



بنك عمان العربي  
OMAN ARAB BANK

**CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE THREE MONTHS  
PERIOD ENDED 31 MARCH 2023**

# OMAN ARAB BANK SAOG

## Condensed Interim Financial Statements As at and for the period ended 31 March 2023

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## **BOARD OF DIRECTORS REPORT – FIRST QUARTER 2023**

Dear Shareholders,

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

The ongoing reforms at the macro level continued to strengthen the country's fiscal position paving the way for a stronger economic growth trajectory. In April 2023, the outlook on Oman was revised from stable to positive by S&P Global Ratings. The positive outlook was supported by the reform measures undertaken by the government and underpinned by supportive policies and programmes.

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.

### **FINANCIAL PERFORMANCE**

Our performance for the three-month period ended 31 March 2023 shows a consolidated net profit after tax of OMR 5.5 million, up 59% compared to OMR 3.5 million for the same period in 2022.

Net interest income from conventional banking and net income from Islamic financing services reached OMR 23.7 million for the three-month period ended 31 March 2023, compared to OMR 24.1 million for the same period in 2022 and reflected a higher cost of funds in line with the current high interest rate environment.

Operating income reached OMR 29.1 million for the three-month period ended 31 March 2023 compared to OMR 29.7 million for the same period in 2022, while operating expenses recorded OMR 17.8 million for the three-month period ended 31 March 2023 and were down 3% compared to the same period in 2022. Net allowances for expected credit losses recorded OMR 4.7 million in the three-month period ended 31 March 2023 compared to OMR 7.2 million for the same period in 2022.

Net loans and advances, including Islamic finance, grew 12% to OMR 3,181 million compared to OMR 2,844 million at 31 March 2022. Customer deposits reached OMR 3,142 million by the end of the first quarter of 2023, up 10% compared to OMR 2,846 million at 31 March 2022.

## **PERFORMANCE OF THE PARENT COMPANY**

The parent company recorded a net profit after tax of OMR 3.8 million in the three-month period ended 31 March 2023 compared to OMR 2.1 million for the same period in 2022. Operating income reached OMR 21.4 million in 2023 compared to OMR 22.5 million in 2022. Operating expenses declined by 3% to reach OMR 13.2 million in the first quarter of 2023. Interest income grew by 11% driven by a healthy growth in the loan and advances portfolio. This was offset by higher interest expense that led to 3% decline in net interest income. Net allowances for expected credit losses recorded OMR 3.7 million in the first quarter of 2023 compared to OMR 6.5 million for the same period in 2022.

Net loans and advances grew 10% to reach OMR 2,250 million at 31 March 2023, compared to OMR 2,046 million for the same period last year. Customer deposits increased by 10% to reach OMR 2,214 million at 31 March 2023 compared to OMR 2,012 million at 31 March 2022.

## **ALIZZ ISLAMIC BANK**

During the three-month period ended 31 March 2023, Alizz Islamic Bank increased its net profit by 22% to reach of OMR 1.75 million compared to OMR 1.43 million for the same period last year. Net financing receivables amounted to OMR 932 million at 31 March 2023, 17% higher than the same period last year. Customer deposits reached OMR 929 million at 31 March 2023 compared to OMR 833 million at 31 March 2022.

## **BANKING SERVICES AND PRODUCTS**

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

As part of the Bank's digital transformation strategy, an instant debit card issuance machine was recently launched at the Bank's headquarters in Ghubra. This service allows customers to immediately issue, renew or replace cards through the self-service machine, with plans to introduce these devices in other key locations across the Sultanate. The Bank also enabled customers to update personal data through the app, without the need to visit a branch.



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.

Alizz Islamic Bank and IFIN (Islamic Finance Initiation Network) continue to provide instant financing products to its customers, allowing them to buy goods within minutes, such as furniture, luxury goods, accessories and other household items from major retail stores in Oman. Repayment period up to 120 months are available without the need to visit an Alizz Islamic Bank branch, continuing its endeavors to provide customers with innovative financial and digital solutions.

Alizz Islamic Bank also announced the launch of the "Alizz One" programme for those wishing to transfer their salaries to the bank. The program offers a comprehensive package of financing services, accounts, saving plans as well as exemptions from credit card and debit card fees and internal transfer fees through the Alizz Islamic Bank App, in addition to various discounts on Takaful insurance products.

## **HUMAN RESOURCE DEVELOPMENT**

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 starting January 4<sup>th</sup>, 2023. With more than 33 years of experience in the banking sector having held several leadership positions within key local banks, the Board is confident Al Harthi will spearhead Oman Arab Bank's strategic business growth, strengthening its partnerships with government and private sector organizations all while continuing the Bank's rapid growth trajectory.

Alizz Islamic Bank celebrated the first batch of 28 graduates from its Ruwad Alizz program, in cooperation with Harvard Management Mentor, the e-learning platform is affiliated with Harvard University. The program aims to develop mid-level leaders from government and private sector organizations. A second batch of students from Alizz were enrolled in the program last December.

## **SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

Oman Arab Bank recently organized 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 also 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. The event also aimed to raise awareness amongst the Bank's employees about donating excess clothes to those in need. Bringing the Holy Month to a close, the Bank planned an early Eid celebration with the elderly at their Nursing Home in Wilayat Rustaq.

Celebrating awards and accolades, Alizz Islamic Bank won the Excellence in Social Responsibility award at the Oman Forum Awards 2023, in recognition of its role supporting various social initiatives, including building a center of excellence for children with disabilities and collecting donations for orphans from the center.

On behalf of the Board of Directors, I would like to thank all shareholders, customers and employees for their continued confidence in Oman Arab Bank.

We would also like to extend our thanks and appreciation to the management of the Central Bank of Oman, the Capital Market Authority and all Government agencies for their efforts and continuous support to the banking sector in the Sultanate.

We also express our utmost appreciation to His Majesty Sultan Haitham bin Tarik - may the Almighty protect and preserve him - for his wise leadership. May the Almighty protect Oman, its leader and its people.

Sincerely,

For 

Rashad Al Zubair


Chairman of Board of Directors



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2023**

	Note	Consolidated		Parent Company	
		Unaudited	Audited	Unaudited	Audited
		31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
		RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	3	154,612	99,913	79,178	31,034
Due from banks	4	56,344	53,671	62,320	48,161
Loans, advances and financing to customers	5	3,180,847	3,067,063	2,250,355	2,164,984
Investment securities	6	334,741	331,656	270,981	268,426
Investment in subsidiary		-	-	107,144	107,144
Property and equipment		38,700	38,496	36,029	35,659
Intangible assets	7	6,822	6,900	-	-
Other assets	8	92,869	84,131	60,440	55,454
<b>Total assets</b>		<b>3,864,935</b>	<b>3,681,830</b>	<b>2,866,447</b>	<b>2,710,862</b>
Due to banks	9	93,767	94,141	64,315	59,101
Customer deposits	10	3,142,328	2,992,180	2,213,558	2,089,284
Other liabilities	11	120,834	94,496	91,985	71,114
Taxation		4,171	3,412	4,171	3,412
<b>Total liabilities</b>		<b>3,361,100</b>	<b>3,184,229</b>	<b>2,374,029</b>	<b>2,222,911</b>
Share capital		166,941	166,941	166,941	166,941
Share premium		36,565	36,565	36,565	36,565
Legal reserve		48,570	48,570	47,506	47,506
General reserve		25,560	25,560	25,560	25,560
Special reserve		3,837	3,837	3,837	3,837
Fair value reserve		(2,441)	(3,160)	(2,481)	(3,110)
Impairment reserve		9,130	9,130	9,130	9,130
Retained earnings		76,870	71,355	66,557	62,719
<b>Shareholders' equity</b>		<b>365,032</b>	<b>358,798</b>	<b>353,615</b>	<b>349,148</b>
Perpetual Tier 1 capital bonds	12	138,803	138,803	138,803	138,803
<b>Total equity</b>		<b>503,835</b>	<b>497,601</b>	<b>492,418</b>	<b>487,951</b>
<b>Total equity and liabilities</b>		<b>3,864,935</b>	<b>3,681,830</b>	<b>2,866,447</b>	<b>2,710,862</b>
Net assets value per share (RO)	24 (b)	0.219	0.215	0.212	0.209
Contingent liabilities and commitments	23	443,279	393,241	320,634	272,193

The financial statements were authorised on 07 May 2023 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 29 form an integral part of these condensed consolidated and separate interim financial statements.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2023**

	Note	Consolidated		Parent Company	
		Unaudited	Unaudited	Unaudited	Unaudited
		31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
		RO'000	RO'000	RO'000	RO'000
Interest income	13	33,494	30,257	33,544	30,257
Interest expense	14	(16,329)	(12,436)	(16,329)	(12,436)
<b>Net interest income</b>		<b>17,165</b>	<b>17,821</b>	<b>17,215</b>	<b>17,821</b>
Net income from Islamic financing	15	6,487	6,252	-	-
Net fee and commission income	16	4,551	4,273	3,477	3,504
Net income from investment securities	17	39	143	32	143
Other operating income	18	864	1,169	715	1,074
<b>Total income</b>		<b>29,106</b>	<b>29,658</b>	<b>21,439</b>	<b>22,542</b>
Operating expenses	19	(17,801)	(18,313)	(13,178)	(13,525)
Net allowances for credit losses		(4,715)	(7,224)	(3,664)	(6,467)
<b>Profit before tax</b>		<b>6,590</b>	<b>4,121</b>	<b>4,597</b>	<b>2,550</b>
Income tax expense		(1,075)	(643)	(759)	(419)
<b>Net Profit for the period</b>		<b>5,515</b>	<b>3,478</b>	<b>3,838</b>	<b>2,131</b>
<b>Other comprehensive income / (loss)</b>					
Items that will not be reclassified to profit or loss in the subsequent periods					
- Equity investment at FVOCI – net change in fair value		45	(21)	45	(21)
Items that are or may be reclassified to profit or loss in the subsequent periods					
- Debt investment at FVOCI – net change in fair value		674	(1,206)	584	(1,203)
<b>Other comprehensive income / (loss) for the period</b>		<b>719</b>	<b>(1,227)</b>	<b>629</b>	<b>(1,224)</b>
<b>Total comprehensive income for the period</b>		<b>6,234</b>	<b>2,251</b>	<b>4,467</b>	<b>907</b>
<b>Earnings per share:</b>					
Basic and diluted (RO)	24 (a)	0.003	0.002	0.002	0.001

The accompanying notes from 1 to 29 form an integral part of these condensed consolidated and separate interim financial statements.



