



Bank Muscat SAOG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Contents	Page No.
1 Chairman's Report	
2 Interim condensed consolidated statement of financial position	1
3 Interim condensed consolidated statement of comprehensive income	2
4 Interim condensed consolidated statement of changes in equity	3
5 Interim condensed consolidated statement of cash flows	4
6 Notes to the interim condensed consolidated financial statements	5-26

Chairman's Report for the six month period ended 30 June 2023

Dear Shareholders,

On behalf of the Board of Directors, I would like to share with you the results achieved by the Bank during the first half of the year ended 30 June 2023. The Bank continued to perform well and maintain its leadership position in Oman's financial services sector.

Financial Overview

The Bank posted a net profit of RO 104.32 million for the period compared to RO 99.26 million reported during the same period in 2022, an increase of 5.1 per cent.

Net Interest Income from Conventional Banking and Net Income from Islamic Financing stood at RO 184.71 million for the six months period ended 30 June 2023 compared to RO 166.25 million for the same period in 2022, an increase of 11.1 per cent.

Non-interest income was RO 66.48 million for the six months period ended 30 June 2023 as compared to RO 71.04 million for the same period in 2022. Non-interest income for the previous comparative period included a one-time gain from sale of investments of RO 7.9 million. Excluding this, non-interest income has witnessed an increase of 5.3 per cent.

Operating expenses for the six months period ended 30 June 2023 was RO 97.44 million as compared to RO 92.30 million for the same period in 2022, an increase of 5.6 per cent. Net Impairment for credit and other losses for the six months period ended 30 June 2023 was RO 30.11 million as against RO 28.40 million for the same period in 2022.

Net Loans and advances including Islamic financing receivables increased by 9.7 per cent to RO 9,879 million as against RO 9,002 million as at 30 June 2022. Customer deposits including Islamic Customer deposits increased by 2.8 per cent to RO 9,084 million as against RO 8,834 million as at 30 June 2022.

Strategic Initiatives & Key Developments

Maintaining its role as the leading financial institution in the Sultanate, Bank Muscat continued its march of success by registering an increase of 32 per cent in the number of PoS and e-commerce transactions to reach 98 million in the first half of 2023 compared to 74 million in the same period last year. As a result of the Bank's digital transformation efforts and financial inclusion strategy,

the number of registered users on Mobile and Internet banking channels grew at a fast pace to over 1.6 million users with an increase of 7 per cent from last year. To further enhance its customers' banking experience in different governorates, Bank Muscat has been upgrading its omnichannel network. It has a total number of 844 devices, including automated self-service devices/machines that cater to customer needs including cash withdrawal/deposits, cheque deposits, statement printing and other banking services.

To enhance the Bank's leading role in the field of electronic payment, the Bank held its 16th edition of Partners in Progress event to honour government institutions, merchants and private sector companies for their continuous support in promoting digital payments through the use of PoS machines. In line with its customer-centric vision and within its plan to expand its branches across the Sultanate, the Bank celebrated the inauguration of two new retail branches in Al Hail, Wilayat of Seeb and Madinat Al Nahda in Wilayat of Al Amerat in Muscat Governorate. These branches are designed to offer customers multiple services in one place, which include Asalah Priority Centers, Baituna, Sayyarati and Najahi desks, and safe deposit lockers; all equipped to facilitate access for persons with disabilities.

Bank Muscat continued to stride forward with digital transformation of its Corporate Banking customers, providing a seamless digital experience to corporates, SMEs, institutional and government customers with cutting-edge integrated transaction banking solutions. The volume of transactions processed over the corporate online platform has increased significantly by 25% in the first half over the corresponding period last year. Supported by a buoyancy in the Sultanate's economy, the Bank's Corporate Banking registered an impressive growth in loans and advances during the first half of year 2023. The business growth was mainly from its customers operating in the Oil & Gas, aviation, shipping, power, telecom and water sectors.

Investment Banking continued to be actively engaged with leading corporates and government-related entities in Oman to advise on strategically important transactions, including the electricity and water sectors, and the upcoming IPOs of two flagship Government Related Entities (GREs). The business continues to demonstrate its leading position in the Sultanate.

Bank Muscat Oryx Fund, the Bank's flagship fund for MENA equities, continued its steady performance delivering a return of approximately 15% during the first half of 2023, outperforming its benchmark by about 12%. Bank Muscat Money Market Fund, the largest open-ended Fund in Oman, realized annualized returns currently standing at 4.50% p.a.

As part of the plan to enhance its branch network in the Sultanate, Meethaq continued to be on steady growth. During the second quarter, it opened two more branches in Al Ma'abilah and Jaalan Bani Bu Ali with Hafawa centers, bringing the total number of Meethaq branches to 26 and Hafawa Centers to 20. Additionally, Meethaq has launched Corporate Banking Centers in Al

Khuwair, Al Khoudh, Salalah and in the Head Office to further enhance its reach and coverage to corporate customers and SMEs across the Sultanate.

CSR & Sustainability

Bank Muscat continued to make substantial efforts to improve financial inclusion and accessibility, especially for persons with disabilities, in line with the goals of Oman Vision 2040. The Bank continues to extend additional disabled-friendly facilities to a number of Conventional and Islamic banking branches across different governorates in the Sultanate. The Bank also participated actively in the First Forum for Persons with Disabilities and showcased employment opportunities for disabled persons in the Bank as well as a number of services and features, which enhance their banking experience.

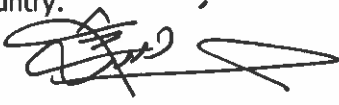
Bank Muscat sustained its support to the annual 'Fak Kurba' initiative of the Oman Lawyers Association in 2023 by helping secure the release of 211 individuals who could not clear their financial obligations to lenders other than banks and financial institutions. The Bank also continued its important role in supporting SMEs by providing an entrepreneurial training programme free of charge in Duqm to 25 Omani entrepreneurs through the Al Wathbah SME Academy. Besides, the 2023 edition of Souq Al Wathbah which was organized during the holy month of Ramadhan, in cooperation with The SMEs Development Authority featured many local products and services and received an excellent response from Omani Micro, Small, and Medium-sized Enterprises (MSMEs) and the public. It showcased over 150 MSMEs stalls and hundreds of visitors. The Bank also donated specialised diagnostic devices to the Al Masarra Hospital during the quarter.

Awards and Accolades

Bank Muscat continued to demonstrate its leadership role by being once again named by Forbes Middle East among the Top 50 Banks and the Top 100 Listed Companies in the region. The Bank was also honoured as the Best Bank in Oman by Global Finance and Euromoney and the Best Retail Bank in Oman by MEED. It was recognised by the Arab Federation of Capital Markets for Best ESG Integration and also as the Best Investment Bank in Oman. The Bank was also awarded the Operational Excellence Award by Wells Fargo and the Straight-through Processing Award by Citibank. Being on the forefront of leveraging technology and in recognition to its pioneering efforts in offering technological innovations, the Bank received the prestigious 'Infosys Finacle Innovation Awards 2023' in Corporate Banking.

In Conclusion

On behalf of the Board of Directors, I take this opportunity to thank our shareholders for the trust reposed in the Bank. The Board of Directors welcomes the measures taken by the Central Bank of Oman and the Capital Market Authority to support and strengthen the financial market in the Sultanate. We express our sincere gratitude and appreciation to His Majesty Sultan Haitham Bin Tarik for his vision and guidance as we journey forward on the path of the renewed Renaissance and pray to the Almighty Allah to bless and protect His Majesty the Sultan and our beloved country.



