>Assets</b>				
Cash and balances with Central Banks	3	<b>213,925</b>	220,217	333,772
Due from banks and other money market placements (net)	4	<b>94,159</b>	196,267	109,376
Loans, advances and financing activities for customers (net)	5	<b>2,903,285</b>	2,774,595	2,801,557
Financial investments	6	<b>318,133</b>	300,204	292,549
Premises and equipment	7	<b>65,170</b>	66,648	66,694
Other assets	8	<b>51,619</b>	45,833	40,746
<b>Total assets</b>		<b>3,646,291</b>	3,603,764	3,644,694
<b>Liabilities</b>				
Due to banks and other money market deposits	9	<b>260,051</b>	137,179	283,786
Customers' deposits and unrestricted investment accounts	10	<b>2,577,393</b>	2,519,411	2,531,518
Euro medium term notes	11	<b>192,500</b>	308,443	192,500
Other liabilities	12	<b>74,060</b>	79,021	69,819
Taxation	13	<b>9,245</b>	14,608	13,221
<b>Total liabilities</b>		<b>3,113,249</b>	3,058,662	3,090,844
<b>Equity</b>				
Share capital		<b>162,595</b>	162,595	162,595
Share premium		<b>34,465</b>	34,465	34,465
Legal reserve		<b>54,198</b>	54,198	54,198
Other non-distributable reserves	14	<b>5,777</b>	(1,594)	3,621
Proposed cash dividend		-	-	27,316
Retained earnings		<b>160,507</b>	179,938	156,155
<b>Total shareholders' equity attributable to the equity holders of the bank</b>		<b>417,542</b>	429,602	438,350
Tier 1 perpetual bond	15	<b>115,500</b>	115,500	115,500
<b>Total equity</b>		<b>533,042</b>	545,102	553,850
<b>Total liabilities and equity</b>		<b>3,646,291</b>	3,603,764	3,644,694
<b>Contingent liabilities and commitments</b>	16	<b>530,138</b>	651,089	777,719

The interim condensed financial statements were authorised for issue on 28 October 2020 in accordance with a resolution of the Board of Directors.

Chairperson

Chief Executive Officer

The attached notes 1 to 31 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the period ended 30 September 2020 (unaudited)

	Notes	<u>Nine months ended</u>		<u>Three months ended</u>	
		<u>30 September</u>		<u>30 September</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>
Interest income	17	122,286	122,886	40,587	41,878
Interest expense	18	(57,384)	(53,444)	(18,817)	(17,103)
<b>NET INTEREST INCOME</b>		<b>64,902</b>	<b>69,442</b>	<b>21,770</b>	<b>24,775</b>
Income from Islamic financing and Investment activities		6,568	5,540	2,200	2,063
Unrestricted investment account holders' share of profit		(3,581)	(3,013)	(1,267)	(1,138)
<b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES</b>		<b>2,987</b>	<b>2,527</b>	<b>933</b>	<b>925</b>
<b>NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES</b>		<b>67,889</b>	<b>71,969</b>	<b>22,703</b>	<b>25,700</b>
Other operating income	19	20,276	25,743	6,029	7,664
<b>OPERATING INCOME</b>		<b>88,165</b>	<b>97,712</b>	<b>28,732</b>	<b>33,364</b>
Staff costs		(28,949)	(28,504)	(9,568)	(10,052)
Other operating expenses	20	(14,106)	(14,584)	(4,430)	(5,033)
Depreciation	7	(4,942)	(3,397)	(1,696)	(1,152)
<b>OPERATING EXPENSES</b>		<b>(47,997)</b>	<b>(46,485)</b>	<b>(15,694)</b>	<b>(16,237)</b>
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>		<b>40,168</b>	<b>51,227</b>	<b>13,038</b>	<b>17,127</b>
<b>TOTAL IMPAIRMENT LOSSES (NET)</b>	21.4	<b>(20,011)</b>	<b>(6,061)</b>	<b>(10,643)</b>	<b>(1,812)</b>
<b>PROFIT BEFORE TAX</b>		<b>20,157</b>	<b>45,166</b>	<b>2,395</b>	<b>15,315</b>
Taxation	13	(3,300)	(6,877)	(563)	(2,307)
<b>PROFIT FOR THE PERIOD</b>		<b>16,857</b>	<b>38,289</b>	<b>1,832</b>	<b>13,008</b>
<b>OTHER COMPREHENSIVE EXPENSES</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income		(5,265)	(1,336)	387	1,362
<b>Items that will be reclassified subsequently to profit or loss</b>					
Debt instruments at fair value through other comprehensive income		(418)	411	(57)	128
Tax effect of net results on FVOCI financial investments		501	(210)	(108)	(98)
<b>OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(5,182)</b>	<b>(1,135)</b>	<b>222</b>	<b>1,392</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>11,675</b>	<b>37,154</b>	<b>2,054</b>	<b>14,400</b>
Earnings per share:					
Basic and diluted, earnings for the period attributable to equity holders		0.008	0.022	0.001	0.009

The attached notes 1 to 31 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**For the period ended 30 September 2020 (unaudited)**

	Notes	Nine months ended	
		30 September 2020 RO'000	2019 RO'000
<b>Profit before taxation</b>		<b>20,157</b>	45,166
Adjustments for:			
Depreciation	7	4,942	3,397
Provision for credit losses (net)		26,205	11,834
Release of credit losses for loans and advances to banks/Investments (net)		(449)	(137)
Profit on sale of premises and equipment		(5)	(7)
Loss on sale of trading investments		84	69
Dividend income		(1,517)	(1,183)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>49,417</b>	59,139
Decrease/ (increase) in due from and other money market deposits		30,438	(7,925)
Increase/(Decrease) in due to and other money market placements		51,971	(15,374)
(Increase)/Decrease in loans and advances to customers		(127,933)	23,064
(Increase)/Decrease in other assets		(10,873)	8,181
Increase in customer deposits		45,875	67,029
Increase/(Decrease) in other liabilities		4,241	(14,823)
<b>Cash from operations</b>		<b>43,136</b>	119,291
Tax paid		(7,666)	(1,953)
<b>Net cash from operating activities</b>		<b>35,470</b>	117,338
<b>Investing activities</b>			
Purchase of investments		(39,176)	(70,085)
Proceeds from sale of investments		8,387	275
Purchase of premises and equipment	7	(3,420)	(2,413)
Disposal of premises and equipment		10	94
Translation difference in premises & equipment & Tax		1	4
Dividend income	19	1,517	1,183
<b>Net cash used in investing activities</b>		<b>(32,681)</b>	(70,942)
<b>Financing activities</b>			
Payment of dividend		(27,316)	(26,015)
Repayment of Subordinated debt		-	(17,000)
Loss on investment through profit or loss		(619)	-
Interest on Tier 1 perpetual bond		(4,548)	(4,548)
<b>Net cash used in financing activities</b>		<b>(32,483)</b>	(47,563)
Decrease in cash and cash equivalents		(29,694)	(1,167)
Cash and cash equivalents at the beginning of the period		261,314	255,486
<b>Cash and cash equivalents at the end of the period</b>		<b>231,620</b>	254,319
<b>Representing:</b>			
Cash and balances with Central Bank	3	213,425	219,717
Due from Bank (maturing within 3 months)		89,598	164,080
Due to Bank (maturing within 3 months)		(71,403)	(129,478)
		<b>231,620</b>	254,319

The attached notes 1 to 31 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**
**As at 30 September 2020 (unaudited)**
*(RO'000)*

