



بنك عمان العربي
OMAN ARAB BANK

**CONDENSED INTERIM CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS
PERIOD ENDED 30 JUNE 2023**

OMAN ARAB BANK SAOG

Condensed Interim Consolidated and Separate Financial Statements As at and for the six months period ended 30 June 2023

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CHAIRMAN REPORT– SECOND QUARTER 2023

Dear Shareholders,

It is my pleasure to present to you the financial results of Oman Arab Bank SAOG (“the Bank”) for the second quarter of 2023.

Oman’s overall economic performance has been moving from strength-to-strength, a fact that has been reaffirmed on multiple fronts starting with S&P Global revising its country outlook on Oman from ‘stable’ to ‘positive’. This together with World Bank’s recent report projecting Oman to become the fastest-growing economy in the GCC in 2023 and the Government’s continuous efforts to boost the financial sector through various initiatives under the fiscal stability program; have opened wide-doors of opportunities for Oman Arab Bank to be a key contributor to the country’s economic growth journey.

Similarly, Oman Arab Bank’s outlook was also revised by Capital Intelligence Ratings (CI Ratings) in April this year from ‘stable’ to ‘positive’.

The Bank’s achievements continued to be recognized with awards and accolades from prestigious external bodies, 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, which reaffirmed Oman Arab Bank’s high security standards in protecting customers’ payment card data, as set by the PCI Security Standards Council.



FINANCIAL PERFORMANCE

Our performance for the first half of 2023 shows a consolidated net profit after tax of OMR 11.5 million, up 64% compared to OMR 7.0 million for the same period in 2022.

Net interest income from conventional banking and net income from Islamic financing reached OMR 49.0 million for the six months period ended 30 June 2023, compared to OMR 48.9 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 61.0 million for the six months period ended 30 June 2023 compared to OMR 61.0 million for the same period in 2022, while operating expenses recorded OMR 35.8 million for the six months period ended 30 June 2023 and were down 1% compared to the same period in 2022. Net allowances for expected credit losses recorded OMR 11.4 million in the six months period ended 30 June 2023 compared to OMR 16.4 million for the same period in 2022.

Net loans and advances, including Islamic finance, grew 12% to OMR 3,258 million compared to OMR 2,907 million at 30 June 2022. Customer deposits reached OMR 3,201 million by the end of the first half of 2023, up 11% compared to OMR 2,889 million at 30 June 2022.

PERFORMANCE OF THE PARENT COMPANY

The parent company recorded a net profit after tax of OMR 7.9 million in the first half of 2023 compared to OMR 4.2 million for the same period in 2022. Operating income reached OMR 45.2 million in 2023 compared to OMR 46.4 million in 2022. Interest income grew by 14% driven by a healthy growth in



the loan and advances portfolio. This was offset by higher interest expense. Operating expenses declined by 1% to reach OMR 26.5 million in the first half of 2023. Net allowances for expected credit losses recorded OMR 9.3 million in the first half of 2023 compared to OMR 14.7 million for the same period in 2022.

Net loans and advances grew 12% to reach OMR 2,314 million at 30 June 2023, compared to OMR 2,073 million at 30 June 2022. Customer deposits increased by 12% to reach OMR 2,253 million at 30 June 2023 compared to OMR 2,013 million at 30 June 2022.

ALIZZ ISLAMIC BANK

During the first half of 2023, Alizz Islamic Bank's net profit grew by 27% to reach OMR 3.76 million compared to OMR 2.96 million for the same period last year. Net financing receivables amounted to OMR 945 million at 30 June 2023, 13% higher than the same period last year. Customer deposits reached OMR 948 million at 30 June 2023, an 8% increase compared to OMR 875 million at 30 June 2022.

BANKING SERVICES AND PRODUCTS

This quarter saw the Bank introducing several market-leading banking solutions. Our Digital Instant Loan was very well received by customers, giving them quick, easy and immediate access to loans of up to OMR 25,000, thanks to its fast-automated approval process.

Oman Arab Bank also signed a joint agreement with Alizz Islamic Bank (AIB) and 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. Finance was made available on off-plan units via the Bank's housing loan.

Bringing extra value to customers during the summer season, the Bank introduced the Summer Credit Card Promotion giving 10 lucky credit card customers the chance to win vacations worth OMR 1,200 each in monthly prize draws by using their credit cards whether in Oman or abroad.

Oman Arab Bank and the Ministry of Housing and Urban Planning have signed a home financing agreement to provide competitive loan rates for the first 100 homeowners in Sultan Haitham City. Through the agreement, the Bank will provide flexible loans at reduced rates to customers who wish to purchase homes in the first phase of the city of the future, making homeownership at the groundbreaking urban development more accessible and affordable.

The Bank continued to invest in its branch distribution network during the second quarter of the year, by upgrading and relocating selected branches and installing state-of-the-art digital banking technology to enhance customers' experience, allowing them to bank more efficiently. During May and June 2023, the Bank's flagship Ruwi branch, the relocated and enhanced Duqm branch and the renovated Ibra branch were all opened.

After the successful launch of 'Alizz ONE', the enhanced banking value proposition for salaried customers, Alizz Islamic Bank received the 'OER Business Excellence Award for meeting customer requirements through a comprehensive value proposition and enhanced banking experience' at the OER Business and HR Excellence Awards held as part of the OER Business Summit 2023. Alizz ONE offers a comprehensive range of services, encompassing financing, accounts, and savings plans specifically designed for individuals seeking to transfer their salaries to Alizz Islamic Bank.



During the Quarter, Alizz Islamic Bank launched the 'Alizz Jr' value proposition for parents with children under the age of 15. This comprehensive program offers a wide range of attractive benefits and services while also promoting the culture of saving.

As part of Alizz Islamic Bank's 'Empowering the Second Line of Shari'a Supervisory Board Members' Program to nurture potential candidates for future roles, the two interns from the Office of the Grand Mufti of the Sultanate of Oman participated in the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) conference held in the Kingdom of Bahrain.

HUMAN RESOURCE DEVELOPMENT

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

In June 2023, the Ministry of Social Development recognized 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.



Continuing its endeavor to empower national talent, Alizz Islamic Bank launched 'Manahil Alizz', an internship program designed to empower third year university and college students and augment their capabilities by equipping them with the essential skills and knowledge required to successfully thrive in their careers.

The Bank also commenced enrollment for the third batch of 'Ruwad Alizz' program, which aims at cultivating middle-level leadership in partnership with Harvard Manage Mentor, the esteemed e-learning platform affiliated with Harvard University. The program offers a comprehensive training experience. It aims to empower and develop 60 employees annually, divided into two batches of 30 individuals each. The program entails six consecutive months of dedicated study, with the first and second batches having already produced 56 graduates.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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 is part of a series that will move on to other Governorates, aims 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.

CONCLUDING THOUGHTS

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 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.



بنك عُمان العربي
OMAN ARAB BANK

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.