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2023**

		Share capital	Share premium	Legal reserve	General reserve	Subordinated loan reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
<b>Consolidated (Unaudited)</b>	Notes	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balance at 1 January 2022</b>		<b>166,941</b>	<b>36,565</b>	<b>46,921</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(1,081)</b>	<b>9,130</b>	<b>67,663</b>	<b>355,536</b>	<b>168,803</b>	<b>524,339</b>
Net Profit for the period		-	-	-	-	-	-	-	-	3,478	3,478	-	3,478
Unrealised loss on FVOCI investments		-	-	-	-	-	-	(1,227)	-	-	(1,227)	-	(1,227)
Realised loss on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	-	-	<b>(1,227)</b>	-	<b>3,478</b>	<b>2,251</b>	-	<b>2,251</b>
Additional Tier 1 capital bonds		-	-	-	-	-	-	-	-	(62)	(62)	-	(62)
Interest on Perpetual Tier 1 capital bonds		-	-	-	-	-	-	-	-	(193)	(193)	-	(193)
Redemption of Tier 1 bonds		-	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)
<b>At 31 March 2022</b>		<b>166,941</b>	<b>36,565</b>	<b>46,921</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(2,308)</b>	<b>9,130</b>	<b>70,886</b>	<b>357,532</b>	<b>138,803</b>	<b>496,335</b>

		Share capital	Share premium	Legal reserve	General reserve	Subordinated loan reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
<b>Consolidated (Unaudited)</b>	Notes	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balance at 1 January 2023</b>		<b>166,941</b>	<b>36,565</b>	<b>48,570</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(3,160)</b>	<b>9,130</b>	<b>71,355</b>	<b>358,798</b>	<b>138,803</b>	<b>497,601</b>
Net Profit for the period		-	-	-	-	-	-	-	-	5,515	5,515	-	5,515
Unrealised gain on FVOCI investments		-	-	-	-	-	-	719	-	-	719	-	719
Realised loss on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	-	-	<b>719</b>	-	<b>5,515</b>	<b>6,234</b>	-	<b>6,234</b>
Redemption of Tier 1 bonds		-	-	-	-	-	-	-	-	-	-	-	-
Additional Tier 1 capital bonds		-	-	-	-	-	-	-	-	-	-	-	-
Interest on Perpetual Tier 1 capital bonds		-	-	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>		<b>166,941</b>	<b>36,565</b>	<b>48,570</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(2,441)</b>	<b>9,130</b>	<b>76,870</b>	<b>365,032</b>	<b>138,803</b>	<b>503,835</b>

The accompanying notes from 1 to 29 form an integral part of these condensed consolidated and separate interim financial statements.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2023**

Parent Company (Unaudited)	Notes	Share capital	Share premium	Legal reserve	General reserve	Subordinated loan 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	RO'000
<b>Balance at 1 January 2022</b>		<b>166,941</b>	<b>36,565</b>	<b>46,482</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(1,017)</b>	<b>9,130</b>	<b>64,343</b>	<b>351,841</b>	<b>168,803</b>	<b>520,644</b>
Net Profit for the period		-	-	-	-	-	-	-	-	2,131	2,131	-	2,131
Unrealised loss on FVOCI investments		-	-	-	-	-	-	(1,224)	-	-	(1,224)	-	(1,224)
Realised loss on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	-	-	<b>(1,224)</b>	-	<b>2,131</b>	<b>907</b>	-	<b>907</b>
Additional Tier 1 capital bonds		-	-	-	-	-	-	-	-	<b>(62)</b>	<b>(62)</b>	-	<b>(62)</b>
Interest on Perpetual Tier 1 capital bonds		-	-	-	-	-	-	-	-	<b>(193)</b>	<b>(193)</b>	-	<b>(193)</b>
Redemption of Tier 1 bonds		-	-	-	-	-	-	-	-	-	-	<b>(30,000)</b>	<b>(30,000)</b>
<b>At 31 March 2022</b>		<b>166,941</b>	<b>36,565</b>	<b>46,482</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(2,241)</b>	<b>9,130</b>	<b>66,219</b>	<b>352,493</b>	<b>138,803</b>	<b>491,296</b>

Parent Company (Unaudited)	Notes	Share capital	Share premium	Legal reserve	General reserve	Subordinated loan 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	RO'000
<b>Balance at 1 January 2023</b>		<b>166,941</b>	<b>36,565</b>	<b>47,506</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(3,110)</b>	<b>9,130</b>	<b>62,719</b>	<b>349,148</b>	<b>138,803</b>	<b>487,951</b>
Net Profit for the period		-	-	-	-	-	-	-	-	3,838	3,838	-	3,838
Unrealised gain on FVOCI investments		-	-	-	-	-	-	629	-	-	629	-	629
Realised loss on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	-	-	<b>629</b>	-	<b>3,838</b>	<b>4,467</b>	-	<b>4,467</b>
Redemption of Tier 1 bonds		-	-	-	-	-	-	-	-	-	-	-	-
Additional Tier 1 capital bonds		-	-	-	-	-	-	-	-	-	-	-	-
Interest on Perpetual Tier 1 capital bonds		-	-	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>		<b>166,941</b>	<b>36,565</b>	<b>47,506</b>	<b>25,560</b>	-	<b>3,837</b>	<b>(2,481)</b>	<b>9,130</b>	<b>66,557</b>	<b>353,615</b>	<b>138,803</b>	<b>492,418</b>

The accompanying notes from 1 to 29 form an integral part of these condensed consolidated and separate interim financial statements.

**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2023**

	Notes	Consolidated		Parent Company	
		Unaudited	Unaudited	Unaudited	Unaudited
		31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
		RO'000	RO'000	RO'000	RO'000
<b>Operating activities:</b>					
Profit before tax		6,590	4,121	4,597	2,550
Adjustments:					
Depreciation	19	2,251	2,274	1,994	2,034
Amortization	19	78	78	-	-
Impairment for credit losses		4,715	7,224	3,664	6,467
Income from investments at amortized cost		(4,246)	(3,318)	(3,480)	(3,318)
Dividend income	17	(49)	(126)	(42)	(126)
Changes in fair value of financial assets at FVTPL	17	10	(17)	10	(17)
<b>Operating profit before working capital changes</b>		<b>9,349</b>	<b>10,236</b>	<b>6,743</b>	<b>7,590</b>
Loans, advances and financing to customers		(118,235)	(95,213)	(88,728)	(91,773)
Due from banks		-	9,923	-	9,923
Other assets		(9,474)	(14,253)	(5,410)	(8,759)
Deposits from customers		150,148	35,217	124,274	47,124
Other liabilities		25,479	10,400	19,959	8,508
<b>Cash generated from / (used in) operations</b>		<b>57,267</b>	<b>(43,690)</b>	<b>56,838</b>	<b>(27,387)</b>
Tax paid		-	-	-	-
<b>Net cash from / (used in) in operating activities</b>		<b>57,267</b>	<b>(43,690)</b>	<b>56,838</b>	<b>(27,387)</b>
<b>Investing activities:</b>					
Purchase of investments		(2,746)	(3,112)	(2,100)	(3,112)
Proceeds from sale of investments		193	-	-	-
Income from investments at amortized cost		4,246	3,318	3,480	3,318
Purchase of property and equipment		(1,270)	(1,243)	(1,179)	(1,189)
Dividend Income	17	49	126	42	126
<b>Net cash from / (used in) in investing activities</b>		<b>472</b>	<b>(911)</b>	<b>243</b>	<b>(857)</b>
<b>Financing activities:</b>					
Perpetual Tier 1 capital bonds repayment		-	(30,000)	-	(30,000)
Interest on Perpetual Tier 1 capital bonds		-	(193)	-	(193)
Additional Tier 1 issuance cost		-	(62)	-	(62)
<b>Net cash (used in) financing activities</b>		<b>-</b>	<b>(30,255)</b>	<b>-</b>	<b>(30,255)</b>
Net increase / (decrease) in cash and cash equivalents		57,739	(74,856)	57,081	(58,499)
Cash and cash equivalents at the beginning of the period		48,454	215,566	9,626	136,648
<b>Cash and cash equivalents at the end of the period</b>	20	<b>106,193</b>	<b>140,710</b>	<b>66,707</b>	<b>78,149</b>

The accompanying notes from 1 to 29 form an integral part of these condensed consolidated and separate interim financial statements.





## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

### 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 became 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 period ended 31 March 2023 comprises the results of the Parent Company and Al Izz Islamic Bank (AIB) (the Subsidiary).

