

Chairman's Report for the Nine Months ended 30 September 2020

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to share with you the results achieved by Bank Muscat during the nine-month period ended 30 September 2020. The Bank's financial results for the third quarter are better than the first two quarters of 2020 driven by the improving business and market conditions. The Bank continued to perform well with necessary prudence though challenges and uncertainty still exist. The Bank remains hopeful that economic conditions will improve in the coming year.

Financial Overview

The Bank posted a net profit of RO 113.21 million for the period compared to RO 141.43 million reported during the same period in 2019, a decrease of 20.0 percent.

Net Interest Income from Conventional Banking and Net Income from Islamic Financing stood at RO 240.07 million for the nine months period ended 30 September 2020 compared to RO 237.97 million for the same period in 2019, an increase of 0.9 percent.

Non-interest income was RO 96.72 million for the nine months period ended 30 September 2020 as compared to RO 113.76 million for the same period in 2019, a decrease of 15.0 percent mainly due to subdued business conditions due to COVID-19 related lockdowns in Q2 and Q3 2020 and waiver of certain fees due to regulatory measures.

Operating expenses for the nine months period ended 30 September 2020 was RO 137.19 million as compared to RO 144.54 million for the same period in 2019, a decrease of 5.1 percent.

Net Impairment for credit and other losses for the nine months period in 2020 was RO 64.82 million as against RO 38.14 million for the same period in 2019. The increase was mainly on account of precautionary and collective provisions made in the first half 2020, on a forward looking basis given the emerging stress in the economic and business conditions as a result of the impact of COVID-19 and the continued pressure on oil prices.

Net Loans and advances including Islamic financing receivables decreased by 1.3 percent to RO 8,847 million as against RO 8,965 million as at 30 September 2019. The reduction in the loan book is mainly attributable to prepayment of certain large corporate exposures in the last quarter of 2019.

Customer deposits including Islamic Customer deposits increased by 6.7 percent to RO 8,714 million as against RO 8,164 million as at 30 September 2019.

Strategic Initiatives & Key Developments

Bank Muscat supports its customers and partners through well-executed measures to manage risks and ensure business continuity throughout the pandemic. The Bank took a decisive action



to extend timely relief to eligible retail and corporate customers in line with regulatory guidelines, while continuing to enhance its digital channels to provide convenient services to customers from the comfort of their home. The past few months have seen large scale adoption of contactless card payments and digital banking channels by the Bank's customers across different segments.

In line with its commitment to improving financial inclusion, Bank Muscat also launched the first banking package in Oman for pensioners, Woqar. The Bank also collaborated with Google to provide free digital marketing training to small business owners under its newly launched 'Maharat min Google' programme and continued its monthly Najahi Talks seminars for entrepreneurs and SMEs online during the current period.

The Bank has also launched new features to further boost its corporate banking solutions. As a result, several government bodies and corporates have been on-boarded to digital banking platforms. The Bank achieved new business-to-business connectivity collaborations with government institutions and large corporates to digitise their payments. Reflecting the digitalisation trend, the value of transactions through the corporate payments and collections e-channels crossed RO 1.5 billion in the first nine months of the year.

Bank Muscat's Strategic Fintech Investment Programme has kick-started its investments under BM Innovate to capture growth opportunities through Fintech investments.

Meethaq continued to expand its footprint across Oman with the opening of its 22nd branch in Sinaw, further consolidating its position as the leading Islamic banking services provider in the country.

CSR & Sustainability

The Bank handed over one more Green Sports field as part of its flagship sustainability programme during the quarter, while another 18 fields have been completed and are ready to be handed over in the coming weeks. The Tadamun programme was successfully completed for the seventh consecutive year in partnership with the Ministry of Social Development and Sawa Nabni whereby essential household appliances were distributed to 174 social welfare families.

To address social distancing requirements, the Bank moved its Irshad financial coaching programme online, this has resulted in increasing accessibility to entrepreneurs and SME owners across the country. The Maliyat financial literacy programme which was launched in 2019 as an online course continues to see a steady rise in the number of enrolments.

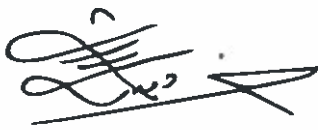
Bank Muscat sponsored a solar-powered wastewater treatment device at a school during this quarter. It also donated some equipment to healthcare workers to help ease some of their work pressure and collaborated with several voluntary associations and non-governmental organisations during this period. During Eid Al Adha, Bank employees partnered with Al Rahma Association to help social welfare families.

Awards and Accolades

The Bank was continuously recognised for its achievements and received the 'Best Domestic Bank in Oman' awards from Euromoney and Asiamoney. The Bank also won awards for 'Best Bank for SMEs' and 'Best Corporate & Investment Bank' in Oman from Asiamoney as well as the 'Best Consumer Digital Bank' in Oman from Global Finance during the third quarter. In recognition of its commitment to the highest standards of international transactions processing, the Bank also won the 'Wells Fargo Operations Excellence Award' during the past quarter.

In Conclusion

On behalf of the Board of Directors, I thank our stakeholders for their strong confidence in the Bank. The Board of Directors welcome the measures taken by the Central Bank of Oman and the Capital Market Authority to support the financial market in the Sultanate. We express our sincere gratitude and appreciation to His Majesty Sultan Haitham Bin Tarik for his wise leadership in taking the country forward on the path of development and we pray to the Almighty Allah to bless and protect His Majesty the Sultan and our beloved country as we prepare to celebrate an important milestone in the Omani Renaissance. I would like to take this opportunity to convey our best wishes to His Majesty the Sultan and the people of Oman on the occasion of the Glorious 50th National Day.



Khalid bin Mustahail Al Mashani

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

		<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
		<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>
	<i>Notes</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
ASSETS				
Cash and balances with Central Banks		1,127,355	781,755	782,988
Due from banks	3	576,957	869,804	794,458
Loans and advances	4	7,650,548	7,712,193	7,786,025
Islamic financing receivables	4	1,196,742	1,165,848	1,178,659
Investments securities	5	1,808,410	1,444,832	1,444,874
Other assets	6	284,095	236,694	241,693
Property and equipment and software		66,690	79,482	75,572
TOTAL ASSETS		12,710,797	12,290,608	12,304,269
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from banks	7	929,573	1,173,479	1,157,320
Customers' deposits	8	7,702,527	7,011,266	7,136,515
Islamic customers' deposits	8	1,011,652	1,032,400	1,027,716
Sukuk		90,205	90,205	90,205
Euro medium term notes		387,656	385,410	385,411
Other liabilities	9	536,722	521,864	473,736
Taxation		37,471	47,168	40,232
Subordinated liabilities		19,635	26,180	32,725
		10,715,441	10,287,972	10,343,860
EQUITY				
Equity attributable to equity holders of parent:				
Share capital	10	324,952	309,478	309,478
Share premium		531,535	531,535	531,535
General reserve		384,078	384,078	370,988
Legal reserve		103,160	103,160	98,247
Revaluation reserve		4,904	4,904	5,770
Subordinated loan reserve		13,090	13,090	13,090
Cash flow hedge reserve		(198)	(34)	(45)
Cumulative changes in fair value		(5,268)	(372)	(5,102)
Foreign currency translation reserve		(2,489)	(2,296)	(2,382)
Impairment reserve / Reserve for restructured accounts		2,370	2,606	4,125
Retained earnings		509,222	526,487	504,705
Total equity attributable to the equity holders		1,865,356	1,872,636	1,830,409
Perpetual Tier I capital		130,000	130,000	130,000
TOTAL EQUITY		1,995,356	2,002,636	1,960,409
TOTAL LIABILITIES AND EQUITY		12,710,797	12,290,608	12,304,269
Net assets per share (in RO)		0.574	0.605	0.591
Contingent liabilities and commitments	11	2,076,849	2,322,957	2,410,663