	<i>Share capital</i>	<i>Share premium reserve</i>	<i>Legal reserve</i>	<i>Other non-distributable reserves</i>	<i>Proposed cash dividend</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Tier 1 perpetual bond</i>	<i>Total</i>
<b>Balance at 1 January 2020</b>	<b>162,595</b>	<b>34,465</b>	<b>54,198</b>	<b>3,621</b>	<b>27,316</b>	<b>156,155</b>	<b>438,350</b>	<b>115,500</b>	<b>553,850</b>
Total comprehensive income for the period	-	-	-	(5,182)	-	16,857	11,675	-	11,675
Net losses on de-recognition of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(619)	(619)	-	(619)
Dividend paid during the period	-	-	-	-	(27,316)	-	(27,316)	-	(27,316)
Payment of tier 1 perpetual bond	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Transfer to impairment reserve	-	-	-	7,338	-	(7,338)	-	-	-
<b>Balance at 30 September 2020</b>	<b>162,595</b>	<b>34,465</b>	<b>54,198</b>	<b>5,777</b>	<b>-</b>	<b>160,507</b>	<b>417,542</b>	<b>115,500</b>	<b>533,042</b>
Balance at 1 January 2019	162,595	34,465	54,198	16,541	26,015	127,176	420,990	115,500	536,490
Total comprehensive income for the period	-	-	-	(1,135)	-	38,289	37,154	-	37,154
Payment of tier 1 perpetual bond	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Reversal of WHT on tier 1 perpetual bond	-	-	-	-	-	2,021	2,021	-	2,021
Transfer to retained earnings	-	-	-	(17,000)	-	17,000	-	-	-
Dividend paid during the period	-	-	-	-	(26,015)	-	(26,015)	-	(26,015)
Balance at 30 September 2019	162,595	34,465	54,198	(1,594)	-	179,938	429,602	115,500	545,102
Balance at 01 October 2019	162,595	34,465	54,198	(1,594)	-	179,938	429,602	115,500	545,102
Total comprehensive income for the period	-	-	-	154	-	13,142	13,296	-	13,296
Payment of tier 1 perpetual bond	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Transfer to impairment reserve	-	-	-	5,061	-	(5,061)	-	-	-
Proposed dividend	-	-	-	-	27,316	(27,316)	-	-	-
Balance at 31 December 2019	162,595	34,465	54,198	3,621	27,316	156,155	438,350	115,500	553,850

\*Transfers to legal reserve are made on an annual basis.

The attached notes 1 to 31 form part of the interim condensed financial statements.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

### 30 September 2020 (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 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 licences 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 2020. The bank is head quartered in Muscat and its registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The bank has a primary listing on the Muscat Stock Exchange. Its bonds and AT1 capital instruments are listed in the Irish Stock exchange.

The bank employed 1,580 employees as of 30 September 2020 (30 September 2019 – 1,581 employees / 31 December 2019 - 1,593).

#### 2 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim 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"). 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 2019.

The condensed interim 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 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The condensed interim 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 revaluation of freehold land and buildings, 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 31).

#### **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS "IFRS"**

- (a) Definition of a Business – Amendments to IFRS 3 (Effective from 1 January 2020)
- (b) Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (Effective from 1 January 2020)
- (c) Definition of Material – Amendments to IAS 1 and IAS 8 (Effective from 1 January 2020)
- (d) The Conceptual Framework for Financial Reporting (Effective from 1 January 2020)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 September 2020 (unaudited)**

**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<b>30/09/2020</b>	30/09/2019	31/12/2019
	<b>RO'000</b>	RO'000	RO'000
Cash	<b>42,471</b>	44,997	43,863
Treasury bills	<b>38,000</b>	166	2,000
Certificate of Deposit with Central Banks	-	13,102	5,241
Other balances with Central Banks	<b>132,954</b>	161,452	282,168
<b>Cash and cash equivalents</b>	<b>213,425</b>	219,717	333,272
Capital deposit with Central Bank of Oman	<b>500</b>	500	500
<b>Cash and balances with Central Banks</b>	<b>213,925</b>	220,217	333,772

- (i) At 30 September 2020, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (30 September 2019: RO 500,000, 31 December 2019 –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 2020 is 3% of total deposits and for Central bank of UAE, is 1% of time deposits and 14% 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)**

	<b>30/09/2020</b>	30/09/2019	31/12/2019
	<b>RO'000</b>	RO'000	RO'000
Loans and advances to banks	<b>11,743</b>	12,281	25,371
Placements with bank	<b>10,214</b>	149,743	46,145
Demand balances	<b>72,286</b>	34,614	38,331
<b>Due from banks and other money market placement</b>	<b>94,243</b>	196,638	109,847
Less: allowance for credit losses	<b>(84)</b>	(371)	(471)
<b>Net due from banks and other money market placement</b>	<b>94,159</b>	196,267	109,376

Movement in allowances for the credit losses is set out below:

	<b>9 months ended</b>	9 months ended	12 months ended
	<b>30/09/2020</b>	30/09/2019	31/12/2019
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period / year	<b>471</b>	379	379
(Released)/provided during the period / year	<b>(387)</b>	(8)	92
Balance at end of period / year	<b>84</b>	371	471

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 September 2020 (unaudited)**

**5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET)**

	<i>30/09/2020</i>	<i>30/09/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Overdrafts	<b>98,738</b>	99,162	107,387
Personal loans	<b>1,399,355</b>	1,381,460	1,362,833
Other loans	<b>1,547,788</b>	1,438,481	1,449,626
Gross loans, advances and financing activities for customers	<b>3,045,881</b>	2,919,103	2,919,846
Less: allowance for credit losses	<b>(142,596)</b>	(144,508)	(118,289)
Net loans and advances	<b>2,903,285</b>	2,774,595	2,801,557

Gross loans, advances and financing activities for customers include RO 113 million due from related parties at 30 September 2020 (30 September 2019 – RO 135 million, 31 December 2019 – RO 140 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 month ended</i>	<i>12 months ended</i>
	<i>30/09/2020</i>	<i>30/09/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	<b>118,289</b>	130,378	130,378
Provided during the period / year	<b>31,060</b>	21,748	25,729
Recovered/ released during the period / year	<b>(2,731)</b>	(2,715)	(3,303)
Written off during the period / year	<b>(4,015)</b>	(4,918)	(34,532)
Translation difference	<b>(7)</b>	15	17
Balance at end of period / year	<b>142,596</b>	144,508	118,289

Recovered/released during the period/year includes recovery of reserved interest for 30 September 2020 at RO 680 thousands (30 September 2019 – RO 1.3 million and 31 December 2019 – RO 1.6 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 2020 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 169 million (30 September 2019 – RO 162 million and 31 December 2019 – RO 144 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**30 September 2020 (unaudited)**
**6 FINANCIAL INVESTMENTS**