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 information 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 AND ACCOUNTING POLICIES

#### 2.1. Basis of preparation

The unaudited condensed consolidated and separate interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', the requirements of the Commercial Companies Law of 2019, the disclosure requirements of the Capital Market Authority (CMA) 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 to 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.

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.

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.

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



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.2. Use of judgements and estimates

The preparation of the condensed interim financial statements in 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 period in which the estimate is revised and in any future periods affected.

#### 2.3. New standards, implementations and amendments in existing standards

The accounting policies adopted in the preparation of the condensed consolidated and separate interim financial statements are consistent with those followed in the preparation of the Bank's annual consolidated and separate financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have a material impact on the condensed consolidated and separate interim financial statements of the Bank. The above amendments are effective from 1 January 2023.

### 3. CASH AND BALANCES WITH CENTRAL BANK

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Cash in hand	30,280	27,769	23,086	21,711
Balances with the Central Bank of Oman:				
- Clearing account	82,358	46,763	41,593	7,202
- Placements	40,949	24,356	13,999	1,621
- Capital deposit	1,025	1,025	500	500
<b>Total</b>	<b>154,612</b>	<b>99,913</b>	<b>79,178</b>	<b>31,034</b>

- (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% as at March 2023 (31 December 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 period.
- (ii) 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.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**4. DUE FROM BANKS**

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Placements	36,109	39,884	45,735	36,884
Current accounts	20,264	13,823	16,609	11,309
<b>Due from banks and other money market placements</b>	<b>56,373</b>	<b>53,707</b>	<b>62,344</b>	<b>48,193</b>
Less: allowance for credit losses	(29)	(36)	(24)	(32)
<b>Total</b>	<b>56,344</b>	<b>53,671</b>	<b>62,320</b>	<b>48,161</b>

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

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Balance at the beginning of the period	36	74	32	73
Charge / (release) during the period	(7)	(38)	(8)	(41)
<b>Balance at the end of the period</b>	<b>29</b>	<b>36</b>	<b>24</b>	<b>32</b>

**5. LOANS, ADVANCES AND FINANCING TO CUSTOMERS**

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Term loans	1,440,019	1,344,302	1,440,019	1,344,302
Overdrafts	104,994	112,928	104,994	112,928
Bills discounted	15,445	34,136	15,445	34,136
Islamic finance	570,984	554,888	-	-
<b>Corporate loans</b>	<b>2,131,442</b>	<b>2,046,254</b>	<b>1,560,458</b>	<b>1,491,366</b>
Consumer loans	443,282	434,171	443,282	434,171
Mortgage loans	379,129	372,431	379,129	372,431
Overdrafts	2,888	988	2,888	988
Credit cards	9,438	3,839	9,438	3,839
Islamic finance	402,244	389,016	-	-
<b>Retail loans</b>	<b>1,236,981</b>	<b>1,200,445</b>	<b>834,737</b>	<b>811,429</b>
<b>Gross loans, advances and financing to customers</b>	<b>3,368,423</b>	<b>3,246,699</b>	<b>2,395,195</b>	<b>2,302,795</b>
Allowance for credit losses	153,999	149,712	115,171	111,978
Contractual interest not recognised	33,577	29,924	29,669	25,833
<b>Less: allowance for credit losses and suspended interest</b>	<b>(187,576)</b>	<b>(179,636)</b>	<b>(144,840)</b>	<b>(137,811)</b>
<b>Net loans, advances and financing to customers</b>	<b>3,180,847</b>	<b>3,067,063</b>	<b>2,250,355</b>	<b>2,164,984</b>





**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**5. LOANS, ADVANCES AND FINANCING TO CUSTOMERS**

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

<b>Consolidated</b> Unaudited	<b>Allowance for credit losses</b>	<b>Contractual interest not recognised</b>	<b>Total</b>
	RO' 000	RO' 000	RO' 000
2023			
<b>Balance at 1 January 2023</b>	<b>149,712</b>	<b>29,924</b>	<b>179,636</b>
Provided during the period	7,770	5,165	12,935
Amounts written off during the period	(164)	(954)	(1,118)
Amounts released / recovered during the period	(3,319)	(558)	(3,877)
<b>Balance at 31 March 2023</b>	<b>153,999</b>	<b>33,577</b>	<b>187,576</b>
2022	RO' 000	RO' 000	RO' 000
<b>Balance at 1 January 2022</b>	<b>122,636</b>	<b>18,387</b>	<b>141,023</b>
Provided during the period	8,094	3,631	11,725
Amounts written off during the period	61	(775)	(714)
Amounts released / recovered during the period	(842)	(656)	(1,498)
<b>Balance at 31 March 2022</b>	<b>129,949</b>	<b>20,587</b>	<b>150,536</b>
<b>Parent Company</b> Unaudited	<b>Allowance for credit losses</b>	<b>Contractual interest not recognised</b>	<b>Total</b>
	RO' 000	RO' 000	RO' 000
2023			
<b>Balance at 1 January 2023</b>	<b>111,978</b>	<b>25,833</b>	<b>137,811</b>
Provided during the period	5,708	5,348	11,056
Amounts written off during the period	(164)	(954)	(1,118)
Amounts released / recovered during the period	(2,351)	(558)	(2,909)
<b>Balance at 31 March 2023</b>	<b>115,171</b>	<b>29,669</b>	<b>144,840</b>
2022	RO' 000	RO' 000	RO' 000
<b>Balance at 1 January 2022</b>	<b>88,197</b>	<b>15,866</b>	<b>104,063</b>
Provided during the period	7,258	3,505	10,763
Amounts written off during the period	61	(775)	(714)
Amounts released / recovered during the period	(842)	(656)	(1,498)
<b>Balance at 31 March 2022</b>	<b>94,674</b>	<b>17,940</b>	<b>112,614</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**5. LOANS, ADVANCES AND FINANCING TO CUSTOMERS**

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Performing loans, advances and financings	3,176,746	3,080,916	2,245,142	2,179,382
Allowance for the credit losses on performing loans	64,766	69,073	49,953	55,939
Non-performing loans, advances and financings on which interest was not accrued	191,677	165,783	150,053	123,413
Allowance for the credit losses on non-performing loans	122,810	110,563	94,887	81,872

The analysis of the Islamic financing activities is as follows:

	Corporate	Retail	Total
	RO'000	RO'000	RO'000
31 March 2023 (Unaudited)			
Musharaka	264,769	220,419	485,188
Murabaha	68,376	59,199	127,575
Ijarah Muntahia Bittamleek	58,909	118,037	176,946
Wakala	178,930	2,589	181,519
Others	-	2,000	2,000
<b>Balance at 31 March 2023</b>	<b>570,984</b>	<b>402,244</b>	<b>973,228</b>
31 December 2022 (Audited)			
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
<b>Balance at 31 December 2022</b>	<b>554,888</b>	<b>389,016</b>	<b>943,904</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**6. INVESTMENT SECURITIES**

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
- Banking and investment sector	244	252	244	252
Quoted investments – Oman	244	252	244	252
- Banking and investment sector	187	189	187	189
Quoted investments – Foreign	187	189	187	189
<b>Investments measured at FVTPL</b>	<b>431</b>	<b>441</b>	<b>431</b>	<b>441</b>
- Banking and investment sector	2,409	2,409	2,409	2,409
- Manufacturing sector	216	240	216	240
- Service sector	591	533	591	533
Quoted investments – Oman	3,216	3,182	3,216	3,182
- Banking and investment sector	-	-	-	-
- Service sector	790	424	-	-
Quoted investments – Foreign	790	424	-	-
- Banking and investment sector	-	-	-	-
- Service sector	194	248	194	184
Unquoted investments – Oman	194	248	194	184
Equity investments measured at FVOCI	4,200	3,854	3,410	3,366
- Government Sukuk	44,888	43,826	-	-
- Government Development Bonds (GDBs)	35,131	32,895	35,131	32,895
- Corporate Bonds	23,623	24,079	23,623	23,256
Debt investments measured at FVOCI	103,642	100,800	58,754	56,151
<b>Investments measured at FVOCI</b>	<b>107,842</b>	<b>104,654</b>	<b>62,164</b>	<b>59,517</b>
- Government Development Bonds (GDBs)	195,930	196,003	195,930	196,003
- Government Sukuk	18,095	18,095	-	-
- Corporate Bonds	-	-	-	-
Quoted investments – Oman	214,025	214,098	195,930	196,003
- Corporate Bonds	12,693	12,702	12,693	12,702
Quoted investments – Foreign	12,693	12,702	12,693	12,702
<b>Investments measured at amortized cost</b>	<b>226,718</b>	<b>226,800</b>	<b>208,623</b>	<b>208,705</b>
<b>Total financial investments</b>	<b>334,991</b>	<b>331,895</b>	<b>271,218</b>	<b>268,663</b>
Less: allowance for credit losses	(250)	(239)	(237)	(237)
<b>Net financial investments</b>	<b>334,741</b>	<b>331,656</b>	<b>270,981</b>	<b>268,426</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**6. INVESTMENT SECURITIES**

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

<b>Consolidated</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
31 March 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
- Quoted investments	431	-	-	431
<b>Investment measured at FVTPL</b>	431	-	-	431
- Quoted investments	4,006	-	-	4,006
- Unquoted investments	-	-	194	194
<b>Equity investment measured at FVOCI</b>	4,006	-	194	4,200
- Quoted investments	58,754	44,888	-	103,642
<b>Debt investments measured at FVOCI</b>	58,754	44,888	-	103,642

<b>Consolidated</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
31 December 2022 (Audited)	RO'000	RO'000	RO'000	RO'000
- Quoted investments	441	-	-	441
<b>Investment measured at FVTPL</b>	441	-	-	441
- Quoted investments	3,182	-	-	3,182
- Unquoted investments	-	-	248	248
<b>Equity investment measured at FVOCI</b>	3,182	-	248	3,854
- Quoted investments	56,151	44,649	-	100,800
<b>Debt investments measured at FVOCI</b>	56,151	44,649	-	100,800

<b>Parent Company</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
31 March 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
- Quoted investments	431	-	-	431
<b>Investment measured at FVTPL</b>	431	-	-	431
- Quoted investments	3,216	-	-	3,216
- Unquoted investments	-	-	194	194
<b>Equity investment measured at FVOCI</b>	3,216	-	194	3,410
- Quoted investments	58,754	-	-	58,754
<b>Debt investments measured at FVOCI</b>	58,754	-	-	58,754

<b>Parent Company</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
31 December 2022 (Audited)	RO'000	RO'000	RO'000	RO'000
- Quoted investments	441	-	-	441
<b>Investment measured at FVTPL</b>	441	-	-	441
- Quoted investments	3,182	-	-	3,182
- Unquoted investments	-	-	184	184
<b>Equity investment measured at FVOCI</b>	3,182	-	184	3,366
- Quoted investments	56,151	-	-	56,151
<b>Debt investments measured at FVOCI</b>	56,151	-	-	56,151



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

### 7. 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, core deposits, banking license and brand were recognised as intangible assets in 2021.

