

BANK NIZWA SAOG

Statement of sources and uses of charity fund

30 September 2022 (Un-audited)

	RO'000
Sources of charity funds	
Undistributed charity funds and total source at 1 January 2021	-
Sharia non-compliant income	14
Total source	<u>14</u>
Uses of charity funds	
Charity for welfare	-
Total use	<u>-</u>
Undistributed charity funds at 30 September 2021	<u>14</u>
Undistributed charity funds and total source at 1 October 2021	14
Sharia non-compliant income	7
Total source	<u>21</u>
Uses of charity funds	
Charity for welfare	21
Total use	<u>21</u>
Undistributed charity funds at 31 December 2021 (Audited)	<u>-</u>
Undistributed charity funds and total source at 1 January 2022	-
Sharia non-compliant income	37
Total source	<u>37</u>
Uses of charity funds	
Charity for welfare	20
Total use	<u>20</u>
Undistributed charity funds at 30 September 2022	<u>17</u>

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

Notes to the condensed interim financial information

30 September 2022 (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 Stock Exchange "MSX" and its principal place of business is in Muscat, Sultanate of Oman.

The Bank's business operations commenced on 23 December 2012 and it currently operates through seventeen branches (September 2021: 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 30 September 2022, the Bank had 430 employees (September 2021: 412 employees).

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

The Bank has received a letter from Sohar International SAOG on 23 November 2021 on their intention to merge with the Bank. The Bank is currently going through the due diligence process after receiving CBO approval.

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 nine months period ended 30 September 2022 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 2021. In addition, results of the nine months period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The condensed interim financial information is 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 2021 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 condensed interim financial information for the period ended 30 September 2021.

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 2021, 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 2021.

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 2021.

Notes to the condensed interim financial information (Continued)*30 September 2022 (Un-audited)***2. BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES****2.2 Restatement of comparative figures**

For the year ended 31 December 2021, the Bank had adopted all of the amendments in standards issued by AAOIFI that were relevant to its operations and effective for the period beginning on 1 January 2021. However, these amendments were not adopted in the condensed interim financial information for the period ended 30 September 2021. Accordingly, the Bank has restated the effect of the new standards for the prior period condensed interim financial information for the period ended 30 September 2021. The below points summarises the impact of only those standards which led to impact on the prior period condensed interim financial information:

a) FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

The Bank had adopted FAS 31 as issued by AAOIFI on 1 January 2021. AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al- Wakala Bi Al- Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

The Bank uses wakala structure to raise funds from interbank market and from customers, and these were reported as due to banks and financial institutions and liabilities under due wakala accounts respectively as of 31 December 2020. All funds raised using wakala structure, together called “wakala pool” are comingled with the Bank’s jointly financed pool of funds based on an underlying equivalent mudaraba arrangement. This comingled pool of funds is invested in a common pool of assets in the manner which the Bank deems appropriate without laying down restrictions as to where, how and for what purpose the funds should be invested.

After adopting FAS 31 on 1 January 2021, the Wakala pool is now classified as part of the Mudaraba pool of funding under equity of investment accountholders and the profit paid on these contracts is reported as part of determination of return on investment of equity of investment accountholders.

As per the transitional provisions of FAS 31, the entity may choose not to apply this standard on existing transactions executed before 1 January 2021 and have an original contractual maturity before 31 December 2021. However as the comingled pool arrangement has been in existence for all years, the Bank has decided to apply the standard retrospectively, thereby reclassifying all transactions outstanding as of the year end and the corresponding previous year end.

The adoption of this standard has resulted in change in classification of all Wakala based funding contracts as part of equity of investment accountholders and additional associated disclosures. The impact is as shown below:

Statement of income for the year ended 30 September 2021 restated:

	(restated) (Un-audited) 30 September 2021 RO'000 Amount upon adoption of FAS 31	(previously reported) (Un-audited) 30 September 2021 RO'000 Amount before adoption of FAS 31
Statement of income (extract)		
Profit paid on Wakala	-	(16,315)
Return on unrestricted investment accountholders before the Bank’s share as Mudarib	(26,918)	(10,603)

Notes to the condensed interim financial information (Continued)
2. BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
2.2 Restatement of comparative figures (continued)
a) FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) (continued)

Statement of financial position as at 30 September 2021 restated:

	(restated) (Un-audited) 30 September 2021 RO'000 Amount upon adoption of FAS 31	(previously reported) (Un-audited) 30 September 2021 RO'000 Amount before adoption of FAS 31
Statement of Financial Position (extract)		
Assets		
Wakala Bil Istethmar – net	375,964	360,346
Other assets	9,230	24,848
Liabilities		
Inter-bank Wakala	-	47,748
Customers' Wakala	-	520,717
Equity of unrestricted investment accountholders	916,093	347,628

Statement of cash flows for the year ended 30 September 2021:

	(restated) (Un-audited) 30 September 2021 RO'000 Amount upon adoption of FAS 31	(previously reported) (Un-audited) 30 September 2021 RO'000 Amount before adoption of FAS 31
Statement of cashflow (extract)		
Assets		
Wakala Bil Istethmar – net	(63,549)	(70,503)
Other assets	(7,926)	(972)
Customers' Wakala	-	167,249
Inter-bank Wakala	-	19,250
Unrestricted investment accountholders	168,184	(18,315)

b) FAS 32 Ijarah and Ijarah muntahia bittamleek

This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions, including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard brings significant changes from its predecessor standard (FAS 8), inter alia, in the following aspects:

- a) Changes in the classification. Ijarah transactions under in this standard are classified into the following:
- i. Operating Ijarah;
 - ii. Ijarah MBT with expected transfer of ownership after the end of the Ijarah term – either through a sale or gift; and
 - iii. Ijarah MBT with gradual transfer – with gradual transfer ownership during the Ijarah term including Diminishing Musharaka Ijarah;

Notes to the condensed interim financial information (Continued)

2. BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 Restatement of comparative figures (continued)

b) FAS 32 Ijarah and Ijarah muntahia bittamleek (continued)

b. New recognition and measurement principles for initial recognition for right-of-use asset, Ijarah liability and advance payments for lessee and lessor accounting. There is a new concept of recognizing right-of-use asset and Ijarah liability for lessee accounting which was previously accounted for under FAS 8 and recognized and classified as rent expense in statement of income;

c. Requirement to identify and separate Ijarah and non-Ijarah components, if needed;

d. New recognition and measurement principles for an Ijarah MBT through gradual transfer / Diminishing Musharaka Ijarah, whereby the lessee shall recognize the ‘combined asset’ (including the right-of-use asset and the proportionate asset already owned by the lessee) whereas the lessor shall recognize the proportionate asset owned. FAS 8 requirements of recording monthly depreciation and gain and loss for such transactions are done away with;

e. Allowing effective rate of return/ profit rate method for accounting for rental income, in the hand of the lessor;

f. Testing for impairment of right-of-use asset shall be subject to requirements of FAS 30 “Impairment, Credit Losses and Onerous Commitments”; and

g. Detailed guidelines are provided for presentation and disclosures with enhanced disclosure by lessor and lessee of information as compared to previous requirements in FAS 8.

The adoption of this standard did not result in changes to the previously reported net profit or equity of the Bank. Accordingly, the Bank has decided to apply FAS 32 using the modified retrospective approach (i.e. the impact of all the eligible Ijarah contracts outstanding as of 31 December 2020) reflected in the balances as of 1 January 2021. Therefore comparative information has not been restated. The impact of the adoption of FAS 32 has resulted in an increase in the right to use assets (shown under property and equipment) and an increase in net Ijarah liability (shown under other liabilities). The lease contracts are related to the branches.

	Total assets	Total liabilities
Closing Balance (31 December 2020)	-	-
Impact on adoption:		
Right of use assets (disclosed in property and equipment)	1,963	-
Net Ijara Liability (disclosed in other liabilities)	-	1,963
Other Assets – Prepayments (disclosed in other assets)	-	(179)
Opening Balance initial application of FAS 32 on 1 January 2021	1,963	1,784

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

2. BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 Restatement of comparative figures (continued)

c) FAS 33 Investment in Sukuk, Shares and Similar Instruments

The Bank had adopted FAS 33 as issued by AAOIFI on 1 January 2021.

The objective of this standard is to set out the principles for the classification, recognition, measurement and presentation and disclosure of investment in Sukuk, shares and other similar instruments made by Islamic financial institutions (IFIs). This standard shall apply to an institution's investments whether in the form of debt or equity securities. This standard replaces FAS 25 Investment in Sukuk, shares and similar instruments.

The standard classifies investments into equity type, debt-type and other investment instruments. Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement.

Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively.

Investments in equity instruments must be at fair value and those classified as fair value through equity will be subject to impairment provisions as per FAS 30 "Impairment, Credit Losses and Onerous Commitments". In limited circumstances, where the institution is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value.

The standard has been adopted effective 1 January 2021 and is applicable on a retrospective basis. However, the cumulative effect, if any, attributable to owners' equity, equity of investment account holders relating to previous years, shall be adjusted with investments fair value pertaining to assets funded by the relevant class of stakeholders.

The Bank has already implemented FAS 30 Financial Instruments (FAS 30) considering the CBO Circular BM 1149 dated 13 April 2017.

The adoption of FAS 33 has resulted in changes in accounting policies for recognition, classification and measurement of investment in sukuk, shares and other similar instruments, however, the adoption of FAS 33 had no significant impact on any amounts previously reported in the financial statements for the year ended 31 December 2020. However, as per FAS 33 and FAS 30, the investment carried at fair value through equity shall be tested for impairment at each reporting period in accordance with FAS 30. On 1 January 2021, the Bank has performed the impairment testing and based on that they have identified RO 1,929 k impairment on certain investments. Therefore, the cumulative effect as allowed as per the standards, the Bank has transferred the impairment from investment fair value reserve to retained earnings.

