



AHLI BANK SAOG

**Interim condensed financial statements
30-Sep-21**

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Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the unaudited interim financial statements of Ahli Bank for the nine-month period ending 30 September 2021.

In its recent announcement, Moody's Investors Service has changed the outlook on the Oman's issuer rating from negative to stable and affirmed its long-term issuer and senior unsecured ratings at Ba3. This reflects the significant easing of government liquidity and external financing pressures, mainly as a result of significantly higher oil prices since the middle of 2020, and Moody's expectation that oil prices will average above \$60/barrel during the next several years. This increases the likelihood that these pressures will be contained. Earlier, Standard & Poor (S&P) revised Oman's rating from stable to positive, citing the Sultanate's improving fiscal position, progress on reforms and rising oil prices.

With the positive developments resulting from the Government's strong initiatives towards economic recovery, the banking sector in Oman is on a steady growth trajectory. This gradual recovery, which was bolstered by the extensive COVID-19 vaccination campaign undertaken by the Ministry of Health, has ensured return to normalcy, swifter than expected.

Amid these developments, Ahli Bank has been able to capitalize on the effectiveness of its customer-first approach, while strengthening its digital capabilities and infrastructure and expanding its branch network, all of which have brought the Bank's products and services closer to the people of Oman. In its current position, the Bank is committed to steadily support and contribute to the goals set out in Oman Vision 2040.

Financial Performance

Ahli Bank continues to grow steadily in terms of its asset portfolio, customer deposits and most of its key financial indicators:

	30-Sept-21	30-Sep-20	Change %
	RO Million		
Net Loans, Advances and Financing	2,365.0	2,159.2	9.5
Total Assets	3,065.2	2,592.3	18.2
Customer Deposits	2,041.2	1,775.1	15.0
Equity	424.1	383.8	10.5
Operating Income	60.14	53.73	11.9
Operating Expenses	24.56	22.45	9.4
Profit for the Period	21.09	19.15	10.1

The Bank recorded 18.2% growth in total assets amounting to RO 3,065.2 million at the end of a nine-month period ending September 2021, compared to the corresponding period in 2020. Customer deposits increased by 15.0%, reaching RO 2,041.2 million on a year-on-year basis. Net loans, advances and financing grew by 9.5%, reaching RO 2,365.0 million. Operating income increased by 11.9% to RO 60.14 million as of the end of September 2021. The Bank's operating expenses increased by 9.4%, and profit recorded during the period increased by 10.1%.

Highlights

In March 2021, the Bank raised a share capital of RO 30 million through a rights issue, strengthening the Tier I capital of the Bank and meeting the Bank's capital requirement to support business growth.

Ahli Bank is embarking on various initiatives for enhancing its functional and operational areas to continue developing its competitive strength. It is continuously building and innovating its products and services under a diverse portfolio, ensuring that specific customer needs are fulfilled and expectations are met. Recording another achievement in its success journey, Ahli Bank won the "Excellence in Private Banking" Award and Ahli Islamic was honored with the "Excellence in Islamic Retail Banking" Award at the prestigious Oman Banking & Finance Awards at the 2021 New Age Banking Summit.

Notably, the Bank introduced a comprehensive home and family insurance protection long-term plan for individuals and their properties in addition to a package of personal and home loans at competitive interest rates, designed with its customers in mind.

Corporate Social Responsibility (CSR)

Ahli Bank has continued to fulfill its corporate social responsibilities, supporting the efforts and initiatives of the government in pursuit of the national economic development agenda.

In the aftermath of the recent cyclone "Shaheen" that has caused extensive damage in Oman, especially in the outer regions, the Bank donated RO 100,000, allocated RO 10 million in interest-free loans, and offered a three-month deferment to the affected families. The Bank also participated in the national drive for relief distribution efforts.

In June, the Bank successfully participated in the mass COVID-19 vaccination campaign of the Ministry of Health, providing protection for more than 3,000 people including the Bank's employees and their families.

Committed to supporting the goals of Oman Vision 2040 of empowering and equipping Omani youth with appropriate tools, skills and knowledge, the Bank has launched the seventh edition of its Graduate Development Program to train, consequently employ, new graduates for national competency and prepare them for suitable career opportunities in the banking sector.

The Bank's support to community initiatives included the "Back-to-School" campaign, which benefitted the children of underprivileged families and the sponsorship of the first-of-its-kind "Not Discovered Yet" filming project, which will showcase the Sultanate's environment and tourism features to global audiences.

Looking Ahead

Ahli Bank continues to expand its operations, services and branch network to ensure that it serves its customers efficiently while reaching potential ones. To date, its branch network, which includes 15 Ahli Islamic branches, spreads across 36 strategic locations.

The expansion of the Bank's headquarters in Al Wattayah is anticipated to be a Banking Center of Excellence that enables an innovation-stimulating work environment for its employees.

Ahli Bank will continue to support Oman's development efforts and its economic growth by providing funding for projects in various vital and key sectors.

Acknowledgments

On behalf of the Board of Directors, I would like to thank our stakeholders for their continued faith in our business. Their support has been instrumental in helping us protect the interests of our customers and retain the confidence of our employees.

I would also like to thank the Bank's Executive Management team and the employees for their dedication and contribution to the continued success of the Bank. Lastly, I would like to express my deep gratitude to our clients and customers for placing their confidence in our commitment to service.

Ahli Bank pledges its wholehearted support to His Majesty Sultan Haitham bin Tarik in continuing the Sultanate's Renaissance journey and contributing to the fulfillment of Oman Vision 2040.



Hamdan Ali Nasser Al Hinai
Chairman

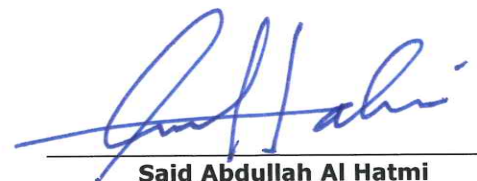
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 September 2021**

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Note	Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
ASSETS							
			Cash and balances with Central Bank of Oman		106,549	53,481	79,020
205,247	138,912	276,751	Due from banks		53,696	17,506	46,174
119,932	45,470	139,470	Loans & advances and financing, net	5	2,365,005	2,159,208	2,218,897
5,763,369	5,608,332	6,142,870	Investment securities	6	469,294	311,462	306,368
795,761	808,992	1,218,945	Other assets		45,292	27,803	29,154
75,724	72,216	117,642	Property and equipment		25,349	22,858	22,864
59,387	59,372	65,842	TOTAL ASSETS		3,065,185	2,592,318	2,702,477
7,019,420	6,733,294	7,961,520	LIABILITIES				
			Due to banks		358,900	168,417	135,244
351,283	437,447	932,208	Customers' deposits	7	2,041,194	1,775,124	1,924,654
4,999,101	4,610,712	5,301,804	Borrowed funds		136,675	159,775	159,775
415,000	415,000	355,000	Deferred tax liability		273	265	286
743	688	708	Other liabilities		95,089	87,955	82,168
213,423	228,454	246,985	Subordinated liabilities		9,000	17,000	12,000
31,169	44,156	23,377	TOTAL LIABILITIES		2,641,131	2,208,536	2,314,127
6,010,719	5,736,457	6,860,082	EQUITY				
			Share capital	9	194,966	164,966	164,966
428,482	428,482	506,405	Legal reserve		34,143	31,632	34,028
88,385	82,161	88,683	Subordinated debt reserve		8,850	16,078	11,400
29,611	41,762	22,986	Fair value reserve		(3,836)	(8,457)	(4,066)
(10,561)	(21,966)	(9,963)	Special reserve		998	1,321	998
2,592	3,431	2,592	Impairment reserve		10,127	9,434	10,127
26,303	24,503	26,303	Retained earnings		54,806	44,808	46,897
121,811	116,386	142,354	TOTAL EQUITY				
			ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		300,054	259,782	264,350
686,623	674,759	779,360	Tier 1 Perpetual subordinated bonds		124,000	124,000	124,000
322,078	322,078	322,078	TOTAL EQUITY		424,054	383,782	388,350
1,008,701	996,837	1,101,438	TOTAL LIABILITIES AND EQUITY		3,065,185	2,592,318	2,702,477
7,019,420	6,733,294	7,961,520	Net assets value per share (US cents / baizas)	15.2	154	157	160
42	41	40	Contingent liabilities and commitments	19	232,961	251,591	239,738
622,696	653,483	605,094					

