



Bank Muscat SAOG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023



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Chairman's Report for Q3 2023

Dear Shareholders

On behalf of the Board of Directors, it is with great pleasure that I share with you the results achieved by Bank Muscat during the nine months period ending 30 September 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 158.88 million for the period compared to RO 148.29 million reported during the same period in 2022, an increase of 7.1 per cent.

Net Interest Income from Conventional Banking and Net Income from Islamic Financing stood at RO 280.98 million for the nine months period ended 30 September 2023 compared to RO 254.93 million for the same period in 2022, an increase of 10.2 per cent.

Non-interest income was RO 100.23 million for the nine months period ended 30 September 2023 as compared to RO 100.69 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 around RO 8 million. Excluding this, non-interest income has witnessed an increase of 8.1 per cent.

Operating expenses for the nine months period ended 30 September 2023 was RO 146.48 million as compared to RO 139.85 million for the same period in 2022, an increase of 4.7 per cent.

Net Impairment for credit and other losses for the nine months period ended 30 September 2023 was RO 46.91 million as against RO 41.58 million for the same period in 2022.

Net Loans and advances including Islamic financing receivables increased by 6.9 per cent to RO 9,865 million as against RO 9,229 million as at 30 September 2022.

Customer deposits including Islamic Customer deposits increased by 8.9 per cent to RO 9,485 million as against RO 8,709 million as at 30 September 2022.

Strategic Initiatives & Key Developments

In keeping with our commitment to transparency and accountability, Bank Muscat held a conference with Muscat Stock Exchange investors to keep them abreast of recent developments and brief them on the Bank's fiscal results and performance for the first half of this year. This online meeting also offered the opportunity to answer questions from attendees' regarding the Bank's performance.

Notable during the third quarter of the year was the Bank's appointment as the Issue Manager for the OQ Gas Networks Company (OQGN) Initial Public Offering (IPO). This IPO, the largest ever listed on Muscat Stock Exchange, was also supported by the Bank as the Joint Global Coordinator, alongside other regional and international financial institutions. To enable our customers to benefit from this IPO, the Bank made a bespoke financing product available for both corporate and individual investors.

Continuing its long-term strategy of strengthening its network and providing high-quality banking services across Oman, the Bank celebrated the opening of a new retail branch in Madinat Al Nahdha, Al Amerat. It also inaugurated a new corporate branch in Duqm, Al Wusta Governorate, a high-potential business and industrial hub that is receiving substantial international investments and making significant contributions to Oman's economic growth. To meet the needs of individuals and businesses in Duqm, the Bank recently opened the first Meethaq Islamic banking branch in this fast-growing city. This brings the total number of Meethaq branches across the Sultanate to 27 and Hafawa Centres to 20.

With a strong ongoing focus on excellence in e-services, digital innovation and enhancement of the customer experience, the Bank has seen continued success in the growth of Internet and Mobile banking channels with registered users reaching 1.76 million by September 2023, an increase of 11.7 percent from December 2022. To meet the needs and expectations of our customers, the total number of active phygital devices – both conventional and Meethaq – now stands at 849, including automated self-service devices/ machines that cater to customer needs such as cash withdrawals/ deposits, cheque deposits, statement printing and other Banking services. Also, there was 35.7% growth in the number of acquiring transactions via e-channels and POS machines.

As part of our digital evolution and financial inclusion strategy, the Bank introduced services for opening children's accounts through Mobile Banking and Internet Banking. The Bank also launched the new Doorstep Banking service which provides corporate employees with the convenience of opening bulk personal accounts from their workplace.

The Bank's early leadership in the development of cutting-edge e-solutions has been a key driver in the creation of a best-in-class banking experience for corporate, SME, institutional and government customers alike, resulting in a significant increase in the value of online corporate transactions which, for this reporting period, stands at OMR 8 billion. Inspired by this success, the Bank will continue to expand digital offerings and introduce further cutting-edge technologies to empower customers and support the country's digital transformation in line with the goals and ambitions of Oman Vision 2040.

During the quarter, the Bank's Asset Management division completed the sale of one of its GCC private equity real estate investments, realising an annualised return of over 13.5% for investors. Additionally, Money Market Fund, the largest open-ended fund in

Oman, continued to enhance its returns thereby making it more attractive for investors seeking to deploy short term cash surpluses. The yield for investors in the Fund touched 5% during the quarter, its highest ever. Furthermore, the Money Market Fund and the Oryx Fund investment process has become more convenient for investors, allowing them to invest and redeem investments through the Mobile Banking and Internet Banking.

CSR & Sustainability

A long-term active champion of social initiatives, Bank Muscat continues its impactful involvement in a variety of community-based social, economic and sports programs. This quarter saw the Bank welcome 20 new teams to the 12th edition of the annual Green Sports Program, taking the total number of teams supported by the Bank since the inception of the Program to 183. Further to this, the Bank issued its annual Sustainability Report 2022 during the quarter. The Bank was also pleased to lend its support to the Zakat Committee's *Back to School* initiative in the Wilayat of Mutrah, providing students from low-income and social welfare families with school requirements.

Awards & Accolades

The third quarter saw Bank Muscat receive a number of highly prestigious local, regional and global honours. It was named Best Corporate Digital Bank, Best Consumer Digital Bank and Best Digital Islamic Bank in Oman 2023 by *Global Finance*. At the Euromoney Awards for Excellence 2023, the Bank was lauded as the Sultanate's Best Bank, Best Corporate Bank and Best Bank for ESG. A landmark achievement was Bank Muscat's Meethaq Islamic Banking winning the Market Leadership Award (Islamic Banking Window Operations) at the Global Islamic Finance Awards 2023 for the second year in a row. These outstanding industry accolades are resounding endorsements of the Bank's industry leadership, commitment to service excellence and digital innovation.