Statement of changes equity and Equity of unrestricted investment accountholders impact of FAS 33 for the period ended 30 September 2021:

	(Un-audited)
	30 September 2021
	RO'000
	Amount upon adoption of FAS 33
Statement of changes in equity	
Retained earnings	(1,929)
Investment fair value reserve	1,595
Equity of unrestricted investment accountholders	334

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

2. BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.3 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 interim condensed financial information are disclosed below.

FAS 38 "Wa'ad, Khiyar and Tahawwut" (effective 1 January 2022)

AAOIFI has issued FAS 38 "Wa'ad, Khiyar and Tahawwut" in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. Wa'ad and Khiyar are used by institutions in various forms. Some are ancillary to other transactions, whereas a few are used as primary products. This standard intends to provide accounting principles for both of these, as well as the Tahawwut transactions which are normally based on Wa'ad or Khiyar, or a series or combination thereof. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The Bank is currently evaluating the impact of this standard, however, 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 39 Financial Reporting for Zakah (effective 1 January 2023)

AAOIFI has issued FAS 39 "Financial Reporting for Zakah". The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution and provides guidance on two main categories of institutions namely "institutions obliged to pay Zakah" and "institutions not obliged to pay Zakah". This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The Bank will evaluate the impact of this standard and will take into consideration and necessary adjustments accordingly.

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

3 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Audited)</i> 31 December 2021 RO'000
Cash in hand	6,979	6,163	7,168
Balances with CBO	37,632	71,037	82,360
Capital deposit with CBO	500	500	500
	<u>45,111</u>	<u>77,700</u>	<u>90,028</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> 30 September 2022 RO'000	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Audited)</i> 31 December 2021 RO'000
Foreign banks – foreign currency	7,072	10,999	5,906
Less: Impairment losses	(41)	(12)	(55)
	<u>7,031</u>	<u>10,987</u>	<u>5,851</u>

5 INTER-BANK WAKALA INVESTMENTS

	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Audited)</i> 31 December 2021 RO'000
Local banks – local currency	9,400	-	27,000
Local banks – foreign currency	17,460	-	-
Profit receivable	84	-	55
	<u>26,944</u>	<u>-</u>	<u>27,055</u>
Less: Impairment losses	(210)	-	(214)
	<u>26,734</u>	<u>-</u>	<u>26,841</u>

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

6 SALES RECEIVABLES AND OTHER RECEIVABLES – NET

	30 September 2022 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Sales receivables (Murabaha) – retail	143,327	1,796	145,123
Sales receivables (Murabaha) – corporate	152,837	-	152,837
Istisna receivables – corporate	2,335	-	2,335
Ijara rent receivables - retail	201	-	201
Ijara rent receivables – corporate	367	-	367
Credit card receivables	3,060	-	3,060
Gross sales receivables and other receivables	302,127	1,796	303,923
Less:			
Deferred profit	(27,212)	(163)	(27,375)
Less: Impairment losses	(8,840)	(14)	(8,854)
Less: Reserved profit	(158)	-	(158)
Net sales receivables and other receivables	265,917	1,619	267,536
	30 September 2021 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Net sales receivables and other receivables	229,523	1,615	231,138
	31 December 2021 (Audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Net sales receivables and other receivables	231,070	1,654	232,724

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

7 INVESTMENT SECURITIES

	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Audited)</i> 31 December 2021 RO'000
Debt instrument measured at amortised cost (note a)	2,002	2,002	2,002
Debt/equity instruments measured through equity (note b)	168,557	106,691	127,038
	<u>170,559</u>	<u>108,693</u>	<u>129,040</u>
Less: impairment losses	(712)	(209)	(716)
	<u>169,847</u>	<u>108,484</u>	<u>128,324</u>

a. Debt instrument measured at amortised cost

	Self-financed		
	<i>(Un-audited)</i> September 2022 RO'000	<i>(Un-audited)</i> September 2021 RO'000	<i>(Audited)</i> December 2021 RO'000
Local listed Sukuk	2,002	2,002	2,002
Less: impairment losses	(15)	(23)	(20)
	<u>1,987</u>	<u>1,979</u>	<u>1,982</u>

b. Debt/equity instruments measured through equity

	Jointly-financed		
	<i>(Un-audited)</i> September 2022 RO'000	<i>(Un-audited)</i> September 2021 RO'000	<i>(Audited)</i> December 2021 RO'000
Debt instruments measured through equity (note i)	166,002	103,988	124,313
Equity instruments measured through equity (note ii)	2,555	2,703	2,725
Total before impairment loss	168,557	106,691	127,038
Less: impairment losses	(697)	(186)	(696)
	<u>167,860</u>	<u>106,505</u>	<u>126,342</u>

i. Debt instruments measured through equity

	<i>(Un-audited)</i> September 2022 RO'000	<i>(Un-audited)</i> September 2021 RO'000	<i>(Audited)</i> December 2021 RO'000
Quoted investments			
Government Sukuk	121,731	80,799	84,850
Corporate Sukuk	3,698	3,938	4,206
Unquoted investments			
Government Sukuk	40,573	19,251	35,257
	<u>166,002</u>	<u>103,988</u>	<u>124,313</u>
Less: impairment losses	(697)	(186)	(696)
	<u>165,305</u>	<u>103,802</u>	<u>123,617</u>