The interim condensed financial statements were approved by the Board of Directors on 27 October 2021 and signed on their behalf by:



**Hamdan Ali Nasser Al Hinai
Chairman**



**Said Abdullah Al Hatmi
Chief Executive Officer**

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

Nine month period ended Unaudited 30-Sep-20 US\$ '000	Three month period ended Unaudited 30-Sep-20 US\$ '000	Three month period ended Unaudited 30-Sep-21 US\$ '000	Three month period ended Unaudited 30-Sep-21 US\$ '000		Note	Three month period ended	Three month period ended	Nine month period ended	Nine month period ended
						Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000
217,608	231,853	73,410	79,767	Interest income	10	30,710	28,263	89,263	83,779
(123,392)	(130,278)	(40,834)	(43,660)	Interest expense	11	(16,809)	(15,721)	(50,157)	(47,506)
94,216	101,575	32,576	36,107	NET INTEREST INCOME		13,901	12,542	39,106	36,273
37,642	41,109	11,782	14,122	Income from Islamic financing and investments		5,437	4,536	15,827	14,492
(13,444)	(20,288)	(5,301)	(7,286)	Unrestricted investment account holders' share of profit and profit expense		(2,805)	(2,041)	(7,811)	(5,176)
24,198	20,821	6,481	6,836	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		2,632	2,495	8,016	9,316
118,414	122,396	39,057	42,943	NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		16,533	15,037	47,122	45,589
15,130	21,794	4,018	8,397	Fees and commission income		3,233	1,547	8,391	5,825
(1,068)	(1,397)	(364)	(221)	Fees and commission expense		(85)	(140)	(538)	(411)
14,062	20,397	3,654	8,176	Net fees and commission income	13	3,148	1,407	7,853	5,414
7,088	13,420	2,506	2,573	Other operating income	12	991	965	5,167	2,729
139,564	156,213	45,217	53,692	OPERATING INCOME		20,672	17,409	60,142	53,732
(25,813)	(28,922)	(6,197)	(8,983)	Net impairment on financial assets	14	(3,459)	(2,386)	(11,135)	(9,938)
113,751	127,291	39,020	44,709	NET OPERATING INCOME		17,212	15,023	49,007	43,794
(35,371)	(41,644)	(12,203)	(13,962)	Staff expenses		(5,375)	(4,698)	(16,033)	(13,618)
(4,706)	(5,127)	(1,540)	(1,524)	Depreciation		(587)	(593)	(1,974)	(1,812)
(18,242)	(17,021)	(4,849)	(5,536)	Other operating expenses		(2,131)	(1,867)	(6,553)	(7,023)
(58,319)	(63,792)	(18,592)	(21,022)	OPERATING EXPENSES		(8,093)	(7,158)	(24,560)	(22,453)
55,432	63,499	20,428	23,687	PROFIT BEFORE TAXATION		9,119	7,865	24,447	21,341
(5,683)	(8,709)	(3,151)	(3,463)	Tax expense		(1,333)	(1,213)	(3,353)	(2,188)
49,749	54,790	17,277	20,224	PROFIT FOR THE PERIOD		7,787	6,652	21,094	19,153
				OTHER COMPREHENSIVE INCOME/(EXPENSE) - NET OF TAX					
				<i>Items that will not be reclassified to profit or loss</i>					
(54)	(637)	434	(405)	- Equity investments at FVOCI - net changes in fair value		(156)	167	(245)	(21)
				<i>Items that may be reclassified to profit or loss</i>					
(4,901)	2,360	730	783	Changes in fair value of cash flow hedge - net		302	281	909	(1,887)
(5,935)	2,372	(1,140)	924	Changes in fair value of FVOCI debt investments - net		356	(439)	913	(2,285)
(10,890)	4,095	24	1,302	OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		502	9	1,577	(4,193)
38,859	58,885	17,301	21,526	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,288	6,661	22,670	14,960
3	3	1	1	Basic And Diluted Earnings Per Share (US Cents/Baizas)	15.1	4	4	11	12

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

	Share capital	Legal reserve	Subordinated debt reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 Perpetual subordinated bond	Total equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2021	164,966	34,028	11,400	(4,066)	998	10,127	46,897	264,350	124,000	388,350
Profit for the period	-	-	-	-	-	-	21,094	21,094	-	21,094
Other comprehensive income, net of tax	-	-	-	1,577	-	-	-	1,577	-	1,577
Total comprehensive income	-	-	-	1,577	-	-	21,094	22,670	-	22,670
Transfer to subordinated debt reserve	-	-	450	-	-	-	(450)	-	-	-
Transfer from subordinated debt reserve	-	-	(3,000)	-	-	-	3,000	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(4,638)	(4,638)	-	(4,638)
Net amount reclassified to the income statement on sale of debt instruments at FVOCI	-	-	-	(2,695)	-	-	-	(2,695)	-	(2,695)
Loss on sale of equity investments at FVOCI	-	-	-	1,348	-	-	(1,348)	-	-	-
Transactions with owners recognised directly in equity										
Rights issue of shares	30,000	-	-	-	-	-	-	30,000	-	30,000
Excess of receipts over rights issue expenses	-	115	-	-	-	-	-	115	-	115
Cash dividends paid	-	-	-	-	-	-	(9,749)	(9,749)	-	(9,749)
Balance at 30 September 2021 RO (unaudited)	194,966	34,143	8,850	(3,836)	998	10,127	54,806	300,054	124,000	424,054
Balance at 30 September 2021 (US\$ '000) (unaudited)	506,405	88,683	22,986	(9,963)	2,592	26,303	142,353	779,359	322,078	1,101,436

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

	Share capital	Legal reserve	Subordinated debt reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 Perpetual subordinated bond	Total equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<i>Balance at 1 January 2020</i>	157,110	31,632	14,000	(4,233)	1,893	9,334	55,459	265,195	124,000	389,195
Profit for the period	-	-	-	-	-	-	19,153	19,153	-	19,153
Other comprehensive expense, net of tax	-	-	-	(4,193)	-	-	-	(4,193)	-	(4,193)
<i>Total comprehensive income</i>	-	-	-	(4,193)	-	-	19,153	14,960	-	14,960
Transfer to subordinated debt reserve	-	-	2,078	-	-	-	(2,078)	-	-	-
Transfer from subordinated debt reserve	-	-	-	-	-	-	-	-	-	-
Transfer from special reserve	-	-	-	-	(572)	-	572	-	-	-
Transfer to impairment reserve	-	-	-	-	-	100	(100)	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	(31)	-	-	31	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(4,662)	(4,662)	-	(4,662)
Proceeds from Tier 1 perpetual subordinated bond	-	-	-	-	-	-	-	-	-	-
<i>Transactions with owners recognised directly in equity</i>										
Issue of bonus shares	7,856	-	-	-	-	-	(7,856)	-	-	-
Cash dividends paid	-	-	-	-	-	-	(15,711)	(15,711)	-	(15,711)
<i>Balance at 30 September 2020 RO (unaudited)</i>	<u>164,966</u>	<u>31,632</u>	<u>16,078</u>	<u>(8,457)</u>	<u>1,321</u>	<u>9,434</u>	<u>44,808</u>	<u>259,782</u>	<u>124,000</u>	<u>383,782</u>
<i>Balance at 30 September 2020 (US\$ '000) (unaudited)</i>	<u>428,482</u>	<u>82,161</u>	<u>41,762</u>	<u>(21,966)</u>	<u>3,431</u>	<u>24,503</u>	<u>116,386</u>	<u>674,759</u>	<u>322,078</u>	<u>996,837</u>
<i>Balance at 1 October 2020</i>	<u>164,966</u>	<u>31,632</u>	<u>16,078</u>	<u>(8,457)</u>	<u>1,321</u>	<u>9,434</u>	<u>44,808</u>	<u>259,782</u>	<u>124,000</u>	<u>383,782</u>
Profit for the period	-	-	-	-	-	-	4,815	4,815	-	4,815
Other comprehensive expense, net of tax	-	-	-	4,391	-	-	-	4,391	-	4,391
<i>Total comprehensive income</i>	<u>164,966</u>	<u>31,632</u>	<u>16,078</u>	<u>4,391</u>	<u>1,321</u>	<u>9,434</u>	<u>49,624</u>	<u>268,988</u>	<u>124,000</u>	<u>392,988</u>
Transfer to legal reserve	-	2,396	-	-	-	-	(2,396)	-	-	-
Transfer to subordinated debt reserve	-	-	322	-	-	-	(322)	-	-	-
Transfer from subordinated debt reserve	-	-	(5,000)	-	-	-	5,000	-	-	-
Transfer to impairment reserve	-	-	-	-	-	693	(693)	-	-	-
Transfer from special reserve	-	-	-	-	(323)	-	323	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(4,638)	(4,638)	-	(4,638)
<i>Balance at 31 December 2020 RO</i>	<u>164,966</u>	<u>34,028</u>	<u>11,400</u>	<u>(4,066)</u>	<u>998</u>	<u>10,127</u>	<u>46,897</u>	<u>264,350</u>	<u>124,000</u>	<u>388,350</u>
<i>Balance at 31 December 2020 (US\$ '000)</i>	<u>428,482</u>	<u>88,385</u>	<u>29,611</u>	<u>(10,561)</u>	<u>2,592</u>	<u>26,303</u>	<u>121,811</u>	<u>686,623</u>	<u>322,078</u>	<u>1,008,701</u>