Conclusion

On behalf of the Board of Directors, I take this opportunity to thank our shareholders for the trust they have placed in the Bank and to express our appreciation to the Central Bank of Oman and the Capital Market Authority for their steadfast support of Oman's financial sector and the creation of the dynamic conditions in which the Bank can prosper and grow to better serve the needs of our customers and continue to be their banking partner today and every day. Above all, we extend our profound gratitude to His Majesty Sultan Haitham bin Tarik for the renewed renaissance Oman is experiencing as a result of his enlightened vision and wise guidance.



Khalid bin Mustahail Al Mashani

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

		<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
		<i>30-Sep-2023</i>	<i>31-Dec-2022</i>	<i>30-Sep-2022</i>
	<i>Notes</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Assets				
Cash and balances with Central Banks		807,898	883,060	584,607
Due from banks	3	784,051	641,480	830,882
Loans and advances	4	8,329,406	7,967,470	7,778,622
Islamic financing receivables	4	1,535,948	1,449,424	1,450,503
Investments securities	5	1,821,559	1,571,984	1,782,400
Investment in associates	6	8,818	8,795	8,932
Other assets	7	156,792	185,465	237,749
Property, equipment and software		70,809	68,304	68,804
Total assets		13,515,281	12,775,982	12,742,499
Liabilities and equity				
Liabilities				
Deposits from banks	8	1,018,078	1,004,106	928,378
Customers' deposits	9	8,128,269	7,409,967	7,500,625
Islamic customers' deposits	9	1,356,508	1,236,854	1,208,330
Sukuk		46,501	45,876	46,515
Euro medium term notes		192,853	390,376	385,747
Other liabilities	10	415,899	400,973	453,614
Taxation		51,406	55,706	46,886
Total liabilities		11,209,514	10,543,858	10,570,095
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		9,608	-	-
Cumulative changes in fair value		28,849	(587)	(11,815)
Foreign currency translation reserve		(3,791)	(3,881)	(3,495)
Impairment reserve / restructured loan reserve		2,136	2,330	2,335
Retained earnings		302,399	267,696	614,213
Total equity attributable to the equity holders		1,800,447	1,726,804	2,042,404
Perpetual Tier I capital		505,320	505,320	130,000
Total equity		2,305,767	2,232,124	2,172,404
Total liabilities and equity		13,515,281	12,775,982	12,742,499
Net assets per share (in RO)		0.240	0.230	0.544
Contingent liabilities and commitments	12	1,626,495	1,630,064	1,693,894

The interim condensed consolidated financial statements were approved by the Board of Directors on 26 October 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

	Notes	Unaudited -for nine months period ended-		Unaudited -for three months period ended-	
		30-Sep-2023	30-Sep-2022	30-Sep-2023	30-Sep-2022
		RO' 000	RO' 000	RO' 000	RO' 000
Interest income	13	416,863	341,350	144,610	118,756
Interest expense	14	(163,371)	(114,300)	(57,198)	(39,903)
Net interest income		253,492	227,050	87,412	78,853
Income from Islamic financing / investments	13	73,376	62,756	25,535	21,843
Distribution to depositors	14	(45,893)	(34,878)	(16,683)	(12,020)
Net income from Islamic financing		27,483	27,878	8,852	9,823
Net interest income and income from Islamic financing		280,975	254,928	96,264	88,676
Commission and fee income (net)	15	67,446	67,654	22,260	21,307
Other operating income	16	32,781	33,038	11,491	8,348
Operating income		381,202	355,620	130,015	118,331
Operating expenses					
Other operating expenses		(131,564)	(126,222)	(43,813)	(42,600)
Depreciation		(14,918)	(13,629)	(5,226)	(4,950)
		(146,482)	(139,851)	(49,039)	(47,550)
Share of results from associates	6	377	950	177	240
Net impairment losses on financial assets	17	(46,911)	(41,584)	(16,806)	(13,185)
		(193,016)	(180,485)	(65,668)	(60,495)
Profit before taxation		188,186	175,135	64,347	57,836
Tax expense		(29,310)	(26,845)	(9,792)	(8,803)
Profit for the period		158,876	148,290	54,555	49,033
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		90	(997)	(117)	(430)
Change in fair value through other comprehensive income (FVOCI) debt investments		(55)	(7,847)	(769)	(2,438)
Share of other comprehensive income of associates		(58)	(57)	(39)	(97)
Change in fair value of cash flow hedge		9,608	-	3,600	-
		9,585	(8,901)	2,675	(2,965)
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		29,253	(7,030)	10,805	(1,288)
		29,253	(7,030)	10,805	(1,288)
Other comprehensive income / (expense) for the period		38,838	(15,931)	13,480	(4,253)
Total comprehensive income for the period		197,714	132,359	68,035	44,780
Total comprehensive income for the period attributable to					
Equity holders of Parent Company		197,714	132,359	68,035	44,780
Profit attributable to					
Equity holders of Parent Company		158,876	148,290	54,555	49,033
Earnings per share (in RO)					
- Basic and diluted	18	0.020	0.019	0.007	0.007

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

(Unaudited)	Share capital	Share premium	General reserve	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Cumulative changes in fair value	Foreign currency translation reserve	Impairment reserve / restructured loan reserve	Retained profits	Total	Perpetual Tier I Capital	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	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	-	-	-	-	-	-	-	-	-	158,876	158,876	-	158,876
Other comprehensive (expense) income	-	-	-	-	-	9,608	29,140	90	-	-	38,838	-	38,838
Total comprehensive (expense) income	-	-	-	-	-	9,608	29,140	90	-	158,876	197,714	-	197,714
Transfer within equity upon disposal of FVOCI equity investments	-	-	-	-	-	-	296	-	-	(296)	-	-	-
Dividends paid (note 11)	-	-	-	-	-	-	-	-	-	(112,596)	(112,596)	-	(112,596)
Transfer from restructured loan reserve to retained earnings	-	-	-	-	-	-	-	-	(194)	194	-	-	-
Interest paid on Perpetual Tier 1 Capital	-	-	-	-	-	-	-	-	-	(11,475)	(11,475)	-	(11,475)
Balance as at 30 September 2023	750,640	156,215	410,258	139,229	4,904	9,608	28,849	(3,791)	2,136	302,399	1,800,447	505,320	2,305,767