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

7 INVESTMENT SECURITIES (Continued)
ii. Equity instruments measured through equity

	<i>(Un-audited)</i> September 2022 RO'000	<i>(Un-audited)</i> September 2021 RO'000	<i>(Audited)</i> December 2021 RO'000
Regional un-listed funds	2,346	2,495	2,491
Regional un-listed shares	189	164	198
Local listed shares	20	44	36
	<u>2,555</u>	<u>2,703</u>	<u>2,725</u>

7.1 DEBT/EQUITY INSTRUMENTS MEASURED THROUGH EQUITY

	Jointly-financed September 2022 (Un-audited)	
	Cost RO'000	Fair value RO'000
International un-listed Sukuk	39,903	39,863
International listed Sukuk	767	710
Regional un-listed Sukuk	8,909	8,837
Regional listed Sukuk	6,682	6,639
Regional un-listed funds	2,011	2,346
Regional un-listed shares	333	189
Local rated listed Sukuk	105,690	106,255
Local Unrated listed Sukuk	3,698	3,698
Local listed shares	48	20
Less: impairment losses	-	(697)
30 September 2022	<u>168,041</u>	<u>167,860</u>
30 September 2021	<u>106,441</u>	<u>106,505</u>
31 December 2021 (<i>Audited</i>)	<u>125,036</u>	<u>126,342</u>

8 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 accountholders.

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 30 September 2022. The valuation of asset is reviewed on regular basis to make necessary adjustment where required. At a minimum valuation is done at each reporting date either by engaging an external agency or through an independent internal unit.

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

9 IJARA MUNTAHIA BITTAMLEEK - NET

	30 September 2022 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Real estate			
Cost	293,211	13,292	306,503
Accumulated depreciation	(58,011)	(2,938)	(60,949)
Net book value	235,200	10,354	245,554
Equipment			
Cost	19,297	-	19,297
Accumulated depreciation	(7,384)	-	(7,384)
Net book value	11,913	-	11,913
Total			
Cost	312,508	13,292	325,800
Accumulated depreciation	(65,395)	(2,938)	(68,333)
Net book value before impairment losses	247,113	10,354	257,467
Less: impairment losses	(1,494)	(21)	(1,515)
Net book value after impairment losses	245,619	10,333	255,952

	30 September 2021 (Un-audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Cost	335,378	13,518	348,896
Accumulated depreciation	(57,406)	(2,421)	(59,827)
Net book value before impairment losses	277,972	11,097	289,069
Less: impairment losses	(2,002)	(26)	(2,028)
Net book value after impairment losses	275,970	11,071	287,041

	31 December 2021 (Audited)		
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Cost	340,450	13,535	353,985
Accumulated depreciation	(58,253)	(2,557)	(60,810)
Net book value before impairment losses	282,197	10,978	293,175
Less: impairment losses	(1,563)	(2)	(1,565)
Net book value after impairment losses	280,634	10,976	291,610

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Un-audited)</i> 30 September 2021 RO'000 Restated	<i>Audited</i> 31 December 2021 RO'000
Inter-bank Wakala	3,862	47,748	20,527
Customers' Wakala	623,823	520,717	549,330
Unrestricted investment account holders	375,469	347,423	346,665
Investment fair value reserve	82	383	347
Investment risk reserve	-	156	89
	<u>1,003,236</u>	<u>916,427</u>	<u>916,958</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.

Equity of investment accountholders' fund is commingled with Bank's and Wakala fund to form one general Mudaraba pool. This pooled fund is used to fund and invest in banking assets generating income, however no priority is granted to any party for the purpose of investments and distribution of profits.

11 PAID UP CAPITAL

The authorised share capital of the Bank is RO 300,000,000 and the issued and paid up capital is RO 220,010,538 divided into 2,236,953,032 shares of a nominal value of RO 0.098 each (30 September 2021: 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 30 September 2022 shareholding of Aflaj Financial Investment LLC was 782,933,561 shares equivalent to 35% (30 September 2021 shareholding of Aflaj Financial Investment LLC was 783,286,155 shares equivalent to 35.02%).

