ANNUAL REPORT 2023

بنك عُمان العربي
OMAN ARAB BANK

"We reaffirm our unwavering commitment to continuing our efforts to diversify the sources of national income, emphasising the enhancement of non-oil revenues, to ensure the long-term stability of the State's public finances. Simultaneously, we envisage that the Social Protection System, recently introduced, will be comprehensive, extending its benefits to all segments of society, thereby guaranteeing a dignified life for all. Our dedication remains steadfast in sparing no effort to achieve the objectives and aspirations delineated in Oman Vision 2040."

His Majesty Sultan Haitham Bin Tarik

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Chairman's report

> **Our history goes back to 1973** when Arab Bank started its operations in Oman

Dear Shareholders,

I am pleased to present to you the financial results of Oman Arab Bank SAOG (the Bank) for the year 2023.

Celebrating 50 years in Oman

Oman Arab Bank has a long and proud history in Oman, as one of the first banks established in the country. In 2023, we celebrated our 50th anniversary through a series of events, projects, promotions and a range of other celebratory moments.

Our history goes back to 1973 when Arab Bank started its operations in Oman. In 1984, Oman Arab Bank (OAB) was established through the acquisition of Arab Bank branches. Eight years later, in 1992, we expanded our operations by acquiring all of Omani European Bank's retail branches. In 2020, we acquired Alizz Islamic Bank (Alizz), and merged our Islamic banking window with Alizz. That same year, OAB became a public joint-stock company (SAOG), with shares listed in the Muscat Stock Exchange

Rashad Al Zubair
Chairman of Board of Directors

Operating environment

The fiscal reforms undertaken by the Government have enabled Oman's economy to continue growing from strength to strength. These positive initiatives together with higher oil prices have culminated in Fitch Ratings and S&P upgrading Oman's sovereign credit rating to 'BB+' from 'BB' and Moody's upgrading the rating from 'Ba2' to 'Ba1' with a 'stable' outlook.

Following the success of the National Programme for Fiscal Balance (Tawazun), the National Programme for Fiscal Sustainability and Financial Sector Development was launched in January 2023 which aims to make the financial sector a major enabler for economic growth. This will open wide-doors of opportunities for Oman Arab Bank to be a key contributor to the country's economic growth journey. As the Sultanate continued its transformation and work towards the goals of Oman's Vision 2040, the Bank enjoyed a momentous year, as demonstrated by the growth in our business and financial results.

Financial performance

The Bank recorded a net profit after tax of RO 20.6 million for the year ended 31 December 2023, up 27% compared to RO 16.2 million in 2022, driven by a good growth in its core operations and notable improvement in debt recoveries.

Net loans and advances, including Islamic finance, increased by 7% to RO 3,275 million at 31 December 2023 compared to RO 3,067 million at 31 December 2022. Customer deposits increased by 12% to reach RO 3,357 million at 31 December 2023 compared to RO 2,992 million at 31 December 2022. The growth in loans and deposits were considerably higher than the market growth enabling the Bank to grow its market share.

Operating profit of RO 49.0 million increased by 2.4% compared to RO 47.8 million in 2022. This growth was attributed to effective cost management which led to a 4.6% reduction in operating expenses, offsetting the impact of high interest rate environment.

Operating income reached RO 120.2 million in 2023 compared to RO 122.5 million in 2022. Net interest income and net income from Islamic financing amounted to RO 96.9 million in 2023 compared to RO 100.2 million in 2022 owing to higher cost of funds. Net fees and commission income stood at RO 18.9 million in 2023, up 6%.

Operating expenses recorded RO 71.3 million compared to RO 74.7 million in 2022. Net allowances for expected credit losses stood at RO 24.7 million in 2023 compared to RO 30.3 million in 2022 reflecting better debt recoveries.

Oman Arab Bank also contributed RO 892,000 towards relief efforts following Shaheen, while Alizz contributed an additional RO 30,000, bringing the total to RO 922,000.

RO
20.5M Net profit after tax

RO
120.2M Operating income

Parent company performance

The parent company's net profit after tax increased by 17.3% to RO 12.0 million in 2023 compared to RO 10.2 million in 2022.

Operating income reached RO 89.1 million compared to RO 92.7 million in 2022. Operating expenses declined by 4.2% to reach RO 52.9 million in 2023 compared to RO 55.2 million in the prior year. Operating profit recorded RO 36.2 million in 2023 against RO 37.5 million in 2022.

Loans and advances to customers grew by 6.5% to RO 2,306 million at 31 December 2023 compared to RO 2,165 million at 31 December 2022. Customer deposits increased by 12% to RO 2,344 million at 31 December 2023 compared to RO 2,089 million last year.

Alizz Islamic Bank performance

Net Profit after tax of Alizz Islamic Bank increased by 25% to reach RO 7.8 million in 2023 compared to RO 6.3 million in 2022. This was driven by a strong growth in Islamic financing receivables which increased by 7% to RO 969 million in 2023 compared to RO 903 million in 2022. Customer deposits reached RO 1,014 million in 2023 compared to RO 903 million in 2022, an increase of 12%.

Awards and recognitions

The Bank's achievements continued to be recognized with awards and accolades from prestigious external bodies, with OAB winning the Best Online Platform in Oman at the 2022 MEA Business Awards and receiving the Payment Card Industry Data Security Standard (PCI-DSS) certification. The later reaffirmed Oman Arab Bank's high security standards in protecting customers' payment card data, as set by the PCI Security Standards Council. There was also recognition for its domestic retail operations and innovative SME payment solutions with two wins at the prestigious Asian Banking & Finance (ABF) Retail Banking Awards 2023. A panel of esteemed judges from across the banking and financial industry selected the Bank for top honors in two categories: Domestic Retail Bank of the Year – Oman and the SME Payment Solutions of the Year – Oman.

Alizz received various awards in recognition for its achievements across various milestones including the award for 'Excellence in Shari'a Compliant Wholesale Banking' at the OER Business Excellence, the award for 'Excellence in CSR' at the Oman Forum 2023 and the awards for 'Best Digital Offering' and 'Deal of the Year' at the Islamic Finance News Awards 2023 and an award for Best Value Proposition for Alizz ONE at the OER Business and HR Excellence Awards.

Alizz's corporate website also won the prestigious award of 'Website of the Year 2023' by Oman Economic Review and was also awarded 'Best Children Value Proposition' at the Muntada Al Mara'a Awards.

Products and services

As part of OAB's digital transformation strategy, our customers are now able to update personal data through the mobile app. They can also now immediately issue, renew or replace cards through self-service machines. In Q2, OAB introduced its Digital Instant Loan, giving our customers quick, easy and immediate access to loans of up to RO 25,000, thanks to its fast-automated approval process.

OAB customers benefitted from being able to digitally subscribe to Oman's largest Initial Public Offering (IPO) in history for OQ Gas Networks. Using the OAB mobile app, customers were able to subscribe, place orders and complete transactions conveniently. Short-term financing, up to 50%, was also made available.

We also added new features to our mobile app allowing customers to reset their PIN number for Debit, Credit and Prepaid cards via the app. All of this was done with an aim to allow our customers to perform their banking services from the comfort of their home or office or through self-service machines without the need to visit a branch.

For our customers who prefer or need to visit their branches, we continue to make sure that they have a delightful experience. We have upgraded and relocated select branches and installed state-of-the-art digital banking technology to enhance customers' experience. In May and June 2023, our flagship Ruwi branch, the relocated and enhanced Duqm branch and the renovated Ibra branch were opened. That was followed in Q3 by the opening of renovated/enhanced branches such as Nakhal branch in Al Batinah South Governorate, and two branches in Dhofar, Awqad and Saada.

To help our customers own their dream home, both OAB and Alizz signed home financing agreement with the Ministry of Housing and Urban Planning to provide competitive loan rates for the first 100 homeowners in Sultan Haitham City. Furthermore, OAB and ALizz signed a joint agreement with Oman Real Estate Investment Services (ORIS) allowing customers to access a full range of financing solutions and competitive rates when purchasing property at the new La Vie in Muscat Hills.

Conceived to further strengthen the Bank's support of the pivotal role of SMEs in the Sultanate, a new value proposition, Tumohi ('My Ambition'), was announced in August. Set-up to serve SMEs, it is targeted towards helping the nation's budding businesses thrive by providing access to comprehensive solutions and financial services. We also collaborated with Musalih, the Oman-based handyman services platform, as it continues its support of the nation's SMEs, and Liva Insurance to avail exclusive offers for OAB customers.

OAB launched its Child Savings Accounts, with special interest rates for first 50 customers to celebrate our 50th anniversary. With all Omani children ages 0-17 now due to receive monthly universal child benefit payments, the accounts present an ideal solution to secure children's financial futures and enable them to save for their aspirations. Benefits include a free debit card, competitive interest rates, free life insurance and an annual birthday gift.

Committed to strengthen its strategic relations, the Bank organized the Oman Arab Bank Partners event in February which was attended by more than 250 partners. The event celebrated the Bank's joint achievements with its partners and acknowledge their contributions to its journey of success and digitalization efforts. We also showcased our latest e-payment and digital services which have been designed to enable seamless commercial transactions and provide an overall superior banking experience to our commercial customers.

During the Holy Month of Ramadan, the Bank launched a market-leading financing offer, allowing customers to buy new or used cars, at a competitive interest rate, with a repayment period up to 10 years, in addition to free fuel and insurance.

Bringing extra value to customers during the summer season, OAB introduced Summer Credit Card Promotion giving 10 lucky credit card customers the chance to win vacations worth RO 1,200 in monthly prize draws by using their credit cards whether in Oman or abroad. In November, OAB launched a new benefits-packed salary transfer campaign, with new customers who open an account and transfer their salaries become eligible for a one-time 15% cashback (up to RO 500). In the same month, we celebrated Oman's National Day by allowing 50 customers and 50 staff to benefit from a special cashback promotion for OAB Credit Card holders.

Alizz revamped its entire IT infrastructure and made significant investment in its digital capability including upgrading its core banking system, mobile and internet banking for its retail and corporate customers, rejuvenated its website with chatbot, call center and other customer experience and touchpoints enhancements.

Alizz has also moved its Head office to more centrally located and purpose-built location.

Alizz continued to expand its branch and other sales channels. During the year, the Bank replaced its aged ATM/CDM machines with new generation state of art multi and full function machine and a new smart/digital branch.

Partnerships

OAB unveiled a strategic partnership with Oman Tourism Development Company (OMRAN) to solely finance the upcoming Nikki Beach Resort & Spa Muscat in Yiti Bay. The project is the latest key large-scale project that the Bank has financed and spearheaded in the Sultanate, supporting Oman's growth and progress across developmental, economic and urban sectors.

September saw OAB hosting the second edition of the CEOs Forum, in collaboration with Alizz. The event grew significantly to welcome more than 300 participants, inspiring them to embrace change and leverage emerging technologies.

In October, the Bank successfully closed a new Subordinated Perpetual Additional Tier 1 Bonds issuance of RO 40 million with a green shoe option of RO 10 million. The bonds were oversubscribed by 60%. The bonds carry a coupon rate of 7.00% p.a. for the first five years and got listed on Muscat Stock Exchange (MSX).

OAB took part in an important roundtable discussion on shaping the future of the industry with representatives of the National Programme for Financial Sustainability and Development of the Financial Sector (Istidama), alongside other industry experts from Alizz. The discussion centered on opportunities, challenges and pain points in the banking sector, and examined how to catalyze alignment, as well as change and create opportunities for growth and development.

To enhance readiness for the Financial Action Task Force Assessment (FATF), OAB in collaboration with Arab Bank (AB) and Central Bank of Oman (CBO) conducted an awareness session showcasing best practices within the sector. The collaboration is a proactive step with the aim of ensuring that Oman is well-prepared for the upcoming assessment by the FATF in 2024 and is set to help the country meet international Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) standards.

In November, the Bank debuted its Regional Roadshow, which will tour across the nation to meet, get to know and engage with existing and new customers. The roadshow was launched at Nizwa Fort, in the historical city of Nizwa. A total of 300 VIP customers, potential customers, key decision-makers, high net worth individuals and well-known personalities were welcomed by Sulaiman Al Harthi, CEO of Oman Arab Bank.

Developing talent

Aiming to play an even bigger role in building national talent, OAB launched the Ruwad Al Arabi for Internship program (Leaders of Tomorrow) in the second quarter of 2023 as part of its 50th Anniversary celebrations. In its pilot year, the one-year internship includes up to 25 university and college graduates providing a paid work experience to bolster their employment prospects within or outside the banking sector. The carefully designed program ensures that participants receive a well-rounded hands-on understanding and exposure across various departments, including customer experience, digital banking, marketing and finance.

Later on, OAB, in association with Harvard Business Publishing, launched the Ruwad Al Arabi for Leadership Development program. Candidates from OAB will participate in the program, which is designed to nurture the Bank's future change-makers, from aspiring leaders to seasoned professionals seeking to enhance their managerial skills.

In June, the Ministry of Social Development recognized OAB for creating an inclusive and diverse environment in which to integrate disabled staff, part of numerous forward-thinking HR policies. The Bank's work was commended at the 'Be with Us for Them' event, in line with the Ministry's First Forum for People with Disabilities.

OAB was recognized as Association of Chartered Certified Accountants (ACCA) Approved Employer, a global benchmark for training and support, in July. It was certified at Trainee Development, Gold level, denoting that the organization is committed to ensuring ACCA students, affiliates and members have the right skills, ethics and competences to add value and drive the business forward.

Long-serving OAB employees were center of attention at a special event in August to celebrate their ongoing contributions to the Bank's success. The event marked 50 years of the Bank's journey to date, serving as a platform to express heartfelt gratitude to the long-term employees and appreciating their dedicated service, as well as recognizing their positive impact on the organization's corporate culture.

OAB also launched a new initiative 'Friends of Our Branches' where members of the bank's middle management visit every branch across our national network to mentor and coach employees.

Continuing its endeavors to empower national talents to lead OAB into the future, the Board of Directors appointed Sulaiman Al Harthi as the new Chief Executive Officer. With more than 33 years of experience in the banking sector having held several leadership positions within key local banks, Al Harthi has already begun spearheading the Bank's strategic business growth, strengthening its partnerships with government and private sector organizations all while continuing its rapid growth trajectory.

OAB also announced the appointment of Khalid Al Amri as Acting Head of Retail Banking in September. In his new capacity, Al Amri brings wide experience to continue the growth and successes of the Bank's retail operations.

In Q3, Asila Al Mashari was appointed as the new Assistant Regional Manager for the Muscat region and Zahra Abdulamir was announced as the Acting Chief Risk Officer, part of the bank's commitment to promoting women to senior roles.

17 Employee of the Year (Mutamayizoon), were recognized for their exceptional work, contributions, behavior and success within the bank, igniting excellence across the organization.

Alizz continued its Ruwad Alizz program, in cooperation with Harvard Management Mentor, the e-learning platform affiliated with Harvard University. The program aims to develop mid-level leaders from government and private sector organizations.

The program aimed to train 60 delegates with an extensive learning program which includes 14 employees from the bank. The Bank strives to recruit talented and ambitious Omani nationals and provide them appropriate training in Islamic Banking and other leadership programs to prepare them for future roles in line with the vision of the Bank. Oman Arab Bank has a high Omanisation ratio of 90% and strives to increase it further.

Corporate sustainability

The bank's annual program of socially responsible events and initiatives began by organizing a culinary event where proceeds from selling food dishes were used to draw a smile on the faces of our heroic children fighting cancer.

The Bank celebrated the Holy Month of Ramadan with a wide range of social events to support a number of community causes and charities, helping to spread goodwill across the country, including a visit to the Royal Hospital in Muscat that featured an iftar with gifts and entertainment for young cancer patients and their families.

The Bank also planned a traditional Qaranqasho celebration at the Children's orphanage, along with an Eid fair at the Bank's headquarters which saw the participation of three non-profit organizations, showcasing products and handicrafts made by their members. Bringing the Holy Month to a close, the Bank planned an early Eid celebration with the elderly at their Nursing Home in Wilayat Rustaq.

A partner in Oman's economic growth, the Bank worked with non-profit organization Oman France Amitié (OFA) to host the 'Omani-French Opportunities in Fisheries Sector' business conference in May. The event brought together Omani and French stakeholders from different economic sectors to discuss and explore potential investments in the Duqm Multi-Purpose Port Project between the Port of Lorient in France and Fisheries Development Oman Company.

The following month, Oman Arab Bank and Alizz Islamic Bank hosted the Dakhiliyah Governorate Investment Forum in Nizwa in collaboration with the Al Dakhiliyah Governorate represented by Oman Vision 2040 Implementation Follow-up office, an event that sought to identify investment prospects in the governorate. The forum was part of a series that moved on to other Governorates, aiming to understand the specific needs of each governorate and explore development projects that will yield economic returns in the local communities and ultimately Oman.

Also in June 2023, the Bank joined hands with Oman Academy for SMEs to present the second Leadership & Management Forum 2023 (Financial Management & Investment). Bringing together beacons of the industry including guest speaker Enda Kelly, Ireland's former Prime Minister, the event presented an enriching platform to exchange experiences, spark ideas and identify partnership opportunities.

Following on from the Oman Arab Bank's diverse program of community-based events for Ramadan and Eid Al Fitr 2023, the Bank sponsored a Ministry of Health initiative to promote awareness around the early detection and prevention of breast cancer in June.

The campaign was designed to facilitate good prognosis and improved outcomes against the deadly disease, educating and training health-care workers on early detection of breast cancer, as well as increasing awareness among the community of the screening program in Oman.

Ensuring that our impact transcends banking, the Bank helped to lift the spirits of more than 400 orphans in collaboration with Al Rahma Association for Motherhood & Child Welfare in Al Khoudh, providing gifts, food and a children's entertainment corner.

In July, more than 250 children of Bank staff from across the Sultanate enjoyed the Bring Your Kids to Work initiative, a unique opportunity to join their parents at work during the summer break. It gave them a glimpse into the world of banking and beyond via a diverse program of workshops and experiences aimed at enhancing skills such as creativity, problem solving, critical thinking and financial literacy.

That was followed in August by an unforgettable experience at the interactive, educational Kids Branch, which was enjoyed by dozens of employees' children. Full of exciting family-friendly activities making finance fun and promoting financial literacy among children in the Corporate Branch of the Bank's HQ.

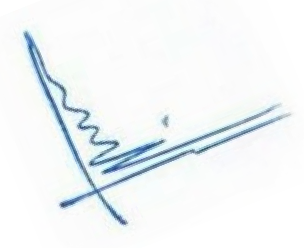
Supporting Oman's youth, the LaunchPad initiative was set in motion in August, designed to give students a jump-start in their careers. The training program comprises a series of free workshops to develop participants' skillsets and empower them to enter the workforce with confidence. Open to college students, as well as fresh graduates and professional Omanis with less than five years of work experience, it aims to further support and inspire the next generation of Oman's workforce.

As the Sultanate celebrated the annual Omani Tree Day in October, the Bank continued its commitment to support the nation's sustainability and environmental goals via the Roots of Oman Campaign. It was founded with the goal of planting 5,000 trees across the Sultanate by the bank's 50th anniversary in December 2023.

Alizz Islamic Bank entered partnerships with organsations that focus on sustainable initiatives under 'Alizz Cares'. The Bank is committed to impacting customers, employees, suppliers, regulators, investors, and the wider communities, including joining hands with the Children First Association to support with their conference and reinforce the bank's commitment to the children of Oman. The bank also contributed towards supporting the Al Noor Association developed around 35 delegates across different regions in the Sultanate. The bank also partnered with Dar Al Atta Association to renovate a school in a rural area that connects several villages under their Tamkeen Project 2023. Additionally, the Bank collaborated with Bait Al Zubair on their narrative days initiative to highlight the importance of Arabic literature in the region.

None of the successes we achieved in this particularly notable year could have taken place without the dedicated effort of colleagues across the organization and the trust of our customers. On behalf of the Board of Directors, I would like to thank our shareholders, customers and employees. I also extend my gratitude to the CBO, the CMA and all Government agencies for their continuous support to the banking sector.

I also extend my heartfelt gratitude to His Majesty Sultan Haitham bin Tarik. The bank is dedicated to realizing H.M.'s vision for the nation. We look forward to continuing to build on the achievements of 2023 and ongoing efforts to fulfil the strategic agenda we have set out in 2024.



Rashad Al Zubair
Chairman of Board of Directors

02

Board of directors

Mr. Rashad Al Zubair
Chairman

Mr. Wahbe Tamari
Deputy Chairman

Ms. Randa Sadik
Director

Mr. Abdulaziz Al Balushi
Director

Mr. Yasir Aqil Badri
Director

Mr. Mohammed Al Ghanamah
Director

Mr. Walid Samhouri
Director

Mr. Imad Sultan
Director

Mr. Nasri Malhamé
Director

03

Management team

Sulaiman Hamed Hamood Al Harthi
Chief Executive Officer

Ganesh Chera Puram Balasubramanian
Deputy Chief Executive Officer

Sulaiman Ali Nasser Al Hinai
Chief Wholesale Banking Officer

Khalid Rabia Awadh Al Amri
Acting Chief Retail Banking Officer

Ahmed Rizk El Damaty
Chief Financial Officer

Asma Ali Ramadhan Al Zadjali
Chief Banking Operations Officer

Zahra Abdul Amir Saied
Acting Chief Risk Officer

Essam Ali Mohammed Al Busaidi
Chief Human Resources Officer

Mansoor Darwish Mohamed Al-Raisi
Chief Compliance Officer

Tariq Noor Mohamed Omer Al Zadjali
Chief Technology Officer

Hamza Moosa Baqer
Chief Internal Audit Executive

Hamed Ibrahim Abdulrahim Al Zadjali
AGM, Head of Information Security

Sadiq Mohammed Sultan Al Zaabi
AGM, Head of Large Corporate Department

Khalid Khalifa Al Riyami
AGM, Head of Mid-Market Enterprise

Basil Al Lawati
AGM, Head of Priority Banking Department - Elite

Mahfoudh Sultan Matar Al Rawahi
AGM, Head of Central Operation Division

04

Auditor’s report on Corporate Governance

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Sultanate of Oman
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Agreed-Upon Procedures Report on Code of Corporate Governance of Oman Arab Bank SAOG

To the Board of Directors of Oman Arab Bank SAOG

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Oman Arab Bank SAOG ("Bank") for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Capital Market Authority ("CMA") to assist in compliance of requirements prescribed in the CMA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose.

Responsibilities of the Bank

The Bank has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Bank (also the Responsible Party) are responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Bank, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, *which requires the firm to design, implement and operate a system of quality management including policies and procedures* regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Bank in the terms of engagement dated 1 May 2023, on the compliance with the Code:

S. No	Procedures	Findings
1	We checked that the corporate governance report (the Report) issued by the Board of Directors includes as a minimum, all items suggested by CMA to be covered by the Report as detailed in the Annexure 3 of the Code by comparing the Report with such suggested content in the Annexure 3.	No exceptions noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by the Bank's Board of Directors for the year ended 31 December 2023. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2023.	No exceptions noted.

This report relates only to the items specified above and does not extend to the Bank's financial statements taken as a whole.

Kenneth Macfarlane
10 March 2024

KPMG LLC

KPMG
KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

Enclosures:
Oman Arab Bank SAOG Corporate Governance Report

05

Corporate Governance report

Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of corporate governance. It believes that corporate governance involves a set of values and behaviors that govern the day-to-day activities of the Bank and its subsidiary (Alizz Islamic Bank), ensuring transparency, fair dealing, and the protection of the interests of the Bank's stakeholders, including customers, shareholders, employees, regulators, and the community. The Board sees corporate governance as part of broader corporate responsibility and regulatory oversight.

Governance and responsibility are recognized as significant indicators of a Bank's overall health as a business. As such, the Bank is dedicated to good governance practices to ensure the sustainability and performance of its business.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- Review and improve the governance practices.
- Monitor global developments in best corporate governance practices
- Contribute to local debates on what represents the best corporate governance practice.

Our Governance Standards – Principles and Processes

We believe that the best approach for corporate governance is to be guided by the principles and practices that are in our stakeholders' interests. However, as a minimum, we ensure compliance with legal requirements, in particular to the letter and spirit of the local governance practices issued by the Central Bank of Oman (CBO) and the Capital Market Authority (CMA).

This corporate governance statement is divided into two Parts. Part 1 discusses the broad principles of corporate governance adopted by the Bank. Part 2 provides specific disclosures.

Date of this statement

This statement reflects the Bank's corporate governance policies and procedures at 31 December 2023

Corporate Governance - Part 1

This part provides information regarding the following subjects as required under the Code of Corporate Governance issued by the CMA:

1. The Board
2. Board Committees and their role
3. Audit Governance and Independence
4. Executive pay and reward scheme

1. The Board

Role of the Board

The Board of Directors is accountable to the shareholders. The Board's specific responsibilities, among other things, include:

- Ensuring the business is conducted ethically and transparently.
- Providing strategic direction and approving corporate strategies.
- Ensuring availability and adequacy of sound policies, plans and procedures that cover all the Bank's activities in line with governing regulations.
- Ensuring maintenance of adequate risk management controls and reporting mechanisms.
- Monitoring management and financial performance.
- Reviewing and approving the Bank's quarterly and annual financial reports.
- Approving the business plan and budgets.
- Selecting and evaluating the Chief Executive Officer (CEO) and senior management.
- Planning for executive succession.
- Setting Chief Executive Officer's remuneration and recommending the Directors' remuneration to the shareholders for approval at the Annual General Meeting.
- Ensuring adherence to the Central Bank's and other regulatory and supervisory bodies' requirements.
- Approving the appointment of the Bank's representative(s) to the board of its subsidiary (Alizz Islamic Bank), based on BRSC recommendation.

Board size and Composition

The Bank's Board of Directors consists of nine members, all of whom are non-executives as mandated by the Central Bank of Oman and the Capital Market Authority's regulations. The current composition of the Board and Board Committees is set out in Part 2.

Selection and Role of the Chairman

The Chairman is a non-Executive Director, appointed by the Board. The Chairman's role includes but is not limited to:

- Ensuring high standards of Corporate Governance by the Bank.
- Ensuring that when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities.
- Providing effective leadership in formulating the Board's strategy.
- Representing the views of the Board to the public.
- Ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors.
- Reviewing the contributions made by the Board members.
- Ensuring the implementation and follow up of the resolutions of the board of directors.

Board Independence

According to the Bank's structure, the Board has the highest governing authority within the Bank. It operates independently. The Board consists of nine non-executive directors of which four are independent.

Meetings of the Board and their Conduct

The Board meets formally at least four times a year. In addition, it meets whenever necessary to address specific matters requiring attention between the scheduled meetings. Meeting agendas are set by the Chairman in consultation with the CEO to ensure adequate coverage of financial, strategic and major risk areas throughout the year. Copies of Board agenda and the attachments are circulated in advance.

Meetings attended by the Directors during the past financial year are reported in Part 2.

Attendance at Annual General Meeting

The Directors attend, and are available to answer questions at the Annual General Meeting.

Avoidance of Conflict of Interest of Directors

In accordance with the constitution of the Bank, any Director with a material personal interest in any matter presented to the Board or its Committees must not be present when the matter is being considered, and not vote on the matter (this is covered in more details under the Related Party Section).

Expertise of the Board

The Board has a broad range of expertise and experience to meet its objectives. The current Board composition, with details of each member's expertise and experience, is set out in Part 2.

Nomination and Appointment of New Directors

The Board of Directors is elected by the shareholders of the Bank during the Annual General Meeting for a three-year term. The Board Remuneration and Selection Committee reviews and assesses the required skills of nominees against the Fit and Proper criteria stipulated by the CBO and CMA.

When appointed to the Board, all new Directors receive an induction appropriate to their experience to familiarize them with matters relating to the Bank's business, strategy and current issues. The current members of the Board of Directors were elected on March 28, 2022 at the Bank's Annual General Meeting by acclamation for a term of three years ending in March 2025.

Review of Board Performance

The Board regularly reviews its overall performance, as well as the performance of individual Directors. The review is carried out by an independent consultant appointed by the shareholders.

Board Access to Information

The Board needs high quality, unfiltered information on which to base decisions. All Directors have unrestricted access to the Bank's records and information, and receive regular detailed financial and operational reports from the senior management team to enable them to carry out their duties.

2. Board Committees

The Board Committees' authorities and responsibilities are governed by the relevant Committee's terms of reference in order to enhance the role of the Board in effectively dealing with complex and specialized issues and also ensure implementation of appropriate and effective risk management and corporate governance practices. In this regard, the Board of Directors has established five sub-committees namely the Credit Committee, the Audit Committee, the Compliance and Risk Committee, the Remuneration and Selection Committee and the IT Governance Committee.

Operation of the Committees

Each committee is entitled to the resources and information it requires, including direct access to employees and advisers. Senior managers and other employees are invited to attend committee meetings as necessary.

Composition and Independence of the Committees

Committee members are chosen based on the skills, experience and other qualities they bring to the committees. All committees are composed of non-executive Directors.

The mechanism of Committees' reports to the Board

Minutes of every meeting of the Board Committees are included in the agenda of the Board's meeting. Board meetings are scheduled after the committees' meetings. During each meeting, the committees' chairpersons brief the Board of the outcome of each committee meeting. The brief includes decisions and recommendations made to mitigate the potential risks and enhance the effectiveness of internal controls.

Brief Terms of Reference of Board Committees

A. Credit Committe

The responsibility of the Board Credit Committee (BCC) is to assist the Board in fulfilling its responsibilities in lending and credit activities within BCC's delegated authorities taking into consideration the Bank's credit policies, strategic and business plans. The committee performs, inter alia, the below activities:

- Reviewing and make recommendations to the Board on a regular basis or whenever the need arises on the credit delegated authorities of both the Management and the BCC.
- Reviewing the Bank's credit portfolio on a regular basis in coordination with the Board Compliance and Risk Committee.
- Reviewing and approving the credit facilities above the Executive management's approval limits.
- Reviewing the Management Credit Committee's recommendations with respect to debt write-off or write-down and take the appropriate decisions within the BCC's delegated authorities or escalate to the Board for a decision.
- Considers matters of special importance as delegated by the Board.

B. Audit Committee

The Board Audit Committee's primary responsibility is to assist the Board in fulfilling its responsibilities in relation to the external reporting of financial and non-financial information, oversight responsibilities over the system of internal control, the audit process, and the Bank's process for monitoring compliance with laws and regulations and the code of conduct. The committee performs, inter alia, the below activities:

- Approving the annual Internal Audit scope of work.
- Reviewing and approving the annual external audit scope of work.

- Approving protocols governing the provision of non-audit services by the external auditor, that are outside of the scope of the external audit work to be undertaken, to ensure the auditor's independency.
- Overseeing and reviewing the annual performance of the Internal Audit Function.
- Ensuring that the recommendations of the external and internal auditors are well addressed and implemented.
- Ensuring the external and internal audit role in reviewing and auditing the IT systems/applications and the IT security.
- Ensuring compliance with the international accounting standards implemented in the Sultanate of Oman.
- Ensuring that the Bank's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and other applicable regulations.
- Reviewing proposed transactions with related parties to make suitable recommendations to the board.

C. Compliance and Risk Committee

The Board Compliance and Risk Committee's primary responsibility is to assist the Board in fulfilling its responsibilities in relation to the risk management strategy (covering credit, liquidity, market, operational and other risks) in addition to overseeing the compliance function that will develop necessary systems and controls to implement new laws and regulations. The committee performs, inter alia, the below activities:

- Assisting the Board with the formulation of the Bank's Risk Appetite Framework.
- Establishing and reviews the framework for risk management throughout the Bank covering all risks, including strategic, market, liquidity, credit, operational, information security and reputational risks on an ongoing basis.
- Ensuring the risk management framework including policies, procedures and monitoring, accurately reflects the Bank's Strategy, Risk Appetite, accepted practices and legal & regulatory requirements.
- Promotes and ensures a high level of awareness of risk management throughout the Bank.
- Reviewing the strategy, budget and plan of the risk management function.
- Reviewing the assessment of the Bank's risk profile to understand the key risks affecting the Bank and recommend to the Board for approval.
- Reviewing and recommends the ICAAP for Board approval consistent with the Board determined risk appetite.
- Reviewing the Corporate Governance Framework of the Bank and endorses it for the Board's approval.
- Reviewing regulators or external parties (external auditors) reports on the adequacy of the Bank's Risk Management Frameworks.
- Reviewing the effectiveness of the Bank's Business Continuity Plan.
- Reviewing the adequacy of the Bank's general insurance policies established by management, and for Directors' and Officers' (D&O) insurance recommending to the Board D&O's insurance for approval.
- Reviewing the Bank's policies and recommends the same to the Board for approval.
- Reviewing the effectiveness of the process for monitoring compliance with all applicable laws and regulations.
- Reviewing the Bank's compliance arrangements to ensure they are in accordance with the Bank's objectives and strategies, as well as any regulatory or legislative requirements.
- Reviewing any proposed legislative or regulatory changes, the impact that such changes may have on the Bank's business and the internal policies and controls that will be introduced to address these changes.
- Reviewing and approving the Compliance function's plan.

D. Remuneration and Selection Committee

The purpose of the Board Remuneration and Selection Committee is to assist the Board in fulfilling its responsibilities relating to remuneration and people matters, and compliance with related employment laws and regulations. It does this by ensuring that the Bank has appropriate remuneration and people systems in place and by monitoring their effectiveness. The committee performs, inter alia, the below activities:

- Developing succession plans for the Board or at least the chairperson.
- Preparing detailed job description for the role and responsibilities of Directors including the Chairperson. Nominating qualified persons to act as interim (temporary) Director(s) on the Board in the event that a position becomes vacant; and
- Developing proper Board Remuneration policy and reviewing it annually, taking into account market conditions and the Bank's performance.
- Ensuring on an annual basis the absence of any conflict of interest with respect to memberships with Boards of other companies.

- Reviewing Board membership criteria taking into consideration skills and competencies needed for the Board and its Committees.
- Recommending to the Board the appointment of the Chief Executive Officer, Deputy Chief Executive Officer, General Managers/Deputies and Assistant General Managers, Chief Audit Executive, Chief Risk Officer, Chief Compliance Officer and Legal Advisor as well as determining their remunerations and responsibilities.
- Reviewing and monitoring Omanization plans and compliance with the Omani Labor Law, related laws and regulations, Central Bank of Oman and Capital Market Authority instructions and regulations.
- Approving the annual remuneration for the executive management team (including salaries, performance bonus, performance-based incentives and other benefits).
- Ensuring implementation of performance based remuneration practices that takes into account achievement of business objectives in a risk prudent manner.

E. Information Technology Governance Committee

The Board IT Governance Committee has been established to govern Information Technology (IT) activities in line with the Bank's strategic direction and to ensure that the stakeholders' objectives are met including benefit realization, risk mitigation and resources optimization. The committee performs, inter alia, the below activities:

- Assessing the effectiveness and performance of those stakeholders given delegated responsibility and authority for governance of enterprise IT.
- Maintaining oversight of the extent to which IT satisfies obligations (regulatory, legislation, common law, contractual), internal policies, standards and professional guidelines.
- Evaluating how effectively the IT strategies have been integrated and aligned within the Bank's strategy for delivering value.
- Endorsing the governance and management practices, roles and responsibilities.
- Monitoring the IT operations, projects, resources and realization of expected return on investment / benefits to the Bank.
- Approving IT / digital strategic projects/initiatives and recommend IT / digital budget to the board of directors for approval.
- Ensuring that an IT Risk Management Framework aligned with the Enterprise Risk Management (ERM) Framework is available.
- Endorsing IT strategic goals and appropriate organizational structures aligning IT resource management with the Bank's human resources (HR) planning.
- Endorsing the management, control and monitoring framework for IT / digital projects and resources.
- Ensuring proper framework is in place for communication with external and internal stakeholders, including communication formats, channels and stakeholder acceptance.
- Directing the implementation of mechanisms to ensure that information meets all criteria for mandatory IT reporting requirements for the Bank with proper validation and escalation processes.
- Reviewing the IT audit reports and ensure that corrective and preventive actions are implemented.

Composition of the Committee and Meetings

Each Board Committee shall comprise of at least three members. The Board committees convenes at least four times a year, except the Remuneration and Selection Committee, which convenes at least twice a year. The current committee memberships and the dates of the meetings held are set out in Part 2.

3. Audit Governance and Independence

The Board is committed to three basic principles:

- The Bank must produce accurate and fair financial reports;
- The Bank must have independent auditors who serve shareholders' interests by ensuring that shareholders know the Bank's actual financial position; and
- The accounting and auditing standards are comprehensive and relevant and comply with applicable accounting standards and policies.

Engagement of Auditors

The Bank's independent external auditors for the financial year ended 31 December 2023 are KPMG. They were appointed by shareholders at the Annual General Meeting held on 22 March 2023.

Certification and Discussions with Auditors on Independence

The Board Audit Committee requires the Bank's external auditors to confirm that they maintained their independence at the commencement and during the audit. Board Audit Committee also meets with the external auditors to discuss their audit and any concerns they may have.

Rotation of External Auditors

Subject to applicable regulatory requirements, the Bank will require a rotation of the external auditor every four years. A minimum of two years' 'cooling off' period will be observed before the same auditor is re-appointed.

Brief on External Auditors

The shareholders of the Company appointed KPMG as its auditors for 2023. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are five partners and five directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 273,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

External Auditors Fees

The professional fees paid or payable to KPMG for the financial year 2023 are RO 119,356 for the audit and related services.

Attendance at Annual General Meeting

The Bank's auditors attend, and are available to answer questions at, the Annual General Meeting.

4. Executive Pay and Reward Schemes

Overview:

The Bank's pay and reward framework ensures that the CEO, DCEO, Senior Management and Material Risk Takers are:

- Rewarded fairly and responsibly with no scope for exuberance;
- Support efforts for propagating a culture of performance based remuneration that takes into account achievement of business objectives in a risk prudent manner;
- Encourages Executives to carry out activities and take risk decisions in a prudent and justifiable manner;
- Ensures that Executives conduct themselves and conduct business in an ethical manner.
- Ensures remuneration practices that help safeguard the independence and effectiveness of MRTs in the control functions (i.e. Risk Management, Compliance and Internal Audit) by ensuring their KPIs are related to their respective function.
- Attract, develop, motivate and retain quality talent;
- Reward and recognise Executives who demonstrate high performance against agreed objectives that are not based solely on financial indicators but also include elements of customer satisfaction, fair treatment and compliance with regulatory requirements.

Senior Management Remuneration:

- The remuneration of the CEO and DCEO is recommended by the Board Remuneration and Selection Committee and approved by the Board of Directors
- The CEO recommends the pay and reward packages for key senior management staff consistent with the market practice and this is approved by the Board Remuneration and Selection Committee.

The fees paid to each Director during the year ended 31 December 2023 together with pay and rewards for the Bank's key management personnel are set out in Part 2.

Corporate Governance - Part 2

1. Profiles of Members of Board of Directors

Mr. Rashad Al Zubair - Chairman

Mr. Rashad Al Zubair is the Chairman of the Zubair Corporation ("Z-Corp"), a leading business group in the Sultanate of Oman, with business interests extending to Energy & Natural Resources, Real Estate & Hospitality, Mobility & Equipment, Investments, Smart Electrification & Automation, Education, Industrial & Chemical Solutions, Fast Moving Consumer Goods, and Digitisation & Information Technology. He steers the affairs of the Board, and acts as its representative in major matters and significant business relationships. Before taking over his current position in 2010, he has been President of Zubair Automotive, and thereafter Group President of The Zubair Corporation for a number of years.