	Carrying value 30/09/2020 RO'000	Carrying value 30/09/2019 RO'000	Carrying value 31/12/2019 RO'000
<b>Investment measured at Fair Value through Profit and loss(FVPL)</b>			
<b>Quoted investments – Oman</b>			
Banking and investment sector	4,636	4,982	4,660
<b>Total</b>	<b>4,636</b>	<b>4,982</b>	<b>4,660</b>
<b>Quoted investments – Foreign</b>			
Banking and investment sector	373	397	392
<b>Total</b>	<b>373</b>	<b>397</b>	<b>392</b>
<b>Unquoted investments</b>			
Banking and investment sector	2,487	2,452	2,522
<b>Total</b>	<b>2,487</b>	<b>2,452</b>	<b>2,522</b>
<b>Total Fair value through profit and loss</b>	<b>7,496</b>	<b>7,831</b>	<b>7,574</b>
<b>Investment measured at Fair Value through Other Comprehensive Income (FVOCI)</b>			
<b>Quoted investments – Oman</b>			
Manufacturing sector	1,040	1,673	1,273
Service sector	10,734	17,999	11,295
Banking and investment sector	550	-	680
<b>Total</b>	<b>12,324</b>	<b>19,672</b>	<b>13,248</b>
<b>Quoted investments – Foreign</b>			
Banking and investment sector	16,717	17,328	19,734
<b>Total</b>	<b>16,717</b>	<b>17,328</b>	<b>19,734</b>
<b>Unquoted investments</b>			
Banking and investment sector	288	295	295
Service sector	67	36	36
<b>Total</b>	<b>355</b>	<b>331</b>	<b>331</b>
<b>Total FVOCI – Equity instruments</b>	<b>29,396</b>	<b>37,331</b>	<b>33,313</b>
<b>Debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI)</b>			
<b>Quoted investments – Oman</b>			
Government Development Bonds	3,544	3,794	3,969
<b>Total FVOCI – Debt instruments</b>	<b>3,544</b>	<b>3,794</b>	<b>3,969</b>
<b>Total FVOCI</b>	<b>32,940</b>	<b>41,125</b>	<b>37,282</b>
<b>Investment measured at amortised cost</b>			
<b>Quoted investments – Oman</b>			
Government Development Bonds	240,861	224,369	217,204
Government Sukuk	16,440	6,798	10,476
Banking and investment sector	550	550	550
Manufacturing sector	5,775	5,775	5,775
Service sector	9,750	9,343	9,348
<b>Total</b>	<b>273,376</b>	<b>246,835</b>	<b>243,353</b>
<b>Quoted investments – Foreign</b>			
Government Development Bonds	4,767	4,874	4,847
<b>Total</b>	<b>4,767</b>	<b>4,874</b>	<b>4,847</b>
<b>Total amortised cost</b>	<b>278,143</b>	<b>251,709</b>	<b>248,200</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>318,579</b>	<b>300,665</b>	<b>293,056</b>
Less: Impairment	(446)	(461)	(507)
<b>NET FINANCIAL INVESTMENTS</b>	<b>318,133</b>	<b>300,204</b>	<b>292,549</b>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2020 (unaudited)

### 6 FINANCIAL INVESTMENTS (continued)

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

	9 months ended 30/09/2020 RO'000	9 months ended 30/09/2019 RO'000	12 months ended 31/12/2019 RO'000
Balance at the beginning of the period/year	507	591	591
Released during the period/year	(61)	(130)	(84)
Balance at the end of the period/year	<b>446</b>	461	507

#### Details of significant investments

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

	<i>Bank's portfolio</i> %	<i>Carrying value</i> RO'000
<b>30 September 2020</b>		
Government Development Bonds and sukuks-Oman	<b>82.0</b>	<b>260,846</b>
<b>30 September 2019</b>		
Government Development Bonds and sukuks-Oman	78.2	234,961
<b>31 December 2019</b>		
Government Development Bonds and sukuks-Oman	79.0	231,651

### 7 PREMISES AND EQUIPMENT

	<i>Freehold land and buildings and leasehold improvements</i> RO'000	<i>Motor vehicles, furniture and equipment</i> RO'000	<i>Capital work in progress</i> RO'000	<i>Right to use assets</i> RO'000	<i>Total</i> RO'000
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2020, net of accumulated depreciation	48,562	13,709	1,017	3,406	66,694
Additions	18	1,008	973	1,421	3,420
Disposals	-	(4)	-	-	(4)
Transfers	229	518	(747)	-	-
Translation difference	2	-	-	-	2
Depreciation	(1,077)	(2,405)	-	(1,460)	(4,942)
<b>Balance at 30 September 2020, net of accumulated depreciation</b>	<b>47,734</b>	<b>12,826</b>	<b>1,243</b>	<b>3,367</b>	<b>65,170</b>
At cost	65,405	44,926	1,243	6,339	117,913
Accumulated depreciation	(17,671)	(32,100)	-	(2,972)	(52,743)
<b>Net carrying value at 30 September 2020</b>	<b>47,734</b>	<b>12,826</b>	<b>1,243</b>	<b>3,367</b>	<b>65,170</b>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2019, net of accumulated depreciation	50,054	12,040	2,266	-	64,360
Additions	3,363	787	1,611	-	5,761
Disposals	(2)	(15)	(70)	-	(87)
Transfers	-	1,415	(1,415)	-	-
Translation difference	10	1	-	-	11
Depreciation	(1,351)	(2,046)	-	-	(3,397)
<b>Balance at 30 September 2019, net of accumulated depreciation</b>	<b>52,074</b>	<b>12,182</b>	<b>2,392</b>	<b>-</b>	<b>66,648</b>
At cost	68,381	42,736	2,392	-	113,509
Accumulated depreciation	(16,307)	(30,554)	-	-	(46,861)
<b>Net carrying value at 30 September 2019</b>	<b>52,074</b>	<b>12,182</b>	<b>2,392</b>	<b>-</b>	<b>66,648</b>
<b>Net carrying value at 31 December 2019</b>	<b>48,562</b>	<b>13,709</b>	<b>1,017</b>	<b>3,406</b>	<b>66,694</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**7 PREMISES AND EQUIPMENT (continued)**

Set out below are the carrying amount of lease liabilities (included under other liabilities and the movement during the period.

<b>Particular</b>	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>31/12/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Right to use lease liabilities at reporting date	<b>3,367</b>	-	3,406
Less: Prepaid expenses	<b>(772)</b>	-	(613)
Balance at end of period/year	<b>2,595</b>	-	2,793

**8 OTHER ASSETS**

	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>31/12/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest receivable and others	<b>26,981</b>	19,699	23,195
Positive fair value of derivatives (note 29)	<b>5,623</b>	3,747	2,644
Customers' indebtedness for acceptances (note 12)	<b>18,957</b>	22,387	14,907
Deferred tax (note 13)	<b>58</b>	-	-
	<b>51,619</b>	45,833	40,746

**9 DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS**

	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>31/12/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Borrowings	<b>254,050</b>	132,860	280,280
Other balances	<b>6,001</b>	4,319	3,506
	<b>260,051</b>	137,179	283,786

Borrowings include RO 48.8 million borrowed under repurchased agreements

**10 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS**

	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>31/12/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Current accounts	<b>932,448</b>	894,442	879,011
Savings accounts	<b>635,967</b>	594,632	599,098
Term deposits	<b>1,008,978</b>	1,030,337	1,053,409
	<b>2,577,393</b>	2,519,411	2,531,518

**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.

As at reporting period end, the bank had the following issuances:

	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>31/12/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Issuance made in year 2014 matured in 2019	-	115,500	-
Issuance made in year 2018 maturing in 2023	<b>192,500</b>	192,500	192,500
Total	<b>192,500</b>	308,000	192,500

The carrying amount of EMTN was stated after taking into account the amount of MTM value of the fair value hedge (note 29), as applicable.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**12 OTHER LIABILITIES**