Appropriation to legal reserve is made on an annual basis.

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021

Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
55,432	63,498	Profit before taxation	24,447	21,341
Adjustments for:				
4,706	5,127	Depreciation	1,974	1,812
25,813	28,922	Net impairment on financial assets and write off	11,135	9,938
203	234	End of service benefits provision	90	78
-	(321)	Unrealised gain on FVTPL securities	(124)	-
-	(7,134)	Gain on sale of investment securities	(2,747)	-
86,154	90,326	Operating profit before working capital changes	34,775	33,169
-	(90,000)	Increase in due from banks	(34,650)	-
(296,519)	(408,423)	Increase in loans & advances and financing	(157,243)	(114,160)
(481)	(410)	Net movement in FVTPL investment securities	(158)	(185)
(6,161)	(41,917)	Increase in other assets	(16,138)	(2,372)
(142,059)	43,152	Increase/(Decrease) in due to banks	16,613	(54,693)
164,671	302,702	Increase in customers' deposits	116,540	63,398
35,828	30,995	Increase in other liabilities	11,933	13,794
(158,567)	(73,575)	Cash used in operations	(28,328)	(61,049)
(75)	68	End of service benefits paid	26	(29)
(9,514)	(6,481)	Tax paid	(2,495)	(3,663)
(168,156)	(79,988)	Net cash used in operating activities	(30,797)	(64,740)
CASH FLOWS FROM INVESTING ACTIVITIES				
(76,901)	(115,676)	Increase in investment, net (excluding FVTPL investment)	(44,535)	(29,607)
(9,029)	(11,582)	Purchase of property and equipment	(4,459)	(3,476)
(85,930)	(127,258)	Net cash used in investing activities	(48,994)	(33,083)
CASH FLOWS FROM FINANCING ACTIVITIES				
(40,808)	(25,321)	Dividends paid	(9,749)	(15,711)
225,000	-	- Proceeds from borrowed funds	-	86,625
(140,000)	(60,000)	Repayments of borrowed funds	(23,100)	(53,900)
-	78,222	Net Proceeds from rights issue	30,115	-
(12,109)	(12,047)	Interest paid on Tier 1 perpetual subordinated bond	(4,638)	(4,662)
-	(7,792)	Repayment of subordinated debt	(3,000)	-
32,083	(26,938)	Net cash (used in)/generated from financing activities	(10,372)	12,352
(222,003)	(234,184)	Net change in cash and cash equivalents	(90,163)	(85,471)
169,522	210,661	Cash and cash equivalents at 1 January	81,105	65,266
(52,481)	(23,523)	Cash and cash equivalents at 30 September	(9,058)	(20,205)
Cash and Cash equivalent comprises of the following:				
137,548	275,384	Cash and current balances with Central Bank of Oman	106,023	52,956
45,470	49,470	Due from banks	19,046	17,506
201,948	497,352	Treasury bills with three months maturity	191,480	77,750
(437,447)	(845,729)	Due to banks	(325,607)	(168,417)
(52,481)	(23,523)		(9,058)	(20,205)
Reconciliation of liabilities arising from financing activities:				
Borrowed funds				
330,000	415,000	Balance at beginning of the period	159,775	127,050
225,000	-	- Borrowings	-	86,625
(140,000)	(60,000)	Repayments	(23,100)	(53,900)
415,000	355,000	Balance at end of the period	136,675	159,775

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Ahli Bank SAOG (the Bank) is a joint stock company incorporated in the Sultanate of Oman and is engaged in the commercial banking activities through a network of 36 branches (21 conventional and 15 Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 788 employees as at 30 September 2021 compared to 709 employees as at 30 September 2020 and 730 as at 31 December 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the nine month period ended 30 September 2021 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

The unaudited interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year 2021.

The accounting policies applied in these interim condensed financial statements are the same as those applied in the annual financial statements for the year ended 31 December 2020.

The unaudited interim condensed financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and investment securities other than those measured at amortised cost.

The functional and presentation currency of the Bank is the Rial Omani (RO). These unaudited interim condensed financial statements of the Bank are prepared in RO. Certain figures are also presented in US dollars (US\$) for information purposes as a supplementary information only, using the exchange rate of RO 0.385 = US\$ 1.00.

3. CHANGES IN ACCOUNTING POLICIES

Interest rate benchmark reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The United Kingdom's Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), had announced that the interest benchmark would cease after 2021. While an alternative risk-free rate, "SOFR" has been announced along with cessation date, there is uncertainty as to the method and implications on the participants in the financial markets.

Interbank Offered Rate (IBOR) Reform- Phase 1 Amendments

The Bank had adopted Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform Phase 1) with effect from 1 January 2020. Banks will cease rate submissions for the calculation of the London Interbank Offered Rates (LIBOR), for all currencies and tenors (other than certain tenors of USD LIBOR), after December 31, 2021. For 1 month, 3 month, 6 month and 12 month tenors of USD, rate submission will cease after June 30, 2023. IBOR reform Phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. IBOR reform Phase 1 provides reliefs which require the Bank to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered because of IBOR reform. In addition, the reliefs allow the Bank to not discontinue hedging relationships because of retrospective or prospective ineffectiveness. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied.

In order to manage the transition from LIBOR to alternative rates, the Bank's treasury and risk department is evaluating potential changes to market infrastructures on our risk framework, models, systems and processes, and reviewing legal documents to ensure that the Bank is prepared prior to the cessation of LIBOR.

Interest rate benchmark reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. The reliefs apply upon the transition of a financial instrument from a LIBOR to a risk-free-rate (RFR). Moreover, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

The amendments made to IFRS provide relief from the potential effects of the uncertainty caused by the reform. These amendments are effective from periods beginning on or after 1 January 2021 with earlier application being permitted.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

3. CHANGES IN ACCOUNTING POLICIES (Continued)

ahlibank has following instruments which are exposed to the impact of USD LIBOR:

- Financial Assets RO 470.7 million equivalent to US\$ 1,222.5 million.
- Financial Liabilities RO 155.9 million equivalent to US\$ 405.0 million.

In addition, the Bank's exposure to Interest rate swaps in hedging relationships may also be impacted by LIBOR replacement. The notional value of these swaps is RO 267.1 million equivalent to US\$ 693.8 million as of 30 September 2021.

The Bank is in the process to ensure smooth transitioning to the new benchmark, including revisiting the legal language of the relevant contracts. Based on the current status of LIBOR transitioning, the Bank believes that the impact of this change is not material to the financial statements. This is based on the assumption that the replacement rate along with relevant spread is not materially different from the existing LIBOR based rates and that the Bank will be able negotiate similar spreads with the customers/ counterparties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In preparing these interim condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2020, except for the estimates as described below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Coronavirus (Covid-19) outbreak and its impact

The Covid-19 pandemic had caused an unprecedented human and health crisis. The measures necessary to contain the virus had triggered an economic downturn and impact of which is still evident. On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. At that point, there was great uncertainty about its severity and length which however is not conclusive to this date. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain the spread of the virus which includes ramping up their vaccination efforts. During Q3-2021, the vaccination rates in the Sultanate and the world in general have gone up significantly to achieve the ultimate goal of reducing the impact of the virus and further disruptions. Emerging positive trends are evident coupled with improving economic situation.