Mr. Al Zubair has been the Chairman of Oman Arab Bank since June 1999. He is also the Chairman of the Zubair Holding SAOC and Oasis Water Company SAOC as well as Vice Chairman of Barr Al Jissah Resort Co SAOC. He is the Vice Chairman and a founder of Muscat University.

Mr. Al Zubair has held directorships (including the office of Chairman), in several prominent joint stock companies. He was the Deputy Chairman of the Oman Business Council and member of its founding Directors. Until recently he was the founding Chairman of Oman German Friendship Association. He also served as Director of the Capital Market Authority, the regulatory body of the Muscat Stock Exchange and is a member of the newly formed Oman Centre for Governance & Sustainability.

Mr. Wahbe Tamari - Deputy Chairman

Mr. Wahbe Tamari is currently Chairman of the Board of Arab Bank Switzerland Ltd. and Arabia Insurance Company SAL. He is also an active member of the board of Arab Bank Plc, Sucafina SA, Solidere International Plc, as well as a number of other companies active in various domains. He leads numerous projects in financial services and real estate.

His deep understanding and passion for commodities began with his internship at Merrill Lynch London in 1982; later he joined Sucafina SA, a company established by and belonging to his family which he managed between 1988 and 2004. Sucafina SA is a leading sustainable Farm to Roaster coffee company, with a family tradition in commodities that stretches back to 1905. Today, with more than one thousand employees spread over thirty countries, Sucafina Group is one of the leading coffee trading houses in the world, and one of the few focused entirely on the coffee business. Sucafina Group's extensive supply chains span from producer-facing export operations to destination sales offices around the world.

Mr. Tamari is an active member of YPO (Young Presidents' Organization) – he is part of the YPO Emirates Gold chapter since 2021 and was a member of YPO Gold Alpine Chapter from 1999 until June 2023. He serves on a variety of philanthropic councils that mainly focus on the education of young people. He sits on the Board of the "Tamari Foundation" whose mission is to be a catalyst for change through a variety of educational initiatives and projects focusing on human wellbeing within developing nations. Mr. Tamari resides in Dubai and was born in Beirut, Lebanon.

He is a graduate of "Webster University" - Geneva with a BA in Management, and a graduate of Harvard Business School - Owner/President Management (OPM43) program.

Ms. Randa Sadik - Board Member

Ms. Randa Sadik assumed her role as the CEO of Arab Bank in February 2022, prior to which she was the Deputy CEO since 2010.

Ms. Sadik previously held various leadership roles during the course of her 24 years at National Bank of Kuwait, the last of which was the General Manager of the International Banking Group in London and Kuwait.

Ms. Sadik holds several positions within Arab Bank Group, among which are Board Member of Oman Arab Bank in Oman, Board Member of Arab National Bank in Saudi Arabia and Chairman of Al Arabia for Finance SAL (Holding Company) in Lebanon.

Ms. Sadik is also the Chairman of Jordan Capital and Investment Fund Company, Board Member of Jordan Capital and Investment Fund Management Company, Board Member of Jordan Payments and Clearing Company, Board Member of the Association of Banks in Jordan and Board Member of Al Hussein Fund for Excellence.

Ms. Sadik holds an MBA degree from the American University of Beirut.

Mr. Abdulaziz Al Balushi - Board Member

Mr. Abdulaziz Al Balushi is the Chief Executive Officer of OMINVEST, a major shareholder of Oman Arab Bank. He is an experienced and professional banker with more than 39 years of experience in the banking industry and capital markets. He was the CEO of Ahli bank SAOG from 2007 to 2013 and was primarily responsible for converting a single product mortgage bank into a full-fledged commercial bank.

During his tenure, Ahli bank won many prestigious awards including the best bank of Oman for three consecutive years by OER, the best bank in Oman 2012 by World Finance and the Bankers award 2013. In a career that has spanned over three decades, Mr. Al Balushi has held positions of increasing responsibility in all major areas of Banking. He started his career with Oman International Bank and prior to joining Ahli bank, he was Deputy CEO of National Bank of Oman. He holds Master of Science Degree in Finance from the University of Strathclyde (UK) and a Fellow Chartered Institute of Bankers (UK). He has attended a host of Specialized Executive Management Development Programs at International Institutes of worldwide repute such as Strathclyde London, and INSEAD Business Schools. In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine.

Mr. Al Balushi served in Boards of various companies across the Sultanate including ONIC Holding, Al Ahlia Insurance Company, National Life Insurance, Oman Investment & Finance Company, Gulf Hotels Co, and as an Advisory Board Member in the College of Agricultural and Marine Services at Sultan Qaboos University. Currently, he is the Chairman of Ubhar Capital; and Deputy Chairman of Jabreen International Investment Company. He is also a board member at Oman Arab Bank SAOG, LIVA SAOG and National Finance Company SAOG. Additionally, he is a member of Oman American Business Center, an organization formed to foster the development of commercial activity between the United States of America and the Sultanate of Oman. Mr. Al Balushi is also a Fellow of the Institute of Financial Services, an organisation supporting professionalism in financial services.

Mr. Walid Al Samhouri - Board Member

Mr. Walid Al Samhouri is Executive Vice President – Jordan Country Head at Arab Bank. He has a vast banking experience for more than 35 years with Arab Bank where he worked in different geographies and handled various responsibilities in the Corporate and Institutional Banking, Credit, Banking Operations, Commercial and Trade Finance.

Mr. Al Samhouri is the Chairman of Arab Sudanese Bank -Sudan, and a board member of Arab Tunisian Bank- Tunisia. He is also a board member in Jordan Loan Guarantee Corporation, Jordan. He holds a Master's degree in Economics from the University of Jordan.

Mr. Imad Sultan - Board Member

Mr. Imad Sultan joined the family business at W. J. Towell & Co. LLC, (a major diversified family-owned corporation since 1866) as a Business Development Manager in 1995 and has been in the Towell Group since then.

He is currently the Vice Chairman & Managing Director of W. J. Towell LLC, and the Chairman of the Executive Committee of the Group. He is also the Vice Chairman and Chairman of the Nomination Committee and Member of the Executive Committee at Muscat Stock Exchange. Formerly he served as a Director on the Boards of National Bank of Oman, Oman International Development & Investment Company SAOG. (Ominvest), National Hospitality Institute, Savannah Resources PLC, and Oman Tennis Association among others.

Mr. Imad Sultan holds a Bachelor of Science in Business Administration degree in Marketing from the American University in Washington DC, USA and has been a member of the Young Presidents Organization since 2005.

Mr. Nasri Malhamé - Board Member

Mr. Nasri Malhamé served as the CEO of Arab Bank (Switzerland) from 2009-2017. He is a board member and board audit committee member of TradeXBank – Zurich, Switzerland, board member and chairman of audit committee of Ubhar Capital, Oman and a board member in AB Fund Managers-Guernsey.

Mr. Malhamé has previously worked at B.A.I.I. Paris, an affiliate of BNP, after that he joined BNP Paribas-Geneva as an Executive Director in charge of Private Banking and Trade Finance for Southern Europe and the MENA region, and was appointed as a member of the Executive Committee in 2000.

He holds a Ph.D. in Banking and Management from Université Paris Dauphine and has set up his own consultancy firm, NVM Consulting.

Mr. Mohammed Al Ghanamah - Board Member

Mr. Mohammad Al Ghanamah has held the position of Executive Vice President and Head of Credit Division at the Head office of the Arab Bank in Jordan since 2010. He previously worked in several executive positions at the Bank, where he held the position of Executive Vice President – Global Head of Corporate and Investment Banking from 2007 to 2010.

Mr. Al Ghanamah occupied several positions between 1976 and 2010 across major regional banks, including the Saudi American Bank, Riyadh in the Kingdom of Saudi Arabia, the United Saudi Bank and the Banqu Saudi Fransi.

He also worked at the Gulf International Bank in Bahrain and Cairo Amman Bank in Jordan.

Mr. Al Ghanamah has over four decades of experience in the banking and management field. He is a member of several Boards of Directors, including the Islamic International Arab Bank, where he holds the position of Deputy Chairman of the Board, as well as the Arab National Bank in Saudi Arabia, the Arab Bank in Syria, T-Bank in Turkey. He is also a Chairman of the Supervisory Board of Arab National Leasing Company, Jordan and Deputy of Supervisory of AB invest in Amman, Jordan. He holds a Bachelor of Science degree in Mathematics from King Saud University in Riyadh, Saudi Arabia and a Diploma in Computer Programming from London.

Mr. Yasir Badri - Board Member

Mr. Yasir Badri is part of the Direct Investments team at Mubadala Investment Company – a sovereign investment arm of the Abu Dhabi government, managing a diverse portfolio of assets and investments worth more than USD 250 billion in the UAE and abroad.

He has been with Mubadala since 2009 and currently serves as a Senior Principal - Financial Services, focused on executing Mubadala's investment strategy in the space through fund, private, and public investments.

Prior to his role in Financial Services, Mr. Badri worked in the corporate Mergers and Acquisitions team, responsible for providing transaction execution support to multiple investment units at Mubadala. Before that, he worked in the financial risk management department under Mubadala's corporate treasury.

Mr. Badri holds a Bachelor in Science of Finance degree from the American University of Sharjah (AUS). He is also a certified Chartered Financial Analyst (CFA) since 2013.

2. Board Committees

The terms of reference for the Committees are detailed in Part 1. Below is the structure of the Board Committee:

Table 1

S.N.	Director Name	Independent/Non Independent	Committee	Executive in OAB	Representing
1	**Mr. Rashad Al Zubair**	Independent	BRSC - Deputy Chairman BCC - Chairman	No	Self
2	**Mr. Wahbe Tamari**	Non-Independent	BRSC - Chairman	No	Arab Bank
3	**Mr. Imad Sultan**	Independent	BCRC - Deputy Chairman BAC - Member BRSC - Member	No	Self
4	**Mr. Abdulaziz Al Balushi**	Non-Independent	BRSC - Member BCC - Member BITGC - Member	No	OMINVEST
5	**Ms. Randa Sadik**	Non-Independent	BCC- Deputy Chairman BRSC - Member BITGC - Member	No	Self
6	**Mr. Walid Samhouri**	Non-Independent	BCRC - Chairman BCC - Member BITGC - Member	No	Self
7	**Mr. Mohammed Al Ghanamah**	Non-Independent	BAC - Deputy Chairman	No	Self
8	**Mr. Nasri Malhamé**	Independent	BAC - Chairman	No	Self
9	**Mr. Yasir Badri**	Independent	BCRC – Member	No	Self

The members of the Committees, along with the number of meetings held in 2023 and the attendance by each member. are detailed in Table 2 below:

Table 2

Director	Board Meetings (Note 1)		Credit Committee (Note 2)		Audit Committee (Note 3)		Compliance and Risk Committee (Note 4)		Remuneration and Selection Committee (Note 5)		IT Governance Committee (Note 6)	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Rashad Al Zubair	5	4	5	4	-	-	-	-	2	2	-	-
Wahbe Tamari	5	5	-	-	-	-	-	-	2	2	-	-
Abdul Aziz Al Balushi	5	5	5	4	-	-	-	-	2	2	4	3
Walid Samhouri	5	5	5	5	-	-	8	8	-	-	4	4
Randa Sadik	5	5	5	5	-	-	-	-	2	2	4	4
Imad Sultan	5	5	-	-	4	4	8	7	2	2	-	-
Nasri Malhamé	5	5	-	-	4	4	-	-	-	-	-	-
Yasir Badri	5	5	-	-	-	-	8	8	-	-	-	-
Mohammed Al Ghanamah	5	5	-	-	4	4	-	-	-	-	-	-

Directors' Attendance Record:

Note 1: Board Meetings were held on 30 January, 22 March, 7 May, 9 August, and 9 November during 2023.

Note 2: Credit Committee meetings were held on 23 February, 23 March, 22 May, 24 July, 21 September, during 2023.

Note 3: Audit Committee meetings were held on 29 January, 4 May, 8 August and 8 November during 2023.

Note 4: Compliance and Risk Committee were held on 17 January, 20 March, 2 May, 10 May, 1 August, 8 August, 7 November and 13 December during 2023.

Note 5: Remuneration and Selection Committee meetings were held on 30 January and 9 August during 2023.

Note 6: IT Governance Committee meeting was held on 6 February, 7 May, 7 August and 6 November during 2023.

3. Remuneration and Sitting Fees

The Directors' remuneration is governed as set out in the Regulation for Public Joint Stock Companies, the Commercial Companies Law and regulations issued by the Central Bank of Oman.

An amount of RO 240,000 is proposed as Board Remuneration, in addition to RO 58,000 as sitting fees for the meetings of the Board of Directors and its committees for the year 2023. These are subject to the Annual General Meeting approval proposed to be held on 28 March 2024.

The proposed remuneration and sitting fees for the year 2023 for all directors are as follows:

Table 3

Director's Name	Remuneration (RO)	Sitting Fees (RO)	Total (RO)
Rashad Al Zubair	40,000	5,000	45,000
Wahbe Tamari	25,000	3,500	28,500
Abdulaziz Al Balushi	25,000	7,000	32,000
Randa Sadik	25,000	8,000	33,000
Walid Samhouri	25,000	10,000	35,000
Nasri Malhamé	25,000	4,500	29,500
Imad Sultan	25,000	9,000	34,000
Yasir Aqil Badri	25,000	6,500	31,500
Mohammed Al Ghanamah	25,000	4,500	29,500
Total	**240,000**	**58,000**	**298,000**

The remuneration paid to the top five Executives for 2023 is RO 1,393,555. No stock options are available to the Directors or the Executives of the Bank. The Executives are required to provide 90 days' notice should they wish to resign. No severance fees are payable to the key Executives in the event of termination of employment.

3. Profile of Senior Management

Mr. Sulaiman Al Harthi - Chief Executive Officer

Mr. Sulaiman Al Harthi joined Oman Arab Bank on January 4th 2023 as Chief Executive Officer. He previously held several leadership positions in leading local banks, including the position of Deputy CEO of Oman Arab Bank and CEO of Alizz Islamic Bank. He currently serves as Chairman of the Board of Directors of Takaful Oman Insurance Company SAOG, a member of the Board of Directors of the College of Banking and Financial Studies, a member of the Board of Trustees of Gulf College, and a member of the Board of Directors of the Harvard Business School (HBS) Club.

Mr. Al Harthi graduated from Oman Banking Institute and obtained a Master degree in Business Administration - Finance from the University of Leicester in the United Kingdom. He also completed a program in Executive Management from Harvard Business School as well as from the European Institute of Business Administration (INSEAD).

Mr. CB Ganesh – Deputy Chief Executive Officer

Mr. CB Ganesh joined OAB as Deputy Chief Executive Officer in February 2021 and was appointed Acting Chief Executive Officer from August 2021 until 3 January 2023. Mr. Ganesh is an entrepreneurial and financially astute executive with an exemplary track record of building brands, improving profitability and creating stakeholder value. He has a vast global banking experience of more than 30 years, spanning across India, Hong Kong, UAE and Oman. Mr. Ganesh, an alumnus of MIT-Sloan (USA) and IIM-Calcutta (India), also holds a Master degree in Bank Management and a Master degree in Commerce. He is also a Non-Executive Director Diploma holder from Financial Times (FT-NED).

Mr. Sulaiman Al Hinai - Chief Wholesale Banking Officer

Mr. Sulaiman Al Hinai was appointed as Head of Treasury, Investments & Government Relations in July 2017. He is a treasury professional with regional expertise and experience spanning over thirty years in commercial banking and treasury with various local and regional banks including, Doha Bank, (Qatar), Oman International Bank and Ahli Bank SAOG, (Oman). He earned a Banking Diploma in 2001 from Arab Academy for Banking and Financial Sciences in Jordan. He has also been involved in various courses and workshops that helped elevate him in his career. He was appointed as Chief Wholesale Banking Officer on 31st May 2023 adding the corporate banking department to his current portfolio.

Mr. Khalid Al Amri – Acting Chief Retail Banking Officer

Mr. Khalid Al Amri joined Oman Arab Bank in 14th September 2021 as Head of Branch Banking and progressed to the position of Acting Chief Retail Banking Officer on 17th August 2023. He has over 30 years of work experience, of which 18 years were at managerial level. He worked in the field of accounting, finance, investment banking, retail banking and corporate banking. He has acquired throughout his career several qualifications such as MBA from University of Bedfordshire (UK), Executive Development Program from Harvard Business School, International Capital Market Qualification (ICMQ) UK.

Mr. Ahmed El Damaty- Chief Financial Officer

Mr. Ahmed El Damaty was appointed as CFO in October 2021. He has more than 23 years of experience in the banking sector. Mr. El Damaty held different senior positions in countries across the Middle East with a leading global financial institution. Most recently, and prior to joining OAB, he served as the CFO of a local Bank in Oman. Mr. El Damaty holds a Bachelor degree in accounting and he is a certified Chartered Financial Analyst (CFA) and a member of the CFA Institute.

Ms. Asma Al Zadjali – Chief Banking Operations Officer

Ms. Asma Al Zadjali is the Chief Banking Operations Officer holding a Master degree in Business Administration from the University of Strathclyde. She also has an Executive Leadership from IMD Switzerland as part of the National CEO Program (NCP) which she graduated from in May 2018 as the only candidate from the banking sector and was one of only three female candidates to have passed the stringent entry criteria for the program. Ms. Al Zadjali has over 24 years of experience working in the banking industry. She plays an instrumental role in designing, planning & implementing business strategies, plans & procedures towards implementing the operating model, leading large teams, process centralization, business process re-engineering, digital projects implementation, transformation to improve customer experience, create efficiencies and establish control.

Ms. Zahra AbdulAmir – Acting Chief Risk Officer

Ms. Zahra AbdulAmir joined Oman Arab Bank in November 2022 and currently leading the Credit Review Department. She has more than 14 years of banking experience having worked in local and international banks.

Ms. Zahra holds a BSc. In Mathematics, Operating Research, Statistics and Economics from Warwick University (UK) and Masters in Business Administration from IE Business School (Spain).

She received her professional certification of Financial Risk Management (FRM) from Global Association of Risk Professions (GARP) in 2018, and in 2020 she completed a certification in Data Science and Machine Learning from Massachusetts Institute of Technology (MIT).

Mr. Essam Ali Mohammed Al Busaidi – Chief Human Resources Officer

Mr. Essam Al Busaidi joined Oman Arab Bank on 24th February 2022 as Chief Human Resources Officer. He is a seasoned HR professional with more than 26 years of working experience in the higher education, commercial airline, oil & gas (Upstream and Downstream) and banking sectors. He holds a Master degree in Public Management with a concentration in (HR) from Carnegie Mellon University, USA.

Mr. Mansoor Al-Raisi - Chief Compliance Officer

Mr. Mansoor Al-Raisi joined the Bank in 2015 as Chief Compliance Officer. He started his career in Central Bank of Oman as a Bank Examiner in 1988. He then went on to become in charge of the Banking Supervision Department in 1996. Mansoor was eventually promoted to Senior Manager, in charge of the Banking Examination Department. In 2008, Mansoor joined National Bank of Oman as the Chief Compliance Officer. He earned a B.A. in Business Administration from Rollins College, Florida, USA and a Master Degree in Development Banking from, the American University, Washington D.C., USA.

Mr. Tariq Al Zadjali – Chief Technology Officer

Mr. Tariq Al Zadjali joined Oman Arab Bank on 30th December 2021 as Chief Technology Officer. He has around 27 years of banking & IT experience having worked in different banks in Oman. He holds a MSc in Computer Science (Information Management and Security) and other professional qualifications from reputable organizations such as the Wharton School, Queens School of Business and IBM.

Hamza Moosa Baqer – Chief Audit Executive

Mr. Hamza has over 23 years of experience in the field of auditing, where he worked in several sectors, including Big Four auditing firms, the banking, aviation, oil and gas sector, and the electricity and water sectors.

He holds a bachelor's degree with honors in Computers and Internet Applications from University of Luton. He is a qualified internal auditor, holding the Certified Internal Auditor qualification and other several professional qualifications related to the filed such as CISA CISM, and CRISC.

Mr. Hamza joined Oman Arab Bank in August 2021 as Chief Audit Executive in the Internal Audit Division.

4. Internal Controls Review

The Board ensures maintaining a strong and effective control environment by developing comprehensive and sound policies, plans and procedures that cover all the activities of the Bank in line with governing regulations, and ensure that the same is circulated to the Banks' employees. The Board has also established various sub-committees, such as the Board Audit Committee and the Board Compliance and Risk Committee, to ensure the effectiveness of internal controls systems and the overall management of various potential risks. Under the oversight of these Committees, Internal Audit and other control functions review and evaluate the adequacy and the effectiveness of the Bank's systems and internal controls on an ongoing basis. Outcomes of such reviews are communicated to all relevant stakeholders, and are followed up and monitored to ensure effective and efficient resolution of gaps identified in order to manage and/or mitigate potential risks.

Internal Audit Charter

The Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Division. It supports positioning the Internal Audit as an independent and objective assurance and consulting activity to improve and add value to the Bank's operations, and help achieve its objectives by adopting a systematic and disciplined approach to evaluate and help enhance the effectiveness and efficiency of internal controls.

5. Related Party Transactions

The Board of Directors in its drive to mitigate the risks of the influence of related parties on the integrity of the Bank's transactions and its financial position, and in order to implement the highest degree of transparency and clarity when dealing with the related parties, has established the necessary governance policies and processes including those governing the relationship between the Bank and its Directors and Senior Management. These policies ensure, among other things, the following:

- All related parties' transactions are undertaken on an arm's-length basis and in accordance with the prevailing regulatory requirements issued by the Central Bank of Oman and the Capital market Authority.
- Directors and Senior Management neither take part in the discussions nor participate in the voting process over resolutions pertaining to them and their related parties.
- Related parties' transactions are reviewed by the Board Audit Committee prior to submission for the Board and or shareholders (AGM) for their appropriate action.
- All related parties transactions are subject to annual review by the Internal Audit Department.
- All related parties are disclosed in the annual report.

Furthermore, all related parties transactions are subject to Central Bank of Oman and the Capital Market Authority review.

6. Controlling and Managing Risk

Approach to Risk Management

Managing an organization's risk is an inherent aspect of any business and is a cornerstone to building shareholders value. Risk Management plays a pivotal role in any business, in particular for financial institutions. The Bank's Risk Management approach is aligned to its vision and values, objectives, strategies, policies, procedures and training.

The Bank recognizes four main types of risk:

- Credit risk, being the risk of financial loss from the failure of customers to honor fully/partially the terms of their contracts;
- Market risk, being the risk to earnings from changes in market factors such as interest and foreign exchange rates, or liquidity and funding profiles;
- Operational risk being the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition encompasses legal risk, but excludes strategic, reputational risk; and
- Information security risk, being the probable frequency of financial, reputational or other damage to information assets, arising from a cyber-attack or breach within the system's/network.

The Board recognizes that these risk categories are interlinked and therefore it takes an integrated approach to manage them. The Bank has comprehensive risk principles/controls that apply to each category of risk.

The Risk Management function aims at ensuring that:

a. The Bank operates its key risk activities within acceptable risk/reward parameters through establishment as well as maintenance of policies and procedures

b. The trend and magnitude of risk is adequately identified, measured, monitored and controlled.

Overview of Risk Management

The Board is responsible for approving and reviewing the Bank's risk management strategy and policy. Executive management is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in the conduct of business.

In order to effectively manage various risks in the business, the Bank has set up a Risk Management department. The head of this department is responsible for independently evaluating and managing the risks, with direct reporting line to the Compliance and Risk Committee of the Board.

7. Compliance

The Bank is committed to comply with the laws and regulations issued by the Central Bank of Oman, the Capital Market Authority and other local authorities. The Bank also strives to implement global best practices relating to the functions of banks. In this regard, the Bank maintains a strong and transparent relationship with

the regulators, shareholders, customers and all other stakeholders. The Bank has developed a governance framework, which includes the governance policy, related party transactions, a disclosure policy and the professional code of conduct for both directors and employees. The Bank has also developed various policies and procedures to maintain effective practices for compliance risk management and to build and maintain a strong compliance culture within the Bank.

During the year 2023, the Bank complied with all regulatory requirements except for a few instances related to prize scheme and outsourcing for which the Central Bank has imposed a penalty of RO. 20,000 on the Bank. The Bank has taken immediate corrective action to ensure compliance. During the years 2021 and 2022, the Bank was penalized an equal amount of RO. 20,000 for each year.

No penalties has been imposed on the Bank during the last three years by the CMA, MCD or any other regulatory authorities.

8.Financial Consumer Protection

Oman Arab Bank is committed to ensuring the financial consumer protection of its valued customers. The Bank emphasizes on the importance of transparency, fairness, and accountability in all dealings with consumers in order to assist the customers to make informed decisions and have confidence in their financial dealings.

Since the issuance of the Financial Consumer Protection Regulatory Framework (FCPRF), the Bank has carried out comprehensive reviews of all policies, procedures, processes, documentations, …etc. related to this area in order to ensure adherence to the FCPRF and all other laws and regulations governing financial consumer protection.

To adhere to its commitment, the Bank complies with the following principles:

1. Clear and Accurate Information:

it is the customers right to access complete and understandable information about the Bank's products and services. The Bank strives to provide transparent and accurate details regarding terms and conditions, fees, interest rates, and any potential risks involved. The Bank's objective is to enable its customers to make informed choices that best suit their financial needs.

2. Fair and Reasonable Practices:

The Bank is committed to treating its customers fairly, without discrimination. The Bank does not engage in deceptive marketing tactics, such as false advertisements or misleading claims. The lending practices are designed to be responsible and sustainable, ensuring that customers are not overburdened with debt or exploited in any way.

3. Security and Privacy:

The privacy and security of customers' personal data are very important to the Bank. The Bank ensures that personal and financial data is always treated as private and confidential, afforded the highest level of security, and is processed in accordance with the local privacy laws and regulations. The Bank has implemented robust security measures to protect against unauthorized access, data breaches, and identity theft.

4. Complaint Resolution:

The Bank is committed to addressing customers' complaints and concerns promptly and fairly. The Bank values and appreciates customers' feedbacks and suggestions. The Bank has established a dedicated department (Customer Experience Department) with a qualified and experienced team that attends to customer complaints and ensures satisfactory resolutions of the complaints.

Dedicated channels are established to receive customers' complaints, feedbacks and suggestions. The Customer Experience team can be reached through the following means/channels:

- **Call Centre "FIL KHIDMA": 24754444**
- **Website: contactus@oman-arabbank.com**

5. Customer education and awareness:

OAB is committed to ensure that its customers make informed choices that best suit their financial needs; thus, it believes that its customers have the right to access financial education and resources which can help them in making informed financial decisions. In this regard, the Bank has conducted various educational and awareness campaigns through social media covering various topics.

6. Compliance with Regulations:

The Bank actively monitors and complies with all relevant laws and regulations governing financial consumer protection. Furthermore, the Bank also align its practices with industry standards and best practices.

Oman Arab Bank continuously strives to improve its practices, educate its customers about their rights, and foster a culture of trust and transparency. The Bank is committed to being a responsible financial institution that puts the interests of its customers first.

10. Means of Communication with Shareholders and Investors

The Bank is committed to provide all shareholders comprehensive and equal access to information about the Bank's activities, and to fulfil its continuous disclosure obligations to the Central Bank of Oman and the Capital Market Authority.

The Bank's website www.oman-arabbank.com includes annual reports, quarterly financial statements, briefings and presentations given by the CEO and other executives, public announcements and economic updates.

We confirm the following:

a. Availability and accessibility of quarterly results to the shareholders.
b. Quarterly results and the annual report are posted on the Bank's website www.oman-arabbank.com.
c. The website displays all official releases.
d. The Management Discussion and Analysis (MD&A) is part of the Bank's annual report.
e. Shareholders, investors and interested parties are invited to attend Discussion Sessions on a regular basis, in coordination with MSX.

9. Dividend Policy

The Bank's Dividend Policy complies with CBO's guidance and seeks to:

- Establish provisions that support the Bank's financial and capital position.
- Pay cash dividends to the shareholders appropriate to their investment.
- Retain sufficient provisions that support the future growth of the Bank operations and strengthen its position in case of any unexpected crisis.
- Strike a balance between the retention of some earnings appropriate to the economic conditions and the understandable desire of shareholders for immediate and high returns.

10. Market Price Data and Shareholding Distribution

The following are the major shareholders who own more than 5% of the Bank at 31 December 2023:

S.N.	Shareholder	Percentage of ownership
1	Arab Bank plc	49.00%
2	Oman International Development and Investment Company (OMINVEST)	30.99%

Arab Bank Plc is a publicly held company and listed on the Amman Stock Exchange, Jordan. OMINVEST, on the other hand, is a public joint stock company listed on the Muscat Stock Exchange (MSX). The General public holds the remaining 20.01%

The high and low share prices of the Bank during the financial year that ended December 31, 2023 are provided below:.

OAB Stock Price (RO)				
Date	Open	High	Low	Last
Jan-2023	0.140	0.143	0.125	0.125
Feb-2023	0.113	0.118	0.113	0.113
Mar-2023	0.115	0.118	0.113	0.114
Apr-2023	0.113	0.155	0.113	0.154
May-2023	0.139	0.167	0.135	0.151
Jun-2023	0.151	0.151	0.150	0.151
Jul-2023	0.147	0.149	0.140	0.140
Aug-2023	0.135	0.150	0.135	0.145
Sep-2023	0.140	0.150	0.137	0.147
Oct-2023	0.138	0.148	0.137	0.137
Nov-2023	0.130	0.135	0.130	0.130
Dec-2023	0.130	0.143	0.122	0.142

Financial Index

Financial Index				
Date	Open	High	Low	Last
Jan-2023	7904.488	7976.014	7539.528	7550.171
Feb-2023	7550.171	7671.763	7443.171	7671.763
Mar-2023	7671.763	7958.203	7671.763	7778.184
Apr-2023	7702.880	7780.694	7596.957	7601.300
May-2023	7601.300	7699.603	7500.707	7558.744
Jun-2023	7564.731	7830.967	7498.485	7830.133
Jul-2023	7832.970	7960.968	7767.450	7827.348
Aug-2023	7820.281	7893.444	7721.641	7831.429
Sep-2023	7831.429	7839.474	7513.726	7650.211
Oct-2023	7650.211	7867.971	7362.140	7411.369
Nov-2023	7411.369	7614.067	7316.486	7583.917
Dec-2023	7583.917	7617.651	7302.576	7392.673

11. Perpetual Tier 1 Capital Bonds

On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to RO 96.25 million. The bonds are listed on the International Security Market (ISM) of the London Stock Exchange. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and the CBO regulations.

On 16 October 2023, the Bank issued unsecured perpetual Tier 1 bonds of RO 50 million (50,000,000 units of RO 1 each through private placement). The bonds are listed on the Muscat Stock Exchange (MSX). The bonds carry a fixed coupon rate of 7 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

On 29 January 2022 and 17 October 2023, the bank has fully redeemed the previously issued unsecured perpetual Tier 1 bonds amounting to RO 30 million and RO 42.5 million respectively.

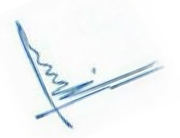
12. Other Matters

The last Annual General Meeting was held on 22 March 2023. The meeting was conducted as per the statutory requirements and attended by the Chairman, Mr. Rashad Muhammed Al Zubair and all other members of the Board of Directors.

13. Acknowledgment by the Board

The Board of Directors acknowledges its responsibilities and confirms that:

i. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 2019, the disclosure requirements of the Capital Market Authority of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman.
i. The Bank has adequate internal controls and procedures that are regularly reviewed through internal audits and overseen by the Audit Committee of the Board.
ii. There are no material matters that could potentially affect the Bank's ability to continue its operations over the next twelve months.



Rashad Al Zubair
Chairman

Sulaiman Al Harthi
Chief Executive Officer

06

Management discussion and analysis report

OAB at a glance

In 2023, we celebrated our 50th anniversary in Oman. We were one of the first banks established in the country which goes back to the incorporation of Arab Bank branches in 1973. Through a series of merger and acquisitions, the latest of which being the acquisition of Alizz Islamic Bank in 2020, Oman Arab Bank emerged as a leading bank in Oman with its shares listed in the Muscat Stock Exchange. Today, the Bank provides a wide range of financial services through 63 branches, of which 49 are conventional. The Bank is supported by two major shareholders, Arab Bank Plc, which holds 49% stake, and Oman International Development and Investment Company SAOG, which holds 30.99% stake.

In 2021, the Board endorsed a focused strategy that was built on our long-standing history to pave the way forward for a new growth journey for the Bank. This strategy is comprised of the following pillars: growing our core business, developing our people, accelerating our digital transformation, and enhancing our operational efficiencies to deliver a consistently superior customer experience.

We are pleased with the progress we have achieved against our strategy in 2023, as demonstrated by the growth in our business and financial results, as well as a number of prestigious industry awards and recognitions.

Operating Environment

2023 was a significant year for financial markets. The post-pandemic recovery led to one of the most aggressive interest rate tightening cycles in history. The global economy has shown resilience to several adverse events, including heightened geopolitical tensions and historical tightening of monetary conditions worldwide to cope with persistently high inflation. IMF predicts global growth at 3.1% in 2024 and 3.2% in 2025, below the historical (2000–19) average of 3.8%. Elevated Central Bank policy rates to fight inflation and withdrawal of fiscal support amid high debt are expected to weigh on economic activity. Inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8% in 2024 and to 4.4% in 2025.

In Oman, favorable oil prices and continued fiscal reforms have yielded positive outcome on the fiscal and external balances over the medium term. Real GDP grew by 4.3 percent in 2022, primarily driven by a strong expansion of the hydrocarbon sector. Growth, however, is projected to slow to 1.3% in 2023 mainly due to an expected decrease in oil output owing to an OPEC+ decision, of which Oman is a member according to IMF. However, it is set to rebound in 2024 supported by higher hydrocarbon production and stronger non-hydrocarbon growth.

RO 6.88Bn

Oman's oil export revenue in 2023

The prudent fiscal management and rising oil prices resulted in a surplus of RO 931 million compared to a budgeted deficit of RO 1.3Bn in 2023, which marks the second consecutive surplus in a decade. Oil prices averaged USD 82 per barrel in 2023, significantly surpassing the budgeted price of USD 54 per barrel which has led to an increase in oil export revenues up to RO 6.88Bn in 2023, compared to projected revenues of RO 5.23Bn, which was directed towards enhancing social spending, stimulating economic growth and public debt reduction. The debt to GDP ratio decreased in 2023 to 35% compared to 43% in 2022. Alongside, debt servicing cost declined in 2023 to RO 1.06Bn compared to budget of RO 1.2Bn.

Sovereign Credit Default Swaps (CDS) which acts as a dependable gauge of sovereign credit risk encountered a notable decline which strongly suggest that the Omani economy experienced a reduction in country-specific risks and restoration of confidence.

Ba1 **Upgraded credit rating for the second time in 2023**

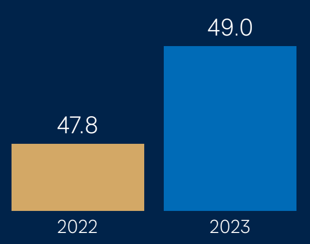
Oman's credit rating was upgraded by the three rating agencies in which Moody's has raised Oman's credit rating for the second time in 2023 from Ba2 to Ba1 with a change of the outlook from positive to stable. S&P elevated Oman's long-term foreign and local currency sovereign credit ratings from "BB" to "BB+," while Fitch has also upgraded Oman's rating to "BB+." The banking sector remains sound, with ample capital and liquidity buffers and strong asset quality. Oman's economy continues to grow, and inflation is contained at low levels. The sector recorded a strong credit growth (both conventional and Islamic banks) of 4% at October 2023 compared to December 2022. Total deposits witnessed a remarkable surge of 9% for the same period.

Following the success of the National Programme for Fiscal Balance (Tawazun), the National Programme for Fiscal Sustainability and Financial Sector Development was launched in January 2023, which aims to make the financial sector a major enabler for economic growth. This will pave the way for Oman Arab Bank to play a significant role in driving the country's economic growth trajectory. As the Sultanate continued its transformation and work towards the goals of Oman's Vision 2040, the Bank enjoyed a momentous year, as demonstrated by the growth in our business and financial results.

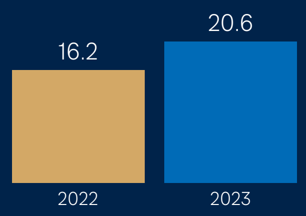
Financial Review

Oman Arab Bank delivered a net profit of RO 20.6 million in 2023, an increase of RO 4.4 million or 27% over 2022 largely driven by notable improvement in debt recoveries and lower operating expense. Operating profit was up by RO 1.2 million to RO 49 million compared to RO 47.8 million in 2022.

Operating Profit (RO Mn)

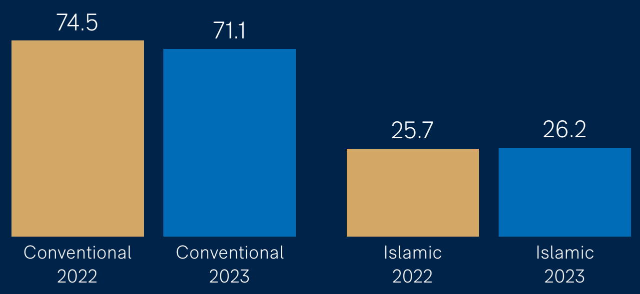


Net Profit (RO Mn)



Total operating income of RO 120.2 million for the year 2023 decreased marginally by RO 2.3 million from RO 122.5 million in 2022. The decrease was primarily from lower net interest income as a result of higher cost of funds due to rising interest rates and change in deposit mix, partly offset by increased asset yields.

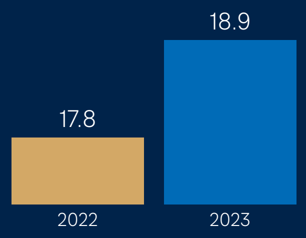
Net Interest Income (RO Mn)

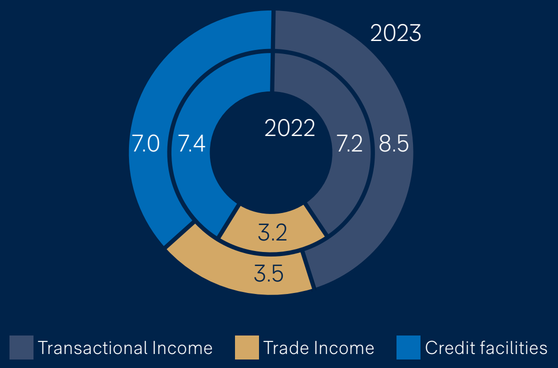


Net interest income from conventional activities was at RO 71.1 million in 2023 against RO 74.5 million in 2022, down by RO 3.4 million or 5%.

Net income from Islamic financing increased marginally by RO 0.5 million to RO 26.2 million in 2023.

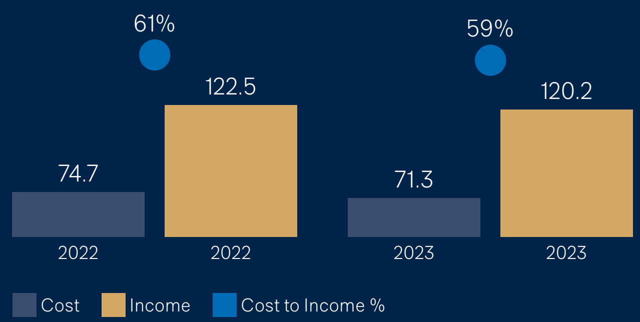
Fee and Comission (RO Mn)





Net fee and commission income increased by RO 1.1 million or 6.4% to reach RO 18.9 million in 2023 against RO 17.8 million in 2022 primarily attributable to the growth of cards business and credit facilities.