(Unaudited)	Share capital	Share premium	General reserve	Legal reserve	Revaluation reserve	Cumulative changes in fair value	Foreign currency translation reserve	Impairment reserve / restructured loan reserve	Retained earnings	Total	Perpetual Tier I Capital	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	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	-	-	-	-	-	-	-	-	148,290	148,290	-	148,290
Other comprehensive (expense) income	-	-	-	-	-	(14,934)	(997)	-	-	(15,931)	-	(15,931)
Total comprehensive (expense) income	-	-	-	-	-	(14,934)	(997)	-	148,290	132,359	-	132,359
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	-	-	-	-	-	-	-	(11)	11	-	-	-
Interest paid on Perpetual Tier 1 Capital	-	-	-	-	-	-	-	-	(3,565)	(3,565)	-	(3,565)
Balance as at 30 September 2022	375,320	531,535	410,258	119,149	4,904	(11,815)	(3,495)	2,335	614,213	2,042,404	130,000	2,172,404

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Operating activities		
Profit for the period before taxation	188,186	175,135
Adjustments for :		
Depreciation	14,918	13,629
Net impairment losses on financial assets	46,911	41,584
Share of results from associates	(377)	(950)
Profit on sale of Property and equipment	(1)	-
Profit on investments	(323)	(8,829)
Dividend income	(6,019)	(4,559)
Operating profit before working capital changes	243,295	216,010
Due from banks	41,242	26,972
Loans and advances	(408,570)	8,319
Islamic financing receivables	(95,306)	(98,064)
Other assets	38,265	(64,275)
Deposits from banks	292,920	(262,143)
Customers' deposits	718,302	(103,426)
Islamic customers' deposits	119,654	37,775
Other liabilities	16,577	62,188
Cash from / (used in) operating activities	966,379	(176,644)
Income taxes paid	(33,389)	(32,501)
Net cash from / (used in) operating activities	932,990	(209,145)
Investing activities		
Dividend from an associate	296	227
Dividend income	6,019	4,559
Purchase of investments	(46,565)	(135,795)
Proceeds from sale of investments	67,302	35,237
Net movement in property and equipment	(17,422)	(8,246)
Net cash from / (used in) investing activities	9,630	(104,018)
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	626,049	(468,570)
Cash and cash equivalents at 1 January	928,934	1,395,450
Cash and cash equivalents at 30 September	1,554,983	926,880
Cash and cash equivalent comprises of the following:		
Cash and balances with Central Banks	807,392	584,100
Treasury bills	512,773	463,502
Due from banks	478,764	436,500
Deposits from banks	(243,946)	(557,222)
	1,554,983	926,880

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 179 branches (30 September 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 September 2023, the Bank operates in 6 countries (2022: 6 countries) and employed 4,146 employees (30 September 2022: 3,920 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 27 branches (September 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 nine months period ended 30 September 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 September 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**
3. DUE FROM BANKS

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
At amortised cost / FVOCI			
Nostro balances	62,138	84,535	96,130
Inter-bank placements	476,063	265,148	435,584
Loans to banks	250,106	296,677	303,879
	788,307	646,360	835,593
Less: impairment loss allowance	(4,256)	(4,880)	(4,711)
	784,051	641,480	830,882

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

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Loans	4,249,813	3,976,232	3,848,848
Overdrafts and credit cards	324,318	312,207	315,391
Loans against trust receipts / other advances	416,791	421,417	410,919
Bills purchased and discounted	178,837	185,681	161,699
Personal and housing loans	3,683,804	3,571,068	3,521,417
	8,853,563	8,466,605	8,258,274
Less: impairment loss allowance	(524,157)	(499,135)	(479,652)
	8,329,406	7,967,470	7,778,622

Islamic financing receivables

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Housing finance	530,849	514,125	510,452
Corporate finance	1,012,799	942,086	942,507
Consumer finance	60,168	51,742	50,329
	1,603,816	1,507,953	1,503,288
Less: impairment loss allowance	(67,868)	(58,529)	(52,785)
	1,535,948	1,449,424	1,450,503

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

Movement in impairment loss is analysed below:

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
1 January	557,664	468,891	468,891
Impairment for credit losses	81,198	110,418	80,043
Interest reserved during the period	19,385	23,781	16,199
Recoveries from impairment for credit losses	(25,413)	(38,990)	(27,221)
Reserve interest recovered during the period	(2,968)	(4,587)	(3,199)
Written off / reversed during the period	(7,070)	(3,859)	(2,413)
Transfer from / (to) Memorandum portfolio	(30,708)	2,056	252
Foreign currency translation difference	(48)	(60)	(127)
Other movements	(15)	14	12
At 30 September / 31 December	592,025	557,664	532,437

At 30 September 2023, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 395.2 million (31 December 2022: RO 371.0 million, 30 September 2022: RO 361.5 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> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
On demand or within one month	722,538	1,122,177	754,751
Two to three months	1,091,892	671,592	1,018,974
Four to twelve months	833,598	888,764	905,761
One to five years	2,374,589	1,973,368	2,043,465
More than five years	4,842,737	4,760,993	4,506,174
	9,865,354	9,416,894	9,229,125