12 OPERATING EXPENSES

	Nine <i>months</i> <i>ended</i> 30 September 2022 RO	Nine <i>months</i> <i>ended</i> 30 September 2021 RO	<u>Quarter ended</u>	
			30 September 2022 RO	30 September 2021 RO
Advertisement	1,458	1,486	537	607
Maintenance expenses	1,014	656	363	210
Premises expenses	46	105	4	38
Government fees	191	154	60	50
Printing and stationery	75	73	21	19
Professional and consulting charges	311	253	89	61
Board of Directors and Sharia board expenses	113	108	43	33
Others	2,112	2,376	861	773
Total	<u>5,320</u>	<u>5,211</u>	<u>1,978</u>	<u>1,791</u>

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

13 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:

30 September 2022 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Sales receivables	156	45	107	308
Ijara Muntahia Bittamleek	370	66	1,346	1,782
Wakala Bil Istethmar	2,450	-	-	2,450
Musharaka Financing	4,342	107	245	4,694
Customers' accounts	2,893	1	278	3,172
Unrestricted investment accountholders / Customers' wakala	74,248	5	336	74,589
30 September 2021 (Un-audited)				
Sales receivables	6	61	144	211
Ijara Muntahia Bittamleek	403	69	1,513	1,985
Wakala Bil Istethmar	700	-	-	700
Musharaka Financing	2,511	110	270	2,891
Customers' accounts	5,527	1	218	5,746
Unrestricted investment accountholders / Customers' wakala	1,111	-	349	1,460
Wakala Deposits	70,305	-	-	70,305
31 December 2021 (Audited)				
Sales receivables and other receivables	159	56	147	362
Ijara Muntahia Bittamleek	395	68	1,451	1,914
Wakala Bil Istethmar	1,750	-	-	1,750
Musharaka Financing	3,011	109	264	3,384
Customers' accounts	5,699	3	250	5,952
Unrestricted investment accountholders / Customers' wakala	46,815	59	342	47,216

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

Six months ended 30 September 2022 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Profit income	197	9	39	245
Profit expense	1,241	-	-	1,241
Staff cost	-	-	1,785	1,785
Other expenses	72	40	-	112
Six months ended 30 September 2021 (Un-audited)				
Profit income	28	5	28	61
Profit expense	1,750	-	-	1,750
Staff cost	-	-	1,374	1,374
Other expenses	49	43	-	92

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

14 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> <i>Nine months</i> <i>ended</i> 30 September 2022	<i>(Un-audited)</i> <i>Nine months</i> <i>ended</i> 30 September 2021	<i>(Un-audited)</i> <i>Quarter ended</i> 30 September 2022	<i>(Un-audited)</i> <i>Quarter ended</i> 30 September 2021
Earnings for the period (RO'000)	10,729	9,072	4,316	3,023
Weighted average number of shares outstanding during the period	2,236,953,032	1,510,095,247	2,236,953,032	1,510,095,247
Earnings per share basic and diluted (RO)	0.005	0.006	0.002	0.002

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> 30 September 2022	<i>(Un-audited)</i> 30 September 2021	<i>(Audited)</i> 31 December 2021
Net assets (RO'000)	241,424	236,862	239,839
Number of shares at reporting date	2,236,953,032	2,236,953,032	2,236,953,032
Net asset per share (RO)	0.108	0.106	0.107

15 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Un-audited)</i> 30 September 2022 RO'000	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Audited)</i> 31 December 2021 RO'000
Contingent liabilities	250,288	221,088	235,345
Commitments	193,110	148,294	160,644
	443,398	369,382	395,989

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

16 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 an overall basis and are not allocated to operating segments.

Segment information is as follows:

<i>Six months ended 30 September 2022 (Un-audited)</i>	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	13,661	18,133	5,839	583	38,216
Net profit/(loss) for the period	1,856	5,352	4,790	(1,269)	10,729
Total assets	465,983	723,054	262,708	35,387	1,487,132
Total liabilities and unrestricted investment accountholders	549,256	660,263	3,862	32,327	1,245,708
<i>Six months ended 30 September 2021 (Un-audited)</i>	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	12,705	15,005	3,189	1,947	32,846
Net profit for the period	2,231	4,013	2,118	711	9,073
Total assets	453,137	677,213	247,339	6,864	1,384,553
Total liabilities and unrestricted investment accountholders	511,151	562,439	47,748	26,353	1,147,691

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

17 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	40,216	128,341	-	168,557
Investment in real estate	-	-	14,175	14,175
Total financial assets at 30 September 2022 (Un-audited)	40,216	128,341	14,175	182,732
Total financial assets at 30 September 2021 (Un-audited)	103,988	2,703	14,175	120,866
Total financial assets at 31 December 2021 (Audited)	36,424	90,614	14,175	141,213