	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>31/12/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest payable and other accruals	<b>44,236</b>	47,192	44,367
Lease liabilities for right to use assets (note 7)	<b>2,595</b>	-	2,793
Allowances for credit losses for loan Commitments and Financial Guarantees(refer below)	<b>3,801</b>	7,350	6,026
Negative fair value of derivatives (note 29)	<b>4,471</b>	1,864	1,394
Liabilities under acceptances (note 8)	<b>18,957</b>	22,387	14,907
Deferred Tax Liability (note 12)	-	228	332
	<b>74,060</b>	79,021	69,819

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

	<b>9 months</b>	<b>9 months</b>	<b>12 months</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>31/12/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Balance at beginning of period / year	<b>6,026</b>	9,223	9,223
Provided/(released) during the period / year	<b>(2,225)</b>	(1,873)	(3,197)
Balance at end of period / year	<b>3,801</b>	7,350	6,026

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**30 September 2020 (unaudited)**
**13 TAXATION**

	<i>30/09/2020</i> <i>RO'000</i>	<i>30/09/2019</i> <i>RO'000</i>	<i>31/12/2019</i> <i>RO'000</i>
<b>Statement of comprehensive income</b>			
Current tax expense for the period/year	<b>3,189</b>	6,161	4,783
Deferred tax (income)/ expenses	<b>111</b>	716	740
	<b>3,300</b>	6,877	5,523

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: 20% of taxable income

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

	<i>30/09/2020</i> <i>RO'000</i>	<i>30/09/2019</i> <i>RO'000</i>	<i>31/12/2019</i> <i>RO'000</i>
Accounting profit	<b>20,157</b>	45,166	56,954
Tax at applicable rate	<b>3,025</b>	6,775	8,543
Non-deductible expenses	<b>491</b>	506	705
Tax exempt revenues	<b>(368)</b>	(473)	(497)
Tax allowance related to previous years	-	-	(3,563)
Others	<b>41</b>	(647)	(405)
	<b>3,189</b>	6,161	4,783

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

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 2017.

	<i>30/09/2020</i> <i>RO'000</i>	<i>30/09/2019</i> <i>RO'000</i>	<i>31/12/2019</i> <i>RO'000</i>
<b>Tax liability</b>			
Income tax and other taxes – Current period/year	<b>3,189</b>	6,161	4,783
Income tax and other taxes – Prior years	<b>6,056</b>	8,447	8,438
	<b>9,245</b>	14,608	13,221

	<i>30/09/2020</i> <i>RO'000</i>	<i>30/09/2019</i> <i>RO'000</i>	<i>31/12/2019</i> <i>RO'000</i>
<b>Recognised deferred tax assets / (liabilities)</b>			
Deferred tax assets are attributable to the following:			
Provisions -timing difference through comprehensive income	<b>(101)</b>	34	10
Fair Value through other comprehensive income (FVOCI)	<b>159</b>	(262)	(342)
	<b>58</b>	(228)	(332)

	<i>30/06/2020</i> <i>RO'000</i>	<i>30/06/2019</i> <i>RO'000</i>	<i>31/12/2019</i> <i>RO'000</i>
<b>Movement of deferred tax asset/ (liability)</b>			
Balance at the beginning of the year	<b>(332)</b>	734	734
Charge /(reversal) during the period/year through comprehensive income	<b>(111)</b>	(716)	(740)
Tax effect of movement in FVOCI investments	<b>501</b>	(246)	(326)
	<b>58</b>	(228)	(332)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**14 OTHER NON-DISTRIBUTABLE RESERVES**

	<i>FVOCI reserve RO '000</i>	<i>Revaluation reserve RO '000</i>	<i>Impairment Reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2020	(5,825)	4,385	5,061	3,621
Net movement on FVOCI	(5,683)	-	-	(5,683)
Transfer to impairment reserve	-	-	7,338	7,338
Tax effect of net losses on FVOCI	501	-	-	501
<b>At 30 September 2020</b>	<b>(11,007)</b>	<b>4,385</b>	<b>12,399</b>	<b>5,777</b>
At 30 September 2019	(5,979)	4,385	-	(1,594)
At 31 December 2019	(5,825)	4,385	5,061	3,621

- (i) The revaluation reserve represents the surplus on revaluation of building and is not available for distribution until the related assets have been disposed off or used.
- (ii) 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, in 2015 issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities"), amounting to RO 115,500,000. (USD 300,000,000)

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 18 November 2020 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the Central Bank of Oman.

The Tier 1 Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.875% which is the aggregate of margin and 5 year mid-swap rate that was prevailing at the time of issuance. The mid-swap rate will be reset at end of every fifth year. Interest is payable semi-annually in arrears and treated as deduction from equity. Interest is non-cumulative and payable at the bank's discretion.

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>30/09/2020 RO'000</i>	<i>30/09/2019 RO'000</i>	<i>31/12/2019 RO'000</i>
Guarantees	290,649	356,535	347,599
Documentary letters of credit	44,596	97,729	128,168
Undrawn commitment to lend	194,893	196,825	301,952
	<b>530,138</b>	<b>651,089</b>	<b>777,719</b>

(i) The allowances for credit losses for commitments and financial guarantees amounts to RO 3.8 million (30 September 2019 – RO 7.4 million and 31 December 2019 – RO 6.0 million) and is included under note 12.

(ii) Guarantees include RO 5.8 million (30 September 2019 – RO 4.2 million and December 2019 - 6.9 million) relating to non-performing loans.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**17 INTEREST INCOME**

	<b>9 months ended 30/09/2020 RO'000</b>	9 months ended 30/09/2019 RO'000	<b>3 months ended 30/09/2020 RO'000</b>	3 months ended 30/09/2019 RO'000
Interest from Loans & advances	<b>109,131</b>	110,318	<b>36,374</b>	37,195
Interest from banks	<b>1,714</b>	3,977	<b>162</b>	1,305
Investments	<b>11,441</b>	8,591	<b>4,051</b>	3,378
	<b>122,286</b>	122,886	<b>40,587</b>	41,878

**18 INTEREST EXPENSE**

	<b>9 months ended 30/09/2020 RO'000</b>	9 months ended 30/09/2019 RO'000	<b>3 months ended 30/09/2020 RO'000</b>	3 months ended 30/09/2019 RO'000
Interest to customer deposits	<b>41,263</b>	36,347	<b>14,087</b>	12,880
Interest to banks	<b>7,662</b>	6,340	<b>1,911</b>	1,374
Euro medium term notes	<b>8,459</b>	10,757	<b>2,819</b>	2,849
	<b>57,384</b>	53,444	<b>18,817</b>	17,103

**19 OTHER OPERATING INCOME**

	<b>9 months ended 30/09/2020 RO'000</b>	9 months ended 30/09/2019 RO'000	<b>3 months ended 30/09/2020 RO'000</b>	3 months ended 30/09/2019 RO'000
Net gains from foreign exchange dealings	<b>5,336</b>	5,069	<b>1,400</b>	1,793
Fees and commissions	<b>9,500</b>	14,575	<b>3,006</b>	4,205
(Loss)/Income on trading investments	<b>(84)</b>	(69)	<b>287</b>	(91)
Dividend income	<b>1,517</b>	1,183	<b>29</b>	25
Service charges	<b>3,178</b>	3,884	<b>1,097</b>	1,255
Miscellaneous income	<b>829</b>	1,101	<b>210</b>	477
	<b>20,276</b>	25,743	<b>6,029</b>	7,664