Khalid Bin Mustahail Al Mashani

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

		<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
		<i>30-Jun-2023</i>	<i>31-Dec-2022</i>	<i>30-Jun-2022</i>
	<i>Notes</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Assets				
Cash and balances with Central Banks		806,959	883,060	951,850
Due from banks	3	568,055	641,480	794,761
Loans and advances	4	8,330,661	7,967,470	7,576,486
Islamic financing receivables	4	1,548,793	1,449,424	1,425,648
Investments securities	5	1,847,702	1,571,984	1,813,401
Investment in associates	6	8,680	8,795	8,789
Other assets	7	175,700	185,465	219,340
Property, equipment and software		69,564	68,304	68,004
Total assets		13,356,114	12,775,982	12,858,279
Liabilities and equity				
Liabilities				
Deposits from banks	8	1,278,344	1,004,106	1,001,565
Customers' deposits	9	7,780,649	7,409,967	7,620,689
Islamic customers' deposits	9	1,302,861	1,236,854	1,213,270
Sukuk		45,869	45,876	45,876
Euro medium term notes		195,139	390,376	390,379
Other liabilities	10	473,821	400,973	420,691
Taxation		41,699	55,706	38,185
Total liabilities		11,118,382	10,543,858	10,730,655
Equity				
Equity attributable to equity holders of parent:				
Share capital	11	750,640	750,640	375,320
Share premium		156,215	156,215	531,535
General reserve		410,258	410,258	410,258
Legal reserve		139,229	139,229	119,149
Revaluation reserve		4,904	4,904	4,904
Cash flow hedge reserve		6,008	-	-
Cumulative changes in fair value		18,561	(587)	(7,992)
Foreign currency translation reserve		(3,674)	(3,881)	(3,065)
Impairment reserve / restructured loan reserve		2,327	2,330	2,340
Retained earnings		247,944	267,696	565,175
Total equity attributable to the equity holders		1,732,412	1,726,804	1,997,624
Perpetual Tier I capital		505,320	505,320	130,000
Total equity		2,237,732	2,232,124	2,127,624
Total liabilities and equity		13,356,114	12,775,982	12,858,279
Net assets per share (in RO)		0.231	0.230	0.532
Contingent liabilities and commitments	12	1,604,372	1,630,064	1,766,257

The interim condensed consolidated financial statements were approved by the Board of Directors on 24 July 2023.
The attached notes 1 to 28 form part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

	Notes	Unaudited -for six months period ended-		Unaudited -for three months period ended-	
		30-Jun-2023 RO' 000	30-Jun-2022 RO' 000	30-Jun-2023 RO' 000	30-Jun-2022 RO' 000
Interest income	13	272,253	222,594	138,467	113,106
Interest expense	14	(106,173)	(74,397)	(54,940)	(38,080)
Net interest income		166,080	148,197	83,527	75,026
Income from Islamic financing / investments	13	47,841	40,913	24,520	20,713
Distribution to depositors	14	(29,210)	(22,858)	(15,041)	(11,570)
Net income from Islamic financing		18,631	18,055	9,479	9,143
Net interest income and income from Islamic financing		184,711	166,252	93,006	84,169
Commission and fee income (net)	15	45,186	46,347	22,778	23,430
Other operating income	16	21,290	24,690	12,200	15,779
Operating income		251,187	237,289	127,984	123,378
Operating expenses					
Other operating expenses		(87,751)	(83,622)	(43,746)	(42,219)
Depreciation		(9,692)	(8,679)	(4,995)	(4,322)
		(97,443)	(92,301)	(48,741)	(46,541)
Share of results from associates	6	200	710	101	175
Net impairment losses on financial assets	17	(30,105)	(28,399)	(16,419)	(16,403)
		(127,348)	(119,990)	(65,059)	(62,769)
Profit before taxation		123,839	117,299	62,925	60,609
Tax expense		(19,518)	(18,042)	(9,899)	(9,615)
Profit for the period		104,321	99,257	53,026	50,994
Other comprehensive (expense) / income					
Net other comprehensive (expense) / income to be reclassified to profit or loss in subsequent periods, net of tax:					
Translation of net investments in foreign operations		207	(567)	(69)	(425)
Change in fair value through other comprehensive income (FVOCI) debt investments		714	(5,409)	(276)	(3,286)
Share of other comprehensive income of associates		(19)	40	(27)	35
Change in fair value of cash flow hedge		6,008	-	6,008	-
		6,910	(5,936)	5,636	(3,676)
Net other comprehensive (expense) / income not to be reclassified to profit or loss in subsequent periods, net of tax:					
Change in fair value of FVOCI equity investments		18,448	(5,742)	17,706	(6,656)
		18,448	(5,742)	17,706	(6,656)
Other comprehensive income / (expense) for the period		25,358	(11,678)	23,342	(10,332)
Total comprehensive income for the period		129,679	87,579	76,368	40,662
Total comprehensive income for the period attributable to					
Equity holders of Parent Company		129,679	87,579	76,368	40,662
Profit attributable to					
Equity holders of Parent Company		104,321	99,257	53,026	50,994
Earnings per share (in RO)					
- Basic and diluted	18	0.012	0.013	0.006	0.006

Items in other comprehensive income are disclosed net of tax.

The attached notes 1 to 28 form part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment reserve / restructured loan reserve RO' 000	Retained profits RO' 000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2023	750,640	156,215	410,258	139,229	4,904	-	(587)	(3,881)	2,330	267,696	1,726,804	505,320	2,232,124
Profit for the period	-	-	-	-	-	-	-	-	-	104,321	104,321	-	104,321
Other comprehensive (expense) income	-	-	-	-	-	6,008	19,143	207	-	-	25,358	-	25,358
Total comprehensive (expense) income	-	-	-	-	-	6,008	19,143	207	-	104,321	129,679	-	129,679
Transfer within equity upon disposal of FVOCI equity investments	-	-	-	-	-	-	5	-	-	(5)	-	-	-
Dividends paid (note 11)	-	-	-	-	-	-	-	-	-	(112,596)	(112,596)	-	(112,596)
Transfer from restructured loan reserve to retained earnings	-	-	-	-	-	-	-	-	(3)	3	-	-	-
Interest paid on Perpetual Tier 1 Capital	-	-	-	-	-	-	-	-	-	(11,475)	(11,475)	-	(11,475)
Balance as at 30 June 2023	750,640	156,215	410,258	139,229	4,904	6,008	18,561	(3,674)	2,327	247,944	1,732,412	505,320	2,237,732

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment reserve / restructure d loan reserve RO' 000	Retained earnings RO' 000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2022	357,448	531,535	410,258	119,149	4,904	2,855	(2,498)	2,346	594,847	2,020,844	130,000	2,150,844
Profit for the period	-	-	-	-	-	-	-	-	99,257	99,257	-	99,257
Other comprehensive (expense) income	-	-	-	-	-	(11,111)	(567)	-	-	(11,678)	-	(11,678)
Total comprehensive (expense) income	-	-	-	-	-	(11,111)	(567)	-	99,257	87,579	-	87,579
Transfer within equity upon disposal of FVOCI equity investments	-	-	-	-	-	264	-	-	(264)	-	-	-
Dividends paid (note 11)	-	-	-	-	-	-	-	-	(107,234)	(107,234)	-	(107,234)
Issue of bonus shares (note 11)	17,872	-	-	-	-	-	-	-	(17,872)	-	-	-
Transfer from restructured loan reserve to retained earnings	-	-	-	-	-	-	-	(6)	6	-	-	-
Interest paid on Perpetual Tier 1 Capital	-	-	-	-	-	-	-	-	(3,565)	(3,565)	-	(3,565)
Balance as at 30 June 2022	375,320	531,535	410,258	119,149	4,904	(7,992)	(3,065)	2,340	565,175	1,997,624	130,000	2,127,624

Appropriations to legal reserve and sub-ordinated loan reserve are made on an annual basis.

The attached notes 1 to 28 form part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
Operating activities		
Profit for the period before taxation	123,839	117,299
Adjustments for :		
Depreciation	9,692	8,679
Net impairment losses on financial assets	30,105	28,399
Share of results from associates	(200)	(710)
Profit on sale of Property and equipment	(1)	-
Profit on investments	(250)	(8,410)
Dividend income	(4,935)	(3,599)
Operating profit before working capital changes	158,250	141,658
Due from banks	50,555	(4,510)
Loans and advances	(391,003)	225,136
Islamic financing receivables	(105,082)	(70,485)
Other assets	15,598	(45,347)
Deposits from banks	316,665	(214,318)
Customers' deposits	370,682	16,638
Islamic customers' deposits	66,007	42,715
Other liabilities	72,337	30,156
Cash from / (used in) operating activities	554,009	121,643
Income taxes paid	(33,389)	(32,501)
Net cash from / (used in) operating activities	520,620	89,142
Investing activities		
Dividend from an associate	296	227
Dividend income	4,935	3,599
Purchase of investments	(31,535)	(109,893)
Proceeds from sale of investments	57,790	31,469
Net movement in property and equipment	(10,951)	(2,496)
Net cash from / (used in) investing activities	20,535	(77,094)
Financing activities		
Dividends paid	(112,596)	(107,234)
Repayment of Euro medium term notes	(192,500)	(44,608)
Interest on Perpetual Tier I capital	(11,475)	(3,565)
Net cash from / (used in) financing activities	(316,571)	(155,407)
Net change in cash and cash equivalents	224,584	(143,359)
Cash and cash equivalents at 1 January	928,934	1,395,450
Cash and cash equivalents at 30 June	1,153,518	1,252,091
Cash and cash equivalent comprises of the following:		
Cash and balances with Central Banks	806,452	951,339
Treasury bills	555,313	514,466
Due from banks	272,220	368,870
Deposits from banks	(480,467)	(582,584)
	1,153,518	1,252,091

The attached notes 1 to 28 form part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023****1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Bank Muscat SAOG (the Bank or the Parent Company) is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial and investment banking activities through a network of 177 branches (30 June 2022 : 174 branches) within the Sultanate of Oman and one branch each in Riyadh, Kingdom of Saudi Arabia and Kuwait. The Bank has representative offices in Dubai, United Arab Emirates, Singapore and Tehran, Iran. The Bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank has its primary listing on the Muscat Stock Exchange.