The interim condensed consolidated financial statements were approved by the Board of Directors on 26 October 2020. The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	Notes	Unaudited -for nine months period ended-		Unaudited -for three months period ended-	
		30 September 2020 RO' 000	30 September 2019 RO' 000	30 September 2020 RO' 000	30 September 2019 RO' 000
Interest income	12	329,670	339,654	108,037	114,049
Interest expense	13	(109,727)	(121,269)	(35,473)	(41,479)
Net interest income		219,943	218,385	72,564	72,570
Income from Islamic financing / investments	12	50,858	49,048	16,739	16,852
Distribution to depositors	13	(30,728)	(29,461)	(9,763)	(10,473)
Net income from Islamic financing		20,130	19,587	6,976	6,379
Net interest income and income from Islamic financing		240,073	237,972	79,540	78,949
Commission and fee income (net)	14	64,073	73,970	20,815	26,017
Other operating income	15	32,648	39,790	11,216	12,698
OPERATING INCOME		336,794	351,732	111,571	117,664
OPERATING EXPENSES					
Other operating expenses		(121,834)	(131,531)	(38,085)	(43,077)
Depreciation		(15,353)	(13,006)	(5,070)	(4,352)
		(137,187)	(144,537)	(43,155)	(47,429)
Net impairment losses on financial assets	16	(64,816)	(38,136)	(16,626)	(13,149)
		(202,003)	(182,673)	(59,781)	(60,578)
PROFIT BEFORE TAXATION		134,791	169,059	51,790	57,086
Tax expense		(21,585)	(27,634)	(8,147)	(9,306)
PROFIT FOR THE PERIOD		113,206	141,425	43,643	47,780
OTHER COMPREHENSIVE (EXPENSE) INCOME					
Net Other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods:					
Translation of net investments in foreign operations		(193)	(314)	36	58
Change in fair value through other comprehensive income (FVOCI) debt		(712)	3,446	754	564
Change in fair value of cash flow hedge		(164)	(482)	(3)	(102)
		(1,069)	2,650	787	520
Net Other comprehensive income (expense) not to be reclassified to profit or loss in subsequent periods					
Change in fair value of FVOCI equity		(7,515)	(4,684)	2,830	2,280
		(7,515)	(4,684)	2,830	2,280
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		(8,584)	(2,034)	3,617	2,800
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		104,622	139,391	47,260	50,580
Total comprehensive income for the period attributable to					
Equity holders of Parent Company		104,622	139,391	47,260	50,580
Profit attributable to					
Equity holders of Parent Company		113,206	141,425	43,643	47,780
Earnings per share (in RO)					
- Basic and diluted	17	0.033	0.042	0.013	0.014

Items in other comprehensive income are disclosed net of tax.
The attached notes 1 to 27 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 2020**

Attributable to equity holders of parent

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment reserve / Reserve for restructured accounts RO' 000	Retained earnings RO' 000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2020	309,478	531,535	384,078	103,160	4,904	13,090	(34)	(372)	(2,296)	2,606	526,487	1,872,636	130,000	2,002,636
Profit for the period	-	-	-	-	-	-	-	-	-	-	113,206	113,206	-	113,206
Other comprehensive (expense) income	-	-	-	-	-	-	(164)	(8,227)	(193)	-	-	(8,584)	-	(8,584)
Total comprehensive income	-	-	-	-	-	-	(164)	(8,227)	(193)	-	113,206	104,622	-	104,622
Transfer within equity upon disposal of FVOCI equity instruments	-	-	-	-	-	-	-	3,331	-	-	(3,331)	-	-	-
Dividends paid (note 10)	-	-	-	-	-	-	-	-	-	-	(108,317)	(108,317)	-	(108,317)
Issue of bonus shares (note 10)	15,474	-	-	-	-	-	-	-	-	-	(15,474)	-	-	-
Transfer from restructured reserve to retained earnings	-	-	-	-	-	-	-	-	-	(236)	236	-	-	-
Interest paid on perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	(3,585)	(3,585)	-	(3,585)
Balance as at 30 September 2020	324,952	531,535	384,078	103,160	4,904	13,090	(198)	(5,268)	(2,489)	2,370	509,222	1,865,356	130,000	1,995,356

Attributable to equity holders of parent

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment reserve / Reserve for restructured accounts RO' 000	Retained earnings RO' 000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2019	294,741	531,535	370,988	98,247	5,770	13,090	437	(5,023)	(2,068)	4,623	485,402	1,797,742	130,000	1,927,742
Profit for the period	-	-	-	-	-	-	-	-	-	-	141,425	141,425	-	141,425
Other comprehensive income (expense)	-	-	-	-	-	-	(482)	(1,238)	(314)	-	-	(2,034)	-	(2,034)
Total comprehensive income (expense)	-	-	-	-	-	-	(482)	(1,238)	(314)	-	141,425	139,391	-	139,391
Transfer within equity upon disposal of FVOCI equity instruments	-	-	-	-	-	-	-	1,159	-	-	(1,159)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(103,159)	(103,159)	-	(103,159)
Issue of bonus shares	14,737	-	-	-	-	-	-	-	-	-	(14,737)	-	-	-
Transfer from restructured reserve to retained earnings	-	-	-	-	-	-	-	-	-	(498)	498	-	-	-
Interest paid on perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	(3,565)	(3,565)	-	(3,565)
Balance as at 30 September 2019	309,478	531,535	370,988	98,247	5,770	13,090	(45)	(5,102)	(2,382)	4,125	504,705	1,830,409	130,000	1,960,409

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

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
OPERATING ACTIVITIES		
Profit for the period before taxation	134,791	169,059
Adjustments for :		
Depreciation	15,353	13,006
Net impairment on financial assets	64,816	38,136
Profit on sale of Property and equipment	(9)	-
Profit / (loss) on sale of investments	472	(3,690)
Dividend income	(5,247)	(5,600)
Operating profit before working capital changes	210,176	210,911
Due from banks	31,390	(234,170)
Loans and advances	3,795	9,501
Islamic financing receivables	(36,533)	(71,398)
Other assets	(47,257)	(14,751)
Deposits from banks	271,305	38,606
Customers' deposits	691,255	(367,955)
Islamic customer deposits	(20,748)	69,250
Other liabilities	16,904	26,451
Cash from / (used in) operating activities	1,120,287	(333,555)
Income taxes paid	(31,661)	(30,909)
Net cash from / (used in) operating activities	1,088,626	(364,464)
INVESTING ACTIVITIES		
Dividend income	5,247	5,600
Purchase of investments	(225,964)	(53,752)
Proceeds from sale of investments	49,948	19,003
Net movement in property and equipment	(2,552)	(6,151)
Net cash used in investing activities	(173,321)	(35,300)
FINANCING ACTIVITIES		
Dividends paid	(108,317)	(103,159)
Interest on Perpetual Tier I capital	(3,585)	(3,565)
Sukuk issuance	-	45,597
Subordinated loan paid	(6,545)	(6,545)
Net cash used in financing activities	(118,447)	(67,672)
NET CHANGE IN CASH AND CASH EQUIVALENTS	796,858	(467,436)
Cash and cash equivalents at 1 January	982,185	1,426,843
CASH AND CASH EQUIVALENTS AT 30 September	1,779,043	959,407
Cash and cash equivalent comprises of the following:		
Cash and balances with Central Banks	1,126,855	782,488
Treasury bills	658,900	633,956
Due from banks	348,928	348,690
Deposits from banks	(355,640)	(805,727)
	1,779,043	959,407

The attached notes 1 to 27 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 2020****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 171 branches (30 September 2019 : 169 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 has a subsidiary in Riyadh, Kingdom of Saudi Arabia. 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 Securities Market.

The Bank and its subsidiary (together, the Group) operate in 6 countries (2019 - 6 countries) and employed 3,844 employees as of 30 September 2020 (30 September 2019: 3,796 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 22 branches (September 2019 - 20 branches, 31 December 2019 - 20 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 2020 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 group's annual consolidated financial statements as at 31 December 2019. In addition, results for the period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year 2020.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.2 NEW STANDARDS, IMPLEMENTATIONS AND AMENDMENTS IN EXISTING STANDARDS**

For the period ended 30 September 2020, the Group has adopted the following new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2020. The adoption of below standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the prior periods.

- Definition of Material - Amendments to IAS 1 and IAS 8
- Definition of a Business - Amendments to IFRS 3
- Amendments to References to Conceptual Framework in IFRS Standards

The above amendments are effective from 1 January 2020

2.3 Interest Rate Benchmark Reform transition (IBOR transition)

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. Alternative risk-free rates are being set up for the different currencies. For the US Dollar, the US Fed's Alternative Reference Rates Committee (ARRC) has recommended using the Secured Overnight Financing Rate (SOFR), which has been published since April 2019. For the British Pound, it is the Sterling Over Night Index Average (SONIA), and for the Euro, the Euro Short-Term Rate (€STR).

Phase 1 of transition project

During 2019, the Group had early adopted the amendment to IFRS 9 and IFRS 7 issued in September 2019 (referred as Phase 1 of IBOR transition project). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The Group's management has assessed the situation and concluded that as of 30 September 2020, the Group continues to fulfil the requirements of above relief and no trigger event has taken place which might cause cessation of above relief.

Disclosures related to the derivatives held for hedging purposes and its carrying amount, notional amount and notional amounts by term to maturity are given in Note 19.

Phase 2 of transition project

Phase 2 of the project relates to the replacement of benchmark rates with alternative risk-free rates. The impact of rate replacement on the Group's products and services remain a key area of focus.