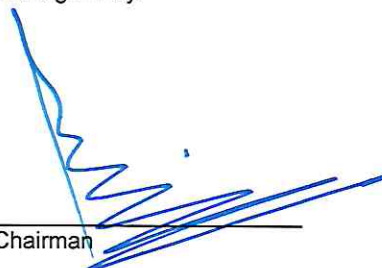


Rashad Al Zubair
Chairman

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

| | Note | Consolidated | | Parent Company | |
|--|--------|------------------|------------------|------------------|------------------|
| | | Unaudited | Audited | Unaudited | Audited |
| | | 30-June-23 | 31-Dec-22 | 30-June-23 | 31-Dec-22 |
| | | RO'000 | RO'000 | RO'000 | RO'000 |
| Cash and balances with central bank | 3 | 169,780 | 99,913 | 97,760 | 31,034 |
| Due from banks | 4 | 64,005 | 53,671 | 46,798 | 48,161 |
| Loans, advances and financing to customers | 5 | 3,258,198 | 3,067,063 | 2,313,888 | 2,164,984 |
| Investment securities | 6 | 321,160 | 331,656 | 255,654 | 268,426 |
| Investment in subsidiary | | - | - | 107,144 | 107,144 |
| Property and equipment | | 39,473 | 38,496 | 36,884 | 35,659 |
| Intangible assets | 7 | 6,745 | 6,900 | - | - |
| Other assets | 8 | 97,052 | 84,131 | 65,756 | 55,454 |
| Total assets | | 3,956,413 | 3,681,830 | 2,923,884 | 2,710,862 |
| Due to banks | 9 | 111,385 | 94,141 | 66,340 | 59,101 |
| Customer deposits | 10 | 3,201,082 | 2,992,180 | 2,253,289 | 2,089,284 |
| Other liabilities | 11 | 134,760 | 94,496 | 108,434 | 71,114 |
| Taxation | | 4,277 | 3,412 | 4,277 | 3,412 |
| Total liabilities | | 3,451,504 | 3,184,229 | 2,432,340 | 2,222,911 |
| 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 | | (2,128) | (3,160) | (2,193) | (3,110) |
| Impairment reserve | | 9,130 | 9,130 | 9,130 | 9,130 |
| Retained earnings | | 77,631 | 71,355 | 65,395 | 62,719 |
| Shareholders' equity | | 366,106 | 358,798 | 352,741 | 349,148 |
| Perpetual Tier 1 capital bonds | 12 | 138,803 | 138,803 | 138,803 | 138,803 |
| Total equity | | 504,909 | 497,601 | 491,544 | 487,951 |
| Total equity and liabilities | | 3,956,413 | 3,681,830 | 2,923,884 | 2,710,862 |
| Net assets value per share (RO) | 24 (b) | 0.219 | 0.215 | 0.211 | 0.209 |
| Contingent liabilities and commitments | 23 | 441,965 | 393,241 | 304,621 | 272,193 |

The financial statements were authorised on 09 August 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 30 JUNE 2023**

| | Note | Consolidated (Unaudited) | | | |
|---|--------|--------------------------|----------------|--------------------|---------------|
| | | Six months ended | | Three months ended | |
| | | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | | RO'000 | RO'000 | RO'000 | RO'000 |
| Interest income | 13 | 69,402 | 61,075 | 35,908 | 30,818 |
| Interest expense | 14 | (33,558) | (24,810) | (17,229) | (12,374) |
| Net interest income | | 35,844 | 36,265 | 18,679 | 18,444 |
| Net income from Islamic financing | 15 | 13,178 | 12,614 | 6,691 | 6,361 |
| Net fee and commission income | 16 | 9,851 | 9,766 | 5,300 | 5,493 |
| Net income from investment securities | 17 | 192 | 148 | 153 | 5 |
| Other operating income | 18 | 1,907 | 2,244 | 1,043 | 1,075 |
| Total income | | 60,972 | 61,037 | 31,866 | 31,378 |
| Operating expenses | 19 | (35,807) | (36,220) | (18,006) | (17,907) |
| Net allowances for credit losses | | (11,406) | (16,392) | (6,691) | (9,168) |
| Profit before tax | | 13,759 | 8,425 | 7,169 | 4,303 |
| Income tax expense | | (2,218) | (1,376) | (1,143) | (733) |
| Net Profit for the period | | 11,541 | 7,049 | 6,026 | 3,570 |
| Other comprehensive income / (loss) | | | | | |
| Items that will not be reclassified to profit or loss in the subsequent periods | | | | | |
| - Equity investment at FVOCI – net change in fair value | | 233 | (21) | 188 | (206) |
| Items that are or may be reclassified to profit or loss in the subsequent periods | | | | | |
| - Debt investment at FVOCI – net change in fair value | | 799 | (3,352) | 125 | 26 |
| Other comprehensive income / (loss) for the period | | 1,032 | (3,373) | 313 | (180) |
| Total comprehensive income for the period | | 12,573 | 3,676 | 6,339 | 3,390 |
| Earnings/(loss) per share: | | | | | |
| Basic and diluted (RO) | 24 (a) | 0.004 | 0.001 | 0.0005 | (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 COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2023**

| | Note | Parent (Unaudited) | | | |
|---|--------|--------------------|----------------|--------------------|---------------|
| | | Six months ended | | Three months ended | |
| | | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | | RO'000 | RO'000 | RO'000 | RO'000 |
| Interest income | 13 | 69,544 | 61,075 | 36,000 | 30,818 |
| Interest expense | 14 | (33,558) | (24,810) | (17,229) | (12,374) |
| Net interest income | | 35,986 | 36,265 | 18,771 | 18,444 |
| Net income from Islamic financing | 15 | - | - | - | - |
| Net fee and commission income | 16 | 7,469 | 8,015 | 3,992 | 4,511 |
| Net income from investment securities | 17 | 151 | 148 | 119 | 5 |
| Other operating income | 18 | 1,599 | 2,013 | 884 | 939 |
| Total income | | 45,205 | 46,441 | 23,766 | 23,899 |
| Operating expenses | 19 | (26,482) | (26,644) | (13,304) | (13,119) |
| Net allowances for credit losses | | (9,285) | (14,699) | (5,621) | (8,232) |
| Profit before tax | | 9,438 | 5,098 | 4,841 | 2,548 |
| Income tax expense | | (1,497) | (854) | (738) | (435) |
| Net Profit for the period | | 7,941 | 4,244 | 4,103 | 2,113 |
| Other comprehensive income / (loss) | | | | | |
| Items that will not be reclassified to profit or loss in the subsequent periods | | | | | |
| - Equity investment at FVOCI – net change in fair value | | 124 | (21) | 79 | (206) |
| Items that are or may be reclassified to profit or loss in the subsequent periods | | | | | |
| - Debt investment at FVOCI – net change in fair value | | 793 | (3,349) | 209 | - |
| Other comprehensive income / (loss) for the period | | 917 | (3,370) | 288 | (206) |
| Total comprehensive income for the period | | 8,858 | 874 | 4,391 | 1,907 |
| Earnings/(loss) per share: | | | | | |
| Basic and diluted (RO) | 24 (a) | 0.002 | (0.001) | (0.001) | (0.002) |

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 30 JUNE 2023**

| | 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 |
| Consolidated (Unaudited) | | | | | | | | | | | | |
| 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 period | | - | - | - | - | - | - | - | 7,049 | 7,049 | - | 7,049 |
| Unrealised loss on FVOCI investments | | - | - | - | - | - | (3,373) | - | - | (3,373) | - | (3,373) |
| Realised loss on FVOCI investments | | - | - | - | - | - | 53 | - | (53) | - | - | - |
| Total comprehensive income | | - | - | - | - | - | (3,320) | - | 6,996 | 3,676 | - | 3,676 |
| Additional Tier 1 capital bonds issuance cost | | - | - | - | - | - | - | - | (62) | (62) | - | (62) |
| Interest on Perpetual Tier 1 capital bonds | | - | - | - | - | - | - | - | (5,459) | (5,459) | - | (5,459) |
| Redemption of Tier 1 bonds | | - | - | - | - | - | - | - | - | - | (30,000) | (30,000) |
| At 30 June 2022 | | 166,941 | 36,565 | 46,921 | 25,560 | 3,837 | (4,401) | 9,130 | 69,138 | 353,691 | 138,803 | 492,494 |
| | | | | | | | | | | | | |
| | 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 |
| Consolidated (Unaudited) | | | | | | | | | | | | |
| 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 period | | - | - | - | - | - | - | - | 11,541 | 11,541 | - | 11,541 |
| Unrealised gain on FVOCI investments | | - | - | - | - | - | 1,032 | - | - | 1,032 | - | 1,032 |
| Realised loss on FVOCI investments | | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | | - | - | - | - | - | 1,032 | - | 11,541 | 12,573 | - | 12,573 |
| Redemption of Tier 1 bonds | | - | - | - | - | - | - | - | - | - | - | - |
| Additional Tier 1 capital bonds issuance cost | | - | - | - | - | - | - | - | - | - | - | - |
| Interest on Perpetual Tier 1 capital bonds | | - | - | - | - | - | - | - | (5,265) | (5,265) | - | (5,265) |
| At 30 June 2023 | | 166,941 | 36,565 | 48,570 | 25,560 | 3,837 | (2,128) | 9,130 | 77,631 | 366,106 | 138,803 | 504,909 |