**20 OTHER OPERATING EXPENSES**

	<b>9 months ended 30/09/2020 RO'000</b>	9 months ended 30/09/2019 RO'000	<b>3 months ended 30/09/2020 RO'000</b>	3 months ended 30/09/2019 RO'000
Establishment costs	<b>3,113</b>	4,603	<b>1,056</b>	1,589
Operating and administration expenses	<b>10,793</b>	9,799	<b>3,315</b>	3,373
Directors remuneration and sitting fees	<b>200</b>	182	<b>59</b>	71
	<b>14,106</b>	14,584	<b>4,430</b>	5,033

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

**21.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2020:**

**Impairment charge and provision held as of 30 September 2020**

*Amounts in RO'000*

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	20,801	NA
Provisions required as per CBO norms/ held as per IFRS 9	159,206	146,927	(12,279)
Gross non-performing loan ratio (percentage)	-	5.55	5.55
Net non-performing loan ratio (percentage)	-	5.06	5.06

**Mapping of IFRS 9 and CBO norms**

*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	2,285,198	32,774	11,021	21,753	2,274,177	-
	Stage 2	492,232	4,765	9,608	(4,843)	482,624	-
	Stage 3	-	-	-	-	-	-
<b>Subtotal</b>		<b>2,777,430</b>	<b>37,539</b>	<b>20,629</b>	<b>16,910</b>	<b>2,756,801</b>	<b>-</b>
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	99,453	971	13,220	(12,249)	86,233	-
	Stage 3	-	-	-	-	-	-
<b>Subtotal</b>		<b>99,453</b>	<b>971</b>	<b>13,220</b>	<b>(12,249)</b>	<b>86,233</b>	<b>-</b>
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	10,652	2,644	4,290	(1,567)	6,362	79
<b>Subtotal</b>		<b>10,652</b>	<b>2,644</b>	<b>4,290</b>	<b>(1,567)</b>	<b>6,362</b>	<b>79</b>
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	32,738	13,597	13,981	476	18,757	860
<b>Subtotal</b>		<b>32,738</b>	<b>13,597</b>	<b>13,981</b>	<b>476</b>	<b>18,757</b>	<b>860</b>
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	125,608	88,911	90,477	13,039	35,129	14,605
<b>Subtotal</b>		<b>125,608</b>	<b>88,911</b>	<b>90,477</b>	<b>13,039</b>	<b>35,129</b>	<b>14,605</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	579,388	-	1,448	(1,448)	577,940	-
	Stage 2	123,260	-	2,882	(2,882)	120,378	-
	Stage 3	-	-	-	-	-	-
<b>Subtotal</b>		<b>702,648</b>	<b>-</b>	<b>4,330</b>	<b>(4,330)</b>	<b>698,318</b>	<b>-</b>
<b>Total</b>	Stage 1	<b>2,864,586</b>	<b>32,774</b>	<b>12,469</b>	<b>20,305</b>	<b>2,852,117</b>	<b>-</b>
	Stage 2	<b>714,945</b>	<b>5,736</b>	<b>25,710</b>	<b>(19,974)</b>	<b>689,235</b>	<b>-</b>
	Stage 3	<b>168,998</b>	<b>105,152</b>	<b>108,748</b>	<b>11,948</b>	<b>60,250</b>	<b>15,544</b>
	<b>Total</b>	<b>3,748,529</b>	<b>143,662</b>	<b>146,927</b>	<b>12,279</b>	<b>3,601,602</b>	<b>15,544</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**21.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2019:**

**Impairment charge and provision held as of 30 September 2019**

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	8,982	8,982	-
Provisions required as per CBO norms/ held as per IFRS 9	124,831	152,690	27,861
Gross non-performing loan ratio (percentage)	3.70	3.70	-
Net non-performing loan ratio (percentage)	1.46	1.49	0.03

**Mapping of IFRS 9 and CBO norms**

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	2,296,479	32,894	12,880	20,014	2,283,599	-
	Stage 2	348,265	3,884	12,181	(8,297)	336,083	-
	Stage 3	-	-	-	-	-	-
	<b>Subtotal</b>	<b>2,644,744</b>	<b>36,778</b>	<b>25,061</b>	<b>11,717</b>	<b>2,619,683</b>	<b>-</b>
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	112,527	1,179	11,980	(10,801)	100,547	-
	Stage 3	-	-	-	-	-	-
	<b>Subtotal</b>	<b>112,527</b>	<b>1,179</b>	<b>11,980</b>	<b>(10,801)</b>	<b>100,547</b>	<b>-</b>
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	17,927	3,907	7,763	(3,588)	10,165	268
	<b>Subtotal</b>	<b>17,927</b>	<b>3,907</b>	<b>7,763</b>	<b>(3,588)</b>	<b>10,165</b>	<b>268</b>
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	21,564	8,047	8,039	571	13,525	563
	<b>Subtotal</b>	<b>21,564</b>	<b>8,047</b>	<b>8,039</b>	<b>571</b>	<b>13,525</b>	<b>563</b>
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	122,341	74,920	91,665	4,115	30,676	20,861
	<b>Subtotal</b>	<b>122,341</b>	<b>74,920</b>	<b>91,665</b>	<b>4,115</b>	<b>30,676</b>	<b>20,861</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	749,119	-	1,852	(1,854)	747,265	-
	Stage 2	137,406	-	6,330	(6,330)	131,077	-
	Stage 3	-	-	-	-	-	-
	<b>Subtotal</b>	<b>886,525</b>	<b>-</b>	<b>8,182</b>	<b>(8,182)</b>	<b>878,342</b>	<b>-</b>
<b>Total</b>	Stage 1	<b>3,045,598</b>	<b>32,894</b>	<b>14,732</b>	<b>18,158</b>	<b>3,030,864</b>	<b>-</b>
	Stage 2	<b>598,198</b>	<b>5,063</b>	<b>30,491</b>	<b>(25,428)</b>	<b>567,707</b>	<b>-</b>
	Stage 3	<b>161,833</b>	<b>86,874</b>	<b>107,467</b>	<b>1,098</b>	<b>54,365</b>	<b>21,693</b>
	<b>Total</b>	<b>3,805,628</b>	<b>124,831</b>	<b>152,690</b>	<b>(6,172)</b>	<b>3,652,936</b>	<b>21,693</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**21.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2020:**

**Restructured loans**

*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	41,950	39,188	2,773	36,415	39,177	-
	Stage 3	-	-	-	-	-	-
<b>Subtotal</b>		<b>41,950</b>	<b>39,188</b>	<b>2,773</b>	<b>36,415</b>	<b>39,177</b>	<b>-</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	37,911	20,929	16,750	6,950	21,161	2,771
<b>Sub total</b>		<b>37,911</b>	<b>20,929</b>	<b>16,750</b>	<b>6,950</b>	<b>21,161</b>	<b>2,771</b>
<b>Total</b>	Stage 1	-	-	-	-	-	-
	Stage 2	<b>41,950</b>	<b>39,188</b>	<b>2,773</b>	<b>36,415</b>	<b>39,177</b>	<b>-</b>
	Stage 3	<b>37,911</b>	<b>20,929</b>	<b>16,750</b>	<b>6,950</b>	<b>21,161</b>	<b>2,771</b>
	<b>Total</b>	<b>79,861</b>	<b>60,117</b>	<b>19,523</b>	<b>43,365</b>	<b>60,338</b>	<b>2,771</b>