This is expected to impact current risk management strategy and possibly accounting for certain financial instruments. The Management and the Board has been appraised of the ensuing changes and the probable verticals of the bank that would be impacted. The bank is closely monitoring the developments and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

As at 30 September 2020, the Group has Loans and Advances and Due from Banks of RO 2,071 million (Dec'19 - RO 2,031 million), Due to Banks of RO 777 million (Dec'19 - RO 953 million), Subordinated liabilities of RO 20 million (Dec'19 - RO 26 million), Interest rate swaps of RO 212 million (Dec'19 - RO 229 million) which are exposed to the impact of LIBOR transition.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS****Coronavirus (COVID-19) outbreak and its impact on the Bank**

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. From the latter half of Q1-2020, the economic environment and business landscape of the bank have witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic coupled with the significant depression in the global crude oil prices. Tightening of market conditions, lockdowns, restrictions on trade and movement of people have caused significant disruptions to businesses and economic activities globally and across industries & sectors.

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the Central Bank of Oman (CBO), also instituted a host of measures to protect the stability of country's economy. As listed below these measures are intended to provide temporary relief to businesses and households and also provide additional lending and liquidity capacity to banks, through relief of existing capital and liquidity buffers.

A. Temporary relief provided to customers:

- The CBO announced a Deferral Package (DP) to provide temporary relief from the payments of installment/interest/profit on all outstanding loans, except credit cards, for a maximum period of 6 months for all affected corporates, SMEs, Finance and leasing companies and individuals domiciled in Oman. Such deferments should also not attract any additional interest/cost. This measure has been further extended till March 31, 2021.
- For Omani manpower in private sector, whose salaries were reduced, banks should defer the monthly installments for a 3 months and also waive interest/profit for such period. This measure has been further extended till December 31, 2020.
- Banks to renew all the revolving short term loans provided to FLCs for a period of 6 months starting April 2020, unless a lesser requirement is agreed. Renewals should not attract higher interest rates.
- Banks to waive charges levied on point of sale (POS) transactions
- Local banks to consider reducing existing fees for various banking services and avoid introducing new fees in 2020
- Availing of DP should not automatically result in deterioration of risk classification or movement from a 12-month ECL to a lifetime ECL measurement. Further, it cannot also be construed as a restructuring event.
- Risk classification of all loans linked to Government projects (directly or indirectly) also to be deferred for the extended period of 12 months.
- The Capital Market authority also granted extension of time to listed companies for submission of financials for quarter ended March 31, 2020 by June 30, 2020 and that should not adversely impact the risk classification of customers.

B. Liquidity and capital stimulus for Banks:

- Capital Conservation Buffer lowered by 50 percent from 2.5% to 1.25%.
 - Minimum capital adequacy allowed at 12.25% during prevailing economic conditions
 - "Prudential filter" introduced for considering stage 1&2 ECL as part of tier 2 capital.
 - Lending ratio increased by 5% from 87.5% to 92.5%. The additional lending scope to be utilized for lending to productive sector including healthcare services.
 - In case of liquidity stress, Bank may be allowed temporarily below the minimum LCR requirement of 100% but not less than a minimum LCR of 75% with prior approval of the Central Bank.
 - Additional liquidity support at concessional rates by reducing interest rates on Repo operations, discounting of Government Treasury Bills, FX swap and rediscounting of a Bills of Exchange and Promissory notes.
 - Also, tenor for Repo and Swap facilities was increased from existing to a maximum period of 3 & 6 months respectively.
 - Maximum limit of the CBO SWAP facility has been increased up to 100% of a bank's net worth and tenor has been extended up to a maximum period of 1 year.
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS
(continued)****IASB Guidance and additional guidelines issued by the CBO on application of IFRS 9 in the context of COVID-19**

Estimation of the overall impact of COVID-19 on banks Expected Credit Losses (ECL), is subject to very high levels of uncertainty as the pandemic is evolving very rapidly and little reasonable and supportable forward-looking information is available. This necessitates that the ECL processes adopted by the banks, remain robust and effective; as, any underestimation on this account would lead to under coverage while at the same time, significant overstatement of ECL could lead to unnecessary tightening in credit conditions which may not have a salutary economic impact. Accordingly, the IASB and prominent prudential and securities regulators have published guidance on the regulatory and accounting implications of the pandemic. Though it does not provide any mechanistic approach on determining SICR nor does it dictate the exact basis of determining forward looking scenarios to measure ECL, it aims to provide a framework for appropriate determination of the impact of economic uncertainty on ECL while also remaining compliant with IFRS.

IASB's guidance note issued on March 27, 2020, advises that both the assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are required to be based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, will not automatically lead to loans being measured on the basis of lifetime losses and considerable judgment will be needed to measure ECLs at this time. When it is not possible to reflect such information in the models, the Board expects post-model overlays or adjustments to be considered. This is broadly consistent with guidelines issued by other regulators including those issued by the CBO.

Additional IFRS 9 guidelines issued by the CBO stipulates:

- CBO's measures related to deferment of loan repayment by a borrower may not on its own trigger the counting of 30 DPD or more backstop used to determine SICR or the 90 days past due backstop used to determine default. However, banks / FLC's shall continue to assess the obligor's likelihood of payment of amount due after the deferment period, and in case of SICR or credit impairment and if the same is not of a temporary nature, accordingly fairly recognize such risk.
 - The deferment of repayment by borrowers may indicate short term liquidity or cash flow problems and hence the deferment of loan repayment may not be a sole deciding factor for SICR or impairment until and unless banks and FLC's might have experienced other supportable evidence on having deterioration in the credit quality of the obligor.
 - Similarly, any covenant breach having particular relevance to COVID-19 e.g. delay in submission of audited financial accounts or any other breach, may be considered differently than normal breaches related to consistent borrower specific risk factors leading to borrowers default. This sort of breach may not necessarily and automatically trigger SICR resulting in moving accounts to Stage-2.
 - Banks and FLCs must develop estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration should be given both to the effects of COVID-19 coupled with oil prices & significant CBO policy measures being undertaken.
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS
(continued)**

- Nevertheless, any changes made to ECL estimate the impact of COVID-19 distress will be subject to very high levels of uncertainty as reasonable and supportable forward-looking information may not be currently available to substantiate those changes. As such, the macro-economic forecasts applied by the banks and FLCs in their IFRS-9/ECL models couldn't be recalibrated upfront with pre-mature effects of COVID-19 and CBO support measures, besides the individual and collective LGD's may get impacted due to COVID-19 effect on market prices of collateral and guarantees. However, Banks and FLCs are expected to use post model adjustments and management overlays by applying multiple macroeconomic scenarios with careful application of probability weights to each of such scenarios while computing ECL on portfolio basis as prudence.

Impact of COVID-19 on the Bank:

The IFRS9 Steering Committee of the Bank is primarily responsible for overseeing the Bank's adequacy on ECL. It closely monitors the impact of COVID-19 by an ongoing review of the portfolio including a review by name of all significant exposures in the directly impacted industries and sectors. SME customers are evaluated based on the stability of the business owner and business and any short term cash flow mismatches are supported by the Bank. Bank's retail portfolio largely comprises of nationals employed in government sector and hence this segment is expected to largely remain insulated from job cuts and salary reductions. Retail lending to private sector employees which forms a small proportion of banks total retail portfolio is expected to witness some impact in the short to medium term due to the pandemic and hence could lead to potential credit issues. The bank is fully committed to help its customers through this turbulent period as directed by the CBO. The Bank continued to support its customers and partners through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Supreme Committee entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Bank continually reviews its precautionary and administrative measures in response to changes on the ground. Currently, most contract modifications as a result of COVID-19 are not observed to be substantial in nature.

A. Impact on ECL:

The Loss Given Default ("LGD") and Exposure at Default ("EAD") estimates are critically assessed by the bank at each reporting dates. This assessment considers several aspects such as the cash situation of clients, the value of collateral and the enforceability of guarantees. All real estate collaterals are revalued by bank's approved valuers at frequencies stated in Banks IFRS 9 policy and all other tangible collaterals like securities, cash, and shares are marked-to-market on a monthly basis.

For portfolio staging, the Bank continues to be guided by the Board approved policies and relief measures issued by the CBO on evaluation of SICR or default and excludes deferment period relating to the COVID-19 outbreak from the counting of days past due. Since, the temporary moratorium only provides a relief from short term liquidity constrains to borrowers, it is not the sole deciding factor for evaluation of SICR. The above approach also aligns with the IASB requirements.

Given the ever evolving nature of the current health and economic crisis, the banks management is of the view that the forward looking macro-economic data and the PD term structures published by the economists and rating agencies during 2020 is yet to reasonably reflect the impact of the economic disruption caused by COVID-19 and also to fully factor in the financial intervention by the relevant state authorities.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS
(continued)**

As on the reporting date the collective provision held by the bank through management overlays amounts to 3.8% of total impairment. This is in addition to the existing ECL provision considered on a conservative practices to mitigate any unforeseen impacts in the portfolio. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected period.

B. Impact on the Capital Adequacy:

Besides, 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 21 bps.