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

### 8. OTHER ASSETS

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Customers' indebtedness against acceptances	20,356	13,700	20,356	13,700
Fees receivable	3,249	2,147	3,249	2,147
Interest receivable	42,306	46,540	19,169	23,312
Prepayments	1,465	1,826	741	978
Positive fair value of derivatives	1,520	1,944	1,520	1,944
Deferred tax asset	1,735	2,047	-	-
Others	22,238	15,927	15,405	13,373
<b>Total</b>	<b>92,869</b>	<b>84,131</b>	<b>60,440</b>	<b>55,454</b>

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

### 9. DUE TO BANKS

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Current accounts	4,919	5,308	4,919	5,308
Borrowings	88,848	88,833	59,396	53,793
<b>Total</b>	<b>93,767</b>	<b>94,141</b>	<b>64,315</b>	<b>59,101</b>

### 10. CUSTOMER DEPOSITS

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Term deposits	1,544,605	1,410,556	1,066,894	982,922
Demand and call accounts	1,037,405	1,034,812	787,289	758,752
Saving accounts	560,318	546,812	359,375	347,610
<b>Total</b>	<b>3,142,328</b>	<b>2,992,180</b>	<b>2,213,558</b>	<b>2,089,284</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

## 11. OTHER LIABILITIES

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Liabilities against acceptances	20,356	13,700	20,356	13,700
Interest payable	39,675	34,487	29,166	24,230
Accrued expenses and other payables	29,417	21,434	27,076	18,605
Cheques and trade settlement payable	4,187	4,250	3,173	3,032
Staff end of service benefits	732	965	732	674
Interest and commission received in advance	4,095	3,683	4,095	3,683
Negative fair value of derivatives	1,296	1,736	1,296	1,736
Deferred tax liability	198	198	198	198
Provision for loan commitments, financial guarantees and acceptances	3,947	3,687	3,533	3,218
Others	14,521	8,654	5	556
Lease liabilities	2,410	1,702	2,355	1,482
<b>Total</b>	<b>120,834</b>	<b>94,496</b>	<b>91,985</b>	<b>71,114</b>

## 12. PERPETUAL TIER 1 CAPITAL BONDS

On 29 December 2016, the Bank issued unsecured perpetual Tier 1 bonds of RO 30 million (30,000,000 units of RO 1 each through private placement). The bonds are listed on the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75 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 29 January 2022 (first call date), the Bank has fully redeemed these bonds.

On 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of RO 42.5 million (42,553,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7.5 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 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.

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 2018 has First Call date on 17 October 2023 or on any interest reset date thereafter subject to the prior consent of the regulatory authority. The bond issued in 2021 has First Call date on 04 June 2026 or on any interest payment date thereafter subject to the prior consent of the regulatory authority.


**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**13. INTEREST INCOME**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Loans and advances	29,254	26,791	29,254	26,791
Oman Government Development Bonds and Sukuk	3,480	3,318	3,480	3,318
Treasury bills	-	8	-	8
Placements with banks	760	140	810	140
<b>Total</b>	<b>33,494</b>	<b>30,257</b>	<b>33,544</b>	<b>30,257</b>

**14. INTEREST EXPENSE**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Time deposits	10,585	9,299	10,585	9,299
Call accounts	3,264	2,074	3,264	2,074
Bank borrowings	894	138	894	138
Savings accounts	1,003	870	1,003	870
Interest cost on lease liabilities	21	39	21	39
Others	562	16	562	16
<b>Total</b>	<b>16,329</b>	<b>12,436</b>	<b>16,329</b>	<b>12,436</b>

**15. NET INCOME FROM ISLAMIC FINANCING**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Income from Islamic financing	13,180	11,649	-	-
Income from Government Sukuk	766	755	-	-
Profit paid on participatory deposits	(7,459)	(6,152)	-	-
<b>Total</b>	<b>6,487</b>	<b>6,252</b>	<b>-</b>	<b>-</b>

**16. NET FEE AND COMMISSION INCOME**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Fee and commission income	6,888	5,916	5,635	4,989
Fee and commission expense	(2,337)	(1,643)	(2,158)	(1,485)
<b>Total</b>	<b>4,551</b>	<b>4,273</b>	<b>3,477</b>	<b>3,504</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**17. NET INCOME FROM INVESTMENT SECURITIES**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Fair value changes	(10)	17	(10)	17
Dividend income	49	126	42	126
<b>Total</b>	<b>39</b>	<b>143</b>	<b>32</b>	<b>143</b>

**18. OTHER OPERATING INCOME**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Exchange income	859	1,163	710	1,068
Other income	5	6	5	6
<b>Total</b>	<b>864</b>	<b>1,169</b>	<b>715</b>	<b>1,074</b>

**19. OPERATING EXPENSES**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Staff costs	10,451	10,480	7,429	7,478
Other operating expenses	4,945	5,405	3,704	3,962
Depreciation	2,251	2,274	1,994	2,034
Amortization	78	78	-	-
Directors' remuneration	76	76	51	51
<b>Total</b>	<b>17,801</b>	<b>18,313</b>	<b>13,178</b>	<b>13,525</b>

**20. CASH AND CASH EQUIVALENTS**

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Cash and balances with the Central Bank of Oman (CBO) (note 3)	154,612	138,838	79,178	85,554
Due from banks (note 4)	46,373	79,449	52,344	63,872
Less: due to banks (note 9)	(93,767)	(76,552)	(64,315)	(70,777)
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
<b>Total</b>	<b>106,193</b>	<b>140,710</b>	<b>66,707</b>	<b>78,149</b>




**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**21. ASSETS LIABILITIES GAP**

The Bank's maturity position of assets and liabilities is given below:

<b>Consolidated</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Gap</b>	<b>Cumulative Gap</b>
	RO'000	RO'000	RO'000	RO'000
31 March 2023 (Unaudited)				
0-3 months	633,730	555,343	78,387	78,387
3-12 months	403,656	960,226	(556,570)	(478,183)
1-5 years	1,064,367	1,028,453	35,914	(442,269)
More than 5 years	1,763,182	817,078	946,104	503,835
<b>Total</b>	<b>3,864,935</b>	<b>3,361,100</b>	<b>503,835</b>	
31 December 2022 (Audited)	RO'000	RO'000	RO'000	RO'000
0-3 months	449,182	401,014	48,168	48,168
3-12 months	492,195	904,328	(412,133)	(363,965)
1-5 years	1,025,458	1,053,902	(28,444)	(392,409)
More than 5 years	1,714,995	824,985	890,010	497,601
<b>Total</b>	<b>3,681,830</b>	<b>3,184,229</b>	<b>497,601</b>	

<b>Parent Company</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Gap</b>	<b>Cumulative Gap</b>
	RO'000	RO'000	RO'000	RO'000
31 March 2023 (Unaudited)				
0-3 months	508,133	416,995	91,138	91,138
3-12 months	263,506	700,573	(437,067)	(345,929)
1-5 years	685,824	603,210	82,614	(263,315)
More than 5 years	1,408,984	653,251	755,733	492,418
<b>Total</b>	<b>2,866,447</b>	<b>2,374,029</b>	<b>492,418</b>	
31 December 2022 (Audited)	RO'000	RO'000	RO'000	RO'000
0-3 months	369,429	330,007	39,422	39,422
3-12 months	273,047	628,019	(354,972)	(315,550)
1-5 years	663,610	624,008	39,602	(275,948)
More than 5 years	1,404,776	640,877	763,899	487,951
<b>Total</b>	<b>2,710,862</b>	<b>2,222,911</b>	<b>487,951</b>	



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**22. RELATED PARTY TRANSACTIONS**

(a) Technical and administrative services with major shareholders

During the period ended 31 March 2023, the cost of technical and administrative services provided by Arab Bank Plc amounted to RO 16,545 (31 March 2022: RO 10,434).

