

# BANK NIZWA SAOG

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## Statement of sources and uses of charity fund

31 March 2021 (Un-audited)

	RO'000
<b>Sources of charity funds</b>	
Undistributed charity funds and total source at 1 January 2020	-
Sharia non-compliant income	7
Total source	<u>7</u>
Uses of charity funds	
Charity for welfare	-
Total use	<u>-</u>
<b>Undistributed charity funds at 31 March 2020</b>	<u>7</u>
Undistributed charity funds and total source at 1 April 2020	7
Sharia non-compliant income	31
Total source	<u>38</u>
Uses of charity funds	
Charity for welfare	38
Total use	<u>38</u>
<b>Undistributed charity funds at 31 December 2020 (Audited)</b>	<u>-</u>
Undistributed charity funds and total source at 1 January 2021	-
Sharia non-compliant income	4
Total source	<u>4</u>
Uses of charity funds	
Charity for welfare	-
Total use	<u>-</u>
<b>Undistributed charity funds at 31 March 2021</b>	<u>4</u>

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The notes 1 to 22 form an integral part of this condensed interim financial information

## Notes to the condensed interim financial information

31 March 2021 (Un-audited)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Nizwa SAOG ("the Bank") was registered in the Sultanate of Oman as a public joint stock company under registration number 1152878 on 15 August 2012. The Bank's shares are listed on the Muscat Securities Market "MSM" and its principle place of business is in Muscat, Sultanate of Oman.

The Bank's business operations commenced on 23 December 2012 and it currently operates through fourteen branches in the Sultanate under the banking license issued by the CBO on 19 December 2012.

The principal activities of the Bank are opening current, saving and investment accounts, providing Murabaha finance, Ijara financing and other Sharia compliant forms of financing as well as managing investors' money on the basis of Mudaraba in exchange for a profit share or agency in exchange for a fee, and excess profit as incentive providing commercial banking services and other investment activities.

The Bank's activities are regulated by the CBO and supervised by a Sharia Supervisory Board ("SSB") whose role is defined in Bank's Memorandum and Articles of Association.

At 31 March 2021, the Bank had 402 employees (March 2020: 391 employees).

The Bank's registered address is P O Box 1423, Postal Code 133, Muscat, Sultanate of Oman.

### 2 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation and presentation

The condensed interim financial information of the Bank for the three months period ended 31 March 2021 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), as modified by Central Bank of Oman. In line with the requirement of AAOIFI, for matters that are not covered by AAOIFI standards, the Bank uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the condensed interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed interim financial information do not contain all the information and disclosures required in the financial statements, and should be read in conjunction with the financial statements as at 31 December 2020. In addition, results of the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The condensed interim financial information is reviewed not audited. The comparatives for the condensed interim statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2020 and comparatives for the condensed interim income statement, interim condensed changes in owners' equity, cash flows and sources and uses of charity fund have been extracted from the reviewed condensed interim financial information for the period ended 31 March 2020.

#### *Significant accounting policies*

The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020, except as noted in 2.2.

#### *Functional currency*

The condensed interim financial information has been presented in Rials Omani (RO) which is the functional currency of the Bank.

The condensed interim financial information has been prepared on historical cost basis, except for the measurement at fair value of certain financial assets carried at fair value through other comprehensive income.

#### *Judgements and estimates*

The preparation of the interim condensed financial information in conformity with FAS as requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from estimates.

The basis and the methods used for critical accounting estimates and judgments adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.

#### *Financial risk management*

The financial risk management objective and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank for the year ended 31 December 2020.

## Notes to the condensed interim financial information (Continued)

31 March 2021 (Un-audited)

### 2.2 New standards, interpretations and amendments issued:

Standards, interpretations and amendments to existing standards issued effective up to the date of issuance of the Bank's financial statements are disclosed below. Based on the preliminary assessment, the Bank reasonably expects these issued standards, interpretations and amendments may not result in changes to previously reported net profit or equity, however may result in additional disclosures at year end.

FAS 30 "Impairment and credit losses" (effective 1 January 2021);

FAS 30 intends to define the accounting principles for impairment and credit losses (including expected credit losses) to be in line with ever-changing global best practices;

On adoption of FAS 30, the assets subject to credit losses will be categorised in the following three stages:

Stage 1 Performing receivables: receivables that are not significantly deteriorated in credit quality since origination. The impairment provision will be recorded based on 12 months ECL.

Stage 2 Underperforming receivables: receivables that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time ECL.

Stage 3 Impaired receivables: For receivables that are impaired, the impairment provision based on life time ECL will be recognised.

#### Impairment approach

Impairment losses will be recognised on all other financing, investment assets and exposures subject to risks other than credit risk (excluding investments carried at fair value through statement of income).

The impairment losses will be measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount will be the higher of its fair value less costs of disposal and its value in use.

#### Provision for onerous contract or commitment to acquire an asset

The Bank will recognise provision when the Bank is obligated to acquire an asset under a future commitment or contracts permissible to be entered in the future, and it is expected that the obligation under the contract or commitment is higher than the economic benefits expected to flow through acquisition of such asset. In such situation, the Bank will create a provision on this account reflecting the expected losses arising on such transaction.