18 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
30 September 2022 (Un-audited)						
Total assets	76,662	248,447	112,787	652,826	396,410	1,487,132
Total liabilities, equity of unrestricted investment accountholders and owners' equity	74,273	206,641	227,249	457,107	521,862	1,487,132
Net gap	2,389	41,806	(114,462)	195,719	(125,452)	-
Cumulative net gap	2,389	44,195	(70,267)	125,452	-	-
30 September 2021 (Un-audited)						
Total assets	137,755	216,970	92,075	580,819	356,934	1,384,553
Total liabilities, equity of unrestricted investment accountholders and owners' equity	116,707	212,631	144,053	453,643	457,519	1,384,553
Net gap	21,048	4,339	(51,978)	127,176	(100,585)	-
Cumulative net gap	21,048	25,387	(26,591)	100,585	-	-

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

18 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	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
31 December 2021 (Audited)						
Total assets	163,533	197,591	85,653	589,128	368,918	1,404,823
Total liabilities, equity of unrestricted investment accountholders and owners' equity	108,892	178,248	155,178	476,825	485,680	1,404,823
Net gap	54,641	19,343	(69,525)	112,303	(116,762)	-
Cumulative net gap	54,641	73,984	4,459	116,762	-	-

19 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:

Capital structure	(Un-audited) 30 September 2022 RO'000	(Un-audited) 30 September 2021 RO'000	(Audited) 31 December 2021 RO'000
Tier I capital	227,095	223,124	233,749
Tier II capital	10,931	11,921	12,253
Total regulatory capital	238,026	235,045	246,002
Risk weighted assets			
Credit risk	1,291,987	1,240,498	1,163,613
Market risk	111,909	5,183	73,476
Operational risk	72,887	62,106	72,887
Total risk weighted assets	1,476,783	1,307,787	1,309,976
Tier I capital ratio	15.38%	17.06%	17.84%
Total capital ratio	16.12%	17.97%	18.78%
Common equity Tier 1 (CET1)	227,095	223,124	233,749
Common equity Tier 1 ratio	15.38%	17.06%	17.84%

20 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

	(Un-audited) 30 September 2022	(Un-audited) 30 September 2021	(Audited) 31 December 2021
LCR (%)	255.75	308.70	272.54
NSFR (%)	128.74	131.27	126.65

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS

**(a) Standard, special mention and non-performing Financing account
30 September 2022 (Un-audited)**

Asset Classification as per CBO Norms	Asset Classification as per FAS 30	Gross Amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net Amount as per CBO norms	Net Amount as per FAS 30
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)
Standard	Stage 1 Stage 2 Stage 3	1,138,321 285,366 -	9,711 1,438 -	3,110 4,880 -	6,601 (3,442) -	1,128,610 283,928 -	1,135,211 280,486 -
Subtotal		1,423,687	11,149	7,990	3,159	1,412,538	1,415,697
Special Mention	Stage 1 Stage 2 Stage 3	31,995 183,112 -	238 1,542 -	384 11,395 -	(146) (9,853) -	31,757 181,570 -	31,611 171,717 -
Subtotal		215,107	1,780	11,779	(9,999)	213,327	203,328
Substandard	Stage 1 Stage 2 Stage 3	- - 8,260	- - 2,065	- - 4,030	- - (1,965)	- - 6,195	- - 4,230
Subtotal		8,260	2,065	4,030	(1,965)	6,195	4,230
Doubtful	Stage 1 Stage 2 Stage 3	- - 5,689	- - 2,772	- - 2,627	- - 145	- - 2,917	- - 3,062
Subtotal		5,689	2,772	2,627	145	2,917	3,062
Loss	Stage 1 Stage 2 Stage 3	- - 8,259	- - 4,885	- - 5,197	- - (312)	- - 3,374	- - 3,062
Subtotal		8,259	4,885	5,197	(312)	3,374	3,062
Other items not covered under CBO circular BM 977 and related instructions	Stage 1 Stage 2 Stage 3	196,236 5,700 -	- - -	890 73 -	(890) (73) -	196,236 5,700 -	195,346 5,627 -
Subtotal		201,936	-	963	(963)	201,936	200,973
Total	Stage 1 Stage 2 Stage 3	1,366,552 474,178 22,208	9,949 2,980 9,722	4,384 16,348 11,854	5,565 (13,368) (2,132)	1,356,603 471,198 12,486	1,362,168 457,830 10,354
		1,862,938	22,651	32,586	(9,935)	1,840,287	1,830,352

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (CONTINUED)