(b) Other related party transactions

In the ordinary course of business, the Bank conducts transactions with its Directors, shareholders, senior management and companies with which they have significant interest, on mutually agreed terms with the approval of Board of Directors. The aggregate amounts of balances with such related parties are as follows:

<b>Consolidated</b>	<b>Subsidiary</b>	<b>Major shareholders</b>	<b>Others</b>	<b>Total</b>
31 March 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	20,013	148,733	<b>168,746</b>
Customers' deposits	-	3,128	54,785	<b>57,913</b>
Due from banks	-	12,496	-	<b>12,496</b>
Other assets	-	-	750	<b>750</b>
Due to banks	-	6,988	-	<b>6,988</b>
Stand by line of credit	-	57,750	-	<b>57,750</b>
Letters of credit, guarantees and acceptances	-	76,113	7,273	<b>83,386</b>
31 December 2022 (Audited)	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	24,012	133,445	<b>157,457</b>
Customers' deposits	-	4,219	37,536	<b>41,755</b>
Due from banks	-	18,106	-	<b>18,106</b>
Other assets	-	-	750	<b>750</b>
Due to banks	-	22,086	-	<b>22,086</b>
Stand by line of credit	-	57,750	-	<b>57,750</b>
Letters of credit, guarantees and acceptances	-	80,010	6,772	<b>86,782</b>

<b>Parent Company</b>	<b>Subsidiary</b>	<b>Major shareholders</b>	<b>Others</b>	<b>Total</b>
31 March 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	20,013	107,085	<b>127,098</b>
Customers' deposits	-	3,128	46,594	<b>49,722</b>
Due from banks	14,625	12,496	-	<b>27,121</b>
Other asset	-	-	-	<b>-</b>
Due to banks	-	6,988	-	<b>6,988</b>
Stand by line of credit	-	57,750	-	<b>57,750</b>
Letters of credit, guarantees and acceptances	-	76,113	7,273	<b>83,386</b>
31 December 2022 (Audited)	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	24,012	101,726	<b>125,738</b>
Customers' deposits	-	4,219	37,120	<b>41,339</b>
Due from banks	-	18,106	-	<b>18,106</b>
Other asset	-	-	-	<b>-</b>
Due to banks	-	22,086	-	<b>22,086</b>
Stand by line of credit	-	57,750	-	<b>57,750</b>
Letters of credit, guarantees and acceptances	-	80,010	6,772	<b>86,782</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**22. RELATED PARTY TRANSACTIONS**

The statement of comprehensive income includes the following amounts in relation to the transactions with related parties:

<b>Consolidated</b>	<b>Major</b>			<b>Total</b>
	<b>Subsidiary</b>	<b>shareholders</b>	<b>Others</b>	
31 March 2023 (Unaudited)	RO'000	RO'000	RO'000	<b>RO'000</b>
Interest and commission income	-	444	2,690	<b>3,134</b>
Interest expense	-	249	293	<b>542</b>
31 March 2022 (Unaudited)	RO'000	RO'000	RO'000	<b>RO'000</b>
Interest and commission income	-	267	1,614	<b>1,881</b>
Interest expense	-	293	235	<b>528</b>
<b>Parent Company</b>				
31 March 2023 (Unaudited)	RO'000	RO'000	RO'000	<b>RO'000</b>
Interest and commission income	50	444	2,028	<b>2,522</b>
Interest expense	-	249	293	<b>542</b>
31 March 2022 (Unaudited)	RO'000	RO'000	RO'000	<b>RO'000</b>
Interest and commission income	10	267	1,441	<b>1,708</b>
Interest expense	-	293	235	<b>528</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**23. 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 at 31 March 2023 were as follows:

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Letters of credit	185,903	127,451	92,715	35,277
Guarantees	193,445	197,325	163,988	168,451
Financial guarantees	63,931	68,465	63,931	68,465
<b>Total</b>	<b>443,279</b>	<b>393,241</b>	<b>320,634</b>	<b>272,193</b>

Letters of credit and guarantees amounting to RO 172,334 thousand (31 December 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.

The allowances for credit losses for commitments and financial guarantees is included under note 11.

As at 31 March 2023, the unutilised commitment of facilities of RO 414,217 thousand (Consolidated), RO 378,870 thousand (Parent Company); [(31 December 2022 RO 466,495 thousand (Consolidated), RO 431,148 thousand (Parent Company))].

As at 31 March 2023, contingent liabilities include RO 6,814 thousand (Consolidated), RO 6,521 thousand (Parent Company); [31 December 2022 RO 4,772 thousand (Consolidated), RO 4,339 thousand (Parent Company)] relating to non-performing loans.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**24. EARNINGS PER SHARE/ NET ASSETS PER SHARE**

**(a) Basic and diluted earnings per share**

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

	Consolidated		Parent Company	
	Unaudited 31-Mar-23	Unaudited 31-Mar-22	Unaudited 31-Mar-23	Unaudited 31-Mar-22
	RO'000	RO'000	RO'000	RO'000
Profit for the period	5,515	3,478	3,838	2,131
Less: Interest distribution of Perpetual Tier 1 capital bonds	-	(193)		(193)
Less: Additional Tier 1 bonds issuance cost	-	-		-
<b>Profit / (loss) for the period attributable to shareholders</b>	<b>5,515</b>	<b>3,285</b>	<b>3,838</b>	<b>1,938</b>
Weighted average number of shares outstanding during the period	1,669,410,000	1,669,410,000	1,669,410,000	1,669,410,000
Basic earning / (loss) per share (RO)	0.003	0.002	0.002	0.001

	Weighted average number of shares outstanding	
1 January 2023 to 31 March 2023		1,669,410,000
Weighted average as at 31 December 2022		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.

**(b) Net assets value per share**

The calculation of net assets per share is based on net assets as at 31 March 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 March 2023.

	Consolidated		Parent Company	
	Unaudited 31-Mar-23	Audited 31-Dec-22	Unaudited 31-Mar-23	Audited 31-Dec-22
Total equity (RO'000)	365,032	358,798	353,615	349,148
Number of shares (in thousands)	1,669,410	1,669,410	1,669,410	1,669,410
<b>Net assets per share</b>	<b>0.219</b>	<b>0.215</b>	<b>0.212</b>	<b>0.209</b>




**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(a) Exposure at default and movement in the expected credit losses:

	Consolidated (Unaudited)							
	31-Mar-23				31-Mar-22			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Exposure at default</b>								
- Loans and Advances to Customers including interest receivables	2,594,914	621,398	191,677	<b>3,407,989</b>	2,290,883	610,615	142,222	<b>3,043,720</b>
- Investment Securities (Debt)	331,150	-	-	<b>331,150</b>	304,319	-	-	<b>304,319</b>
- Loan Commitments, financial guarantees and acceptances	809,234	114,082	6,814	<b>930,130</b>	675,469	128,720	5,378	<b>809,567</b>
- Due from Banks, Central Banks and Other Financial Assets	70,999	-	-	<b>70,999</b>	79,000	-	-	<b>79,000</b>
<b>Exposure subject to ECL</b>	<b>3,806,297</b>	<b>735,480</b>	<b>198,491</b>	<b>4,740,268</b>	<b>3,349,671</b>	<b>739,335</b>	<b>147,600</b>	<b>4,236,606</b>
<b>Movement of ECL</b>	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
- Loans and Advances to Customers including interest receivables	9,768	55,212	84,732	<b>149,712</b>	9,215	41,959	71,462	<b>122,636</b>
- Investment Securities (Debt)	239	-	-	<b>239</b>	282	-	-	<b>282</b>
- Loan Commitments, financial guarantees and acceptances	426	101	3,160	<b>3,687</b>	551	358	2,488	<b>3,397</b>
- Due from Banks, Central Banks and Other Financial Assets	36	-	-	<b>36</b>	74	-	-	<b>74</b>
<b>Opening balance as at 1 January</b>	<b>10,469</b>	<b>55,313</b>	<b>87,892</b>	<b>153,674</b>	<b>10,122</b>	<b>42,317</b>	<b>73,950</b>	<b>126,389</b>
- Loans and Advances to Customers including interest receivables	(16,793)	14,472	2,321	-	640	(743)	103	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(7)	7	-	-	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
<b>Net transfer between stages</b>	<b>(16,800)</b>	<b>14,479</b>	<b>2,321</b>	-	<b>640</b>	<b>(743)</b>	<b>103</b>	-
- Loans and Advances to Customers including interest receivables	17,148	(18,371)	5,674	<b>4,451</b>	(104)	5,761	1,595	<b>7,252</b>
- Investment Securities (Debt)	11	-	-	<b>11</b>	(7)	-	-	<b>(7)</b>
- Loan Commitments, financial guarantees and acceptances	51	22	187	<b>260</b>	(119)	11	78	<b>(30)</b>
- Due from Banks, Central Banks and Other Financial Assets	(7)	-	-	<b>(7)</b>	9	-	-	<b>9</b>
<b>Charge for the period (net)</b>	<b>17,203</b>	<b>(18,349)</b>	<b>5,861</b>	<b>4,715</b>	<b>(221)</b>	<b>5,772</b>	<b>1,673</b>	<b>7,224</b>
<b>Write Off</b>	-	-	(164)	(164)	-	-	61	<b>61</b>
- Loans and Advances to Customers including interest receivables	10,123	51,313	92,563	<b>153,999</b>	9,751	46,977	73,221	<b>129,949</b>
- Investment Securities (Debt)	250	-	-	<b>250</b>	275	-	-	<b>275</b>
- Loan Commitments, financial guarantees and acceptances	470	130	3,347	<b>3,947</b>	432	369	2,566	<b>3,367</b>
- Due from Banks, Central Banks and Other Financial Assets	29	-	-	<b>29</b>	83	-	-	<b>83</b>
<b>Closing balance as at 31 December</b>	<b>10,872</b>	<b>51,443</b>	<b>95,910</b>	<b>158,225</b>	<b>10,541</b>	<b>47,346</b>	<b>75,787</b>	<b>133,674</b>