FAS 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)" (effective 1 January 2021);

FAS 31 standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent;

The Bank's management has assessed the impact of the above standard on the Bank's condensed interim financial statements and based on assessment there is no significant change in respect of the principles laid out by the standard.

FAS 32 (which supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek") sets out principle for classification, measurement and presentation and disclosure of Ijarah. It defines new measurement and recognition principles for initial recognition for right-of-use assets, requirements to identify and separate Ijarah and non-Ijarah components and new measurement and recognition principles for Ijarah.

## Notes to the condensed interim financial information (Continued)

31 March 2021 (Un-audited)

### 2.2 New standards, interpretations and amendments issued (Continued):

FAS 33 "Investments in sukuk, shares and similar instruments" (effective 1 January 2021);

FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Shari'a principles. It defines the key types of instruments of Shari'a compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

FAS 35 "Risk reserves" (effective 1 January 2021); and

FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**3 CASH AND BALANCES WITH CENTRAL BANK OF OMAN**

	<i>(Un-audited)</i>	<i>(Un-audited)</i>	<i>(Audited)</i>
	<b>31 March</b>	31 March	31 December
	<b>2021</b>	2020	2020
	<b>RO'000</b>	RO'000	RO'000
Cash in hand	5,298	7,494	5,443
Balances with CBO	72,039	50,528	62,000
Capital deposit with CBO	500	500	500
	<u>77,837</u>	<u>58,522</u>	<u>67,943</u>

3.1 The capital deposit with the CBO cannot be withdrawn without its prior approval.

**4 DUE FROM BANKS AND FINANCIAL INSTITUTIONS**

	<i>(Un-audited)</i>	<i>(Un-audited)</i>	<i>(Audited)</i>
	<b>31 March</b>	31 March	31 December
	<b>2021</b>	2020	2020
	<b>RO'000</b>	RO'000	RO'000
Foreign banks – foreign currency	6,389	7,641	13,012
Less: Impairment losses	(12)	(8)	(16)
	<u>6,377</u>	<u>7,633</u>	<u>12,996</u>

**5 SALES RECEIVABLES AND OTHER RECEIVABLES – NET**

	<b>31 March 2021 (Un-audited)</b>		
	<b>Jointly-financed</b>	<b>Self-financed</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Sales receivables (Murabaha) – retail	132,054	1,980	134,034
Sales receivables (Murabaha) – corporate	120,904	-	120,904
Istisna receivables – corporate	3,961	-	3,961
Ijara rent receivables - retail	51	-	51
Ijara rent receivables – corporate	110	-	110
Credit card receivables - Ijarah service (Ujrah)	2,403	-	2,403
Gross sales receivables and other receivables	<u>259,483</u>	<u>1,980</u>	<u>261,463</u>
Less:			
Deferred profit	(27,545)	(182)	(27,727)
Less: Impairment losses	(4,448)	(18)	(4,466)
Less: Reserved profit	(422)	(2)	(424)
Net sales receivables and other receivables	<u>227,068</u>	<u>1,778</u>	<u>228,846</u>

	<b>31 March 2020 (Un-audited)</b>		
	<b>Jointly-financed</b>	<b>Self-financed</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Net sales receivables and other receivables	<u>224,095</u>	<u>1,869</u>	<u>225,963</u>

	<b>31 December 2020 (Audited)</b>		
	<b>Jointly-financed</b>	<b>Self-financed</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Net sales receivables and other receivables	<u>207,163</u>	<u>1,746</u>	<u>208,909</u>

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**6 INVESTMENT SECURITIES**

	<i>(Un-audited)</i> 31 March 2021 RO'000	<i>(Un-audited)</i> 31 March 2020 RO'000	<i>(Audited)</i> 31 December 2020 RO'000
Investment securities measured at amortised cost (note a)	2,002	2,002	2,002
Investment securities measured at FVTE (note b)	97,670	90,949	100,208
	<u>99,672</u>	<u>92,951</u>	<u>102,210</u>
Less: impairment losses	(208)	(203)	(191)
	<u>99,464</u>	<u>92,748</u>	<u>102,019</u>

**a. Investments securities measured at amortised cost**

	<b>Self-financed</b>		
	<i>(Un-audited)</i> March 2021 RO'000	<i>(Un-audited)</i> March 2020 RO'000	<i>(Audited)</i> December 2020 RO'000
Local listed Sukuk	2,002	2,002	2,002
Less: impairment losses	(23)	(11)	(23)
	<u>1,979</u>	<u>1,991</u>	<u>1,979</u>

**b. Investment securities measured at FVTE**

	<b>Jointly-financed</b>		
	<i>(Un-audited)</i> March 2021 RO'000	<i>(Un-audited)</i> March 2020 RO'000	<i>(Audited)</i> December 2020 RO'000
Financial assets at fair value through equity – debt instruments (note i)	94,952	87,812	97,482
Financial assets at fair value through equity – equity instruments (note ii)	2,718	3,137	2,726
	<u>97,670</u>	<u>90,949</u>	<u>100,208</u>
Less: impairment losses	(185)	(192)	(168)
	<u>97,485</u>	<u>90,757</u>	<u>100,040</u>