Cost / Income



Total operating expenses for the year ended 31 December 2023 amounted to RO 71.3 million compared to RO 74.7 million for the corresponding period in 2022 reflecting a decrease of RO 3.4 million or 4.6%. This decrease reflects the bank's ongoing efforts to prudent cost management practices.

The cost to income ratio decreased from 61% in 2022 to 59% in 2023.

Net allowances for credit losses amounted to RO 24.7 million in 2023 compared to RO 30.3 million in 2022, in which the decrease has been noted mainly in corporate.

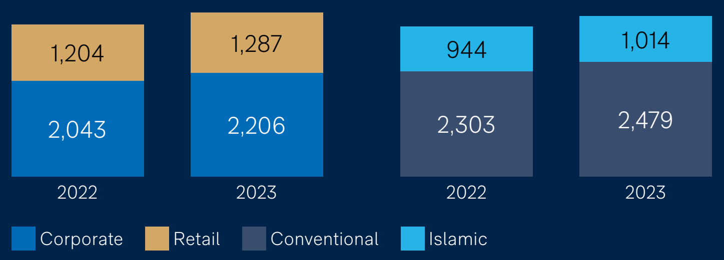
Net allowances for credit losses amounted to RO 24.7 million in 2023, compared to RO 30.3 million in 2022. The decrease has been noted in both retail and corporate business lines.

Break up of net allowances for credit losses (RO Mn)	2022	2023
Impairment on loans and advances to customers	30,135	24,660
Impairment on investment securities	(43)	41
Impairment on loan commitments, financial guarantees and acceptances	290	(51)
Impairment on due from banks, central bank balances and other financial assets	(38)	79
Net allowances for credit losses	**30,344**	**24,729**

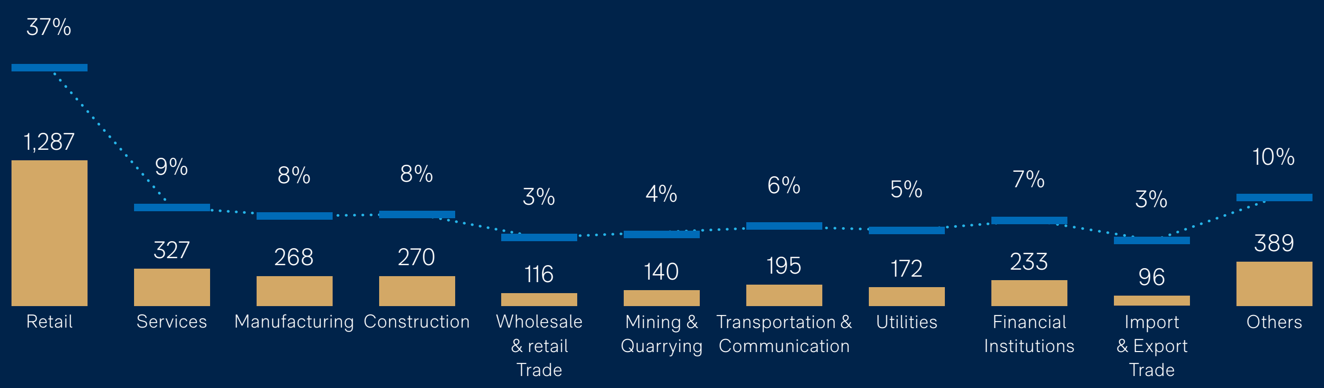
Net loans and financing to customers increased by RO 208 million or 6.8% and amounted to RO 3,275 million at 31 December 2023, compared to RO 3,067 million at 31 December 2022.

Gross loans increased by RO 246 million or 7.6%, of which corporate and retail loans increased by RO 164 million and RO 82 million respectively.

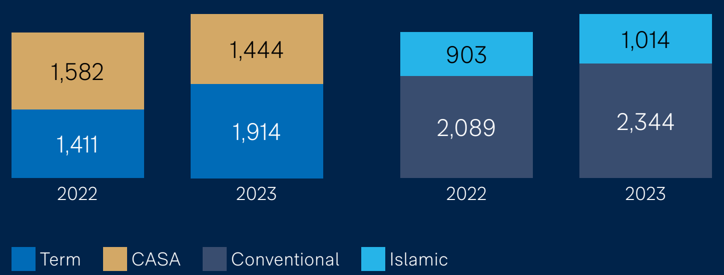
Gross Loans (RO Mn)

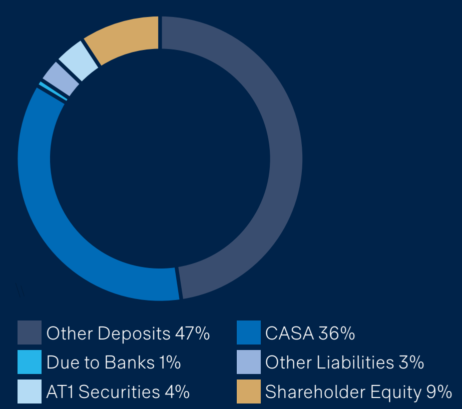


Gross Loans by Sector (RO Mn)

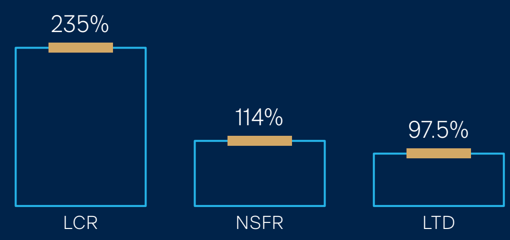


Customer deposits, which represent a pivotal source of funding, witnessed a substantial increase of 12% to RO 3,357 million at 31 December 2023, compared to RO 2,992 million at 31 December 2022, with growth primarily stems from stable deposits, specifically term deposits and across both Islamic and Conventional. Total Term deposit increased by 36% or RO 503 million, and accounted for 57% of total deposits.

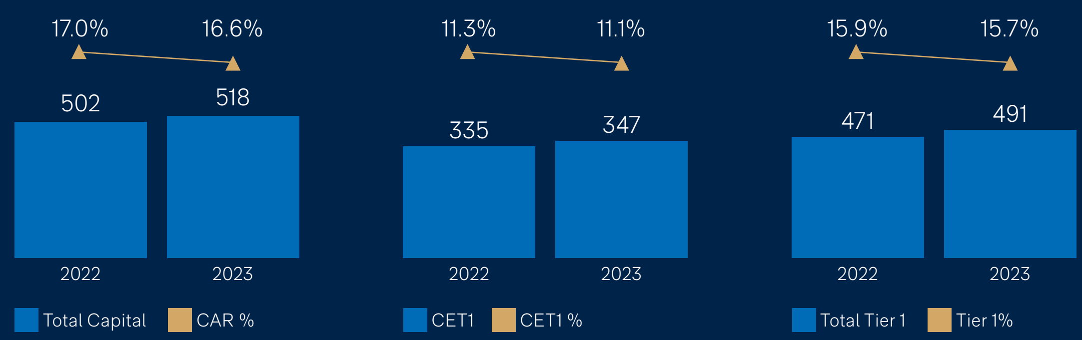


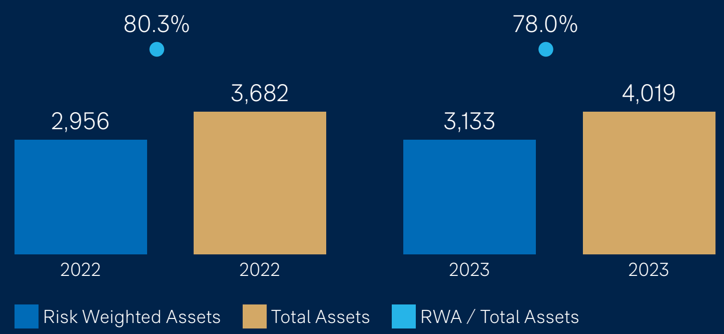


We upheld a solid capital, funding, and liquidity stance well beyond regulatory benchmarks. Loans to Deposits Ratios (LTD) reached 97.5% vs. a market average of 100%.



Total capital adequacy ratio reached 16.6% against a regulatory minimum of 12.25% (13.5% pre-covid relaxation measures). The bank continued to sustain a strong capital position across all capital tiers. Through our active monitoring of risk-weighted assets, the bank managed to strategically grow loan portfolio while closely managing risk exposure, which was translated to decrease in RWA/ total assets ratio by 2.3%.





Customer Centricity

As part of the Bank's digital transformation strategy, customers remain to be the center of our operations. Several new options were added to the OAB app to ensure customer convivence. They are now able to update their personal data, reset their PIN number for Debit, Credit and Prepaid cards, and apply for Digital Instant Loans of up to RO 25,000 with fast-automated approval process. Additionally, they can now digitally subscribe to the latest Initial Public Offering in the market, the first was one of the largest IPO in Oman's history, OQ Gas Networks. Short-term financing was also made available.

For customers who prefer (or need) to visit branches, we have upgraded and relocated select branches, and installed state-of-the-art digital banking technology to enhance customers' experience. These branches include: the Bank's flagship Ruwi branch, Duqm branch, Ibra branch, the renovated/enhanced branches in Al Nakhal, and two branches in Dhofar in Awqad and Saada.

To help customers own their dream home, both OAB and Alizz signed a Home Financing Agreement with the Ministry of Housing and Urban Planning, to provide competitive loan rates for the first 100 homeowners in Sultan Haitham City. Furthermore, OAB and Alizz signed a joint agreement with Oman Real Estate Investment Services (ORIS) allowing customers to access a full range of financing solutions and competitive rates when purchasing property at the new La Vie in Muscat Hills.

In line with the government's social protection mandate, the Bank also launched its Child Savings Accounts, with special interest rates.

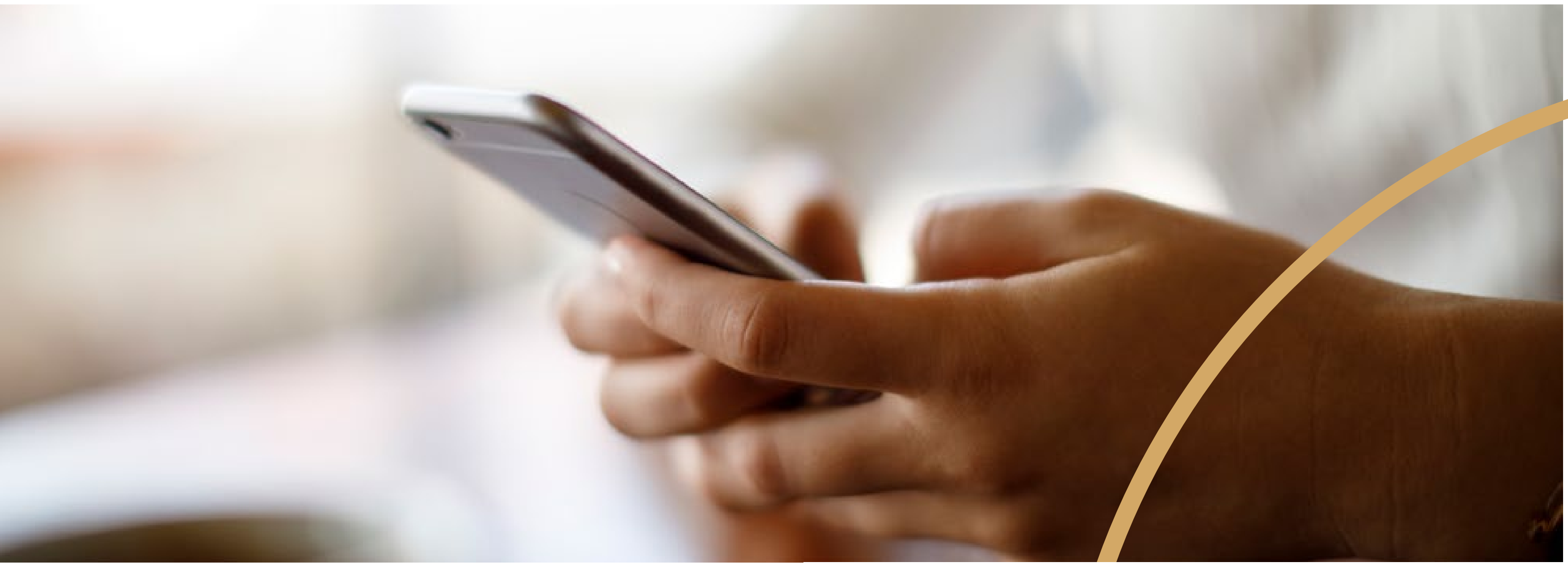
Conceived to further strengthen the Bank's support of the pivotal role of SMEs in the Sultanate, a new value proposition, Tumohi ('My Ambition') was launched. Set-up to serve SMEs, it is targeted towards helping the nation's budding businesses thrive by providing access to comprehensive solutions and financial services. The Bank also collaborated with Musalih, the Oman-based handyman services platform, as it continues its support of the nation's SMEs, and Liva Insurance to avail exclusive offers for OAB customers.

The Bank also launched several pioneering offers, including a competitive interest rate salary transfer campaign that allows customers to purchase new or used cars. Additionally, new customers who open an account and transfer their salaries are eligible for a one-time 15% cashback (up to RO 500). Furthermore, the Bank launched Summer Credit Card vacation promotions and special cashback offers for OAB Credit Card holders in celebration of Oman's National Day.

The Bank debuted its Regional Roadshow at Nizwa Fort, before touring across the nation to meet, get to know and engage with existing and new customers.

Alizz revamped its entire IT infrastructure and made a significant investment in its digital capability including upgrading its core banking system, mobile and internet banking for its retail and corporate customers, rejuvenated its website with chatbot, call centre and other customer experience and touchpoints enhancements. Alizz has also moved its head office to a more centrally-located and purpose-built location.

Alizz continued to expand its branch and other sales channels. During the year, the Bank replaced its aged ATM/CDM machines with new generation state-of-the-art multi and full function machine, and a new smart/digital branch.



Risk Management

The Bank is inherently exposed to various types of risks. As such, the Risk Management Division (RMD) identifies potential risks and has a plan for addressing them. RMD is set up as an independent function, wherein the Chief Risk Officer has direct functional reporting to the Board Compliance & Risk Committee. The Division runs in co-ordination to achieve the Bank's strategy in a cohesive manner with other stakeholders in the Bank.

The RMD serves as a link between the Executive Management and the Board of Directors, with regards to defining the level of risk the Bank is willing to accept through its Risk Appetite Framework, and effectively monitors compliance against the framework. In this regard, the risk appetite framework sets the 'Tone at the Top', and is periodically reported to the Management Risk Committee, Board Compliance and Risk Committee, as well as the Board of Directors Board as per the Corporate Governance Framework of the Bank.

In addition, the Board is responsible for reviewing and approving the Bank's risk management strategy and policy. The Management Risk Committee is responsible for implementing the Board-approved risk management strategy, and developing policies controls, processes and procedures to identify and manage risks in the conduct of business.

Risk Management operates in conformance with leading international practices and regulatory guidelines through a comprehensive framework, approved policies and procedures, alongside a specialised team dedicated to the below core areas to control and mitigate various risks incurred by the Bank;

I. Credit risk, being the risk of financial loss from the failure of customers to honor fully/partially the terms of their contract;

II. Market risk, being the risk to earnings from changes in market factors, such as interest and foreign exchange rates, or liquidity and funding profiles;

III. Operational risk, being the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition encompasses legal risk, but excludes strategic, reputational risk;

IV. Information security risk, being the probable frequency of financial, reputational or other damage to information assets, arising from a cyber-attack or breach within the Bank's systems/network.

V. Fraud Risk identifies fraudulent conduct, which has been executed internally or externally and takes appropriate action.

The Bank will continue to take proactive steps to maintain asset quality and strengthen its liquidity position. In order to enhance its overall Risk Management framework, the Bank will continue to invest in new technologies to improve its resilience, and enhance its capability to respond to emerging risks. It will also continue to utilise its effective monitoring system to detect, report and advise corrective actions to be taken to mitigate the risk.

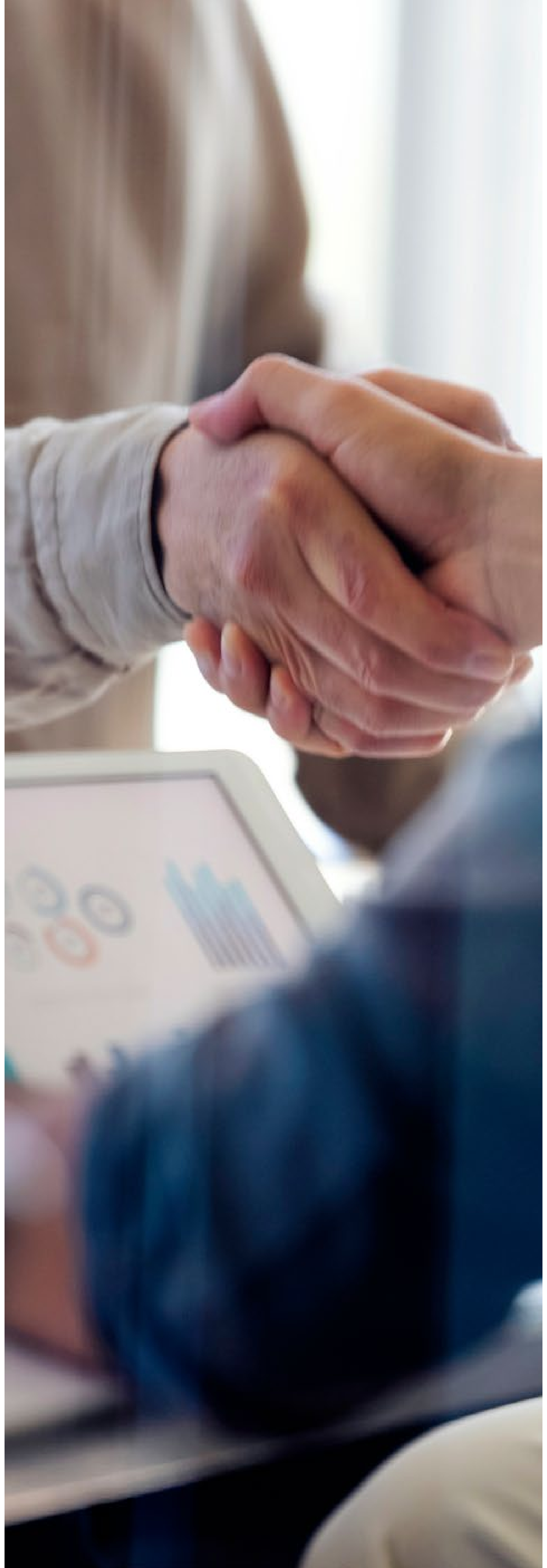
Business Continuity Management

The Bank has a dedicated Business Continuity Management (BCM) team under the umbrella of the Enterprise Risk Management (ERM) that has the primary responsibility of business continuity assurance by conducting various assessments, testing and spreading BCM Awareness.

From a Governance point of view, the Bank has a dedicated working group comprising of key stakeholders from the Executive Management. These stakeholders provide their inputs and direction to the team to ensure critical operations are efficiently running or recovered in the event of a disaster. A Crisis Management Committee (CMC) also exists at the Executive Management level to immediately respond to or action any critical incidents. The Management Risk Committee (MRC) oversees the Bank's risk management. An approved BCM Policy and Framework is in place to guide staff on all matters pertaining to BCM. This multi-tiered governance ensures a cohesive and comprehensive approach to manage risks.

Our proactive approach now includes comprehensive risk assessments encompassing vendor risks, geopolitical instabilities, and upcoming ESG factors. Additionally, our BCP and DR testing calendar has been diversified with Call Tree tests, Table Top Exercises, BCP Simulations, and IT DR Full Interruption Testing. These rigorous testing protocols ensure that our response mechanisms are practical and effective.

The commitment to upholding the highest standards in business continuity management serves as a testament to our dedication to customers and stakeholders, ensuring minimal disruption and maintaining trust in our operational capabilities.



Developing Talent

Multiple training programs remain to be a key undertaking for the Bank, continuing to develop an agile institution that can adapt to a rapidly changing environment and creating a dynamic culture that fosters creativity and innovative thinking.

The Bank's employees are our main asset, which is why we continue to implement upskilling programs for employees, aimed at providing long-term learning and career growth within the Bank. We also seek out talented and ambitious Omani nationals, providing them with the appropriate training to prepare them for future leadership roles in the Bank, in line with Oman Vision 2040. We made some senior appointments within OAB, and these included the appointment of Khalid Al Amri as Acting Head of Retail Banking, Asila Al Mashari as the new Assistant Regional Manager for the Muscat region and Zahra Abdulamir was announced as the Acting Chief Risk Officer. Oman Arab Bank has a high Omanization ratio of 90% and strives to increase it further.

Continuing its endeavors to empower national talents to lead the Bank into the future, the Board of Directors appointed Sulaiman Al Harthi as the new Chief Executive Officer.

The Bank launched the Ruwad Al Arabi for Internship Program (Leaders of Tomorrow) as part of our 50th Anniversary celebrations. In its pilot year, the one-year paid internship included up to 25 university and college graduates, providing them with an experience to bolster their employment prospects within or outside the banking sector.

The Bank, in association with Harvard Business Publishing, launched the Ruwad Al Arabi for Leadership Development Program. Over 50 employees from the Bank participated in the program, designed to nurture the Bank's future change-makers.

Long-serving OAB employees were centre of attention at a special event to celebrate their ongoing contributions to the Bank's success.

The Bank also launched a new initiative 'Friends of Our Branches' where members of the Bank's middle management visit every branch across our national network to mentor and coach employees.

17 **Employees of the Year**

A total of 17 Employees of the Year (Mutamayizoon) were recognised for their exceptional work, contributions, behaviour and success within the bank, igniting excellence across the organisation.

Alizz continued its Ruwad Alizz program, in cooperation with Harvard Management Mentor, the e-learning platform affiliated with Harvard University. The program aims to develop mid-level leaders from government and private sector organisations. The program aimed to train 60 delegates with an extensive learning program, which includes 14 employees from the Bank.

Corporate Sustainability

The Bank's sustainability strategy was designed to strengthen its social impact within its three main strategic pillars: community partnerships, environmental responsibility and financial inclusion. The strategy was developed to boost the Bank's social contribution in line with its business growth.

The Bank's annual program of socially responsible events and initiatives began by organising bake sales where proceeds from selling food dishes were used to draw a smile on the faces of our heroic children fighting cancer. The Bank celebrated the Holy Month of Ramadan with a wide range of social events to support several causes and charities, helping to spread goodwill across the country.

A partner in Oman's economic growth, the Bank worked with non-profit organisation Oman France Amitié (OFA) to host the 'Omani-French Opportunities in Fisheries Sector' business conference.

Oman Arab Bank and Alizz Islamic Bank organized the Investment Forum for the Dakhiliyah Governorate in Nizwa, in partnership with the Al Dakhiliyah Governorate, represented by the Oman Vision 2040 Implementation Follow-up office. The forum aimed to explore investment opportunities within the governorate and was part of a series that extended to other governorates.

The Bank also joined with Oman Academy for SMEs to present the second Leadership & Management Forum 2023 (Financial Management & Investment).

Following the Oman Arab Bank's diverse program of community-based events for Ramadan and Eid Al Fitr 2023, the Bank sponsored a Ministry of Health initiative to promote awareness around the early detection and prevention of breast cancer in June, while the Bank helped to lift the spirits of more than 400 orphans in collaboration with Al Rahma Association for Motherhood & Child Welfare in Al Khoudh.

More than 250 children of Bank staff from across the Sultanate enjoyed the 'Bring Your Kids to Work' initiative, a unique opportunity to join their parents at work during the summer break, followed by the interactive, educational Kids Branch, enjoyed by dozens of employees' children in the Corporate Branch of the Bank's HQ.

Supporting Oman's youth, the LaunchPad initiative was also set in motion, designed to give college students, fresh graduates and professional Omanis with less than five years of work experience a jump-start in their careers, supporting and inspiring the next generation of Oman's workforce.

5,000 **Trees planted across the Sultanate**

As the Sultanate celebrated the annual Omani Tree Day in October, the Bank continued its commitment to support the nation's sustainability and environmental goals via the Roots of Oman Campaign to plant 5,000 trees across the Sultanate by the bank's 50th anniversary in December 2023.

Alizz Islamic Bank entered partnerships with organisations that focus on sustainable initiatives under 'Alizz Cares'. The Bank is committed to impacting customers, employees, suppliers, regulators, investors, and the wider communities, including joining hands with the Children First Association to support their conference and reinforce the bank's commitment to the children of Oman. The Bank also contributed towards supporting the Al Noor Association which developed around 35 delegates across different regions in the Sultanate. The Bank also partnered with Dar Al Atta Association to renovate a school in a rural area that connects several villages under their Tamkeen Project 2023. Additionally, the Bank collaborated with Bait Al Zubair on their narrative days initiative to highlight the importance of Arabic literature in the region.

Awards and Recognitions

The Bank's achievements continued to be recognized with awards and accolades from prestigious external bodies, with OAB winning the Best Online Platform in Oman at the 2022 MEA Business Awards and receiving the Payment Card Industry Data Security Standard (PCI-DSS) certification. The latter reaffirmed Oman Arab Bank's high security standards in protecting customers' payment card data, as set by the PCI Security Standards Council. There was also recognition for its domestic retail operations and innovative SME payment solutions, with two wins at the prestigious Asian Banking & Finance (ABF) Retail Banking Awards 2023. A panel of esteemed judges from across the banking and financial industry selected the Bank for top honors in two categories: Domestic Retail Bank of the Year – Oman and the SME Payment Solutions of the Year – Oman.

OAB was recognised as Association of Chartered Certified Accountants (ACCA) Approved Employer, a global benchmark for training and support. It was certified at Trainee Development, Gold level, denoting that the organisation is committed to ensuring ACCA students, affiliates and members have the right skills, ethics, and competences to add value and drive the business forward.

The Ministry of Social Development also recognised the Bank for creating an inclusive and diverse environment in which to integrate disabled staff, part of numerous forward-thinking HR policies. The Bank's work was commended at the 'Be with Us for Them' event, in line with the Ministry's First Forum for People with Disabilities.

Alizz received various awards in recognition for its achievements across various milestones, including the award for 'Excellence in Shari'a Compliant Wholesale Banking' at the OER Business Excellence, the award for 'Excellence in CSR' at the Oman Forum 2023, and the awards for 'Best Digital Offering' and 'Deal of the Year' at the Islamic Finance News Awards 2023. They also received an award for Best Value Proposition for Alizz ONE at the OER Business and HR Excellence Awards.

Website of the Year 2023

Oman Economic Review

Alizz's corporate website also won the prestigious award of 'Website of the Year 2023' by Oman Economic Review, and was also awarded 'Best Children Value Proposition' at the Muntada Al Mara'a Awards.

In Conclusion

None of the successes we achieved this year could have taken place without the dedicated effort of colleagues across the organization, as FY23 saw the Bank continuing strong performance against our ongoing strategic agenda.

07

Auditor's Report on BASEL II - PILLAR III and BASEL III framework

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Private and confidential
Our ref.: aud/km/zu/14866/24

Agreed-Upon Procedures Report on Oman Arab Bank SAOG's Basel II - Pillar III & Basel III Disclosures

To the Board of Directors of Oman Arab Bank SAOG ("the Bank")

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Oman Arab Bank SAOG ("the Bank") for evaluating the Bank's compliance with the disclosure requirements set out in the Central Bank of Oman's ("the CBO") Circular No. BM 1009 dated 13 September 2006, Circular No. BM 1114 dated 17 November 2013 and Circular No. 1149 dated 13 April 2017 amended with letter BSD/CB/FLC/2018/17 dated 26 November 2018 and letter BSD/CB/2020/05 dated 3 June 2020. and may not be suitable for another purpose. This report is intended solely for the Bank and the CBO and should not be used by any other parties.

Responsibilities of the Bank

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of the Bank is responsible for accuracy and completeness of the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Bank, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Practitioners' Responsibilities (continued)

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon in our engagement letter with the Bank on Basel II and III – Pillar III Disclosures:

S. No	Procedures	Findings
1	We have performed the procedures prescribed in the CBO Circular No. BM 1027 dated 4 December 2007 with respect to the Disclosures of the Bank as at and for the year ended 31 December 2023.	No exceptions noted.

This report relates only to the items specified above and does not extend to the Bank's financial statements taken as a whole.

Kenneth Macfarlane
10 March 2024

KPMG LLC

KPMG
KPMG LLC
Children's Public Library Building
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P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

Enclosures:
Oman Arab Bank SAOG Basel II – Pillar III and Basel III related disclosures

BASEL II - PILLAR III AND BASEL III related disclosures

08

Disclosures under Basel II - Pillar III and Basel III related disclosures for the year ended 31 December 2023

1. Purpose and Basis of Preparation

The following disclosures are presented in accordance with the revised capital adequacy rules under Basel II & Basel III framework issued by the Central Bank of Oman (CBO) for the implementation of the Basel II accord. Basel II Accord consists of three mutually reinforcing Pillars, Pillar I - Minimum Capital Requirements, Pillar II - Supervisory Review Process and Pillar III - Market Discipline. Pillar III complements Pillar I and II. The disclosures aim to provide market participants information on the bank's application of Basel framework, capital position, risk exposure, risk management processes and the capital adequacy.

2. Scope of Application

Oman Arab Bank SAOG (the Parent Company) owns 100% of Alizz Islamic Bank (AIB) (the Subsidiary). The disclosures provide information on the Parent Company and the consolidated position of both entities. The qualitative and quantitative disclosures have been prepared to meet the minimum disclosure requirements as per the CBO Basel II framework (BM 1009) and Basel III framework under CP2 guidelines issued by the CBO.

3. Capital Structure

A. Tier 1 Capital

The Bank's authorized share capital is RO 200,000,000 and issued share capital comprises 1,669,410,000 fully paid shares of RO 0.100 each. In accordance with Article 132 of the Omani Commercial Companies Law of 2019, the Bank is required to transfer 10% of its profit after tax for the year to the legal reserve until the accumulated balance of the reserve equals at least one third of the Bank's paid up share capital. General reserves have been created out of the Bank's retained earnings to meet any unforeseen contingency.

Additional Tier 1 Capital

A. On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to RO 96.25 million. The bonds are listed on the International Security Market (ISM) of the London Stock Exchange. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and the CBO regulations.

B. On 16 October 2023, the Bank issued unsecured perpetual Tier 1 bonds of RO 50 million (50,000,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

The Tier 1 bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The bond issued in 2021 has First Call date on 4 June 2026 or on any interest payment date thereafter subject to the prior consent of the regulatory authority. The bond issued in 2023 has First Call date on 16 October 2028 or on any interest reset date thereafter subject to the prior consent of the regulatory authority.

Exercising the call option for any of the perpetual bonds is subject to obtaining the required regulatory approval.

Tier 2 Capital

Tier 2 Capital consists of eligible Expected Credit Loss (ECL) on loans, advances and financing to customers as required by the CBO and the cumulative fair value gains on eligible investments securities as allowed under the guidelines for Basel II by the CBO.

The eligible ECL is made for the loan impairment on the performing portion of the loans, advances and financing to customers against the losses incurred but not identified.

The Bank's capital structure is as follows:

	Consolidated	Parent Company
	2023	2023
	RO' 000	RO' 000
Paid up share capital	166,941	166,941
Share premium	36,565	36,565
Legal reserve	50,551	48,707
General reserve	25,560	25,560
Other disclosed reserves	(2,217)	(2,217)
Other intangibles	(2,738)	-
Retained earnings	79,217	62,819
Intangibles	(6,590)	-
Perpetual Bonds	146,250	146,250
Less allocated to Subsidiary	-	(107,144)
Less Investment in Capital instruments	(2,400)	(2,400)
Tier 1 Capital	**491,139**	**375,081**
Eligible expected credit loss on loans & advances and financing to customers	26,803	22,861
Investment revaluation reserve (45% only)	555	459
Tier 2 Capital	**27,358**	**23,320**
Total Capital	**518,497**	**398,401**

4. Capital adequacy

A. Qualitative Disclosures

Basel II provides a range of options for determining the regulatory capital requirements for credit, market and operational risks. It allows the banks and the supervisors to select approaches that seem most appropriate for the level of sophistication of the banks' activities, financial market infrastructure and risk management practices.

The Bank has chosen the following approaches for determining the regulatory capital with the approval of Central Bank of Oman:

i) Standardized Approach for the credit/market risk with a simplified approach for the risk weighting of collaterals under the credit risk mitigation.

ii) Basic Indicator approach for the operational risk.

The Bank's Board of Directors reviews the capital requirements based on the strategic plan of the Bank. This is reviewed periodically based on the market and economic conditions. While formulating the Bank's strategic plans, the Bank's management takes into account forward-looking factors such as changes in the economic, market and liquidity conditions. The Bank's current and future capital requirements are calculated in relation to its strategic business objectives. The strategic plan delineates the Bank's short-term and long-term capital needs, capital expenditures required for the foreseeable future, target capital levels, and capital sources. The Bank prepares its capital planning and operational budgeting on an annual basis.

Management considers that the Bank has adequate systems for monitoring and reporting risk exposures. The capital needs are assessed based on changes in the Bank's risk profile. The Board of Directors and the senior management receive regular reports or updates on the Bank's risk profile and capital needs through the Assets and Liabilities Committee (ALCO), Management Credit Committee (MCC), Management Risk Committee (MRC) and directly from the Risk Management Division. This information is used to:

a. Evaluate the level and trend of material risks and their effect on capital requirements,
b. Evaluate the sensitivity and reasonableness of the main assumptions used in the capital measurement system,
c. Determine that the Bank holds sufficient capital against various risks,
d. Determine that the Bank meets its internal capital adequacy goals; and
e. Assess its future capital requirements based on the Bank's reported risk profile and in turn make necessary adjustments to the Bank's strategic plan.

B. Quantitative Disclosures

Risk weighted Assets and details of Capital Adequacy as at end of 2023:

		Consolidated			Parent Company		
		Gross Balance	Net Balance	Risk Weighted Assets	Gross Balance	Net Balance	Risk Weighted Assets
S No.	Details	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	On -Balance sheet Item	4,201,750	3,885,360	2,717,504	3,028,406	2,596,795	1,965,877
2	Off -Balance sheet Item	356,788	163,110	141,491	309,691	132,236	112,928
3	Derivatives	181,544	15,566	13,621	181,544	15,566	13,621
	Operational risk	-	-	221,734			167,175
	Market risk	-	-	39,138			29,500
4	**Total**	**4,740,082**	**4,064,036**	**3,133,488**	**3,519,641**	**2,744,597**	**2,289,101**
5	Tier 1 Capital			491,139			375,081
6	Tier 2 Capital			27,358			23,320
7	Tier 3 Capital			-			-
8	**Total Regulatory Capital**			**518,497**			**398,401**
8.1	Capital requirement for credit risk			351,895			256,322
8.2	Capital requirement for market risk			4,794			3,614
8.3	Capital requirement for operational risk			27,162			20,479
9	**Total required capital**			**383,851**			**280,415**
10	**Tier 1 Ratio**			**15.67%**			**16.39%**
11	**Total Capital Ratio**			**16.55%**			**17.40%**

5. Basel III regulatory capital disclosure

The Basel III regulations adopted by the CBO aims at strengthening the capital and liquidity standards of the banks in Oman. The elements of the Basel III regulations consist of:

- Enhancing the definition of capital and strengthening the eligibility criteria for inclusion of capital instruments
- Raising the minimum capital requirements and introducing capital buffers for conservation and dealing with systemic risks in the form of Capital Conservation Buffer and Countercyclical Buffer
- Enhancing coverage of risk arising from derivatives, repos and securities financing
- Implementing the leverage ratio to control the build-up of leverage and mitigating the impact of excessive deleveraging
- Higher capital requirements for large and systemically important banks
- Implementing the Liquidity Coverage Ratio to ensure that the banks hold higher quality of liquid assets
- Implementing Net Stable Funding Ratio to ensure financing of activities with more stable source of funding

The requirements of Basel III were gradually implemented from 2013 and the higher capital requirements were implemented by 2015. The banks in Oman have to comply with the related disclosure requirements issued by CBO in the circular BM-1114 dated 17 November 2013.

A. Common Disclosure Template as at 31 December 2023

Table 1		Consolidated	Parent Company
		RO '000	RO '000
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	166,941	166,941
2	Retained earnings	79,217	62,819
3	Accumulated other comprehensive income (and other reserves)	112,676	110,832
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**358,834**	**340,592**
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(2,217)	(2,217)
8	Intangibles (net of related tax liability)	(6,590)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(2,738)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
11	Cash-flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale (as set out in paragraph 14.9 of CP-1)	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities.	-	-
15	Defined-benefit pension fund net assets	-	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		(107,144)
20	Mortgage Servicing rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold	-	-
23	- of which: significant investments in the common stock of financials	-	-
24	- of which: mortgage servicing rights	-	-
25	- of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments	-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to Additional Tier 1 and Tier 2 to cover deduction	-	-
28	**Total regulatory adjustments to Common equity Tier 1**	**(11,545)**	**(109,361)**
29	**Common Equity Tier 1 capital (CET1)**	**347,289**	**231,231**
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	146,250	146,250
31	- of which: classified as equity under applicable accounting standards	146,250	146,250
32	- of which: classified as liabilities under applicable accounting standards	-	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
35	- of which: instruments issued by subsidiaries subject to phase out	-	-
36	**Additional Tier 1 capital before regulatory adjustments**	**146,250**	**146,250**
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	(2,400)	(2,400)
40	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	-

42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	**(2,400)**	**(2,400)**
44	**Additional Tier 1 capital (AT1)**	**143,850**	**143,850**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**491,139**	**375,081**
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
47	Directly issued capital instruments subject to phase out from Tier 2	-	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
49	- of which: instruments issued by subsidiaries subject to phase out	-	-
50	Eligible expected credit loss and revaluation reserve	27,358	22,862
50a	- of which: Eligible expected credit loss	26,803	22,862
50b	- of which: Revaluation reserve	555	458
51	**Tier 2 capital before regulatory adjustments**	**27,358**	**23,320**
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	-
57	**Total regulatory adjustments to Tier 2 capital**	**-**	**-**
58	**Tier 2 capital (T2)**	**27,358**	**23,320**
59	**Total capital (TC = T1 + T2)**	**518,497**	**398,401**
Risk Weighted Assets			
	Risk weighted assets in respect of amounts subject to pre-Basel III treatment	**3,133,488**	**2,289,101**
60	Total risk weighted assets (60a+60b+60c)	3,133,488	2,289,101
60a	- of which: Credit risk weighted assets	2,872,616	2,092,426
60b	- of which: Market risk weighted assets	39,138	29,500
60c	- of which: Operational risk weighted assets	221,734	167,175
	Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.08%	10.10%
62	Tier 1 (as a percentage of risk weighted assets)	15.67%	16.39%
63	Total capital (as a percentage of risk weighted assets)	16.55%	17.40%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	8.250%	8.250%
65	- of which: capital conservation buffer requirement	1.250%	1.250%
66	- of which: bank specific countercyclical buffer requirement	0%	0%
67	- of which: D-SIB/G-SIB buffer requirement	0%	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.08%	3.10%
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.00%	7.00%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	9.00%	9.00%
71	National total capital minimum ratio (if different from Basel 3 minimum)	12.25%	12.25%
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	-	-
73	Significant investments in the common stock of financials	-	-
74	Mortgage servicing rights (net of related tax liability)	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
76	Expected credit loss eligible for inclusion in Tier 2 in respect of exposures subject to standard approach (prior to application of cap)	26,803	22,861
77	Cap on inclusion of Expected credit loss in Tier 2 under standardised approach	1.25%	1.25%
78	Expected credit loss eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of Expected credit loss in Tier 2 under internal ratings-based approach	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

B. Reconciliation between published financial statements and regulatory capital adequacy workings

A reconciliation of the Bank's Statement of Financial Position with the regulatory capital elements is provided below using the three-step approach outlined by the Basel Committee:

Step 1: Disclosure of the reported statement of financial position under the regulatory scope of consolidation

This step involves disclosing how the balance sheet in the published financial statements changes when the regulatory scope of consolidation is applied. This disclosure is not made since there is no difference between the scope of regulatory and accounting consolidation.