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

31 December 2021 (Audited)

Asset Classification as per CBO Norms	Asset Classification as per FAS 30	Asset Classification as per FAS 30	Gross Amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net Amount as per CBO norms	Net Amount as per FAS 30
(1)	(2)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)
Standard	Stage 1	Stage 1	1,050,209	9,229	2,808	6,421	1,040,980	1,047,401
	Stage 2	Stage 2	307,864	1,730	6,515	(4,785)	306,134	301,349
	Stage 3	Stage 3	-	-	-	-	-	-
Subtotal			1,358,073	10,959	9,323	1,636	1,347,114	1,348,750
Special Mention	Stage 1	Stage 1	19,141	178	80	98	18,963	19,061
	Stage 2	Stage 2	135,872	1,053	7,273	(6,220)	134,819	128,599
	Stage 3	Stage 3	-	-	-	-	-	-
Subtotal			155,013	1,231	7,353	(6,122)	153,782	147,660
Substandard	Stage 1	Stage 1	-	-	-	-	-	-
	Stage 2	Stage 2	-	-	-	-	-	-
	Stage 3	Stage 3	1,004	251	300	(49)	753	704
Subtotal			1,004	251	300	(49)	753	704
Doubtful	Stage 1	Stage 1	-	-	-	-	-	-
	Stage 2	Stage 2	-	-	-	-	-	-
	Stage 3	Stage 3	5,078	2,539	2,294	245	2,539	2,784
Subtotal			5,078	2,539	2,294	245	2,539	2,784
Loss	Stage 1	Stage 1	-	-	-	-	-	-
	Stage 2	Stage 2	-	-	-	-	-	-
	Stage 3	Stage 3	8,039	3,991	4,597	(606)	4,048	3,442
Subtotal			8,039	3,991	4,597	(606)	4,048	3,442
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	Stage 1	153,514	-	906	(906)	153,514	152,608
	Stage 2	Stage 2	5,707	-	79	(79)	5,707	5,628
	Stage 3	Stage 3	-	-	-	-	-	-
Subtotal			159,221	-	985	(985)	159,221	158,236
Total	Stage 1	Stage 1	1,222,864	9,407	3,794	5,613	1,213,457	1,219,070
	Stage 2	Stage 2	449,443	2,783	13,867	(11,084)	446,660	435,576
	Stage 3	Stage 3	14,121	6,781	7,191	(410)	7,340	6,930
			1,686,428	18,971	24,852	(5,881)	1,667,457	1,661,576

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)
(b) Restructured accounts

30 September 2022 (Un-audited)

Assets classification as per CBO Norms	Asset Classification as per FAS 30	Gross Amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per FAS 30	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	78,272	525	710	(185)	77,747	77,562	-
	Stage 2	85,337	788	7,125	(6,337)	84,549	78,212	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		163,609	1,313	7,835	(6,522)	162,296	155,774	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	9,683	3,548	5,107	(1,559)	6,135	4,576	-
Sub Total		9,683	3,548	5,107	(1,559)	6,135	4,576	-
Total	Stage 1	78,272	525	710	(185)	77,747	77,562	-
	Stage 2	85,337	788	7,125	(6,337)	84,549	78,212	-
	Stage 3	9,683	3,548	5,107	(1,559)	6,135	4,576	-
		173,292	4,861	12,942	(8,081)	168,431	160,350	-

31 December 2021 (audited)

Assets classification as per CBO norms	Asset Classification as per FAS 30	Gross amount	Provision required as per CBO norms	Provision held as per FAS 30	Difference between CBO provision required and provision held	Net amount as per CBO norms*	Net amount as per FAS 30	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	19,759	180	95	85	19,579	19,664	-
	Stage 2	85,524	781	5,810	(5,029)	84,743	79,714	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		105,283	961	5,905	(4,944)	104,322	99,378	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,940	2,525	2,190	335	2,415	2,750	-
Sub Total		4,940	2,525	2,190	335	2,415	2,750	-
Total	Stage 1	19,759	180	95	85	19,579	19,664	-
	Stage 2	85,524	781	5,810	(5,029)	84,743	79,714	-
	Stage 3	4,940	2,525	2,190	335	2,415	2,750	-
		110,223	3,486	8,095	(4,609)	106,737	102,128	-

(c) Non-performing financing ratio

30 September 2022 (Un-audited)

	As per CBO Norms	As per FAS 30	Difference
Impairment loss charged to profit and loss account	3,679	7,733	(4,054)
Provisions required as per CBO norms/held as per FAS 30	22,651	32,586	(9,935)
Gross NPL ratio	1.34	1.34	-
Net NPL ratio	0.76	0.64	(0.13)

31 December 2021 (Audited)

	As per CBO Norms	As per FAS 30	Difference
Impairment loss charged to profit and loss account	3,216	7,130	(3,914)
Provisions required as per CBO norms/held as per FAS 30	18,971	24,852	(5,881)
Gross NPL ratio	0.93	0.93	-
Net NPL ratio	0.49	0.46	0.03