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 30 JUNE 2023**

| | | 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 |
|---|-------|----------------|---------------|---------------|-----------------|-----------------|--------------------|--------------------|-------------------|----------------|--------------------------------|----------------|
| | Notes | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Parent Company (Unaudited) | | | | | | | | | | | | |
| 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 period | | - | - | - | - | - | - | - | 4,244 | 4,244 | - | 4,244 |
| Unrealised loss on FVOCI investments | | - | - | - | - | - | (3,370) | - | - | (3,370) | - | (3,370) |
| Realised loss on FVOCI investments | | - | - | - | - | - | 53 | - | (53) | - | - | - |
| Total comprehensive income | | - | - | - | - | - | (3,317) | - | 4,191 | 874 | - | 874 |
| Additional Tier 1 capital bonds issuance cost | | - | - | - | - | - | - | - | (62) | (62) | - | (62) |
| Interest on Perpetual Tier 1 capital bonds | | - | - | - | - | - | - | - | (5,459) | (5,459) | - | (5,459) |
| Redemption of Tier 1 bonds | | - | - | - | - | - | - | - | - | - | (30,000) | (30,000) |
| At 30 June 2022 | | 166,941 | 36,565 | 46,482 | 25,560 | 3,837 | (4,334) | 9,130 | 63,013 | 347,194 | 138,803 | 485,997 |
| | | | | | | | | | | | | |
| | 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 |
| | Notes | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Parent Company (Unaudited) | | | | | | | | | | | | |
| 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 period | | - | - | - | - | - | - | - | 7,941 | 7,941 | - | 7,941 |
| Unrealised gain on FVOCI investments | | - | - | - | - | - | 917 | - | - | 917 | - | 917 |
| Realised loss on FVOCI investments | | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | | - | - | - | - | - | 917 | - | 7,941 | 8,858 | - | 8,858 |
| Redemption of Tier 1 bonds | | - | - | - | - | - | - | - | - | - | - | - |
| Additional Tier 1 capital bonds issuance cost | | - | - | - | - | - | - | - | - | - | - | - |
| Interest on Perpetual Tier 1 capital bonds | | - | - | - | - | - | - | - | (5,265) | (5,265) | - | (5,265) |
| At 30 June 2023 | | 166,941 | 36,565 | 47,506 | 25,560 | 3,837 | (2,193) | 9,130 | 65,395 | 352,741 | 138,803 | 491,544 |

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 30 JUNE 2023**

| | Notes | Consolidated | | Parent Company | |
|---|-------|----------------|-----------------|----------------|-----------------|
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| | | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | | RO'000 | RO'000 | RO'000 | RO'000 |
| Operating activities: | | | | | |
| Profit before tax | | 13,759 | 8,425 | 9,438 | 5,098 |
| Adjustments: | | | | | |
| Depreciation | 19 | 4,520 | 4,631 | 3,927 | 4,069 |
| Amortization | 19 | 155 | 155 | - | - |
| Net impairment for credit losses | | 11,406 | 16,392 | 9,285 | 14,699 |
| Income from investments at amortized cost | | (8,470) | (6,370) | (6,924) | (6,370) |
| Dividend income | 17 | (162) | (170) | (121) | (170) |
| Changes in fair value of financial assets at FVTPL | 17 | (30) | 22 | (30) | 22 |
| Operating profit before working capital changes | | 21,178 | 23,085 | 15,575 | 17,348 |
| Loans, advances and financing to customers | | (202,453) | (166,972) | (158,106) | (127,124) |
| Due from banks | | - | (42) | - | (42) |
| Other assets | | (14,497) | (6,127) | (10,984) | (2,647) |
| Deposits from customers | | 208,902 | 78,123 | 164,005 | 48,153 |
| Due to banks | | 28,875 | - | - | - |
| Other liabilities | | 38,392 | 4,759 | 35,249 | 3,665 |
| Cash generated from / (used in) operations | | 80,397 | (67,174) | 45,739 | (60,647) |
| Tax paid | | (278) | - | (278) | - |
| Net cash from / (used in) in operating activities | | 80,119 | (67,174) | 45,461 | (60,647) |
| Investing activities: | | | | | |
| Purchase of investments | | (4,480) | (9,764) | (2,100) | (9,764) |
| Proceeds from sale of investments | | 15,680 | 3,197 | 15,487 | - |
| Income from investments at amortized cost | | 8,470 | 6,370 | 6,924 | 6,370 |
| Purchase of property and equipment | | (2,844) | (2,242) | (2,499) | (2,142) |
| Dividend Income | 17 | 162 | 170 | 121 | 170 |
| Net cash from / (used in) in investing activities | | 16,988 | (2,269) | 17,933 | (5,366) |
| Financing activities: | | | | | |
| Perpetual Tier 1 capital bonds repayment | | - | (30,000) | - | (30,000) |
| Interest on Perpetual Tier 1 capital bonds | | (5,265) | (5,459) | (5,265) | (5,459) |
| Additional Tier 1 issuance cost | | - | (62) | - | (62) |
| Net cash used in financing activities | | (5,265) | (35,521) | (5,265) | (35,521) |
| Net increase / (decrease) in cash and cash equivalents | | 91,842 | (104,964) | 58,129 | (101,534) |
| Cash and cash equivalents at the beginning of the period | | 48,454 | 215,566 | 9,626 | 136,648 |
| Cash and cash equivalents at the end of the period | 20 | 140,296 | 110,602 | 67,755 | 35,114 |

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Oman Arab Bank SAOG (the Parent Company) 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 period ended 30 June 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 30 June 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 SIX MONTHS PERIOD ENDED 30 JUNE 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.

3. CASH AND BALANCES WITH CENTRAL BANK

| | Consolidated | | Parent Company | |
|---|----------------|---------------|----------------|---------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO' 000 | RO' 000 | RO' 000 | RO' 000 |
| Cash in hand | 37,032 | 27,769 | 29,241 | 21,711 |
| Balances with the Central Bank of Oman: | | | | |
| - Clearing account | 121,744 | 46,763 | 63,815 | 7,202 |
| - Placements | 9,979 | 24,356 | 4,204 | 1,621 |
| - Capital deposit | 1,025 | 1,025 | 500 | 500 |
| Total | 169,780 | 99,913 | 97,760 | 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% as at June 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023**

4. DUE FROM BANKS

| | Consolidated | | Parent Company | |
|---|---------------|---------------|----------------|---------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO' 000 | RO' 000 | RO' 000 | RO' 000 |
| Placements | 33,292 | 39,884 | 19,817 | 36,884 |
| Current accounts | 30,759 | 13,823 | 27,018 | 11,309 |
| Due from banks and other money market placements | 64,051 | 53,707 | 46,835 | 48,193 |
| Less: allowance for credit losses | (46) | (36) | (37) | (32) |
| Total | 64,005 | 53,671 | 46,798 | 48,161 |

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

| | Consolidated | | Parent Company | |
|---|--------------|-----------|----------------|-----------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-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 | 10 | (38) | 5 | (41) |
| Balance at the end of the period | 46 | 36 | 37 | 32 |

5. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

| | Consolidated | | Parent Company | |
|---|------------------|------------------|------------------|------------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO' 000 | RO' 000 | RO' 000 | RO' 000 |
| Term loans | 1,492,889 | 1,341,771 | 1,492,889 | 1,341,771 |
| Overdrafts | 108,831 | 111,706 | 108,831 | 111,706 |
| Bills discounted | 15,115 | 34,136 | 15,115 | 34,136 |
| Islamic finance | 578,989 | 554,888 | - | - |
| Corporate loans | 2,195,824 | 2,042,501 | 1,616,835 | 1,487,613 |
| Consumer loans | 454,125 | 432,424 | 454,125 | 432,424 |
| Mortgage loans | 385,043 | 372,431 | 385,043 | 372,431 |
| Overdrafts | 2,876 | 988 | 2,876 | 988 |
| Credit cards | 9,528 | 9,339 | 9,528 | 9,339 |
| Islamic finance | 409,228 | 389,016 | - | - |
| Retail loans | 1,260,800 | 1,204,198 | 851,572 | 815,182 |
| Gross loans, advances and financing to customers | 3,456,624 | 3,246,699 | 2,468,407 | 2,302,795 |
| Allowance for credit losses | 161,491 | 149,712 | 121,709 | 111,978 |
| Contractual interest not recognised | 36,935 | 29,924 | 32,810 | 25,833 |
| Less: allowance for credit losses and suspended interest | (198,426) | (179,636) | (154,519) | (137,811) |
| Net loans, advances and financing to customers | 3,258,198 | 3,067,063 | 2,313,888 | 2,164,984 |



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

| Consolidated Unaudited | Allowance for credit losses | Contractual interest not recognised | Total |
|---|--|--|----------------|
| | RO' 000 | RO' 000 | RO' 000 |
| 2023 | | | |
| Balance at 1 January 2023 | 149,712 | 29,924 | 179,636 |
| Provided during the period | 17,832 | 9,631 | 27,463 |
| Amounts written off and net transfer from / (to) memorandum portfolio | 529 | (1,128) | (599) |
| Amounts released / recovered during the period | (6,582) | (1,492) | (8,074) |
| Balance at 30 June 2023 | 161,491 | 36,935 | 198,426 |
| 2022 | | | |
| Balance at 1 January 2022 | 122,636 | 18,387 | 141,023 |
| Provided during the period | 18,337 | 7,526 | 25,863 |
| Amounts written off and net transfer from / (to) memorandum portfolio | (1,389) | (1,992) | (3,381) |
| Amounts released / recovered during the period | (1,828) | (765) | (2,593) |
| Balance at 30 June 2022 | 137,756 | 23,156 | 160,912 |
| Parent Company | | | |
| Unaudited | Allowance for credit losses | Contractual interest not recognised | Total |
| | RO' 000 | RO' 000 | RO' 000 |
| 2023 | | | |
| Balance at 1 January 2023 | 111,978 | 25,833 | 137,811 |
| Provided during the period | 14,079 | 9,597 | 23,676 |
| Amounts written off and net transfer from / (to) memorandum portfolio | 529 | (1,128) | (599) |
| Amounts released / recovered during the period | (4,877) | (1,492) | (6,369) |
| Balance at 30 June 2023 | 121,709 | 32,810 | 154,519 |
| 2022 | | | |
| Balance at 1 January 2022 | 88,197 | 15,866 | 104,063 |
| Provided during the period | 16,625 | 7,237 | 23,862 |
| Amounts written off and net transfer from / (to) memorandum portfolio | (1,389) | (1,992) | (3,381) |
| Amounts released / recovered during the period | (1,828) | (765) | (2,593) |
| Balance at 30 June 2022 | 101,605 | 20,346 | 121,951 |



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

5. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

| | Consolidated | | Parent Company | |
|---|--------------|-----------|----------------|-----------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO' 000 | RO' 000 | RO' 000 | RO' 000 |
| Performing loans, advances and financings | 3,260,272 | 3,080,916 | 2,316,370 | 2,179,382 |
| Allowance for credit losses and suspended interest on performing loans | 71,414 | 69,073 | 56,136 | 55,939 |
| Non-performing loans, advances and financings on which interest was not accrued | 196,352 | 165,783 | 152,037 | 123,413 |
| Allowance for credit losses and suspended interest on non-performing loans | 127,012 | 110,563 | 98,383 | 81,872 |

The analysis of the Islamic financing activities is as follows:

| | Corporate | Retail | Total |
|------------------------------------|----------------|----------------|----------------|
| | RO'000 | RO'000 | RO'000 |
| 30 June 2023 (Unaudited) | | | |
| Musharaka | 273,492 | 231,232 | 504,724 |
| Murabaha | 60,648 | 60,091 | 120,739 |
| Ijarah Muntahia Bittamleek | 55,652 | 113,308 | 168,960 |
| Wakala | 189,189 | 2,000 | 191,189 |
| Others | 8 | 2,597 | 2,605 |
| Balance at 30 June 2023 | 578,989 | 409,228 | 988,217 |
| 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 |
| Balance at 31 December 2022 | 554,888 | 389,016 | 943,904 |



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

6. INVESTMENT SECURITIES

| | Consolidated | | Parent Company | |
|---|----------------|----------------|----------------|----------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| - Banking and investment sector | 280 | 252 | 280 | 252 |
| Quoted investments – Oman | 280 | 252 | 280 | 252 |
| - Banking and investment sector | 191 | 189 | 191 | 189 |
| Quoted investments – Foreign | 191 | 189 | 191 | 189 |
| Investments measured at FVTPL | 471 | 441 | 471 | 441 |
| - Banking and investment sector | 2,400 | 2,400 | 2,400 | 2,400 |
| - Manufacturing sector | 257 | 240 | 257 | 240 |
| - Service sector | 640 | 542 | 640 | 542 |
| Quoted investments – Oman | 3,297 | 3,182 | 3,297 | 3,182 |
| - Service sector | 829 | 424 | - | - |
| Quoted investments – Foreign | 829 | 424 | - | - |
| - Service sector | 194 | 248 | 194 | 184 |
| Unquoted investments – Oman | 194 | 248 | 194 | 184 |
| Equity investments measured at FVOCI | 4,320 | 3,854 | 3,491 | 3,366 |
| - Government Sukuk | 46,608 | 43,826 | - | - |
| - Government Development Bonds (GDBs) | 35,131 | 32,895 | 35,131 | 32,895 |
| - Corporate Bonds | 23,735 | 24,079 | 23,735 | 23,256 |
| Debt investments measured at FVOCI | 105,474 | 100,800 | 58,866 | 56,151 |
| Investments measured at FVOCI | 109,794 | 104,654 | 62,357 | 59,517 |
| - Government Development Bonds (GDBs) | 180,384 | 196,003 | 180,384 | 196,003 |
| - Government Sukuk | 18,095 | 18,095 | - | - |
| Quoted investments – Oman | 198,479 | 214,098 | 180,384 | 196,003 |
| - Corporate Bonds | 12,683 | 12,702 | 12,683 | 12,702 |
| Quoted investments – Foreign | 12,683 | 12,702 | 12,683 | 12,702 |
| Investments measured at amortized cost | 211,162 | 226,800 | 193,067 | 208,705 |
| Total financial investments | 321,427 | 331,895 | 255,895 | 268,663 |
| Less: allowance for credit losses | (267) | (239) | (241) | (237) |
| Net financial investments | 321,160 | 331,656 | 255,654 | 268,426 |


**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
6. INVESTMENT SECURITIES

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

| Consolidated | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| 30 June 2023 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| - Quoted investments | 471 | - | - | 471 |
| Investment measured at FVTPL | 471 | - | - | 471 |
| - Quoted investments | 4,126 | - | - | 4,126 |
| - Unquoted investments | - | - | 194 | 194 |
| Equity investment measured at FVOCI | 4,126 | - | 194 | 4,320 |
| - Quoted investments | 58,866 | 46,608 | - | 105,474 |
| Debt investments measured at FVOCI | 58,866 | 46,608 | - | 105,474 |

| Consolidated | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| 31 December 2022 (Audited) | 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 | - | - | 248 | 248 |
| Equity investment measured at FVOCI | 3,182 | - | 248 | 3,854 |
| - Quoted investments | 56,151 | 44,649 | - | 100,800 |
| Debt investments measured at FVOCI | 56,151 | 44,649 | - | 100,800 |

| Parent Company | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| 30 June 2023 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| - Quoted investments | 471 | - | - | 471 |
| Investment measured at FVTPL | 471 | - | - | 471 |
| - Quoted investments | 3,297 | - | - | 3,297 |
| - Unquoted investments | - | - | 194 | 194 |
| Equity investment measured at FVOCI | 3,297 | - | 194 | 3,491 |
| - Quoted investments | 58,866 | - | - | 58,866 |
| Debt investments measured at FVOCI | 58,866 | - | - | 58,866 |

| Parent Company | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| 31 December 2022 (Audited) | 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 |