**i. Investment securities measured at FVTE – debt instruments**

	<i>(Un-audited)</i> March 2021 RO'000	<i>(Un-audited)</i> March 2020 RO'000	<i>(Audited)</i> December 2020 RO'000
<b>Quoted investments</b>			
Government Sukuk	78,289	56,904	76,374
Corporate Sukuk	3,958	3,958	3,958
<b>Unquoted investments</b>			
Government Sukuk	12,705	26,950	17,150
	<u>94,952</u>	<u>87,812</u>	<u>97,482</u>
Less: impairment losses	(185)	(192)	(168)
	<u>94,767</u>	<u>87,620</u>	<u>97,314</u>

## Notes to the condensed interim financial information (Continued)

31 March 2021 (Un-audited)

### 6 INVESTMENT SECURITIES (Continued)

#### ii. Investment securities measured at FVTE – Equity instruments

	<i>(Un-audited)</i> <b>March</b> <b>2021</b> <b>RO'000</b>	<i>(Un-audited)</i> March 2020 RO'000	<i>(Audited)</i> December 2020 RO'000
Regional un-listed funds	2,385	2,798	2,385
Regional un-listed shares	283	279	284
Local listed shares	50	60	57
	<u>2,718</u>	<u>3,137</u>	<u>2,726</u>

#### 6.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY - JOINTLY FINANCED

	<b>Jointly-financed</b> <b>March 2021 (Un-audited)</b>	
	<b>Cost</b>	<b>Fair value</b>
	<b>RO'000</b>	<b>RO'000</b>
International un-listed Sukuk	12,705	12,705
International listed Sukuk	-	-
Regional un-listed Sukuk	1,640	1,640
Regional listed Sukuk	195	206
Regional un-listed funds	4,061	2,385
Regional un-listed shares	334	283
Local rated listed Sukuk	74,548	76,443
Local Unrated listed Sukuk	3,958	3,958
Local listed shares	48	50
Less: impairment losses	-	(185)
<b>31 March 2021</b>	<u>97,489</u>	<u>97,485</u>
31 March 2020	<u>94,696</u>	<u>90,757</u>
31 December 2020 <i>(Audited)</i>	<u>100,218</u>	<u>100,040</u>

### 7 INVESTMENT IN REAL ESTATE

This represents investment in income generating industrial real estate; where 70% of the beneficial ownership is held by the Bank for a consideration of RO 14.175 million. Subsequently, the property has been leased under a master lease agreement for a period of ten years with a fixed rental amount.

Investment in real estate has been financed from Shareholders' funds and classified as self-finance investment and not included in the Mudaraba pool 'commingled pool'. All profits generated and costs in relation to the investment will be for the account of the Bank only and not subject to income distribution for the unrestricted investment account holders.

The Bank follows sales comparison and investment approach based valuation methodology and management believes that the fair value of investment in real estate is not materially different from its carrying value as at 31 March 2021. The Bank intends to sell the asset at the completion of lease agreement ending 30 June 2023. The property has been valued by an independent external valuer and the valuation has been prepared in accordance with Royal Institution of Chartered Surveyors (RICS) valuation methodology.

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**8 IJARA MUNTAHIA BITTAMLEEK - NET**

	<b>31 March 2021 (Un-audited)</b>		
	<b>Jointly-financed</b>	<b>Self-financed</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Real estate</b>			
Cost	325,757	13,885	339,642
Accumulated depreciation	(49,655)	(2,237)	(51,892)
<b>Net book value</b>	<b>276,102</b>	<b>11,648</b>	<b>287,750</b>
<b>Equipment</b>			
Cost	22,450	-	22,450
Accumulated depreciation	(8,046)	-	(8,046)
<b>Net book value</b>	<b>14,404</b>	<b>-</b>	<b>14,404</b>
<b>Total</b>			
Cost	348,207	13,885	362,092
Accumulated depreciation	(57,701)	(2,237)	(59,938)
<b>Net book value before impairment losses</b>	<b>290,506</b>	<b>11,648</b>	<b>302,154</b>
Less: impairment losses	(1,358)	(27)	(1,385)
<b>Net book value after impairment losses</b>	<b>289,148</b>	<b>11,621</b>	<b>300,769</b>

	<b>31 March 2020 (Un-audited)</b>		
	<b>Jointly-financed</b>	<b>Self-financed</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Cost	363,539	13,447	376,986
Accumulated depreciation	(65,332)	(1,809)	(67,141)
<b>Net book value before impairment losses</b>	<b>298,207</b>	<b>11,638</b>	<b>309,845</b>
Less: impairment losses	(892)	(16)	(908)
<b>Net book value after impairment losses</b>	<b>297,315</b>	<b>11,622</b>	<b>308,937</b>

	<b>31 December 2020 (Audited)</b>		
	<b>Jointly-financed</b>	<b>Self-financed</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Cost	349,646	14,035	363,681
Accumulated depreciation	(56,225)	(2,217)	(58,442)
<b>Net book value before impairment losses</b>	<b>293,421</b>	<b>11,818</b>	<b>305,239</b>
Less: impairment losses	(1,306)	(28)	(1,334)
<b>Net book value after impairment losses</b>	<b>292,115</b>	<b>11,790</b>	<b>303,905</b>