The Covid-19 pandemic, during the year 2020, had been accompanied by low oil prices, a major driver of the economy of the Sultanate. Loss of oil revenues, tourism revenues and disruption to supply chains resulted in weakening of the macro-economic environment. However, the year 2021 has shown slight improvements in the business and economic environment of the country including the positive impact of improving oil prices compared to 2020. Since 2020, the Central Bank of Oman ("CBO") have initiated a series of measures, in conjunction with other Government programmes, to support the ability of banks to supply credit to businesses and households through this period of economic disruption.

International Accounting Standard Board(IASB) has issued a guidance note on 27 March 2020 in regard to accounting for expected credit losses by applying IFRS 9- Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic. It provides a guidance on the assessment of significant increase in credit risk (SICR) and the measurement of expected credit loss allowance (ECL) which are required to be based on reasonable and supportable information that is available without undue cost or effort. In assessing macro economic scenarios, consideration should be given both to the effects of covid-19 and the significant government support measures being undertaken in respect of Covid-19 pandemic.

In line with other global regulators, the Central Bank of Oman (CBO) has taken several measures to overcome the prevailing economic conditions such as accepting deferment of loan instalments / interest / profit for affected borrowers particularly SMEs for 21 months without impacting the IFRS 9 risk classification of such loans, deferring the risk classification of loans pertaining to government projects for a period of 21 months. During the year 2021, CBO in addition to extending the period of stimulus package, discontinued the application of two track approaches amongst other things as mention under circular BM 1149. Additionally, CBO seeks to facilitate additional lending and liquidity capacity of banks, through the relief of existing capital and liquidity buffers, which have been further elaborated in the sections below:

I. Credit risk management

The Bank's existing credit risk management practices are disclosed in note 37.1 to the financial statements for the year ended 31 December 2020. There are no changes as compared to last year.

I(a). Covid-19 impact on measurement of ECL

A key element in determining the ECL is the assessment of whether a SICR has occurred or not, and accordingly a lifetime Probability of Default (PD) or a 12-month PD is applied. Based on CBO circular in respect of IFRS 9 application, deferment period relating to Covid-19 outbreak will be excluded from the counting of days past due (DPD) for determining the default. Accordingly, the deferment of loan repayment may not be a sole deciding factor for exposure considered to have a SICR or credit impaired, until & unless other supportable evidence exists for deterioration in the credit quality of borrowers.

The main industries such as airline / transportation, hospitality, tourism, oil & gas, Real estate, construction, Mall and recreation and automotive sectors continues to have an impact on account of covid-19. Finance companies also facing impacts of this situation due to their exposure towards SME and Retail business impacted by COVID-19. The identification of impacted sectors were based on market assessment, financial information of the borrowers, customer requests for deferments etc.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

I. Credit risk management (Continued)

I(b). Measurement/Impact on ECL

IFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Bank utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. As per CBO circular BSD/CB/2020/005 dated 03 June 2020, CBO had cautioned the banks in making changes to ECL model on the impact due to Covid-19 distress since this will subject to high levels of uncertainty and miscalculation as reasonable and supportable forward looking information may not be currently available to substantiate those changes.

The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or of long term in nature. During the year 2020, the Bank has initiated payment relief to support its impacted customers by deferring interest/principal due for a period of six months to one year in accordance with CBO guidelines. These were initially extended till September 30, 2021 by CBO circular issued in March 2021 and recently extended till December 31, 2021 by CBO circular issued in September 2021. These payment reliefs are considered as short-term liquidity to address the borrower cash flow issues which does not automatically trigger SICR criteria. The Bank has considered the accounting impact for modification of such loans granted to borrowers in accordance with IFRS 9 and has concluded that the impact is not material on these interim condensed financial statements.

The Bank is continuously reviewing the potential impact of COVID-19 outbreak on the inputs and assumptions used in IFRS 9 ECL model in light of available information. The Bank has conducted multi-pronged assessment which will help in establishing overlays in accordance with the various circulars issued by CBO. Accordingly, detailed analysis was carried out by incorporating changes due to oil prices and corresponding changes to GDP and applying various scenerios for the purpose of carrying out stress testing. The results of these scenarios was considered and the Bank has incorporated an overlay which is included in the net impairment charge.

For computation of ECL, the Bank has incorporated the changes of reduction in oil prices and decline in GDP as part of the macroeconomic forecast in the ECL model. However, the advantage related to recent recovery in the oil prices during 2021 have not yet been incorporated.

The overall impact of the Covid-19 revised scenarios and other related judgmental overlays on the ECL is shown below:

30-Sep-21			30-Sep-21		
ECL without overlays	ECL with Overlays		ECL without overlays	ECL with Overlays	
US\$ '000	US\$ '000		RO'000	RO'000	
50,162	51,829	Retail	19,312	19,954	
96,745	109,948	Corporate	37,247	42,330	
23,315	25,198	Others	8,976	9,701	
170,222	186,975	Total	65,535	71,985	

Sensitivity analysis- ECL:

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

30-Sep-21			30-Sep-21		
Impact on ECL	ECL	Particulars	ECL	Impact on ECL	
US\$ '000	US\$ '000		RO'000	RO'000	
	84,947	ECL on non impaired financial assets under IFRS 9	32,704		
(31,952)	52,995	Good scenario - 100% weighted	20,403	(12,302)	
3,974	88,921	Base scenario - 100% weighted	34,235	1,530	
20,232	105,179	Bad scenario - 100% weighted	40,494	7,789	

31-Dec-20			31-Dec-20		
Impact on ECL	ECL	Particulars	ECL	Impact on ECL	
US\$ '000	US\$ '000		RO'000	RO'000	
	73,790	ECL on non impaired financial assets under IFRS 9	28,409		
(24,040)	49,749	Good scenario - 100% weighted	19,154	(9,255)	
3,384	77,174	Base scenario - 100% weighted	29,712	1,303	
17,222	91,011	Bad scenario - 100% weighted	35,039	6,630	

30-Sep-20			30-Sep-20		
Impact on ECL	ECL	Particulars	ECL	Impact on ECL	
US\$ '000	US\$ '000		RO'000	RO'000	
	72,241	ECL on non impaired financial assets under IFRS 9	27,813		
(23,252)	48,989	Good scenario - 100% weighted	18,861	(8,952)	
3,914	76,155	Base scenario - 100% weighted	29,320	1,507	
16,247	88,487	Bad scenario - 100% weighted	34,067	6,255	

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

5. LOANS & ADVANCES AND FINANCING, NET

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
			Conventional Banking			
3,415,312	3,271,494	3,795,394	Corporate lending	1,461,227	1,259,525	1,314,895
1,573,065	1,560,992	1,558,761	Retail lending	600,123	600,982	605,630
4,988,377	4,832,486	5,354,155	Loans & advances, gross	2,061,350	1,860,507	1,920,525
			Islamic Banking			
553,543	546,493	598,855	Corporate financing	230,559	210,400	213,114
373,657	367,740	376,834	Retail financing	145,081	141,580	143,858
927,200	914,233	975,689	Financing, gross	375,640	351,980	356,972
5,915,577	5,746,719	6,329,844	Loans & advances and financing, gross	2,436,990	2,212,487	2,277,497
(152,208)	(138,387)	(186,974)	Loans and financing impairment (including reserve interest and profit)	(71,985)	(53,279)	(58,600)
5,763,369	5,608,332	6,142,870		2,365,005	2,159,208	2,218,897

The interest rate bands of gross loans & advances and financing are as follows:

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
1,063,081	993,518	1,295,613	0-5%	498,811	382,504	409,286
4,496,984	4,377,021	4,691,083	5-7%	1,806,067	1,685,153	1,731,339
345,460	350,823	310,112	7-10%	119,393	135,067	133,002
10,052	25,357	33,036	More than 10%	12,719	9,763	3,870
5,915,577	5,746,719	6,329,844		2,436,990	2,212,487	2,277,497