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 AND REQUIRED AS PER CBO NORMS (Continued)
(d) Movement in ECL
30 September 2022 (Un-audited)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL (Net) – as at Dec 31, 2021				
Gross financing, commitments and financial guarantees	1,069,350	443,736	14,121	1,527,207
Investment securities	120,608	3,705	-	124,313
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	27,000	-	-	27,000
Due from banks, central banks and other financial assets	5,906	-	-	5,906
	1,222,864	449,443	14,121	1,686,428
Net transfer between stages				
Gross financing, commitments and financial guarantees	100,966	24,742	8,087	133,795
Investment securities	41,696	(7)	-	41,689
Financial assets at amortised cost	-	-	-	-
Interbank wakala investments	(140)	-	-	(140)
Due from banks, central banks and other financial assets	1,166	-	-	1,166
	143,688	24,735	8,087	176,510
Exposure subject to ECL (gross)				
30 September 2022				
Gross financing, commitments and financial guarantees	1,170,316	468,478	22,208	1,661,002
Investment securities	162,304	3,698	-	166,002
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	26,860	-	-	26,860
Due from banks, central banks and other financial assets	7,072	-	-	7,072
	1,366,552	474,178	22,208	1,862,938
Expected Credit Loss - as at Dec 31, 2021				
Gross financing, commitments and financial guarantees	(2,887)	(13,789)	(7,191)	(23,867)
Investment securities	(638)	(58)	-	(696)
Financial assets at amortised cost	-	(20)	-	(20)
Interbank wakala investments	(214)	-	-	(214)
Due from banks, central banks and other financial assets	(55)	-	-	(55)
	(3,794)	(13,867)	(7,191)	(24,852)
Charge for the period (net)				
Gross financing, commitments and financial guarantees	(608)	(2,486)	(4,663)	(7,757)
Investment securities	-	-	-	-
Financial assets at amortised cost	-	5	-	5
Interbank wakala investments	4	-	-	4
Due from banks, central banks and other Financial assets	14	-	-	14
	(590)	(2,481)	(4,663)	(7,734)

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 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
Closing Balance - as at 30 September 2022				
Gross financing, commitments and financial guarantees	1,166,821	452,203	10,354	1,629,378
Investment securities	161,666	3,640	-	165,306
Financial assets at amortized cost	-	1,987	-	1,987
Interbank wakala investments	26,650	-	-	26,650
Due from banks, central banks and other financial assets	7,031	-	-	7,031
	1,362,168	457,830	10,354	1,830,352

30 September 2021 (Un-audited)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL (Net) – as at Dec 31, 2020				
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
	1,050,986	375,400	9,109	1,435,495
Net transfer between stages				
Gross financing, commitments and financial guarantees	121,015	50,514	4,996	176,525
Investment securities	2,944	3,730	-	6,674
Financial assets at amortised cost	-	23	-	23
Interbank wakala investments	35,775	-	-	35,775
Due from banks, central banks and other financial assets	(1,997)	-	-	(1,997)
	157,737	54,267	4,996	217,000
Exposure subject to ECL (gross) 30 September 2021				
Gross financing, commitments and financial guarantees	1,061,691	423,935	14,105	1,499,731
Investment securities	100,258	3,730	-	103,988
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	35,775	-	-	35,775
Due from banks, central banks and other financial assets	10,999	-	-	10,999
	1,208,723	429,667	14,105	1,652,495

Notes to the condensed interim financial information (Continued)

30 September 2022 (Un-audited)

21 COMPARISON OF PROVISION HELD AS PER FAS 30 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, 2020				
Gross financing, commitments and financial guarantees	(3,480)	(9,849)	(4,186)	(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)
	<u>(3,664)</u>	<u>(9,872)</u>	<u>(4,186)</u>	<u>(17,722)</u>
Charge for the period (net)				
Gross financing, commitments and financial guarantees	(279)	(3,327)	(2,720)	(6,326)
Investment securities	81	(99)	-	(18)
Financial assets at amortised cost	-	-	-	-
Interbank wakala investments	(62)	-	-	(62)
Due from banks, central banks and other Financial assets	4	-	-	4
	<u>(256)</u>	<u>(3,426)</u>	<u>(2,720)</u>	<u>(6,402)</u>
Closing Balance - as at 30 September 2021				
Gross financing, commitments and financial guarantees	1,057,932	410,759	7,199	1,475,890
Investment securities	100,171	3,631	-	103,802
Financial assets at amortized cost	-	1,979	-	1,979
Interbank wakala investments	35,713	-	-	35,713
Due from banks, central banks and other financial assets	10,987	-	-	10,987
	<u>1,204,803</u>	<u>416,369</u>	<u>7,199</u>	<u>1,628,371</u>

Notes to the condensed interim financial information (Continued)

30 September 2022 (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 30 September 2022. 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 FAS, 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 FAS 30 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, FAS 30 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 early to determine if model recalibration or redevelopment will be required.

As at 30 September 2022, the Bank considered the same assumptions used at the end of reporting period of 2021 except for macro-economic parameters refresh due to oil price volatility for the determination of expected credit losses (“ECLs”) in response to uncertainties caused by COVID 19.

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 deferment scheme and restructuring window

The Bank has allowed deferment of financial obligation of certain customers in line with the CBO circulars issued since March 2020 when the first deferment circular was issued. Then subsequently in September 2020, March 2021 and September 2021 CBO issue circular to continue the scheme with certain criteria to assess customers eligibility. Per circular issued in September 2021, the deferment scheme for affected customers ended in December 2021, thereby allowing customers to defer repayment of financing until September 2022 and restructure financing until October 2022.