## Notes to the condensed interim financial information (Continued)

31 March 2021 (Un-audited)

### 9 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	<i>(Un-audited)</i> <b>31 March 2021 RO'000</b>	<i>(Un-audited)</i> 31 March 2020 RO'000	<i>Audited</i> 31 December 2020 RO'000
Unrestricted investment account holders	<b>350,112</b>	325,996	365,738
Investment fair value reserve	<b>40</b>	(804)	(2)
Investment risk reserve	<b>303</b>	596	355
	<b><u>350,455</u></b>	<u>325,788</u>	<u>366,091</u>

Unrestricted investment accounts comprise Mudaraba deposits accepted by the Bank. The funds received from equity of unrestricted investment accountholders have been commingled and jointly invested by the Bank.

### 10 PAID UP CAPITAL

The authorised share capital of the Bank is RO 300,000,000 and the issued and paid up capital is RO 150,000,000 divided into 1,500,000,000 shares of a nominal value of RO 0.100 each.

Aflaj Financial Investment LLC is the only shareholder which owns 10% or more of the Bank's shares. On 31 March 2021 shareholding of Aflaj Financial Investment LLC was 224,215,373 shares equivalent to 14.9% (31 March 2020: No shareholders were holding more than 10%).

### 11 OPERATING EXPENSES

	<i>(Un-audited)</i> <b>Three months ended 31 March 2021 RO'000</b>	<i>(Un-audited)</i> <b>Three months ended 31 March 2020 RO'000</b>
Rent expense	<b>239</b>	248
Advertisement	<b>313</b>	233
Maintenance expenses	<b>285</b>	220
Premises expenses	<b>32</b>	32
Government fees	<b>41</b>	41
Printing and stationery	<b>28</b>	31
Professional and consulting charges	<b>103</b>	30
Board of Directors and Sharia board expenses	<b>43</b>	32
Others	<b>736</b>	619
	<b><u>1,820</u></b>	<u>1,486</u>

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**12 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 profit. The aggregate amounts of balances with such related parties are as follows:

<b>31 March 2021 (Un-audited)</b>	<b>Principal shareholders RO'000</b>	<b>Sharia'a Board RO'000</b>	<b>Senior management RO'000</b>	<b>Total RO'000</b>
Sales receivables	7	58	156	221
Ijara Muntahia Bittamleek	419	71	1,495	1,985
Wakala Bil Istethmar	1,400	-	-	1,400
Musharaka Financing	1,822	-	-	1,822
Customers' accounts	708	1	237	946
Unrestricted investment accountholders / Customers' wakala	1,415	1	271	1,687
Wakala Deposits	65,845	-	-	65,845
<b>31 March 2020 (Un-audited)</b>				
Sales receivables	10	73	100	183
Ijara Muntahia Bittamleek	424	74	1,429	1,927
Musharaka Financing	160	-	-	160
Customers' accounts	9	2	183	194
Unrestricted investment accountholders	39	1	151	191
<b>31 December 2020 (Audited)</b>				
Sales receivables and other receivables	8	62	174	244
Ijara Muntahia Bittamleek	424	72	1,557	2,053
Wakala Bil Istethmar	1,850	-	-	1,850
Musharaka Financing	1,351	-	-	1,351
Customers' accounts	237	6	163	406
Unrestricted investment accountholders / Customers' wakala	1,674	2	268	1,944
Wakala Deposits	54,845	-	-	54,845

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

<b>Three months ended 31 March 2021 (Un-audited)</b>	<b>Principal shareholders RO'000</b>	<b>Sharia'a Board RO'000</b>	<b>Senior management RO'000</b>	<b>Total RO'000</b>
Profit income	21	2	9	32
Staff cost	-	-	675	675
Other expenses	29	15	-	44
<b>Three months ended 31 March 2020 (Un-audited)</b>				
Profit income	5	2	9	16
Staff cost	-	-	657	657
Other expenses	18	14	-	32

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**13 EARNINGS PER SHARE BASIC AND DILUTED AND NET ASSETS PER SHARE**
**a. Earnings per share**

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to ordinary shareholders is as follows:

	<i>(Un-audited)</i> 31 March 2021 RO'000	<i>(Un-audited)</i> 31 March 2020 RO'000
Earnings for the period	3,009	2,780
Weighted average number of shares outstanding during the period	<u>1,500,000,000</u>	<u>1,500,000,000</u>
<b>Earnings per share basic and diluted</b>	<b><u>0.002</u></b>	<b><u>0.002</u></b>

Earnings per share basic and diluted has been derived by dividing profit for the period attributable to the shareholders' by weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is same as the basic earnings per share.

**b. Net asset per share**

Net assets value per share is calculated by dividing the shareholders' equity at the reporting date by the number of shares outstanding.