As at 30 June 2023, the Bank operates in 6 countries (2022: 6 countries) and employed 4,077 employees (30 June 2022: 3,898 employees).

During 2013, the Parent Company inaugurated "Meethaq Islamic banking window" ("Meethaq") in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations. Meethaq operates under an Islamic banking license granted by the CBO on 13 January 2013. Meethaq's Shari'a Supervisory Board is entrusted to ensure Meethaq's adherence to Shari'a rules and principles in its transactions and activities. The principal activities of Meethaq include: accepting customer deposits; providing Shari'a compliant financing based on various Shari'a compliant modes; undertaking Shari'a compliant investment activities permitted under the CBO's Regulated Islamic Banking Services as defined in the licensing framework. Meethaq has 26 branches (June 2022 - 24 branches) in the Sultanate of Oman.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**2.1 BASIS OF PREPARATION**

The unaudited interim condensed consolidated financial statements for the six months period ended 30 June 2023 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 Capital Market Authority (CMA).

The unaudited interim condensed financial statements have been prepared on the historical cost basis, modified to include the revaluation of freehold land and buildings and the measurement at fair value of derivative financial instruments, FVOCI investment securities and investment recorded at fair value through profit or loss. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Islamic window operation of the Parent Company; "Meethaq" uses Financial Accounting Standards ("FAS"), issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), for preparation and reporting of its financial information. Meethaq's financial information is included in the results of the Bank, after adjusting financial reporting differences, if any, between AAOIFI and IFRS.

The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed consolidated financial statements of the Bank are prepared in Rial Omani, rounded to the nearest thousands, except as indicated.

The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Bank's annual consolidated financial statements as at 31 December 2022. In addition, results of the Bank for the period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year 2023.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.1 BASIS OF PREPARATION (continued)****2.2 NEW STANDARDS, IMPLEMENTATIONS AND AMENDMENTS IN EXISTING STANDARDS**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Bank. The above amendments are effective from 1 January 2023.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
3. DUE FROM BANKS

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
At amortised cost / FVOCI			
Nostro balances	48,070	84,535	64,661
Inter-bank placements	277,883	265,148	454,911
Loans to banks	246,498	296,677	279,872
	572,451	646,360	799,444
Less: impairment loss allowance	(4,396)	(4,880)	(4,683)
	568,055	641,480	794,761

4. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES
Loans and advances

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
Loans	4,288,967	3,976,232	3,726,512
Overdrafts and credit cards	345,541	312,207	320,423
Loans against trust receipts / other advances	378,803	421,417	409,034
Bills purchased and discounted	198,633	185,681	101,936
Personal and housing loans	3,650,769	3,571,068	3,479,992
	8,862,713	8,466,605	8,037,897
Less: impairment loss allowance	(532,052)	(499,135)	(461,411)
	8,330,661	7,967,470	7,576,486

Islamic financing receivables

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
Housing finance	520,964	514,125	507,094
Corporate finance	1,035,882	942,086	920,835
Consumer finance	56,398	51,742	47,764
	1,613,244	1,507,953	1,475,693
Less: impairment loss allowance	(64,451)	(58,529)	(50,045)
	1,548,793	1,449,424	1,425,648

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
4. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES (continued)

Movement in impairment loss is analysed below:

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
1 January	557,664	468,891	468,891
Impairment for credit losses	50,533	110,418	52,282
Interest reserved during the period	13,129	23,781	10,979
Recoveries from impairment for credit losses	(16,810)	(38,990)	(17,285)
Reserve interest recovered during the period	(2,155)	(4,587)	(1,958)
Written off during the period	(5,944)	(3,859)	(1,493)
Transfer from / (to) Memorandum portfolio	124	2,056	117
Foreign currency translation difference	(22)	(60)	(72)
Other movements	(16)	14	(5)
At 30 June / 31 December	596,503	557,664	511,456

At 30 June 2023, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 394.5 million (31 December 2022: RO 371.0 million, 30 June 2022: RO 360.9 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

The maturity profile of loans and advances / Islamic financing receivables was as follows

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
On demand or within one month	836,481	1,122,177	927,253
Two to three months	962,984	671,592	643,967
Four to twelve months	857,711	888,764	794,286
One to five years	2,310,267	1,973,368	2,170,972
More than five years	4,912,011	4,760,993	4,465,656
	9,879,454	9,416,894	9,002,134

5. INVESTMENT SECURITIES

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
Equity investments:			
Measured as at FVTPL	18,555	15,844	15,149
Designated as at FVOCI	136,122	118,546	97,146
Equity investments	154,677	134,390	112,295
Debt investments:			
Measured at FVOCI	107,361	103,702	100,666
Measured at amortised cost	1,588,474	1,337,635	1,604,409
Gross debt investments	1,695,835	1,441,337	1,705,075
Less: Impairment loss allowance	(2,810)	(3,743)	(3,969)
Debt investments	1,693,025	1,437,594	1,701,106
Investment securities	1,847,702	1,571,984	1,813,401

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
5. INVESTMENT SECURITIES (continued)

As at 30 June 2023				
(unaudited)	<i>FVTPL</i>	<i>FVOCI</i>	<i>Amortised</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>Cost</i>	<i>RO' 000</i>
			<i>RO' 000</i>	<i>RO' 000</i>
Quoted equities:				
Foreign securities	-	123,513	-	123,513
Other services sector	-	6,821	-	6,821
Unit funds	4,472	-	-	4,472
Financial services sector	-	3,009	-	3,009
Industrial sector	-	1,191	-	1,191
Unquoted equities:				
Foreign securities	9,995	-	-	9,995
Local securities	4,088	1,588	-	5,676
Equity investments	18,555	136,122	-	154,677
Quoted debt:				
Government bonds	-	3,300	956,988	960,288
Foreign bonds	-	36,039	939	36,978
Local bonds	-	68,022	75,234	143,256
	-	107,361	1,033,161	1,140,522
Unquoted debt:				
Treasury bills	-	-	555,313	555,313
Local bonds	-	-	-	-
	-	-	555,313	555,313
Gross debt investments	-	107,361	1,588,474	1,695,835
Less: Impairment loss allowance	-	(1,110)	(1,700)	(2,810)
Debt investments	-	106,251	1,586,774	1,693,025
Net investments	18,555	242,373	1,586,774	1,847,702
As at 31 December 2022				
(Audited)	<i>FVTPL</i>	<i>FVOCI</i>	<i>Amortised</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>Cost</i>	<i>RO' 000</i>
			<i>RO' 000</i>	<i>RO' 000</i>
Quoted equities:				
Foreign securities	90	101,944	-	102,034
Other services sector	-	6,650	-	6,650
Unit funds	3,397	-	-	3,397
Financial services sector	39	6,762	-	6,801
Industrial sector	-	1,598	-	1,598
Unquoted equities:				
Foreign securities	7,425	-	-	7,425
Local securities	4,893	1,592	-	6,485
Equity investments	15,844	118,546	-	134,390
Quoted debt:				
Government bonds	-	3,316	981,624	984,940
Foreign bonds	-	32,963	1,971	34,934
Local bonds	-	67,423	75,224	142,647
Unquoted debt:				
Treasury bills	-	-	273,684	273,684
Local bonds	-	-	5,132	5,132
Gross debt investments	-	103,702	1,337,635	1,441,337
Less: impairment loss allowance	-	(1,277)	(2,466)	(3,743)
Debt investments	-	102,425	1,335,169	1,437,594
Investment securities	15,844	220,971	1,335,169	1,571,984