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Customers' indebtedness against acceptances | 23,392 | 13,700 | 23,392 | 13,700 |
| Fees receivable | 3,130 | 2,147 | 3,130 | 2,147 |
| Interest receivable | 45,394 | 46,540 | 20,049 | 23,312 |
| Prepayments | 2,043 | 1,826 | 1,146 | 978 |
| Positive fair value of derivatives | 1,262 | 1,944 | 1,262 | 1,944 |
| Deferred tax asset | 1,154 | 2,047 | - | - |
| Others | 20,677 | 15,927 | 16,777 | 13,373 |
| Total | 97,052 | 84,131 | 65,756 | 55,454 |

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 |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Current accounts | 3,167 | 5,308 | 3,167 | 5,308 |
| Borrowings | 108,218 | 88,833 | 63,173 | 53,793 |
| Total | 111,385 | 94,141 | 66,340 | 59,101 |

10. CUSTOMER DEPOSITS

| | Consolidated | | Parent Company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Term deposits | 1,663,382 | 1,410,556 | 1,165,648 | 982,922 |
| Demand and call accounts | 976,654 | 1,034,812 | 726,877 | 758,752 |
| Saving accounts | 561,046 | 546,812 | 360,764 | 347,610 |
| Total | 3,201,082 | 2,992,180 | 2,253,289 | 2,089,284 |



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

11. OTHER LIABILITIES

| | Consolidated | | Parent Company | |
|--|----------------|---------------|----------------|---------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Liabilities against acceptances | 23,392 | 13,700 | 23,392 | 13,700 |
| Interest payable | 43,912 | 34,487 | 32,483 | 24,230 |
| Accrued expenses and other payables | 25,207 | 21,434 | 21,941 | 18,605 |
| Cheques and trade settlement payable | 17,230 | 4,250 | 16,164 | 3,032 |
| Staff end of service benefits | 663 | 965 | 663 | 674 |
| Interest and commission received in advance | 4,227 | 3,683 | 4,227 | 3,683 |
| Negative fair value of derivatives | 1,131 | 1,736 | 1,131 | 1,736 |
| Deferred tax liability | 198 | 198 | 198 | 198 |
| Provision for loan commitments, financial guarantees and acceptances | 3,805 | 3,687 | 3,292 | 3,218 |
| Others | 10,923 | 8,654 | 981 | 556 |
| Lease liabilities | 4,072 | 1,702 | 3,962 | 1,482 |
| Total | 134,760 | 94,496 | 108,434 | 71,114 |

12. PERPETUAL TIER 1 CAPITAL BONDS

On 29 December 2016, the Parent Company 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 Parent Company 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 Parent Company 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 4 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023**
13. INTEREST INCOME

| | Consolidated (Unaudited) | | | | Parent Company (Unaudited) | | | |
|-----------------------|--------------------------|---------------|--------------------|---------------|----------------------------|---------------|--------------------|---------------|
| | Six months ended | | Three months ended | | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Loans and advances | 60,899 | 54,328 | 31,645 | 27,537 | 60,899 | 54,328 | 31,645 | 27,537 |
| Investment securities | 6,983 | 6,370 | 3,503 | 3,052 | 6,983 | 6,370 | 3,503 | 3,052 |
| Placements with banks | 1,520 | 377 | 760 | 229 | 1,662 | 377 | 852 | 229 |
| Total | 69,402 | 61,075 | 35,908 | 30,818 | 69,544 | 61,075 | 36,000 | 30,818 |

14. INTEREST EXPENSE

| | Consolidated (Unaudited) | | | | Parent Company (Unaudited) | | | |
|------------------------------------|--------------------------|---------------|--------------------|---------------|----------------------------|---------------|--------------------|---------------|
| | Six months ended | | Three months ended | | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Time deposits | 22,751 | 18,595 | 12,166 | 9,296 | 22,751 | 18,595 | 12,166 | 9,296 |
| Call accounts | 6,391 | 4,019 | 3,127 | 1,945 | 6,391 | 4,019 | 3,127 | 1,945 |
| Bank borrowings | 2,223 | 375 | 767 | 221 | 2,223 | 375 | 767 | 221 |
| Savings accounts | 2,134 | 1,745 | 1,131 | 875 | 2,134 | 1,745 | 1,131 | 875 |
| Interest cost on lease liabilities | 59 | 76 | 38 | 37 | 59 | 76 | 38 | 37 |
| Total | 33,558 | 24,810 | 17,229 | 12,374 | 33,558 | 24,810 | 17,229 | 12,374 |

15. NET INCOME FROM ISLAMIC FINANCING

| | Consolidated | | | | Parent Company | | | |
|---------------------------------------|------------------|---------------|--------------------|--------------|------------------|-----------|--------------------|-----------|
| | Six months ended | | Three months ended | | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Income from Islamic financing | 27,330 | 23,415 | 14,150 | 11,765 | - | - | - | - |
| Income from Government Sukuk | 1,546 | 1,509 | 780 | 754 | - | - | - | - |
| Profit paid on participatory deposits | (15,698) | (12,310) | (8,239) | (6,158) | - | - | - | - |
| Total | 13,178 | 12,614 | 6,691 | 6,361 | - | - | - | - |



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

16. NET FEE AND COMMISSION INCOME

| | Consolidated | | | | Parent Company | | | |
|----------------------------|------------------|--------------|--------------------|--------------|------------------|--------------|--------------------|--------------|
| | Six months ended | | Three months ended | | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Fee and commission income | 14,498 | 13,017 | 7,610 | 7,101 | 11,773 | 10,930 | 6,138 | 5,941 |
| Fee and commission expense | (4,647) | (3,251) | (2,310) | (1,608) | (4,304) | (2,915) | (2,146) | (1,430) |
| Total | 9,851 | 9,766 | 5,300 | 5,493 | 7,469 | 8,015 | 3,992 | 4,511 |

17. NET INCOME FROM INVESTMENT SECURITIES

| | Consolidated | | | | Parent Company | | | |
|--------------------|------------------|------------|--------------------|-----------|------------------|------------|--------------------|-----------|
| | Six months ended | | Three months ended | | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Fair value changes | 30 | (22) | 40 | (39) | 30 | (22) | 40 | (39) |
| Dividend income | 162 | 170 | 113 | 44 | 121 | 170 | 79 | 44 |
| Total | 192 | 148 | 153 | 5 | 151 | 148 | 119 | 5 |

18. OTHER OPERATING INCOME

| | Consolidated | | | | Parent Company | | | |
|-----------------|------------------|--------------|--------------------|--------------|------------------|--------------|--------------------|------------|
| | Six months ended | | Three months ended | | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Exchange income | 1,851 | 2,223 | 992 | 1,060 | 1,543 | 1,992 | 833 | 924 |
| Other income | 56 | 21 | 51 | 15 | 56 | 21 | 51 | 15 |
| Total | 1,907 | 2,244 | 1,043 | 1,075 | 1,599 | 2,013 | 884 | 939 |