5. INVESTMENT SECURITIES

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Equity investments:			
Measured as at FVTPL	18,646	15,844	14,422
Designated as at FVOCI	143,021	118,546	110,628
Equity investments	161,667	134,390	125,050
Debt investments:			
Measured at FVOCI	112,124	103,702	105,611
Measured at amortised cost	1,549,809	1,337,635	1,554,573
Gross debt investments	1,661,933	1,441,337	1,660,184
Less: Impairment loss allowance	(2,041)	(3,743)	(2,834)
Debt investments	1,659,892	1,437,594	1,657,350
Investment securities	1,821,559	1,571,984	1,782,400

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

As at 30 September 2023				
(unaudited)	FVTPL	FVOCI	Amortised Cost	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Quoted equities:				
Foreign securities	-	130,070	-	130,070
Other services sector	-	6,729	-	6,729
Unit funds	4,350	-	-	4,350
Financial services sector	-	3,395	-	3,395
Industrial sector	-	1,289	-	1,289
Unquoted equities:				
Foreign securities	10,139	-	-	10,139
Local securities	4,157	1,538	-	5,695
Equity investments	18,646	143,021	-	161,667
Quoted debt:				
Government bonds	-	3,279	961,933	965,212
Foreign bonds	-	36,944	950	37,894
Local bonds	-	71,901	74,153	146,054
	-	112,124	1,037,036	1,149,160
Unquoted debt:				
Treasury bills	-	-	512,773	512,773
Local bonds	-	-	-	-
	-	-	512,773	512,773
Gross debt investments	-	112,124	1,549,809	1,661,933
Less: Impairment loss allowance	-	(292)	(1,749)	(2,041)
Debt investments	-	111,832	1,548,060	1,659,892
Investment securities	18,646	254,853	1,548,060	1,821,559
As at 31 December 2022				
(Audited)	FVTPL	FVOCI	Amortised Cost	Total
	RO' 000	RO' 000	RO' 000	RO' 000
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**
5. INVESTMENT SECURITIES (continued)

The movement in impairment of debt investments is summarised as follows

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
At 1 January	3,743	4,647	4,647
Provided /(reversed) during the period / year	(1,702)	(905)	(1,814)
Other movements	-	1	1
At 30 September/ 31 December	<u>2,041</u>	<u>3,743</u>	<u>2,834</u>

6. INVESTMENT IN ASSOCIATES

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

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
SICO Capital	-	-	2,132
SICO BSC (c)	8,818	8,795	6,800
At 30 September/ 31 December	<u>8,818</u>	<u>8,795</u>	<u>8,932</u>

SICO Capital

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
At 1 January	-	1,759	1,759
Share of results	-	299	373
Carrying value of remaining 27.29% stake sold	-	(2,058)	-
At 30 September/ 31 December	<u>-</u>	<u>-</u>	<u>2,132</u>

SICO BSC (c)

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-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	377	628	577
Share of other comprehensive income	(58)	(70)	(57)
Dividend received	(296)	(227)	(227)
At 30 September/ 31 December	<u>8,818</u>	<u>8,795</u>	<u>6,800</u>

7. OTHER ASSETS

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>Unaudited</i>
Acceptances (note 10)	91,293	109,146	152,862
Less: impairment loss allowance	(132)	(254)	(155)
Net Acceptances	91,161	108,892	152,707
Other debtors and prepaid expenses	15,850	39,944	34,295
Positive fair value of derivatives	44,970	25,736	43,302
Deferred tax asset	177	7,265	5,030
Others	4,634	3,628	2,415
	<u>156,792</u>	<u>185,465</u>	<u>237,749</u>

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

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Inter bank borrowings	269,349	393,736	508,060
Vostro balances	51,879	51,983	55,683
Other money market deposits	696,850	558,387	364,635
	1,018,078	1,004,106	928,378

9. CUSTOMERS' DEPOSITS
Conventional customers' deposits

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Deposit accounts	2,776,976	2,449,597	2,265,522
Savings accounts	2,955,758	2,970,908	2,926,586
Current accounts	1,820,188	1,694,395	1,849,429
Call accounts	530,219	243,411	412,132
Margin accounts	45,128	51,656	46,956
	8,128,269	7,409,967	7,500,625

Islamic customers' deposits

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Deposit accounts	868,072	680,986	657,684
Savings accounts	286,501	296,728	304,032
Current accounts	92,018	96,990	97,168
Call accounts	27,646	80,074	67,950
Margin accounts	82,271	82,076	81,496
	1,356,508	1,236,854	1,208,330

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

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
On demand or within one month	904,382	728,462	769,204
Two to three months	1,062,160	950,763	806,675
Four to twelve months	2,322,424	1,746,222	1,868,366
One to five years	3,622,060	3,197,880	3,322,503
More than five years	1,573,751	2,023,494	1,942,207
	9,484,777	8,646,821	8,708,955

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

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Other liabilities and accrued expenses	204,438	158,302	159,882
Acceptances (note 7)	91,293	109,146	152,862
Impairment on financial guarantees	35,303	41,313	43,618
Impairment on undrawn commitments and unutilised limits	5,955	6,022	4,985
Lease liabilities	41,380	44,470	45,403
Negative fair value of derivatives	22,622	26,863	31,945
Unearned discount and interest	7,025	7,236	7,519
Employee end of service benefits	7,017	6,755	6,534
Deferred tax liability	866	866	866
	415,899	400,973	453,614

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 30 September 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> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Number of shares held			
Royal Court Affairs	1,783,671,790	1,774,091,718	887,045,859
Dubai Financial Group	883,241,022	883,241,022	441,620,511
% of shareholding			
Royal Court Affairs	23.76%	23.63%	23.63%
Dubai Financial Group	11.77%	11.77%	11.77%