Although above measures are not exhaustive and may not fully counteract the impact of COVID-19 in the short run, they will mitigate the long-term negative impact of the pandemic. In response to this crisis, the Bank continues to monitor and respond to all liquidity and funding requirements. As at the reporting date the liquidity, funding and capital position of the Bank remains strong and is well placed to absorb the impact of the current disruption.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
3. DUE FROM BANKS

	<i>Unaudited 30 September RO' 000</i>	<i>Audited 31 December RO' 000</i>	<i>Unaudited 30 September RO' 000</i>
At amortised cost / FVOCI			
Nostro balances	117,518	116,123	124,569
Inter-bank placements	332,774	608,322	523,455
Loans to banks	89,608	97,370	97,492
	539,900	821,815	745,516
Less: impairment loss allowance	(1,188)	(766)	(1,292)
	538,712	821,049	744,224
At FVTPL			
Inter-bank placements	38,245	48,755	50,234
	576,957	869,804	794,458

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

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Corporate loans	3,962,767	3,834,616	3,917,843
Overdrafts and credit cards	279,789	312,069	350,553
Loans against trust receipts	447,149	513,853	561,168
Bills purchased and discounted	86,900	93,311	80,523
Personal and housing loans	3,228,021	3,247,046	3,219,232
	8,004,626	8,000,895	8,129,319
Less: Impairment loss allowance	(354,078)	(288,702)	(343,294)
	7,650,548	7,712,193	7,786,025

Islamic financing receivables

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Housing finance	487,280	490,041	490,267
Corporate finance	699,570	657,438	669,078
Consumer finance	41,690	44,453	44,152
	1,228,540	1,191,932	1,203,497
Less: Impairment loss allowance	(31,798)	(26,084)	(24,838)
	1,196,742	1,165,848	1,178,659

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
4. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES (continued)

Movement in impairment loss is analysed below:

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
1 January	314,786	329,111	329,111
Impairment for credit losses	89,045	67,829	63,769
Interest reserved during the period	13,647	15,842	9,998
Recoveries from impairment for credit losses	(24,996)	(35,946)	(26,629)
Reserve Interest recovered during the period	(4,222)	(4,914)	(2,962)
Written off during the period	(2,733)	(2,423)	(6,251)
Transfer from / (to) Memorandum portfolio	399	(54,700)	1,137
Foreign currency translation difference	(60)	8	-
Other movements	10	(21)	(41)
At 30 September / 31 December	385,876	314,786	368,132

At 30 September 2020, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 334.3 million (31 December 2019: RO 298.5 million, 30 September 2019: RO 310.6 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 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
On demand or within 1 month	1,088,040	1,133,743	1,249,259
1 to 3 months	812,998	743,944	793,440
4 to 12 months	744,170	803,042	632,307
1 to 5 years	2,105,766	2,172,906	2,201,541
More than 5 years	4,096,316	4,024,406	4,088,137
	8,847,290	8,878,041	8,964,684

5. INVESTMENT SECURITIES

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Equity investments:			
Measured as at FVTPL	22,866	25,934	28,574
Designated as at FVOCI	78,900	84,724	89,855
Equity investments	101,766	110,658	118,429
Debt investments:			
Designated as at FVTPL	-	-	-
Measured at FVOCI	61,041	60,789	62,772
Measured at amortised cost	1,648,034	1,274,998	1,264,973
Gross Debt investments	1,709,075	1,335,787	1,327,745
Less: Impairment loss allowance	(2,431)	(1,613)	(1,300)
Net debt investments	1,706,644	1,334,174	1,326,445
Total investment securities	1,808,410	1,444,832	1,444,874

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
5. INVESTMENT SECURITIES (continued)

As at 30 September 2020				
(unaudited)	FVTPL	FVOCI	Amortised	Total
	RO' 000	RO' 000	Cost	RO' 000
Quoted equities:				
Foreign securities	7,868	62,753	-	70,621
Other services sector	-	5,930	-	5,930
Unit funds	4,923	-	-	4,923
Financial services sector	555	5,810	-	6,365
Industrial sector	-	1,698	-	1,698
	13,346	76,191	-	89,537
Unquoted equities:				
Financial services sector	-	-	-	-
Foreign securities	1,004	1,054	-	2,058
Local securities	8,202	1,655	-	9,857
Unit funds	314	-	-	314
	9,520	2,709	-	12,229
Equity investments	22,866	78,900	-	101,766
Less: Impairment loss allowance	-	-	-	-
Net equity investments	22,866	78,900	-	101,766
Quoted debt:				
Treasury bills	-	-	-	-
Government bonds	-	-	870,578	870,578
Foreign bonds	-	32,204	4,998	37,202
Local bonds	-	23,485	100,659	124,144
	-	55,689	976,235	1,031,924
Unquoted debt:				
Treasury bills	-	-	658,900	658,900
Local bonds	-	5,352	12,899	18,251
	-	5,352	671,799	677,151
Gross debt investments	-	61,041	1,648,034	1,709,075
Less: Impairment loss allowance	-	(1,717)	(714)	(2,431)
Net debt investments	-	59,324	1,647,320	1,706,644
Net investments	22,866	138,224	1,647,320	1,808,410
As at 31 December 2019				
(Audited)	FVTPL	FVOCI	Amortised	Total
	RO' 000	RO' 000	Cost	RO' 000
Quoted equities:				
Foreign securities	7,518	65,761	-	73,279
Other services sector	-	7,616	-	7,616
Unit funds	9,014	-	-	9,014
Financial services sector	608	6,451	-	7,059
Industrial sector	-	1,369	-	1,369
	17,140	81,197	-	98,337
Unquoted equities:				
Foreign securities	870	1,672	-	2,542
Local securities	7,533	1,855	-	9,388
Unit funds	391	-	-	391
	8,794	3,527	-	12,321
Equities portfolio	25,934	84,724	-	110,658
Quoted debt:				
Government bonds	-	-	702,652	702,652
Foreign bonds	-	32,811	5,012	37,823
Local bonds	-	22,503	91,415	113,918
	-	55,314	799,079	854,393
Unquoted debt:				
Treasury bills	-	-	461,819	461,819
Local bonds	-	5,475	14,100	19,575
	-	5,475	475,919	481,394
Gross debt portfolio	-	60,789	1,274,998	1,335,787
Less: Impairment loss allowance	-	(1,311)	(302)	(1,613)
Net debt portfolio	-	59,478	1,274,696	1,334,174
Net investments	25,934	144,202	1,274,696	1,444,832

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
5. INVESTMENT SECURITIES (continued)

The movement in impairment of debt investments is summarised as follows

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
At 1 January	1,613	1,113	1,112
Provided /(reversed) during the period / year	820	500	188
Other movements	(2)	-	-
At 30 September / 31 December	2,431	1,613	1,300

6. OTHER ASSETS

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>Unaudited</i>
Acceptances	139,528	123,462	106,285
Less: impairment loss allowance	(187)	(145)	(76)
Net Acceptances	139,341	123,317	106,209
Other debtors and prepaid expenses	36,995	46,373	46,313
Positive fair value of derivatives	32,158	22,274	39,718
Accrued interest	65,123	36,302	40,866
Deferred tax asset	7,799	6,023	7,818
Others	2,679	2,405	769
	284,095	236,694	241,693

7. DEPOSITS FROM BANKS

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
Inter bank borrowings	459,501	741,711	727,251
Vostro balances	38,872	77,568	75,869
Other money market deposits	431,200	354,200	354,200
	929,573	1,173,479	1,157,320

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
8. CUSTOMERS' DEPOSITS
Conventional customers' deposits

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
Deposit accounts	2,303,105	2,393,235	2,548,822
Savings accounts	2,964,446	2,580,493	2,535,411
Current accounts	1,901,334	1,665,699	1,713,842
Call accounts	467,052	314,200	279,161
Margin accounts	66,590	57,639	59,279
	<u>7,702,527</u>	<u>7,011,266</u>	<u>7,136,515</u>

Islamic customers' deposits

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
Deposit accounts	539,083	628,242	648,724
Savings accounts	254,024	215,638	193,792
Current accounts	118,534	111,478	108,371
Call accounts	19,763	37	35
Margin accounts	80,248	77,005	76,794
	<u>1,011,652</u>	<u>1,032,400</u>	<u>1,027,716</u>

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

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
On demand or within 1 month	750,621	704,616	684,221
1 to 3 months	768,991	844,144	839,945
4 to 12 months	2,340,512	1,672,796	1,936,532
1 to 5 years	3,234,276	3,409,315	3,242,738
More than 5 years	1,619,779	1,412,795	1,460,795
	<u>8,714,179</u>	<u>8,043,666</u>	<u>8,164,231</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
9. OTHER LIABILITIES

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
Other liabilities and accrued expenses	150,803	163,314	132,975
Acceptances	139,528	123,462	106,285
Impairment on financial guarantees	55,953	54,142	33,583
Impairment on undrawn commitments and unutilised limits	8,790	10,745	7,633
Accrued interest	91,240	84,493	97,113
Lease liabilities	47,953	50,405	53,660
Negative fair value of derivatives	25,696	18,675	26,293
Unearned discount and interest	8,499	8,756	9,443
Employee end of service benefits	7,394	7,006	6,751
Deferred tax liability	866	866	-
	536,722	521,864	473,736

10. SHARE CAPITAL AND DIVIDEND

The authorised share capital of the Parent Company is 3,500,000,000 shares of RO 0.100 each (2019: 3,500,000,000 of RO 0.100 each). At 30 September 2020, 3,249,522,539 shares of RO 0.100 each (31 December 2019: 3,094,783,371 shares of RO 0.100 each) have been issued and fully paid. The Bank's shares are listed in Muscat Securities Market, Bahrain stock exchange and London stock exchange. Listing in London stock exchange is through Global Depository Receipts issued by the Bank.