19. OPERATING EXPENSES

| | Consolidated | | | | Parent Company | | | |
|--------------------------|------------------|---------------|--------------------|---------------|------------------|---------------|--------------------|---------------|
| | Six months ended | | Three months ended | | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Staff costs | 21,256 | 20,635 | 10,805 | 10,155 | 15,061 | 14,500 | 7,632 | 7,022 |
| Other operating expenses | 9,724 | 10,647 | 4,779 | 5,242 | 7,392 | 7,973 | 3,688 | 4,011 |
| Depreciation | 4,520 | 4,631 | 2,269 | 2,357 | 3,927 | 4,069 | 1,933 | 2,035 |
| Amortization | 155 | 155 | 77 | 77 | - | - | - | - |
| Directors' remuneration | 152 | 152 | 76 | 76 | 102 | 102 | 51 | 51 |
| Total | 35,807 | 36,220 | 18,006 | 17,907 | 26,482 | 26,644 | 13,304 | 13,119 |



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

20. CASH AND CASH EQUIVALENTS

| | Consolidated | | Parent Company | |
|--|----------------|----------------|----------------|---------------|
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Cash and balances with the Central Bank of Oman (CBO) | 169,780 | 132,653 | 97,760 | 73,039 |
| Due from banks (maturing within 3 months) | 54,051 | 47,093 | 36,835 | 30,694 |
| Less: due to banks (maturing within 3 months) | (82,510) | (68,119) | (66,340) | (68,119) |
| Restricted deposits included under balances with the CBO | (1,025) | (1,025) | (500) | (500) |
| Total | 140,296 | 110,602 | 67,755 | 35,114 |

21. ASSETS LIABILITIES GAP

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

| Consolidated | Assets | Liabilities | Gap | Cumulative Gap |
|----------------------------|------------------|------------------|----------------|----------------|
| 30 June 2023 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| 0-3 months | 801,466 | 782,132 | 19,334 | 19,334 |
| 3-12 months | 803,399 | 1,196,014 | (392,615) | (373,281) |
| 1-5 years | 947,385 | 766,026 | 181,359 | (191,922) |
| More than 5 years | 1,404,163 | 707,332 | 696,831 | 504,909 |
| Total | 3,956,413 | 3,451,504 | 504,909 | |
| 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 |
| Total | 3,681,830 | 3,184,229 | 497,601 | |

| Parent Company | Assets | Liabilities | Gap | Cumulative Gap |
|----------------------------|------------------|------------------|----------------|----------------|
| 30 June 2023 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| 0-3 months | 423,235 | 496,280 | (73,045) | (73,045) |
| 3-12 months | 375,328 | 769,920 | (394,592) | (467,637) |
| 1-5 years | 792,515 | 536,199 | 256,316 | (211,321) |
| More than 5 years | 1,332,806 | 629,941 | 702,865 | 491,544 |
| Total | 2,923,884 | 2,432,340 | 491,544 | |
| 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 |
| Total | 2,710,862 | 2,222,911 | 487,951 | |



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

22. RELATED PARTY TRANSACTIONS

(a) Technical and administrative services with major shareholders

During the period ended 30 June 2023, the cost of technical and administrative services provided by Arab Bank Plc amounted to RO 34,623 (30 June 2022: RO 21,147).

(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:

| Consolidated 30 June 2023 (Unaudited) | Subsidiary | Major shareholders | Others | Total |
|---|---------------|-----------------------|---------------|---------------|
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Loans and advances | - | 24,677 | 157,062 | 181,739 |
| Customers' deposits | - | 526 | 48,803 | 49,329 |
| Due from banks | - | 3,116 | - | 3,116 |
| Other assets | - | - | 277 | 277 |
| Due to banks | - | 7,060 | - | 7,060 |
| Stand by line of credit | - | 57,750 | - | 57,750 |
| Letters of credit, guarantees and acceptances | - | 74,402 | 5,895 | 80,297 |
| 31 December 2022 (Audited) | RO'000 | 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 30 June 2023 (Unaudited) | Subsidiary | Major shareholders | Others | Total |
|---|---------------|-----------------------|---------------|---------------|
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Loans and advances | - | 24,677 | 121,683 | 146,360 |
| Customers' deposits | - | 526 | 40,334 | 40,860 |
| Due from banks | 5,775 | 2,658 | - | 8,433 |
| Other asset | - | - | - | - |
| Due to banks | - | 7,060 | - | 7,060 |
| Stand by line of credit | - | 57,750 | - | 57,750 |
| Letters of credit, guarantees and acceptances | - | 74,402 | 5,895 | 80,297 |
| 31 December 2022 (Audited) | 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 |


**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**
22. RELATED PARTY TRANSACTIONS

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

| Consolidated | Major | | | Total |
|---------------------------------|-------------------|---------------------|---------------|----------------|
| | Subsidiary | shareholders | Others | |
| 30 June 2023 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| Interest and commission income | - | 967 | 4,784 | 5,751 |
| Interest expense | - | (727) | (731) | (1,458) |
| 30 June 2022 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| Interest and commission income | - | 541 | 3,742 | 4,283 |
| Interest expense | - | 416 | 514 | 930 |
| Parent Company | Major | | | Total |
| | Subsidiary | shareholders | Others | |
| 30 June 2023 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| Interest and commission income | 142 | 967 | 3,896 | 5,005 |
| Interest expense | - | (727) | (560) | (1,287) |
| 30 June 2022 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 |
| Interest and commission income | - | 541 | 3,066 | 3,607 |
| Interest expense | - | 416 | 514 | 930 |



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 30 June 2023 were as follows:

| | Consolidated | | Parent Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Letters of credit | 195,887 | 127,451 | 97,260 | 35,277 |
| Guarantees | 194,980 | 197,325 | 156,263 | 168,451 |
| Financial guarantees | 51,098 | 68,465 | 51,098 | 68,465 |
| Total | 441,965 | 393,241 | 304,621 | 272,193 |

Letters of credit and guarantees amounting to RO 164,933 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 30 June 2023, the unutilised commitment of facilities of RO 420,563 thousand (Consolidated), RO 397,663 thousand (Parent Company); [(31 December 2022 RO 469,784 thousand (Consolidated), RO 431,148 thousand (Parent Company))].

As at 30 June 2023, contingent liabilities include RO 6,968 thousand (Consolidated), RO 6,242 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023**
24. EARNINGS PER SHARE/ NET ASSETS PER SHARE
(a) Basic and diluted earnings/(loss) per share

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

| | Consolidated (Unaudited) | | | |
|--|----------------------------|----------------|--------------------|----------------|
| | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Profit for the period | 11,541 | 7,049 | 6,026 | 3,570 |
| Less: Interest distribution of Perpetual Tier 1 capital bonds | (5,265) | (5,459) | (5,265) | (5,266) |
| Less: Additional Tier 1 bonds issuance cost | - | (62) | - | - |
| Profit / (loss) for the period attributable to shareholders | 6,276 | 1,528 | 761 | (1,696) |
| 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 earnings / (loss) per share (RO) | 0.004 | 0.001 | 0.0005 | (0.001) |
| | Parent Company (Unaudited) | | | |
| | Six months ended | | Three months ended | |
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| Profit for the period | 7,941 | 4,244 | 4,103 | 2,113 |
| Less: Interest distribution of Perpetual Tier 1 capital bonds | (5,265) | (5,459) | (5,265) | (5,266) |
| Less: Additional Tier 1 bonds issuance cost | - | (62) | - | - |
| Profit / (loss) for the period attributable to shareholders | 2,676 | (1,277) | (1,162) | (3,153) |
| 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 earnings / (loss) per share (RO) | 0.002 | (0.001) | (0.001) | (0.002) |
| Weighted average number of shares outstanding | | | | |
| 1 January 2023 to 30 June 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 30 June 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 30 June 2023.

| | Consolidated | | Parent Company | |
|---------------------------------|--------------|--------------|----------------|--------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30-Jun-23 | 31-Dec-22 | 30-Jun-23 | 31-Dec-22 |
| Total equity (RO'000) | 366,105 | 358,798 | 352,741 | 349,148 |
| Number of shares (in thousands) | 1,669,410 | 1,669,410 | 1,669,410 | 1,669,410 |
| Net assets per share | 0.219 | 0.215 | 0.211 | 0.209 |