	<i>(Un-audited)</i> 31 March 2021 RO'000	<i>(Un-audited)</i> 31 March 2020 RO'000	<i>(Un-audited)</i> 31 December 2020 RO'000
Net assets (RO)	160,844	149,030	159,688
Number of shares at reporting date	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>1,500,000,000</u>
<b>Net asset per share (RO)</b>	<b><u>0.107</u></b>	<b><u>0.099</u></b>	<b><u>0.106</u></b>

**14 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>(Un-audited)</i> 31 March 2021 RO'000	<i>(Un-audited)</i> 31 March 2020 RO'000	<i>(Audited)</i> 31 December 2020 RO'000
<b>Contingent liabilities</b>	<b>217,787</b>	135,127	225,752
<b>Commitments</b>	<b><u>111,912</u></b>	<u>172,617</u>	<u>110,834</u>
	<b><u>329,699</u></b>	<b><u>307,744</u></b>	<b><u>336,586</u></b>

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**15 SEGMENT REPORTING**

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

**Retail banking** offers various products and facilities to individual customers to meet everyday banking needs.

**Corporate banking** delivers a variety of products and services to corporate and SMEs customers that includes financing, accepting deposits, trade finance and foreign exchange.

**Treasury and investment banking** provides a full range of treasury products and services including money market and foreign exchange to the clients in addition to managing liquidity and market risk, in addition to asset management corporate advisory and investment products high net worth individuals and institutional clients.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a overall basis and are not allocated to operating segments.

Segment information is as follows:

<i>Three months ended 31 March 2021 (Un-audited)</i>	<b>Retail banking RO'000</b>	<b>Corporate banking RO'000</b>	<b>Treasury &amp; investment RO'000</b>	<b>Others RO'000</b>	<b>Total RO'000</b>
<b>Operating income</b>	4,223	5,220	984	1,010	11,437
<b>Net profit/ (loss)</b>	851	1,042	642	474	3,009
<b>Total assets</b>	435,474	591,463	197,850	27,326	1,252,113
<b>Total liabilities and unrestricted investment accountholders</b>	476,020	480,677	100,858	33,714	1,091,269
<i>Three months ended 31 March 2020 (Un-audited)</i>	<i>Retail banking RO'000</i>	<i>Corporate banking RO'000</i>	<i>Treasury &amp; investment RO'000</i>	<i>Others RO'000</i>	<i>Total RO'000</i>
<b>Operating income</b>	3,751	4,364	701	388	9,204
<b>Net profit/ (loss)</b>	581	1,824	402	(27)	2,780
<b>Total assets</b>	393,456	487,073	173,291	4,990	1,058,810
<b>Total liabilities and unrestricted investment accountholders</b>	413,383	423,664	49,303	23,430	909,780

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**16 FINANCIAL INSTRUMENTS TRANSFER BETWEEN LEVEL 1, LEVEL 2 AND LEVEL 3**

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy of investment securities during the period.

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Financial assets classified under FVOCI	95,003	2,668	-	97,671
Investment in real estate	-	-	14,175	14,175
<b>Total financial assets at 31 March 2021 (Un-audited)</b>	<b>95,003</b>	<b>2,668</b>	<b>14,175</b>	<b>111,846</b>
Total financial assets at 31 March 2020 (Un-audited)	87,812	3,137	14,175	105,124
Total financial assets at 31 December 2020 (Audited)	97,540	2,668	14,175	114,383

**17 MATURITY PROFILE OF ASSETS AND LIABILITIES**

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
<b>31 March 2021 (Un-audited)</b>						
<b>Total assets</b>	146,112	181,080	96,057	510,616	318,248	1,252,113
<b>Total liabilities, equity of unrestricted investment accountholders and owners' equity</b>	99,726	153,836	238,556	391,375	368,620	1,252,113
<b>Net gap</b>	46,386	27,244	(142,499)	119,241	(50,372)	-
<b>Cumulative net gap</b>	46,386	73,630	(68,869)	50,372	-	-

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
<b>31 March 2020 (Un-audited)</b>						
<b>Total assets</b>	128,608	168,566	95,976	401,000	264,660	1,058,810
<b>Total liabilities, equity of unrestricted investment accountholders and owners' equity</b>	66,566	184,089	185,710	316,174	306,271	1,058,810
<b>Net gap</b>	62,042	(15,523)	(89,734)	84,826	(41,611)	-
<b>Cumulative net gap</b>	62,042	46,519	(43,215)	41,611	-	-

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**17 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)**

	Due on demand and up to 30 days RO'000	More than 1month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
31 December 2020 (Audited)						
Total assets	118,732	171,779	100,942	515,897	298,909	1,206,259
Total liabilities, equity of unrestricted investment accountholders and owners' equity	140,147	151,481	172,281	386,093	356,257	1,206,259
Net gap	(21,415)	20,298	(71,339)	129,804	(57,348)	-
Cumulative net gap	(21,415)	(1,117)	(72,456)	57,348	-	-

**18 CAPITAL ADEQUACY**

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy of 11 per cent based on letter BSD/2018/1 dated 20 March 2018. Additionally, it requires to maintain a capital conservation buffer (CCB) of 2.5 per cent annually in addition to 1 per cent of prompt corrective action. However, the circular BSD/CB/2020/001 dated 18 March 2020, relaxed the CCB requirements to 1.25 per cent and accordingly the minimum capital adequacy requirement has been reduced respectively. The ratio of equity to risk weighted assets, as formulated by the Basel III, is as follows:

<b>Capital structure</b>	<b>(Un-audited) 31 March 2021 RO'000</b>	<b>(Un-audited) 31 March 2020 RO'000</b>	<b>(Audited) 31 December 2020 RO'000</b>
Tier I capital	152,870	142,298	154,967
Tier II capital	9,812	6,497	10,900
<b>Total regulatory capital</b>	<b>162,682</b>	<b>148,795</b>	<b>165,867</b>
<b>Risk weighted assets</b>			
Credit risk	1,190,776	1,051,559	1,145,255
Market risk	14,049	7,065	5,105
Operational risk	62,106	51,566	62,106
Total risk weighted assets	1,266,931	1,110,190	1,212,466
<b>Tier I capital ratio</b>	<b>12.07%</b>	12.82%	12.78%
<b>Total capital ratio</b>	<b>12.84%</b>	13.40%	13.68%
<b>Common equity Tier 1 (CET1)</b>	<b>152,870</b>	142,298	154,967
<b>Common equity Tier 1 ratio</b>	<b>12.07%</b>	12.82%	12.78%

**19 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO**

	<b>(Un-audited) 31 March 2021</b>	<b>(Un-audited) 31 March 2020</b>	<b>(Audited) 31 December 2020</b>
LCR (%)	239.49	316.31	133.83
NSFR (%)	113.52	120.86	118.98

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS**  
**(a) Standard, special mention and non-performing Financing account**  
**31 March 2021 (Un-audited)**

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	Net Amount as per CBO norms	Net Amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)
Standard	Stage 1 Stage 2 Stage 3	900,588 297,617 -	8,672 1,570 -	2,227 2,938 -	6,445 (1,368) -	891,916 296,047 -	898,361 294,679 -
Subtotal		<b>1,198,205</b>	<b>10,242</b>	<b>5,165</b>	<b>5,077</b>	<b>1,187,963</b>	<b>1,193,040</b>
Special Mention	Stage 1 Stage 2 Stage 3	34,343 131,150 -	273 1,000 -	958 8,266 -	(685) (7,266) -	34,070 130,150 -	33,385 122,884 -
Subtotal		<b>165,493</b>	<b>1,273</b>	<b>9,224</b>	<b>(7,951)</b>	<b>164,220</b>	<b>156,269</b>
Substandard	Stage 1 Stage 2 Stage 3	- - 5,092	- - 1,273	- - 1,723	- - (450)	- - 3,819	- - 3,369
Subtotal		<b>5,092</b>	<b>1,273</b>	<b>1,723</b>	<b>(450)</b>	<b>3,819</b>	<b>3,369</b>
Doubtful	Stage 1 Stage 2 Stage 3	- - 853	- - 377	- - 266	- - 111	- - 476	- - 587
Subtotal		<b>853</b>	<b>377</b>	<b>266</b>	<b>111</b>	<b>476</b>	<b>587</b>
Loss	Stage 1 Stage 2 Stage 3	- - 7,297	- - 7,275	- - 3,925	- - 3,350	- - 22	- - 3,372
Subtotal		<b>7,297</b>	<b>7,275</b>	<b>3,925</b>	<b>3,350</b>	<b>22</b>	<b>3,372</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1 Stage 2 Stage 3	101,341 2,002 -	- - -	197 23 -	(197) (23) -	101,341 2,002 -	101,144 1,979 -
Subtotal		<b>103,343</b>	<b>-</b>	<b>220</b>	<b>(220)</b>	<b>103,343</b>	<b>103,123</b>
Total	Stage 1 Stage 2 Stage 3	<b>1,036,272</b> <b>430,769</b> <b>13,242</b>	<b>8,945</b> <b>2,570</b> <b>8,925</b>	<b>3,382</b> <b>11,227</b> <b>5,914</b>	<b>5,563</b> <b>(8,657)</b> <b>3,011</b>	<b>1,027,327</b> <b>428,199</b> <b>4,317</b>	<b>1,032,890</b> <b>419,542</b> <b>7,328</b>
		<b>1,480,283</b>	<b>20,440</b>	<b>20,523</b>	<b>(83)</b>	<b>1,459,843</b>	<b>1,459,760</b>

**Notes to the condensed interim financial information (Continued)**

31 March 2020 (Un-audited)

**20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (CONTINUED)**

(a) Standard, special mention and non-performing Financing accounts (Continued)