**21.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2019:**

**Restructured loans**

*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	60,047	677	420	257	59,627	-
	Stage 2	46,673	704	3,814	(3,110)	42,859	-
	Stage 3	-	-	-	-	-	-
<b>Subtotal</b>		<b>106,720</b>	<b>1,381</b>	<b>4,234</b>	<b>(2,853)</b>	<b>102,486</b>	<b>-</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	31,952	12,204	16,886	1,418	15,066	6,100
<b>Sub total</b>		<b>31,952</b>	<b>12,204</b>	<b>16,886</b>	<b>1,418</b>	<b>15,066</b>	<b>6,100</b>
<b>Total</b>	Stage 1	<b>60,047</b>	<b>677</b>	<b>420</b>	<b>257</b>	<b>59,627</b>	<b>-</b>
	Stage 2	<b>46,673</b>	<b>704</b>	<b>3,814</b>	<b>(3,110)</b>	<b>42,859</b>	<b>-</b>
	Stage 3	<b>31,952</b>	<b>12,204</b>	<b>16,886</b>	<b>1,418</b>	<b>15,066</b>	<b>6,100</b>
	<b>Total</b>	<b>138,672</b>	<b>13,585</b>	<b>21,120</b>	<b>(1,435)</b>	<b>117,552</b>	<b>6,100</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**21.3 Movement in Expected credit losses (ECL) as at 30 September 2020**

	<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>
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers	2,285,198	591,685	168,998	3,045,881
- Investment Securities (Debt)	318,579	-	-	318,579
- Loan Commitments and Financial Guarantees	406,878	123,260	-	530,138
- Due from Banks, Central Banks and Other Financial Assets	94,243	--	-	94,243
	<b>3,104,898</b>	<b>714,945</b>	<b>168,998</b>	<b>3,988,841</b>
<b>Opening Balance - as at 1 January 2020</b>				
- Loans and Advances to Customers	12,395	17,445	88,449	118,289
- Investment Securities (Debt)	507	-	-	507
- Loan Commitments and Financial Guarantees	1,114	4,912	-	6,026
- Due from Banks, Central Banks and Other Financial Assets	471	-	-	471
	<b>14,487</b>	<b>22,357</b>	<b>88,449</b>	<b>125,293</b>
<b>Net transfer between stages</b>				
- Loans and Advances to Customers	(1,266)	(11,506)	12,772	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	575	(575)	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	<b>(691)</b>	<b>(12,081)</b>	<b>12,772</b>	<b>-</b>
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	(103)	16,889	11,543	28,329
- Investment Securities (Debt)	(61)	-	-	(61)
- Loan Commitments and Financial Guarantees	(771)	(1,454)	-	(2,225)
- Due from Banks, Central Banks and Other Financial Assets	(387)	-	-	(387)
	<b>(1,322)</b>	<b>15,435</b>	<b>11,543</b>	<b>25,656</b>
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(4,015)	(4,015)
	<b>-</b>	<b>-</b>	<b>(4,015)</b>	<b>(4,015)</b>
<b>Closing Balance - as at 30 September 2020</b>				
- Loans and Advances to Customers	11,019	22,828	108,749	142,596
- Investment Securities (Debt)	446	-	-	446
- Loan Commitments and Financial Guarantees	918	2,883	-	3,801
- Due from Banks, Central Banks and Other Financial Assets	84	-	-	84
	<b>12,467</b>	<b>25,711</b>	<b>108,749</b>	<b>146,927</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 September 2020 (unaudited)**

**21 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**21.3 Movement in Expected credit losses (ECL) as at 30 September 2019**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RO' 000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers	2,304,998	452,272	161,833	2,919,103
- Investment Securities (Debt)	300,665	-	-	300,665
- Loan Commitments and Financial Guarantees	513,683	137,406	-	651,089
- Due from Banks, Central Banks and Other Financial Assets	196,638	-	-	196,638
	3,315,984	589,678	161,833	4,067,495
<b>Opening Balance - as at 1 January 2019</b>				
- Loans and Advances to Customers	14,542	25,868	89,968	130,378
- Investment Securities (Debt)	591	-	-	591
- Loan Commitments and Financial Guarantees	1,432	7,791	-	9,223
- Due from Banks, Central Banks and Other Financial Assets	379	-	-	379
	16,944	33,659	89,968	140,571
<b>Net transfer between stages</b>				
- Loans and Advances to Customers	720	(9,429)	8,709	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	798	(798)	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	1,518	(10,227)	8,709	-
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	(2,382)	7,723	13,692	19,033
- Investment Securities (Debt)	(130)	-	-	(130)
- Loan Commitments and Financial Guarantees	(1,210)	(663)	-	(1,873)
- Due from Banks, Central Banks and Other Financial Assets	(8)	-	-	(8)
	(3,730)	7,060	13,692	17,022
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(4,903)	(4,903)
			(4,903)	(4,903)
<b>Closing Balance - as at 30 September 2019</b>				
- Loans and Advances to Customers	12,880	24,162	107,466	144,508
- Investment Securities (Debt)	461	-	-	461
- Loan Commitments and Financial Guarantees	1,020	6,330	-	7,350
- Due from Banks, Central Banks and Other Financial Assets	371	-	-	371
	14,732	30,492	107,466	152,690

**21.4 Movement in impairment credit losses for the period ended 30 September 2020**

	<b>9 months ended</b>	<b>9 months ended</b>	<b>3 months ended</b>	<b>3 months ended</b>
	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>30/09/2020</b>	<b>30/09/2019</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>(Impairment)/reversal of impairment for credit losses:</b>				
Due from Banks	387	8	36	15
Loans and advances to customers	(26,205)	(13,707)	(14,084)	(3,973)
Investments	61	130	11	153
Financial guarantees	2,225	1,873	1,855	436
<b>Total</b>	<b>(23,532)</b>	<b>(11,696)</b>	<b>(12,182)</b>	<b>(3,369)</b>
Recoveries and releases from provision for credit losses	2,051	2,714	762	782
Recoveries and releases from loans and advances written off	1,470	2,921	776	775
<b>Total</b>	<b>3,521</b>	<b>5,635</b>	<b>1,538</b>	<b>1,557</b>
<b>Net Impairment losses</b>	<b>(20,011)</b>	<b>(6,061)</b>	<b>(10,644)</b>	<b>(1,812)</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**22 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:

	<b>9 months ended 30/09/2020 RO'000</b>	9 months ended 30/09/2019 RO'000	<b>3 months ended 30/09/2020 RO'000</b>	3 months ended 30/09/2019 RO'000
Profit after tax (RO'000s)	<b>16,857</b>	38,289	<b>1,832</b>	13,008
Less: Interest on Tier1 perpetual bond	<b>(4,548)</b>	(2,527)	-	2,021
<b>Profit attributable to shareholders</b>	<b>12,309</b>	35,762	<b>1,832</b>	15,029
Weighted average number of shares outstanding during the year (in '000s)	<b>1,625,950</b>	1,625,950	<b>1,625,950</b>	1,625,950
Earnings per share (RO)	<b>0.008</b>	0.022	<b>0.001</b>	0.009

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.