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
5. INVESTMENT SECURITIES (continued)

The movement in impairment of debt investments is summarised as follows

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
At 1 January	3,743	4,647	4,647
Provided /(reversed) during the period / year	(932)	(905)	(678)
Other movements	(1)	1	-
At 30 June/ 31 December	2,810	3,743	3,969

6. INVESTMENT IN ASSOCIATES

The summary of carrying value of investments in associates is as follows:

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
SICO Capital	-	-	1,951
SICO BSC (c)	8,680	8,795	6,838
At 30 June/ 31 December	8,680	8,795	8,789

SICO Capital

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
At 1 January	-	1,759	1,759
Share of results	-	299	192
Carrying value of remaining 27.29% stake sold	-	(2,058)	-
At 30 June/ 31 December	-	-	1,951

SICO BSC (c)

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
At 1 January	8,795	6,507	6,507
Acquisition of additional shareholding of 2.76%	-	1,957	-
Cost of investment in associate	-	1,957	-
Share of results	200	628	518
Share of other comprehensive income	(19)	(70)	40
Dividend received	(296)	(227)	(227)
At 30 June/ 31 December	8,680	8,795	6,838

7. OTHER ASSETS

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>Unaudited</i>
Acceptances (note 10)	104,129	109,146	132,013
Less: impairment loss allowance	(493)	(254)	(168)
Net Acceptances	103,636	108,892	131,845
Other debtors and prepaid expenses	22,227	39,944	38,561
Positive fair value of derivatives	43,889	25,736	41,072
Deferred tax asset	2,662	7,265	5,641
Others	3,286	3,628	2,221
	175,700	185,465	219,340

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
8. DEPOSITS FROM BANKS

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
Inter bank borrowings	497,115	393,736	467,614
Vostro balances	79,719	51,983	78,841
Other money market deposits	701,510	558,387	455,110
	<u>1,278,344</u>	<u>1,004,106</u>	<u>1,001,565</u>

9. CUSTOMERS' DEPOSITS
Conventional customers' deposits

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
Deposit accounts	2,793,214	2,449,597	2,337,315
Savings accounts	3,029,069	2,970,908	3,000,396
Current accounts	1,698,829	1,694,395	1,849,421
Call accounts	210,136	243,411	387,389
Margin accounts	49,401	51,656	46,168
	<u>7,780,649</u>	<u>7,409,967</u>	<u>7,620,689</u>

Islamic customers' deposits

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
Deposit accounts	798,258	680,986	631,211
Savings accounts	295,946	296,728	324,559
Current accounts	98,734	96,990	103,703
Call accounts	27,348	80,074	72,087
Margin accounts	82,575	82,076	81,710
	<u>1,302,861</u>	<u>1,236,854</u>	<u>1,213,270</u>

The maturity profile of customer's deposits (including Islamic customers' deposits) was as follows:

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
On demand or within one month	738,614	728,462	832,821
Two to three months	745,235	950,763	779,840
Four to twelve months	2,436,594	1,746,222	2,071,873
One to five years	3,694,689	3,197,880	3,619,105
More than five years	1,468,378	2,023,494	1,530,320
	<u>9,083,510</u>	<u>8,646,821</u>	<u>8,833,959</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
10. OTHER LIABILITIES

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
Other liabilities and accrued expenses	244,105	158,302	147,880
Acceptances (note 7)	104,129	109,146	132,013
Impairment on financial guarantees	40,691	41,313	41,437
Impairment on undrawn commitments and unutilised limits	4,398	6,022	10,300
Lease liabilities	41,991	44,470	46,032
Negative fair value of derivatives	23,334	26,863	28,648
Unearned discount and interest	7,461	7,236	7,093
Employee end of service benefits	6,846	6,755	6,422
Deferred tax liability	866	866	866
	473,821	400,973	420,691

11. SHARE CAPITAL AND DIVIDEND

The authorised share capital of the Bank is 8,000,000,000 shares of RO 0.100 each (2022: 4,500,000,000 of RO 0.100 each). At 31 March 2023, 7,506,397,062 shares of RO 0.100 each (31 December 2022: 7,506,397,062 shares of RO 0.100 each) have been issued and fully paid. The Bank's shares are listed in Muscat, Bahrain and London stock exchanges. Listing in London stock exchange is through Global Depository Receipts issued by the Bank.

In the Bank's annual general meeting held on 22 March 2023 the shareholders approved a dividend of 15% in the form of cash. Thus shareholders received cash dividend of RO 0.015 per ordinary share of RO 0.100 each aggregating to RO 112.596 million on Bank's existing share capital.

Shareholders of the Bank who hold 10% or more of the bank's shares are given below:

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
Number of shares held			
Royal Court Affairs	1,774,091,718	1,774,091,718	887,045,859
Dubai Financial Group	883,241,022	883,241,022	441,620,511
% of shareholding			
Royal Court Affairs	23.63%	23.63%	23.63%
Dubai Financial Group	11.77%	11.77%	11.77%

12. CONTINGENT LIABILITIES

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
CONTINGENT LIABILITIES			
Letters of credit	366,803	344,810	463,564
Guarantees	1,237,569	1,285,254	1,302,693
	1,604,372	1,630,064	1,766,257
COMMITMENTS			
Irrevocable credit commitments	115,679	408,227	319,841
Purchase of property and equipment	1,042	2,296	941
Partly paid shares	10,065	8,455	4,660
	126,786	418,978	325,442

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
13. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>
	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Loans and advances	226,520	187,930	116,427	94,903
Due from banks	16,671	5,137	7,627	2,959
Investments	29,062	29,527	14,413	15,244
	272,253	222,594	138,467	113,106
Islamic financing receivables	42,998	36,897	22,087	18,689
Islamic due from banks	498	15	264	13
Islamic investment	4,345	4,001	2,169	2,011
	47,841	40,913	24,520	20,713
	320,094	263,507	162,987	133,819

14. INTEREST EXPENSE / DISTRIBUTION TO DEPOSITORS

	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>
	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Customers' deposits	72,833	60,060	37,948	30,330
Bank borrowings	26,643	4,739	14,667	2,951
Euro medium term notes	6,697	9,598	2,325	4,799
	106,173	74,397	54,940	38,080
Islamic customers' deposits	20,419	18,017	10,475	9,207
Islamic bank borrowings	7,537	2,784	3,939	1,509
Sukuk	1,254	2,057	627	854
	29,210	22,858	15,041	11,570
	135,383	97,255	69,981	49,650

15. COMMISSION AND FEES INCOME (NET)

The commission and fees shown in the interim condensed consolidated statement of comprehensive income is net of commission and fees paid of RO 11,057 thousands (30 Jun 2022 : RO 8,886 thousands).

16. OTHER OPERATING INCOME

	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>
	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Foreign exchange	15,346	12,509	8,558	6,843
Changes in fair value of financial assets	352	272	286	(74)
Net realised gain (loss) on sale of fair value investments	(102)	8,138	75	8,123
Dividend income	4,935	3,599	3,244	803
Other income	759	172	37	84
	21,290	24,690	12,200	15,779

Dividend income recognised on FVOCI investments during the period ended 30 June 2023 is RO 4,710 thousands. (30 June 2022: RO 3,419 thousands), out of which RO 241 thousands (30 June 2022: RO nil) pertains to investments sold during this period.

17. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for six months period ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>	<i>Unaudited</i> <i>-for three months ended-</i>
	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>	<i>30-Jun-2023</i>	<i>30-Jun-2022</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
(Impairment) / reversal of impairment for credit losses:				
- Cash and Central bank balances	7	11	3	-
- Due from banks	487	1,189	161	769
- Loans and advances to customers	(50,533)	(52,282)	(23,565)	(25,484)
- Financial guarantees	609	5,553	(2,027)	2,323
- Acceptances	(239)	61	(171)	27
- Loan commitments / unutilised limits	1,624	(1,259)	61	(1,563)
- Investments	932	678	505	568
	(47,113)	(46,049)	(25,033)	(23,360)
Recoveries from impairment for credit losses	16,810	17,285	8,504	6,814
Recoveries from loans previously written off	198	365	110	143
	17,008	17,650	8,614	6,957
	(30,105)	(28,399)	(16,419)	(16,403)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

18. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders (after adjusting for interest on perpetual tier I capital) for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	<i>Unaudited -for six months period ended-</i>		<i>Unaudited -for three months period ended-</i>	
	<i>30-Jun-2023 RO' 000</i>	<i>30-Jun-2022 RO' 000</i>	<i>30-Jun-2023 RO' 000</i>	<i>30-Jun-2022 RO' 000</i>
Profit for the period	104,321	99,257	53,026	50,994
Less: interest on Perpetual Tier I capital	(11,475)	(3,565)	(11,475)	(3,565)
Profit attributable to ordinary shareholders of parent company for basic earnings per share (RO 000's)	92,846	95,692	41,551	47,429
Weighted average number of ordinary shares in issue during the period (000's)	7,506,397	7,506,397	7,506,397	7,506,397
Basic earnings per share (RO)	0.012	0.013	0.006	0.006

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the periods. Interest on Perpetual Tier I capital is adjusted in computation of earnings per share on payment basis.

19. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The Bank engages in transactions with related parties only on arm's length terms and in accordance with relevant laws and regulations. Terms of these transactions are approved by the Bank's Board and Management. The balances in respect of related parties included in the interim condensed consolidated statement of financial position as at the reporting date are as follows:

	<i>Unaudited 30-Jun-2023 RO' 000</i>	<i>Audited 31-Dec-2022 RO' 000</i>	<i>Unaudited 30-Jun-2022 RO' 000</i>
a) Directors and senior management			
Loans and advances	675	764	675
Current, deposit and other accounts	3,206	2,138	2,683
b) Major shareholders and others			
Loans and advances (gross)	71,894	190,296	111,631
Current, deposit and other accounts	24,147	38,738	144,262
Customers' liabilities under documentary credits, guarantees and other commitments	4,291	4,148	4,947

The income and expenses in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	<i>Unaudited -for six months period ended-</i>		<i>Unaudited -for three months period ended-</i>	
	<i>30-Jun-2023 RO' 000</i>	<i>30-Jun-2022 RO' 000</i>	<i>30-Jun-2023 RO' 000</i>	<i>30-Jun-2022 RO' 000</i>
a) Directors and senior management				
Interest income	18	18	9	8
Interest expenditure	90	34	48	14
b) Major shareholders and others				
Interest income	1,466	2,717	714	1,272
Interest expenditure	382	431	215	258

Loans, advances or receivables and non-funded exposure due from related parties or holders of 10 percent or more of Banks shares, or their family members, less all provisions and write-offs, is further analysed as follows:

	<i>Unaudited 30-Jun-2023 RO' 000</i>	<i>Audited 31-Dec-2022 RO' 000</i>	<i>Unaudited 30-Jun-2022 RO' 000</i>
Royal Court Affairs	42,206	46,058	29,484
HE Sheikh Mustahail Ahmed Al Mashani Group Companies	34,347	31,761	24,212
Others	307	117,389	63,557
	76,860	195,208	117,253

Items of expense which were paid to related parties or holders of 10 percent or more of the bank's shares, or their family members, during the period can be further analysed as follows:

	<i>Unaudited -for six months period ended-</i>		<i>Unaudited -for three months period ended-</i>	
	<i>30-Jun-2023 RO' 000</i>	<i>30-Jun-2022 RO' 000</i>	<i>30-Jun-2023 RO' 000</i>	<i>30-Jun-2022 RO' 000</i>
Royal Court Affairs	126	187	90	151
HE Sheikh Mustahail Al Mashani Group Companies	255	140	125	67
Others	91	138	48	54
	472	465	263	272

Directors remuneration and sitting fees during the period ended 30 June 2023 is RO 194 thousands (30 June 2022: RO 191 thousands)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
20. DERIVATIVES

As at 30 June 2023 (unaudited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity		
				0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Cash flow hedge	7,068	-	192,500	-	-	192,500
Interest rate swaps	15,031	14,896	397,954	-	49,761	348,193
Commodities purchase contracts	715	3,923	93,312	76,146	16,219	947
Commodities sale contracts	4,423	687	93,312	76,146	16,219	947
Forward purchase contracts	236	1,853	1,801,923	1,012,698	153,805	635,420
Forward sales contracts	16,416	1,975	1,787,036	998,972	153,391	634,673
Total	43,889	23,334	4,366,037	2,163,962	389,395	1,812,680

As at 31 December 2022 (audited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity		
				0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Interest rate swaps	16,048	15,890	459,061	-	8,291	450,770
Commodities purchase contracts	2,713	2,800	106,605	71,587	32,059	2,959
Commodities sale contracts	2,885	2,666	106,605	71,587	32,059	2,959
Forward purchase contracts	2,382	210	1,563,714	748,515	326,199	489,000
Forward sales contracts	1,708	5,297	1,563,497	748,783	327,065	487,649
Total	25,736	26,863	3,799,482	1,640,472	725,673	1,433,337

As at 30 June 2022 (unaudited)	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity		
				0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Interest rate swaps	10,522	9,824	567,472	-	19,171	548,301
Commodities purchase contracts	34	17,463	155,452	109,441	22,134	23,877
Commodities sale contracts	17,609	30	155,452	109,441	22,134	23,877
Forward purchase contracts	18	1,241	1,453,812	721,875	234,572	497,365
Forward sales contracts	12,889	90	1,440,168	712,187	231,903	496,078
Total	41,072	28,648	3,772,356	1,652,944	529,914	1,589,498

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
21. SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions. The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of whole bank in Oman and International markets. The Oman market is further segregated into corporate, consumer, wholesale and Islamic banking as all of these business lines are located in Oman. Segment information in respect of geographical locations is as follows:

<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<i>30-Jun-2022</i>	<i>30-Jun-</i>	<i>30-Jun-2022</i>		<i>30-Jun-2023</i>	<i>30-Jun-2023</i>	<i>30-Jun-2023</i>
<i>RO' 000</i>	<i>2022</i>	<i>RO' 000</i>		<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
222,594	2,555	220,039	Interest income	266,081	6,172	272,253
(74,397)	(966)	(73,431)	Interest expense	(102,876)	(3,297)	(106,173)
40,913	-	40,913	Income from Islamic financing	47,841	-	47,841
(22,858)	-	(22,858)	Distribution to depositors	(29,210)	-	(29,210)
46,347	680	45,667	Commission and fee income (net)	44,658	528	45,186
24,690	1,587	23,103	Other operating income	19,232	2,058	21,290
237,289	3,856	233,433		245,726	5,461	251,187
			Operating expenses			
(83,622)	(2,018)	(81,604)	Other operating expenses	(85,947)	(1,804)	(87,751)
(8,679)	(184)	(8,495)	Depreciation	(9,580)	(112)	(9,692)
(92,301)	(2,202)	(90,099)		(95,527)	(1,916)	(97,443)
710	710	-	Share of income from associates	-	200	200
(28,399)	(217)	(28,182)	Net impairment losses on financial assets	(29,896)	(209)	(30,105)
(18,042)	(56)	(17,986)	Tax expense	(19,220)	(298)	(19,518)
(138,032)	(1,765)	(136,267)		(144,643)	(2,223)	(146,866)
99,257	2,091	97,166	Profit (Loss) for the period	101,083	3,238	104,321
			Other information			
12,858,279	256,338	12,601,941	Total assets	13,058,871	297,243	13,356,114
10,730,655	186,590	10,544,065	Total liabilities	10,921,758	196,624	11,118,382

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
21. SEGMENTAL INFORMATION (continued)

The Bank reports the segment information by the following business segments Corporate, Consumer, Wholesale, International and Islamic banking. The following table shows the distribution of the Bank's operating income, net profit and total assets by business segments:

30 June 2023 (unaudited)	<i>Corporate banking</i>	<i>Consumer banking</i>	<i>Wholesale banking</i>	<i>International banking*</i>	<i>Subtotal</i>	<i>Islamic banking</i>	<i>Total</i>
	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>
Segment revenue							
Net interest income	59,884	82,148	21,173	2,875	166,080	-	166,080
Net income from Islamic financing					-	18,631	18,631
Commission, fees and other income	9,051	32,408	19,922	2,586	63,967	2,509	66,476
Operating income	68,935	114,556	41,095	5,461	230,047	21,140	251,187
Segment costs							
Operating expenses	(17,366)	(61,115)	(8,562)	(2,883)	(89,926)	(7,517)	(97,443)
Share of income from associates	-	-	-	200	200	-	200
Impairment (net)	(17,637)	(8,181)	1,243	131	(24,444)	(5,661)	(30,105)
Tax expense	(5,413)	(7,227)	(5,394)	(298)	(18,332)	(1,186)	(19,518)
	(40,416)	(76,523)	(12,713)	(2,850)	(132,502)	(14,364)	(146,866)
Segment profit for the period	28,519	38,033	28,382	2,611	97,545	6,776	104,321
Segment assets	4,619,398	3,870,211	2,749,677	282,144	11,521,430	1,834,684	13,356,114
Segment liabilities	3,539,776	4,383,852	1,373,622	202,503	9,499,753	1,618,629	11,118,382

30 June 2022 (unaudited)	<i>Corporate banking</i>	<i>Consumer banking</i>	<i>Wholesale banking</i>	<i>International banking*</i>	<i>Subtotal</i>	<i>Islamic banking</i>	<i>Total</i>
	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>
Segment revenue							
Net interest income	49,201	75,128	22,278	1,590	148,197	-	148,197
Net income from Islamic financing	-	-	-	-	-	18,055	18,055
Commission, fees and other income	11,519	31,346	23,959	2,267	69,091	1,946	71,037
Operating income	60,720	106,474	46,237	3,857	217,288	20,001	237,289
Segment costs							
Operating expenses	(16,836)	(57,019)	(8,026)	(3,223)	(85,104)	(7,197)	(92,301)
Share of income from associates	-	-	-	710	710	-	710
Impairment (net)	(15,908)	(7,815)	756	107	(22,860)	(5,539)	(28,399)
Tax expense	(4,353)	(6,481)	(6,065)	(56)	(16,955)	(1,087)	(18,042)
	(37,097)	(71,315)	(13,335)	(2,462)	(124,209)	(13,823)	(138,032)
Segment profit for the period	23,623	35,159	32,902	1,395	93,079	6,178	99,257
Segment assets	4,086,426	3,661,323	3,181,761	241,133	11,170,643	1,687,636	12,858,279
Segment liabilities	3,417,511	4,400,619	1,240,855	186,590	9,245,575	1,485,080	10,730,655

Note: * International banking includes overseas operations and cost allocations from Oman operations

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
22. ASSET LIABILITY MATURITY

The asset and liability maturity profile was as follows:

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
ASSETS			
On demand or within one month	2,228,331	2,445,209	2,416,797
Two to three months	1,274,558	880,925	937,065
Four to twelve months	1,166,335	1,214,609	1,339,638
One to five years	3,504,181	3,042,758	3,128,101
More than five years	5,182,709	5,192,481	5,036,678
	13,356,114	12,775,982	12,858,279
LIABILITIES AND EQUITY			
On demand or within one month	1,208,722	1,198,495	1,457,087
Two to three months	1,107,457	1,471,692	1,027,517
Four to twelve months	2,843,319	1,965,459	2,578,122
One to five years	4,486,466	3,880,479	4,133,411
More than five years	3,710,150	4,259,857	3,662,142
	13,356,114	12,775,982	12,858,279
MISMATCH			
On demand or within one month	1,019,609	1,246,714	959,710
Two to three months	167,101	(590,767)	(90,452)
Four to twelve months	(1,676,984)	(750,850)	(1,238,484)
One to five years	(982,285)	(837,721)	(1,005,310)
More than five years	1,472,559	932,624	1,374,536
	-	-	-

Mismatch represents difference between assets and liabilities for each maturity band.

23. CAPITAL ADEQUACY

The following table sets out the capital adequacy position of the Bank as per Basel III regulatory requirements

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
Common Equity Tier I capital	1,512,674	1,534,107	1,834,062
Perpetual Tier I capital	505,320	505,320	130,000
Tier I capital	2,017,994	2,039,427	1,964,062
Tier II capital	99,956	115,656	95,074
Total regulatory capital	2,117,950	2,155,083	2,059,136
Total risk weighted assets	10,393,331	10,139,344	10,005,382
Of which: Credit risk weighted assets	9,346,542	9,121,717	8,885,674
Of which: Market risk weighted assets	150,976	121,814	244,214
Of which: Operational risk weighted assets	895,813	895,813	875,494
Capital ratios :			
Common Equity Tier 1	14.55%	15.13%	18.33%
Tier 1	19.42%	20.11%	19.63%
Total capital	20.38%	21.25%	20.58%

The bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of above filter on the bank's regulatory capital is 58 bps.

24. LIQUIDITY

The following table sets out the Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of the Bank:

	<i>Unaudited</i> <i>30-Jun-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Jun-2022</i> <i>RO' 000</i>
LCR	271%	219%	199%
NSFR	120%	117%	120%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
25. LEVERAGE RATIO

Under its Basel III guidelines, Basel Committee for Banking Supervision (BCBS) introduced a non-risk sensitive Leverage Ratio to address excessive build-up of on and off-balance sheet exposures, which was the root cause of the Financial/Credit crisis of 2008. The ratio is calculated by dividing the Tier I capital of the bank by the Bank's total assets (sum of all on and off-balance sheet assets). Being a DSIB the Bank is required to maintain a higher Leverage ratio of 5% considering the systemic importance.

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure as at the reporting dates:

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
1 Total consolidated assets as per published financial statements	13,356,114	12,775,982	12,858,279
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(74,886)	(52,316)	(46,067)
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-
4 Adjustments for derivative financial instruments	111,436	107,772	126,021
5 Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-	-
6 Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	953,233	1,042,197	1,075,704
7 Other adjustments	(1,796)	(6,399)	(4,775)
8 Leverage ratio exposure	14,344,101	13,867,236	14,009,162

Table 2: Leverage ratio common disclosure template

	<i>Unaudited</i> 30-Jun-2023 RO' 000	<i>Audited</i> 31-Dec-2022 RO' 000	<i>Unaudited</i> 30-Jun-2022 RO' 000
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	13,356,114	12,775,982	12,858,279
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(76,682)	(58,715)	(50,842)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	13,279,432	12,717,267	12,807,437
Derivative Exposures			
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	44,210	26,540	42,919
5 Add-on amounts for PFE associated with all derivatives transactions	67,226	81,232	83,102
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-
8 (Exempted CCP leg of client-cleared trade exposures)	-	-	-
9 Adjusted effective notional amount of written credit derivatives	-	-	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-
11 Total derivative exposures (sum of lines 4 to 10)	111,436	107,772	126,021
Securities financing transaction exposures			
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
14 CCR exposure for SFT assets	-	-	-
15 Agent transaction exposures	-	-	-
16 Total securities financing transaction exposures (sum of lines 12 to 15)	-	-	-
Other Off-balance sheet exposures			
17 Off-balance sheet exposure at gross notional amount	1,834,246	2,155,893	2,222,770
18 (Adjustments for conversion to credit equivalent amounts)	(881,012)	(1,113,696)	(1,147,066)
19 Off-balance sheet items (sum of lines 17 and 18)	953,234	1,042,197	1,075,704
Capital and total exposures			
20 Tier 1 capital	2,017,994	2,039,427	1,964,062
21 Total exposures (sum of lines 3, 11, 16 and 19)	14,344,102	13,867,236	14,009,162
Leverage Ratio			
22 Basel III leverage ratio (%)	14.1%	14.7%	14.0%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
26. CREDIT QUALITY ANALYSIS
26.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