On 8 March 2020 invitation was sent to the shareholders of the bank for Annual General Meeting (AGM) and Extraordinary General Meeting (EGM). Pursuant to the instructions issued by the Supreme Committee that considers the mechanism for dealing with developments resulting from the spread of Coronavirus (COVID-19) to suspend all rallies, events including conferences in the Sultanate and circular no. (3/2020) dated 18 March 2020 issued by the Capital Market Authority (CMA) in this regard, it had been decided to postpone the EGM and AGM of the shareholders of the Bank scheduled for 24 March, 2020 until further notice.

CMA vide its circular no. (4/2020) dated 18 March 2020 approved the distribution of dividends for the listed companies. Accordingly, the Group has distributed the dividends to its shareholders (record date being 24 March 2020) as recommended in the agenda and as approved by the regulators. The same was ratified in the Annual General Meeting held on 19 May 2020. Thus shareholders received cash dividend of RO 0.035 per ordinary share of RO 0.100 each aggregating to RO 108.317 million on Bank's existing share capital. In addition, they received bonus shares in the proportion of 5 bonus share for every 100 ordinary shares aggregating to 154,739,168 shares of RO 0.100 each amounting to RO 15.474 million.

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

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
Number of shares held			
Royal Court Affairs	768,005,073	731,160,223	731,160,223
Dubai Financial Group LLC	382,355,421	364,148,020	364,148,020
% of shareholding			
Royal Court Affairs	23.63%	23.63%	23.63%
Dubai Financial Group LLC	11.77%	11.77%	11.77%

11. CONTINGENT LIABILITIES

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
CONTINGENT LIABILITIES			
Letters of credit	379,389	343,773	413,703
Guarantees	1,697,460	1,979,184	1,996,960
	2,076,849	2,322,957	2,410,663
COMMITMENTS			
Irrevocable credit commitments	430,996	323,180	452,927
Purchase of property and equipment	1,569	1,031	908
Partly paid shares	2,832	3,844	3,927
	435,397	328,055	457,762

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

12. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	<i>Unaudited -for nine months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>	<i>Unaudited -for three months ended- 30 September RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Loans and advances	288,916	302,603	94,527	101,533
Due from banks	9,328	14,792	1,677	4,659
Investments	31,426	22,259	11,833	7,857
	329,670	339,654	108,037	114,049
Islamic financing receivable	46,193	46,243	15,278	15,833
Islamic due from banks	553	839	50	358
Islamic investment	4,112	1,966	1,411	661
	50,858	49,048	16,739	16,852
	380,528	388,702	124,776	130,901

13. INTEREST EXPENSE / DISTRIBUTION TO DEPOSITORS

	<i>Unaudited -for nine months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>	<i>Unaudited -for three months ended- 30 September RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Customer's deposits	85,001	86,871	28,754	30,127
Subordinated liabilities	955	1,513	283	474
Bank borrowings	11,513	19,579	2,612	6,374
Euro medium term notes	12,258	13,306	3,824	4,504
	109,727	121,269	35,473	41,479
Islamic customers deposits	23,573	21,719	7,737	7,774
Islamic bank borrowings	3,511	5,065	801	1,464
Sukuk	3,644	2,677	1,225	1,235
	30,728	29,461	9,763	10,473
	140,455	150,730	45,236	51,952

Interest expense on customer deposits include accruals towards prize schemes of RO 8.25 million (30 September 2019: RO 7.5 million) offered by the bank to its saving deposit holders. Profit distribution on Islamic customers deposits include accruals towards prize schemes of RO 0.75 million (30 September 2019: RO 0.75 million) to its saving deposit holders.

14. COMMISSION AND FEES INCOME (NET)

The commission and fees shown in the interim condensed consolidated statement of comprehensive income is net off commission and fees paid of RO 1,049 thousands (30 Sep 2019 : RO 784 thousands).

15. OTHER OPERATING INCOME

	<i>Unaudited -for nine months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>	<i>Unaudited -for three months ended- 30 September RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Foreign exchange	25,623	28,842	7,838	10,471
Changes in fair value of financial assets	58	1,461	1,920	(689)
Net realised gain (loss) on sale of fair value investments	(530)	1,070	(469)	992
Dividend income	5,247	5,600	1,010	900
Other income	2,250	2,817	917	1,024
	32,648	39,790	11,216	12,698

Dividend income recognised on FVOCI investments during the period ended 30 September 2020 is RO 4,288 thousands. (30 September 2019: RO 4,609 thousands), out of which RO 106 thousands (30 September 2019: RO 272 thousands) pertains to investments sold during this period.

16. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<i>Unaudited -for nine months period ended- 30 September RO' 000</i>	<i>Unaudited 30 September RO' 000</i>	<i>Unaudited -for three months ended- 30 September RO' 000</i>	<i>Unaudited 30 September RO' 000</i>
(Impairment) / reversal of impairment for credit losses:				
- Due from banks	(423)	(644)	3,581	(317)
- Loans and advances to customers	(89,045)	(63,769)	(25,256)	(21,201)
- Financial guarantees	(1,993)	(3,775)	(5,346)	(2,007)
- Acceptances	(42)	14	(56)	30
- Loan commitments / unutilised limits	1,951	2,585	637	230
- Investments	(820)	(188)	99	(322)
	(90,372)	(65,777)	(26,341)	(23,587)
Recoveries from impairment losses	24,996	26,629	9,532	10,161
Recoveries from loans written off earlier	560	1,012	183	277
	25,556	27,641	9,715	10,438
	(64,816)	(38,136)	(16,626)	(13,149)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
17. 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 nine months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>	<i>Unaudited -for three months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Profit for the period	113,206	141,425	43,643	47,780
Less: Interest on Perpetual Tier I capital	(5,353)	(5,348)	(1,798)	(1,802)
Profit attributable to ordinary shareholders of parent company for basic and diluted earnings per share (RO 000's)	107,853	136,077	41,845	45,978
Weighted average number of shares in issue during the period (000's)	3,249,523	3,249,523	3,249,523	3,249,523
Basic and diluted earnings per share (RO)	0.033	0.042	0.013	0.014

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the periods.

18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The 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 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
a) Directors and senior management			
Loans and advances	795	2,763	2,805
Current, deposit and other accounts	1,477	974	1,509
b) Major shareholders and others			
Loans and advances (gross)	26,634	77,348	73,625
Current, deposit and other accounts	64,910	27,235	38,414
Customers' liabilities under documentary credits, guarantees and other commitments	6,289	7,685	8,271

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

	<i>Unaudited -for nine months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>	<i>Unaudited -for three months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
a) Directors and senior management				
Interest income	26	97	8	29
Interest expenditure	33	36	9	10
b) Major shareholders and others				
Interest income	2,813	2,433	764	856
Interest expenditure	486	835	129	171

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 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Royal Court Affairs	-	47,645
HE Sheikh Mustahail Ahmed Al Mashani Group Companies	33,078	34,312
Others	640	2,744
	33,718	84,701

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 nine months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>	<i>Unaudited -for three months period ended- 30 September 2020 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Royal Court Affairs	180	389	40	47
HE Sheikh Mustahail Al Mashani Group Companies	306	446	89	124
Others	33	36	9	10
	519	871	138	181

Directors remuneration and sitting fees during the period ended 30 September 2020 is RO 150 thousands (30 September 2019: RO 150 thousands)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
19. DERIVATIVES

As at 30 September 2020 (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
Fair value hedge	2,656	-	192,500	-	192,500	-
Cash flow hedge	-	233	19,635	-	-	19,635
Interest rate swaps	20,367	20,367	773,458	17,710	15,530	740,218
Commodities purchase contracts	1,876	400	24,438	19,373	4,423	642
Commodities sale contracts	424	1,806	24,438	19,373	4,423	642
Forward purchase contracts	649	1,112	1,867,032	1,194,985	591,502	80,545
Forward sales contracts	6,186	1,778	1,859,460	1,194,981	585,271	79,208
Total	32,158	25,696	4,760,961	2,446,422	1,393,649	920,890