12. CONTINGENT LIABILITIES

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
CONTINGENT LIABILITIES			
Letters of credit	368,599	344,810	386,826
Guarantees	1,257,896	1,285,254	1,307,068
	1,626,495	1,630,064	1,693,894
COMMITMENTS			
Irrevocable credit commitments	212,769	408,227	251,277
Purchase of property and equipment	1,153	2,296	444
Partly paid shares	9,927	8,455	9,265
	223,849	418,978	260,986

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

	<i>Unaudited</i>		<i>Unaudited</i>	
	<i>-for nine months period ended-</i>		<i>-for three months ended-</i>	
	<i>30-Sep-2023</i>	<i>30-Sep-2022</i>	<i>30-Sep-2023</i>	<i>30-Sep-2022</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Loans and advances	345,920	284,754	119,400	96,824
Due from banks	27,003	10,514	10,332	5,377
Investments	43,940	46,082	14,878	16,555
	416,863	341,350	144,610	118,756
Islamic financing receivables	66,142	56,477	23,144	19,580
Islamic due from banks	715	17	217	2
Islamic investment	6,519	6,262	2,174	2,261
	73,376	62,756	25,535	21,843
	490,239	404,106	170,145	140,599

14. INTEREST EXPENSE / DISTRIBUTION TO DEPOSITORS

	<i>Unaudited</i>		<i>Unaudited</i>	
	<i>-for nine months period ended-</i>		<i>-for three months ended-</i>	
	<i>30-Sep-2023</i>	<i>30-Sep-2022</i>	<i>30-Sep-2023</i>	<i>30-Sep-2022</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Customers' deposits	115,894	89,641	43,061	29,581
Bank borrowings	38,456	10,262	11,813	5,523
Euro medium term notes	9,021	14,397	2,324	4,799
	163,371	114,300	57,198	39,903
Islamic customers' deposits	32,100	26,947	11,681	8,930
Islamic bank borrowings	11,904	5,225	4,367	2,441
Sukuk	1,889	2,706	635	649
	45,893	34,878	16,683	12,020
	209,264	149,178	73,881	51,923

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 17,676 thousand (30 September 2022: RO 14,011 thousands).

16. OTHER OPERATING INCOME

	<i>Unaudited</i>		<i>Unaudited</i>	
	<i>-for nine months period ended-</i>		<i>-for three months ended-</i>	
	<i>30-Sep-2023</i>	<i>30-Sep-2022</i>	<i>30-Sep-2023</i>	<i>30-Sep-2022</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Foreign exchange	25,628	19,432	10,282	6,923
Changes in fair value of financial assets	246	93	(106)	(179)
Net realised gain (loss) on sale of fair value investments	77	8,736	179	598
Dividend income	6,019	4,559	1,084	960
Other income	811	218	52	46
	32,781	33,038	11,491	8,348

Dividend income recognised on FVOCI investments during the period ended 30 September 2023 is RO 5,790 thousands. (30 September 2022: RO 4,335 thousands), out of which RO 303 thousands (30 September 2022: RO nil) pertains to investments sold during this period.

17. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<i>Unaudited</i>		<i>Unaudited</i>	
	<i>-for nine months period ended-</i>		<i>-for three months ended-</i>	
	<i>30-Sep-2023</i>	<i>30-Sep-2022</i>	<i>30-Sep-2023</i>	<i>30-Sep-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	6	7	(1)	(4)
- Due from banks	626	1,162	139	(27)
- Loans and advances to customers	(81,198)	(80,043)	(30,665)	(27,761)
- Financial guarantees	5,982	3,340	5,373	(2,213)
- Acceptances	122	74	361	13
- Loan commitments / unutilised limits	67	4,056	(1,557)	5,315
- Investments	1,702	1,814	770	1,136
	(72,693)	(69,590)	(25,580)	(23,541)
Recoveries from impairment for credit losses	25,413	27,221	8,603	9,936
Recoveries from loans previously written off	369	785	171	420
	25,782	28,006	8,774	10,356
	(46,911)	(41,584)	(16,806)	(13,185)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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</i> <i>-for nine months period ended-</i>		<i>Unaudited</i> <i>-for three months period ended-</i>	
	<i>30-Sep-2023</i> <i>RO' 000</i>	<i>30-Sep-2022</i> <i>RO' 000</i>	<i>30-Sep-2023</i> <i>RO' 000</i>	<i>30-Sep-2022</i> <i>RO' 000</i>
Profit for the period	158,876	148,290	54,555	49,033
Less: interest on Perpetual Tier I capital	(11,475)	(3,565)	-	-
Profit attributable to ordinary shareholders of parent company for basic earnings per share (RO 000's)	147,401	144,725	54,555	49,033
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)	0.020	0.019	0.007	0.007

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</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
a) Directors and senior management			
Loans and advances	647	764	638
Current, deposit and other accounts	2,922	2,138	2,048
b) Major shareholders and others			
Loans and advances (gross)	65,404	190,296	164,307
Current, deposit and other accounts	18,836	38,738	105,322
Customers' liabilities under documentary credits, guarantees and other commitments	4,635	4,148	3,882

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

	<i>Unaudited</i> <i>-for nine months period ended-</i>		<i>Unaudited</i> <i>-for three months period ended-</i>	
	<i>30-Sep-2023</i> <i>RO' 000</i>	<i>30-Sep-2022</i> <i>RO' 000</i>	<i>30-Sep-2023</i> <i>RO' 000</i>	<i>30-Sep-2022</i> <i>RO' 000</i>
a) Directors and senior management				
Interest income	25	27	8	9
Interest expenditure	63	49	22	15
b) Major shareholders and others				
Interest income	2,135	4,650	762	1,933
Interest expenditure	325	791	84	360

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</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Royal Court Affairs	45,285	46,058	38,698
HE Sheikh Mustahail Ahmed Al Mashani Group Companies	25,113	31,761	26,175
Others	288	117,389	103,954
	70,686	195,208	168,827