RO'000

30 June 2023	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	41,243	-	-	41,243
Due from Banks	571,720	731	-	572,451
Loans and advances / Islamic financing receivables	8,494,613	1,586,807	394,537	10,475,957
Investment Securities at FVOCI	105,430	1,931	-	107,361
Investment Securities at amortized Cost	1,581,415	7,059	-	1,588,474
Total funded gross exposure	10,794,421	1,596,528	394,537	12,785,486
Financial guarantee contracts	1,119,268	458,798	26,306	1,604,372
Acceptances	74,144	29,159	826	104,129
Loan Commitment/Unutilised limits	1,773,778	244,186	-	2,017,964
Total non-funded gross exposure	2,967,190	732,143	27,132	3,726,465
Total gross exposure	13,761,611	2,328,671	421,669	16,511,951
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	4,357	39	-	4,396
Loans and advances / Islamic financing receivables	27,819	238,704	329,980	596,503
Investment Securities at FVOCI	304	806	-	1,110
Investment Securities at amortized Cost	1,110	590	-	1,700
Total funded impairment	33,590	240,139	329,980	603,709
Financial guarantee contracts	1,824	14,634	24,233	40,691
Acceptances	97	164	232	493
Loan Commitment/Unutilised limits	2,701	1,697	-	4,398
Total non-funded impairment	4,622	16,495	24,465	45,582
Total impairment	38,212	256,634	354,445	649,291
Net exposure				
Central Bank balances	41,243	-	-	41,243
Due from Banks	567,363	692	-	568,055
Loans and advances / Islamic financing receivables	8,466,794	1,348,103	64,557	9,879,454
Investment Securities at FVOCI	105,126	1,125	-	106,251
Investment Securities at amortized Cost	1,580,305	6,469	-	1,586,774
Total funded net exposure	10,760,831	1,356,389	64,557	12,181,777
Financial guarantee contracts	1,117,444	444,164	2,073	1,563,681
Acceptances	74,047	28,995	594	103,636
Loan Commitment/Unutilised limits	1,771,077	242,489	-	2,013,566
Total net non-funded exposure	2,962,568	715,648	2,667	3,680,883
Total net exposure	13,723,399	2,072,037	67,224	15,862,660

Stage 1: 83.3% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 14.1% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 2.6% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
26. CREDIT QUALITY ANALYSIS (continued)
26.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

RO'000

<i>31-Dec-22</i>	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	156,517	-	-	156,517
Due from Banks	626,272	20,088	-	646,360
Loans and advances / Islamic financing receivables	7,733,928	1,869,610	371,020	9,974,558
Investment Securities at FVOCI	102,730	972	-	103,702
Investment Securities at amortized Cost	1,325,450	12,185	-	1,337,635
Total funded gross exposure	9,944,897	1,902,855	371,020	12,218,772
Financial guarantee contracts	1,177,051	420,766	32,247	1,630,064
Acceptances	70,816	38,280	50	109,146
Loan Commitment/Unutilised limits	1,692,226	307,660	-	1,999,886
Total non-funded gross exposure	2,940,093	766,706	32,297	3,739,096
Total gross exposure	12,884,990	2,669,561	403,317	15,957,868
Impairment				
Central Bank balances	7	-	-	7
Due from Banks	1,350	3,530	-	4,880
Loans and advances / Islamic financing receivables	17,802	231,551	308,311	557,664
Investment Securities at FVOCI	503	774	-	1,277
Investment Securities at amortized Cost	1,825	641	-	2,466
Total funded impairment	21,487	236,496	308,311	566,294
Financial guarantee contracts	2,197	11,154	27,962	41,313
Acceptances	104	100	50	254
Loan Commitment/Unutilised limits	3,866	2,156	-	6,022
Total non-funded impairment	6,167	13,410	28,012	47,589
Total impairment	27,654	249,906	336,323	613,883
Net exposure				
Central Bank balances	156,510	-	-	156,510
Due from Banks	624,922	16,558	-	641,480
Loans and advances / Islamic financing receivables	7,716,126	1,638,059	62,709	9,416,894
Investment Securities at FVOCI	102,227	198	-	102,425
Investment Securities at amortized Cost	1,323,625	11,544	-	1,335,169
Total funded net exposure	9,923,410	1,666,359	62,709	11,652,478
Financial guarantee contracts	1,174,854	409,612	4,285	1,588,751
Acceptances	70,712	38,180	-	108,892
Loan Commitment/Unutilised limits	1,688,360	305,504	-	1,993,864
Total net non-funded exposure	2,933,926	753,296	4,285	3,691,507
Total net exposure	12,857,336	2,419,655	66,994	15,343,985

Stage 1: 80.8% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 16.7% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 2.5% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
26. CREDIT QUALITY ANALYSIS (continued)
26.2 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

The following tables are as per the requirements of CBO circular BM 1149:

a. Impairment charge and provisions held

RO '000

<i>As at 30 June 2023 (Unaudited)</i>	<i>As per CBO norms</i>	<i>As per IFRS 9</i>	<i>Difference</i>
Impairment loss charged to statement of comprehensive income (net of recoveries)*	30,105	30,105	-
Provisions required as per CBO norms / held as per IFRS 9 *	500,738	649,291	(148,553)
Gross NPL ratio **	3.77%	3.77%	-
Net NPL ratio **	0.42%	0.40%	0.02%

* Note: Impairment loss and provisions held above includes unallocated provision created by the bank

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

b. Comparison of provision held as per IFRS 9 and required as per CBO norms

RO '000

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Standard	Stage 1	9,066,333	127,424	-	32,175	95,249	9,034,158	-
	Stage 2	1,125,434	11,547	-	149,234	(137,687)	976,200	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	10,191,767	138,971	-	181,409	(42,438)	10,010,358	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	462,105	9,805	41	89,975	(80,129)	372,130	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	462,105	9,805	41	89,975	(80,129)	372,130	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	32,223	7,882	423	10,829	(2,524)	21,394	-
	Sub total	32,223	7,882	423	10,829	(2,524)	21,394	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	23,128	9,143	778	9,921	-	13,207	-
	Sub total	23,128	9,143	778	9,921	-	13,207	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	366,318	267,965	65,730	333,695	-	32,623	-
	Sub total	366,318	267,965	65,730	333,695	-	32,623	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,695,278	-	-	6,037	(6,037)	4,689,241	-
	Stage 2	741,132	-	-	17,425	(17,425)	723,707	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,436,410	-	-	23,462	(23,462)	5,412,948	-
Total	Stage 1	13,761,611	127,424	-	38,212	89,212	13,723,399	-
	Stage 2	2,328,671	21,352	41	256,634	(235,241)	2,072,037	-
	Stage 3	421,669	284,990	66,931	354,445	(2,524)	67,224	-
	Total	16,511,951	433,766	66,972	649,291	(148,553)	15,862,660	-

c. Restructured loans

RO '000

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms*</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	37,670	2,704	-	754	1,950	36,916	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	37,670	2,704	-	754	1,950	36,916	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	111,211	77,091	11,144	90,758	(2,523)	20,453	-
	Sub total	111,211	77,091	11,144	90,758	(2,523)	20,453	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	37,670	2,704	-	754	1,950	36,916	-
	Stage 3	111,211	77,091	11,144	90,758	(2,523)	20,453	-
	Total	148,881	79,795	11,144	91,512	(573)	57,369	-

* Provision required as per CBO norms includes reserve for restructured accounts

In addition to the above, the loan outstanding of customers whose credit facilities were rescheduled as per the COVID19 guidelines of Central Bank of Oman amounted to RO 1042.133 million (Stage 1: RO 163.766 million, Stage 2: RO 858.261 million and Stage 3: RO 20.106 million) with an impairment allowance of RO 117.357 million (Stage 1: RO 0.568 million, Stage 2: RO 108.806 million, Stage 3: RO 7.983 million).

**NOTES TO THE INTERIM NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
26. CREDIT QUALITY ANALYSIS (continued)
26.2 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

The following tables are as per the requirements of CBO circular BM 1149:

a. Impairment charge and provisions held

RO '000

<i>As at 31 December 2022 (Audited)</i>	<i>As per CBO norms</i>	<i>As per IFRS 9</i>	<i>Difference</i>
Impairment loss charged to statement of comprehensive income (net of recoveries)*	59,941	59,941	-
Provisions required as per CBO norms / held as per IFRS 9 *	480,226	613,883	(133,657)
Gross NPL ratio **	3.72%	3.72%	-
Net NPL ratio **	0.65%	0.65%	-

* Note: Impairment loss and provisions held above includes unallocated provision created by the Bank