31 December 2020 (Audited)

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	Net Amount as per CBO norms	Net Amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)
Standard	Stage 1 Stage 2 Stage 3	910,161 248,507 -	8,452 1,255 -	2,474 2,333 -	5,978 (1,078) -	901,709 247,252 -	907,687 246,174 -
Subtotal		1,158,668	9,707	4,807	4,900	1,148,961	1,153,861
Special Mention	Stage 1 Stage 2 Stage 3	36,000 132,760 -	302 988 -	1,007 7,516 -	(705) (6,528) -	35,698 131,772 -	34,993 125,244 -
Subtotal		168,760	1,290	8,523	(7,233)	167,470	160,237
Substandard	Stage 1 Stage 2 Stage 3	- - 5,689	- - 1,422	- - 1,849	- - (427)	- - 4,267	- - 3,840
Subtotal		5,689	1,422	1,849	(427)	4,267	3,840
Doubtful	Stage 1 Stage 2 Stage 3	- - 335	- - 167	- - 150	- - 17	- - 168	- - 185
Subtotal		335	167	150	17	168	185
Loss	Stage 1 Stage 2 Stage 3	- - 7,269	- - 3,169	- - 2,186	- - 983	- - 4,100	- - 5,083
Subtotal		7,269	3,169	2,186	983	4,100	5,083
Other items not covered under CBO circular BM 977 and related instructions	Stage 1 Stage 2 Stage 3	110,494 2,002 -	- - -	184 23 -	(184) (23) -	110,494 2,002 -	110,310 1,979 -
Subtotal		112,496	-	207	(207)	112,496	112,289
Total	Stage 1 Stage 2 Stage 3	1,056,655 383,269 13,293	8,754 2,243 4,758	3,665 9,872 4,185	5,089 (7,629) 573	1,047,901 381,026 8,535	1,052,990 373,397 9,108
		1,453,217	15,755	17,722	(1,967)	1,437,462	1,435,495



**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)**
**(b) Restructured accounts**

31 March 2021 (Un-audited)

Assets 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	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Reserve profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)	(8)=(3)-(5)	(9)
Classified as performing	Stage 1	25,064	202	649	(447)	24,862	24,415	-
	Stage 2	22,163	215	2,238	(2,023)	21,948	19,925	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		<b>47,227</b>	<b>417</b>	<b>2,887</b>	<b>(2,470)</b>	<b>46,810</b>	<b>44,340</b>	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	63	32	16	16	31	47	-
Sub Total		<b>63</b>	<b>32</b>	<b>16</b>	<b>16</b>	<b>31</b>	<b>47</b>	-
Total	Stage 1	25,064	202	649	(447)	24,862	24,415	-
	Stage 2	22,163	215	2,238	(2,023)	21,948	19,925	-
	Stage 3	63	32	16	16	31	47	-
		<b>47,290</b>	<b>449</b>	<b>2,903</b>	<b>(2,454)</b>	<b>46,841</b>	<b>44,387</b>	-

31 December 2020 (audited)

Assets 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	Net amount as per CBO norms*	Net amount as per IFRS 9	Reserve profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)	(8)=(3)-(5)	(9)
Classified as performing	Stage 1	26,668	224	668	(444)	26,444	26,000	-
	Stage 2	19,210	186	2,066	(1,880)	19,024	17,144	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		<b>45,878</b>	<b>410</b>	<b>2,734</b>	<b>(2,324)</b>	<b>45,468</b>	<b>43,144</b>	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	71	36	18	18	35	53	2
Sub Total		<b>71</b>	<b>36</b>	<b>18</b>	<b>18</b>	<b>35</b>	<b>53</b>	<b>2</b>
Total	Stage 1	26,668	224	668	(444)	26,444	26,000	-
	Stage 2	19,210	186	2,066	(1,880)	19,024	17,144	-
	Stage 3	71	36	18	18	35	53	2
		<b>45,949</b>	<b>446</b>	<b>2,752</b>	<b>(2,306)</b>	<b>45,503</b>	<b>43,197</b>	<b>2</b>

**(c) Non-performing financing ratio**

31 March 2021 (Un-audited)

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	<b>4,681</b>	<b>2,801</b>	<b>1,880</b>
Provisions required as per CBO norms/held as per IFRS 9	<b>20,436</b>	<b>20,523</b>	<b>(87)</b>
Gross NPA ratio	<b>0.96</b>	<b>0.96</b>	-
Net NPA ratio	<b>0.32</b>	<b>0.54</b>	<b>0.22</b>

31 December 2020 (Audited)

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	6,076	6,700	(624)
Provisions required as per CBO norms/held as per IFRS 9	15,755	17,722	(1,967)
Gross NPA ratio	0.99	0.99	-
Net NPA ratio	0.64	0.69	0.05

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)**
**(d) Movement in ECL**
**31 March 2021 (Un-audited)**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
<b>Exposure subject to ECL (Net) – as at Dec 31, 2020</b>				
Gross financing, commitments and financial guarantees	940,676	373,421	9,109	1,323,206
Investment securities	97,314	-	-	97,314
Financial assets at amortised cost	-	1,979	-	1,979
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	12,996	-	-	12,996
	<b>1,050,986</b>	<b>375,400</b>	<b>9,109</b>	<b>1,435,495</b>
<b>Net transfer between stages</b>				
Gross financing, commitments and financial guarantees	(5,746)	55,346	4,134	53,734
Investment securities	(2,362)	-	-	(2,362)
Financial assets at amortised cost	-	23	-	23
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	(6,607)	-	-	(6,607)
	<b>(14,715)</b>	<b>55,369</b>	<b>4,134</b>	<b>44,788</b>
<b>Exposure subject to ECL (gross)</b>				
<b>31 March 2021</b>				
Gross financing, commitments and financial guarantees	934,930	428,767	13,243	1,376,940
Investment securities	94,952	-	-	94,952
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	6,389	-	-	6,389
	<b>1,036,271</b>	<b>430,769</b>	<b>13,243</b>	<b>1,480,283</b>
<b>Expected Credit Loss - as at Dec 31, 2020</b>				
Gross financing, commitments and financial guarantees	(3,481)	(9,849)	(4,185)	(17,515)
Investment securities	(168)	-	-	(168)
Financial assets at amortised cost	-	(23)	-	(23)
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	(16)	-	-	(16)
	<b>(3,665)</b>	<b>(9,872)</b>	<b>(4,185)</b>	<b>(17,722)</b>
<b>Charge for the period (net)</b>				
Gross financing, commitments and financial guarantees	297	(1,355)	(1,730)	(2,788)
Investment securities	(17)	-	-	(17)
Financial assets at amortised cost	-	-	-	-
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other Financial assets	4	-	-	4
	<b>284</b>	<b>(1,355)</b>	<b>(1,730)</b>	<b>(2,801)</b>