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</i> <i>-for nine months period ended-</i>		<i>Unaudited</i> <i>-for three months period ended-</i>	
	<i>30-Sep-2023</i> <i>RO' 000</i>	<i>30-Sep-2022</i> <i>RO' 000</i>	<i>30-Sep-2023</i> <i>RO' 000</i>	<i>30-Sep-2022</i> <i>RO' 000</i>
Royal Court Affairs	147	413	21	226
HE Sheikh Mustahail Al Mashani Group Companies	177	238	62	98
Others	64	189	23	51
	388	840	106	375

Directors remuneration and sitting fees during the period ended 30 Septmeber 2023 is RO 298 thousands (30 September 2022: RO 295 thousands)

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

As at 30 September 2023 (unaudited)	Positive	Negative	Notional total	Notional amounts by term to maturity		
	fair value	fair value		0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Cash flow hedge	11,303	-	192,500	-	-	192,500
Interest rate swaps	17,321	18,367	465,564	-	49,544	416,020
Commodities purchase contracts	738	1,403	84,593	70,674	13,299	620
Commodities sale contracts	1,451	686	84,591	70,672	13,299	620
Forward purchase contracts	205	1,879	1,498,795	718,360	347,767	432,668
Forward sales contracts	13,952	287	1,484,796	705,204	347,411	432,181
Total	44,970	22,622	3,810,839	1,564,910	771,320	1,474,609

As at 31 December 2022 (audited)	Positive	Negative	Notional total	Notional amounts by term to maturity		
	fair value	fair value		0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	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 September 2022 (unaudited)	Positive	Negative	Notional total	Notional amounts by term to maturity		
	fair value	fair value		0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Interest rate swaps	18,761	18,102	541,930	-	9,509	532,421
Commodities purchase contracts	116	11,919	95,934	954	62,677	32,303
Commodities sale contracts	12,052	113	95,934	954	62,677	32,303
Forward purchase contracts	60	1,619	1,216,345	18,095	542,963	655,287
Forward sales contracts	12,313	192	1,203,304	17,817	534,569	650,918
Total	43,302	31,945	3,153,447	37,820	1,212,395	1,903,232

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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-Sep-2022</i>	<i>30-Sep-2022</i>	<i>30-Sep-2022</i>	<i>30-Sep-2023</i>	<i>30-Sep-2023</i>	<i>30-Sep-2023</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>Total</i>	<i>International</i>	<i>Oman</i>	<i>Oman</i>	<i>International</i>	<i>Total</i>
341,350	4,401	336,949	407,186	9,677	416,863
(114,300)	(1,835)	(112,465)	(158,194)	(5,177)	(163,371)
62,756	-	62,756	73,376	-	73,376
(34,878)	-	(34,878)	(45,893)	-	(45,893)
67,654	919	66,735	66,515	931	67,446
33,038	1,778	31,260	30,597	2,184	32,781
355,620	5,263	350,357	373,587	7,615	381,202
			Operating expenses		
(126,222)	(2,865)	(123,357)	(128,846)	(2,718)	(131,564)
(13,629)	(260)	(13,369)	(14,750)	(168)	(14,918)
(139,851)	(3,125)	(136,726)	(143,596)	(2,886)	(146,482)
950	950	-	-	377	377
(41,584)	(126)	(41,458)	(46,594)	(317)	(46,911)
(26,845)	(142)	(26,703)	(28,823)	(487)	(29,310)
(207,330)	(2,443)	(204,887)	(219,013)	(3,313)	(222,326)
148,290	2,820	145,470	154,574	4,302	158,876
			Profit (Loss) for the period		
			Other information		
12,742,499	237,539	12,504,960	13,225,033	290,248	13,515,281
10,570,095	165,243	10,404,852	11,031,418	178,096	11,209,514

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 September 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	90,999	125,149	32,843	4,501	253,492	-	253,492
Net income from Islamic financing					-	27,483	27,483
Commission, fees and other income	14,083	48,237	31,151	3,115	96,586	3,641	100,227
Operating income	105,082	173,386	63,994	7,616	350,078	31,124	381,202
Segment costs							
Operating expenses	(26,106)	(91,898)	(12,817)	(4,302)	(135,123)	(11,359)	(146,482)
Share of income from associates	-	-	-	377	377	-	377
Impairment (net)	(28,996)	(10,382)	1,499	(727)	(38,606)	(8,305)	(46,911)
Tax expense	(7,798)	(11,091)	(8,218)	(487)	(27,594)	(1,716)	(29,310)
	(62,900)	(113,371)	(19,536)	(5,139)	(200,946)	(21,380)	(222,326)
Segment profit for the period	42,182	60,015	44,458	2,477	149,132	9,744	158,876
Segment assets	4,528,201	3,866,067	2,975,417	274,398	11,644,083	1,871,198	13,515,281
Segment liabilities	3,982,051	4,275,167	1,116,298	183,961	9,557,477	1,652,037	11,209,514

30 September 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	77,121	112,771	34,590	2,568	227,050	-	227,050
Net income from Islamic financing	-	-	-	-	-	27,878	27,878
Commission, fees and other income	16,977	47,406	30,729	2,697	97,809	2,883	100,692
Operating income	94,098	160,177	65,319	5,265	324,859	30,761	355,620
Segment costs							
Operating expenses	(25,659)	(86,298)	(12,221)	(4,634)	(128,812)	(11,039)	(139,851)
Share of income from associates	-	-	-	950	950	-	950
Impairment (net)	(23,492)	(10,023)	(101)	199	(33,417)	(8,167)	(41,584)
Tax expense	(6,961)	(9,892)	(8,207)	(142)	(25,202)	(1,643)	(26,845)
	(56,112)	(106,213)	(20,529)	(3,627)	(186,481)	(20,849)	(207,330)
Segment profit for the period	37,986	53,964	44,790	1,638	138,378	9,912	148,290
Segment assets	4,254,777	3,636,622	2,917,229	222,329	11,030,957	1,711,542	12,742,499
Segment liabilities	3,463,695	4,223,078	1,212,771	165,243	9,064,787	1,505,308	10,570,095