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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

| | Consolidated (Unaudited) | | | | | | | |
|--|--------------------------|-----------------|----------------|------------------|------------------|----------------|----------------|------------------|
| | 30-Jun-23 | | | | 30-Jun-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 |
| Exposure at default | | | | | | | | |
| - Loans and Advances to Customers including interest receivables | 2,705,568 | 596,894 | 196,352 | 3,498,814 | 2,347,244 | 592,976 | 145,940 | 3,086,160 |
| - Investment Securities (Debt) | 317,465 | - | - | 317,465 | 284,177 | - | - | 284,177 |
| - Loan Commitments, financial guarantees and acceptances | 768,094 | 110,858 | 6,968 | 885,920 | 765,812 | 124,787 | 4,779 | 895,378 |
| - Due from Banks, Central Banks and Other Financial Assets | 95,171 | - | - | 95,171 | 57,135 | - | - | 57,135 |
| Exposure subject to ECL | 3,886,298 | 707,752 | 203,320 | 4,797,370 | 3,454,368 | 717,763 | 150,719 | 4,322,850 |
| Movement of ECL | | | | | | | | |
| - Loans and Advances to Customers including interest receivables | 9,768 | 55,212 | 84,732 | 149,712 | 9,215 | 41,959 | 71,462 | 122,636 |
| - 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 | 42,317 | 73,950 | 126,389 |
| - Loans and Advances to Customers including interest receivables | (17,750) | 12,135 | 5,615 | - | (963) | 134 | 829 | - |
| - Investment Securities (Debt) | - | - | - | - | - | - | - | - |
| - Loan Commitments, financial guarantees and acceptances | (11) | 11 | - | - | - | - | - | - |
| - Due from Banks, Central Banks and Other Financial Assets | - | - | - | - | - | - | - | - |
| Net transfer between stages | (17,761) | 12,146 | 5,615 | - | (963) | 134 | 829 | - |
| - Loans and Advances to Customers including interest receivables | 18,063 | (10,240) | 3,427 | 11,250 | 2,186 | 11,716 | 2,607 | 16,509 |
| - Investment Securities (Debt) | 28 | - | - | 28 | (34) | - | - | (34) |
| - Loan Commitments, financial guarantees and acceptances | 54 | 31 | 33 | 118 | (104) | 45 | (3) | (62) |
| - Due from Banks, Central Banks and Other Financial Assets | 10 | - | - | 10 | (21) | - | - | (21) |
| Charge for the period (net) | 18,155 | (10,209) | 3,460 | 11,406 | 2,027 | 11,761 | 2,604 | 16,392 |
| Write Off | | | | | | | | |
| - Loans and Advances to Customers including interest receivables | 10,081 | 57,107 | 94,303 | 161,491 | 10,438 | 53,809 | 73,509 | 137,756 |
| - Investment Securities (Debt) | 267 | - | - | 267 | 248 | - | - | 248 |
| - Loan Commitments, financial guarantees and acceptances | 469 | 143 | 3,193 | 3,805 | 447 | 403 | 2,485 | 3,335 |
| - Due from Banks, Central Banks and Other Financial Assets | 46 | - | - | 46 | 53 | - | - | 53 |
| Closing balance as at 30 June | 10,863 | 57,250 | 97,496 | 165,609 | 11,186 | 54,212 | 75,994 | 141,392 |



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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

| | Parent Company (Unaudited) | | | | | | | |
|--|----------------------------|-----------------|----------------|------------------|------------------|----------------|----------------|------------------|
| | 30-Jun-23 | | | | 30-Jun-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 |
| Exposure at default | | | | | | | | |
| - Loans and Advances to Customers including interest receivables | 1,871,905 | 461,310 | 152,037 | 2,485,252 | 1,606,294 | 495,803 | 111,300 | 2,213,397 |
| - Investment Securities (Debt) | 251,933 | - | - | 251,933 | 243,004 | - | - | 243,004 |
| - Loan Commitments, financial guarantees and acceptances | 610,357 | 109,077 | 6,242 | 725,676 | 634,671 | 122,579 | 4,537 | 761,787 |
| - Due from Banks, Central Banks and Other Financial Assets | 46,835 | - | - | 46,835 | 40,736 | - | - | 40,736 |
| Exposure subject to ECL | 2,781,030 | 570,387 | 158,279 | 3,509,696 | 2,524,705 | 618,382 | 115,837 | 3,258,924 |
| 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 | (16,591) | 12,368 | 4,223 | - | 213 | (611) | 398 | - |
| - Investment Securities (Debt) | - | - | - | - | - | - | - | - |
| - Loan Commitments, financial guarantees and acceptances | (11) | 11 | - | - | - | - | - | - |
| - Due from Banks, Central Banks and Other Financial Assets | - | - | - | - | - | - | - | - |
| Net transfer between stages | (16,602) | 12,379 | 4,223 | - | 213 | (611) | 398 | - |
| - Loans and Advances to Customers including interest receivables | 16,794 | (12,507) | 4,915 | 9,202 | 26 | 11,608 | 3,163 | 14,797 |
| - Investment Securities (Debt) | 4 | - | - | 4 | (29) | - | - | (29) |
| - Loan Commitments, financial guarantees and acceptances | (7) | 9 | 72 | 74 | (34) | 2 | (6) | (38) |
| - Due from Banks, Central Banks and Other Financial Assets | 5 | - | - | 5 | (31) | - | - | (31) |
| Charge for the period (net) | 16,796 | (12,498) | 4,987 | 9,285 | (68) | 11,610 | 3,157 | 14,699 |
| Write Off | | | | | | | | |
| - Loans and Advances to Customers including interest receivables | 6,527 | 45,383 | 69,799 | 121,709 | 7,550 | 42,837 | 51,218 | 101,605 |
| - Investment Securities (Debt) | 241 | - | - | 241 | 247 | - | - | 247 |
| - Loan Commitments, financial guarantees and acceptances | 183 | 87 | 3,022 | 3,292 | 289 | 140 | 2,402 | 2,831 |
| - Due from Banks, Central Banks and Other Financial Assets | 37 | - | - | 37 | 42 | - | - | 42 |
| Closing balance as at 30 June | 6,988 | 45,470 | 72,821 | 125,279 | 8,128 | 42,977 | 53,620 | 104,725 |



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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

(b) Impairment charge and provisions held:

| | Consolidated (Unaudited) | | | | | |
|--|--------------------------|---------------|------------|------------------|---------------|------------|
| | 30-Jun-23 | | | 30-Jun-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 ¹ | 11,406 | 11,406 | - | 16,392 | 16,392 | - |
| Provisions required as per CBO norms/held as per IFRS 9 ¹ | 154,994 | 165,609 | 10,615 | 136,232 | 141,392 | 5,160 |
| Gross NPL ratio ² | 5.68% | 5.68% | | 4.76% | 4.76% | |
| Net NPL ratio ² | 1.67% | 2.13% | | 1.22% | 1.75% | |

| | Parent Company (Unaudited) | | | | | |
|--|----------------------------|---------------|------------|------------------|---------------|------------|
| | 30-Jun-23 | | | 30-Jun-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 ¹ | 9,285 | 9,285 | - | 14,699 | 14,699 | - |
| Provisions required as per CBO norms/held as per IFRS 9 ¹ | 123,916 | 125,279 | 1,363 | 101,879 | 104,725 | 2,846 |
| Gross NPL ratio ² | 6.16% | 6.16% | | 5.07% | 5.07% | |
| Net NPL ratio ² | 1.80% | 2.32% | | 1.38% | 2.00% | |