As at 31 December 2019 (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
Fair value hedge	410	16	202,333	9,833	-	192,500
Cash flow hedge	-	40	26,180	-	-	26,180
Interest rate swaps	9,907	9,773	840,428	-	198,749	641,679
Commodities purchase contracts	4,695	1,605	119,427	70,261	46,598	2,568
Commodities sale contracts	1,694	4,569	119,426	70,260	46,598	2,568
Forward purchase contracts	848	1,144	1,749,425	945,799	633,216	170,410
Forward sales contracts	4,720	1,528	1,742,584	943,912	630,008	168,664
Total	22,274	18,675	4,799,803	2,040,065	1,555,169	1,204,569

As at 30 September 2019 (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
Fair value hedge	411	50	203,901	-	-	203,901
Cash flow hedge	53	-	32,725	-	-	32,725
Interest rate swaps	12,851	12,840	828,310	-	178,435	649,875
Commodities purchase contracts	542	9,986	93,697	57,092	34,281	2,324
Commodities sale contracts	10,192	527	93,697	57,092	34,281	2,324
Forward purchase contracts	323	2,447	2,016,428	1,418,196	497,592	100,640
Forward sales contracts	15,346	443	1,998,879	1,405,253	494,006	99,620
Total	39,718	26,293	5,267,637	2,937,633	1,238,595	1,091,409

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
20. 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> 30 September <i>2019</i> RO' 000	<i>Unaudited</i> 30 September <i>2019</i> RO' 000	<i>Unaudited</i> 30 September <i>2019</i> RO' 000		<i>Unaudited</i> September <i>2020</i> RO' 000	<i>Unaudited</i> September <i>2020</i> RO' 000	<i>Unaudited</i> September <i>2020</i> RO' 000
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
339,654	15,162	324,492	Interest income	321,864	7,806	329,670
(121,269)	(8,401)	(112,868)	Interest expense	(105,363)	(4,364)	(109,727)
49,048	-	49,048	Income from Islamic financing	50,858	-	50,858
(29,461)	-	(29,461)	Distribution to depositors	(30,728)	-	(30,728)
73,970	3,498	70,472	Commission and fee income (net)	61,499	2,574	64,073
39,790	1,740	38,050	Other operating income	29,808	2,840	32,648
351,732	11,999	339,733		327,938	8,856	336,794
			Operating expenses			
(131,531)	(5,290)	(126,241)	Other operating expenses	(118,277)	(3,557)	(121,834)
(13,006)	(250)	(12,756)	Depreciation	(14,913)	(440)	(15,353)
(144,537)	(5,540)	(138,997)		(133,190)	(3,997)	(137,187)
			Net impairment losses on financial assets	(51,719)	(13,097)	(64,816)
(38,136)	(10,266)	(27,870)	Tax expense	(21,425)	(160)	(21,585)
(27,634)	(79)	(27,555)		(206,334)	(17,254)	(223,588)
(210,307)	(15,885)	(194,422)		121,604	(8,398)	113,206
141,425	(3,886)	145,311	Profit (Loss) for the period			
			Other information			
12,304,269	458,644	11,845,625	Total assets	12,310,745	400,052	12,710,797
10,343,860	423,173	9,920,687	Total liabilities	10,350,477	364,964	10,715,441

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
20. SEGMENTAL INFORMATION (continued)

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

30 September 2020 (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	88,429	100,844	27,228	3,442	219,943	-	219,943
Net income from Islamic financing					-	20,130	20,130
Commission, fees and other income	14,644	44,113	30,122	5,438	94,317	2,404	96,721
Operating income	103,073	144,957	57,350	8,880	314,260	22,534	336,794
Segment costs							
Operating expenses	(23,359)	(86,379)	(13,106)	(5,187)	(128,031)	(9,156)	(137,187)
Impairment (net)	(27,750)	(14,730)	(2,014)	(14,764)	(59,258)	(5,558)	(64,816)
Tax expense	(7,581)	(6,372)	(6,213)	(160)	(20,326)	(1,259)	(21,585)
	(58,690)	(107,481)	(21,333)	(20,111)	(207,615)	(15,973)	(223,588)
Segment profit for the period	44,383	37,476	36,017	(11,231)	106,645	6,561	113,206
Segment assets	4,399,465	3,379,866	3,045,799	422,161	11,247,291	1,463,506	12,710,797
Segment liabilities	3,800,198	4,472,206	784,090	378,893	9,435,387	1,280,054	10,715,441

30 September 2019 (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	93,572	99,429	18,624	6,760	218,385	-	218,385
Net income from Islamic financing	-	-	-	-	-	19,587	19,587
Commission, fees and other income	15,569	54,381	35,770	5,277	110,997	2,763	113,760
Operating income	109,141	153,810	54,394	12,037	329,382	22,350	351,732
Segment costs							
Operating expenses	(22,762)	(91,231)	(13,231)	(6,935)	(134,159)	(10,378)	(144,537)
Impairment (net)	(12,752)	(6,795)	(1,181)	(14,266)	(34,994)	(3,142)	(38,136)
Tax expense	(11,857)	(8,990)	(6,066)	604	(26,309)	(1,325)	(27,634)
	(47,371)	(107,016)	(20,478)	(20,597)	(195,462)	(14,845)	(210,307)
Segment profit for the period	61,770	46,794	33,916	(8,560)	133,920	7,505	141,425
Segment assets	4,402,766	3,388,127	2,583,262	488,348	10,862,503	1,441,766	12,304,269
Segment liabilities	3,556,208	3,877,761	1,179,315	413,193	9,026,477	1,317,383	10,343,860

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
21. ASSET LIABILITY MATURITY

The asset and liability maturity profile was as follows:

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
ASSETS			
On demand or within 1 month	2,604,723	2,391,226	2,648,909
1 to 3 months	1,611,005	1,328,151	1,227,641
4 to 12 months	1,103,193	1,326,741	1,087,025
1 to 5 years	2,715,908	2,619,501	2,800,354
More than 5 years	4,675,968	4,624,989	4,540,340
	12,710,797	12,290,608	12,304,269
LIABILITIES AND EQUITY			
On demand or within 1 month	1,259,027	1,379,021	1,251,359
1 to 3 months	972,242	1,377,739	1,246,665
4 to 12 months	2,792,466	1,955,433	2,438,571
1 to 5 years	4,067,646	4,162,054	3,945,584
More than 5 years	3,619,416	3,416,361	3,422,090
	12,710,797	12,290,608	12,304,269
MISMATCH			
On demand or within 1 month	1,345,696	1,012,205	1,397,550
1 to 3 months	638,763	(49,588)	(19,024)
4 to 12 months	(1,689,273)	(628,692)	(1,351,546)
1 to 5 years	(1,351,738)	(1,542,553)	(1,145,230)
More than 5 years	1,056,552	1,208,628	1,118,250
	-	-	-

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

22. CAPITAL ADEQUACY

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

	<i>Unaudited</i> <i>30 September</i> <i>2020</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 September</i> <i>2019</i> <i>RO' 000</i>
Common Equity Tier I capital	1,701,064	1,707,995	1,633,009
Perpetual Tier I capital	130,000	130,000	130,000
Tier I capital	1,831,064	1,837,995	1,763,009
Tier II capital	104,026	91,485	118,535
Total regulatory capital	1,935,090	1,929,480	1,881,544
Total risk weighted assets	9,581,641	9,784,845	9,899,486
Of which: Credit risk weighted assets	8,568,326	8,796,525	8,952,597
Of which: Market risk weighted assets	176,536	151,541	147,361
Of which: Operational risk weighted assets	836,779	836,779	799,528
Capital ratios :			
Common Equity Tier 1	17.75%	17.46%	16.50%
Tier 1	19.11%	18.78%	17.81%
Total capital	20.20%	19.72%	19.01%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
22. CAPITAL ADEQUACY (continued)

The following table sets out the capital adequacy position of the Group as per Basel II guidelines issued by Central Bank of Oman for monitoring purposes:

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
Tier I capital	1,844,478	1,855,033	1,778,504
Tier II capital	95,848	83,609	116,784
Total regulatory capital	1,940,326	1,938,642	1,895,288
Total risk weighted assets	9,581,641	9,784,845	9,899,486
Of which: Credit risk weighted assets	8,568,326	8,796,525	8,952,597
Of which: Market risk weighted assets	176,536	151,541	147,361
Of which: Operational risk weighted assets	836,779	836,779	799,528
Capital ratios :			
Tier 1	19.25%	18.96%	17.97%
Total capital	20.25%	19.81%	19.15%

23. LIQUIDITY

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

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
LCR	293%	215%	282%
NSFR	126%	117%	114%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
24. 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 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
1 Total consolidated assets as per published financial statements	12,710,797	12,290,608	12,304,269
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(26,826)	(34,077)	(30,990)
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	92,004	102,986	117,128
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)	1,418,826	1,404,205	1,464,085
7 Other adjustments	(6,933)	(5,157)	(7,818)
8 Leverage ratio exposure	14,187,868	13,758,565	13,846,674