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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22. ASSET LIABILITY MATURITY

The asset and liability maturity profile was as follows:

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
ASSETS			
On demand or within one month	2,226,292	2,445,209	1,953,845
Two to three months	1,510,017	880,925	1,384,881
Four to twelve months	1,127,385	1,214,609	1,274,516
One to five years	3,534,778	3,042,758	3,167,128
More than five years	5,116,809	5,192,481	4,962,129
	<u>13,515,281</u>	<u>12,775,982</u>	<u>12,742,499</u>
LIABILITIES AND EQUITY			
On demand or within one month	1,278,955	1,198,495	1,470,739
Two to three months	1,235,916	1,471,692	989,447
Four to twelve months	2,672,240	1,965,459	2,350,146
One to five years	4,442,809	3,880,479	3,813,435
More than five years	3,885,361	4,259,857	4,118,732
	<u>13,515,281</u>	<u>12,775,982</u>	<u>12,742,499</u>
MISMATCH			
On demand or within one month	947,337	1,246,714	483,106
Two to three months	274,101	(590,767)	395,434
Four to twelve months	(1,544,855)	(750,850)	(1,075,630)
One to five years	(908,031)	(837,721)	(646,307)
More than five years	1,231,448	932,624	843,397
	<u>-</u>	<u>-</u>	<u>-</u>

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-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
Common Equity Tier I capital	1,534,625	1,534,107	1,826,810
Perpetual Tier I capital	505,320	505,320	130,000
Tier I capital	2,039,945	2,039,427	1,956,810
Tier II capital	98,708	115,656	99,636
Total regulatory capital	2,138,653	2,155,083	2,056,446
Total risk weighted assets	10,480,459	10,139,344	10,071,735
Of which: Credit risk weighted assets	9,492,773	9,121,717	9,048,802
Of which: Market risk weighted assets	91,873	121,814	147,439
Of which: Operational risk weighted assets	895,813	895,813	875,494
Capital ratios :			
Common Equity Tier 1	14.64%	15.13%	18.14%
Tier 1	19.46%	20.11%	19.43%
Total capital	20.41%	21.25%	20.42%

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 56 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-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
LCR	244%	219%	174%
NSFR	121%	117%	112%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
1 Total consolidated assets as per published financial statements	13,515,281	12,775,982	12,742,499
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(48,656)	(52,316)	(48,368)
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	114,289	107,772	121,890
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)	976,213	1,042,197	1,078,362
7 Other adjustments	-	(6,399)	(4,164)
8 Leverage ratio exposure	14,557,127	13,867,236	13,890,219

Table 2: Leverage ratio common disclosure template

	<i>Unaudited</i> <i>30-Sep-2023</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2022</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2022</i> <i>RO' 000</i>
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	13,515,281	12,775,982	12,742,499
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(48,656)	(58,715)	(52,532)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	13,466,625	12,717,267	12,689,967
Derivative Exposures			
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	45,047	26,540	47,633
5 Add-on amounts for PFE associated with all derivatives transactions	69,242	81,232	74,257
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)	114,289	107,772	121,890
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	1,940,484	2,155,893	2,107,299
18 (Adjustments for conversion to credit equivalent amounts)	(964,271)	(1,113,696)	(1,028,937)
19 Off-balance sheet items (sum of lines 17 and 18)	976,213	1,042,197	1,078,362
Capital and total exposures			
20 Tier 1 capital	2,039,945	2,039,427	1,956,810
21 Total exposures (sum of lines 3, 11, 16 and 19)	14,557,127	13,867,236	13,890,219
Leverage Ratio			
22 Basel III leverage ratio (%)	14.0%	14.7%	14.1%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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

<i>30 September 2023</i>	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	60,780	-	-	60,780
Due from Banks	787,770	537	-	788,307
Loans and advances / Islamic financing receivables	8,521,877	1,540,321	395,181	10,457,379
Investment Securities at FVOCI	112,124	-	-	112,124
Investment Securities at amortized Cost	1,544,678	5,131	-	1,549,809
Total funded gross exposure	11,027,229	1,545,989	395,181	12,968,399
Financial guarantee contracts	1,172,013	428,534	25,948	1,626,495
Acceptances	69,985	21,258	50	91,293
Loan Commitment/Unutilised limits	2,018,866	256,292	-	2,275,158
Total non-funded gross exposure	3,260,864	706,084	25,998	3,992,946
Total gross exposure	14,288,093	2,252,073	421,179	16,961,345
Impairment				
Central Bank balances	1	-	-	1
Due from Banks	4,232	24	-	4,256
Loans and advances / Islamic financing receivables	27,230	239,640	325,155	592,025
Investment Securities at FVOCI	292	-	-	292
Investment Securities at amortized Cost	995	754	-	1,749
Total funded impairment	32,750	240,418	325,155	598,323
Financial guarantee contracts	1,341	9,968	23,994	35,303
Acceptances	51	31	50	132
Loan Commitment/Unutilised limits	2,282	3,673	-	5,955
Total non-funded impairment	3,674	13,672	24,044	41,390
Total impairment	36,424	254,090	349,199	639,713
Net exposure				
Central Bank balances	60,779	-	-	60,779
Due from Banks	783,538	513	-	784,051
Loans and advances / Islamic financing receivables	8,494,647	1,300,681	70,026	9,865,354
Investment Securities at FVOCI	111,832	-	-	111,832
Investment Securities at amortized Cost	1,543,683	4,377	-	1,548,060
Total funded net exposure	10,994,479	1,305,571	70,026	12,370,076
Financial guarantee contracts	1,170,672	418,566	1,954	1,591,192
Acceptances	69,934	21,227	-	91,161
Loan Commitment/Unutilised limits	2,016,584	252,619	-	2,269,203
Total net non-funded exposure	3,257,190	692,412	1,954	3,951,556
Total net exposure	14,251,669	1,997,983	71,980	16,321,632