**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(a) Exposure at default and movement in the expected credit losses:

	Parent Company (Unaudited)							
	31-Mar-23				31-Mar-22			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Exposure at default</b>								
- Loans and Advances to Customers including interest receivables	1,784,246	478,208	150,053	<b>2,412,507</b>	1,560,078	515,293	108,386	<b>2,183,757</b>
- Investment Securities (Debt)	267,377	-	-	<b>267,377</b>	241,723	-	-	<b>241,723</b>
- Loan Commitments, financial guarantees and acceptances	653,151	112,466	6,521	<b>772,138</b>	565,885	127,796	5,136	<b>698,817</b>
- Due from Banks, Central Banks and Other Financial Assets	62,344	-	-	<b>62,344</b>	63,949	-	-	<b>63,949</b>
<b>Exposure subject to ECL</b>	<b>2,767,118</b>	<b>590,674</b>	<b>156,574</b>	<b>3,514,366</b>	<b>2,431,635</b>	<b>643,089</b>	<b>113,522</b>	<b>3,188,246</b>
<b>Movement of ECL</b>	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
- Loans and Advances to Customers including interest receivables	6,324	45,522	60,132	<b>111,978</b>	7,311	31,840	49,046	<b>88,197</b>
- Investment Securities (Debt)	237	-	-	<b>237</b>	276	-	-	<b>276</b>
- Loan Commitments, financial guarantees and acceptances	201	67	2,950	<b>3,218</b>	323	138	2,408	<b>2,869</b>
- Due from Banks, Central Banks and Other Financial Assets	32	-	-	<b>32</b>	73	-	-	<b>73</b>
<b>Opening balance as at 1 January</b>	<b>6,794</b>	<b>45,589</b>	<b>63,082</b>	<b>115,465</b>	<b>7,983</b>	<b>31,978</b>	<b>51,454</b>	<b>91,415</b>
- Loans and Advances to Customers including interest receivables	(16,174)	14,159	2,015	-	638	(743)	105	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(7)	7	-	-	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
<b>Net transfer between stages</b>	<b>(16,181)</b>	<b>14,166</b>	<b>2,015</b>	<b>-</b>	<b>638</b>	<b>(743)</b>	<b>105</b>	<b>-</b>
- Loans and Advances to Customers including interest receivables	16,560	(19,765)	6,562	<b>3,357</b>	(355)	5,436	1,335	<b>6,416</b>
- Investment Securities (Debt)	-	-	-	-	(4)	-	-	<b>(4)</b>
- Loan Commitments, financial guarantees and acceptances	32	14	269	<b>315</b>	(24)	-	75	<b>51</b>
- Due from Banks, Central Banks and Other Financial Assets	(8)	-	-	<b>(8)</b>	4	-	-	<b>4</b>
<b>Charge for the period (net)</b>	<b>16,584</b>	<b>(19,751)</b>	<b>6,831</b>	<b>3,664</b>	<b>(379)</b>	<b>5,436</b>	<b>1,410</b>	<b>6,467</b>
<b>Write Off</b>	-	-	(164)	<b>(164)</b>	-	-	61	<b>61</b>
- Loans and Advances to Customers including interest receivables	6,710	39,916	68,545	<b>115,171</b>	7,594	36,533	50,547	<b>94,674</b>
- Investment Securities (Debt)	237	-	-	<b>237</b>	272	-	-	<b>272</b>
- Loan Commitments, financial guarantees and acceptances	226	88	3,219	<b>3,533</b>	299	138	2,483	<b>2,920</b>
- Due from Banks, Central Banks and Other Financial Assets	24	-	-	<b>24</b>	77	-	-	<b>77</b>
<b>Closing balance as at 31 December</b>	<b>7,197</b>	<b>40,004</b>	<b>71,764</b>	<b>118,965</b>	<b>8,242</b>	<b>36,671</b>	<b>53,030</b>	<b>97,943</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(b) Impairment charge and provisions held:

	Consolidated (Unaudited)					
	31-Mar-23			31-Mar-22		
	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 <sup>1</sup>	4,715	4,715	-	7,202	7,202	-
Provisions required as per CBO norms/held as per IFRS 9 <sup>1</sup>	153,828	158,225	4,397	132,362	133,674	1,312
Gross NPL ratio <sup>2</sup>	5.69%	5.69%	-	4.75%	4.75%	-
Net NPL ratio <sup>2</sup>	1.78%	2.17%	-	1.17%	1.65%	-

	Parent Company (Unaudited)					
	31-Mar-23			31-Mar-22		
	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 <sup>1</sup>	3,664	3,664	-	6,445	6,445	-
Provisions required as per CBO norms/held as per IFRS 9 <sup>1</sup>	117,282	118,965	1,683	98,383	97,943	(440)
Gross NPL ratio <sup>2</sup>	6.26%	6.26%	-	5.02%	5.02%	-
Net NPL ratio <sup>2</sup>	2.04%	2.45%	-	1.41%	1.99%	-

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.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(c) Comparison of provision held as per IFRS 9 and required as per CBO guidelines:

<b>Consolidated</b>								
<b>Asset Classification as per CBO Norms</b>	<b>Asset classification as per IFRS 9</b>	<b>Gross Amount</b>	<b>Provision required as per CBO Norms</b>	<b>Provision held as per IFRS 9</b>	<b>Difference between CBO provision required and provision held</b>	<b>Reserve interest as per CBO norms</b>	<b>Net Amount as per CBO norms<sup>1</sup></b>	<b>Net Amount as per IFRS 9</b>
<b>31 March 2023 (Unaudited)</b>		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	2,584,278	30,456	9,964	20,492	-	2,553,822	2,574,314
	Stage 2	279,997	2,774	9,320	(6,546)	3	277,220	270,674
	Stage 3	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>2,864,275</b>	<b>33,230</b>	<b>19,284</b>	<b>13,946</b>	<b>3</b>	<b>2,831,042</b>	<b>2,844,988</b>
Special Mention	Stage 1	10,636	164	160	4	-	10,472	10,476
	Stage 2	341,401	15,679	41,992	(26,313)	3,327	322,395	296,082
	Stage 3	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>352,037</b>	<b>15,843</b>	<b>42,152</b>	<b>(26,309)</b>	<b>3,327</b>	<b>332,867</b>	<b>306,558</b>
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	16,908	4,491	6,880	(2,389)	1,080	11,337	8,948
	<b>Sub-total</b>	<b>16,908</b>	<b>4,491</b>	<b>6,880</b>	<b>(2,389)</b>	<b>1,080</b>	<b>11,337</b>	<b>8,948</b>
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	13,940	5,773	5,179	594	1,071	7,096	7,690
	<b>Sub-total</b>	<b>13,940</b>	<b>5,773</b>	<b>5,179</b>	<b>594</b>	<b>1,071</b>	<b>7,096</b>	<b>7,690</b>
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	160,829	94,491	80,504	13,987	28,096	38,242	52,229
	<b>Sub-total</b>	<b>160,829</b>	<b>94,491</b>	<b>80,504</b>	<b>13,987</b>	<b>28,096</b>	<b>38,242</b>	<b>52,229</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,211,383	-	748	(748)	-	1,211,383	1,210,635
	Stage 2	114,082	-	131	(131)	-	114,082	113,951
	Stage 3	6,814	-	3,347	(3,347)	-	6,814	3,467
	<b>Sub-total</b>	<b>1,332,279</b>	<b>-</b>	<b>4,226</b>	<b>(4,226)</b>	<b>-</b>	<b>1,332,279</b>	<b>1,328,053</b>
<b>Total</b>	<b>Stage 1</b>	<b>3,806,297</b>	<b>30,620</b>	<b>10,872</b>	<b>19,748</b>	<b>-</b>	<b>3,775,677</b>	<b>3,795,425</b>
	<b>Stage 2</b>	<b>735,480</b>	<b>18,453</b>	<b>51,443</b>	<b>(32,990)</b>	<b>3,330</b>	<b>713,697</b>	<b>680,707</b>
	<b>Stage 3</b>	<b>198,491</b>	<b>104,755</b>	<b>95,910</b>	<b>8,845</b>	<b>30,247</b>	<b>63,489</b>	<b>72,334</b>
	<b>Total</b>	<b>4,740,268</b>	<b>153,828</b>	<b>158,225</b>	<b>(4,397)</b>	<b>33,577</b>	<b>4,552,863</b>	<b>4,548,466</b>


**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(c) 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 <sup>1</sup>	Net Amount as per IFRS 9
31 December 2022 (Audited)		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	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>2,728,139</b>	<b>32,688</b>	<b>20,949</b>	<b>11,739</b>	<b>-</b>	<b>2,695,451</b>	<b>2,707,190</b>
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	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>372,804</b>	<b>27,142</b>	<b>44,029</b>	<b>(16,887)</b>	<b>4,903</b>	<b>341,569</b>	<b>324,682</b>
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	12,711	3,438	5,369	(1,931)	378	8,895	6,964
	<b>Sub-total</b>	<b>12,711</b>	<b>3,438</b>	<b>5,369</b>	<b>(1,931)</b>	<b>378</b>	<b>8,895</b>	<b>6,964</b>
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	19,528	7,141	7,073	68	1,905	10,482	10,550
	<b>Sub-total</b>	<b>19,528</b>	<b>7,141</b>	<b>7,073</b>	<b>68</b>	<b>1,905</b>	<b>10,482</b>	<b>10,550</b>
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	133,544	84,107	72,290	11,817	23,548	25,889	37,706
	<b>Sub-total</b>	<b>133,544</b>	<b>84,107</b>	<b>72,290</b>	<b>11,817</b>	<b>23,548</b>	<b>25,889</b>	<b>37,706</b>
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
	<b>Sub-total</b>	<b>1,220,314</b>	<b>319</b>	<b>3,964</b>	<b>(3,645)</b>	<b>-</b>	<b>1,219,995</b>	<b>1,216,350</b>
<b>Total</b>	<b>Stage 1</b>	<b>3,570,775</b>	<b>30,243</b>	<b>10,469</b>	<b>19,774</b>	<b>-</b>	<b>3,540,532</b>	<b>3,560,306</b>
	<b>Stage 2</b>	<b>745,710</b>	<b>29,587</b>	<b>55,313</b>	<b>(25,726)</b>	<b>4,093</b>	<b>712,030</b>	<b>686,304</b>
	<b>Stage 3</b>	<b>170,555</b>	<b>95,005</b>	<b>87,892</b>	<b>7,113</b>	<b>25,831</b>	<b>49,719</b>	<b>56,832</b>
	<b>Total</b>	<b>4,487,040</b>	<b>154,835</b>	<b>153,674</b>	<b>1,161</b>	<b>29,924</b>	<b>4,302,281</b>	<b>4,303,442</b>