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)**
**(d) Movement in ECL**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
<b>Closing Balance - as at 31 March 2021</b>				
Gross financing, commitments and financial guarantees	931,746	417,563	7,328	1,356,637
Investment securities	94,767	-	-	94,767
Financial assets at amortized cost	-	1,979	-	1,979
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	6,377	-	-	6,377
	<b>1,032,890</b>	<b>419,542</b>	<b>7,328</b>	<b>1,459,760</b>

31 March 2020 (Un-audited)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
<b>Exposure subject to ECL (Net) – as at Dec 31, 2019</b>				
Gross financing, commitments and financial guarantees	990,645	161,454	294	1,152,393
Investment securities	62,963	-	-	62,963
Financial assets at amortised cost	1,993	-	-	1,993
Interbank wakala investments	455	-	-	455
Due from banks, central banks and other financial assets	20,321	-	-	20,321
	<b>1,076,377</b>	<b>161,454</b>	<b>294</b>	<b>1,238,125</b>
<b>Net transfer between stages</b>				
Gross financing, commitments and financial guarantees	(45,377)	36,210	7,244	(1,923)
Investment securities	24,849	-	-	24,849
Financial assets at amortised cost	9	-	-	9
Interbank wakala investments	(455)	-	-	(455)
Due from banks, central banks and other financial assets	(12,680)	-	-	(12,680)
	<b>(33,654)</b>	<b>36,210</b>	<b>7,244</b>	<b>9,800</b>
<b>Exposure subject to ECL (gross) 31 March 2020</b>				
Gross financing, commitments and financial guarantees	945,268	197,664	7,538	1,150,470
Investment securities	87,812	-	-	87,812
Financial assets at amortised cost	2,002	-	-	2,002
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	7,641	-	-	7,641
	<b>1,042,723</b>	<b>197,664</b>	<b>7,538</b>	<b>1,247,925</b>

**Notes to the condensed interim financial information (Continued)**

31 March 2021 (Un-audited)

**20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Expected Credit Loss - as at Dec 31, 2019				
Gross financing, commitments and financial guarantees	(4,268)	(6,125)	(375)	(10,768)
Investment securities	(227)	-	-	(227)
Financial assets at amortised cost	(9)	-	-	(9)
Interbank wakala investments	(6)	-	-	(6)
Due from banks, central banks and other financial assets	(12)	-	-	(12)
	<u>(4,522)</u>	<u>(6,125)</u>	<u>(375)</u>	<u>(11,022)</u>
Charge for the period (net)				
Gross financing, commitments and financial guarantees	562	106	(1,950)	(1,282)
Investment securities	35	-	-	35
Financial assets at amortised cost	(2)	-	-	(2)
Interbank wakala investments	6	-	-	6
Due from banks, central banks and other Financial assets	4	-	-	4
	<u>605</u>	<u>106</u>	<u>(1,950)</u>	<u>(1,239)</u>
Closing Balance - as at 31 March 2020				
Gross financing, commitments and financial guarantees	941,562	191,645	5,213	1,138,420
Investment securities	87,620	-	-	87,620
Financial assets at amortized cost	1,991	-	-	1,991
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	7,633	-	-	7,633
	<u>1,038,806</u>	<u>191,645</u>	<u>5,213</u>	<u>1,235,664</u>

**21 COMPARATIVE FIGURES**

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements. Such reclassifications are immaterial and do not affect previously reported profit/(loss) or shareholders' equity.

## Notes to the condensed interim financial information (Continued)

31 March 2021 (Un-audited)

### 22 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.

To ensure continuity of business, the Bank has formed a senior management task force to monitor the situation and has activated its business continuity plan 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 31 March 2021. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is rapidly 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.

Bank 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.

Bank 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:

#### a) Expected Credit Loss (ECL)

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.

For the reporting period end 31 March 2021, 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. Considering that the situation is rapidly 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.

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 Bank has allowed deferment of financial obligation of certain customers for a period of six months in line with the CBO circular issued in March 2021. Further deferment was issued by CBO in September 2021 for a period of six months in which local banks in Sultanate of Oman have been encouraged to delay financing repayments for affected customers. The modification loss on these financing were not considered material for the period.