The analysis of net loans & advances and financing based on the residual maturity date is as below:

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
1,756,167	1,676,543	1,842,081	0-1 year	709,201	645,469	676,124
660,223	606,992	688,279	1-3 years	264,988	233,692	254,186
502,226	532,761	582,455	3-5 years	224,245	205,113	193,357
2,844,753	2,792,036	3,030,055	More than 5 years	1,166,571	1,074,934	1,095,230
5,763,369	5,608,332	6,142,870		2,365,005	2,159,208	2,218,897

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
5. LOANS & ADVANCES AND FINANCING, NET (continued)
5.1 ECL Exposure/Impairment allowance of financial assets and off balance sheet

The following tables contain an analysis of stage wise risk exposure/reconciliation of loss allowance from the opening to the closing balance of financial assets and off balance sheet items by class of financial instruments.

a) Exposure subject to ECL

	30-Sep-21					30-Sep-20					31-Dec-20				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Due from banks (including balances with CBO)	53,853	-	-	53,853	139,878	57,522	-	-	57,522	149,408	105,318	-	-	105,318	273,553
Loans & advances and financing	1,882,115	478,422	76,453	2,436,990	6,329,844	1,743,216	411,520	57,751	2,212,487	5,746,719	1,769,171	441,924	66,402	2,277,497	5,915,577
Investment securities (excluding equity investments)	463,308	-	-	463,308	1,203,398	306,504	-	-	306,504	796,114	301,162	-	-	301,162	782,239
Other assets	21,905	11,912	-	33,817	87,836	4,690	13,431	-	18,121	47,068	19,046	1,709	-	20,755	53,909
Loan commitments and financial guarantees	177,589	48,134	113	225,836	586,587	170,627	79,656	-	250,283	650,086	185,532	52,521	-	238,053	618,319

b) Movement in impairment allowance and provision

	30-Sep-21					30-Sep-20					31-Dec-20				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Opening balance															
Due from banks (including balances with CBO)	124	-	-	124	322	3	-	-	3	8	3	-	-	3	8
Loans & advances and financing	8,315	18,491	31,794	58,600	152,208	6,116	14,599	20,814	41,529	107,868	6,116	14,599	20,814	41,529	107,868
Investment securities (excluding equity investments)	52	-	-	52	134	27	-	-	27	70	27	-	-	27	70
Other assets	34	5	-	39	101	2	9	-	11	29	2	9	-	11	29
Loan commitments and financial guarantees	374	1,014	-	1,388	3,605	238	858	-	1,096	2,847	238	858	-	1,096	2,847
Net transfer between stages															
Loans & advances and financing	1,382	(1,924)	542	-	-	2,776	(3,208)	432	-	-	3,423	(4,318)	895	-	-
Other assets	-	-	-	-	-	3	(3)	-	-	-	6	(6)	-	-	-
Loan commitments and financial guarantees	-	-	-	-	-	(17)	17	-	-	-	(7)	7	-	-	-

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
5. LOANS & ADVANCES AND FINANCING, NET (continued)
5.1 ECL Exposure/Impairment allowance of financial assets and off balance sheet (Continued)
b) Movement in impairment allowance and provision (continued)

	30-Sep-21					30-Sep-20					31-Dec-20				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Charge for the period (net)															
Due from banks (including balances with CBO)	33	-	-	33	87	3	-	-	3	8	121	-	-	121	314
Loans & advances and financing	(19)	4,611	8,793	13,385	34,766	(922)	7,167	5,505	11,750	30,519	(1,224)	8,210	10,085	17,071	44,340
Investment securities (excluding equity investments)	4	-	-	4	9	8	-	-	8	21	25	-	-	25	65
Other assets	(20)	7	-	(13)	(33)	-	1	-	1	3	26	2	-	28	73
Loan commitments and financial guarantees	103	118	27	248	643	(21)	157	-	136	353	143	149	-	292	758
Closing balance															
Due from banks(including balances with CBO)	157	-	-	157	409	6	-	-	6	16	124	-	-	124	322
Loans & advances and financing	9,678	21,178	41,129	71,985	186,974	7,970	18,558	26,751	53,279	138,387	8,315	18,491	31,794	58,600	152,208
Investment securities (excluding equity investments)	56	-	-	56	143	35	-	-	35	91	52	-	-	52	134
Other assets	14	12	-	26	68	5	7	-	12	31	34	5	-	39	101
Loan commitments and financial guarantees	477	1,132	27	1,636	4,248	200	1,032	-	1,232	3,200	374	1,014	-	1,388	3,605

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
5. LOANS & ADVANCES AND FINANCING, NET (continued)
5.2 Comparison of provision held as per IFRS 9 and required as per CBO norms

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

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

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	Net amount as per CBO norms*	Net amount as per IFRS 9	Reserve interest as per CBO norms
					between CBO provision required and provision held			
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)	(10)
Standard	Stage 1	1,882,115	25,935	9,678	16,257	1,856,180	1,872,437	-
	Stage 2	337,758	-	9,375	(9,375)	337,758	328,383	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		2,219,873	25,935	19,053	6,882	2,193,938	2,200,820	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	140,664	-	11,803	(11,803)	140,664	128,861	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		140,664	-	11,803	(11,803)	140,664	128,861	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	892	222	417	(195)	670	475	24
Subtotal		892	222	417	(195)	670	475	24
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,362	10,258	5,743	4,515	1,104	5,619	914
Subtotal		11,362	10,258	5,743	4,515	1,104	5,619	914
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	64,199	37,730	34,969	2,761	26,469	29,230	6,358
Subtotal		64,199	37,730	34,969	2,761	26,469	29,230	6,358
Other items not covered under CBO circular BM 977 and related instructions*	Stage 1	716,655	-	704	(704)	716,655	715,951	-
	Stage 2	60,046	-	1,144	(1,144)	60,046	58,902	-
	Stage 3	113	-	27	(27)	113	86	-
Subtotal		776,814	-	1,875	(1,875)	776,814	774,939	-
Total	Stage 1	2,598,770	25,935	10,382	15,553	2,572,835	2,588,388	-
	Stage 2	538,468	-	22,322	(22,322)	538,468	516,146	-
	Stage 3	76,566	48,210	41,156	7,054	28,356	35,410	7,296
	Total in RO	3,213,804	74,145	73,860	285	3,139,659	3,139,944	7,296
	Total in US\$ '000	8,347,543	192,584	191,842	742	8,154,958	8,155,700	18,951

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
5. LOANS & ADVANCES AND FINANCING, NET (continued)
5.2 Comparison of provision held as per IFRS 9 and required as per CBO norms (Continued)
Restructured loans

Asset classification as per CBO Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net carrying amount as per CBO norms*	Net carrying amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
		(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	45,230	998	1,504	(506)	44,232	43,726	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		45,230	998	1,504	(506)	44,232	43,726	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	28,842	14,053	10,740	3,313	14,789	18,102	2,159
Sub total		28,842	14,053	10,740	3,313	14,789	18,102	2,159
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	45,230	998	1,504	(506)	44,232	43,726	-
	Stage 3	28,842	14,053	10,740	3,313	14,789	18,102	2,159
	Total in RO	74,072	15,051	12,244	2,807	59,021	61,828	2,159
	Total in US\$ '000	192,395	39,094	31,802	7,292	153,301	160,593	5,609

*Net of provisions and reserve interest as per CBO norms

5.3 Impairment charge and provisions held

	As per CBO norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	11,135	11,135	-
Provisions required as per CBO norms/ held as per IFRS 9*	74,145	73,860	285
Gross NPL ratio (percentage)	3.14%	3.14%	-
Net NPL ratio (percentage)	1.16%	1.45%	-0.29%

*In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

**As per CBO circular BSD/CB & FLCs/2021/002 dated March 18, 2021, CBO has discontinued the application of two track approach as per BM 1149 and hence, the Bank is not required to calculate additional provisions as per CBO norms for the year 2021. Accordingly, provisions required as per CBO norms is same as at 31 December 2020 and there will be no change in Impairment Reserve during the year 2021

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
5. LOANS & ADVANCES AND FINANCING, NET (CONTINUED)
5.4 Modification of loans

In line with the CBO circular, the Bank has accepted request for deferments and waivers during 2020 and current period. In case of Corporate customers, the Bank has accrued the interest during the deferral period to the principal outstanding and either extended the original maturity period of the loan and/or increased the installments at the end of the deferral period. In case of Retail customers, the Bank has extended the maturity of the loan without changing installments.