**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**23. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(c) Comparison of provision held as per IFRS 9 and required as per CBO guidelines:

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 <sup>1</sup>	Net Amount as per IFRS 9
31 March 2023 (Unaudited)		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	1,774,138	22,355	6,594	15,761	-	1,751,783	1,767,544
	Stage 2	206,487	2,039	4,460	(2,421)	-	204,448	202,027
	Stage 3	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>1,980,625</b>	<b>24,394</b>	<b>11,054</b>	<b>13,340</b>	<b>-</b>	<b>1,956,231</b>	<b>1,969,571</b>
Special Mention	Stage 1	10,108	159	116	43	-	9,949	9,992
	Stage 2	271,721	14,982	35,456	(20,474)	3,327	253,412	232,938
	Stage 3	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>281,829</b>	<b>15,141</b>	<b>35,572</b>	<b>(20,431)</b>	<b>3,327</b>	<b>263,361</b>	<b>242,930</b>
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	15,054	4,026	6,304	(2,278)	1,051	9,977	7,699
	<b>Sub-total</b>	<b>15,054</b>	<b>4,026</b>	<b>6,304</b>	<b>(2,278)</b>	<b>1,051</b>	<b>9,977</b>	<b>7,699</b>
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	12,257	5,099	4,599	500	981	6,177	6,677
	<b>Sub-total</b>	<b>12,257</b>	<b>5,099</b>	<b>4,599</b>	<b>500</b>	<b>981</b>	<b>6,177</b>	<b>6,677</b>
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122,742	68,622	57,642	10,980	24,310	29,810	40,790
	<b>Sub-total</b>	<b>122,742</b>	<b>68,622</b>	<b>57,642</b>	<b>10,980</b>	<b>24,310</b>	<b>29,810</b>	<b>40,790</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	982,872	-	487	(487)	-	982,872	982,385
	Stage 2	112,466	-	88	(88)	-	112,466	112,378
	Stage 3	6,521	-	3,219	(3,219)	-	6,521	3,302
	<b>Sub-total</b>	<b>1,101,859</b>	<b>-</b>	<b>3,794</b>	<b>(3,794)</b>	<b>-</b>	<b>1,101,859</b>	<b>1,098,065</b>
<b>Total</b>	<b>Stage 1</b>	<b>2,767,118</b>	<b>22,514</b>	<b>7,197</b>	<b>15,317</b>	<b>-</b>	<b>2,744,604</b>	<b>2,759,921</b>
	<b>Stage 2</b>	<b>590,674</b>	<b>17,021</b>	<b>40,004</b>	<b>(22,983)</b>	<b>3,327</b>	<b>570,326</b>	<b>547,343</b>
	<b>Stage 3</b>	<b>156,574</b>	<b>77,747</b>	<b>71,764</b>	<b>5,983</b>	<b>26,342</b>	<b>52,485</b>	<b>58,468</b>
	<b>Total</b>	<b>3,514,366</b>	<b>117,282</b>	<b>118,965</b>	<b>(1,683)</b>	<b>29,669</b>	<b>3,367,415</b>	<b>3,365,732</b>


**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(c) Comparison of provision held as per IFRS 9 and required as per CBO guidelines:

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 <sup>1</sup>	Net Amount as per IFRS 9
31 December 2022 (Audited)		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	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>1,851,058</b>	<b>23,721</b>	<b>10,940</b>	<b>12,781</b>	<b>-</b>	<b>1,827,337</b>	<b>1,840,118</b>
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	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>348,351</b>	<b>26,903</b>	<b>40,906</b>	<b>(14,003)</b>	<b>4,093</b>	<b>317,355</b>	<b>303,352</b>
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,658	2,810	4,966	(2,156)	360	8,488	6,332
	<b>Sub-total</b>	<b>11,658</b>	<b>2,810</b>	<b>4,966</b>	<b>(2,156)</b>	<b>360</b>	<b>8,488</b>	<b>6,332</b>
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,197	4,725	4,441	284	849	5,623	5,907
	<b>Sub-total</b>	<b>11,197</b>	<b>4,725</b>	<b>4,441</b>	<b>284</b>	<b>849</b>	<b>5,623</b>	<b>5,907</b>
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	100,558	59,623	50,725	8,898	20,531	20,404	29,302
	<b>Sub-total</b>	<b>100,558</b>	<b>59,623</b>	<b>50,725</b>	<b>8,898</b>	<b>20,531</b>	<b>20,404</b>	<b>29,302</b>
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
	<b>Sub-total</b>	<b>1,030,090</b>	<b>-</b>	<b>3,487</b>	<b>(3,487)</b>	<b>-</b>	<b>1,030,090</b>	<b>1,026,603</b>
<b>Total</b>	<b>Stage 1</b>	<b>2,581,703</b>	<b>22,020</b>	<b>6,794</b>	<b>15,226</b>	<b>-</b>	<b>2,559,683</b>	<b>2,574,909</b>
	<b>Stage 2</b>	<b>643,457</b>	<b>28,604</b>	<b>45,589</b>	<b>(16,985)</b>	<b>4,093</b>	<b>610,760</b>	<b>593,775</b>
	<b>Stage 3</b>	<b>127,752</b>	<b>67,158</b>	<b>63,082</b>	<b>4,076</b>	<b>21,740</b>	<b>38,854</b>	<b>42,930</b>
	<b>Total</b>	<b>3,352,912</b>	<b>117,782</b>	<b>115,465</b>	<b>2,317</b>	<b>25,833</b>	<b>3,209,297</b>	<b>3,211,614</b>

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 2023.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(d) Restructured loans:

<b>Consolidated</b>								
<b>Asset Classification as per CBO Norms</b>	<b>Asset Classification as per IFRS 9</b>	<b>Gross Carrying Amount</b>	<b>Provision required as per CBO Norms</b>	<b>Provision held as per IFRS 9</b>	<b>Difference between CBO provision required and provision held</b>	<b>Reserve interest as per CBO norms</b>	<b>Net Amount as per CBO norms</b>	<b>Net Amount as per IFRS 9</b>
<b>31 March 2023 (Unaudited)</b>		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	57,481	570	942	(372)	-	56,911	56,539
	Stage 2	392,245	15,027	35,865	(20,838)	2,770	374,448	353,610
	Stage 3	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>449,726</b>	<b>15,597</b>	<b>36,807</b>	<b>(21,210)</b>	<b>2,770</b>	<b>431,359</b>	<b>410,149</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	69,031	37,625	36,756	869	8,199	23,207	24,076
	<b>Sub-total</b>	<b>69,031</b>	<b>37,625</b>	<b>36,756</b>	<b>869</b>	<b>8,199</b>	<b>23,207</b>	<b>24,076</b>
<b>Total</b>	<b>Stage 1</b>	<b>57,481</b>	<b>570</b>	<b>942</b>	<b>(372)</b>	<b>-</b>	<b>56,911</b>	<b>56,539</b>
	<b>Stage 2</b>	<b>392,245</b>	<b>15,027</b>	<b>35,865</b>	<b>(20,838)</b>	<b>2,770</b>	<b>374,448</b>	<b>353,610</b>
	<b>Stage 3</b>	<b>69,031</b>	<b>37,625</b>	<b>36,756</b>	<b>869</b>	<b>8,199</b>	<b>23,207</b>	<b>24,076</b>
	<b>Total</b>	<b>518,757</b>	<b>53,222</b>	<b>73,563</b>	<b>(20,341)</b>	<b>10,969</b>	<b>454,566</b>	<b>434,225</b>
<b>31 December 2022 (Audited)</b>								
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	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>440,867</b>	<b>27,184</b>	<b>40,741</b>	<b>(13,557)</b>	<b>3,733</b>	<b>409,950</b>	<b>396,393</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	47,181	30,340	29,886	454	5,470	11,371	11,825
	<b>Sub-total</b>	<b>47,181</b>	<b>30,340</b>	<b>29,886</b>	<b>454</b>	<b>5,470</b>	<b>11,371</b>	<b>11,825</b>
<b>Total</b>	<b>Stage 1</b>	<b>76,817</b>	<b>1,018</b>	<b>1,427</b>	<b>(409)</b>	<b>-</b>	<b>75,799</b>	<b>75,390</b>
	<b>Stage 2</b>	<b>364,050</b>	<b>26,166</b>	<b>39,314</b>	<b>(13,148)</b>	<b>3,733</b>	<b>334,151</b>	<b>321,003</b>
	<b>Stage 3</b>	<b>47,181</b>	<b>30,340</b>	<b>29,886</b>	<b>454</b>	<b>5,470</b>	<b>11,371</b>	<b>11,825</b>
	<b>Total</b>	<b>488,048</b>	<b>57,524</b>	<b>70,627</b>	<b>(13,103)</b>	<b>9,203</b>	<b>421,321</b>	<b>408,218</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