Step 2: Expanding the lines of the regulatory statement of financial position to display all of the components used in the definition of capital disclosure template

Table 2. A	Consolidated		Parent Company	
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation
	As at 31 Dec 2023	As at 31 Dec 2023	As at 31 Dec 2023	As at 31 Dec 2023
Reconciliation	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	151,581	151,581	84,685	84,685
Due from banks	130,125	130,125	124,068	124,068
Loans and advances	3,274,724	3,274,724	2,306,160	2,306,160
Investment securities	326,561	326,561	253,644	253,644
Investment in subsidiary	-	-	107,144	107,144
Intangibles	6,590	6,590	-	-
Other assets	86,326	86,326	53,696	53,696
Property and equipment	43,096	43,096	37,394	37,394
Total assets	**4,019,003**	**4,019,003**	**2,966,791**	**2,966,791**
Due to banks	32,228	32,228	32,228	32,228
Customer deposits	3,357,417	3,357,417	2,343,619	2,343,619
Other liabilities	107,146	107,146	87,097	87,097
Taxation	5,236	5,236	5,236	5,236
Total liabilities	**3,502,027**	**3,502,027**	**2,468,180**	**2,468,180**
Paid-up share capital	166,941	166,941	166,941	166,941
Share Premium	36,565	36,565	36,565	36,565
Special Reserve	3,837	3,837	3,837	3,837
Legal reserve	50,551	50,551	48,707	48,707
General reserve	25,560	25,560	25,560	25,560
Retained earnings	79,217	79,217	62,819	62,819
Cumulative changes in fair value of investments	(1,075)	(1,075)	(1,198)	(1,198)
Impairment reserve	9,130	9,130	9,130	9,130
Total shareholders' equity	**370,726**	**370,726**	**352,361**	**352,361**
Perpetual Tier 1 Capital Bonds	**146,250**	**146,250**	**146,250**	**146,250**
Total liability and shareholders' funds	**4,019,003**	**4,019,003**	**2,966,791**	**2,966,791**

Table 2. B	Consolidated		Parent Company		
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	Reference
	As at 31 Dec 2023	As at 31 Dec 2023	As at 31 Dec 2023	As at 31 Dec 2023	
Assets Reconciliation	RO'000	RO'000	RO'000	RO'000	
Cash and balances with central bank	151,581	151,581	84,685	84,685	
Due from banks	130,125	130,125	124,068	124,068	
Loans and advances, of which:	**3,274,724**	**3,274,724**	**2,306,160**	**2,306,160**	
- To domestic banks	-	-	-	-	
- To non-resident banks	-	-	-	-	
- To domestic customers	2,384,546	2,384,546	2,384,546	2,384,546	
- To non-resident customers for domestic operations	-	-	-	-	
- To non-resident customers for operations abroad	-	-	-	-	
- Loans and advances to SMEs	94,900	94,900	94,900	94,900	
- Financing from Islamic banking	1,013,540	1,013,540	-	-	
- Allowances for the credit losses, of which:	(218,262)	(218,262)	(173,286)	(173,286)	
ECL allowance not qualifying for Tier 2	(218,262)	(191,459)	(173,286)	(150,425)	
ECL allowance eligible for Tier 2	-	(26,803)	-	(22,861)	A1
Investment securities, of which	**326,561**	**326,561**	**253,644**	**253,644**	
- Fair value through Profit & Loss	458	458	458	458	
- Fair value through other comprehensive income, of which:	118,322	118,322	63,500	63,500	
Investment with AT-1 capital adjustment	2,400	2,400	2,400	2,400	A2
Others	115,922	115,922	61,100	61,100	
- Held to collect	207,781	207,781	189,686	189,686	
Investment in subsidiary	**-**	**-**	**107,144**	**107,144**	**A3**
Intangibles	**6,590**	**6,590**	**-**	**-**	**A4**
Other assets, of which:	86,326	86,326	53,696	53,696	
- Deferred tax asset with CET1 Adjustments	739	739	-	-	A5
- Others	85,587	85,587	53,696	53,696	
Property and equipment, of which:	**43,096**	**43,096**	**37,394**	**37,394**	
- Property and equipment	45,095	45,095	37,394	37,394	
- Other intangibles with CET1 Adjustments	1,999	1,999	-	-	A6
Total assets	**4,019,003**	**4,019,003**	**2,966,791**	**2,966,791**	

Table 2. B

	Consolidated		Parent Company		
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	Reference
	As at 31 Dec 2023	As at 31 Dec 2023	As at 31 Dec 2023	As at 31 Dec 2023	
Capital and Liabilities Reconciliation	RO'000	RO'000	RO'000	RO'000	
Paid-up share capital, of which	**166,941**	**166,941**	**166,941**	**166,941**	
- Amount eligible for CET1 – Paid up capital	166,941	166,941	166,941	166,941	C1
- Amount eligible for AT1 – Perpetual bonds	**146,250**	**146,250**	**146,250**	**146,250**	**C2**
Reserves & Surplus, of which:	**203,785**	**203,785**	**185,420**	**185,420**	
- Share premium	36,565	36,565	36,565	36,565	C3
- Legal reserve	50,551	50,551	48,707	48,707	C4
- General reserve	25,560	25,560	25,560	25,560	C5
- Retained earnings	79,217	79,217	62,819	62,819	C6
- Proposed dividends	-	-	-	-	
- Cumulative changes in fair value of investments, of which	(1,075)	(1,075)	(1,198)	(1,198)	
Amount deductible from CET1 capital	-	(2,217)	-	(2,217)	C7
Amount eligible for Tier 2 capital	-	555	-	459	C8
Amount not eligible for Tier 2 capital	-	587	-	560	
- Impairment reserve, of which:	**9,130**	**9,130**	**9,130**	**9,130**	
Not eligible for Basel	-	9,130	-	9,130	
- Special reserve, of which	**3,837**	**3,837**	**3,837**	**3,837**	
Not eligible for Basel	-	3,837	-	3,837	
Total capital	**516,976**	**516,976**	**498,611**	**498,611**	
Deposits, of which:	**3,357,417**	**3,357,417**	**2,343,619**	**2,343,619**	
- Deposits from banks	-	-	-	-	
- Deposits from customers	2,343,619	2,343,619	2,343,619	2,343,619	
- Deposits of Islamic Banking window	1,013,798	1,013,798	-	-	
Borrowings, of which:	**32,228**	**32,228**	**32,228**	**32,228**	
- From CBO	-	-	-	-	
- From banks	32,228	32,228	32,228	32,228	
- From other institutions & agencies	-	-	-	-	
- Borrowings in the form of bonds, Debentures and sukuks	-	-	-	-	
Other liabilities	**107,146**	**107,146**	**87,097**	**87,097**	
Taxation	**5,236**	**5,236**	**5,236**	**5,236**	
Total capital and liabilities	**4,019,003**	**4,019,003**	**2,966,791**	**2,966,791**	

Step 3:

		Under regulatory scope of consolidation		
		Consolidated	Parent Company	Source based on reference of the balance sheet under the regulatory scope of consolidation from step 2
		RO'000	RO'000	
	Common Equity Tier 1 capital: instruments and reserves			
1	- Directly issued qualifying common share capital	166,941	166,941	C1
2	- Retained earnings	79,217	62,819	C6
3	- Accumulated other comprehensive income (and other reserves)	112,676	110,832	C3 + C4 + C5
4	- Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
5	- Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			
6	- Total regulatory adjustments to Common equity Tier 1	(11,545)	(109,361)	C7 - A3 - A4 - A5 - A6
7	Common Equity Tier 1 capital (CET1)	347,289	231,231	
8	Additional Tier 1 capital (AT1)	143,850	143,850	C2 - A2
9	Tier 1 capital (T1 = CET1 + AT1)	491,139	375,081	
	Tier 2 capital: instruments and provisions			
10	Directly issued qualifying Tier 2 instruments	-	-	
11	Eligible expected credit loss	26,803	22,861	A1
12	Cumulative changes in fair value of investments eligible for Tier 2 capital	555	459	C8
13	Tier 2 capital (T2)	27,358	23,320	
	Total capital (TC = T1 + T2)	**518,497**	**398,401**	

C.Main features template for capital instruments

1	Issuer	OMAN ARAB BANK	OMAN ARAB BANK	OMAN ARAB BANK
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	OM0000005260	OM0000009106	XS2346530244
3	Governing law(s) of the instrument Regulatory treatment	Oman Banking law	Oman Banking law	English law
4	Transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
5	Post-transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
6	Eligible at solo/group/group & solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Paid up share capital	Perpetual Tier I Securities	Perpetual Tier I Securities
8	Amount recognized in regulatory capital	RO 166.9 Million	RO 50 Million	USD 250 Million
9	Par value of instrument	RO 166.9 Million	RO 50 Million	USD 250 Million
10	Accounting classification	Shareholder's equity	Equity	Equity
11	Original date of issuance	Various	16/10/2023	27/05/2021
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	-	-	-
14	Issuer call subject to prior supervisory approval	-	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	-	First call date on 15 Oct 2028 at bank's sole discretion	First call date on 4 Jun 2026 at bank's sole discretion
16	Subsequent call dates, if applicable	-	Any interest reset date after the first call date	Any interest payment date after the first call date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	No coupon	Fixed coupon	Fixed coupon
18	Coupon rate and any related index	-	7.0%	7.625%
19	Existence of a dividend stopper	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	-	-
21	Existence of step up or other incentive to redeem	-	-	-
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion triggers	-	-	-
25	If convertible, fully or partially	-	-	-
26	If convertible, conversion rate	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-
30	Write-down feature	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Non-viability event	Non-viability event	Non-viability event
32	If write-down, full or partial	Full	full or partial	full or partial
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all instruments and claims	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors
36	Non-compliant transitioned features	-	-	-
37	If yes, specify non-compliant features	n/a	n/a	n/a

6. Leverage ratio

The Basel III framework introduced a non-risk-based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The regulatory minimum set by the CBO is 4.5%.

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure
(Please refer to paragraph 52 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

	Item	Consolidated	Parent Company
1	Total consolidated assets as per published financial statements	4,019,003	2,966,791
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
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	181,544	181,544
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)	224,853	177,756
7	Other adjustments	(11,728)	-
8	Leverage ratio exposure	4,413,671	3,326,091

Table 2: Leverage ratio common disclosure template
(Please refer to paragraph 53 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

	Item	Consolidated	Parent Company
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,019,003	2,966,791
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(11,728)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	4,007,275	2,966,791
Derivative Exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	181,544	181,544
5	Add-on amounts for PFE associated with all derivatives transactions	-	-
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)**	**181,544**	**181,544**
	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	457,653	302,172
18	(Adjustments for conversion to credit equivalent amounts)	(232,800)	(124,416)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**224,853**	**177,756**
	Capital and total exposures		
20	Tier 1 capital	491,139	375,081
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**4,413,671**	**3,269,556**
	Leverage Ratio		
22	**Basel III leverage ratio (%)**	**11.1**	**11.3**

7. Credit risk exposure and assessment

A. Qualitative Disclosures

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending activities, investment activities and other assets in the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management and credit review teams which is divided into corporate, SME, financial institutions and retail groups. The credit risk in corporate, SME and financial institutions portfolio is primarily managed by the Credit Review Department while the Retail Banking Department manages the credit risk with predefined programs. The Credit Risk Department reviews the portfolio credit risk independently and directly reports to the Compliance and Risk Management Committee of the Board of Directors. The risk management framework also includes policies with respect to problem recognition, early warning indicators, watch lists, classification parameters and risk rating.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in default as defined by the CBO circular number BM 977 dated 25 September 2004. Past dues and impaired exposures are defined in accordance with the relevant CBO regulations. Bank has adopted the International Financial Reporting Standards (IFRS) 9 guidelines for estimation of Expected Credit Loss as per International Accounting Standards Board (IASB) and CBO guidelines on International Financial Reporting Standards (IFRS) 9 on Financial Instruments, effective from 1st January 2018. In addition, the Bank assesses the adequacy of the security and financial performance of the borrowers in further downgrading the classification.

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

Given the nature of the bank's exposures and availability of historical statistically reliable information, the bank derives the Through the Cycle (TTC) probability of default (PD) using internal historical experience. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration forward looking economic forecasts under three scenarios (base case, bad case, and good case), historical economic data and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

Credit Risk Management and Control

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the creditworthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, medium-term, foreign currency credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The Bank manages, limits and controls concentrations of credit risk – in particular, to individual counterparties and groups, and to industries, sectors and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee, Compliance and Risk Management committee of the Board of Directors and the Executive Committee of the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined under the credit risk mitigation section.

Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD assessments are estimates at a certain date, and are calculated using the banks internal default data.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12-month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario.

B. Quantitative Disclosures

Table 1: Gross credit risk exposures

		Consolidated		Parent Company	
		Average Gross Exposure	Total Gross Exposure	Average Gross Exposure	Total Gross Exposure
S No.	Type of credit exposure	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	120,171	124,626	113,917	117,947
2	Personal Loans	1,255,167	1,286,574	846,455	858,166
3	Loans against Trust Receipts	70,499	65,737	70,499	65,737
4	Other Loans	1,956,890	2,000,567	1,393,134	1,422,114
5	Bills Purchased Discounted	17,214	15,482	17,214	15,482
	Total	**3,419,941**	**3,492,986**	**2,441,219**	**2,479,446**

Table 2: Geographic distribution of exposures

		Consolidated						
		Oman	Other GCC countries	OECD countries	India	Pakistan	Others	Total
S No.	Type of credit exposure	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	124,626	-	-	-	-	-	124,626
2	Personal Loans	1,286,574	-	-	-	-	-	1,286,574
3	Loans against Trust Receipts	65,737	-	-	-	-	-	65,737
4	Other Loans	2,000,567	-	-	-	-	-	2,000,567
5	Bills Purchased Discounted	15,482	-	-	-	-	-	15,482
	Total	**3,492,986**	**-**	**-**	**-**	**-**	**-**	**3,492,986**

		Parent Company						
		Oman	Other GCC countries	OECD countries	India	Pakistan	Others	Total
S No.	Type of credit exposure	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	117,947	-	-	-	-	-	117,947
2	Personal Loans	858,166	-	-	-	-	-	858,166
3	Loans against Trust Receipts	65,737	-	-	-	-	-	65,737
4	Other Loans	1,422,114	-	-	-	-	-	1,422,114
5	Bills Purchased Discounted	15,482	-	-	-	-	-	15,482
	Total	**2,479,446**	**-**	**-**	**-**	**-**	**-**	**2,479,446**

Table 3: Industry or counterparty type distribution of exposures

		Consolidated					
		Overdraft	Loans	Bills Purchased/ discounted	Others	Total	Off-balance sheet exposure
S No	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	5,911	85,674	302	5,108	96,995	5,965
2	Export Trade	-	30	-	-	30	-
3	Wholesale & Retail Trade	10,459	96,918	189	7,478	115,044	17,449
4	Mining & Quarrying	22,613	117,730	-	7,415	147,758	18,317
5	Construction	24,193	200,703	11,650	40,073	276,619	65,670
6	Manufacturing	20,161	234,487	1,798	6,933	263,379	19,395
7	Electricity, gas & water	168	167,390	-	-	167,558	1,218
8	Transport & communication	664	187,601	229	4,594	193,088	967
9	Financial Institutions	2,578	230,482	-	-	233,060	168,044
10	Services	15,198	322,532	561	31,555	369,846	56,082
11	Personal Loans	-	923,578	-	362,996	1,286,574	-
12	Agriculture & Allied Activities	560	19,548	87	-	20,195	-
13	Government	2,085	105	-	-	2,190	84,205
14	Non-Resident Lending	-	2,083	-	-	2,083	-
15	All Others	20,036	252,383	666	45,482	318,567	537
	Total	**124,626**	**2,841,244**	**15,482**	**511,634**	**3,492,986**	**437,849**

		Parent Company					
		Overdraft	Loans	Bills Purchased/ discounted	Others	Total	Off-balance sheet exposure
S No	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	5,072	73,165	302	-	78,539	5,965
2	Export Trade	-	30	-	-	30	-
3	Wholesale & Retail Trade	7,208	60,637	189	-	68,034	14,319
4	Mining & Quarrying	22,611	101,923	-	-	124,534	7,008
5	Construction	24,079	187,042	11,650	-	222,771	47,558
6	Manufacturing	20,161	184,843	1,798	-	206,802	16,386
7	Electricity, gas & water	168	142,390	-	-	142,558	1,218
8	Transport & communication	664	179,184	229	-	180,077	967
9	Financial Institutions	2,578	186,750	-	-	189,328	168,044
10	Services	12,770	125,700	561	-	139,031	29,442
11	Personal Loans	-	858,166	-	-	858,166	-
12	Agriculture & Allied Activities	560	5,698	87	-	6,345	-
13	Government	2,085	105	-	-	2,190	11,264
14	Non-Resident Lending	-	165	-	-	165	-
15	All Others	19,991	240,219	666	-	260,876	-
	Total	**117,947**	**2,346,017**	**15,482**	**-**	**2,479,446**	**302,171**

Table 4: Residual contractual maturity of credit exposure

		Consolidated					
		Overdraft	Loans	Bills Purchased/ discounted	Others	Total	Off-balance sheet exposure
S No	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Up to 1 month	9,770	172,875	1,580	17,181	201,406	10,372
2	1-3 months	9,770	175,004	1,711	17,407	203,892	133,502
3	3-6 months	9,770	78,179	432	22,521	110,902	11,872
4	6-9 months	9,770	77,411	119	33,665	120,965	78,812
5	9-12 months	9,770	87,921	-	13,164	110,855	72,037
6	1-3 years	25,259	380,060	-	87,145	492,464	23,737
7	3-5 years	25,259	329,277	-	75,998	430,534	14,977
8	Over 5 years	25,258	1,540,517	11,640	244,553	1,821,968	92,541
	Total	**124,626**	**2,841,244**	**15,482**	**511,634**	**3,492,986**	**437,850**

		Parent Company					
		Overdraft	Loans	Bills Purchased/ discounted	Others	Total	Off-balance sheet exposure
S No	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Up to 1 month	9,436	156,245	1,580	-	167,261	2,558
2	1-3 months	9,436	158,155	1,711	-	169,302	110,363
3	3-6 months	9,436	56,380	432	-	66,248	1,338
4	6-9 months	9,436	44,825	119	-	54,380	194
5	9-12 months	9,436	75,179	-	-	84,615	70,108
6	1-3 years	23,589	295,709	-	-	319,298	13,852
7	3-5 years	23,589	255,716	-	-	279,305	11,302
8	Over 5 years	23,589	1,303,808	11,640	-	1,339,037	92,456
	Total	**117,947**	**2,346,017**	**15,482**	**-**	**2,479,446**	**302,171**

Table 5: Loans and provisions by major industry or counterparty type

		Consolidated					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Stage 3 ECL Provided during the year#	Advances written off during the year
S No	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	95,732	31,081	2,525	26,924	3,029	-
2	Export Trade	30	-	1	-	-	-
3	Wholesale & Retail Trade	115,990	19,706	1,919	12,675	3,202	-
4	Mining & Quarrying	140,324	72	22,236	54	16	-
5	Construction	270,098	79,921	8,705	53,834	24,507	1,528
6	Manufacturing	267,615	17,012	5,209	12,137	956	6
7	Electricity, gas & water	171,573	1,254	627	778	849	-
8	Transport & communication	194,884	978	614	719	180	-
9	Financial Institutions	233,498	900	1,348	672	103	-
10	Services	327,409	15,724	10,340	9,660	2,219	41
11	Personal Loans	1,286,574	19,269	5,283	10,833	7,991	201
12	Agriculture & Allied Activities	20,272	774	205	774	122	-
13	Government	2,190	-	4	-	-	-
14	Non-Resident Lending	2,083	1,918	3	1,918	-	-
15	All Others	364,714	17,938	16,300	11,965	4,190	282
	Total	**3,492,986**	**206,547**	**75,319**	**142,943**	**47,364**	**2,058**

		Parent Company					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Stage 3 ECL Provided during the year#	Advances written off during the year
S No	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	78,539	25,145	2,058	23,068	3,029	-
2	Export Trade	30	-	1	0	-	-
3	Wholesale & Retail Trade	68,034	10,117	1,683	5,968	2,493	-
4	Mining & Quarrying	124,534	72	21,580	54	16	-
5	Construction	222,771	74,123	7,519	50,689	23,344	1,528
6	Manufacturing	206,802	10,483	3,516	6,207	935	6
7	Electricity, gas & water	142,558	1,254	536	778	849	-
8	Transport & communication	180,077	773	384	669	134	-
9	Financial Institutions	189,328	900	585	672	103	-
10	Services	139,031	4,947	7,096	3,270	626	41
11	Personal Loans	858,166	14,890	3,714	9,150	7,640	201
12	Agriculture & Allied Activities	6,345	774	169	774	122	-
13	Government	2,190	-	4	0	-	-
14	Non-Resident Lending	165	-	3	0	-	-
15	All Others	260,876	16,114	11,789	11,350	4,190	282
	Total	**2,479,446**	**159,592**	**60,637**	**112,649**	**43,481**	**2,058**

* ECL held includes management overlays and reserve interest.
# Stage 3 ECL provided during the year does not include net recovery / release of RO 10.6 million.

Table 6: Geographic distribution of impaired loans

		Consolidated					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Stage 3 ECL Provided during the year#	Advances written off during the year
S No	Country	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	3,492,986	206,547	75,319	142,943	47,364	2,058
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
	Total	**3,492,986**	**206,547**	**75,319**	**142,943**	**47,364**	**2,058**

		Parent Company					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Stage 3 ECL Provided during the year#	Advances written off during the year
S No	Country	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	2,479,446	159,592	60,637	112,649	43,481	2,058
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
	Total	**2,479,446**	**159,592**	**60,637**	**112,649**	**43,481**	**2,058**

Table 7: Movement in gross loans

		Consolidated			
		Stage 1	Stage 2	Stage 3	Total
S No	Country	RO'000	RO'000	RO'000	RO'000
1	Opening Balance	2,454,290	626,626	165,783	3,246,699
2	Migration / changes (+/-)	(21,397)	(7,987)	29,384	-
3	New Loans	784,818	130,200	18,473	933,491
4	Repayment of Loans	(480,443)	(199,668)	(5,035)	(685,146)
5	Loans written off	-	-	(2,058)	(2,058)
6	Closing Balance	2,737,268	549,171	206,547	3,492,986
7	Expected credit loss held	9,641	65,677	142,944	218,262

		Parent Company			
		Stage 1	Stage 2	Stage 3	Total
S No	Country	RO'000	RO'000	RO'000	RO'000
1	Opening Balance	1,653,337	526,045	123,413	2,302,795
2	Migration / changes (+/-)	22,149	(44,452)	22,303	-
3	New Loans	714,457	127,780	18,194	860,431
4	Repayment of Loans	(470,327)	(209,135)	(2,260)	(681,722)
5	Loans written off	-	-	(2,058)	(2,058)
6	Closing Balance	1,919,616	400,238	159,592	2,479,446
7	Expected credit loss held	6,886	53,751	112,649	173,286

8. Disclosure for portfolio subject to standardised approach

A. Qualitative Disclosures

The Bank uses the ratings by Moody's Investor Services for the credit ratings for the purpose of determining the risk weight to be assigned to the exposure for on-balance sheet inter-bank exposure as well as off-balance sheet items such as Letters of Credit, Guarantees and forward contracts. In the absence of a rating by the Moodys' Investor Service, the Bank uses the ratings, if any, from other rating agencies which are recognized by the Central Bank of Oman.

The claims on corporate are assigned 100% risk weight except for the claims with eligible financial collaterals/d the Bank uses the simple approach for recognizing the collaterals in banking book with the approval of Central Bank of Oman. The Bank's retail loan portfolio is assigned a 100% risk weight except the loans secured by residential mortgage and short term retail loans, which meet the conditions of CBO, for which risk weight assigned is 35% and 75% respectively.

B. Quantitative Disclosure

Table 1: Net exposure after risk mitigation subject to Standardized Approach

		Consolidated							
S No	Risk Bucket	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		0%	20%	35%	50%	75%	100%	150%	Total
1	Sovereigns (Rated)	542,315	-	-	-	-	-	-	542,315
2	Banks (Rated)	-	100,951	-	47,157	-	4,456	-	152,564
3	Corporate	-	-	-	-	73,894	1,372,120	-	1,446,014
4	Retail	-	-	-	-	21,946	534,242	-	556,188
5	Secured by residential property	-	-	629,627	-	-	57,810	-	687,437
6	Secured by commercial property	-	-	-	-	-	273,564	-	273,564
7	Past due loans	-	-	-	-	-	61,770	-	61,770
8	Other assets	87,981	-	-	-	-	156,231	-	244,212
9	Un-drawn exposure	-	19,937	3,556	10,613	-	65,865	-	99,971
	Total	**630,296**	**120,888**	**633,183**	**57,770**	**95,840**	**2,526,058**	**-**	**4,064,035**

		Parent Company							
S No	Risk Bucket	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		0%	20%	35%	50%	75%	100%	150%	Total
1	Sovereigns (Rated)	403,962	-	-	-	-	-	-	403,962
2	Banks (Rated)	-	98,407	-	28,251	-	2,419	-	129,077
3	Corporate	-	-	-	-	73,894	886,941	-	960,835
4	Retail	-	-	-	-	21,946	430,906	-	452,852
5	Secured by residential property	-	-	332,613	-	-	57,810	-	390,423
6	Secured by commercial property	-	-	-	-	-	273,564	-	273,564
7	Past due loans	-	-	-	-	-	43,952	-	43,952
8	Other assets	21,085	-	-	-	-	126,891	-	147,976
9	Un-drawn exposure	-	19,937	-	10,613	-	38,546	-	69,096
	Total	**425,047**	**118,344**	**332,613**	**38,864**	**95,840**	**1,861,029**	**-**	**2,871,737**

9. Credit risk mitigation under standardised approach

A. Qualitative Disclosures

The following provides some of the specific credit risk mitigation measures employed by the Bank:

i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory and accounts receivable;
- Lien on fixed deposits;
- Cash margins;
- Mortgages over residential and commercial properties and
- Pledge of marketable shares and securities;

The housing loans are secured by mortgage over the residential property. Credit cards and similar revolving credit facilities are unsecured. Additionally, in order to minimize the credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

ii) Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Credit Review Department.

iii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

B. Quantitative Disclosures

	Consolidated			Parent Company		
	Loans against shares	**Loans with cash margin**	**Total**	**Loans against shares**	**Loans with cash margin**	**Total**
	RO'000	RO'000	RO'000	RO'000	RO'000	
Exposure covered by eligible financial collateral	112,719	48,330	**161,049**	112,719	37,639	**150,358**
Value of the eligible collateral	112,719	86,660	**199,379**	112,719	75,887	**188,606**

10. Market risk in trading book

A. Qualitative Disclosures

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are managed by the Treasury Division and monitored by the Risk Management Department. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

The Bank manages its market risk in the trading book using tools such as position limits and stop loss limits.

Currency risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and entering into forward contracts based on the underlying commercial transactions with the customers. Additionally, appropriate segregation of duties exists between the front and back-office functions while compliance with the net open position is independently monitored on an ongoing basis by the management and the Assets and Liabilities Committee (ALCO).

Equity Position risk occurs due to change in the market value of the Bank's portfolio as a result of diminution in the market value of the equity securities. The responsibility of management of equity position risk rests with the Treasury Division of the Bank. The Bank does not hold trading position in equities. The Bank's portfolio is marked to market on regular basis and the difference in the book value and market value are adjusted against revaluation reserve. The Bank also conducts regular stress test on equity position risk and assesses its impact on profitability and capital adequacy.

Commodity Risk occurs due to volatility in the prices of the commodities. Presently the Bank has no exposure to the commodity market.

Capital charge for the entire market risk exposure is computed as per the standardized approach in accordance with the guidelines issued by CBO in its circular BM 1009. The Bank adopts duration method in measuring interest rate risk in respect of debt securities held in trading book. The Bank does not hold any trading position in equities, debt securities and in commodities necessitating capital charge to cover the market risk. Foreign exchange risk capital charge is computed on the three-month average of the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.

B. Quantitative Disclosures

Bank's investments include equity securities which are publicly traded on the Muscat Securities Stock (MSX). The Bank's equity and total comprehensive income at 31 December 2023 may decrease by 0.05% Consolidated and 0.03% Parent (2022 Consolidated – 0.04%, Parent – 0.03%) due to decrease by 10% in the MSX - 30 Index and the GCC market indices, with all the other variables held constant.

11. Interest rate risk in banking book

A. Qualitative Disclosures

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest-based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as substantial portion of its assets and liabilities are re-priced frequently. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the Bank's profitability.

For managing its interest rate risk in the banking book, the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its Net Interest Income (NII) from 100bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the year.

B. Quantitative Disclosures

The EAR as at 31 December 2023 is 3.3% (2022 - 2.5%).

The table below summarises the Bank's exposure to the interest rate risks. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

Consolidated	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non interest bearing	Total
2023	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1	18,095	-	-	-	1,025	132,461	151,581
Due from banks	4.75	104,681	-	-	-	-	25,444	130,125
Loans and advances	5.18	1,477,333	380,522	419,221	890,358	107,290	-	3,274,724
Investment securities		8,996	18,699	31,072	189,707	75,314	2,773	326,561
Intangible assets		-	-	-	-	-	6,950	6,590
Other assets		11,206	5,582	1,485	1,836	-	66,217	86,326
Property and equipment		-	-	-	-	-	43,096	43,096
Total assets		**1,620,311**	**404,803**	**451,778**	**1,081,901**	**183,629**	**276,581**	**4,019,003**
Due to banks	5.2	31,564	-	-	-	-	665	32,228
Customer deposits	2.76	1,363,322	468,788	728,558	367,194	55,101	374,454	3,357,417
Other liabilities		4,116	6,675	9,019	9,023	-	78,313	107,146
Taxation		-	-	-	-	-	5,236	5,236
Total liabilities		**1,399,001**	**475,463**	**737,577**	**376,217**	**55,101**	**458,668**	**3,502,027**
Total interest sensitivity gap		221,310	(70,660)	(285,799)	705,684	128,528	(182,087)	516,976
Cumulative interest sensitivity gap		221,310	150,650	(135,149)	570,535	699,063	516,976	-

Parent Company	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non interest bearing	Total
2023	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1	-	-	-	-	500	84,185	84,685
Due from banks	4.75	83,224	15,400	-	-	-	25,444	124,068
Loans and advances	5.3	1,168,948	119,026	193,602	778,402	46,182	-	2,306,160
Investment securities		8,996	-	21,192	154,891	67,091	1,474	253,644
Investment in subsidiary		-	-	-	-	-	107,144	107,144
Other assets		11,206	5,582	1,485	1,836	-	33,587	53,696
Property and equipment		-	-	-	-	-	37,394	37,394
Total assets		**1,272,374**	**140,008**	**216,279**	**935,129**	**113,773**	**289,228**	**2,966,791**
Due to banks	5.2	31,563	-	-	-	-	665	32,228
Customer deposits	3.13	1,062,699	207,292	502,939	255,238	-	315,451	2,343,619
Other liabilities		4,117	6,675	9,019	9,023	-	58,263	87,097
Taxation		-	-	-	-	-	5,236	5,236
Total liabilities		**1,098,379**	**213,967**	**511,958**	**264,261**	**-**	**379,615**	**2,468,180**
Total interest sensitivity gap		173,995	(73,959)	(295,679)	670,868	113,773	(90,387)	498,611
Cumulative interest sensitivity gap		173,995	100,036	(195,643)	475,225	588,998	498,611	

12. Operational risk

A. Qualitative Disclosures

Basel Committee on Banking Supervision has defined operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, punitive damages resulting from supervisory actions, as well as private settlements.

Basel II has provided three different approaches viz., Basic Indicator approach (BIA), The standardized approach (TSA) and Advanced measurement approach to compute the capital charge of Operational Risk. The Bank has adopted the BIA for computing the capital charge for Operational Risk as per CBO guidelines. The approach requires the Bank to provide 15% of the average gross income for the last three years as capital charge for operational risk.

The Bank has systems for collecting the data relating to operational risk incidents. The measurement of the operational risk requires historical data for at least 3 years in order to perform the calculations.

Bank undertakes Risk Control and Self-Assessment exercise by which the inherent risk in various processes of each business unit is identified and control against these risks are assessed for their design and effectiveness. The residual risk (i.e., inherent risk after controls) provides the potential loss amount and based on residual risk, the controls are improved further.

Bank is also identifying and monitoring the Key Risk Indicators (KRIs) for each business unit. Each KRI has a defined threshold limit, and an escalation criterion is also attached to it. A breach in threshold of the KRI escalates the risk to the higher authority. All the Operational Risk Management tools are configured in Operational Risk Management System.

As a part of Business Continuity Management initiatives, the Bank has taken necessary actions to ensure effective measures in case of a crisis situation, e.g., evacuation drills, testing of critical systems and applications from the Disaster Recovery site. The Bank has the capability to ensure that critical banking processes are tested to ascertain availability during such situations.

B. Quantitative Disclosures

The Risk Weighted Assets for the operational risk using the Basic Indicator Approach is RO 215 Million at 31 December 2023 (Parent Company: 2023 RO 169 million).

13. Liquidity risk

A. Qualitative Disclosures

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy.

B. Quantitative Disclosures

The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the CBO for the estimates. The table below represents the cash flows receivable to and payable by the Bank under derivative and non-derivative assets and liabilities by estimated remaining maturities at the balance sheet date.

	Consolidated				
	< 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	65,715	34,142	30,628	21,096	151,581
Due from banks	130,125	-	-	-	130,125
Loans and advances	400,657	305,359	915,928	1,652,780	3,274,724
Investment securities	9,454	49,771	189,707	77,629	326,561
Intangibles	-	-	-	6,590	6,590
Other assets	49,600	32,936	3,790	-	86,326
Property and equipment	-	-	-	43,096	43,096
Total assets	**655,551**	**422,208**	**1,140,053**	**1,801,191**	**4,019,003**
Due to banks	32,228	-	-	-	32,228
Customer deposits	362,674	1,135,168	897,997	961,578	3,357,417
Other liabilities	59,637	22,966	24,543	-	107,146
Taxation	5,236	-	-	-	5,236
Total liabilities	**459,775**	**1,158,134**	**922,540**	**961,578**	**3,502,027**
Liquidity gap	**195,776**	**(735,926)**	**217,513**	**839,613**	**516,976**

	Parent Company				
	< 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	26,375	26,819	16,470	15,021	84,685
Due from banks	108,668	15,400	-	-	124,068
Loans and advances	334,703	176,788	598,603	1,196,066	2,306,160
Investment securities	9,454	21,192	154,891	68,107	253,644
Investment in subsidiary	-	-	-	107,144	107,144
Other assets	41,931	9,928	1,837	-	53,696
Property and equipment	-	-	-	37,394	37,394
Total assets	**521,131**	**250,127**	**771,801**	**1,423,732**	**2,966,791**
Due to banks	32,228	-	-	-	32,228
Customer deposits	259,705	888,406	420,932	774,576	2,343,619
Other liabilities	59,638	22,966	4,493	-	87,097
Taxation	5,236	-	-	-	5,236
Total liabilities	**356,807**	**911,372**	**425,425**	**774,576**	**2,468,180**
Liquidity gap	**162,501**	**(677,294)**	**362,334**	**651,070**	**498,611**

13.1. Basel III ratios

Liquidity Coverage Ratio (LCR): The LCR measures the stock of High-Quality Liquid Assets (HQLA) against net short-term obligations (30 days).

Net Stable Funding Ratio (NSFR): NSFR ensures that the Bank diversify its funding sources and reduce their dependency on short-term wholesale markets. The ratio compares the stock of Stable Funding against Required Funding.

The summary of the Basel III liquidity ratios is as follows:

	Consolidated	Parent Company	Regulatory Minimum
	As at 31 December 2023	As at 31 December 2023	
LCR	235%	242%	100%
NSFR	114%	113%	100%

The above disclosed values for LCR are based on average of three-monthly data points. The year-end LCR position for 2023 is 307% for Consolidated and 329% for Parent company.