As per Bank assessment there is no de-recognition of the loans happened based on the deferral granted as the deferral is for a short term period and revised terms are not substantially different from the original terms.

The following table contains the details of exposure pertaining to loans & advances and financings to the customers, who have been provided with deferral benefits, and the related ECL:

Unaudited
30-Sep-21

	Stage 1	Stage 2	Total	Total
	RO '000	RO '000	RO '000	US\$ '000
Total Exposure	119,780	251,761	371,540	965,040
Total ECL			3,364	8,736

Audited
31-Dec-20

	Stage 1	Stage 2	Total	Total
	RO '000	RO '000	RO '000	US\$ '000
Total Exposure	770,810	374,919	1,145,729	2,975,919
Total ECL			14,044	36,478

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

6. INVESTMENT SECURITIES

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
			Equity investments:			
1,810	1,701	2,221	Designated at FVTPL	855	655	697
11,712	11,177	13,326	Designated at FVOCI	5,131	4,303	4,509
13,522	12,878	15,547	Total Equity investments	5,986	4,958	5,206
			Debt investments:			
782,239	796,114	1,203,398	Designated at FVOCI	463,308	306,504	301,162
795,761	808,992	1,218,945	Total investment securities	469,294	311,462	306,368

The table below summarises the concentration of investments by various sectors.

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
			Equity investments:			
			A. Designated at FVTPL			
			Quoted investments - Oman			
400	410	31	Banking and investment sector	12	158	154
405	439	-	- Service sector	-	169	156
112	91	-	- Manufacturing sector	-	35	43
			Quoted investments - Foreign			
47	44	200	Manufacturing	77	17	18
327	127	138	Banking and investment	53	49	126
125	140	582	Construction	224	54	48
394	450	1,270	Service sector	489	173	152
1,810	1,701	2,221	Total	855	655	697
			B. Designated at FVOCI			
			Quoted investments - Oman			
1,881	1,732	1,844	Manufacturing	710	667	724
2,855	2,756	1,309	Banking and investment sector	504	1,061	1,099
5,216	4,699	4,059	Service sector	1,563	1,809	2,008
			Quoted investments - Foreign			
229	221	1,842	Manufacturing	709	85	88
491	452	2,114	Banking and investment sector	814	174	189
816	1,083	2,036	Service sector	784	417	314
224	234	-	- Construction	-	90	87
-	-	122	Trading	47	-	-
11,712	11,177	13,326	Total	5,131	4,303	4,509

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**

6. INVESTMENT SECURITIES (continued)

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
			Debt investments:			
			A. Designated at FVOCI			
			Quoted investments - Oman			
361,745	363,125	464,562	Government development bonds	178,856	139,803	139,272
79,055	71,590	53,709	Government bonds	20,678	27,562	30,436
78,821	108,164	81,571	Government sukuks	31,405	41,643	30,346
33,940	31,094	45,603	Services	17,557	11,971	13,067
13,036	49	39,964	Banking and investment	15,386	19	5,019
194,805	51,948	497,351	Government treasury bills	191,480	20,000	75,000
			Quoted investments - Foreign			
2,140	2,055	2,142	Government bonds	825	791	824
-	150,000	-	US treasury bills	-	57,750	-
18,697	18,089	18,496	Banking and investment	7,121	6,965	7,198
782,239	796,114	1,203,398	Total	463,308	306,504	301,162
795,761	808,992	1,218,945	Total investments	469,294	311,462	306,368

7. CUSTOMERS' DEPOSITS

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
			Conventional Banking			
2,941,766	2,628,258	2,700,928	Time deposits	1,039,857	1,011,879	1,132,580
909,384	923,319	1,120,167	Demand deposits	431,264	355,478	350,113
406,483	390,124	526,226	Savings deposits	202,597	150,198	156,496
4,257,633	3,941,701	4,347,321		1,673,718	1,517,555	1,639,189
			Islamic Banking			
360,077	331,270	455,550	Time deposits	175,387	127,539	138,630
126,081	114,357	144,633	Demand deposits	55,684	44,027	48,541
255,310	223,384	354,300	Savings deposits	136,405	86,003	98,294
741,468	669,011	954,483		367,476	257,569	285,465
4,999,101	4,610,712	5,301,804		2,041,194	1,775,124	1,924,654

The analysis of customer deposits based on the residual maturity date is as below:

2,119,813	1,618,608	1,834,605	0-6 Months	706,323	623,164	816,128
975,483	1,051,704	1,161,060	6-12 months	447,008	404,906	375,561
1,395,223	1,035,144	1,169,751	1-3 years	450,354	398,531	537,160
508,582	905,256	1,136,388	3 years and above	437,509	348,524	195,804
4,999,101	4,610,712	5,301,804		2,041,194	1,775,124	1,924,654

Interest rate bands of deposits is as follows:

1,243,651	926,906	1,501,412	0-2%	578,043	356,859	478,806
1,207,862	1,136,839	1,425,205	2-4%	548,704	437,683	465,027
2,526,809	2,546,967	2,354,408	4-6%	906,447	980,582	972,821
20,779	-	20,779	6-7%	8,000	-	8,000
4,999,101	4,610,712	5,301,804		2,041,194	1,775,124	1,924,654

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
8. RELATED PARTY TRANSACTIONS

The Bank enters into transactions with major shareholders, directors, senior management and their related entities in the ordinary course of business at mutually agreed terms and conditions.

The balances in respect of related parties included in the statement of financial position are as follows:

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
			Directors and senior management			
2,436	2,525	2,517	Loans & advances and financing, net	969	972	938
3,268	2,569	3,784	Customers' deposits	1,457	989	1,258
			Major shareholders and others			
4,086	3,878	4,592	Due from banks	1,768	1,493	1,573
499	343	348	Investment securities	134	132	192
			Other assets			
579	940	104	Fair value of forward exchange contracts	40	362	223
11,909	3,377	1,465	Due to banks	564	1,300	4,585
68	96	57	Customers' deposits	22	37	26
3	-	-	Fair value of forward contracts	-	-	1
8,701	9,784	5,868	Fair value of swaps	2,259	3,767	3,350
888	888	888	Contingent liabilities and commitments	342	342	342

The income and expenses in respect of related parties included in the statement of comprehensive income are as follows:

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
			Directors and senior management			
109	60	70	Interest and profit income	27	23	42
60	34	88	Interest and profit expense	34	13	23
384	-	-	- Board remuneration proposed	-	-	148
135	81	86	Board sitting fees	33	31	52
86	70	55	Shariah supervisory board expenses	21	27	33
			Major shareholders and others			
121	115	32	Interest and profit expense	12	44	47
579	940	104	Gain on forward foreign exchange contracts	40	362	223
4,132	5,216	2,834	Gain on fair value of interest rate swaps	1,091	2,008	1,591

As at 30 September, 2021, guarantees were issued to beneficiaries on behalf of related party amounting to RO 3.112 million equivalent to US\$ 8.08 million. (31 December 2020: RO 3.087 million equivalent to US\$ 8.019 million, 30 September 2020: RO 3.053 million equivalent to US\$ 7.93 million).

Compensation of the key management personnel for the nine month period ended 30 September 2021 was RO 0.960 million equivalent to US\$ 2.49 million (30 September 2020: RO 1.039 million equivalent to US\$ 2.70 million).

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (30 September 2020 and 31 December 2020: 2,500,000,000 shares of 100 baizas each) out of which 1,949,657,466 shares are issued and fully paid up (31 December 2020 and 30 September 2020: 1,649,657,466 shares).

Ahli United Bank BSC (AUB) is the only shareholder owning 10% or more of the Bank's shares. On 30 September 2021 shareholding of AUB was 682,380,099 shares equivalent to 35% (30 September 2020 and 31 December 2020: 577,380,102 shares equivalent to 35%).