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

b. Comparison of provision held as per IFRS 9 and required as per CBO norms

RO '000

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Standard	Stage 1	8,360,200	119,124	-	19,150	99,974	8,341,050	-
	Stage 2	1,411,901	14,499	-	142,647	(128,148)	1,269,254	-
	Stage 3	-	-	-	-	-	-	-
		9,772,101	133,623	-	161,797	(28,174)	9,610,304	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	477,791	10,239	41	92,799	(82,519)	384,992	-
	Stage 3	-	-	-	-	-	-	-
		477,791	10,239	41	92,799	(82,519)	384,992	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	24,990	6,167	264	6,431	-	18,559	-
		24,990	6,167	264	6,431	-	18,559	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	23,721	9,802	596	10,398	-	13,323	-
		23,721	9,802	596	10,398	-	13,323	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	354,606	257,333	62,161	319,494	-	35,112	-
		354,606	257,333	62,161	319,494	-	35,112	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,524,790	-	-	8,504	(8,504)	4,516,286	-
	Stage 2	779,869	-	-	14,460	(14,460)	765,409	-
	Stage 3	-	-	-	-	-	-	-
		5,304,659	-	-	22,964	(22,964)	5,281,695	-
Total	Stage 1	12,884,990	119,124	-	27,654	91,470	12,857,336	-
	Stage 2	2,669,561	24,738	41	249,906	(225,127)	2,419,655	-
	Stage 3	403,317	273,302	63,021	336,323	-	66,994	-
		15,957,868	417,164	63,062	613,883	(133,657)	15,343,985	-

c. Restructured loans

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	37,673	2,707	-	815	1,892	36,858	-
	Stage 3	-	-	-	-	-	-	-
		37,673	2,707	-	815	1,892	36,858	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	98,273	72,186	9,954	82,140	-	16,133	-
		98,273	72,186	9,954	82,140	-	16,133	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	37,673	2,707	-	815	1,892	36,858	-
	Stage 3	98,273	72,186	9,954	82,140	-	16,133	-
		135,946	74,893	9,954	82,955	1,892	52,991	-

* Provision required as per CBO norms includes reserve for restructured accounts

In addition to the above, the loan outstanding of customers whose credit facilities were rescheduled as per the COVID19 guidelines of Central Bank of Oman amounted to RO 1,060.342 million (Stage 1: RO 223.034 million, Stage 2: RO 814.686 million and Stage 3: RO 12.622 million) with an impairment allowance of RO 111.596 million (Stage 1: RO 0.919 million, Stage 2: RO 106.23 million and Stage 3: RO 4.447 million).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
27. FAIR VALUE INFORMATION

Based on the valuation methodology outlined below, the fair values of all on and off-balance sheet financial instruments at reporting dates are considered by the Board and Management not to be materially different to their book values:

As of 30 June 2023 (Unaudited)	Designated as at FVTPL RO' 000	Designated as at FVOCI RO' 000	Amortised cost RO' 000	Total carrying value RO' 000	Fair value RO' 000	Level
Cash and balances with Central Banks	-	-	806,959	806,959	806,959	3
Due from banks	-	98,907	469,148	568,055	563,663	2,3
Loans and advances and Islamic financing receivables	-	-	9,879,454	9,879,454	10,319,312	3
Investment securities	18,555	242,373	1,586,774	1,847,702	1,851,638	1,2,3
Positive fair value of derivatives	43,889	-	-	43,889	43,889	2
	62,444	341,280	12,742,335	13,146,059	13,585,461	
Deposits from banks	-	-	1,278,344	1,278,344	1,247,198	3
Customers' deposits and Islamic customer deposits	-	-	9,083,510	9,083,510	8,870,997	3
Sukuk	-	-	45,869	45,869	45,687	1
Euro medium term notes	-	-	195,139	195,139	186,196	1
Negative fair value of derivatives	23,334	-	-	23,334	23,334	2
	23,334	-	10,602,862	10,626,196	10,373,412	

As of 31 December 2022 (Audited)	Designated as at FVTPL RO' 000	Designated as at FVOCI RO' 000	Amortised cost RO' 000	Total carrying value RO' 000	Fair value RO' 000	Level
Cash and balances with Central Banks	-	-	883,060	883,060	883,060	3
Due from banks	-	99,236	542,244	641,480	641,069	2,3
Loans and advances and Islamic financing receivables	-	-	9,416,894	9,416,894	9,321,913	3
Investment securities	15,844	220,971	1,335,169	1,571,984	1,556,352	1,2,3
Positive fair value of derivatives	25,736	-	-	25,736	25,736	2
	41,580	320,207	12,177,367	12,539,154	12,428,130	
Deposits from banks	-	-	1,004,106	1,004,106	985,431	3
Customers' deposits and Islamic customer deposits	-	-	8,646,821	8,646,821	8,435,495	3
Sukuk	-	-	45,876	45,876	46,104	1
Euro medium term notes	-	-	390,376	390,376	376,257	1
Negative fair value of derivatives	26,863	-	-	26,863	26,863	2
	26,863	-	10,087,179	10,114,042	9,870,150	

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
27. FAIR VALUE INFORMATION (continued)

The following table presents the Bank's assets and liabilities that are measured at fair value at the reporting dates:

<i>As of 30 June 2023</i>	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Level 3 RO'000</i>	<i>Total RO'000</i>
Assets				
Derivatives	-	43,889	-	43,889
FVOCI Due from banks	-	98,907	-	98,907
FVTPL Equity	4,472	-	14,083	18,555
FVOCI Equity	134,534	-	1,588	136,122
FVOCI Debt	106,251	-	-	106,251
Total Assets	245,257	142,796	15,671	403,724
Liabilities				
Derivatives	-	23,334	-	23,334
As of 31 December 2022				
	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Level 3 RO'000</i>	<i>Total RO'000</i>
Assets				
Derivatives	-	25,736	-	25,736
FVOCI Due from banks	-	99,236	-	99,236
FVTPL Equity	3,526	-	12,318	15,844
FVOCI Equity	116,954	-	1,592	118,546
FVOCI Debt	102,425	-	-	102,425
Total Assets	222,905	124,972	13,910	361,787
Liabilities				
Derivatives	-	26,863	-	26,863

The following table demonstrate the movement of the Bank's level 3 investments:

<i>As of 30 June 2023 (Unaudited)</i>	<i>FVOCI Equity RO'000</i>	<i>FVOCI Debt RO'000</i>	<i>FVTPL Equity RO'000</i>	<i>Total RO'000</i>
At 1 January 2023	1,592	-	12,318	13,910
Realised gain on sale	(43)	-	63	20
Gain (loss) from change in fair value	53	-	(42)	11
Additions	-	-	2,682	2,682
Disposals and redemption	(2)	-	(941)	(943)
Exchange differences	(12)	-	3	(9)
	1,588	-	14,083	15,671
As of 31 December 2022 (Audited)				
	<i>FVOCI Equity RO'000</i>	<i>FVOCI Debt RO'000</i>	<i>FVTPL Equity RO'000</i>	<i>Total RO'000</i>
At 1 January 2022	1,379	2,000	14,578	17,957
Realised gain on sale	-	-	8,571	8,571
Gain (loss) from change in fair value	228	962	(59)	1,131
Additions	-	-	2,632	2,632
Disposals and redemption	-	(4,931)	(13,405)	(18,336)
Movement in accrued interest	-	2	-	2
Impairment on investments	-	1,968	-	1,968
Amortization	-	3	-	3
Exchange differences	(15)	-	1	(14)
	1,592	-	12,318	13,910

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023****27. FAIR VALUE INFORMATION (continued)**

As of 30 June 2023, 16% (31 December 2022: 18%) of the level 3 equity securities were valued on the basis of fair valuation carried out in accordance with appropriate valuation techniques based on income approach (discounting of cash flows), market approach (using prices or other relevant information generated by market transactions of identical or similar entities), cost approach or a combination thereof. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, using the best information available in the circumstances. These might include banks own data and would consider all information about market participant assumptions that is reasonably available

As of 30 June 2023, 84% (31 December 2022: 82%) of the level 3 equity securities were valued on the basis of latest available capital accounts statements of the investee companies received from independent fund managers as at 31 March 2023 or at a later date and adjusted for subsequent cash flows till 30 June 2023 or based on net asset values received from independent fund managers as at 31 March 2023 or at a later date.

The debt investments were valued on fair value basis. Valuation is based on Risk adjusted discount rate (yield) considering a reasonable range of estimates. A significant decrease in the credit quality would result in a lower fair value with significant increase in the spread above the risk-free rate and vice-versa. The Bank holds adequate provisioning on the above investments as of the reporting date.

There are no transfers of securities between Level 1, 2 and 3 during the period. Further, there is no change in the techniques used for fair valuation of level 3 securities during the period.

28. Comparative figures

Certain corresponding figures for 2022 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or equity.