The detailed LCR disclosures are provided below:

		Consolidated	
		Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets		
1	**Total High Quality Liquid Assets (HQLA)**		**406,401**
	Cash Outflows		
2	Retail deposits and deposits from small business customers, of which:	986,302	63,804
3	- Stable deposits	274,410	9,139
4	- Less stable deposits	711,892	54,665
5	Unsecured wholesale funding, of which:	748,239	276,481
6	- Operational deposits (all counterparties) and deposits in networks of cooperative banks	311,238	77,809
7	- Non-operational deposits (all counterparties)	433,035	194,706
8	- Unsecured debt	3,966	3,966
9	- Secured wholesale funding	-	-
10	Additional requirements, of which	32,136	2,826
11	- Outflows related to derivative exposures and other collateral requirements	-	-
12	- Outflows related to loss of funding on debt products	-	-
13	- Credit and liquidity facilities	32,136	2,826
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	21,482
16	**TOTAL CASH OUTFLOWS**		**364,594**
	CASH INFLOWS		
17	Secured lending (e.g., reverse repos)	-	-
18	Inflows from fully performing exposures	208,544	124,776
19	Other cash inflows	212,588	66,695
20	**TOTAL CASH INFLOWS**	**421,132**	**191,471**
			Total Adjusted Value
21	**TOTAL HQLA**		406,401
22	**TOTAL NET CASH OUTFLOWS**		173,123
23	**LIQUIDITY COVERAGE RATIO (%)**		**235**

		Parent Company	
		Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets		
1	Total High Quality Liquid Assets (HQLA)		**298,536**
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	589,449	40,643
3	- Stable deposits	274,410	9,139
4	- Less stable deposits	315,039	31,504
5	Unsecured wholesale funding, of which:	564,382	201,513
6	- Operational deposits (all counterparties) and deposits in networks of cooperative banks	307,453	76,863
7	- Non-operational deposits (all counterparties)	256,929	124,650
8	- Unsecured debt	-	-
9	- Secured wholesale funding	-	-
10	Additional requirements, of which	11,658	1,166
11	- Outflows related to derivative exposures and other collateral requirements	-	-
12	- Outflows related to loss of funding on debt products	-	-
13	- Credit and liquidity facilities	11,658	1,166
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	14,742
16	**TOTAL CASH OUTFLOWS**		**258,064**
Cash Inflows			
17	Secured lending (e.g., reverse repos)		
18	Inflows from fully performing exposures	136,334	68,167
19	Other cash inflows	210,040	66,695
20	**TOTAL CASH INFLOWS**	**346,374**	**134,862**
			Total Adjusted Value
21	**TOTAL HQLA**		298,536
22	**TOTAL NET CASH OUTFLOWS**		123,202
23	**LIQUIDITY COVERAGE RATIO (%)**		**242**

		Consolidated				
		Unweighted value by residual maturity				
	ASF Item	**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted Value**
1	**Capital**:	518,497	-	-	-	518,497
2	Regulatory capital	518,497	-	-	-	518,497
3	Other capital instruments	-	-	-	-	-
4	**Retail deposits and deposits from small business customers**	226,441	44,079	34,749	798,125	1,016,466
5	Stable deposits					
6	Less stable deposits	-	-	-	268,051	254,649
7	**Wholesale funding:**	226,441	44,079	34,749	530,074	761,817
8	Operational deposits	949,205	323,576	311,995	212,202	1,004,590
9	Other wholesale funding	303,508	-	-	-	151,754
10	Liabilities with matching interdependent assets	645,697	323,576	311,995	212,202	852,836
11	**Other liabilities:**				68,822	
12	NSFR derivative liabilities					
13	All other liabilities and equity not included above	-	-	-	578,503	441,133
14	**Total ASF**					**2,980,686**
	RSF Item	**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted Value**
15	Total NSFR high-quality liquid assets (HQLA)					
16	Deposits held at other financial institutions for operational purposes	66,896	-	-	-	12,675
17	**Performing loans and securities:**	108,280	484,450	249,094	2,564,219	2,315,406
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	66,432	3,322
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	146,178	5,667	-	24,760
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	108,280	338,272	243,427	1,627,725	1,721,784
21	- With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	71,000	46,150
22	Performing residential mortgages, of which:	-	-	-	799,062	519,390
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	799,062	519,390
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
25	Assets with matching interdependent liabilities					
26	**Other Assets:**	106,078	21,927	121,492	-	271,066
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	106,078	21,927	121,492	-	271,066
32	Off-balance sheet items		-	-	155,481	24,271
33	**Total RSF**					**2,623,417**
34	**Net Stable Funding Ratio (%)**					**114**

		Parent Company				
		Unweighted value by residual maturity				
	ASF Item	**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted Value**
1	**Capital:**	505,545	-	-	-	505,545
2	Regulatory capital	505,545				505,545
3	Other capital instruments					
4	**Retail deposits and deposits from small business customers**	-	-	-	698,029	641,629
5	Stable deposits				268,051	254,649
6	Less stable deposits				429,978	386,980
7	**Wholesale funding:**	688,063	254,115	242,534	-	592,356
8	Operational deposits	299,020				149,510
9	Other wholesale funding	389,043	254,115	242,534		442,846
10	Liabilities with matching interdependent assets					
11	**Other liabilities:**					
12	NSFR derivative liabilities					
13	All other liabilities and equity not included above				578,503	441,133
14	**Total ASF**					**2,180,663**
	RSF Item	**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted Value**
15	Total NSFR high-quality liquid assets (HQLA)					-
16	Deposits held at other financial institutions for operational purposes					12,675
17	**Performing loans and securities:**	105,461	465,100	123,434	1,690,742	1,640,977
18	Performing loans to financial institutions secured by Level 1 HQLA					
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions		146,178	5,667		24,760
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	105,461	318,922	117,767	1,230,797	1,317,253
21	- With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk					
22	Performing residential mortgages, of which:				459,945	298,964
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				459,945	298,964
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
25	Assets with matching interdependent liabilities					
26	**Other Assets:**	213,222	21,927	2,833	-	259,551
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	213,222	21,927	2,833		259,551
32	Off-balance sheet items					16,497
33	**Total RSF**					**1,929,700**
34	**Net Stable Funding Ratio (%)**					**113**

Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated March 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard" issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated 26 October 2016. The Bank's disclosure on leverage was prepared as per CBO circular on leverage ratio, issued on 27 August 2017 and CBO circular No. BM 1157 on Implementation of Basel III Leverage Ratio Standard dated 30 December 2018.

Sulaiman Hamad Al-Harthi
Chief Executive Officer

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Independent Auditor's Report to the Shareholders on financial statements

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Independent auditors' report

To the Shareholders of Oman Arab Bank SAOG

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Oman Arab Bank SAOG ("the Bank") and its subsidiary ("the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2023, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2023, and their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants *International* Code of Ethics for Professional Accountants *(including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Impairment of loans, advances and financing to customers

See notes 3.2, 4.1, 7 and 37 to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
The Group and the Bank recognised allowances for credit losses in consolidated and separate financial statements using expected credit loss ("ECL") models. The Group and the Bank exercise significant judgment and make a number of assumptions in developing ECL models determined as a function of the probability of default ("PD"), loss given default ("LGD"), adjusted for the forward looking information, and exposure at default ("EAD") associated with the underlying exposures subject to ECL. Complex disclosure requirements exist regarding credit quality of the portfolio including explanation of key judgments and material inputs used in estimation of ECL. It is necessary to estimate ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weights applied to them. This is considered a key audit matter, as the estimation of ECL involves significant management judgement, estimates, use of complex models and assumptions and has a material impact on the consolidated and separate financial statements of the Group and the Bank.	Our audit procedures in this area include the following, among others: • Evaluating the appropriateness of the methodology adopted based on the requirements of IFRS 9, and our business understanding. • Obtaining an understanding of the ECL accounting estimate by performing walkthrough on the ECL process including, but not limited to, obtaining information about the Bank's control environment in relation to the estimate, obtaining an understanding of the process by which the estimate is developed, understanding the methods, assumptions and data used to develop the accounting estimate. Assessing the design, implementation and testing the operating effectiveness of selected controls in relation to governance and data migration. • Involving our Financial Risk Management ("FRM") specialists, for a selection of models, to assess the reasonableness and appropriateness of the methodology and assumptions used in various components of ECL modelling and the application of expert credit judgment to determine the ECL. This included, where applicable, challenging key assumptions / judgments relating to significant increase in credit risk ("SICR"), definition of default, PD, use of macro-economic variables and probability weighted outcomes to check that the ECL amounts recorded are reflective of underlying credit quality and macroeconomic trends. • Testing the completeness and accuracy of the data used within the ECL calculation by sample testing over key data inputs used in estimating the ECL. • Involving our Information Technology ("IT") specialists to test the relevant general IT and application controls over key systems

Key Audit Matters (continued)

Impairment of loans, advances and financing to customers

See notes 3.2, 4.1, 7 and 37 to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
	used for data extraction used in the ECL process. • Re-performing key aspects of the Group's and the Bank's SICR determinations for selected samples of loans, advances and financing to customers to determine whether a SICR event was appropriately identified. • Performing credit assessments for a sample of selected customers, including Stage 3 customers, to test the appropriateness of the credit grades, including staging, assessing the financial performance of the borrower, source of repayment and future cash flows of the borrower, and as necessary, challenging the appropriateness of the ECL calculation by involving FRM specialists to reperform calculation for a sample of borrowers. • Assessing the adequacy of the Group's and the Bank's disclosures by reference to the requirements of the relevant accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the Chairman Report, Management Discussion and Analysis Report, Corporate Governance Report and Basel II and III – Pillar III Report, which we obtained prior to the date of this auditors' report, and the 2023 Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, we report that separate financial statements of the Bank as at and for the year ended 31 December 2023, comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

Kenneth Macfarlane
10 March 2024

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P.O.Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

KPMG LLC

CR No. 1358131
Tax Card No. 8063052

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Financial statements

Statement of financial position
as at 31 december 2023

	Note	Consolidated		Parent Company	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	Note	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	5	151,581	99,913	84,685	31,034
Due from banks	6	130,125	53,671	124,068	48,161
Loans, advances and financing to customers	7	3,274,724	3,067,063	2,306,160	2,164,984
Investment securities	8	326,561	331,656	253,644	268,426
Investment in subsidiary	9	-	-	107,144	107,144
Property and equipment	10	43,096	38,496	37,394	35,659
Intangible assets	11	6,590	6,900	-	-
Other assets	12	86,326	84,131	53,696	55,454
Total assets		**4,019,003**	**3,681,830**	**2,966,791**	**2,710,862**
Due to banks	13	32,228	94,141	32,228	59,101
Customer deposits	14	3,357,417	2,992,180	2,343,619	2,089,284
Other liabilities	15	107,146	94,496	87,097	71,114
Taxation	16	5,236	3,412	5,236	3,412
Total liabilities		**3,502,027**	**3,184,229**	**2,468,180**	**2,222,911**
Share capital	17	166,941	166,941	166,941	166,941
Share premium	19	36,565	36,565	36,565	36,565
Legal reserve	20	50,551	48,570	48,707	47,506
General reserve	21	25,560	25,560	25,560	25,560
Special reserve	22	3,837	3,837	3,837	3,837
Fair value reserve		(1,075)	(3,160)	(1,198)	(3,110)
Impairment reserve	37	9,130	9,130	9,130	9,130
Retained earnings		79,217	71,355	62,819	62,719
Shareholders' equity		**370,726**	**358,798**	**352,361**	**349,148**
Perpetual Tier 1 capital bonds	23	146,250	138,803	146,250	138,803
Total equity		**516,976**	**497,601**	**498,611**	**487,951**
Total equity and liabilities		**4,019,003**	**3,681,830**	**2,966,791**	**2,710,862**
Net assets value per share (RO)		0.222	0.215	0.211	0.209
Contingent liabilities and commitments		437,849	393,241	302,171	272,193

The financial statements were authorised on 10 March 2024 for issue in accordance with a resolution of the Board of Directors and signed by:

Chairman **Director** **Chief Executive Officer**

The accompanying notes from 1 to 41 form an integral part of these consolidated and separate financial statements.

Statement of comprehensive income
For the year ended 31 december 2023

	Note	Consolidated		Parent Company	
		2023	2022	2023	2022
	Note	RO'000	RO'000	RO'000	RO'000
Interest income	24	145,730	127,085	146,086	127,100
Interest expense	25	(75,033)	(52,616)	(75,033)	(52,616)
Net interest income		**70,697**	**74,469**	**71,053**	**74,484**
Income from Islamic financing	26	61,194	51,544	-	-
Profit paid on participatory deposits	26	(35,000)	(25,861)	-	-
Net income from Islamic financing		**26,194**	**25,683**	**-**	**-**
Net fee and commission income	27	18,937	17,795	14,357	14,204
Net income from investment securities	28	285	223	224	223
Other operating income	29	4,128	4,365	3,432	3,773
Total income		**120,241**	**122,535**	**89,066**	**92,684**
Operating expenses	30	(71,279)	(74,735)	(52,880)	(55,181)
Net allowances for credit losses	37.1.2	(24,729)	(30,344)	(21,803)	(26,871)
Profit before tax		**24,233**	**17,456**	**14,383**	**10,632**
Income tax expense	16	(3,678)	(1,275)	(2,370)	(392)
Net profit for the year		**20,555**	**16,181**	**12,013**	**10,240**
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss in the subsequent years					
- Equity investment at FVOCI – net change in fair value		182	36	51	17
Items that are or may be reclassified to profit or loss in the subsequent years					
- Debt investment at FVOCI – net change in fair value		1,903	(2,168)	1,861	(2,163)
Other comprehensive income / (loss) for the year		**2,085**	**(2,132)**	**1,912**	**(2,146)**
Total comprehensive income for the year		**22,640**	**14,049**	**13,925**	**8,094**
Earnings / (loss) per share:					
Basic and diluted (RO)	31	0.006	0.003	0.001	(0.0003)

The accompanying notes from 1 to 41 form an integral part of these consolidated and separate financial statements.

Statement of changes in equity
For the year ended 31 December 2023

Consolidated	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2022		**166,941**	**36,565**	**46,921**	**25,560**	**3,837**	**(1,081)**	**9,130**	**67,663**	**355,536**	**168,803**	**524,339**
Net Profit for the year		-	-	-	-	-	-	-	16,181	16,181	-	16,181
Unrealised loss on FVOCI investments		-	-	-	-	-	(2,132)	-	-	(2,132)	-	(2,132)
Realised loss on FVOCI investments		-	-	-	-	-	53	-	(53)	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(2,079)**	**-**	**16,128**	**14,049**	**-**	**14,049**
Dividends paid	18	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	20	-	-	1,649	-	-	-	-	(1,649)	-	-	-
Redemption of Tier 1 bonds	23	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(62)	(62)	-	(62)
Interest on Perpetual Tier 1 capital bonds	23	-	-	-	-	-	-	-	(10,725)	(10,725)	-	(10,725)
At 31 December 2022		**166,941**	**36,565**	**48,570**	**25,560**	**3,837**	**(3,160)**	**9,130**	**71,355**	**358,798**	**138,803**	**497,601**

Consolidated	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2023		**166,941**	**36,565**	**48,570**	**25,560**	**3,837**	**(3,160)**	**9,130**	**71,355**	**358,798**	**138,803**	**497,601**
Net Profit for the year		-	-	-	-	-	-	-	20,555	20,555	-	20,555
Unrealised gain on FVOCI investments		-	-	-	-	-	2,094	-	-	2,094	-	2,094
Realised loss on FVOCI investments		-	-	-	-	-	(9)	-	-	(9)	-	(9)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**2,085**	**-**	**20,555**	**22,640**	**-**	**22,640**
Dividends paid	18	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	20	-	-	1,981	-	-	-	-	(1,981)	-	-	-
Redemption of Tier 1 bonds	23	-	-	-	-	-	-	-	-	-	(42,553)	(42,553)
Additional Tier 1 capital bonds	23	-	-	-	-	-	-	-	-	-	50,000	50,000
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(181)	(181)	-	(181)
Interest on Perpetual Tier 1 capital bonds	23	-	-	-	-	-	-	-	(10,531)	(10,531)	-	(10,531)
At 31 December 2023		**166,941**	**36,565**	**50,551**	**25,560**	**3,837**	**(1,075)**	**9,130**	**79,217**	**370,726**	**146,250**	**516,976**

The accompanying notes from 1 to 41 form an integral part of these consolidated and separate financial statements.

Statement of changes in equity
For the year ended 31 December 2023

Parent Company	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2022		**166,941**	**36,565**	**46,482**	**25,560**	**3,837**	**(1,017)**	**9,130**	**64,343**	**351,841**	**168,803**	**520,644**
Net Profit for the year		-	-	-	-	-	-	-	10,240	10,240	-	10,240
Unrealised loss on FVOCI investments		-	-	-	-	-	(2,146)	-	-	(2,146)	-	(2,146)
Realised loss on FVOCI investments		-	-	-	-	-	53	-	(53)	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(2,093)**	**-**	**10,187**	**8,094**	**-**	**8,094**
Dividends paid	18	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	20	-	-	1,024	-	-	-	-	(1,024)	-	-	-
Redemption of Tier 1 bonds	23	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)
Additional Tier 1 capital bonds	23	-	-	-	-	-	-	-	-	-	-	-
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(62)	(62)	-	(62)
Interest on Perpetual Tier 1 capital bonds	23	-	-	-	-	-	-	-	(10,725)	(10,725)	-	(10,725)
At 31 December 2022		**166,941**	**36,565**	**47,506**	**25,560**	**3,837**	**(3,110)**	**9,130**	**62,719**	**349,148**	**138,803**	**487,951**

Parent Company	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2023		**166,941**	**36,565**	**47,506**	**25,560**	**3,837**	**(3,110)**	**9,130**	**62,719**	**349,148**	**138,803**	**487,951**
Net Profit for the year		-	-	-	-	-	-	-	12,013	12,013	-	12,013
Unrealised loss on FVOCI investments		-	-	-	-	-	1,912	-	-	1,912	-	1,912
Realised gain on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**1,912**	**-**	**12,013**	**13,925**	**-**	**13,925**
Dividends paid	18	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	20	-	-	1,201	-	-	-	-	(1,201)	-	-	-
Redemption of Tier 1 bonds	23	-	-	-	-	-	-	-	-	-	(42,553)	(42,553)
Additional Tier 1 capital bonds	23	-	-	-	-	-	-	-	-	-	50,000	50,000
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(181)	(181)	-	(181)
Interest on Perpetual Tier 1 capital bonds	23	-	-	-	-	-	-	-	(10,531)	(10,531)	-	(10,531)
At 31 December 2023		**166,941**	**36,565**	**48,707**	**25,560**	**3,837**	**(1,198)**	**9,130**	**62,819**	**352,361**	**146,250**	**498,611**

The accompanying notes from 1 to 41 form an integral part of these consolidated and separate financial statements.

Statement of cash flows
Year ended 31 December 2023

	Note	Consolidated 31-Dec-23 RO'000	Consolidated 31-Dec-22 RO'000	Parent Company 31-Dec-23 RO'000	Parent Company 31-Dec-22 RO'000
Operating activities:					
Profit before tax		24,233	17,456	14,383	10,632
Adjustments:					
Depreciation	30	9,527	9,229	7,720	8,110
Amortization	30	310	310	-	-
Net impairment for credit losses		24,729	30,344	21,803	26,871
Dividend income	28	(268)	(256)	(207)	(256)
Loss on sale of property and equipment		5		5	
Changes in fair value of financial assets at FVTPL	28	(17)	33	(17)	33
Operating profit before working capital changes		58,519	57,116	43,687	45,390
Loans, advances and financing to customers		(232,411)	(344,663)	(162,775)	(230,575)
Due from banks		10,000	-	(5,400)	-
Due to banks		(61,913)	80,782	(26,873)	45,742
Other assets		176	5,254	5,174	3,904
Deposits from customers		365,237	181,768	254,335	124,087
Other liabilities		3,677	9,983	7,011	5,078
Cash generated from / (used in) operations		143,285	(9,760)	115,159	(6,374)
Tax paid		(632)	-	(632)	-
Net cash from / (used in) in operating activities		**142,653**	**(9,760)**	**114,527**	**(6,374)**
Investing activities:					
Purchase of investments		(12,848)	(39,531)	(3,020)	(35,584)
Proceeds from sale / maturities of investments		19,781	7,800	19,487	4,600
Purchase of property and equipment		(8,394)	(4,308)	(3,722)	(3,391)
Proceeds from sale of property and equipment		6	-	6	-
Dividend Income		268	256	207	256
Net cash (used in) / from in investing activities		**(1,187)**	**(35,783)**	**12,958**	**(34,119)**
Financing activities:					
Proceeds from issuance of Perpetual Tier 1 capital bonds		50,000	-	50,000	-
Perpetual Tier 1 capital bonds repayment		(42,553)	(30,000)	(42,553)	(30,000)
Interest on Perpetual Tier 1 capital bonds		(10,531)	(10,725)	(10,531)	(10,725)
Additional Tier 1 issuance cost		(181)	(62)	(181)	(62)
Net cash (used in) financing activities		**(3,265)**	**(40,787)**	**(3,265)**	**(40,787)**
Net increase / (decrease) in cash and cash equivalents		138,201	(86,330)	124,220	(81,280)
Cash and cash equivalents at the beginning of the year		142,595	228,925	68,727	150,007
Cash and cash equivalents at the end of the year	34	280,796	142,595	192,947	68,727
Operational cash flows from interest					
Interest and financing income received		205,934	174,008	150,754	120,687
Interest and profit paid		(106,113)	(93,295)	(70,430)	(46,882)

The accompanying notes from 1 to 41 form an integral part of these consolidated and separate financial statements.

1. Legal status and principal activities

Oman Arab Bank SAOG (the Parent Company or the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company (SAOC). On 6 July 2020, Oman Arab Bank SAOC acquired Al Izz Islamic Bank SAOC (AIB) and become a public joint stock company (SAOG) and was listed on the Muscat Stock Exchange (MSX). The Parent Company is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the Bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Sultanate of Oman. The Parent Company was a subsidiary of Oman International Development and Investment Company SAOG up to 29 June 2020. On 30 June 2020, Oman Arab Bank SAOG became a subsidiary of Arab Bank PLC, an entity listed in Jordan.

The consolidated financial statements as at and for the year ended 31 December 2023 comprises the results of the Parent Company and Al Izz Islamic Bank (AIB) (the Subsidiary). The details of the subsidiary are provided in note 9.

The Subsidiary prepares its own separate set of financial statements in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Sharia Rules and Principles as determined by the Sharia Supervisory Board (the "SSB") and other applicable requirements of the CBO. The Subsidiary's financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these consolidated financial statements.

The Parent Company and the Subsidiary together are referred to as 'the Group' or 'the Bank'.

2. Basis of preparation

2.1. Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards (IFRSs) as issued by International Accounting Standards Board (IFRS Accounting Standards), in compliance with the requirements of the Commercial Companies Law of 2019, the disclosure requirements of the Capital Market Authority of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman (CBO).

The CMA requires that all Public Joint Stock Companies disclose the financial statements of the Parent Company in a separate column in the consolidated financial statements (via circular E/2/2007 from 21 January 2007).

The Bank presents its statement of financial position in descending order of liquidity, as this presentation is more appropriate to the Bank's operations.

2.2. Basis of measurement

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial instruments at fair value through profit or loss (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Rial Omani ("RO"), which is the Bank's functional (currency of primary economic environment in which the Bank operates), rounded to the nearest thousand unless otherwise stated.

2. Basis of preparation (continued)

2.4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions conformity with IFRSs requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

2.5. New and amended standards and interpretations to IFRS relevant to the Bank

For the year ended 31 December 2023, the Bank has adopted all of new and revised 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 2023. The following amendments to existing standards and framework have been applied by the Bank in preparation of these financial statements.

- **Material accounting policy information**

The Bank adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances inline with the amendments.

Other amendments and interpretations apply for the first time in 2023, but do not have an impact on the Bank's financial statements.

2.6. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)
- Climate-related Disclosures (IFRS S2)

2.7. Consolidation

The consolidated financial statements comprise the financial statements of Oman Arab Bank SAOG ("Parent Company") and its fully owned subsidiary as at 31 December 2023. The Bank owns 100% of the equity in AIB and has control of the subsidiary. IFRS 10 introduces a control model that focuses on whether the Bank has power over the investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect those returns.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

a. Business combinations

The Group accounts for business combination using the acquisition method, when the acquired set of activities meet the definition of a business and control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the statement of profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

b. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date when control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group acquires control until the date when the Group ceases to control the subsidiary.

c. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

d. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

e. Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3. Material accounting policies

The accounting policies set out below have been applied consistently to all the years presented in these financial statements. In addition, the Bank adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information related to financial instruments disclosed in the notes. The material accounting policies adopted in preparation of these financial statements are as follows:

3.1. Financial Instruments

3.1.1. Recognition

All financial instruments are recognised initially at fair value plus or minus, for instruments not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issuance. For FVTPL instruments, the transaction costs are expensed into profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability (transaction price) in an orderly transaction between market participants at the measurement date. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. Loans and advances, deposits, debt securities issued and subordinated liabilities are initially recognised on the date on which they originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised on the settlement date, i.e., the date the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3. Material accounting policies (continued)

3.1.2. Classification and measurement

Financial assets are classified into one of the following categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

a. Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions. Example of these assets are most of loans & advances, due from banks and some debt securities.

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI").

These instruments are initially measured at fair value plus direct transaction cost and subsequently at amortised cost using the effective interest rate method.

b. Debt securities measured at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions. This category comprises primary debt securities.

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Gains and losses for these securities are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- Expected credit loss (ECL) and reversals; and
- Foreign exchange gains and losses.

When debt securities measured at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the Bank's management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- How managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed where whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Cash Flow Characteristic Test – SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features.
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

The Bank holds a portfolio of loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

c. Equity investments at FVTPL

All equity investments are measured at fair value through profit or loss, except for those investments for which the bank has elected to present value changes in other comprehensive income at initial recognition (see point d below). Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

d. Equity instruments at FVOCI

At initial recognition, the bank may elect to classify some equity instruments, which are not held for trading, as equity instruments measured at FVOCI. This election is made on an instrument by instrument basis, available only at initial recognition and is irrevocable. Gains and losses on these equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

e. Financial instruments designated at FVTPL

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by the bank upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. The bank can only designate an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis, available only at initial recognition and is irrevocable.

- The designation removes or significantly reduces an accounting mismatch;
- When a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- Where the financial liability contains one or more non-closely related embedded derivatives.

3. Material accounting policies (continued)

f. Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognised in the financial statements at fair value (with provisions), being the premium received. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, under IFRS 9 – an ECL provision.

The premium received is recognised in the income statement in fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

g. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

i. Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

ii. Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

iii. Hedges of a net investment in a foreign operation (net investment hedge).

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in profit or loss within 'Other operating income'.

Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the profit or loss in other operating income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the profit or loss in other operating income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the profit or loss.

Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in other operating income in the profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.

h. Financial liabilities

Financial liabilities, other than loan commitments and financial guarantees, are initially recognised at fair value and subsequently measured at amortised cost or at FVTPL when they are held for trading.

3.1.3 Reclassifications

Financial assets should not be reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

3.1.4 Derecognition

a. Financial assets

- A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the financial asset have expired; or
- The bank has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The bank has transferred substantially all the risks and rewards of the asset; or
  - The bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the bank's continuing involvement in the asset. In such case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to repay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Pass-through arrangements are transactions whereby the bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The bank must remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

De-recognition due to substantial modification of terms and conditions.

If the terms of a financial asset are modified, the bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In such case, the original financial asset is derecognised and a new financial asset is recognised at fair value. An example to that would be a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be purchased or originated credit impaired ("POCI").

When assessing whether to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

3. Material accounting policies (continued)

a. Financial assets (continued)

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss (see point 3.1.5 below), to the extent that an impairment loss has not already been recorded.

b. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.1.5. Modifications of financial assets and financial liabilities

a. Financial assets

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset are modified because of financial difficulties of the borrower and the asset is not derecognised, then impairment of the asset is measured using the pre-modification interest rate.

b. Financial liabilities

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.1.6. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.1.7. Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.1.8. Fair value measurement

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes to the financial statements specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the Valuation computation to contracts and other relevant documents. The Bank also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.2. Impairment

Loss allowances are recognised for ECL on the following financial instruments where they are not measured at FVTPL:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Loan commitments when there is a present obligation to extend credit; and
- Financial guarantee contracts issued.

a. Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the bank in accordance with the contract and the cash flows that the bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Unutilized loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

b. General approach

ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss - LTECL), unless there has been no significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit loss (12-month ECL).

The 12-month ECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Reasonable and supportable information, that is relevant and available without undue cost or effort, is considered when assessing whether a financial instrument's credit risk has increased significantly since initial recognition. This includes both quantitative and qualitative information and analysis, based on the historical experience and expert credit assessment and including forward-looking information.

All financial assets are classified into Stage 1, Stage 2, and Stage 3, as described below:

3. Material accounting policies (continued)

3.2. Impairment (continued)

i. Stage 1:

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

ii. Stage 2:

Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure.

iii. Stage 3:

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

c. The calculation of ECL

ECL is calculated based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the bank in accordance with the contract and the cash flows that the bank expects to receive. The key elements for the ECL calculations are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including from the realisation of any collateral, if any. It is usually expressed as a percentage of the EAD.

ECL is then calculated based on the below:

- **12 month ECL = 12 month PD X LGD X EAD**
- **Lifetime ECL = Lifetime PD X LGD X EAD**

d. Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

e. Credit-impaired financial assets

At each reporting date, financial assets carried at amortised cost and debt financial assets carried at FVOCI are assessed if they are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

f. Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Loan commitments and financial guarantee contracts: generally, as a provision; where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision and included in other liabilities.

g. Experienced credit judgement

The Bank's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting years.

h. Write off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

3.2.1. Impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The bank reviews its loan portfolios to assess impairment at least on a monthly basis.

3.2.2. Impairment of non-financial assets

The bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to

3. Material accounting policies (continued)

3.2.2. Impairment of non-financial assets (continued)

their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

3.3. Renegotiated loans and modification of loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. Modification of loans is accounted according to IFRS 9. IFRS 9 contains guidance on non-substantial modifications and the accounting in such cases. It states that costs or fees incurred are adjusted against the instruments are amortised over the remaining term. Adjustments to amortised cost in such cases should be recognised in profit or loss, according to which the liability should be restated to its revised future cash flows discounted by the original EIR. For substantial modification, the initial liability has to be extinguished and a new liability recognised at its fair value as of the date of the modification, using the effective market interest rate. The difference between this initial fair value of the new liability and the carrying amount of the liability derecognised is recognised as a gain or loss upon extinguishment. All fees incurred are immediately expensed.

3.4. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and other financial institutions, treasury bills and money market placements, deposits and certificates of deposit maturing within three months of the date of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Restricted bank balances and deposits which are not available to meet Bank's short-term commitments are excluded from cash and cash equivalents.

3.5. Due from banks

These are stated at amortised cost, less any amounts written off and provisions for impairment. Due from banks include Nostro balances, placements and loans to banks.

3.6. Investment in subsidiary

In Parent Company financial statements, investment in subsidiary is stated at cost, less any impairment in the value of the investments. Dividend income from subsidiary is accounted in the year in which entitlement is established.

3.7. Repurchase and resale agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

3.8. Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the net carrying value of the related loans and advances before de-recognition and the current fair value of such assets. Gains or losses on disposal and unrealised losses on revaluation are recognised in the statement of profit or loss.

3.9. Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

3.10. Property and equipment

Property and equipment are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on the assets except land is calculated using the straight-line basis to allocate their cost over the estimated useful lives, as follows:

Item	Years
Building	25
Leasehold improvements	Lease period or 5 years whichever is less
Equipment, furniture and fixtures	3-10
Computer equipment and Software	5
Motor vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the profit or loss when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred.

3.11. Leases

The bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

a. Bank as a lessee

The bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

b. Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. Leases are recorded as liabilities, at the present value of the future lease payments, along with an asset reflecting the right of use asset (ROU) over the lease term.

- Lease terms, lease payments to be made over time and incremental borrowing rate will be identified from lease agreements.
- The right of use asset will be depreciated to zero based on the useful life of the leased asset. This may or may not be the same date as the accounting lease end date.
- The right-of-use assets are subject to impairment in line with the Bank's policy as described in Impairment of non-financial assets.
- Lease term: The lease term is within the range between the non-cancellable period and the enforceable period. It is typically for 1 to 5 years. The lease term is the non-cancellable period of the lease together with:
  - Optional renewable periods if the bank is reasonably certain to extend; and
  - Periods after an optional termination date if the lessee is reasonably certain not to terminate early.
- Lease payments: A lessee includes the following payments relating to the use of the underlying asset in the measurement of the lease liability:
  - Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
  - Variable lease payments that depend on an index or a rate;
  - Amounts expected to be payable by the lessee under residual value guarantees;

3. Material accounting policies (continued)

b. Right-of-use assets (continued)

- The exercise price of a purchase option that the lessee is reasonably certain to exercise; and
- Payments for terminating the lease if the lease term reflects early termination.

- Any fixed payments by the bank for property taxes and insurance are considered part of overall contract consideration to be allocated among the lease and non-lease components.
- Banks allocate the contract consideration to each lease and non-lease component based on its relative standalone price. Any variable payments that are not based on a rate or an index are excluded from the calculation of the overall contract consideration.
- The impact of property taxes and insurance paid by the lessee depends on whether they are fixed or variable. If a lessee pays the actual amount of property taxes and insurance that are not in substance fixed and the payments are not based on an index or a rate, they are accounted for similar to other variable lease payments i.e., excluded from contract consideration and excluded from lease payments used for classification and initial measurement by both the lessee and the lessor. On the other hand, if a lessee pays a fixed amount of property taxes and insurance as part of rent payments, such payments are included in contract consideration and allocated to the lease and non-lease components by the lessee and lessor.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When calculating the incremental borrowing rate, a lessee should consider the following:

- The rate calculated should be the rate at which the entity could borrow. The rate should not reflect the cost of equity finance and, as such, it would be inappropriate to use a WACC (or any other rate including a component 'cost of capital' alongside the cost of debt). Similarly, it would be inappropriate to use a transfer pricing rate (used for tax transfer pricing adjustments) because these are typically 'risk-free'. However, there might be scenarios in which these rates can be used as a starting point, provided that appropriate adjustments are made.
- The rate should reflect the amount that the entity could borrow over the term of the lease. It should be the rate at which an entity would borrow to acquire an asset of similar value to the right-of-use asset, rather than to acquire the entire underlying asset. An exception would be where the lease term is for substantially all of the life of the underlying asset.
- The rate should reflect that of a secured borrowing for a similar asset (being the right-of-use asset, not the underlying asset), rather than an unsecured borrowing or general line of credit.
- The rate should reflect the credit standing of the entity and the rate at which it would borrow in a similar economic environment.

If bank assess that the lease agreement will go on for longer period, than in the lease agreement i.e., the lease agreement will be extended then bank uses reasonably certain lease term to record ROU asset and lease Liability.

c. Lease modification

A lease modification is a change in the scope of a lease, or the consideration for a lease that was not part of its original terms and conditions. From a lease liability perspective, the key inputs that can be modified are:

- Lease payments
- Lease term

Lease Modification identified will be accounted for separately by using the deferral amount or term so that the lease in essence produce the same result as it would have if such modification was there from start of the lease period.

d. Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the year in which the event or condition that triggers the payment occurs.

e. Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.
As of 31 December 2023 and 2022, the Bank is not a lessor in any of the lease arrangements.

3.12. Acceptances

Acceptances are disclosed on the statement of financial position under other assets with corresponding liability disclosed under other liabilities. Therefore, there is no off-balance sheet commitment for acceptances.

3.13. Deposits

Deposits from banks and customers and subordinated liabilities are the Bank's sources of funding. All money market and customer deposits are carried at amortised cost using EIR.

3.14.Employee benefits

3.14.1. Terminal benefits

Contribution to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, is recognised as an expense in statement of profit or loss when incurred.

The Bank's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

3.14.2. Short term benefits

Employee entitlements to annual leave and leave passage are recognized when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

3.14.3. Voluntary end of service benefits

Voluntary end of service benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if it is probable that the offer made by the Bank will be accepted, and the number of acceptances can be estimated reliably.

3.15. Provisions

A provision is recognised if, as a result of past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligations. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

3.16. Taxation

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with Omani fiscal regulations.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets / liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

3. Material accounting policies (continued)

3.17. Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the year of the facility to which it relates.

3.18. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

3.19. Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20. Directors' remuneration

The Board of Directors' remuneration is governed by the Commercial Companies Law of the Sultanate of Oman and the regulations issued by the Capital Market Authority. The Annual General Meeting determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees within the limits specified in the aforementioned regulations.

3.21. Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank currently operates only in the Sultanate of Oman. The Bank's primary format for reporting segmental information is business segments, based upon management and internal reporting structure which are regularly reviewed by the Bank's chief operating decision maker (CODM). The Bank's main business segments are corporate, retail banking and Islamic financing.

3.22. Foreign currencies translation

Transactions in foreign currencies are translated into the respective functional currency using the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the reporting date. Any resulting exchange differences are included in 'other income' in the statement of comprehensive income.

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognised in the profit or loss, except for non-monetary financial assets, such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.23. Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria should be met before revenue is recognised.

3.23.1. Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or a financial liability is the amount at which the financial asset or the financial liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance or impairment allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Other interest income presented in the statement of profit or loss and OCI includes interest income on lease receivables. Interest expense presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- Interest expense on lease liabilities.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL. Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

3.23.2. Fee and commission income

Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided to the customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. The standard introduces a five-step approach to revenue recognition.

3. Material accounting policies (continued)

3.23.2. Fee and commission income (continued)

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The products and services of the bank covered under IFRS 15 along with its nature, timing of satisfaction of performance obligations and significant payment terms are as follows:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms	Revenue Recognition
Transaction based services	Services provided include opening, closing and maintenance of accounts, cheque issuance, clearing, deposit and payments transactions, provision of overdraft facilities, foreign currency transactions, remittances, safe deposit lockers, cards, e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue is recognized on completion of service or proportionate completion basis on satisfaction of performance obligation as per the terms of contract.
Trade services	The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Revenue is recognised on service completion basis or time proportionate basis over the period of contract.
Syndication and other loan related services	The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Revenue is recognised on completion of service basis or on time proportion basis.
Advisory services	Advisory services include advising for debt syndications, financial structuring etc. Advisory fees are charged to the customer's account on milestone completion basis or over the period of contract in line with the terms and conditions of contract.	Revenue is recognized on satisfaction of performance obligation at a point in time or over a period of time or on achievement of agreed milestones as per contract.

Fees integral to the effective interest rate (EIR) are included in the EIR calculation, and are recognised over the life of the financial instrument. This include fees integral to the origination of a financial instrument (fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability) and commitment fees (if it is probable that the bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination). The bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Fees and commissions arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis or based on a right to receive. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Wealth management fees, financial planning and custody services are recorded reliably over the period that the service is provided.

3.23.3. Dividend income

Dividend income is recognized when the right to receive payment is established.

3.24 Perpetual bonds

Perpetual Tier 1 Capital Securities of the Bank are recognised under equity and the corresponding distribution on those instruments are accounted for in the retained earnings. The Tier 1 securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments. The Tier 1 securities do not have a fixed redemption or final maturity date and are redeemable by the Bank at its sole discretion on the first call date or thereafter on interest payment or reset date, as mentioned in the contract.

4. Critical accounting estimates and judgments

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. The Bank's critical accounting estimates were on:

4.1. Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows from collateral when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit rating model
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis.

4.2 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Bank establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Bank. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the Bank and the relevant tax authority.

4. Critical accounting estimates and judgments (continued)

4.3 Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.4 Impact of COVID-19

Certain judgments were involved in determining the ECL impact of COVID-19 deferrals. For more information see Note 37.1.3.

4.5 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the each reporting year. The Group uses expected cash flow analysis for various financial assets that are not traded in active markets.

4.6 Determination of lease term

The Group considers all facts and circumstances when determining the lease term. Extension options (or years that fall after the termination options) are included in the lease term only if there is reasonable certainty that the lease will be extended (or not terminated). The Bank considers the enforceability and nature of the extension clause in the lease agreement, the value of leasehold improvements, penalties levied, costs and business disruptions that would occur, should a change of location occur as factors to determine the lease term.

Lease term is reassessed if an option is exercised or not exercised or the Bank becomes obliged to exercise or not exercise. The assessment is only revisited if a significant event or a significant change in circumstances arises which affects this assessment and that is within the control of the Bank. During the year, the Bank has not revised its assessment of lease term as no significant changes or events occurred.

5. Cash and balances with central bank

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Cash in hand	26,850	27,769	21,085	21,711
Balances with the Central Bank of Oman:				
- Clearing account	105,611	46,763	63,100	7,202
- Placements	18,095	24,356	-	1,621
- Capital deposit	1,025	1,025	500	500
Total	**151,581**	**99,913**	**84,685**	**31,034**

i. The capital deposit cannot be withdrawn without the approval of the Central Bank of Oman. The capital deposit earns an annual interest at 1.5% p.a. (2022:1.5%) for the Parent Company. The CBO does not pay any interest to the Islamic Banks in Oman; therefore, no such interest was earned by the Subsidiary during the year.

ii. During the year, average minimum balance to be kept with Central Bank of Oman as statutory reserves was RO 95 million (Consolidated), RO 65 million (Parent Company); [2022: RO 86 million (Consolidated), RO 60 million (Parent Company)].

iii. Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, there are no expected credit losses and hence no provision has been recognised.

6. Due from banks

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Placements	102,168	39,884	98,718	36,884
Current accounts	28,072	13,823	25,444	11,309
Due from banks and other money market placements	130,240	53,707	124,162	48,193
Less: allowance for credit losses	(115)	(36)	(94)	(32)
Total	**130,125**	**53,671**	**124,068**	**48,161**

Movement in allowance for the credit losses is set out below:

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Balance at the beginning of the year	36	74	32	73
Charge / (release) during the year	79	(38)	62	(41)
Balance at the end of the year	**115**	**36**	**94**	**32**

At 31 December 2023, 56% (2022: 61%) of the Bank's placements were with banks rated in the range of Aa1 to Ba3 (2022: Aa1 to Ba3) and 8% (2022: 37%) of the placements were with Oman Housing Bank SAOC, which is owned by Government.

The credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and the year-end staging classification is disclosed in note 37 to the financial statements.

7. Loans, advances and financing to customers

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Term loans	1,487,851	1,341,771	1,487,851	1,341,771
Overdrafts	117,947	111,706	117,947	111,706
Bills discounted	15,482	34,136	15,482	34,136
Islamic finance	585,132	554,888	-	-
Corporate loans	**2,206,412**	**2,042,501**	**1,621,280**	**1,487,613**
Consumer loans	452,531	432,424	452,531	432,424
Mortgage loans	390,423	372,431	390,423	372,431
Overdrafts	4,141	988	4,141	988
Credit cards	11,071	9,339	11,071	9,339
Islamic finance	428,408	389,016	-	-
Retail loans	**1,286,574**	**1,204,198**	**858,166**	**815,182**
Gross loans, advances and financing to customers	**3,492,986**	**3,246,699**	**2,479,446**	**2,302,795**
Allowance for credit losses	174,347	149,712	133,552	111,978
Contractual interest not recognised	43,915	29,924	39,734	25,833
Less: allowance for credit losses and suspended interest	**(218,262)**	**(179,636)**	**(173,286)**	**(137,811)**
Net loans, advances and financing to customers	**3,274,724**	**3,067,063**	**2,306,160**	**2,164,984**

7. Loans, advances and financing to customers (continued)

The movements in the allowance for the credit losses and contractual interest not recognised on loans, advances and financing to customers were as follows:

Consolidated 2023	Allowance for credit losses	Contractual interest not recognised	Total
	RO' 000	RO' 000	RO' 000
Balance at 1 January 2023	**149,712**	**29,924**	**179,636**
Provided during the year	34,958	19,456	54,414
Amounts written off during the year	(25)	(2,033)	(2,058)
Amounts released / recovered during the year	(10,298)	(3,432)	(13,730)
Balance at 31 December 2023	**174,347**	**43,915**	**218,262**
2022	RO' 000	RO' 000	RO' 000
Balance at 1 January 2022	**122,398**	**18,625**	**141,023**
Provided during the year	35,274	17,223	52,497
Amounts written off during the year	(2,821)	(3,779)	(6,600)
Amounts released / recovered during the year	(5,139)	(2,145)	(7,284)
Balance at 31 December 2022	**149,712**	**29,924**	**179,636**

Parent Company 2023	Allowance for credit losses	Contractual interest not recognised	Total
	RO' 000	RO' 000	RO' 000
Balance at 1 January 2023	**111,978**	**25,833**	**137,811**
Provided during the year	29,934	18,194	48,128
Amounts written off during the year	(25)	(2,033)	(2,058)
Amounts released / recovered during the year	(8,335)	(2,260)	(10,595)
Balance at 31 December 2023	**133,552**	**39,734**	**173,286**
2022	RO' 000	RO' 000	RO' 000
Balance at 1 January 2022	**88,197**	**15,866**	**104,063**
Provided during the year	31,741	15,891	47,632
Amounts written off during the year	(2,821)	(3,779)	(6,600)
Amounts released / recovered during the year	(5,139)	(2,145)	(7,284)
Balance at 31 December 2022	**111,978**	**25,833**	**137,811**

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Performing loans, advances and financings	**3,286,439**	3,080,916	**2,319,854**	2,179,382
Allowance for the credit losses on performing loans	**75,319**	69,073	**60,637**	55,939
Non-performing loans, advances and financings on which interest was not accrued	**206,547**	165,783	**159,592**	123,413
Allowance for the credit losses on non-performing loans	**142,943**	110,563	**112,649**	81,872

The analysis of the Islamic financing activities is as follows:

	Corporate	Retail	Total
2023	RO'000	RO'000	RO'000
Musharaka	282,466	252,957	535,423
Murabaha	58,578	63,330	121,908
Ijarah Muntahia Bittamleek	55,842	107,280	163,122
Wakala	188,149	2,000	190,149
Others	97	2,841	2,938
Balance at 31 December 2023	**585,132**	**428,408**	**1,013,540**
2022	RO'000	RO'000	RO'000
Musharaka	217,727	204,284	422,011
Murabaha	72,601	58,456	131,057
Ijarah Muntahia Bittamleek	82,190	121,687	203,877
Wakala	182,370	2,000	184,370
Others	-	2,589	2,589
Balance at 31 December 2022	**554,888**	**389,016**	**943,904**

8. Investment securities

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
- Banking and investment sector	266	252	266	252
Quoted investments – Oman	266	252	266	252
- Banking and investment sector	192	189	192	189
Quoted investments – Foreign	192	189	192	189
Investments measured at FVTPL	**458**	**441**	**458**	**441**
- Banking and investment sector	2,400	2,400	2,400	2,400
- Manufacturing sector	224	240	224	240
- Service sector	1,823	542	599	542
Quoted investments – Oman	4,447	3,182	3,223	3,182
- Service sector	75	424	-	-
Quoted investments – Foreign	75	424	-	-
- Service sector	194	248	194	184
Unquoted investments – Oman	194	248	194	184
Equity investments measured at FVOCI	4,716	3,854	3,417	3,366
- Government Sukuk	48,337	43,826	-	-
- Government Development Bonds (GDBs)	36,125	32,895	36,125	32,895
- Corporate Bonds	29,346	24,079	24,138	23,256
Debt investments measured at FVOCI	113,808	100,800	60,263	56,151
Investments measured at FVOCI	**118,524**	**104,654**	**63,680**	**59,517**
- Government Development Bonds (GDBs)	177,097	196,003	177,097	196,003
- Government Sukuk	18,095	18,095	-	-
Quoted investments – Oman	195,192	214,098	177,097	196,003
- Service sector	12,667	12,702	12,667	12,702
Quoted investments – Foreign	12,667	12,702	12,667	12,702
Investments measured at amortized cost	**207,859**	**226,800**	**189,764**	**208,705**
Total financial investments	**326,841**	**331,895**	**253,902**	**268,663**
Less: allowance for credit losses	(280)	(239)	(258)	(237)
Net financial investments	**326,561**	**331,656**	**253,644**	**268,426**

Consolidated 2023	**FVOCI Equity Investments**	**FVOCI Debt Investments**	**Amortised Cost**	**FVTPL**	**Total**
	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2023	**3,854**	**100,800**	**226,800**	**441**	**331,895**
Additions	680	11,288	880	-	12,848
Disposals and redemption	-	(294)	(19,487)	-	(19,781)
Gain / (Loss) from change in fair value	182	2,014	(334)	17	1,879
Gross financial investments	**4,716**	**113,808**	**207,859**	**458**	**326,841**
Less: allowance for credit losses	-	(202)	(78)	-	(280)
At 31 December 2023	**4,716**	**113,606**	**207,781**	**458**	**326,561**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2022	**6,002**	**82,970**	**213,333**	**473**	**302,778**
Additions	469	23,536	15,526	-	39,531
Disposals and redemption	(2,600)	(3,200)	(2,000)	-	(7,800)
(Loss) from change in fair value	(17)	(2,506)	(59)	(32)	(2,614)
Gross financial investments	**3,854**	**100,800**	**226,800**	**441**	**331,895**
Less: allowance for credit losses	-	(163)	(76)	-	(239)
At 31 December 2022	**3,854**	**100,637**	**226,724**	**441**	**331,656**

Parent Company 2023	**FVOCI Equity Investments**	**FVOCI Debt Investments**	**Amortised Cost**	**FVTPL**	**Total**
	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2023	**3,366**	**56,151**	**208,705**	**441**	**268,663**
Additions	-	2,140	880	-	3,020
Disposals and redemption	-		(19,487)	-	(19,487)
Gain / (Loss) from change in fair value	51	1,972	(334)	17	1,706
Gross financial investments	**3,417**	**60,263**	**189,764**	**458**	**253,902**
Less: allowance for credit losses		(180)	(78)		(258)
At 31 December 2023	**3,417**	**60,083**	**189,686**	**458**	**253,644**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2022	**6,002**	**38,594**	**195,238**	**473**	**240,307**
Additions	-	20,058	15,526	-	35,584
Disposals and redemption	(2,600)	-	(2,000)	-	(4,600)
(Loss) from change in fair value	(36)	(2,501)	(59)	(32)	(2,628)
Gross financial investments	**3,366**	**56,151**	**208,705**	**441**	**268,663**
Less: allowance for credit losses	-	(161)	(76)	-	(237)
At 31 December 2022	**3,366**	**55,990**	**208,629**	**441**	**268,426**

8. Investment securities (continued)

The fair value hierarchy of the financial investments is as follows:

Consolidated 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	458	-	-	458
Investment measured at FVTPL	**458**	**-**	**-**	**458**
- Quoted investments	4,522	-	-	4,522
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	**4,522**	**-**	**194**	**4,716**
- Quoted investments	60,263	53,545	-	113,808
Debt investments measured at FVOCI	**60,263**	**53,545**	**-**	**113,808**

Consolidated 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	441	-	-	441
Investment measured at FVTPL	**441**	**-**	**-**	**441**
- Quoted investments	3,606	-	-	3,606
- Unquoted investments	-	-	248	248
Equity investment measured at FVOCI	**3,606**	**-**	**248**	**3,854**
- Quoted investments	56,151	44,649	-	100,800
Debt investments measured at FVOCI	**56,151**	**44,649**	**-**	**100,800**

Parent Company 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	458	-	-	458
Investment measured at FVTPL	**458**	**-**	**-**	**458**
- Quoted investments	3,223	-	-	3,223
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	**3,223**	**-**	**194**	**3,417**
- Quoted investments	60,263	-	-	60,263
Debt investments measured at FVOCI	**60,263**	**-**	**-**	**60,263**

Parent Company 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	441	-	-	441
Investment measured at FVTPL	**441**	**-**	**-**	**441**
- Quoted investments	3,182	-	-	3,182
- Unquoted investments	-	-	184	184
Equity investment measured at FVOCI	**3,182**	**-**	**184**	**3,366**
- Quoted investments	56,151	-	-	56,151
Debt investments measured at FVOCI	**56,151**	**-**	**-**	**56,151**

Movement in allowances for the credit losses for debt securities:

	Consolidated		**Parent Company**	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Beginning of the year	239	282	237	276
(Release) / charge during the year	41	(43)	21	(39)
Balance at the end of the year	**280**	**239**	**258**	**237**

All debt securities at amortized cost outstanding as of 31 December 2023 are classified under stage 1 (2022: stage 1). The Group has assumed LGD of 0% on GDBs amounting to RO 213,222 thousand (2022: RO 228,898 thousand) and Government Sukuks amounting to RO 66,432 thousand (2022: RO 61,921 thousand).

Details of investments exceeding 10% of the carrying value of the Bank's investments are as follows:

	2023		**2022**	
	Carrying value	**Bank's portfolio**	**Carrying value**	**Bank's portfolio**
	RO'000	%	RO'000	%
Consolidated				
Government Development Bonds and sukuks	279,654	86%	290,819	88%
Parent Company				
Government Development Bonds and sukuks	213,222	84%	228,898	85%

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

9. Investment in subsidiary

The Bank has the following investment in a subsidiary.

		2023		2022	
Name of Subsidiary	Country of Incorporation	RO'000	%	RO'000	%
Alizz Islamic Bank SAOC	Sultanate of Oman	107,144	100%	107,144	100%

The key balance sheet and income statement items of the subsidiary are as follows:

	Parent Company	
	2023	2022
Statement of financial position items	RO'000	RO'000
Total assets	1,168,166	1,072,261
Total liabilities	1,049,248	961,318
Total equity	118,918	110,943

	Parent Company	
	2023	2022
Income statement items	RO'000	RO'000
Operating income	31,175	29,892
Operating expenses	18,089	19,285
Profit after tax	7,802	6,251

10. Property and equipment

Consolidated	Land & buildings	Computer equipment	Furniture & fixtures	Motor vehicles	Work in progress	Right of use	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost							
At 1 January 2022	**26,155**	**39,021**	**18,512**	**319**	**827**	**10,355**	**95,189**
Additions	-	459	154	-	3,719	222	4,554
Transfers	271	2,419	461	-	(3,151)	-	-
Disposals / termination	-	-	-	(76)	-	(207)	(283)
At 31 December 2022	**26,426**	**41,899**	**19,127**	**243**	**1,395**	**10,370**	**99,460**
Additions	-	407	82	-	5,122	11,131	16,742
Transfers	(27)	(2,455)	6,514	53	(4,085)	-	-
Disposals / termination	-	-	-	(140)	-	(10,651)	(10,791)
At 31 December 2023	**26,399**	**39,851**	**25,723**	**156**	**2,432**	**10,850**	**105,411**
Depreciation							
At 1 January 2022	**5,433**	**24,585**	**15,207**	**300**	**-**	**6,361**	**51,886**
Charge for the year	774	4,868	1,546	8	-	2,033	9,229
Disposals / termination	-	-	-	(76)	-	-	(76)
Adjustments	-	-	(2)	-	-	(73)	(75)
At 31 December 2022	**6,207**	**29,453**	**16,751**	**232**	**-**	**8,321**	**60,964**
Charge for the year	782	4,306	1,864	6	-	2,569	9,527
Disposals / termination	-	-	-	(128)	-	(8,011)	(8,139)
Adjustments	(11)	(3,903)	3,877	-	-	-	(37)
At 31 December 2023	**6,978**	**29,856**	**22,492**	**110**	**-**	**2,879**	**62,315**
Net book value							
At 31 December 2022	**20,219**	**12,446**	**2,376**	**11**	**1,395**	**2,049**	**38,496**
At 31 December 2023	**19,421**	**9,995**	**3,231**	**46**	**2,432**	**7,971**	**43,096**

Parent Company	Land & buildings	Computer equipment	Furniture & fixtures	Motor vehicles	Work in progress	Right of use	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost							
At 1 January 2022	**26,155**	**30,949**	**13,509**	**319**	**765**	**9,359**	**81,056**
Additions	-	-	-	-	3,637	-	3,637
Transfers	271	2,419	399	-	(3,089)	-	-
Disposals / termination	-	-	-	(76)	-	(207)	(283)
At 31 December 2022	**26,426**	**33,368**	**13,908**	**243**	**1,313**	**9,152**	**84,410**
Additions	-	-	-	-	3,722	8,348	12,070
Transfers	(27)	(2,537)	6,514	53	(4,003)	-	-
Disposals / termination	-	-	-	(140)	-	(10,651)	(10,791)
At 31 December 2023	**26,399**	**30,831**	**20,422**	**156**	**1,032**	**6,849**	**85,689**
Depreciation							
At 1 January 2022	**5,433**	**18,400**	**11,147**	**300**	**-**	**5,439**	**40,719**
Charge for the year	774	4,272	1,180	8	-	1,876	8,110
Disposals / termination	-	-	-	(76)	-	-	(76)
Adjustments	-	-	(2)	-	-	-	(2)
At 31 December 2022	**6,207**	**22,672**	**12,325**	**232**	**-**	**7,315**	**48,751**
Charge for the year	782	3,730	1,525	6	-	1,677	7,720
Disposals / termination	-	-	-	(128)	-	(8,011)	(8,139)
Adjustments	(11)	(3,903)	3,877	-	-	-	(37)
At 31 December 2023	**6,978**	**22,499**	**17,727**	**110**	**-**	**981**	**48,295**
Net book value							
At 31 December 2022	**20,219**	**10,696**	**1,583**	**11**	**1,313**	**1,837**	**35,659**
At 31 December 2023	**19,421**	**8,332**	**2,695**	**46**	**1,032**	**5,868**	**37,394**

Significant portion of right of use includes the Bank's leases of branch and office premises.

11. Intangible assets

On 30 June 2020, Oman Arab Bank acquired 100% of AIB and AIB became a wholly owned subsidiary. Following the finalisation of the PPA, the following assets were recognised in 2021.

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Core deposits	3,102	3,102	-	-
Banking license	3,573	3,573	-	-
Brand	1,000	1,000	-	-
Total	**7,675**	**7,675**	**-**	**-**
Less: accumulated amortization	(1,085)	(775)	-	-
Net intangible assets	**6,590**	**6,900**	**-**	**-**

The core deposits intangible (CDI) is estimated to have a useful life of 10 years and is amortised based on a straight line method.

12. Other assets

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Customers' indebtedness against acceptances	11,883	13,700	11,883	13,700
Fees receivable	1,465	2,147	1,465	2,147
Interest receivable	47,530	46,540	18,644	23,312
Prepayments	2,404	1,826	1,352	978
Positive fair value of derivatives	5,360	1,944	5,360	1,944
Deferred tax asset	739	2,047	-	-
Others	16,945	15,927	14,992	13,373
Total	**86,326**	**84,131**	**53,696**	**55,454**

Others include repossessed properties of RO 3.1 million (2022 – RO 3.5 million) which will be sold as soon as practicable

13. Due to banks

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Current accounts	3,300	5,308	3,300	5,308
Borrowings	28,928	88,833	28,928	53,793
Total	**32,228**	**94,141**	**32,228**	**59,101**

14. Customer deposits

	Consolidated		Parent Company	
	2023	2022	2023	2022
a) By type	RO'000	RO'000	RO'000	RO'000
Term deposits	1,913,732	1,410,556	1,355,637	982,922
Demand and call accounts	918,772	1,034,812	645,256	758,752
Saving accounts	524,913	546,812	342,726	347,610
Total	**3,357,417**	**2,992,180**	**2,343,619**	**2,089,284**
b) By sector	RO'000	RO'000	RO'000	RO'000
Private	2,232,218	2,197,742	1,690,722	1,622,412
Government	1,125,199	794,438	652,897	466,872
Total	**3,357,417**	**2,992,180**	**2,343,619**	**2,089,284**

15.Other liabilities

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Liabilities against acceptances	11,883	13,700	11,883	13,700
Interest payable	38,676	34,487	28,833	24,230
Accrued expenses and other payables	25,159	21,434	22,433	18,605
Cheques and trade settlement payable	3,801	4,250	3,025	3,032
Staff end of service benefits	1,002	965	706	674
Interest and commission received in advance	4,319	3,683	4,319	3,683
Negative fair value of derivatives	5,895	1,736	5,895	1,736
Deferred tax liability	112	198	112	198
Provision for loan commitments, financial guarantees and acceptances	3,636	3,687	3,339	3,218
Others	5,107	8,654	1,136	556
Lease liabilities	7,556	1,702	5,416	1,482
Total	**107,146**	**94,496**	**87,097**	**71,114**

15.1 Staff end of service benefits

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
At 1 January	965	874	674	613
Charge for the year	361	215	289	131
Payment to employees during the year	(324)	(124)	(257)	(70)
At 31 December	**1,002**	**965**	**706**	**674**

15. Other liabilities (continued)

15.2 Movement in provision for loan commitments, financial guarantees and acceptances

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Beginning of the year	**3,687**	**3,397**	**3,218**	**2,869**
(Release) / charge during the year	(51)	290	121	349
Balance at the end of the year	**3,636**	**3,687**	**3,339**	**3,218**

16. Taxation

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Statement of profit or loss:				
Current tax:				
- Current year charge	2,257	1,710	2,257	1,710
- Prior years charge / (reversal)	199	(1,348)	199	(1,348)
Deferred tax:				
- Current year	(86)	30	(86)	30
- Prior years (income) / charge	1,308	883	-	-
Tax expense for the year	**3,678**	**1,275**	**2,370**	**392**
Statement of financial position:				
Taxation - Provision	5,236	3,412	5,236	3,412
Deferred tax liability	112	198	114	198
Deferred tax asset	739	2,047	-	-
Deferred tax liability:				
At 1 January	198	168	198	168
Movement during the year	(86)	30	(86)	30
At 31 December	**112**	**198**	**112**	**198**
Deferred tax asset:				
At 1 January	2,047	2,930	-	-
Movement during the year	(1,308)	(883)	-	-
At 31 December	**739**	**2,047**	**-**	**-**

Consolidated	At 1 January 2023	Charge for the year	At 31 December 2023
Property, plant and equipment	(145)	97	(48)
Unrealised loss on FVTPL investments	(1)	1	-
Right-of-use assets and lease liabilities	(52)	(14)	(66)
Deferred tax liability	**(198)**	**84**	**(114)**
Property, plant and equipment	(78)	197	119
Carried forward taxable losses	2,125	(1,505)	620
Deferred tax asset	**2,047**	**(1,308)**	**739**

Parent Company	At 1 January 2023	Charge for the year	At 31 December 2023
Property, plant and equipment	(145)	97	(48)
Unrealised loss on FVTPL investments	(1)	1	-
Right-of-use assets and lease liabilities	(52)	(14)	(66)
Deferred tax liability	**(198)**	**84**	**(114)**

Details of taxable losses available recognised by the subsidiary are as below:

	Parent Company	
	2023	2022
	RO'000	RO'000
Available until 31 December 2024 (declared)	5,966	6,531
Available until 31 December 2025 (declared)	4,137	7,639
Available until 31 December 2026 (declared)	-	-

The Bank is liable for income tax in accordance with the income tax laws of the Sultanate of Oman. The tax rate applicable to the Bank is 15% (2022: 15%). For determining the tax expense for the year, the accounting profit for the year has been adjusted for tax purposes.

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Profit before tax	**24,233**	17,456	**14,383**	10,632
Tax at the applicable rate of 15%	**3,635**	2,618	**2,157**	1,595
Tax effect of income that is not taxable and expenses that are not deductible in determining taxable profit	**(65)**	157	**100**	145
Prior year	**108**	(1,500)	**113**	(1,348)
Tax expense for the year	**3,678**	1,275	**2,370**	392

Status of tax assessments (Parent Company)

The tax assessment up to and including 2020 has been completed by the Tax Authority. The tax returns for 2021 to 2023 have not yet been assessed by the Tax Authority.

Status of tax assessments (Subsidiary)

The tax assessment up to and including 2020 has been completed by the Tax Authority. The tax returns for 2021 to 2023 have not yet been assessed by the Tax Authority.

17. Share capital

The authorised share capital of the Bank is 2,000,000,000 shares of 100 baisa each (2022: 2,000,000,000).The issued share capital of the Bank is 1,669,410,000 shares (2022: 1,669,410,000). The paid up share capital of the Bank is RO 166.941 million. The Bank's shares are listed in Muscat Stock Exchange.

The following shareholders of the Bank own 10% or more of the Bank's share capital:

31 December 2023	Shareholding %	Number of shares	RO'000
Arab Bank PLC	49.00%	818,010,900	81,801
Oman International Development & Investment Co. SAOG	30.99%	517,382,480	51,738
Various parties, including Trusts	20.01%	334,016,620	33,402
Total	**100.00%**	**1,669,410,000**	**166,941**

18. Proposed dividend

Dividend is not accounted for until approved at the Annual General Meeting (AGM). The Board of Directors has recommended a dividend of 6 baiza per share in the form of mandatory convertible bonds amounting to RO 10 million. The dividend is subject to the approval of the regulatory authorities and shareholders of the Bank at the upcoming AGM.

19. Share premium

Share premium represents the premium collected on issuance of shares through public offer, rights issue, and conversion of mandatory convertible bonds during the prior years. The balance in share premium is not available for distribution.

20. Legal reserve

In accordance with Article 132 of the Commercial Companies Law of 2019, annual appropriations of 10% of net profit are made to the legal reserve until the accumulated balance of the reserve is equal to one-third of the Bank's paid up share capital. This reserve is not available for distribution.

21. General reserve

The Bank has established the general reserve to meet any unforeseen contingencies. No transfers were made from / to general reserve during the 2023 and 2022.

22. Special reserve

In 2015, the Parent Company sold its old head office (HO) premises at Ruwi, following its move to the new HO at Al Ghoubra. The profit on sale amounting to RO 2.4 million was set aside as a special reserve and was not available for distribution without prior approval of the CBO. In 2022, this amount has been utilised as special reserve for restructured cases assigned for ECL based on the approval from CBO. As at 31 December 2023, the Bank has special reserve of RO 3.8 million for restructured accounts in accordance with the CBO guidelines. The reserve created is not available for distribution or the inclusion in the calculation of the regulatory capital.

23. Perpetual tier 1 capital bonds

On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to RO 96.25 million. The bonds are listed on the International Security Market (ISM) of the London Stock Exchange. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and the CBO regulations.

On 16 October 2023, the Bank issued unsecured perpetual Tier 1 bonds of RO 50 million (50,000,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

The Tier 1 bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The bond issued in 2021 has First Call date on 4 June 2026 or on any interest payment date thereafter subject to the prior consent of the regulatory authority. The bond issued in 2018 has First Call date on 16 October 2028 or on any interest reset date thereafter subject to the prior consent of the regulatory authority.

On 29 January 2022 and 17 October 2023 the bank has fully redeemed the previously issued unsecured perpetual Tier 1 bonds amounting to RO 30 million and RO 42.5 million respectively.

24. Interest income

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Loans and advances	128,750	113,018	128,750	113,018
Investment securities	13,857	12,933	13,857	12,933
Placements with bank	3,123	1,134	3,479	1,149
Total	**145,730**	**127,085**	**146,086**	**127,100**

25. Interest expense

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Customer deposits	70,291	50,981	70,291	50,981
Bank borrowings	3,576	1,037	3,576	1,037
Interest cost on lease liabilities	172	133	172	133
Others	994	465	994	465
Total	**75,033**	**52,616**	**75,033**	**52,616**

26. Net income from islamic financing

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Income from Islamic financing				
Islamic financing receivables	56,311	48,257	-	-
Islamic due from banks	1,670	246	-	-
Islamic investment	3,213	3,041	-	-
	61,194	**51,544**	-	-
Expense from Islamic financing			-	-
Islamic customers' deposits	35,000	25,858	-	-
Islamic bank borrowings	-	3	-	-
	35,000	25,861	-	-
Net Income from Islamic financing	**26,194**	**25,683**	**-**	**-**

27. Net fee and commission income

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Fee and commission income	29,053	26,059	23,757	21,752
Fee and commission expense	(10,116)	(8,264)	(9,400)	(7,548)
Total	**18,937**	**17,795**	**14,357**	**14,204**

27.1 Net fees and commission income comprises of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Transactional income	**8,489**	7,174	**7,049**	6,103
Trade income	**3,458**	3,245	**2,809**	2,813
Loans related income	**6,990**	7,376	**4,499**	5,288
Total	**18,937**	17,795	**14,357**	14,204

28. Net income from investment securities

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Fair value changes	**17**	(33)	**17**	(33)
Dividend income	**268**	256	**207**	256
Total	**285**	223	**224**	223

29. Other operating income

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Exchange income	**4,024**	4,112	**3,328**	3,520
Insurance claim against insurance recovery	**-**	193	**-**	193
Other income	**104**	60	**104**	60
Total	**4,128**	4,365	**3,432**	3,773

30. Operating expenses

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Staff costs (refer 30.1)	42,230	42,247	29,792	29,906
Other operating expenses	18,814	22,654	15,070	16,970
Depreciation	9,527	9,229	7,720	8,110
Amortization	310	310	-	-
Directors' remuneration	398	295	298	195
Total	**71,279**	**74,735**	**52,880**	**55,181**

30.1 Staff costs

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Salaries	26,431	23,125	20,100	16,798
Allowances	10,041	10,422	5,201	5,499
Social security costs	3,078	3,095	2,186	2,213
End of service benefits	361	215	289	131
Other costs	2,319	5,390	2,016	5,265
Total	**42,230**	**42,247**	**29,792**	**29,906**
Headcount (number of FTE)	**1,461**	**1,474**	**1,069**	**1,095**

31. Earnings per share

The basic earnings per share (EPS) is the outcome of dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of shares outstanding.

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Profit for the year	20,555	16,181	12,013	10,240
Less: Interest distribution of Perpetual Tier 1 capital bonds	(10,531)	(10,725)	(10,531)	(10,725)
Less: Additional Tier 1 bonds issuance cost	(181)	(62)	(181)	(62)
Profit / (loss) for the year attributable to shareholders	**9,843**	**5,394**	**1,301**	**(547)**
Weighted average number of shares outstanding during the year	**1,669,410,000**	**1,669,410,000**	**1,669,410,000**	**1,669,410,000**
Basic earning / (loss) per share (RO)	0.006	0.003	0.001	(0.0003)

	Weighted average number of shares outstanding
1 January 2021 to 31 December 2023	1,669,410,000
Weighted average as at 31 December 2023	1,669,410,000

The diluted EPS was equal to the basic EPS for both periods as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.

32. Net Assets Per Share

The calculation of net assets per share is based on net assets as at 31 December 2023 attributable to ordinary shareholders of RO 166,941 million (2022: RO 166,941 million) and on 1,669,410,000 ordinary shares (2022 – 1,669,410,000 ordinary shares) being the number of shares outstanding as at 31 December 2023.

32. Net Assets Per Share (continued)

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Total equity (RO'000)	370,726	358,798	352,361	349,148
Number of shares (in thousands)	1,669,410	1,669,410	1,669,410	1,669,410
Net assets per share	**0.222**	**0.215**	**0.211**	**0.209**

33. Contingent liabilities and commitments

a. Letters of credit and guarantees

The Bank is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances. The outstanding contract value or the notional amounts of these instruments were as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Letters of credit	207,602	127,451	105,457	35,277
Guarantees	230,247	265,790	196,714	236,916
Total	**437,849**	**393,241**	**302,171**	**272,193**

As at 31 December 2023, the unutilised commitment of facilities of RO 419,340 thousand (Consolidated), RO 399,537 thousand (Parent Company); [(2022 RO 469,784 thousand (Consolidated), RO 431,148 thousand (Parent Company)].

Letters of credit and guarantees amounting to RO 168,028 thousand (2022: 112,440 thousand) were counter guaranteed by other banks in the Parent Company. As of reporting date the subsidiary has no material letters of credit and guarantees that were counter guaranteed by other banks.

i) The allowances for credit losses for commitments and financial guarantees is included under note 15.2.

ii) Contingent liabilities include RO 5,734 thousand (Consolidated), RO 5,629 thousand (Parent Company); [2022 RO 4,772 thousand (Consolidated), RO 4,339 thousand (Parent Company)] relating to non-performing loans.

Credit-related financial instruments include unutilised commitments to extend credit, standby letters of credit and guarantees which are designed to meet the financing requirements of customers. The credit risk on these transactions is generally less than the contractual amount. The notional principal amounts of outstanding credit-related contingent items and the risk-weighted exposures calculated were as follows:

	Consolidated			
	2023		2022	
	Notional principal amount	Risk weighted exposure	Notional principal amount	Risk weighted exposure
	RO'000	RO'000	RO'000	RO'000
Guarantees	230,247	117,111	265,790	128,320
Letters of credit	207,602	29,253	127,451	30,142
Total	**437,849**	**146,364**	**393,241**	**158,462**

	Parent Company			
	2023		2022	
	Notional principal amount	Risk weighted exposure	Notional principal amount	Risk weighted exposure
	RO'000	RO'000	RO'000	RO'000
Guarantees	196,714	100,344	236,916	124,009
Letters of credit	105,457	8,824	35,277	5,933
Total	**302,171**	**109,168**	**272,193**	**129,942**

b. Capital commitments

As at 31 December 2023, outstanding capital commitments in respect of premises, equipment and software purchases were RO 1.5 million (2022: RO 1.9 million).

c. Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Bank had certain unresolved legal claims which are not expected to have any significant implication on the Bank's financial statements (2022: Nil).

34. Cash and cash equivalents

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Cash and balances with the Central Bank of Oman (CBO) (note 5)	151,581	99,913	84,685	31,034
Due from banks (note 6)	130,240	43,707	108,762	38,193
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
Total	**280,796**	**142,595**	**192,947**	**68,727**

35. Derivative financial instruments

At the reporting date, there were outstanding forward foreign exchange contracts, all maturing within one year, entered into on behalf of customers for the sale and purchase of foreign currencies. These financial instruments have been recognised at prices in active markets for identical assets or liabilities.

35. Derivative financial instruments (continued)

Also, the Bank has entered into IRS (Interest Rate Swaps) on behalf of its clients and has fully covered the position on back-to-back basis, leaving no open position on the Bank's books. An IRS is an agreement between two counterparties to exchange a stream of fixed interest payments for floating (variable) interest payments on a specified notional amount. A floating rate borrower can fix his floating liabilities payment by entering into payer swap, in which he pays the fixed rate.

The Bank is not exposed to entire notional amount of IRS, rather, its risk is limited only to the amount of differential interest payment which the client may not honour at the time of settlement. These fair values and the notional contracted amounts related to the Parent Company are summarised below. As of reporting date, Subsidiary has no derivative instruments.

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 – 12 months	More than 1 year
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Purchase contracts	181	-	125,009	111,951	13,058	-
Sale contracts	-	(133)	(124,961)	(111,913)	(13,048)	-
Interest rate swaps	5,179	(5,762)	56,535	-	-	56,535
Total	**5,360**	**(5,895)**	**56,583**	**38**	**10**	**56,535**
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Purchase contracts	275	-	178,921	121,865	57,056	-
Sale contracts		(226)	(178,872)	(121,857)	(57,015)	-
Interest rate swaps	1,669	(1,510)	28,824	-	-	28,824
Total	**1,944**	**(1,736)**	**28,873**	**8**	**41**	**28,824**

Derivative financial instruments are classified as level 2 in the fair value hierarchy.

36. Related party transactions

a. Technical and administrative services with major shareholders

During the year ended 31 December 2023, the cost of technical and administrative services provided to Arab Bank Plc amounted to RO 61,665 (2022: RO 48,543).

b. Other related party transactions

In the ordinary course of business, the Bank conducts transactions with its major shareholders and other related parties comprising of Directors, senior management and companies with which they have significant interest, on arm's length basis with the approval of Board of Directors. The aggregate amounts of balances with such related parties are as follows:

Consolidated 2023	Major shareholders	Others	Total
	RO'000	RO'000	**RO'000**
Loans and advances	28,667	155,187	**183,854**
Customers' deposits	2,512	32,334	**34,846**
Due from banks	41,155	22	**41,177**
Other assets	-	345	**345**
Due to banks	7,032	-	**7,032**
Stand by line of credit	57,750	-	**57,750**
Letters of credit, guarantees and acceptances	76,049	2,425	**78,474**

Consolidated 2022	Major shareholders	Others	Total
	RO'000	RO'000	**RO'000**
Loans and advances	24,012	133,445	**157,457**
Customers' deposits	4,219	37,536	**41,755**
Due from banks	18,106	-	**18,106**
Other assets	-	750	**750**
Due to banks	22,086	-	**22,086**
Stand by line of credit	57,750	-	**57,750**
Letters of credit, guarantees and acceptances	80,010	6,772	**86,782**

Parent Company 2023	Subsidiary	Major shareholders	Others	Total
	RO'000	RO'000	RO'000	**RO'000**
Loans and advances	-	28,667	123,335	**152,002**
Customers' deposits	-	2,512	27,309	**29,821**
Due from banks	15,400	41,155	-	**56,555**
Other asset	-	-	-	**-**
Due to banks	-	7,032	-	**7,032**
Stand by line of credit	-	57,750	-	**57,750**
Letters of credit, guarantees and acceptances	-	76,049	2,425	**78,474**
2022	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	24,012	101,726	**125,738**
Customers' deposits	-	4,219	37,120	**41,339**
Due from banks	-	18,106	-	**18,106**
Other asset		-	-	**-**
Due to banks	-	22,086	-	**22,086**
Stand by line of credit	-	57,750	-	**57,750**
Letters of credit, guarantees and acceptances	-	80,010	6,772	**86,782**

The movement analysis of loans and advances with related parties is as follows:

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
At 1 January	157,457	141,408	125,738	126,625
Disbursed during the year	152,135	573,591	152,002	556,655
Paid during the year	(125,737)	(557,542)	(125,737)	(557,542)
At 31 December	**183,855**	**157,457**	**152,003**	**125,738**

None of the loans and advances given to related parties were identified as credit impaired. In accordance with IFRS 9, ECL held against these exposures amounted to RO 2.67 million (Consolidated), RO 2.146 million (Parent Company) [2022: RO 1.957 million (Consolidated), RO 1.801 million (Parent Company)]. Major shareholders includes parties holding more than 10% of bank's share capital as disclosed in note 17.

36. Related party transactions (continued)

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

Consolidated 2023	Major shareholders	Others	Total
	RO'000	RO'000	**RO'000**
Interest and commission income	2,252	9,728	**11,980**
Interest expense	1,221	765	**1,986**
2022	RO'000	RO'000	RO'000
Interest and commission income	1,186	7,930	**9,116**
Interest expense	849	1,110	**1,959**

Parent Company 2023	Subsidiary	Major shareholders	Others	Total
	RO'000	RO'000	RO'000	RO'000
Interest and commission income	356	2,252	7,355	**9,936**
Interest expense	-	1,221	1,138	**2,356**
2022	RO'000	RO'000	RO'000	RO'000
Interest and commission income	15	1,186	6,405	**7,606**
Interest expense	-	849	1,110	**1,959**

c. Key management compensation

Key management comprises of 5 personnel (2022: 5) of the executive committee in the year 2023. The Bank considers the personnel of executive committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures'. The Directors' remuneration is set out in Note 30 and the remuneration of key management during the year was as follows:

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Salaries and other short-term benefits	2,108	1,918	1,325	870
End of service benefits	95	41	69	19
Total	**2,203**	**1,959**	**1,394**	**889**

37. Financial risk management

Effective risk management is of primary importance for the Bank. The Bank's risk management process evaluates, monitors and manages the risks associated with the businesses the Bank conducts in line with the defined risk appetite. The principal types of risks that the Bank faces are credit risk, liquidity risk, market risk and operational risk. The Board of Directors defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk in both the trading and the banking book of the Bank. Risk Management is carried out by the Risk Management Department in accordance with documented policies approved by the Board of Directors.

The Bank's Management Risk Committee (MRC), comprising the Bank's most senior risk professionals provides oversight to the Risk Management Division, review & oversee the Bank's risk profile and determines the actions required to maintain the risk profile within the approved appetite. It also monitor's and report's the progress of any action plans taken as and when required to maintain the objective. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks.

37.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending, investment activities and other assets in the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures.

Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management team which is divided into corporate, financial institutions and retail groups. The credit risk in corporate, retail and financial institutions portfolio is primarily managed by the Credit Review Department.

The Risk Management Department reviews the portfolio credit risk independently and directly reports to the Board Compliance and Risk Committee. The risk management framework also includes policies with respect to problem recognition, watch lists, classification parameters and risk rating adjustments.

i. Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. The Bank also, in limited circumstances and with proper justifications and specific approval from the Chief Risk Officer, does not treat certain events as significant increases in credit risk to continue classifying a financing exposure under Stage 1 (this is in line with CBO circular BM 1149). Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in overdue as defined by the CBO circular number BM 977 dated 25 September 2004. In addition, the Bank assesses the operational performance and financial position of the borrowers to consider downgrading the classification.

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

ii. Definition of default

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

iii Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Given the nature of the bank's exposures and availability of historical statistically reliable information, the bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data assessed based on historical default experience. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration recent and forward looking economic forecasts under three scenarios (base case, bad case, and good case), historical economic data, and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates has been developed using internal historical data and relevant external market data.

37.1 Credit risk (continued)

iv. Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information. PD estimates are estimates at a certain date and are calculated using the banks internal default data.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. LGD is the likely loss, if there is a default. The bank estimates LGD parameters based on the Basel guidelines for

corporate exposures and the history of recovery rates of claims against defaulted retail exposures, based on historical data. The Bank has applied a LGD of 0% on Government Development Bonds (GDB) & Treasury Bills (T-Bills) issued by Government of Oman which are classified as investments under Held to Collect & Held to Collect and Sale business model. The Bank has also applied a LGD of 0% on loans, advances and financing to customers aggregating to RO 247,428 thousand (Consolidated), RO 164,508 thousand (Parent); [(2022: RO 239,185 thousand (Consolidated), RO 163,494 thousand (Parent)] as of 31 December 2022 which are guaranteed by the Government of Oman or collateralized by way of bank deposits / cash margin.