Table 2: Leverage ratio common disclosure template

	<i>Unaudited 30 September 2020 RO' 000</i>	<i>Audited 31 December 2019 RO' 000</i>	<i>Unaudited 30 September 2019 RO' 000</i>
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	12,710,797	12,290,608	12,304,269
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(33,759)	(39,234)	(38,808)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	12,677,038	12,251,374	12,265,461
Derivative Exposures			
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	40,414	25,881	44,362
5 Add-on amounts for PFE associated with all derivatives transactions	51,590	77,105	72,766
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)	92,004	102,986	117,128
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	2,773,667	2,773,589	3,013,720
18 (Adjustments for conversion to credit equivalent amounts)	(1,354,841)	(1,369,384)	(1,549,635)
19 Off-balance sheet items (sum of lines 17 and 18)	1,418,826	1,404,205	1,464,085
Capital and total exposures			
20 Tier 1 capital	1,831,064	1,837,995	1,763,009
21 Total exposures (sum of lines 3, 11, 16 and 19)	14,187,868	13,758,565	13,846,674
Leverage Ratio			
22 Basel III leverage ratio (%)	12.9%	13.4%	12.7%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**
25. CREDIT QUALITY ANALYSIS
25.1 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 2020</i>	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	295,405	-	-	295,405
Due from Banks	537,868	2,032	-	539,900
Loans and advances / Islamic financing receivables	7,182,245	1,716,582	334,339	9,233,166
Investment Securities at FVOCI	55,725	5,316	-	61,041
Investment Securities at amortized Cost	1,648,034	-	-	1,648,034
Total funded gross exposure	9,719,277	1,723,930	334,339	11,777,546
Financial guarantee contracts	1,322,473	681,947	72,429	2,076,849
Acceptances	73,143	66,329	56	139,528
Loan Commitment/Unutilised limits	1,720,734	415,647	-	2,136,381
Total non-funded gross exposure	3,116,350	1,163,923	72,485	4,352,758
Total gross exposure	12,835,627	2,887,853	406,824	16,130,304
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,110	78	-	1,188
Loans and advances / Islamic financing receivables	18,827	117,247	249,802	385,876
Investment Securities at FVOCI	147	1,570	-	1,717
Investment Securities at amortized Cost	714	-	-	714
Total funded impairment	20,798	118,895	249,802	389,495
Financial guarantee contracts	1,651	14,462	39,840	55,953
Acceptances	54	107	26	187
Loan Commitment/Unutilised limits	4,929	3,861	-	8,790
Total non-funded impairment	6,634	18,430	39,866	64,930
Total impairment	27,432	137,325	289,668	454,425
Net exposure				
Central Bank balances	295,405	-	-	295,405
Due from Banks	536,758	1,954	-	538,712
Loans and advances / Islamic financing receivables	7,163,418	1,599,335	84,537	8,847,290
Investment Securities at FVOCI	55,578	3,746	-	59,324
Investment Securities at amortized Cost	1,647,320	-	-	1,647,320
Total funded net exposure	9,698,479	1,605,035	84,537	11,388,051
Financial guarantee contracts	1,320,822	667,485	32,589	2,020,896
Acceptances	73,089	66,222	30	139,341
Loan Commitment/Unutilised limits	1,715,805	411,786	-	2,127,591
Total net non-funded exposure	3,109,716	1,145,493	32,619	4,287,828
Total net exposure	12,808,195	2,750,528	117,156	15,675,879

Stage 1: 79.6% 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: 17.9% 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 2020**
25. CREDIT QUALITY ANALYSIS (continued)
25.1 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

31 December 2019	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	134,179	-	-	134,179
Due from Banks	821,428	387	-	821,815
Loans and advances / Islamic financing receivables	7,017,732	1,876,548	298,547	9,192,827
Investment Securities at FVOCI	52,486	8,303	-	60,789
Investment Securities at amortized Cost	1,266,969	8,029	-	1,274,998
Total funded gross exposure	9,292,794	1,893,267	298,547	11,484,608
Financial guarantee contracts	1,414,473	859,937	48,547	2,322,957
Acceptances	77,457	45,984	21	123,462
Loan Commitment/Unutilised limits	1,347,493	698,640	-	2,046,133
Total non-funded gross exposure	2,839,423	1,604,561	48,568	4,492,552
Total gross exposure	12,132,217	3,497,828	347,115	15,977,160
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	751	15	-	766
Loans and advances / Islamic financing receivables	18,203	77,751	218,832	314,786
Investment Securities at FVOCI	140	1,171	-	1,311
Investment Securities at amortized Cost	267	35	-	302
Total funded impairment	19,361	78,972	218,832	317,165
Financial guarantee contracts	1,947	17,533	34,662	54,142
Acceptances	45	100	-	145
Loan Commitment/Unutilised limits	2,460	8,285	-	10,745
Total non-funded impairment	4,452	25,918	34,662	65,032
Total impairment	23,813	104,890	253,494	382,197
Net exposure				
Central Bank balances	134,179	-	-	134,179
Due from Banks	820,677	372	-	821,049
Loans and advances / Islamic financing receivables	6,999,529	1,798,797	79,715	8,878,041
Investment Securities at FVOCI	52,346	7,132	-	59,478
Investment Securities at amortized Cost	1,266,702	7,994	-	1,274,696
Total funded net exposure	9,273,433	1,814,295	79,715	11,167,443
Financial guarantee contracts	1,412,526	842,404	13,885	2,268,815
Acceptances	77,412	45,884	21	123,317
Loan Commitment/Unutilised limits	1,345,033	690,355	-	2,035,388
Total net non-funded exposure	2,834,971	1,578,643	13,906	4,427,520
Total net exposure	12,108,404	3,392,938	93,621	15,594,963

Stage 1: 75.9% 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: 21.9% 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: 2.2% 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
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25. CREDIT QUALITY ANALYSIS (continued)
25.2 Movements in gross exposure of financial assets

An analysis of changes in the gross exposure is set out in the following tables

RO'000

<i>Loans and advances / Islamic financing receivables at amortised cost</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	7,017,732	1,876,548	298,547	9,192,827
Transfer between stages:				
- Transfer to Stage 1	184,890	(178,615)	(6,275)	-
- Transfer to Stage 2	(785,978)	789,206	(3,228)	-
- Transfer to Stage 3	(42,980)	(20,791)	63,771	-
Re-measurement of outstanding*	(364,523)	(36,257)	17,311	(383,469)
Financial assets originated during the period	3,222,905	-	-	3,222,905
Financial assets matured during the period	(2,049,801)	(713,509)	(11,190)	(2,774,500)
Recoveries from impairment for credit losses	-	-	(24,996)	(24,996)
Transfer from / (to) Memorandum portfolio	-	-	399	399
Balance at 30 September	7,182,245	1,716,582	334,339	9,233,166

<i>Debt investment securities at amortised cost / FVOCI</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,319,455	16,332	-	1,335,787
Transfer between stages (Opening Book)				
- Transfer to Stage 1	10,801	(10,801)	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Re-measurement of outstanding	(2,136)	(214)	-	(2,350)
Financial assets originated during the period	870,210	(1)	-	870,209
Financial assets matured during the period	(494,571)	-	-	(494,571)
Balance at 30 September	1,703,759	5,316	-	1,709,075

*Movement in exposures which are neither originated nor matured during the period.

An analysis of changes in the impairment loss allowances is set out in the following tables

RO'000

<i>Loans and advances / Islamic financing receivables at amortised cost</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	18,203	77,751	218,832	314,786
Transfer between stages:				
- Transfer to Stage 1	4,612	(4,612)	-	-
- Transfer to Stage 2	(10,707)	10,707	-	-
- Transfer to Stage 3	(189)	(2,779)	2,968	-
Impairment charged to income statement for:	6,900	35,962	46,183	89,045
- Re-measurement of impairment allowances**	(4,760)	43,342	46,183	84,765
- Financial assets originated during the period	15,854	-	-	15,854
- Financial assets matured during the period	(4,194)	(7,380)	-	(11,574)
Recoveries from impairment for credit losses	-	-	(24,996)	(24,996)
Interest reserve charged to interest income	-	223	13,424	13,647
Recoveries of reserved interest in interest income	-	-	(4,222)	(4,222)
Write off of impairment allowances	-	-	(2,733)	(2,733)
Transfer from / (to) Memorandum portfolio	-	-	399	399
Foreign exchange and other movements	-	(5)	(45)	(50)
Balance at 30 September	18,819	117,247	249,810	385,876

<i>Debt investment securities at amortised cost / FVOCI</i>	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	407	1,206	-	1,613
Transfer between stages:				
- Transfer to Stage 1	100	(100)	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Impairment charged to income statement for:	356	464	-	820
- Re-measurement of impairment allowances	194	464	-	658
- Financial assets originated during the period	201	-	-	201
- Financial assets matured during the period	(39)	-	-	(39)
Others	(2)	-	-	(2)
Balance at 30 September	861	1,570	-	2,431