During the year, the Bank raised additional capital through rights issue of 30,000,000 shares at par. In relation to the rights issue, the Bank received RO 300,000 towards rights issue expenses and it incurred RO 185,000 towards the issue expenses. Accordingly, excess of receipts over expenses towards share issue expenses amounting to RO 115,000 has been transferred to the legal reserve.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
10. INTEREST INCOME

Interest bearing assets earned interest at an overall annualised rate of 5.44% for nine months period ended 30 September 2021 (30 September 2020 - 5.60%)

Nine month period ended			Nine month period ended	
Unaudited	Unaudited		Unaudited	Unaudited
30-Sep-20	30-Sep-21		30-Sep-21	30-Sep-20
US\$ '000	US\$ '000		RO '000	RO '000
188,197	205,214	Loans and advances	79,007	72,456
18,951	24,322	Investments	9,364	7,296
10,460	2,317	Due from banks	892	4,027
<u>217,608</u>	<u>231,853</u>		<u>89,263</u>	<u>83,779</u>

11. INTEREST EXPENSE

The average annualised cost of funds for nine months period ended 30 September 2021 is 3.29% (30 September 2020 - 3.48%)

83,439	97,319	Time deposits	37,467	32,124
20,704	18,412	Demand and saving deposits	7,089	7,971
12,312	7,155	Borrowings	2,755	4,740
6,937	7,392	Inter-bank deposits	2,846	2,671
<u>123,392</u>	<u>130,278</u>		<u>50,157</u>	<u>47,506</u>

12. OTHER OPERATING INCOME

21	7,135	Gain on sale of investments, net	2,747	8
6,886	5,549	Foreign exchange gain, net	2,136	2,651
675	416	Dividend income	160	260
(494)	321	Unrealized gains/(Loss) on FVTPL investments	124	(190)
<u>7,088</u>	<u>13,421</u>		<u>5,167</u>	<u>2,729</u>

13. DISAGGREGATION OF FEE AND COMMISSION INCOME

IFRS 15 requires the disclosure of disaggregated revenue earned from contracts with customers for major products / service lines. The below table provides disaggregation of fees and other income & commission with the Bank's reportable segments:

Particulars	Nine month period ended			Nine month period ended		
	30-Sep-21			30-Sep-20		
	Wholesale	Wholesale		Wholesale	Wholesale	
	banking,	banking,		banking,	banking,	
	treasury	treasury		treasury	treasury	
	and	and		and	and	
	investment	investment		investment	investment	
	banking	banking	Total	banking	banking	Total
Disaggregated income	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Service charges	521	327	848	455	280	735
Fees income	1,424	4,860	6,284	770	3,382	4,152
Commission income	59	1,200	1,259	15	923	938
Total fee and commission	2,004	6,387	8,391	1,240	4,585	5,825
Fee expense	(504)	(34)	(538)	(409)	(2)	(411)
Fee and commission, net	1,500	6,353	7,853	830	4,584	5,414
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Service charges	1,353	849	2,202	1,182	728	1,910
Fees income	3,698	12,624	16,322	1,999	8,784	10,783
Commission	152	3,118	3,270	40	2,396	2,436
Total fee and commission	5,203	16,591	21,794	3,221	11,908	15,129
Fee expense	(1,308)	(89)	(1,397)	(1,063)	(4)	(1,067)
Fee and commission, net	3,895	16,502	20,397	2,158	11,904	14,062

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
14. NET IMPAIRMENT ON FINANCIAL ASSETS

Nine month period ended			Nine month period ended	
Unaudited 30-Sep-20	Unaudited 30-Sep-21		Unaudited 30-Sep-21	Unaudited 30-Sep-20
US\$ '000	US\$ '000		RO '000	RO '000
		Net Impairment charge		
8	87	Due from banks	33	3
30,519	34,766	Loans & advances and financing	13,385	11,750
21	9	Investment securities	4	8
3	(33)	Other assets	(13)	1
353	644	Loan commitments and financial guarantees	248	136
(94)	(118)	Loans & advances and financing written off	(45)	(36)
(1,164)	(1,166)	Recovery of loans written off earlier	(449)	(448)
29,647	34,188		13,163	11,414
(3,834)	(5,266)	Less: Interest reserved during the period	(2,028)	(1,476)
25,813	28,922		11,135	9,938

15. BASIC AND DILUTED EARNINGS / NET ASSETS VALUE PER SHARE
15.1 BASIC AND DILUTED EARNINGS PER SHARE

Audited 31-Dec-20	Unaudited 30-Sep-20	Unaudited 30-Sep-21		Unaudited 30-Sep-21	Unaudited 30-Sep-20	Audited 31-Dec-20
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
62,254	49,749	54,790	Profit for the period / year	21,094	19,153	23,968
1,649,657	1,649,657	1,859,548	Weighted average number of outstanding shares during the period/year (in 000's)	1,859,548	1,649,657	1,649,657
4	3	3	Earnings per share (cents /baizas)	11	12	15

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

Earnings per share for the nine months period ended 30 September 2021 and comparative periods have been calculated using the weighted average shares outstanding for the current period. The weighted average shares outstanding for the nine months ended 30 September 2021 were 1,859,548 which included rights issue of 30,000,000 shares at par in March 2021

15.2 NET ASSETS VALUE PER SHARE

Audited 31-Dec-20	Unaudited 30-Sep-20	Unaudited 30-Sep-21		Unaudited 30-Sep-21	Unaudited 30-Sep-20	Audited 31-Dec-20
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
686,623	674,759	779,359	Net assets	300,054	258,937	264,350
1,649,657	1,649,657	1,949,657	Issued and paid up shares (in'000)	1,949,657	1,649,657	1,649,657
42	41	40	Net assets value per share (cents/baizas)	154	157	160

16. SEGMENT REPORTING

Segment information is presented in respect of the Bank's operating segments. For management purposes, the Bank is organised into two operating segments based on products and services as follows:

1. Retail banking includes customers' deposits, unrestricted investments accounts, consumer loans, overdrafts, credit card, Islamic financing and fund transfer facilities.
2. Wholesale banking, treasury and investments include deposits including current accounts, term deposits, loans & advances and Islamic financing etc. for corporate and institutional customers, treasury, trade finance and investment banking services.

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the profit after tax.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
16. SEGMENT INFORMATION (continued)

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on pool rate, which is approximates the cost of the funds.

Segment information is as follows:

	30-Sep-21			30-Sep-20			31-Dec-20		
	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000
Net interest income	13,909	25,197	39,106	13,055	23,218	36,273	17,551	31,299	48,850
Net income from islamic financing and investments	3,558	4,458	8,016	2,539	6,777	9,316	3,419	7,825	11,244
Net interest income and income from islamic financing and investments	17,467	29,655	47,122	15,594	29,995	45,589	20,970	39,124	60,094
Other operating income	1,866	11,153	13,019	1,128	7,015	8,143	1,735	9,667	11,402
Net operating income	19,333	40,809	60,142	16,722	37,010	53,732	22,705	48,791	71,496
Segment assets	735,001	2,330,184	3,065,185	733,182	1,859,136	2,592,318	739,286	1,963,191	2,702,477
Segment liabilities	641,424	1,999,707	2,641,131	417,477	1,791,059	2,208,536	473,527	1,840,600	2,314,127
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	36,127	65,448	101,575	33,910	60,306	94,216	45,587	81,296	126,883
Net income from islamic financing and investments	9,242	11,579	20,821	6,595	17,603	24,198	8,881	20,324	29,205
Net interest income and income from islamic financing and investments	45,369	77,027	122,396	40,505	77,909	118,414	54,468	101,620	156,088
Other operating income	4,847	28,969	33,816	2,930	18,220	21,150	4,506	25,109	29,615
Net operating income	50,216	105,996	156,212	43,435	96,129	139,564	58,974	126,729	185,703
Segment assets	1,909,094	6,052,426	7,961,520	1,904,369	4,828,925	6,733,294	1,920,223	5,099,197	7,019,420
Segment liabilities	1,666,035	5,194,047	6,860,082	1,084,356	4,652,101	5,736,457	1,229,940	4,780,779	6,010,719

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 September 2021**
17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities, other than those disclosed in the table below, approximate their carrying values.