EAD represents the expected exposure at the time of default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual year over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31 December 2023, the probabilities assigned to the base case, bad case and good case scenarios were in the ratio of 55.00%:20.00%:25.00% (2022: 66.6%:5.6%/27.80%) respectively.

v. Credit risk profile

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the creditworthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The internal ratings map as follows:

Internal rating grade	Internal classification
Rating grade 1	High
Rating grade 2	High
Rating grade 3	High
Rating grade 4	High
Rating grade 5	High
Rating grade 6	Standard
Rating grade 7	Standard
Rating grade 8	Standard
Rating grade 9	Standard
Rating grade 10	Satisfactory
SM	Satisfactory
Classified	
SS	Sub-standard
DD	Doubtful
LS	Loss

Consolidated 2023	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL):				
High	119,885	71,640	1,625,499	311,378
Standard	25,755	250,027	775,902	373,849
Satisfactory	-	-	380,203	89,416
Gross carrying amount	**145,640**	**321,667**	**2,781,604**	**774,643**
Stage 2 (Lifetime ECL but not credit-impaired):				
High	-	-	86,562	16,326
Standard	-	-	71,254	21,738
Satisfactory	-	-	391,355	50,631
Gross carrying amount	**-**	**-**	**549,171**	**88,695**
Stage 3 (Lifetime ECL and credit-impaired):				
Sub-Standard	-	-	7,658	18
Doubtful	-	-	17,559	2,240
Loss	-	-	181,330	3,476
Gross carrying amount	**-**	**-**	**206,547**	**5,734**
Provisions for impairment:				
Stage 1	115	280	9,641	482
Stage 2	-	-	65,677	72
Stage 3	-	-	142,944	3,082
Total	**115**	**280**	**218,262**	**3,636**

Consolidated 2022	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL)				
High	35,601	62,744	1,274,900	261,495
Standard	18,106	264,856	972,029	358,744
Satisfactory	-	-	227,387	94,913
Gross carrying amount	**53,707**	**327,600**	**2,474,316**	**715,152**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	37,457	27,571
Standard	-	-	147,884	59,531
Satisfactory	-	-	441,286	31,981
Gross carrying amount	**-**	**-**	**626,627**	**119,083**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	12,712	106
Doubtful	-	-	19,527	928
Loss	-	-	133,544	3,738
Gross carrying amount	**-**	**-**	**165,783**	**4,772**
Provisions for impairment:				
Stage 1	36	239	9,768	426
Stage 2	-	-	59,305	101
Stage 3	-	-	110,563	3,160
Total	**36**	**239**	**179,636**	**3,687**

37.1 Credit risk (continued)

(v) Credit risk profile (continued)

2023	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
Parent Company	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL)				
High	98,407	-	899,594	187,064
Standard	25,755	250,027	674,565	345,103
Satisfactory	-	-	360,907	89,389
Gross carrying amount	**124,162**	**250,027**	**1,935,066**	**621,556**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	10,495	14,721
Standard	-	-	56,005	21,620
Satisfactory	-	-	333,738	50,065
Gross carrying amount	**-**	**-**	**400,238**	**86,406**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	1,302	-
Doubtful	-	-	14,243	2,240
Loss	-	-	144,047	3,389
Gross Carrying amount	**-**	**-**	**159,592**	**5,629**
Provisions for impairment:				
Stage 1	94	258	6,886	305
Stage 2	-	-	53,751	33
Stage 3	-	-	112,649	3,001
Total	**94**	**258**	**173,286**	**3,339**

2022	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
Parent Company	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL)				
High	30,087	-	646,126	159,847
Standard	18,106	264,856	854,977	347,444
Satisfactory	-	-	172,260	88,000
Gross carrying amount	**48,193**	**264,856**	**1,673,363**	**595,291**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	15,846	26,993
Standard	-	-	127,644	58,974
Satisfactory	-	-	382,556	31,444
Gross carrying amount	**-**	**-**	**526,046**	**117,411**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	11,658	50
Doubtful	-	-	11,197	783
Loss	-	-	100,558	3,506
Gross carrying amount	**-**	**-**	**123,413**	**4,339**
Provisions for impairment:				
Stage 1	32	237	6,324	201
Stage 2	-	-	49,615	67
Stage 3	-	-	81,872	2,950
Total	**32**	**237**	**137,811**	**3,218**

(vi) Economic variable assumptions

The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2023

2023	ECL scenario and assigned weightage	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth (% change)	Base (55%)	1.66%	5.19%	2.28%	2.49%	2.59%
	Good (25%)	4.69%	8.23%	5.57%	3.94%	4.08%
	Bad (20%)	(4.40%)	(0.91%)	(4.30%)	(0.42%)	(0.40%)
Investment (% of GDP)	Base (55%)	23.20%	23.50%	23.80%	24.00%	24.10%
	Good (25%)	23.20%	31.11%	28.97%	28.69%	25.35%
	Bad (20%)	23.20%	19.69%	21.21%	21.65%	23.48%
2022	**ECL scenario and assigned weightage**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
GDP growth (% change)	Base (66.6%)	(2.83%)	2.36%	5.84%	3.45%	3.45%
	Good (27.8%)	1.53%	5.28%	7.30%	3.45%	3.45%
	Bad (5.6%)	(5.45%)	0.62%	4.97%	3.45%	3.45%
Oil revenue (% of GDP)	Base (66.6%)	26.90%	43.40%	33.50%	33.50%	33.50%
	Good (27.8%)	41.18%	52.92%	38.27%	33.50%	33.50%
	Bad (5.6%)	18.36%	37.71%	30.65%	33.50%	33.50%

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

37.1.1 Risk mitigation policies

The Bank manages limits and controls concentrations of credit risk – in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Risk Committee and Risk Management committee of the Board of Directors and the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

a. Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as premises, inventory and accounts receivable
- lien on fixed deposits
- cash margins
- mortgages over residential and commercial properties
- pledge of marketable shares and securities

Longer-term finance and lending to corporate entities are generally secured. The housing loans are secured by mortgage over the residential property. Additionally, in order to minimise the credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

37. Financial risk management (continued)
37.1 Credit risk (continued)
(v) Credit risk profile (continued)

b. Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The relationship managers remain in close contact with the borrowers. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Credit Review Division.

c. Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The concentration of credit related commitments by industry sector at the year-end is set out in Note 37.1.2(g).

An analysis of the loans and advances for which collaterals or other credit enhancements are held is as follows:

	Performing loans (neither past due nor impaired)	Loans Past due and not impaired	Non-performing loans	Total
2023	RO'000	RO'000	RO'000	RO'000
Consolidated				
Loans and advances with collateral & guarantees available	1,061,685	168,784	60,218	1,290,687
Percentage of exposure with collateral and guarantees	37%	42%	29%	37%
Parent Company				
Loans and advances with collateral & guarantees available	740,086	141,872	41,369	923,327
Percentage of exposure with collateral and guarantees	36%	51%	26%	37%
2022	RO'000	RO'000	RO'000	RO'000
Consolidated				
Loans and advances with collateral & guarantees available	1,043,906	96,379	55,405	1,195,690
Percentage of exposure with collateral and guarantees	36%	49%	33%	37%
Parent Company				
Loans and advances with collateral & guarantees available	705,146	74,666	31,163	810,975
Percentage of exposure with collateral and guarantees	35%	44%	25%	35%

The analysis of gross exposure to credit risk before collateral held or other credit enhancements is as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	151,581	99,913	84,685	31,034
Due from banks	130,240	53,707	124,162	48,193
- Corporate loans	2,206,412	2,046,254	1,621,280	1,491,366
- Personal loans	1,286,574	1,200,445	858,166	811,429
Loans and advances	3,492,986	3,246,699	2,479,446	2,302,795
Other assets	81,349	79,660	48,719	50,984
GDBs and Government Sukuk	279,654	290,818	213,222	228,898
Corporate bonds	42,033	36,780	36,805	35,958
Other investments	5,152	4,295	3,875	3,807
Items on the statement of financial position	**4,182,995**	**3,811,872**	**2,990,914**	**2,701,669**
Letters of credit	207,602	127,451	105,457	35,277
Guarantees	179,214	197,325	145,681	168,451
Financial guarantees	51,033	68,465	51,033	68,465
Off-Balance sheet items	**437,849**	**393,241**	**302,171**	**272,193**

37.1.2 Credit Risk Analysis

a. The analysis of due from banks is as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Neither past due nor impaired	130,240	53,707	124,162	48,193
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross due from banks	**130,240**	**53,707**	**124,162**	**48,193**
Less: expected credit loss	(115)	(36)	(94)	(32)
Due from banks (net)	**130,125**	**53,671**	**124,068**	**48,161**

b. The analysis of loans, advances and financing to customers is as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Neither past due nor impaired	2,880,979	2,882,878	2,040,851	2,011,281
Past due but not impaired	405,460	198,038	279,003	168,101
Impaired	206,547	165,783	159,592	123,413
Gross loans, advances and financing to customers	**3,492,986**	**3,246,699**	**2,479,446**	**2,302,795**
Less: allowances for credit losses and suspended interest	(218,262)	(179,636)	(173,286)	(137,811)
Loans, advances and financing to customers (net)	**3,274,724**	**3,067,063**	**2,306,160**	**2,164,984**

37. Financial risk management (continued)

37.1.2 Credit Risk Analysis (continued)

b. The analysis of loans, advances and financing to customers is as follows: (continued)

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Past due up to 30 days	274,878	127,499	181,078	109,836
Past due 30-60 days	67,454	52,148	34,797	39,874
Past due 60-90 days	63,128	18,391	63,128	18,391
Total past due but not impaired	**405,460**	**198,038**	**279,003**	**168,101**

c. Exposure at default and movement in the expected credit losses:

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Exposure at default	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
- Loans and Advances to Customers including interest receivables	2,781,604	549,171	206,547	**3,537,322**	2,474,316	626,627	165,783	**3,266,726**
- Investment Securities (Debt)	321,667	-	-	**321,667**	327,600	-	-	**327,600**
- Loan Commitments, financial guarantees and acceptances	774,643	88,695	5,734	**869,072**	715,152	119,083	4,772	**839,007**
- Due from Banks, Central Banks and Other Financial Assets	145,640	-	-	**145,640**	53,707	-	-	**53,707**
Exposure subject to ECL	**4,023,554**	**637,866**	**212,281**	**4,873,701**	**3,570,775**	**745,710**	**170,555**	**4,487,040**
Movement of ECL								
- Loans and Advances to Customers including interest receivables	9,768	55,212	84,732	**149,712**	9,215	41,721	71,462	**122,398**
- Investment Securities (Debt)	239	-	-	**239**	282	-	-	**282**
- Loan Commitments, financial guarantees and acceptances	426	101	3,160	**3,687**	551	358	2,488	**3,397**
- Due from Banks, Central Banks and Other Financial Assets	36	-	-	**36**	74	-	-	**74**
Opening balance as at 1 January	**10,469**	**55,313**	**87,892**	**153,674**	**10,122**	**42,079**	**73,950**	**126,151**
- Loans and Advances to Customers including interest receivables	(4,002)	(4,779)	8,781	**-**	(719)	(2,423)	3,142	**-**
- Investment Securities (Debt)	-	-	-	**-**	-	-	-	**-**
- Loan Commitments, financial guarantees and acceptances	(5)	5	-	**-**	(38)	54	(16)	**-**
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	**-**	-	-	-	**-**
Net transfer between stages	**(4,007)**	**(4,774)**	**8,781**	**-**	**(757)**	**(2,369)**	**3,126**	**-**
- Loans and Advances to Customers including interest receivables	3,875	9,312	11,473	**24,660**	1,272	15,914	12,949	**30,135**
- Investment Securities (Debt)	41	-	-	**41**	(43)	-	-	**(43)**
- Loan Commitments, financial guarantees and acceptances	61	(34)	(78)	**(51)**	(87)	(311)	688	**290**
- Due from Banks, Central Banks and Other Financial Assets	79	-	-	**79**	(38)	-	-	**(38)**
Charge for the year (net)	**4,056**	**9,278**	**11,395**	**24,729**	**1,104**	**15,603**	**13,637**	**30,344**
Write Off	**-**	**-**	**(25)**	**(25)**	**-**	**-**	**(2,821)**	**(2,821)**
- Loans and Advances to Customers including interest receivables	9,641	59,745	104,961	**174,347**	9,768	55,212	84,732	**149,712**
- Investment Securities (Debt)	280	-	-	**280**	239	-	-	**239**
- Loan Commitments, financial guarantees and acceptances	482	72	3,082	**3,636**	426	101	3,160	**3,687**
- Due from Banks, Central Banks and Other Financial Assets	115	-	-	**115**	36	-	-	**36**
Closing balance as at 31 December	**10,518**	**59,817**	**108,043**	**178,378**	**10,469**	**55,313**	**87,892**	**153,674**

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.2 Credit Risk Analysis (continued)

c. Exposure at default and movement in the expected credit losses: (continued)

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Exposure at default	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
- Loans and Advances to Customers including interest receivables	1,935,066	400,238	159,592	**2,494,896**	1,673,363	526,046	123,413	**2,322,822**
- Investment Securities (Debt)	250,027	-	-	**250,027**	264,856	-	-	**264,856**
- Loan Commitments, financial guarantees and acceptances	621,556	86,406	5,629	**713,591**	595,291	117,411	4,339	**717,041**
- Due from Banks, Central Banks and Other Financial Assets	124,162	-	-	**124,162**	48,193	-	-	**48,193**
Exposure subject to ECL	**2,930,811**	**486,644**	**165,221**	**3,582,676**	**2,581,703**	**643,457**	**127,752**	**3,352,912**
Movement of ECL								
- Loans and Advances to Customers including interest receivables	6,324	45,522	60,132	**111,978**	7,311	31,840	49,046	**88,197**
- Investment Securities (Debt)	237	-	-	**237**	276	-	-	**276**
- Loan Commitments, financial guarantees and acceptances	201	67	2,950	**3,218**	323	138	2,408	**2,869**
- Due from Banks, Central Banks and Other Financial Assets	32	-	-	**32**	73	-	-	**73**
Opening balance as at 1 January	**6,794**	**45,589**	**63,082**	**115,465**	**7,983**	**31,978**	**51,454**	**91,415**
- Loans and Advances to Customers including interest receivables	(723)	(5,587)	6,310	**-**	(80)	(1,057)	1,137	**-**
- Investment Securities (Debt)	-	-	-	**-**	-	-	-	**-**
- Loan Commitments, financial guarantees and acceptances	(9)	9	-	**-**	(23)	23	-	**-**
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	**-**	-	-	-	**-**
Net transfer between stages	**(732)**	**(5,578)**	**6,310**	**-**	**(103)**	**(1,034)**	**1,137**	**-**
- Loans and Advances to Customers including interest receivables	1,285	8,031	12,283	**21,599**	(907)	14,739	12,770	**26,602**
- Investment Securities (Debt)	21	-	-	**21**	(39)	-	-	**(39)**
- Loan Commitments, financial guarantees and acceptances	113	(43)	51	**121**	(99)	(94)	542	**349**
- Due from Banks, Central Banks and Other Financial Assets	62	-	-	**62**	(41)	-	-	**(41)**
Charge for the year (net)	**1,481**	**7,988**	**12,334**	**21,803**	**(1,086)**	**14,645**	**13,312**	**26,871**
Write Off	**-**	**-**	**(25)**	**(25)**	**-**	**-**	**(2,821)**	**(2,821)**
- Loans and Advances to Customers including interest receivables	6,886	47,966	78,700	**133,552**	6,324	45,522	60,132	**111,978**
- Investment Securities (Debt)	258	-	-	**258**	237	-	-	**237**
- Loan Commitments, financial guarantees and acceptances	305	33	3,001	**3,339**	201	67	2,950	**3,218**
- Due from Banks, Central Banks and Other Financial Assets	94	-	-	**94**	32	-	-	**32**
Closing balance as at 31 December	**7,543**	**47,999**	**81,701**	**137,243**	**6,794**	**45,589**	**63,082**	**115,465**

d. Impairment charge and provisions held:

	2023			2022		
Consolidated	**As per CBO Norms**	**As per IFRS 9**	**Difference**	**As per CBO Norms**	**As per IFRS 9**	**Difference**
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Impairment loss charged to profit or loss account 1	24,729	24,729	-	30,344	30,344	-
Provisions required as per CBO norms/held as per IFRS 9 1	184,679	178,378	(6,301)	154,835	153,674	(1,161)
Gross NPL ratio[2]	5.91%	5.91%		5.11%	5.11%	
Net NPL ratio[2]	1.50%	1.94%		1.48%	1.80%	

	2023			2022		
Parent Company	**As per CBO Norms**	**As per IFRS 9**	**Difference**	**As per CBO Norms**	**As per IFRS 9**	**Difference**
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Impairment loss charged to profit or loss account 1	21,803	21,803	-	26,871	26,871	-
Provisions required as per CBO norms/held as per IFRS 9 1	145,512	137,243	(8,269)	117,782	115,465	(2,317)
Gross NPL ratio[2]	6.44%	6.44%		5.36%	5.36%	
Net NPL ratio[2]	1.51%	2.04%		1.60%	1.92%	

1. Impairment loss and provisions held include unallocated provision.
2. NPL ratios are calculated on the basis of funded non-performing loans and funded exposures.

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.2 Credit Risk Analysis (continued)

d. Impairment charge and provisions held:(continued)

e. Comparison of provision held as per IFRS 9 and required as per CBO guidelines

Consolidated

Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	2,759,648	10,499	9,289	1,210	-	2,749,149	2,750,359
	Stage 2	221,053	25,141	8,483	16,658	-	195,912	212,570
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**2,980,701**	**35,640**	**17,772**	**17,868**	**-**	**2,945,061**	**2,962,929**
Special Mention	Stage 1	21,956	2,234	351	1,883	-	19,722	21,605
	Stage 2	328,118	27,099	51,264	(24,165)	5,932	295,087	270,922
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**350,074**	**29,333**	**51,615**	**(22,282)**	**5,932**	**314,809**	**292,527**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,658	1,877	2,429	(552)	201	5,580	5,028
	Sub-total	**7,658**	**1,877**	**2,429**	**(552)**	**201**	**5,580**	**5,028**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	17,559	7,740	7,060	680	1,836	7,983	8,663
	Sub-total	**17,559**	**7,740**	**7,060**	**680**	**1,836**	**7,983**	**8,663**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	181,330	109,998	95,471	14,527	35,946	35,386	49,913
	Sub-total	**181,330**	**109,998**	**95,471**	**14,527**	**35,946**	**35,386**	**49,913**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,241,950	-	878	(878)	-	1,241,950	1,241,072
	Stage 2	88,695	-	70	(70)	-	88,695	88,625
	Stage 3	5,734	91	3,083	(2,992)	-	5,643	2,651
	Sub-total	**1,336,379**	**91**	**4,031**	**(3,940)**	**-**	**1,336,288**	**1,332,348**
Total	**Stage 1**	**4,023,554**	**12,733**	**10,518**	**2,215**	**-**	**4,010,821**	**4,013,036**
	Stage 2	**637,866**	**52,240**	**59,817**	**(7,577)**	**5,932**	**579,694**	**572,117**
	Stage 3	**212,281**	**119,706**	**108,043**	**11,663**	**37,983**	**54,592**	**66,255**
	Total	**4,873,701**	**184,679**	**178,378**	**6,301**	**43,915**	**4,645,107**	**4,651,408**

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Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	2,454,047	29,987	9,633	20,354	-	2,424,060	2,444,414
	Stage 2	274,092	2,701	11,316	(8,615)	-	271,391	262,776
	Stage 3	-		-	-	-	-	-
	Sub-total	**2,728,139**	**32,688**	**20,949**	**11,739**	**-**	**2,695,451**	**2,707,190**
Special Mention	Stage 1	20,269	256	134	122	-	20,013	20,135
	Stage 2	352,535	26,886	43,895	(17,009)	4,093	321,556	304,547
	Stage 3	-		-	-	-	-	-
	Sub-total	**372,804**	**27,142**	**44,029**	**(16,887)**	**4,093**	**341,569**	**324,682**
Substandard	Stage 1	-		-	-	-	-	-
	Stage 2	-		-	-	-	-	-
	Stage 3	12,711	3,438	5,369	(1,931)	378	8,895	6,964
	Sub-total	**12,711**	**3,438**	**5,369**	**(1,931)**	**378**	**8,895**	**6,964**
Doubtful	Stage 1	-		-	-		-	-
	Stage 2	-		-	-		-	-
	Stage 3	19,528	7,141	7,073	68	1,905	10,482	10,550
	Sub-total	**19,528**	**7,141**	**7,073**	**68**	**1,905**	**10,482**	**10,550**
Loss	Stage 1	-		-	-	-	-	-
	Stage 2	-		-	-	-	-	-
	Stage 3	133,544	84,107	72,290	11,817	23,548	25,889	37,706
	Sub-total	**133,544**	**84,107**	**72,290**	**11,817**	**23,548**	**25,889**	**37,706**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,096,459		702	(702)	-	1,096,459	1,095,757
	Stage 2	119,083		102	(102)	-	119,083	118,981
	Stage 3	4,772	319	3,160	(2,841)	-	4,453	1,612
	Sub-total	**1,220,314**	**319**	**3,964**	**(3,645)**	**-**	**1,219,995**	**1,216,350**
Total	**Stage 1**	**3,570,775**	**30,243**	**10,469**	**19,774**	**-**	**3,540,532**	**3,560,306**
	Stage 2	**745,710**	**29,587**	**55,313**	**(25,726)**	**4,093**	**712,030**	**686,304**
	Stage 3	**170,555**	**95,005**	**87,892**	**7,113**	**25,831**	**49,719**	**56,832**
	Total	**4,487,040**	**154,835**	**153,674**	**1,161**	**29,924**	**4,302,281**	**4,303,442**

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.2 Credit Risk Analysis (continued)
e. Comparison of provision held as per IFRS 9 and required as per CBO guidelines (continued)

Parent Company

Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	1,913,110	1,592	6,535	(4,943)	-	1,911,518	1,906,575
	Stage 2	158,761	24,500	4,524	19,976	-	134,261	154,237
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**2,071,871**	**26,092**	**11,059**	**15,033**	**-**	**2,045,779**	**2,060,812**
Special Mention	Stage 1	21,956	2,234	351	1,883	-	19,722	21,605
	Stage 2	241,477	26,231	43,442	(17,211)	5,785	209,461	192,250
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**263,433**	**28,465**	**43,793**	**(15,328)**	**5,785**	**229,183**	**213,855**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,302	317	503	(186)	38	947	761
	Sub-total	**1,302**	**317**	**503**	**(186)**	**38**	**947**	**761**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	14,243	6,512	6,113	399	1,714	6,017	6,416
	Sub-total	**14,243**	**6,512**	**6,113**	**399**	**1,714**	**6,017**	**6,416**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	144,047	84,126	72,084	12,042	32,197	27,724	39,766
	Sub-total	**144,047**	**84,126**	**72,084**	**12,042**	**32,197**	**27,724**	**39,766**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	995,745	-	657	(657)	-	995,745	995,088
	Stage 2	86,406	-	33	(33)	-	86,406	86,373
	Stage 3	5,629	-	3,001	(3,001)	-	5,629	2,628
	Sub-total	**1,087,780**	**-**	**3,691**	**(3,691)**	**-**	**1,087,780**	**1,084,089**
Total	**Stage 1**	**2,930,811**	**3,826**	**7,543**	**(3,717)**	**-**	**2,926,985**	**2,923,268**
	Stage 2	**486,644**	**50,731**	**47,999**	**2,732**	**5,785**	**430,128**	**432,860**
	Stage 3	**165,221**	**90,955**	**81,701**	**9,254**	**33,949**	**40,317**	**49,571**
	Total	**3,582,676**	**145,512**	**137,243**	**8,269**	**39,734**	**3,397,430**	**3,405,699**

Parent Company

Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	1,653,183	21,765	6,190	15,575	-	1,631,418	1,646,993
	Stage 2	197,875	1,956	4,750	(2,794)	-	195,919	193,125
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**1,851,058**	**23,721**	**10,940**	**12,781**	**-**	**1,827,337**	**1,840,118**
Special Mention	Stage 1	20,180	255	134	121	-	19,925	20,046
	Stage 2	328,171	26,648	40,772	(14,124)	4,093	297,430	283,306
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**348,351**	**26,903**	**40,906**	**(14,003)**	**4,093**	**317,355**	**303,352**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,658	2,810	4,966	(2,156)	360	8,488	6,332
	Sub-total	**11,658**	**2,810**	**4,966**	**(2,156)**	**360**	**8,488**	**6,332**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,197	4,725	4,441	284	849	5,623	5,907
	Sub-total	**11,197**	**4,725**	**4,441**	**284**	**849**	**5,623**	**5,907**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	100,558	59,623	50,725	8,898	20,531	20,404	29,302
	Sub-total	**100,558**	**59,623**	**50,725**	**8,898**	**20,531**	**20,404**	**29,302**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	908,340	-	470	(470)	-	908,340	907,870
	Stage 2	117,411	-	67	(67)	-	117,411	117,344
	Stage 3	4,339	-	2,950	(2,950)	-	4,339	1,389
	Sub-total	**1,030,090**	**-**	**3,487**	**(3,487)**	**-**	**1,030,090**	**1,026,603**
Total	**Stage 1**	**2,581,703**	**22,020**	**6,794**	**15,226**	**-**	**2,559,683**	**2,574,909**
	Stage 2	**643,457**	**28,604**	**45,589**	**(16,985)**	**4,093**	**610,760**	**593,775**
	Stage 3	**127,752**	**67,158**	**63,082**	**4,076**	**21,740**	**38,854**	**42,930**
	Total	**3,352,912**	**117,782**	**115,465**	**2,317**	**25,833**	**3,209,297**	**3,211,614**

1. The CBO regulations require that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirements as per the CBO guidelines are higher than IFRS 9, the difference, net of tax, needs to be transferred to the "Impairment Reserve" as an appropriation from net profit after tax. In January 2022, the CBO suspended the two-track approach / parallel run for the computation of additional provisions as per the CBO norms for 2022. Accordingly, there were no transfers to the impairment reserve in 2022. As at 31 December 2023 the allowance for credit losses as per CBO provision requirement after considering the impairment reserve held is below the allowance for credit losses held as per IFRS 9 and thus no impairment reserve was created during the year 2023. Further, the provision/ECL amount held above is excluding the special reserve for restructured cases.

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.2 Credit Risk Analysis (continued)

f. Restructured loans

Consolidated

Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms	Net Amount as per IFRS 9
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Classified as performing	Stage 1	77,983	759	1,148	(389)	-	77,224	76,835
	Stage 2	382,395	24,604	46,388	(21,784)	5,092	352,699	330,915
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**460,378**	**25,363**	**47,536**	**(22,173)**	**5,092**	**429,923**	**407,750**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	77,370	47,373	42,850	4,523	11,607	18,390	22,913
	Sub-total	**77,370**	**47,373**	**42,850**	**4,523**	**11,607**	**18,390**	**22,913**
Total	**Stage 1**	**77,983**	**759**	**1,148**	**(389)**	**-**	**77,224**	**76,835**
	Stage 2	**382,395**	**24,604**	**46,388**	**(21,784)**	**5,092**	**352,699**	**330,915**
	Stage 3	**77,370**	**47,373**	**42,850**	**4,523**	**11,607**	**18,390**	**22,913**
	Total	**537,748**	**72,736**	**90,386**	**(17,650)**	**16,699**	**448,313**	**430,663**
2022		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8)=(1)-(2)-(7)	(9)=(1)-(3)-(7)
Classified as performing	Stage 1	76,817	1,018	1,427	(409)	-	75,799	75,390
	Stage 2	364,050	26,166	39,314	(13,148)	3,733	334,151	321,003
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**440,867**	**27,184**	**40,741**	**(13,557)**	**3,733**	**409,950**	**396,393**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	47,181	30,340	29,886	454	5,470	11,371	11,825
	Sub-total	**47,181**	**30,340**	**29,886**	**454**	**5,470**	**11,371**	**11,825**
Total	**Stage 1**	**76,817**	**1,018**	**1,427**	**(409)**	**-**	**75,799**	**75,390**
	Stage 2	**364,050**	**26,166**	**39,314**	**(13,148)**	**3,733**	**334,151**	**321,003**
	Stage 3	**47,181**	**30,340**	**29,886**	**454**	**5,470**	**11,371**	**11,825**
	Total	**488,048**	**57,524**	**70,627**	**(13,103)**	**9,203**	**421,321**	**408,218**

Parent Company

Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms	Net Amount as per IFRS 9
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Classified as performing	Stage 1	23,485	205	342	(137)	-	23,280	23,143
	Stage 2	260,287	23,374	35,604	(12,230)	4,945	231,968	219,738
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**283,772**	**23,579**	**35,946**	**(12,367)**	**4,945**	**255,248**	**242,881**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	62,517	40,337	36,041	4,296	10,686	11,494	15,790
	Sub-total	**62,517**	**40,337**	**36,041**	**4,296**	**10,686**	**11,494**	**15,790**
Total	**Stage 1**	**23,485**	**205**	**342**	**(137)**	**-**	**23,280**	**23,143**
	Stage 2	**260,287**	**23,374**	**35,604**	**(12,230)**	**4,945**	**231,968**	**219,738**
	Stage 3	**62,517**	**40,337**	**36,041**	**4,296**	**10,686**	**11,494**	**15,790**
	Total	**346,289**	**63,916**	**71,987**	**(8,071)**	**15,631**	**266,742**	**258,671**
2022		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8)=(1)-(2)-(7)	(9)=(1)-(3)-(7)
Classified as performing	Stage 1	8,986	152	418	(266)	-	8,834	8,568
	Stage 2	286,003	25,495	32,955	(7,460)	3,733	256,775	249,315
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**294,989**	**25,647**	**33,373**	**(7,726)**	**3,733**	**265,609**	**257,883**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	39,828	25,766	25,302	464	4,850	9,212	9,676
	Sub-total	**39,828**	**25,766**	**25,302**	**464**	**4,850**	**9,212**	**9,676**
Total	**Stage 1**	**8,986**	**152**	**418**	**(266)**	**-**	**8,834**	**8,568**
	Stage 2	**286,003**	**25,495**	**32,955**	**(7,460)**	**3,733**	**256,775**	**249,315**
	Stage 3	**39,828**	**25,766**	**25,302**	**464**	**4,850**	**9,212**	**9,676**
	Total	**334,817**	**51,413**	**58,675**	**(7,262)**	**8,583**	**274,821**	**267,559**

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.2 Credit Risk Analysis (continued)

g. Concentration of risk

Concentrations risk is the potential loss in value when a number of counterparties or exposures move together in unfavourable direction. They may have comparable economic characteristics, or are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The Bank uses a number of controls and measures to minimise undue concentration of exposure across industries, countries and business.

The concentration of gross exposures by sector is as follows:

	Consolidated							
	2023				2022			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	1,286,574	-	-	-	1,200,445	-	-
Corporate	130,125	2,133,222	46,906	353,644	53,671	2,046,253	40,838	306,377
Government	-	73,190	279,655	84,205	-	1	290,818	86,864
Total	**130,125**	**3,492,986**	**326,561**	**437,849**	**53,671**	**3,246,699**	**331,656**	**393,241**

	Parent Company							
	2023				2022			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	858,166	-	-	-	811,429	-	-
Corporate	124,068	1,619,090	40,422	290,907	48,161	1,491,365	39,528	258,270
Government	-	2,190	213,222	11,264	-	1	228,898	13,923
Total	**124,068**	**2,479,446**	**253,644**	**302,171**	**48,161**	**2,302,795**	**268,426**	**272,193**

The concentration of gross exposures by location is as follows:

Consolidated 2023	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	151,581	-	-	-	-	151,581
Due from banks	63,390	30,707	6,148	18,148	11,732	130,125
Loans and advances	3,274,724	-	-	-	-	3,274,724
Investment securities	322,701	3,668	-	-	192	326,561
Intangible assets	6,590	-	-	-	-	6,590
Other assets	86,326	-	-	-	-	86,326
Property and equipment	43,096	-	-	-	-	43,096
Total assets	**3,948,408**	**34,375**	**6,148**	**18,148**	**11,924**	**4,019,003**
Due to banks	68	7,683	14,234	-	10,243	32,228
Customer deposits	3,357,417	-	-	-	-	3,357,417
Other liabilities	107,146	-	-	-	-	107,146
Taxation	5,236	-	-	-	-	5,236
Total liabilities	**3,469,867**	**7,683**	**14,234**	**-**	**10,243**	**3,502,027**

Consolidated 2022	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	99,913	-	-	-	-	99,913
Due from banks	25,477	5,229	2,538	3,759	16,668	53,671
Loans and advances	3,067,063	-	-	-	-	3,067,063
Investment securities	330,710	757	-	-	189	331,656
Intangible assets	6,900	-	-	-	-	6,900
Other assets	84,131	-	-	-	-	84,131
Property and equipment	38,496	-	-	-	-	38,496
Total assets	**3,652,690**	**5,986**	**2,538**	**3,759**	**16,857**	**3,681,830**
Due to banks	54,109	29,869	9,943	-	220	94,141
Customer deposits	2,992,180	-	-	-	-	2,992,180
Other liabilities	94,496	-	-	-	-	94,496
Taxation	3,412	-	-	-	-	3,412
Total liabilities	**3,144,197**	**29,869**	**9,943**	**-**	**220**	**3,184,229**

g. Concentration of risk (continued)

Parent Company 2023	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	84,685	-	-	-	-	84,685
Due from banks	63,805	26,668	5,883	15,980	11,732	124,068
Loans and advances	2,306,160	-	-	-	-	2,306,160
Investment securities	253,452	-	-	-	192	253,644
Investment in subsidiary	107,144	-	-	-	-	107,144
Other assets	53,696	-	-	-	-	53,696
Property and equipment	37,394	-	-	-	-	37,394
Total assets	**2,906,336**	**26,668**	**5,883**	**15,980**	**11,924**	**2,966,791**
Due to banks	68	7,683	14,234	-	10,243	32,228
Customer deposits	2,343,619	-	-	-	-	2,343,619
Other liabilities	87,097	-	-	-	-	87,097
Taxation	5,236	-	-	-	-	5,236
Total liabilities	**2,436,020**	**7,683**	**14,234**	**-**	**10,243**	**2,468,180**

Parent Company 2022	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	31,034	-	-	-	-	31,034
Due from banks	19,967	5,229	2,538	3,759	16,668	48,161
Loans and advances	2,164,984	-	-	-	-	2,164,984
Investment securities	268,237	-	-	-	189	268,426
Investment in subsidiary	107,144	-	-	-	-	107,144
Other assets	55,454	-	-	-	-	55,454
Property and equipment	35,659	-	-	-	-	35,659
Total assets	**2,682,479**	**5,229**	**2,538**	**3,759**	**16,857**	**2,710,862**
Due to banks	19,069	29,869	9,943	-	220	59,101
Customer deposits	2,089,284	-	-	-	-	2,089,284
Other liabilities	71,114	-	-	-	-	71,114
Taxation	3,412	-	-	-	-	3,412
Total liabilities	**2,182,879**	**29,869**	**9,943**	**-**	**220**	**2,222,911**

The concentration of the gross loans, advances and financings by economic sector is as follows:

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	RO' 000	%	RO' 000	%	RO' 000	%	RO' 000	%
Personal loans	1,286,574	37%	1,200,445	37%	858,166	35%	811,429	35%
Construction	270,098	8%	281,018	9%	222,771	9%	243,830	11%
Manufacturing	267,615	8%	266,467	8%	206,802	8%	196,455	9%
Mining and quarrying	140,324	4%	152,399	5%	124,534	5%	137,329	6%
Services	327,409	9%	345,363	11%	139,031	6%	159,515	7%
Import trade	95,732	3%	97,371	3%	78,539	3%	78,398	3%
Transportation	194,884	6%	177,681	5%	180,077	7%	160,975	7%
Electricity, water & gas	171,573	5%	107,062	3%	142,558	6%	103,668	5%
Wholesale and retail trade	115,990	3%	135,984	4%	68,034	3%	85,993	4%
Financial institutions	233,498	7%	146,295	3%	189,328	8%	108,163	5%
Agriculture and allied activities	20,272	1%	22,921	1%	6,345	0%	6,554	0%
Export trade	30	0%	64	0%	30	0%	64	0%
Government	2,190	0%	1	0%	2,190	0%	1	0%
Lending to non-residents	2,083	0%	2,134	0%	165	0%	216	0%
Others	364,714	9%	311,494	11%	260,876	10%	210,205	8%
Total	**3,492,986**	**100%**	**3,246,699**	**100%**	**2,479,446**	**100%**	**2,302,795**	**100%**

The concentration of contingent liabilities by economic sector is as follows:

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	RO' 000	%	RO' 000	%	RO' 000	%	RO' 000	%
Construction	65,670	15%	75,644	19%	47,558	16%	68,499	25%
Utilities	1,218	0%	3,269	1%	1,218	0%	1,393	1%
Financial Institutions	168,044	39%	112,457	29%	168,044	56%	112,457	41%
Government	84,205	19%	86,864	22%	11,264	4%	13,923	5%
Import trade	5,965	1%	13,609	3%	5,965	2%	13,609	5%
Transportation	1,504	0%	2,571	1%	967	0%	210	0%
Wholesale and retail trade	17,449	4%	19,781	5%	14,319	5%	17,215	6%
Services	56,082	13%	51,052	13%	29,442	10%	23,329	9%
Manufacturing	19,395	5%	15,942	4%	16,386	5%	14,674	5%
Mining & Quarrying	18,317	4%	12,052	3%	7,008	2%	6,884	3%
Total	**437,849**	**100%**	**393,241**	**100%**	**302,171**	**100%**	**272,193**	**100%**

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.2 Credit Risk Analysis (continued)

(h) Stage wise movement of loans portfolio

Consolidated 2023	Stage 1	Stage 2	Stage 3	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Balance at the beginning of the year	2,454,290	626,626	165,783	3,246,699
Additions (new accounts)	784,818	130,200	18,473	933,491
Repaid / derecognized facilities	(480,443)	(199,668)	(5,035)	(685,146)
Transfer to Stage 1	63,465	(63,029)	(436)	-
Transfer to Stage 2	(77,794)	87,208	(9,414)	-
Transfer to Stage 3	(7,068)	(32,166)	39,234	-
Written off including transfer to memorandum accounts	-	-	(2,058)	(2,058)
Balance at the end of the year	**2,737,268**	**549,171**	**206,547**	**3,492,986**

Consolidated 2022	Stage 1	Stage 2	Stage 3	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Balance at the beginning of the year	2,181,974	574,457	138,026	2,894,457
Additions (new accounts)	736,447	329,753	21,019	1,087,219
Repaid / derecognized facilities	(424,901)	(301,330)	(2,146)	(728,377)
Transfer to Stage 1	22,663	(22,406)	(257)	-
Transfer to Stage 2	(56,795)	61,535	(4,740)	-
Transfer to Stage 3	(5,098)	(15,383)	20,481	-
Written off including transfer to memorandum accounts	-	-	(6,600)	(6,600)
Balance at the end of the year	**2,454,290**	**626,626**	**165,783**	**3,246,699**

Parent 2023	Stage 1	Stage 2	Stage 3	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Balance at the beginning of the year	1,653,337	526,045	123,413	2,302,795
Additions (new accounts)	714,457	127,780	18,194	860,431
Repaid / derecognized facilities	(470,327)	(209,135)	(2,260)	(681,722)
Transfer to Stage 1	61,256	(61,256)	-	-
Transfer to Stage 2	(34,898)	44,237	(9,339)	-
Transfer to Stage 3	(4,209)	(27,433)	31,642	-
Written off including transfer to memorandum accounts	-	-	(2,058)	(2,058)
Balance at the end of the year	**1,919,616**	**400,238**	**159,592**	**2,479,446**

Parent 2022	Stage 1	Stage 2	Stage 3	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Balance at the beginning of the year	1,470,735	487,812	106,527	2,065,074
Additions (new accounts)	640,391	308,976	15,891	965,258
Repaid / derecognized facilities	(424,901)	(293,890)	(2,146)	(720,937)
Transfer to Stage 1	21,822	(21,822)	-	-
Transfer to Stage 2	(50,559)	55,295	(4,736)	-
Transfer to Stage 3	(4,151)	(10,326)	14,477	-
Written off including transfer to memorandum accounts	-	-	(6,600)	(6,600)
Balance at the end of the year	**1,653,337**	**526,045**	**123,413**	**2,302,795**

37.1.3 CBO COVID related disclosures

(a) Outbreak of Coronavirus (COVID-19)

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. The pandemic has continued to affect the economic environment and business landscape of the banks. The businesses witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic witnessing stress on revenues & delay in servicing debts. Tightening of market conditions, lockdowns, restrictions on trade and movement of people had caused significant disruptions to businesses and economic activities globally and across industries & sectors. The impact on the economy has receded since 2022 and the economy has witnessed growth in 2023. However, most of the businesses are still to reach the pre-covid operational performance.

b. Government measures

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. These measures include deferral of loan instalments for the affected borrowers (particularly the corporates and SMEs), deferment and waiver of interest/profit for affected Omani nationals employed in private sector, waiver of point of sale (POS) charges, lowering of regulatory capital ratios and increasing the lending ratio etc., suspension of assessment of Significant Increase in Credit risk (SICR). In late 2021, the CBO had released guidance on restructuring of affected borrowers from corporate/SME, which has been adhered to.

c. Impact of COVID-19 on the Bank

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration is given to both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, has not automatically led to loans being measured on the basis of lifetime losses. The measurement of ECL is based on the models with respect to probability of default, Loss Given Default and Exposure at default, when it is not possible to reflect all relevant information in the models, post-model overlays or adjustments are considered. This is also broadly consistent with guidelines issued by other regulators including those issued by the CBO.