**25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

(d) Restructured loans:

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
31 March 2023 (Unaudited)		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	173	1	5	(4)	-	172	168
	Stage 2	288,043	13,988	28,877	(14,889)	2,770	271,285	256,396
	Stage 3	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>288,216</b>	<b>13,989</b>	<b>28,882</b>	<b>(14,893)</b>	<b>2,770</b>	<b>271,457</b>	<b>256,564</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	61,508	32,734	31,962	772	7,547	21,227	21,999
	<b>Sub-total</b>	<b>61,508</b>	<b>32,734</b>	<b>31,962</b>	<b>772</b>	<b>7,547</b>	<b>21,227</b>	<b>21,999</b>
<b>Total</b>	<b>Stage 1</b>	<b>173</b>	<b>1</b>	<b>5</b>	<b>(4)</b>	<b>-</b>	<b>172</b>	<b>168</b>
	<b>Stage 2</b>	<b>288,043</b>	<b>13,988</b>	<b>28,877</b>	<b>(14,889)</b>	<b>2,770</b>	<b>271,285</b>	<b>256,396</b>
	<b>Stage 3</b>	<b>61,508</b>	<b>32,734</b>	<b>31,962</b>	<b>772</b>	<b>7,547</b>	<b>21,227</b>	<b>21,999</b>
	<b>Total</b>	<b>349,724</b>	<b>46,723</b>	<b>60,844</b>	<b>(14,121)</b>	<b>10,317</b>	<b>292,684</b>	<b>278,563</b>
31 December 2022 (Audited)		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	-	-	-	-	-	-	-
	<b>Sub-total</b>	<b>294,989</b>	<b>25,647</b>	<b>33,373</b>	<b>(7,726)</b>	<b>3,733</b>	<b>265,609</b>	<b>257,883</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	39,828	25,766	25,302	464	4,850	9,212	9,676
	<b>Sub-total</b>	<b>39,828</b>	<b>25,766</b>	<b>25,302</b>	<b>464</b>	<b>4,850</b>	<b>9,212</b>	<b>9,676</b>
<b>Total</b>	<b>Stage 1</b>	<b>8,986</b>	<b>152</b>	<b>418</b>	<b>(266)</b>	<b>-</b>	<b>8,834</b>	<b>8,568</b>
	<b>Stage 2</b>	<b>286,003</b>	<b>25,495</b>	<b>32,955</b>	<b>(7,460)</b>	<b>3,733</b>	<b>256,775</b>	<b>249,315</b>
	<b>Stage 3</b>	<b>39,828</b>	<b>25,766</b>	<b>25,302</b>	<b>464</b>	<b>4,850</b>	<b>9,212</b>	<b>9,676</b>
	<b>Total</b>	<b>334,817</b>	<b>51,413</b>	<b>58,675</b>	<b>(7,262)</b>	<b>8,583</b>	<b>274,821</b>	<b>267,559</b>



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

### 26. 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 tier1 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 Tier I capital, 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, 2022, 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	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Common Equity Tier 1 (CET 1)	334,943	334,943	228,810	228,810
Additional Tier 1	136,403	136,403	136,403	136,403
Tier 1 capital	471,346	471,346	365,213	365,213
Tier 2 capital	30,872	30,872	27,412	27,412
<b>Total capital base</b>	<b>502,218</b>	<b>502,218</b>	<b>392,625</b>	<b>392,625</b>
Credit risk	2,850,451	2,699,066	2,120,407	2,007,061
Market risk	33,775	41,826	13,675	13,263
Operational risk	215,348	215,348	168,625	168,625
<b>Total risk weighted assets</b>	<b>3,099,574</b>	<b>2,956,240</b>	<b>2,302,707</b>	<b>2,188,949</b>
Capital adequacy ratio %	16.20%	16.99%	17.05%	17.94%
CET 1 ratio	10.81%	11.33%	9.94%	10.45%
Tier 1 Capital ratio	15.21%	15.94%	15.86%	16.68%



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**27. 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 March 2023.

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.

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 31 March 2023 (Unaudited)	Retail	Corporate	Treasury	Others	Islamic Banking	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	6,716	9,003	1,446	-	-	<b>17,165</b>
Net income from Islamic financing	-	-	-	-	6,487	<b>6,487</b>
Net fees, commission and other operating income	2,245	1,893	86	-	1,230	<b>5,454</b>
<b>Total operating income</b>	<b>8,961</b>	<b>10,896</b>	<b>1,532</b>	<b>-</b>	<b>7,717</b>	<b>29,106</b>
Operating expenses	(7,326)	(4,992)	(860)	(78)	(4,545)	<b>(17,801)</b>
Net allowances for credit losses	(318)	(3,353)	7	-	(1,051)	<b>(4,715)</b>
Tax expenses	(217)	(421)	(121)	-	(316)	<b>(1,075)</b>
<b>Profit / (Loss) for the period</b>	<b>1,100</b>	<b>2,130</b>	<b>558</b>	<b>(78)</b>	<b>1,805</b>	<b>5,515</b>
Assets	814,884	1,435,471	412,479	88,665	1,114,486	<b>3,864,935</b>
Liabilities	688,806	1,524,752	64,315	81,529	1,001,698	<b>3,361,100</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**
**27. SEGMENT INFORMATION**

<b>Consolidated</b>	<b>Retail</b>	<b>Corporate</b>	<b>Treasury</b>	<b>Others</b>	<b>Islamic Banking</b>	<b>Total</b>
<b>31 March 2022 (Unaudited)</b>	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	5,799	6,344	5,678	-	-	<b>17,821</b>
Net income from Islamic financing	-	-	-	-	6,252	<b>6,252</b>
Net fees, commission and other operating income	1,877	2,500	344	-	864	<b>5,585</b>
<b>Total operating income</b>	<b>7,676</b>	<b>8,844</b>	<b>6,022</b>	<b>-</b>	<b>7,116</b>	<b>29,658</b>
Operating expenses	(7,427)	(5,177)	(922)	(78)	(4,709)	<b>(18,313)</b>
Net allowances for credit losses	(358)	(6,113)	4	-	(757)	<b>(7,224)</b>
Tax expenses	(100)	933	(1,252)	-	(224)	<b>(643)</b>
<b>Profit / (Loss) for the period</b>	<b>(209)</b>	<b>(1,513)</b>	<b>3,852</b>	<b>(78)</b>	<b>1,426</b>	<b>3,478</b>
<b>As at 31 December 2022</b>						
Assets	796,094	1,368,891	347,621	96,963	1,072,261	<b>3,681,830</b>
Liabilities	767,389	1,321,895	59,101	74,526	961,318	<b>3,184,229</b>

<b>Parent Company</b>	<b>Retail</b>	<b>Corporate</b>	<b>Treasury</b>	<b>Others</b>	<b>Islamic Banking</b>	<b>Total</b>
<b>31 March 2023 (Unaudited)</b>	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	6,716	9,003	1,496	-	-	<b>17,215</b>
Net fees, commission and other operating income	2,245	1,893	86	-	-	<b>4,224</b>
<b>Total operating income</b>	<b>8,961</b>	<b>10,896</b>	<b>1,582</b>	<b>-</b>	<b>-</b>	<b>21,439</b>
Operating expenses	(7,326)	(4,992)	(860)	-	-	<b>(13,178)</b>
Net allowances for credit losses	(318)	(3,353)	7	-	-	<b>(3,664)</b>
Tax expenses	(217)	(421)	(121)	-	-	<b>(759)</b>
<b>Profit / (Loss) for the period</b>	<b>1,100</b>	<b>2,130</b>	<b>608</b>	<b>-</b>	<b>-</b>	<b>3,838</b>
Assets	814,884	1,435,471	519,623	96,469	-	<b>2,866,447</b>
Liabilities	688,806	1,524,752	64,315	96,156	-	<b>2,374,029</b>

<b>Parent Company</b>	<b>Retail</b>	<b>Corporate</b>	<b>Treasury</b>	<b>Others</b>	<b>Islamic Banking</b>	<b>Total</b>
<b>31 March 2022 (Unaudited)</b>	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	5,799	6,344	5,678	-	-	<b>17,821</b>
Net fees, commission and other operating income	1,877	2,500	344	-	-	<b>4,721</b>
<b>Total operating income</b>	<b>7,676</b>	<b>8,844</b>	<b>6,022</b>	<b>-</b>	<b>-</b>	<b>22,542</b>
Operating expenses	(7,426)	(5,177)	(922)	-	-	<b>(13,525)</b>
Net allowances for credit losses	(358)	(6,113)	4	-	-	<b>(6,467)</b>
Tax expenses	(100)	933	(1,252)	-	-	<b>(419)</b>
<b>Profit / (Loss) for the period</b>	<b>(208)</b>	<b>(1,513)</b>	<b>3,852</b>	<b>-</b>	<b>-</b>	<b>2,131</b>
<b>As at 31 December 2022</b>						
Assets	796,094	1,368,891	454,764	91,113	-	<b>2,710,862</b>
Liabilities	767,389	1,321,895	59,101	74,526	-	<b>2,222,911</b>

**28. COMPARATIVE FIGURES**

Certain comparative figures for 2022 have been reclassified to conform to the presentation for the current period.

**29. SUBSEQUENT EVENTS**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.