**Movement of impairment allowances on exposures which are neither originated nor matured during the period.

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25. CREDIT QUALITY ANALYSIS (continued)

25.3 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 2020 (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)*	64,816	64,816	-
Provisions required as per CBO norms / held as per IFRS 9 *	415,574	454,425	(38,851)
Gross NPL ratio **	3.62%	3.62%	-
Net NPL ratio **	0.57%	0.50%	0.07%

* 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	8,015,518	109,619	-	19,938	89,681	7,995,580	-
	Stage 2	953,323	9,783	-	76,561	(66,778)	876,762	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	8,968,841	119,402	-	96,499	22,903	8,872,342	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	765,291	12,908	-	40,673	(27,765)	724,618	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	765,291	12,908	-	40,673	(27,765)	724,618	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	33,443	8,372	486	8,858	-	24,585	-
	Sub total	33,443	8,372	486	8,858	-	24,585	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	109,372	37,955	2,701	47,060	(6,404)	62,312	-
	Sub total	109,372	37,955	2,701	47,060	(6,404)	62,312	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	264,009	200,678	33,072	233,750	-	30,259	-
	Sub total	264,009	200,678	33,072	233,750	-	30,259	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,820,109	-	-	7,494	(7,494)	4,812,615	-
	Stage 2	1,169,239	-	-	20,091	(20,091)	1,149,148	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,989,348	-	-	27,585	(27,585)	5,961,763	-
Total	Stage 1	12,835,627	109,619	-	27,432	82,187	12,808,195	-
	Stage 2	2,887,853	22,691	-	137,325	(114,634)	2,750,528	-
	Stage 3	406,824	247,005	36,259	289,668	(6,404)	117,156	-
	Total	16,130,304	379,315	36,259	454,425	(38,851)	15,675,879	-

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	238,313	2,635	-	24,059	(21,424)	214,254	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	238,313	2,635	-	24,059	(21,424)	214,254	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	90,267	58,558	6,568	70,447	(5,321)	19,820	-
	Sub total	90,267	58,558	6,568	70,447	(5,321)	19,820	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	238,313	2,635	-	24,059	(21,424)	214,254	-
	Stage 3	90,267	58,558	6,568	70,447	(5,321)	19,820	-
	Total	328,580	61,193	6,568	94,506	(26,745)	234,074	-

**NOTES TO THE INTERIM NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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25. CREDIT QUALITY ANALYSIS (continued)
25.3 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 2019 (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)*	56,127	56,127	-
Provisions required as per CBO norms / held as per IFRS 9 *	371,216	382,197	(10,981)
Gross NPL ratio **	3.25%	3.25%	-
Net NPL ratio **	0.98%	0.89%	0.09%

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

** 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	7,839,159	108,488	-	18,954	89,534	7,820,205	-
	Stage 2	1,166,567	12,166	-	51,252	(39,086)	1,115,315	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	9,005,726	120,654	-	70,206	50,448	8,935,520	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	710,369	12,419	-	26,515	(14,096)	683,854	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	710,369	12,419	-	26,515	(14,096)	683,854	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	50,484	12,035	361	12,396	-	38,088	-
	Sub total	50,484	12,035	361	12,396	-	38,088	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	67,954	28,550	1,775	39,780	(9,455)	28,174	-
	Sub total	67,954	28,550	1,775	39,780	(9,455)	28,174	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	228,677	168,380	27,042	201,318	(5,896)	27,359	-
	Sub total	228,677	168,380	27,042	201,318	(5,896)	27,359	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,293,058	-	-	4,859	(4,859)	4,288,199	-
	Stage 2	1,620,892	-	-	27,123	(27,123)	1,593,769	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,913,950	-	-	31,982	(31,982)	5,881,968	-
Total	Stage 1	12,132,217	108,488	-	23,813	84,675	12,108,404	-
	Stage 2	3,497,828	24,585	-	104,890	(80,305)	3,392,938	-
	Stage 3	347,115	208,965	29,178	253,494	(15,351)	93,621	-
	Total	15,977,160	342,038	29,178	382,197	(10,981)	15,594,963	-

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	197,163	2,862	-	10,281	(7,419)	186,882	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	197,163	2,862	-	10,281	(7,419)	186,882	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	91,084	56,755	5,858	62,613	-	28,471	-
	Sub total	91,084	56,755	5,858	62,613	-	28,471	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	197,163	2,862	-	10,281	(7,419)	186,882	-
	Stage 3	91,084	56,755	5,858	62,613	-	28,471	-
	Total	288,247	59,617	5,858	72,894	(7,419)	215,353	-

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

26. 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 2020	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	-	-	1,127,355	1,127,355	1,127,355	3
Due from banks	38,245	9,615	529,097	576,957	583,209	2,3
Loans and advances and Islamic financing receivables	-	-	8,847,290	8,847,290	8,960,144	3
Investment securities	22,866	138,224	1,647,320	1,808,410	1,844,652	1,2,3
Positive fair value of derivatives	32,158	-	-	32,158	32,158	2
	93,269	147,839	12,151,062	12,392,170	12,547,518	
Deposits from banks	-	-	929,573	929,573	932,137	3
Customers' deposits and Islamic customer deposits	-	-	8,714,179	8,714,179	8,738,176	3
Sukuk	-	-	90,205	90,205	89,840	1
Euro medium term notes	-	-	387,656	387,656	409,016	1
Subordinated liabilities	-	-	19,635	19,635	19,635	3
Negative fair value of derivatives	25,696	-	-	25,696	25,696	2
	25,696	-	10,141,248	10,166,944	10,214,501	

As of 31 December 2019	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	-	-	781,755	781,755	781,755	3
Due from banks	48,755	15,328	805,721	869,804	880,223	2,3
Loans and advances and Islamic financing receivables	-	-	8,878,041	8,878,041	9,028,450	3
Investment securities	25,934	144,202	1,274,696	1,444,832	1,469,958	1,2,3
Positive fair value of derivatives	22,274	-	-	22,274	22,274	2
	96,963	159,530	11,740,213	11,996,706	12,182,660	
Deposits from banks	-	-	1,173,479	1,173,479	1,180,261	3
Customers' deposits and Islamic customer deposits	-	-	8,043,666	8,043,666	8,068,716	3
Sukuk	-	-	90,205	90,205	89,670	1
Euro medium term notes	-	-	385,410	385,410	397,081	1
Subordinated liabilities	-	-	26,180	26,180	26,180	3
Negative fair value of derivatives	18,675	-	-	18,675	18,675	2
	18,675	-	9,718,940	9,737,615	9,780,583	

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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26. FAIR VALUE INFORMATION (continued)

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

<i>As of 30 September 2020</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	-	32,158	-	32,158
FVTPL Equity	13,346	-	9,520	22,866
FVOCI Equity	76,191	-	2,709	78,900
FVOCI Debt	55,542	-	3,782	59,324
Total Assets	145,079	32,158	16,011	193,248
Liabilities				
Derivatives	-	25,696	-	25,696
As of 31 December 2019				
	<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	-	22,274	-	22,274
FVTPL Equity	17,140	-	8,794	25,934
FVOCI Equity	81,197	-	3,527	84,724
FVOCI Debt	55,109	-	4,369	59,478
Total Assets	153,446	22,274	16,690	192,410
Liabilities				
Derivatives	-	18,675	-	18,675

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

<i>As of 30 September 2020</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 2020	3,527	4,369	8,794	16,690
Realised gain on sale	-	2	4	6
Gain (loss) from change in fair value	(812)	(42)	(175)	(1,029)
Additions	-	-	1,004	1,004
Disposals and redemption	-	(82)	(107)	(189)
(Impairment) / Reversal of impairment on investments	-	(465)	-	(465)
Exchange differences	(6)	-	-	(6)
	2,709	3,782	9,520	16,011
As of 31 December 2019				
	<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 2019	10,762	7,937	8,812	27,511
Realised gain on sale	-	-	218	218
Gain (loss) from change in fair value	291	374	- 119	546
Additions	-	-	1,044	1,044
Disposals and redemption	- 7,526	- 3,600	- 1,154	- 12,280
Impairment on investments	-	- 342	-	- 342
Exchange differences	-	-	- 7	- 7
At 31 December 2019	3,527	4,369	8,794	16,690

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

26. FAIR VALUE INFORMATION (continued)

As of 30 September 2020, 71% (31 December 2019: 79%) 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 2020, 29% (31 December 2019: 21%) 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 2020 or at a later date and adjusted for subsequent cash flows till 30 September 2020 or based on net asset values received from independent fund managers as at 30 June 2020 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 Group 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.

27. Comparative figures

Certain corresponding figures for 2019 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or equity.