The Central Bank of Oman had issued guidelines on restructuring of facilities for borrowers affected by COVID-19 to be undertaken in 2022. The restructuring of borrowers under the CBO window has been completed by October 2022.

- Bank has developed estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration is given both to the effects of Covid-19 coupled with oil prices & significant CBO policy measures being undertaken.
- 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 Bank in the IFRS 9/ECL models cannot 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.
- The Management Risk 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 of all individually significant exposures. 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.

A considerable portion of Bank's retail portfolio comprises of Omani nationals employed in government sector. This retail segment is expected to largely remain shielded from job cuts and salary reductions. Retail lending to private sector employees is expected to witness impact of economic meltdown in the short to medium term due to the pandemic and hence could lead to potential credit issues. The Bank had extended the deferment of payments for terminated retail borrowers in 2023, which is being extended to 2024 based on the CBO requirement to extend the deferment. The Bank is fully committed to help its customers through these turbulent years as directed by the CBO. The Bank continues 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.

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.3 CBO COVID related disclosures (continued)

c. Impact of COVID-19 on the Bank (continued)

The Bank continually reviews its precautionary and administrative measures in response to changes on the ground.

d. Impact on SICR

The exercise of the deferment option by a customer, in its own, is not considered by the Bank as triggering SICR. However, as part of the Bank's credit evaluation process especially given the current economic situation due to after effects of lock down, the Bank obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable. The assessment of 'Significant Increase in Credit Risk' (SICR) was reinstated by CBO in 2023.

e. Impact on ECL

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Bank expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December 2023 are set out as follows:

As at 31 December 2023, the collective provision held by the Bank through management overlays amounts to RO 40,942 thousand (consolidated), RO 32,230 thousand (Parent Company) [2022: RO 22,652 thousand (consolidated), RO 14,110 thousand (Parent Company)] which are specifically allocated to certain stressed parties. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected year.

f. PMAs and management adjustments

The bank has applied the latest customer ratings, PD term structures and forward looking macro-economic variables applicable in its ECL computation for the year ended 31 December 2023. The Bank holds post model adjustments / overlays as per the sensitivity analysis.

In determining above, the management has considered Investments as per percentage of GDP and Real GDP growth rate as the macroeconomic factors.

g. Sensitivity of ECL to future economic conditions

Following are the scenario weightage considered by the Bank at Group level:

- Scenario weightings of 55.00%, 20.00%, 25.00% for Base, Bad and Good scenarios (31 December 2022: 66.6%, 5.6%, 27.80%);

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) excluding management overlays under IFRS 9 as at 31 December 2023 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	Consolidated		Parent Company	
	2023		2023	
2023	**Required ECL**	**Impact on ECL**	**Required ECL**	**Impact on ECL**
Sensitivity of impairment estimates	RO' 000	RO' 000	RO' 000	RO' 000
ECL on non-impaired loans under IFRS9	37,268	-	22,734	-
Simulations				
Good case - 100% weighted	24,526	12,742	15,591	7,143
Base case - 100% weighted	39,248	(1,980)	24,875	(2,141)
Bad case - 100% weighted	56,867	(19,599)	32,521	(9,788)

h. Accounting for modification gain/loss

In case of corporate customers, the Bank post the restructuring of the deferred exposures has computed the modification gain/loss by comparing the net present value of the restructured cash flows, which are discounted at the pre restructuring interest rates to the gross carrying value of the exposures. The Bank has determined that the modifications due to deferment of instalment and waiver of interest/profit allowed in line with CBO relaxation measures did not result in derecognition of financial assets. Further, the impact of day one modification gain/loss was accounted as part of impairment allowance.

i. Stage-wise analysis of customers restructured under CBO window

The restructured/ rescheduled loans implemented as per CBO circular BSD/CB & FLCs/2021/004 dated 18 November 2021 - window for restructuring/ rescheduling of credit facilities for affected customers are also disclosed in the following table:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023	RO' 000	RO' 000	RO' 000	RO' 000
Loans and financing receivables restructured under CBO window	65,390	243,059	6,992	315,441
ECL as per IFRS 9	953	18,455	2,438	21,846
ECL required as per CBO Circular under restructuring window	998	16,777	2,438	20,213

h. Stage-wise analysis of customers restructured under CBO window (continued)

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023	RO' 000	RO' 000	RO' 000	RO' 000
Loans and advances restructured under CBO window	16,339	159,744	-	176,083
ECL as per IFRS 9	180	11,809	-	11,989
ECL required as per CBO Circular under restructuring window	225	10,131	-	10,356

In addition to the ECL held above, the bank has utilised special reserve amounting to RO 2.4 million for restructured cases under CBO window.

i. Impact on the Capital Adequacy

The Bank has applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of the above filter on the Bank's regulatory capital is 49 bps [Parent Company: 67 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.

37.1.4 Loans and advances renegotiated

These arrangements include extended payment arrangements, deferral of payments and modification of interest rates. Following restructuring, a previously deferred loan account is reclassified as a normal loan and managed with other similar loans which are neither past due nor impaired. The restructuring arrangements are based on the criteria and indicators which in the judgement of the management will indicate that the payment will most likely continue.

The total restructured loans at 31 December 2023 amounted to RO 537,748 thousand (consolidated), RO 346,289 thousand (Parent Company); [2022: RO 488,231 thousand (consolidated), RO 334,817 thousand (Parent Company)].

37. Financial risk management (continued)
37.1 Credit Risk (continued)
37.1.4 Loans and advances renegotiated (continued)

37.1.5 Debt securities

The Bank's investments in debt securities are mainly in Government Development Bonds / Sukuks or treasury bills denominated in Rial Omani issued by the Government of Oman. The Bank also invests in debt securities issued by foreign sovereigns / Omani public sector enterprises based on their individual external credit rating. These investments are made to deploy the surplus liquid funds with maximum return.

37.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced.

a. Maturity profile

The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy. The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the Central Bank of Oman. The deposits with no contractual maturity amounting to RO 1,444 million (2022: RO 1,582 million) for Consolidated and RO 988 million (2022: RO 1,106 million) for Parent Company are included in the maturity profile schedule based on behavioural maturity. These fit into on demand classification for the requirements of IFRS Accounting Standards. An analysis of the maturity profile of deposits based on contractual maturities is as follows:

	Less than 3 months	3 to 12 months	Sub total	1 to 5 years	Over 5 years	Total
Consolidated	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2023	1,600,491	649,827	2,250,318	897,997	209,102	3,357,417
2022	1,446,795	427,105	1,873,900	1,020,592	97,688	2,992,180
Parent	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2023	1,110,174	676,487	1,786,661	420,932	136,026	2,343,619
2022	986,935	356,272	1,343,207	614,081	131,996	2,089,284

For financial liabilities apart from on-demand customers deposits the behavioural maturities and contractual maturities are approximately the same. An analysis of the maturity profile based on the estimated behavioural maturities is as follows:

Consolidated 2023	On demand or within 3 months	3 to 12 months	Sub total	1 to 5 Years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	65,715	34,142	99,857	30,628	21,096	151,581
Due from banks	130,125	-	130,125	-	-	130,125
Loans and advances	400,657	305,359	706,016	915,928	1,652,780	3,274,724
Investment securities	9,454	49,771	59,225	189,707	77,629	326,561
Intangible assets	-	-	-	-	6,590	6,590
Other assets	49,600	32,936	82,536	3,790	-	86,326
Property and equipment	-	-	-	-	43,096	43,096
Total assets	**655,551**	**422,208**	**1,077,759**	**1,140,053**	**1,801,191**	**4,019,003**
Due to banks	32,228	-	32,228	-	-	32,228
Customer deposits	362,674	1,135,168	1,497,842	897,997	961,578	3,357,417
Other liabilities	59,637	22,966	82,603	24,543	-	107,146
Taxation	5,236	-	5,236	-	-	5,236
Total liabilities	**459,775**	**1,158,134**	**1,617,909**	**922,540**	**961,578**	**3,502,027**
Liquidity gap	**195,776**	**(735,926)**	**(540,150)**	**217,513**	**839,613**	**516,976**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	111,951	13,058	125,009	-	-	125,009
- Sale contracts	(111,913)	(13,048)	(124,961)	-	-	(124,961)
	38	**10**	**48**	**-**	**-**	**48**

Consolidated 2022	On demand or within 3 months	3 to 12 months	Sub total	1 to 5 Years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	72,874	8,293	81,167	12,174	6,572	99,913
Due from banks	33,703	19,968	53,671	-	-	53,671
Loans and advances	295,643	416,541	712,184	849,716	1,505,163	3,067,063
Investment securities	441	19,659	20,100	153,692	157,864	331,656
Intangible assets	-	-	-	-	6,900	6,900
Other assets	46,521	27,734	74,255	9,876	-	84,131
Property and equipment	-	-	-	-	38,496	38,496
Total assets	**449,182**	**492,195**	**941,377**	**1,025,458**	**1,714,995**	**3,681,830**
Due to banks	94,141	-	94,141	-	-	94,141
Customer deposits	259,865	886,744	1,146,609	1,020,593	824,978	2,992,180
Other liabilities	43,596	17,584	61,180	33,309	7	94,496
Taxation	3,412	-	3,412	-	-	3,412
Total liabilities	**401,014**	**904,328**	**1,305,342**	**1,053,902**	**824,985**	**3,184,229**
Liquidity gap	**48,168**	**(412,133)**	**(363,965)**	**(28,444)**	**890,010**	**497,601**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	121,865	57,056	178,921	-	-	178,921
- Sale contracts	(121,857)	(57,015)	(178,872)	-	-	(178,872)
	8	**41**	**49**	**-**	**-**	**49**

Parent Company 2023	On demand or within 3 months	3 to 12 months	Sub total	1 to 5 Years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	26,375	26,819	53,194	16,470	15,021	84,685
Due from banks	108,668	15,400	124,068	-	-	124,068
Loans and advances	334,703	176,788	511,491	598,603	1,196,066	2,306,160
Investment securities	9,454	21,192	30,646	154,891	68,107	253,644
Investment in subsidiary	-	-	-	-	107,144	107,144
Other assets	41,931	9,928	51,859	1,837	-	53,696
Property and equipment	-	-	-	-	37,394	37,394
Total assets	**521,131**	**250,127**	**771,258**	**771,801**	**1,423,732**	**2,966,791**
Due to banks	32,228	-	32,228	-	-	32,228
Customer deposits	259,705	888,406	1,148,111	420,932	774,576	2,343,619
Other liabilities	59,638	22,966	82,604	4,493	-	87,097
Taxation	5,236	-	5,236	-	-	5,236
Total liabilities	**356,807**	**911,372**	**1,268,179**	**425,425**	**774,576**	**2,468,180**
Liquidity gap	**164,324**	**(661,245)**	**(496,921)**	**346,376**	**649,156**	**498,611**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	111,951	13,058	125,009	-	-	125,009
- Sale contracts	(111,913)	(13,048)	(124,961)	-	-	(124,961)
	38	**10**	**48**	**-**	**-**	**48**

37. Financial risk management (continued)
37.2 Liquidity risk (continued)
37.1.4 Loans and advances renegotiated (continued)
a. Maturity profile (continued)

Parent Company 2022	On demand or within 3 months	3 to 12 months	Sub total	1 to 5 Years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	30,353	59	30,412	60	562	31,034
Due from banks	28,193	19,968	48,161	-	-	48,161
Loans and advances	270,548	225,675	496,223	561,878	1,106,883	2,164,984
Investment securities	441	19,470	19,911	93,987	154,528	268,426
Investment in subsidiary	-	-	-	-	107,144	107,144
Other assets	39,894	7,875	47,769	7,685	-	55,454
Property and equipment	-	-	-	-	35,659	35,659
Total assets	**369,429**	**273,047**	**642,476**	**663,610**	**1,404,776**	**2,710,862**
Due to banks	59,101	-	59,101	-	-	59,101
Customer deposits	223,898	610,435	834,333	614,081	640,870	2,089,284
Other liabilities	43,596	17,584	61,180	9,927	7	71,114
Taxation	3,412	-	3,412	-	-	3,412
Total liabilities	**330,007**	**628,019**	**958,026**	**624,008**	**640,877**	**2,222,911**
Liquidity gap	**39,422**	**(354,972)**	**(315,550)**	**39,602**	**763,899**	**487,951**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	121,865	57,056	178,921	-	-	178,921
- Sale contracts	(121,857)	(57,015)	(178,872)	-	-	(178,872)
	8	**41**	**49**	**-**	**-**	**49**

Consolidated 2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	11,443	58,906	83,569	10,537	**164,455**
Future interest inflow	35,491	114,451	475,613	395,278	**1,020,833**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	5,181	33,330	79,359	541	**118,411**
Future interest inflow	26,057	96,283	394,241	331,977	**848,558**

Parent Company 2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	4,716	51,109	65,535	10,537	**131,897**
Future interest inflow	21,785	77,952	286,289	240,818	**626,844**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	3,066	29,433	66,634	541	**99,674**
Future interest inflow	14,047	64,493	229,361	186,858	**494,759**

The following table below shows the contractual expiry of the Bank's contingent liabilities and commitments.

Consolidated 2023	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	22,757	75,137	35,604	96,749	**230,247**
Letters of credit	116,915	88,366	2,321	-	**207,602**
Total commitments and contingencies	**139,672**	**163,503**	**37,925**	**96,749**	**437,849**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	14,713	32,080	16,216	1,142	64,151
Letters of credit	77,489	115,328	26,758	109,515	329,090
Total commitments and contingencies	**92,202**	**147,408**	**42,974**	**110,657**	**393,241**

Parent Company 2023	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	16,347	65,078	22,833	92,456	**196,714**
Letters of credit	96,574	6,562	2,321	-	**105,457**
Total commitments and contingencies	**112,921**	**71,640**	**25,154**	**92,456**	**302,171**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	5,079	23,607	6,591	-	35,277
Letters of credit	65,003	35,687	26,711	109,515	236,916
Total commitments and contingencies	**70,082**	**59,294**	**33,302**	**109,515**	**272,193**

Due to the nature of the issued guarantee contracts, these instruments could be called earlier than the bucket under which reported.

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The details of Bank's capital commitments and unutilised loan commitments are disclosed in note 35.

b. Lending ratio

The lending ratio is a regulatory ratio which considers total loans and advances to customer deposits and capital. This ratio is monitored on daily basis and reported on monthly basis as per CBO guidelines. The Bank has internally set a conservative lending ratio benchmark which is lower than CBO lending ratio.

The maximum permissible lending ratio as at 31 December 2023 was 92.5% (2022: 92.5%). In the COVID-19 stimulus package announced by CBO the maximum limit of this ratio was extended to 92.5% from 87.5%.

The Bank has reported following lending ratio for the year:

	Parent Company	
	2023	**2022**
Year end	87.07%	86.96%

c. Basel III liquidity and funding ratios

An overview of the Basel III liquidity and funding ratios is provided in BASEL II - PILLAR III and BASEL III related disclosures. The LCR and NSFR ratios for the year ended 31 December 2023 are as follows:

37. Financial risk management (continued)
37.2 Liquidity risk (continued)
c. Basel III liquidity and funding ratios (continued)

	Consolidated		Parent Company	
	2023	2022	2023	2022
LCR	235%	127%	242%	130%
NSFR	114%	111%	113%	112%

The above disclosed values for LCR are based on average of three-monthly data points.

37.3 Market risk

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are monitored by the Treasury Division and the Risk Management Department. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

37.3.1 Price risk

The Bank holds listed securities classified as held-for-trading and held to collect and sale to take advantage of short-term capital market movements and manage liquidity. All investment securities present a risk of loss of capital. The Bank controls this risk through a careful selection of securities in accordance with Investment Management Policy approved by the Board. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Bank's market positions are reviewed periodically by the management.

Bank's investments include equity securities which are publicly traded on the Muscat Stock Exchange (MSX). The Bank's equity and total comprehensive income at 31 December 2023 may decrease by 0.05% Consolidated and 0.03% Parent (2022 Consolidated – 0.04%, Parent – 0.03%) due to decrease by 10% in the MSX - 30 Index and the GCC market indices, with all the other variables held constant. The subsidiary has no investment in equity securities publicly traded on MSX.

37.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest-based assets and liabilities that mature or re-price in a given year. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as its assets and liabilities are aligned for re-pricing in line with the risk appetite. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate with the objective of limiting the potential adverse effects on the Bank's profitability. The Bank's exposure to the interest rate risks is summarised below. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

Consolidated 2023	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1	18,095	-	-	-	1,025	132,461	151,581
Due from banks	4.75	104,681	-	-	-	-	25,444	130,125
Loans and advances	5.18	1,477,333	380,522	419,221	890,358	107,290	-	3,274,724
Investment securities		8,996	18,699	31,072	189,707	75,314	2,773	326,561
Intangible assets		-	-	-	-	-	6,590	6,590
Other assets		11,206	5,582	1,485	1,836	-	66,217	86,326
Property and equipment		-	-	-	-	-	43,096	43,096
Total assets		**1,620,311**	**404,803**	**451,778**	**1,081,901**	**183,629**	**276,581**	**4,019,003**
Due to banks	5.2	31,563	-	-	-	-	665	32,228
Customer deposits	2.76	1,363,322	468,788	728,558	367,194	55,101	374,454	3,357,417
Other liabilities		4,116	6,675	9,019	9,023	-	78,313	107,146
Taxation		-	-	-	-	-	5,236	5,236
Total liabilities		**1,399,001**	**475,463**	**737,577**	**376,217**	**55,101**	**458,668**	**3,502,027**
Total interest sensitivity gap		**221,310**	**(70,660)**	**(285,799)**	**705,684**	**128,528**	**(182,087)**	**516,976**
Cumulative interest sensitivity gap		**221,310**	**150,650**	**(135,149)**	**570,535**	**699,063**	**516,976**	

Consolidated 2022	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.00	24,356	-	-	-	1,025	74,532	99,913
Due from banks	1.76	32,362	10,000	-	-	-	11,309	53,671
Loans and advances	5.18	1,337,212	477,750	322,247	774,943	154,911	-	3,067,063
Investment securities	5.20	189	-	15,469	162,806	151,297	1,895	331,656
Intangible assets		-	-	-	-	-	6,900	6,900
Other assets		23,313	-	-	-	-	60,818	84,131
Property and equipment		-	-	-	-	-	38,496	38,496
Total assets		**1,417,432**	**487,750**	**337,716**	**937,749**	**307,233**	**193,950**	**3,681,830**
Due to banks	1.79	88,382	-	-	-	-	5,759	94,141
Customer deposits	2.76	1,183,871	168,044	603,602	486,662	-	550,001	2,992,180
Other liabilities		3,032	-	-	-	-	91,464	94,496
Taxation		-	-	-	-	-	3,412	3,412
Total liabilities		**1,275,285**	**168,044**	**603,602**	**486,662**	**-**	**650,636**	**3,184,229**
Total interest sensitivity gap		**142,147**	**319,706**	**(265,886)**	**451,087**	**307,233**	**(456,686)**	**497,601**
Cumulative interest sensitivity gap		**142,147**	**461,853**	**195,967**	**647,054**	**954,287**	**497,601**	

37.3.2 Interest rate risk (continued)

Parent Company 2023	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1	-	-	-	-	500	84,185	84,685
Due from banks	4.75	83,224	15,400	-	-	-	25,444	124,068
Loans and advances	5.3	1,168,948	119,026	193,602	778,402	46,182	-	2,306,160
Investment securities		8,996	-	21,192	154,891	67,091	1,474	253,644
Investment in subsidiary		-	-	-	-	-	107,144	107,144
Other assets		11,206	5,582	1,485	1,836	-	33,587	53,696
Property and equipment		-	-	-	-	-	37,394	37,394
Total assets		**1,272,374**	**140,008**	**216,279**	**935,129**	**113,773**	**289,228**	**2,966,791**
Due to banks	5.2	31,563	-	-	-	-	665	32,228
Customer deposits	3.13	1,062,699	207,292	502,939	255,238	-	315,451	2,343,619
Other liabilities		4,117	6,675	9,019	9,023	-	58,263	87,097
Taxation		-	-	-	-	-	5,236	5,236
Total liabilities		**1,098,379**	**213,967**	**511,958**	**264,261**	**-**	**379,615**	**2,468,180**
Total interest sensitivity gap		**173,995**	**(73,959)**	**(295,679)**	**670,868**	**113,773**	**(90,387)**	**498,611**
Cumulative interest sensitivity gap		**173,995**	**100,036**	**(195,643)**	**475,225**	**588,998**	**498,611**	

Parent Company 2022	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.00	1,621	-	-	-	500	28,913	31,034
Due from banks	1.78	26,852	10,000	-	-	-	11,309	48,161
Loans and advances	5.19	1,096,753	194,900	129,241	708,880	35,210	-	2,164,984
Investment securities	5.27	-	-	15,469	103,102	148,448	1,407	268,426
Investment in subsidiary		-	-	-	-	-	107,144	107,144
Other assets		23,312	-	-	-	-	32,142	55,454
Property and equipment		-	-	-	-	-	35,659	35,659
Total assets		**1,148,538**	**204,900**	**144,710**	**811,982**	**184,158**	**216,574**	**2,710,862**
Due to banks	1.91	53,342	-	-	-	-	5,759	59,101
Customer deposits	2.51	889,168	130,803	303,213	263,403	-	502,697	2,089,284
Other liabilities		3,032	-	-	-	-	68,082	71,114
Taxation		-	-	-	-	-	3,412	3,412
Total liabilities		**945,542**	**130,803**	**303,213**	**263,403**	**-**	**579,950**	**2,222,911**
Total interest sensitivity gap		**202,996**	**74,097**	**(158,503)**	**548,579**	**184,158**	**(363,376)**	**487,951**
Cumulative interest sensitivity gap		**202,996**	**277,093**	**118,590**	**667,169**	**851,327**	**487,951**	

For managing its interest rate risk in the banking book, the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its projected Net Interest Income (NII) from 50/100/200bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the current year. The EaR at 31 December 2023 is 3.3% (2022 – 2.5%).

37.3.3 Interest rate benchmark reforms

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), plays a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates ("RFRs") and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other Interbank Offer Rates ("IBORs") are expected to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates ("ARRs"), with the exception of certain USD LIBOR rates were cessation may be delayed until 30 June 2023.

Central Bank of Oman wide it's circular No: SDD/CBS/FLCs/CB/2021/3565 dated 09 December, 2021 has specified that Bank(s) should stop entering into new financial contracts with LIBOR as the reference rate and instead identify and use any widely accepted Alternative Reference Rate (ARR), in respect of each currency, with immediate effect.

The Bank's system has been updated to enable lending linked to these ARR/RFRs and the time-line for transition is as mentioned below:

- Starting January 1, 2022. All new floating rates loans as well as associated derivative deals as executed by the Bank will based on ARR e.g., for USD it will be based on SOFR (Secured Overnight Financing Rate)
- Loans which reference USD Libor and which will remain outstanding post 2021 may continue unchanged, as USD Libor will continue to be published until the Q2 2023.
- Any remaining loans in USD only which reference USD Libor must mature or will be migrated away from using Libor before June 30th 2023, ideally on the final interest reset day prior to this date.

As at 31 December 2023, all LIBOR linked loans have been transferred to RFRs.

37.3.4 Currency risk

Currency risk arises when the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and approved by the Executive Committee of the Board and entering into forward contracts based on the underlying commercial transactions with the customers.

Net foreign currency exposure

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO' 000	RO' 000	RO' 000	RO' 000
USD	37,843	40,187	29,305	12,288
EUR	1,394	368	846	27
GBP	26	375	26	367
Others	2,517	2,067	1,966	1,423
Total	**41,780**	**42,997**	**32,143**	**14,105**

Oman operates with a fixed exchange rate, and the Omani Rial is pegged to the USD at $2.5975 per Omani Rial.

37. Financial risk management (continued)
37.3 Market risk (continued)
37.3.4 Currency risk (continued)

37.4 Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. The risk is associated with human error, systems failure, inadequate procedures or controls and external causes. Losses from external events, such as a natural disaster that has the potential to damage the Bank's physical assets or electrical or telecommunication failures that disrupt business, are relatively easier to define than losses from internal problems, such as employee fraud and product flaws. The risks from internal problems are more closely tied to the Bank's specific products and business lines; they are more specific to the Bank's operations than the risks due to external events. Operational risks faced by the Bank include IT Security, telecom failure, fraud, and operational errors.

Operational risk governance is set through policies, processes, procedures and oversight of the executive committee. The Bank cannot eliminate all operational risks; however, the operational risk framework is set to identify, assess, monitor and control the risks through the three lines of defences. It periodically conducts various assessments to review risk exposures and implements controls to mitigate the operational risk profile, in accordance with the overall risk appetite. To ensure effective controls and building risk culture, operational risk awareness is scheduled annually across the Bank. Insurance is another tool used as an operational risk mitigant. Insurance coverage such as Bankers' Blanket Bond (BBB), Professional Indemnity, cyber security, etc aim to protect the bank from high-severity risks by reducing the financial impact.

a. Management risk committee
The Management Risk committee is the main committee for Bank's major risk including operational risk. The committee is composed of main business and control functions. The objectives of the committee is to review and oversee the Bank's risk profile and to put in place actions required to maintain the risk profile within the approved appetite.

b. Business Continuity Management (BCM)
Business Continuity Plan addresses the inherent risks, which may lead to unexpected business interruptions. The goal of BCM is to provide the ability to effectively respond to threats to protect the business interests and continue to operate following a significant unplanned event or major operational disruption. As a part of Crisis Communication and Business Continuity Management processes, OAB has taken initiatives and proactive measures in meeting the contingency requirements always and especially during COVID-19. The Bank has taken proactive steps considering the pandemic scenario in its BCP. The bank has ensured the resilience to run the business-critical processes during such contingency situation with the effective process in place and the management support. The Bank has a Disaster Recovery Site and remote working set up to meet any unforeseen disaster and maintain operational continuation in such event. The Bank has conducted various BCP requirement like Business Impact assessments, evacuation drills, tests (announced and unannounced) call tree, and spread awareness.

c. Information Security
Information Security is an essential component of risk management. The Bank seeks to avoid risk and uncertainty for its critical information assets and systems affecting operations and reputation of the bank. Information security governance set up is in place through security policies & procedures. The Bank has invested to implement robust security infrastructure and is conducting yearly vulnerability assessments to ensure the security of the systems.

37.5 Fair value estimation

The estimate of fair values of the financial instruments is based on information available to management as at 31 December 2023. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted in deriving the fair values are as follows:

37.5.1 Current account balances due to and from banks

The carrying amount of current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short-term nature.

37.5.2 Loans, advances and financings to customers

The fair value of non-performing loans approximates to the book value adjusted for allowance for loan impairment. For the performing loans, the fair value is taken as being equivalent to its carrying amount as the prevailing interest rates offered on similar loans are not materially different from the actual loan rates and loan rates are reset at frequent intervals to align the rate with market conditions.

37.5.3 Investments at fair value through profit or loss

Quoted market prices, when available, are used as the measure for fair value. However, when the quoted market prices do not exist, fair value presented is estimated using discounted cash flow models or other valuation techniques. Changes in fair value resulting from these calculations are not material to the financial statements. Details are set out in note 8.

37.5.4 Customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

37.5.5 Derivatives

The Bank usually enters into short term forward foreign exchange contracts, on behalf of its customers for the sale and purchase of foreign currencies. For forward foreign exchange contracts, it uses a valuation model with readily available market observable inputs. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

37.6 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

a. Financial assets as per statement of financial position

Consolidated 2023	**Fair value through profit or loss (FVTPL)**	**Amortized costs (AC)**	**Fair value through other comprehensive income (FVOCI)**	**Total**
	RO' 000	RO' 000	RO' 000	RO' 000
Bank balances and cash	-	151,581	-	151,581
Due from banks	-	130,125	-	130,125
Loans, advances & financing activities	-	3,274,724	-	3,274,724
Investment securities	458	207,781	118,322	326,561
Other assets	-	81,349	-	81,349
Total	**458**	**3,845,560**	**118,322**	**3,964,340**

2022	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	99,913	-	99,913
Due from banks	-	53,671	-	53,671
Loans, advances & Financing activities	-	3,067,063	-	3,067,063
Investment securities	441	226,724	104,491	331,656
Other assets	-	79,660	-	79,660
Total	**441**	**3,527,031**	**104,491**	**3,631,963**

37. Financial risk management (continued)
37.6 Financial instruments by category (continued)

Parent Company 2023	Fair value through profit or loss (FVTPL)	Amortized costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
	RO' 000	RO' 000	RO' 000	RO' 000
Bank balances and cash	-	84,685	-	84,685
Due from banks	-	124,068	-	124,068
Loans, advances & financing activities	-	2,306,160	-	2,306,160
Investment securities	458	189,686	63,500	253,644
Other assets	-	48,719	-	48,719
Total	**458**	**2,753,318**	**63,500**	**2,817,276**
2022	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	31,034	-	31,034
Due from banks	-	48,161	-	48,161
Loans, advances & Financing activities	-	2,164,984	-	2,164,984
Investment securities	441	208,629	59,356	268,426
Other assets	-	50,984	-	50,984
Total	**441**	**2,503,792**	**59,356**	**2,563,589**

b. Financial liabilities as per statement of financial position

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO' 000	RO' 000	RO' 000	RO' 000
Due to banks	32,228	94,141	32,228	59,101
Deposits from customers	3,357,417	2,992,180	2,343,619	2,089,284
Other liabilities	102,715	90,615	82,666	67,233
Total	**3,492,360**	**3,176,936**	**2,458,513**	**2,215,618**

38. Capital management

The Bank's objectives of capital management are:

- To comply with the capital requirements set by the regulator i.e. the Central Bank of Oman;
- To safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- To maintain a strong capital base to support the development of its business.

The principal objective of the CBO capital adequacy requirements is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a Bank's statement of financial position, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS). The CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy (CAR) of 11%. Additionally, the CAR threshold requires a capital conservation buffer (CCB) of 2.5 per cent. In 2020, the CBO relaxed the CCB requirements to 1.25% and accordingly, the minimum capital adequacy requirement has been reduced to 12.25%.

The Bank's regulatory capital as per Basel III regulations is grouped into:

- Tier 1 capital, which includes ordinary share capital, share premium, reserves, retained earnings (net of proposed dividend) after deductions for goodwill, intangibles including deferred tax asset and 50% of carrying value of the investment in associates as per the regulatory adjustments that are included in equity but are treated differently for capital adequacy purposes and additional tier 1 capital.
- Tier 2 capital, which includes qualifying subordinated liabilities, general loan loss impairment / ECL provision (Stage 1 and 2) and the element of the fair value reserve relating to unrealised gains on equity instruments classified as FVOCI after deductions for 50% of carrying value of investments in associates.

The qualifying Tier II cannot exceed 2% of risk weighted assets. The amount of collective impairment allowances that may be included as part of Tier II capital is limited to 1.25% of the total credit risk-weighted assets. Additional incremental Stage 2 ECL as on December 31, 2023, over Stage 2 ECL as on December 31, 2019, qualifies as Tier II capital with a gradual phase-out by 2024.

The capital adequacy of the Bank is as follows:

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO' 000	RO' 000	RO' 000	RO' 000
Common Equity Tier 1 (CET 1)	347,289	334,943	231,231	228,810
Additional Tier 1	143,850	136,403	143,850	136,403
Tier 1 capital	491,139	471,346	375,081	365,213
Tier 2 capital	27,358	30,872	23,320	27,412
Total capital base	**518,497**	**502,218**	**398,401**	**392,625**
Credit risk	2,872,616	2,699,066	2,092,426	2,007,061
Market risk	39,138	41,826	29,500	13,263
Operational risk	221,734	215,348	167,175	168,625
Total risk weighted assets	**3,133,488**	**2,956,240**	**2,289,101**	**2,188,949**
Capital adequacy ratio %	16.55%	16.99%	17.40%	17.94%
CET 1 ratio	**11.08%**	**11.33%**	**10.10%**	**10.45%**
Tier 1 Capital ratio	**15.67%**	**15.94%**	**16.39%**	**16.68%**

39. Segment information

The Bank mainly operates in only one geographical location, the Sultanate of Oman. The Bank has, however, earned interest income and incurred interest expenses on account of money market placements and borrowings with banks outside the Sultanate of Oman as of 31 December 2023. The information regarding the Bank's due from banks and due to banks based on the geographical locations for 2023 and 2022 is set out in note 37.1.2(g).

For management purposes, the conventional operations of the Bank are organised into four operating segments based on products and services. In addition, Islamic banking services are offered through Alizz Islamic Bank.

The operating segments are as follows:

Retail banking	Individual personal loan, overdraft, credit card and funds transfer facilities.
Corporate banking	Loans and other credit facilities for corporate and institutional customers.
Treasury	Bonds, placements, bank borrowings, foreign exchange.
Others	Other central functions and Head office.
Islamic Banking	Sharia' compliant Islamic banking products and services including Ijarah, Murabaha, Mudarbah and Diminishing Musharakah.

39. Segment information (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

Cash and balances with the Central Bank of Oman, Certificate of Deposits, due from banks, property and equipment and other assets are unallocated assets. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2023 or 2022.

Consolidated 2023	Retail	Corporate	Treasury	Others	Islamic Banking	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	
Net interest income	24,198	34,295	12,204	-	-	70,697
Net income from Islamic financing	-	-	-	-	26,194	26,194
Other operating income	7,946	9,082	1,341	-	4,981	23,350
Total operating income	**32,144**	**43,377**	**13,545**	**-**	**31,175**	**120,241**
Operating expenses	(29,484)	(19,978)	(3,418)	(310)	(18,089)	(71,279)
Net allowances for credit losses	350	(21,020)	(83)	-	(3,976)	(24,729)
Tax expenses	(496)	(219)	(1,655)	-	(1,308)	(3,678)
Profit / (Loss) for the year	**2,514**	**2,160**	**8,389**	**(310)**	**7,802**	**20,555**
Assets	**837,732**	**1,468,428**	**462,397**	**82,280**	**1,168,166**	**4,019,003**
Liabilities	**684,556**	**1,659,063**	**32,229**	**76,931**	**1,049,248**	**3,502,027**

Consolidated 2022	Retail	Corporate	Treasury	Others	Islamic Banking	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	
Net interest income	28,197	33,707	12,565	-	-	74,469
Net income from Islamic financing	-	-	-	-	25,683	25,683
Other operating income	6,959	10,219	829	193	4,183	22,383
Total operating income	**35,156**	**43,926**	**13,394**	**193**	**29,866**	**122,535**
Operating expenses	(30,243)	(21,093)	(3,845)	(310)	(19,244)	(74,735)
Net allowances for credit losses	(357)	(26,594)	80	-	(3,473)	(30,344)
Tax expenses	(19)	286	(651)	(8)	(883)	(1,275)
Profit / (Loss) for the year	**4,537**	**(3,475)**	**8,978**	**(125)**	**6,266**	**16,181**
Assets	**799,540**	**1,364,394**	**347,621**	**98,014**	**1,072,261**	**3,681,830**
Liabilities	**661,321**	**1,427,963**	**59,101**	**74,526**	**961,318**	**3,184,229**

Parent Company 2023	Retail	Corporate	Treasury	Others	Islamic Banking	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	
Net interest income	24,198	34,295	12,560	-	-	71,053
Other operating income	7,946	9,082	985	-	-	18,013
Total operating income	**32,144**	**43,377**	**13,545**	**-**	**-**	**89,066**
Operating expenses	(29,484)	(19,978)	(3,418)	-	-	(52,880)
Net allowances for credit losses	350	(22,070)	(83)	-	-	(21,803)
Tax expenses	(496)	(219)	(1,655)	-	-	(2,370)
Profit / (Loss) for the year	**2,514**	**1,110**	**8,389**	**-**	**-**	**12,013**
Assets	**837,732**	**1,468,428**	**569,541**	**91,090**	**-**	**2,966,791**
Liabilities	**684,556**	**1,659,063**	**32,229**	**92,332**	**-**	**2,468,180**

Parent Company 2022	Retail	Corporate	Treasury	Others	Islamic Banking	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	
Net interest income	28,197	33,707	12,580	-	-	74,484
Other operating income	6,959	10,219	829	193	-	18,200
Total operating income	**35,156**	**43,926**	**13,409**	**193**	**-**	**92,684**
Operating expenses	(30,243)	(21,093)	(3,845)	-	-	(55,181)
Net allowances for credit losses	(357)	(26,594)	80	-	-	(26,871)
Tax expenses	(19)	286	(651)	(8)	-	(392)
Profit / (Loss) for the year	**4,537**	**(3,475)**	**8,993**	**185**	**-**	**10,240**
Assets	**799,540**	**1,365,444**	**454,765**	**91,113**	**-**	**2,710,862**
Liabilities	**661,321**	**1,427,963**	**59,101**	**74,526**	**-**	**2,222,911**

40. Comparative figures

Certain comparative figures for 2022 have been reclassified to conform to the presentation for the current year. During 2023, the group modified the classification of due to banks maturing less than three month and excluded it from cash and cash equivalent amount. This resulted in excluding an amount of RO 94.1 million in Consolidated and RO 59.1 million in Parent from the cash and cash equivalent amount as at 31 December 2022.

41. Subsequent events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

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