**23 ASSET LIABILITY MISMATCH**

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

	<i>Assets</i> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Mismatch</i> RO'000
<b><i>Maturities as at 30 September 2020</i></b>			
0 - 3 month	<b>738,913</b>	<b>829,381</b>	<b>(90,468)</b>
3 - 12 month	<b>336,004</b>	<b>859,244</b>	<b>(523,240)</b>
1 - 5 years	<b>859,132</b>	<b>926,231</b>	<b>(67,099)</b>
More than 5 years	<b>1,712,242</b>	<b>1,031,435</b>	<b>680,807</b>
Total	<b>3,646,291</b>	<b>3,646,291</b>	-
<b><i>Maturities as at 30 September 2019</i></b>			
0 - 3 month	854,264	959,872	(105,608)
3 - 12 month	306,181	730,469	(424,288)
1 - 5 years	718,320	883,313	(164,993)
More than 5 years	1,724,999	1,030,110	694,889
Total	3,603,764	3,603,764	-
<b><i>Maturities as at 31 December 2019</i></b>			
0 - 3 month	795,496	777,693	17,803
3 - 12 month	321,653	838,094	(516,441)
1 - 5 years	802,605	979,048	(176,443)
More than 5 years	1,724,940	1,049,859	675,081
Total	3,644,694	3,644,694	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**24 RELATED PARTY TRANSACTIONS**

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

	<b>30/09/2020</b>			<b>31/12/2019</b>		
	<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	-	112,530	112,530	-	139,556	139,556
Customers' deposits	61,290	25,461	86,751	55,522	61,529	117,051
Due from banks	176	-	176	258	9,625	9,883
Due to banks	202	-	202	358	-	358
Letters of credit, guarantees and acceptances	915	21,130	22,045	854	37,113	37,967
Standby revolving credit facility	154,000	-	154,000	77,000	-	77,000
Investments	2,095	-	2,095	2,124	-	2,124

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

	<b>30/09/2020</b>			<b>30/09/2019</b>		
	<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	19	5,278	5,297	32	5,240	5,272
Commission income	1	175	176	2	975	977
Interest expense	2,901	1,114	4,015	1,324	972	2,296
Other expenses	-	428	428	-	267	267
Senior management compensation:				<b>9 months ended</b>		9 months ended
Salaries and other short term benefits				<b>30/09/2020</b>		30/09/2019
				<b>RO'000</b>		RO'000
- Fixed				<b>2,161</b>		2,032
- Discretionary				<b>1,221</b>		1,404
				<b>3,382</b>		3,436

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**25 SHAREHOLDERS**

As of 30 September 2020, the shareholders of the bank who own 10% or more of the bank's shares:

	<i>Number of shares '000</i>	<i>% Holding</i>
The Commercial Bank of Qatar	<b>567,453</b>	<b>34.90%</b>
Suhail Bahwan Group (Holdings) LLC	<b>239,734</b>	<b>14.74%</b>
Civil Service Employees Pension Fund	<b>183,021</b>	<b>11.26%</b>

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

**26 CAPITAL ADEQUACY**

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

	<i>30/09/2020</i>	<i>30/09/2019</i>	<i>31/12/2019</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Capital base</b>			
Common equity Tier 1	<b>384,376</b>	388,008	399,336
Additional Tier 1 - capital	<b>115,500</b>	115,500	115,500
Tier 2 capital	<b>24,901</b>	36,346	29,072
Total capital base	<b>524,777</b>	539,854	543,908
<b>Risk weighted assets</b>			
Credit risk	<b>3,028,653</b>	3,022,139	2,988,435
Operational risk	<b>243,431</b>	248,285	243,431
Market risk	<b>109,082</b>	68,184	47,698
Total risk weighted assets	<b>3,381,166</b>	3,338,608	3,279,564
Common Equity Tier 1 Ratio	<b>11.4%</b>	11.6%	12.2%
Tier 1 Ratio	<b>14.8%</b>	15.1%	15.7%
Risk asset ratio (Basel II norms)	<b>15.5%</b>	16.2%	16.6%

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**27 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 customers 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.
- Commercial banking covers the mid-tier corporate and SME customers offering the entire spectrum of products to suit their business needs. It also includes international operations of UAE, Egypt and Islamic banking which offers products as per Sharia principles.
- 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 central functions are managed on a group basis and are not allocated to operating segments.

Segment information by business line is as follows:

	<i><b>Retail banking RO'000</b></i>	<i><b>Wholesale banking RO'000</b></i>	<i><b>Commercial banking RO'000</b></i>	<i><b>Funding center RO'000</b></i>	<i><b>Total RO'000</b></i>
<b>30 September 2020</b>					
Operating income/(loss)	43,595	44,499	9,135	(9,064)	88,165
Net profit/(loss)	11,896	16,835	226	(12,100)	16,857
Total assets	1,316,316	1,613,613	383,223	333,139	3,646,291
<b>30 September 2019</b>					
Operating income/(loss)	45,891	42,776	11,703	(2,658)	97,712
Net profit/(loss)	21,877	29,164	(3,421)	(9,331)	38,289
Total assets	1,295,134	1,251,572	379,339	677,719	3,603,764

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**27 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:

	<i>Oman</i>	<i>UAE</i>	<i>Egypt</i>	<i>Total</i>
<b>For the period ended 30 September 2020</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest income and Income from Islamic financing and Investment activities	66,366	1,411	112	67,889
Other operating income	19,691	573	12	20,276
<b>Operating income</b>	<b>86,057</b>	<b>1,984</b>	<b>124</b>	<b>88,165</b>
Operating expenses	(45,288)	(2,363)	(346)	(47,997)
<b>Operating profit</b>	<b>40,769</b>	<b>(379)</b>	<b>(222)</b>	<b>40,168</b>
Impairment losses (net) and taxation	(22,646)	(427)	(238)	(23,311)
<b>Segment profit for the period</b>	<b>18,123</b>	<b>(806)</b>	<b>(460)</b>	<b>16,857</b>
<b>Other information</b>				
<b>Segment assets</b>	<b>3,535,917</b>	<b>88,740</b>	<b>21,634</b>	<b>3,646,291</b>
<b>Segment capital expenses</b>	<b>1,960</b>	<b>39</b>	<b>-</b>	<b>1,999</b>

	<i>Oman</i>	<i>UAE</i>	<i>Egypt</i>	<i>Total</i>
<b>For the period ended 30 September 2019</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest income and Income from Islamic financing and Investment activities	70,196	1,380	393	71,969
Other operating income	24,500	1,051	192	25,743
<b>Operating income</b>	<b>94,696</b>	<b>2,431</b>	<b>585</b>	<b>97,712</b>
Operating expenses	(43,506)	(2,686)	(293)	(46,485)
<b>Operating profit</b>	<b>51,190</b>	<b>(255)</b>	<b>292</b>	<b>51,227</b>
Impairment losses (net) and taxation	(8,585)	(4,347)	(6)	(12,938)
<b>Segment profit for the period</b>	<b>42,605</b>	<b>(4,602)</b>	<b>286</b>	<b>38,289</b>
<b>Other information</b>				
<b>Segment assets</b>	<b>3,486,489</b>	<b>98,010</b>	<b>19,265</b>	<b>3,603,764</b>
<b>Segment capital expenses</b>	<b>2,320</b>	<b>91</b>	<b>2</b>	<b>2,413</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 September 2020 (unaudited)**