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

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - Quoted prices (unadjusted) in active markets.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table contains analysis of financial instruments measured at fair value at the reporting date:

	30-Sep-21			30-Sep-20			31-Dec-20		
	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000
Financial assets:									
Investments at FVTPL	855	-	855	655	-	655	697	-	697
Investments at FVOCI	259,067	209,372	468,439	51,611	259,196	310,807	61,053	244,618	305,671
<i>Derivative financial instruments</i>									
Interest rate swaps	-	924	924	-	-	-	-	849	849
Forward foreign exchange contracts	675	-	675	2,078	-	2,078	1,813	-	1,813
	260,597	210,296	470,893	54,344	259,196	313,540	63,563	245,467	309,030
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	3,854	3,854	-	5,716	5,716	-	5,890	5,890
Forward foreign exchange contracts	92	-	92	81	-	81	98	-	98
	92	3,854	3,946	81	5,716	5,797	98	5,890	5,988
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	2,221	-	2,221	1,701	-	1,701	1,810	-	1,810
Investments at FVOCI	672,903	543,823	1,216,726	134,055	673,236	807,291	158,579	635,372	793,951
<i>Derivative financial instruments</i>									
Interest rate swaps	-	2,400	2,400	-	-	-	-	2,205	2,205
Forward foreign exchange contracts	1,753	-	1,753	5,397	-	5,397	4,709	-	4,709
	676,877	546,223	1,223,100	141,153	673,236	814,389	165,098	637,577	802,675
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	10,010	10,010	-	14,847	14,847	-	15,299	15,299
Forward foreign exchange contracts	239	-	239	210	-	210	255	-	255
	239	10,010	10,249	210	14,847	15,057	255	15,299	15,554

No financial instruments are carried at level 3 fair value as on 30 September 2021 (30 September 2020 and 31 December 2020: nil)

There are no transfers between levels of fair value measurement hierarchy during the period.

18. DERIVATIVES
Derivative product types

Swaps are contractual agreements between two parties to exchange interest based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Forward contracts are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forward contracts are customised contracts transacted over the counter.

Derivatives held for hedging purposes

Fixed interest rates on principal amount of loans and investments are normally hedged using interest rate swaps whose repayments dates are the same as of hedge item. These contracts are designated as fair value hedges.

Derivatives held for risk management purposes

The Bank has entered into interest rate swaps and forward contracts for risk management purposes which are usually not closed out prior to contractual maturity. The Bank ensures that its exposure is kept to acceptable level by buying and selling of foreign currencies in forward market when necessary to address short term imbalances.

The table below shows the assets and liabilities fair values of derivative financial instruments, together with the notional cash flows analysed by the term of their maturity.

	Assets RO '000	Liabilities RO '000	Notional cash flows RO '000
At 30 September 2021			
Derivatives for hedging:			
Interest rate swaps	924	3,854	267,089
Derivatives:			
Forward purchase contracts	-	92	244,803
Forward sales contracts	675	-	244,220
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	2,400	10,010	693,738
Derivatives:			
Forward purchase contracts	-	239	635,852
Forward sales contracts	1,753	-	634,337
At 30 September 2020	RO '000	RO '000	RO '000
<i>Derivatives for hedging:</i>			
Interest rate swaps	-	5,716	154,193
<i>Derivatives:</i>			
Forward purchase contracts	-	81	271,455
Forward sales contracts	2,078	-	269,458
	US\$ 000	US\$ 000	US\$ 000
<i>Derivatives for hedging:</i>			
Interest rate swaps	-	14,847	400,501
<i>Derivatives:</i>			
Forward purchase contracts	-	210	705,078
Forward sales contracts	5,397	-	699,891
At 31 December 2020	RO '000	RO '000	RO '000
<i>Derivatives for hedging:</i>			
Interest rate swaps	849	5,890	(5,041)
<i>Derivatives:</i>			
Forward purchase contracts	-	98	212,029
Forward sales contracts	1,813	-	213,744
	US\$ 000	US\$ 000	US\$ 000
<i>Derivatives for hedging:</i>			
Interest rate swaps	2,205	15,299	(13,093)
<i>Derivatives:</i>			
Forward purchase contracts	-	255	550,725
Forward sales contracts	4,709	-	555,179

Fair values are included under other assets where positive and other liabilities where negative.

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19. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-20 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Unaudited 30-Sep-21 US\$ '000		Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
323,429	343,582	320,462	Financial guarantees	123,378	132,279	124,520
172,345	177,935	96,634	Letters of credit	37,204	68,505	66,353
122,545	128,569	169,491	Loan commitments	65,254	49,499	47,180
4,377	3,397	18,507	Capital commitments	7,125	1,308	1,685
622,696	653,483	605,094		232,961	251,591	239,738

20. ASSETS AND LIABILITIES MATURITY

As at 30 September 2021	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	1,101,959	281,521	489,233	1,192,445	3,065,158
Liabilities and equity	(804,077)	(826,611)	(632,682)	(801,788)	(3,065,158)
Net liquidity gap	297,882	(545,090)	(143,449)	390,657	-
Net liquidity gap in US \$ '000	773,719	(1,415,819)	(372,595)	1,014,695	-

As at 30 September 2020	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	779,729	275,448	438,823	1,098,318	2,592,318
Liabilities and equity	(636,122)	(627,457)	(652,256)	(676,483)	(2,592,318)
Net liquidity gap	143,607	(352,009)	(213,433)	421,835	-
Net liquidity gap in US \$ '000	373,005	(914,309)	(554,371)	1,095,675	-

As at 31 December 2020	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	807,013	329,302	447,543	1,118,619	2,702,477
Liabilities and equity	(578,260)	(707,592)	(860,217)	(556,408)	(2,702,477)
Net liquidity gap	228,753	(378,290)	(412,674)	562,211	-
Net liquidity gap in US \$ '000	594,163	(982,571)	(1,071,881)	1,460,289	-

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21. CAPITAL MANAGEMENT

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014. As per CBO circular BSD/CB/2020/001 dated 18 March 2020, capital conservation buffer will be reduced by 50% from 2.5% to 1.25%. Accordingly, the minimum capital adequacy ratio requirement for the year is 12.25% including capital conservation buffer of 1.25% (31 December 2020: 12.25% including capital conservation buffer of 1.25%). The capital adequacy ratio working is as follows:

The following table sets out the capital adequacy position:

	Unaudited 30-Sep-21 RO '000	Unaudited 30-Sep-20 RO '000	Audited 31-Dec-20 RO '000
Common Equity Tier 1 (CET1)	262,012	234,545	239,044
Additional Tier 1	124,000	124,000	124,000
Tier 1	386,012	358,545	363,044
Tier 2	21,031	21,535	22,448
Total regulatory capital	407,043	380,080	385,492
Risk weighted assets			
Credit risk	2,368,735	2,148,736	2,270,314
Market risk	67,778	74,343	72,689
Operational risk	129,573	117,449	117,449
Total risk weighted assets	2,566,086	2,340,528	2,460,452
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.21%	10.02%	9.72%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.04%	15.32%	14.76%
Tier II capital expressed as a percentage of total risk-weighted assets	0.82%	0.92%	0.91%
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.86%	16.24%	15.67%
	Unaudited 30-Sep-21 US\$ '000	Unaudited 30-Sep-20 US\$ '000	Audited 31-Dec-20 US\$ '000
Common Equity Tier 1 (CET1)	680,551	609,207	620,893
Additional Tier 1	322,078	322,078	322,078
Tier 1	1,002,630	931,285	942,971
Tier 2	54,625	55,934	58,308
Total regulatory capital	1,057,255	987,219	1,001,279
Risk weighted assets			
Credit risk	6,152,559	5,581,132	5,896,920
Market risk	176,046	193,099	188,802
Operational risk	336,552	305,062	305,062
Total risk weighted assets	6,665,157	6,079,293	6,390,784
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.21%	10.02%	9.72%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.04%	15.32%	14.76%
Tier II capital expressed as a percentage of total risk-weighted assets	0.82%	0.92%	0.91%
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.86%	16.24%	15.67%

22. COMPARATIVE FIGURES

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current period for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or shareholder's equity.