Stage 1: 84.2% 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: 13.3% 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 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)*	46,911	46,911	-
Provisions required as per CBO norms / held as per IFRS 9 *	488,701	639,713	(151,012)
Gross NPL ratio **	3.78%	3.78%	-
Net NPL ratio **	0.56%	0.45%	0.11%

* 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	9,309,648	128,723	-	31,462	97,261	9,278,186	-
	Stage 2	1,116,744	11,472	-	166,619	(155,147)	950,125	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	10,426,392	140,195	-	198,081	(57,886)	10,228,311	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	424,114	9,507	41	76,054	(66,506)	348,060	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	424,114	9,507	41	76,054	(66,506)	348,060	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	27,331	7,288	359	10,215	(2,568)	17,116	-
	Sub total	27,331	7,288	359	10,215	(2,568)	17,116	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	55,990	22,520	1,779	31,972	(7,673)	24,018	-
	Sub total	55,990	22,520	1,779	31,972	(7,673)	24,018	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	337,858	246,178	60,834	307,012	-	30,846	-
	Sub total	337,858	246,178	60,834	307,012	-	30,846	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,978,445	-	-	4,962	(4,962)	4,973,483	-
	Stage 2	711,215	-	-	11,417	(11,417)	699,798	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,689,660	-	-	16,379	(16,379)	5,673,281	-
Total	Stage 1	14,288,093	128,723	-	36,424	92,299	14,251,669	-
	Stage 2	2,252,073	20,979	41	254,090	(233,070)	1,997,983	-
	Stage 3	421,179	275,986	62,972	349,199	(10,241)	71,980	-
	Total	16,961,345	425,688	63,013	639,713	(151,012)	16,321,632	-

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	36,912	2,505	-	935	1,570	35,977	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	36,912	2,505	-	935	1,570	35,977	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	102,689	72,487	7,383	82,405	(2,535)	20,284	-
	Sub total	102,689	72,487	7,383	82,405	(2,535)	20,284	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	36,912	2,505	-	935	1,570	35,977	-
	Stage 3	102,689	72,487	7,383	82,405	(2,535)	20,284	-
	Total	139,601	74,992	7,383	83,340	(965)	56,261	-

* 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 1038.331 million (Stage 1: RO 153.635 million, Stage 2: RO 833.517 million and Stage 3: RO 51.179 million) with an impairment allowance of RO 126.583 million (Stage 1: RO 0.397 million, Stage 2: RO 96.586 million, Stage 3: RO 29.6 million).

**NOTES TO THE INTERIM NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7) = (4)+(5)-(6)</i>	<i>(8) = (3)-(6)</i>	<i>(9)</i>
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>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7) = (4)+(5)-(6)</i>	<i>(8) = (3)-(6)</i>	<i>(9)</i>
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 2023 (Unaudited)	<i>Designated as at FVTPL</i> RO' 000	<i>Designated as at FVOCI</i> RO' 000	<i>Amortised cost</i> RO' 000	<i>Total carrying value</i> RO' 000	<i>Fair value</i> RO' 000	<i>Level</i>
Cash and balances with Central Banks	-	-	807,898	807,898	807,898	3
Due from banks	-	98,848	685,203	784,051	778,598	2,3
Loans and advances and Islamic financing receivables	-	-	9,865,354	9,865,354	10,331,543	3
Investment securities	18,646	254,853	1,548,060	1,821,559	1,824,760	1,2,3
Positive fair value of derivatives	44,970	-	-	44,970	44,970	2
	63,616	353,701	12,906,515	13,323,832	13,787,770	
Deposits from banks	-	-	1,018,078	1,018,078	992,272	3
Customers' deposits and Islamic customer deposits	-	-	9,484,777	9,484,777	9,243,700	3
Sukuk	-	-	46,501	46,501	46,501	1
Euro medium term notes	-	-	192,853	192,853	188,634	1
Negative fair value of derivatives	22,622	-	-	22,622	22,622	2
	22,622	-	10,742,209	10,764,831	10,493,730	

As of 31 December 2022 (Audited)	<i>Designated as at FVTPL</i> RO' 000	<i>Designated as at FVOCI</i> RO' 000	<i>Amortised cost</i> RO' 000	<i>Total carrying value</i> RO' 000	<i>Fair value</i> RO' 000	<i>Level</i>
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 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	-	44,970	-	44,970
FVOCI Due from banks	-	98,848	-	98,848
FVTPL Equity	4,350	-	14,296	18,646
FVOCI Equity	141,483	-	1,538	143,021
FVOCI Debt	111,832	-	-	111,832
Total Assets	257,665	143,818	15,834	417,317
Liabilities				
Derivatives	-	22,622	-	22,622
As of 31 December 2022				
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 September 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)	-	244	201
Gain (loss) from change in fair value	2	-	28	30
Additions	-	-	2,938	2,938
Disposals and redemption	(2)	-	(1,239)	(1,241)
Exchange differences	(11)	-	7	(4)
	1,538	-	14,296	15,834
As of 31 December 2022 (Audited)				
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023****27. FAIR VALUE INFORMATION (continued)**

As of 30 September 2023, 15% (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 September 2023, 85% (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 30 June 2023 or at a later date and adjusted for subsequent cash flows till 30 September 2023 or based on net asset values received from independent fund managers as at 30 June 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.