**28 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>
<b>30 September 2020</b>			
<b>Investment measured at FVTPL</b>			
Quoted equities	5,009	-	5,009
Unquoted equities	-	2,487	2,487
<b>Total</b>	<b>5,009</b>	<b>2,487</b>	<b>7,496</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	32,585	-	32,585
Unquoted equities	-	355	355
<b>Total</b>	<b>32,585</b>	<b>355</b>	<b>32,940</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>37,594</b>	<b>2,842</b>	<b>40,436</b>
<b>30 September 2019</b>			
Investment measured at FVTPL			
Quoted equities	5,379	-	5,379
Unquoted equities	-	2,452	2,452
<b>Total</b>	<b>5,379</b>	<b>2,452</b>	<b>7,831</b>
Investment measured at FVOCI			
Quoted equities	40,794	-	40,794
Unquoted equities	-	331	331
<b>Total</b>	<b>40,794</b>	<b>331</b>	<b>41,125</b>
<b>Total financial assets</b>	<b>46,173</b>	<b>2,783</b>	<b>48,956</b>
<b>31 December 2019</b>			
Investment measured at FVTPL			
Quoted equities	5,052	-	5,052
Unquoted equities	-	2,522	2,522
<b>Total</b>	<b>5,052</b>	<b>2,522</b>	<b>7,574</b>
Investment measured at FVOCI			
Quoted equities	36,951	-	36,951
Unquoted equities	-	331	331
<b>Total</b>	<b>36,951</b>	<b>331</b>	<b>37,282</b>
<b>Total financial assets</b>	<b>42,003</b>	<b>2,853</b>	<b>44,856</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 September 2020 (unaudited)**

**28 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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 re-priced 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 29).

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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### 29 DERIVATIVES

	Positive fair value (Note 8) RO'000	Negative fair value (Note 10) RO'000	Notional amount total RO'000	Notional amounts by term to maturity		
				Notional amounts by term to maturity		
				Within 3 months RO'000	3 – 12 months RO'000	Above 1 Year RO'000
<i>30 September 2020</i>						
Interest rate swaps	4,365	(4,365)	182,848	13,081	40,602	129,165
Forward foreign exchange purchase contracts	45	(61)	173,115	109,507	31,151	32,457
Forward foreign exchange sales contracts	1,213	(45)	173,115	108,870	30,800	33,445
<b>Total</b>	<b>5,623</b>	<b>(4,471)</b>	<b>529,078</b>	<b>231,458</b>	<b>102,553</b>	<b>195,067</b>
<i>30 September 2019</i>						
Fair value hedge	443	-	115,500	115,500	-	-
Interest rate swaps	1,637	(1,637)	133,285	9,400	34,746	89,139
Forward purchase contracts	62	(165)	222,791	136,268	70,863	15,660
Forward sales contracts	1,605	(62)	222,791	136,338	68,985	17,468
<b>Total</b>	<b>3,747</b>	<b>(1,864)</b>	<b>694,367</b>	<b>397,506</b>	<b>174,594</b>	<b>122,267</b>
<i>31 December 2019</i>						
Interest rate swaps	1,179	(1,179)	131,301	13,132	55,181	62,988
Forward purchase contracts	372	(3)	242,030	57,789	53,092	131,149
Forward sales contracts	1,093	(212)	242,030	57,531	52,124	132,375
<b>Total</b>	<b>2,644</b>	<b>(1,394)</b>	<b>615,361</b>	<b>128,452</b>	<b>160,397</b>	<b>326,512</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**30 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, 2019.

	September 2020		September 2019	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
<b>High quality liquid assets</b>				
<b>Total High Quality Liquid Assets (HQLA)</b>	-	<b>484,535</b>	-	476,303
<b>Cash outflows</b>				
Stable deposits	<b>639,821</b>	<b>31,991</b>	600,870	30,044
Less stable deposits	<b>129,215</b>	<b>12,922</b>	115,450	11,545
<b>Retail deposits and deposits from small business customers</b>	<b>769,036</b>	<b>44,913</b>	716,320	41,589
Unsecured wholesale funding, of which:				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	<b>965,749</b>	<b>390,156</b>	947,056	362,385
Additional requirements, of which				
Credit and liquidity facilities	<b>43,717</b>	<b>4,372</b>	13,543	1,354
Other contingent funding obligations	<b>386,645</b>	<b>34,930</b>	488,628	28,846
<b>Total cash outflows</b>	-	<b>474,371</b>	-	434,173
<b>Cash inflows</b>				
Inflows from fully performing exposures	<b>275,269</b>	<b>196,233</b>	333,272	252,038
Other cash inflows	<b>19,950</b>	<b>19,950</b>	8,324	8,324
<b>Total cash inflows</b>	<b>295,219</b>	<b>216,183</b>	341,596	260,361
<b>Total high quality liquid assets</b>	-	<b>484,535</b>	-	476,303
<b>Total net cash outflows</b>	-	<b>258,188</b>	-	173,812
<b>Liquidity coverage ratio (%)</b>	-	<b>187.67</b>	-	274.03

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2020 (unaudited)

### 31 ESTIMATES AND JUDGMENTS

#### IMPACT OF COVID-19

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

In addition, NBO's operations are partially concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. NBO is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The uncertainties caused by COVID-19, and the volatility in oil prices have required to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

NBO also updated the relevant forward-looking information of the Bank's international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective market in which it operates.

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

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

The Bank has performed an assessment of oil prices volatility and COVID-19 in line with the available guidance of the Central Bank of Oman ('CBO') and IFRS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgments as at and for the period ended 30 September 2020:

**a) Expected Credit Loss (ECL)**

For the reporting period end 30 September 2020, the Bank has updated inputs and assumptions used for the determination of expected credit losses ("ECLs") in response to uncertainties caused by COVID 19 and oil prices volatility. ECLs were estimated based on a range of forecast economic conditions as at that date. Considering that the situation is fast evolving, the Bank has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2020 (unaudited)

### 31 ESTIMATES AND JUDGMENTS (Continued)

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The Bank has decided to take a simple average of three macro economic scenarios for the purpose of estimating expected credit loss.

-Macro-economic forecast as per our existing model.

-Macro-economic forecast based on the revised GDP growth forecast by IMF for the years 2020, 2021 and 2022 (SCENARIO 1)

-Macro-economic forecast by further stressing the GDP growth based on Brent oil price at \$35 per barrel (SCENARIO 2)

The assumptions include: oil prices will range bound between \$ 35 and\$ 77/bbl ; real GDP growth between -2.8% to 7.2% and real interest rates between 8.3% and 29.8% over the next 4 years. The aforementioned values of macro-economic factors have been derived by applying equal weightings of the three scenarios, respectively. As the COVID-19 situation continues to evolve, these estimates may be reassessed and adjusted in future as impacts on specific sectors become more certain.

In addition to the assumptions outlined above, the Bank continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors. CBO has extended FS submission date and the risk team is currently in the process of upgrading risk of customer as and when received.

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

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

#### **b) Accounting for modified financing assets**

The Company has allowed delayed repayments of certain SME customers for a period of six months in line with the CBO circular issued in March 2020, in which local banks in Sultanate of Oman have been encouraged to delay loan repayments for affected sectors. The modification loss on these loans were not considered material for the period

#### **c) Liquidity risk management**

The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and currently being evaluated, as Governments around the world reel in to provide relief and mitigate the adverse effects of the

crisis. The key risk factors include:

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 September 2020 (unaudited)**

**31 ESTIMATES AND JUDGMENTS (Continued)**

- Sustained periods of low oil prices combined with drastically lower economic output will lead to constraints on the Banking sector's funding capabilities and liquidity management;
- Potential rise in the cost of funds due to reduced deposit inflows from the general public and government entities; and
- Weakened credit outlook will have a negative impact on lending, which will further contribute to a slowdown in economic growth.

**d) Fair value measurement of financial instruments**

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 33 to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019. Given the significant impact of the COVID-19 pandemic on the global financial markets, the bank is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.