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 SIX MONTHS PERIOD ENDED 30 June 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 norms¹ | Net Amount as per IFRS 9 |
| 30 June 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 | 2,679,616 | 26,717 | 9,815 | 16,902 | - | 2,652,899 | 2,669,801 |
| | Stage 2 | 245,575 | 1,950 | 8,903 | (6,953) | - | 243,625 | 236,672 |
| | Stage 3 | - | - | - | - | - | - | - |
| | Sub-total | 2,925,191 | 28,667 | 18,718 | 9,949 | - | 2,896,524 | 2,906,473 |
| Special Mention | Stage 1 | 25,952 | 182 | 267 | (85) | - | 25,770 | 25,685 |
| | Stage 2 | 351,319 | 17,091 | 48,203 | (31,112) | 4,226 | 330,002 | 298,890 |
| | Stage 3 | - | - | - | - | - | - | - |
| | Sub-total | 377,271 | 17,273 | 48,470 | (31,197) | 4,226 | 355,772 | 324,575 |
| Substandard | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 10,494 | 2,341 | 2,908 | (567) | 562 | 7,591 | 7,024 |
| | Sub-total | 10,494 | 2,341 | 2,908 | (567) | 562 | 7,591 | 7,024 |
| Doubtful | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 21,269 | 10,079 | 8,978 | 1,101 | 1,836 | 9,354 | 10,455 |
| | Sub-total | 21,269 | 10,079 | 8,978 | 1,101 | 1,836 | 9,354 | 10,455 |
| Loss | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 164,589 | 96,634 | 82,417 | 14,217 | 30,311 | 37,644 | 51,861 |
| | Sub-total | 164,589 | 96,634 | 82,417 | 14,217 | 30,311 | 37,644 | 51,861 |
| Other items not covered under CBO circular BM 977 and related instructions | Stage 1 | 1,180,730 | - | 781 | (781) | - | 1,180,730 | 1,179,949 |
| | Stage 2 | 110,858 | - | 144 | (144) | - | 110,858 | 110,714 |
| | Stage 3 | 6,968 | - | 3,193 | (3,193) | - | 6,968 | 3,775 |
| | Sub-total | 1,298,556 | - | 4,118 | (4,118) | - | 1,298,556 | 1,294,438 |
| Total | Stage 1 | 3,886,298 | 26,899 | 10,863 | 16,036 | - | 3,859,399 | 3,875,435 |
| | Stage 2 | 707,752 | 19,041 | 57,250 | (38,209) | 4,226 | 684,485 | 646,276 |
| | Stage 3 | 203,320 | 109,054 | 97,496 | 11,558 | 32,709 | 61,557 | 73,115 |
| | Total | 4,797,370 | 154,994 | 165,609 | (10,615) | 36,935 | 4,605,441 | 4,594,826 |



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 June 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 ¹ | 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 | - | - | - | - | - | - | - |
| | 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) | 4,903 | 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 |



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 June 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 ¹ | Net Amount as per IFRS 9 |
| 30 June 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 | 1,846,112 | 22,872 | 6,291 | 16,581 | - | 1,823,240 | 1,839,821 |
| | Stage 2 | 192,741 | 1,943 | 5,158 | (3,215) | - | 190,798 | 187,583 |
| | Stage 3 | - | - | - | - | - | - | - |
| | Sub-total | 2,038,853 | 24,815 | 11,449 | 13,366 | - | 2,014,038 | 2,027,404 |
| Special Mention | Stage 1 | 25,793 | 182 | 236 | (54) | - | 25,611 | 25,557 |
| | Stage 2 | 268,569 | 17,091 | 40,225 | (23,134) | 4,226 | 247,252 | 224,118 |
| | Stage 3 | - | - | - | - | - | - | - |
| | Sub-total | 294,362 | 17,273 | 40,461 | (23,188) | 4,226 | 272,863 | 249,675 |
| Substandard | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 4,668 | 1,119 | 1,512 | (393) | 168 | 3,381 | 2,988 |
| | Sub-total | 4,668 | 1,119 | 1,512 | (393) | 168 | 3,381 | 2,988 |
| Doubtful | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 20,779 | 9,927 | 8,845 | 1,082 | 1,816 | 9,036 | 10,118 |
| | Sub-total | 20,779 | 9,927 | 8,845 | 1,082 | 1,816 | 9,036 | 10,118 |
| Loss | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 126,590 | 70,782 | 59,442 | 11,340 | 26,600 | 29,208 | 40,548 |
| | Sub-total | 126,590 | 70,782 | 59,442 | 11,340 | 26,600 | 29,208 | 40,548 |
| Other items not covered under CBO circular BM 977 and related instructions | Stage 1 | 909,125 | - | 461 | (461) | - | 909,125 | 908,664 |
| | Stage 2 | 109,077 | - | 87 | (87) | - | 109,077 | 108,990 |
| | Stage 3 | 6,242 | - | 3,022 | (3,022) | - | 6,242 | 3,220 |
| | Sub-total | 1,024,444 | - | 3,570 | (3,570) | - | 1,024,444 | 1,020,874 |
| Total | Stage 1 | 2,781,030 | 23,054 | 6,988 | 16,066 | - | 2,757,976 | 2,774,042 |
| | Stage 2 | 570,387 | 19,034 | 45,470 | (26,436) | 4,226 | 547,127 | 520,691 |
| | Stage 3 | 158,279 | 81,828 | 72,821 | 9,007 | 28,584 | 47,867 | 56,874 |
| | Total | 3,509,696 | 123,916 | 125,279 | (1,363) | 32,810 | 3,352,970 | 3,351,607 |



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 June 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 ¹ | 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 | - | - | - | - | - | - | - |
| | 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 2023.



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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

(d) 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 |
| 30 June 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 | 50,664 | 890 | 871 | 19 | - | 49,774 | 49,793 |
| | Stage 2 | 383,258 | 17,021 | 38,791 | (21,770) | 3,372 | 362,865 | 341,095 |
| | Stage 3 | - | - | - | - | - | - | - |
| | Sub-total | 433,922 | 17,911 | 39,662 | (21,751) | 3,372 | 412,639 | 390,888 |
| Classified as non-performing | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 64,324 | 35,730 | 33,912 | 1,818 | 8,805 | 19,789 | 21,607 |
| | Sub-total | 64,324 | 35,730 | 33,912 | 1,818 | 8,805 | 19,789 | 21,607 |
| Total | Stage 1 | 50,664 | 890 | 871 | 19 | - | 49,774 | 49,793 |
| | Stage 2 | 383,258 | 17,021 | 38,791 | (21,770) | 3,372 | 362,865 | 341,095 |
| | Stage 3 | 64,324 | 35,730 | 33,912 | 1,818 | 8,805 | 19,789 | 21,607 |
| | Total | 498,246 | 53,641 | 73,574 | (19,933) | 12,177 | 432,428 | 412,495 |
| 31 December 2022 (Audited) | | | | | | | | |
| 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 |



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 June 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 |
| 30 June 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 | 1,473 | 24 | 8 | 16 | - | 1,449 | 1,465 |
| | Stage 2 | 297,953 | 16,350 | 31,928 | (15,578) | 3,372 | 278,231 | 262,653 |
| | Stage 3 | - | - | - | - | - | - | - |
| | Sub-total | 299,426 | 16,374 | 31,936 | (15,562) | 3,372 | 279,680 | 264,118 |
| Classified as non-performing | Stage 1 | - | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - | - |
| | Stage 3 | 60,733 | 34,730 | 32,808 | 1,922 | 8,410 | 17,593 | 19,515 |
| | Sub-total | 60,733 | 34,730 | 32,808 | 1,922 | 8,410 | 17,593 | 19,515 |
| Total | Stage 1 | 1,473 | 24 | 8 | 16 | - | 1,449 | 1,465 |
| | Stage 2 | 297,953 | 16,350 | 31,928 | (15,578) | 3,372 | 278,231 | 262,653 |
| | Stage 3 | 60,733 | 34,730 | 32,808 | 1,922 | 8,410 | 17,593 | 19,515 |
| | Total | 360,159 | 51,104 | 64,744 | (13,640) | 11,782 | 297,273 | 283,633 |
| 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 | - | - | - | - | - | - | - |
| | 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 |



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 30-Jun-23 | Audited 31-Dec-22 | Unaudited 30-Jun-23 | Audited 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 | 25,386 | 30,872 | 21,041 | 27,412 |
| Total capital base | 496,732 | 502,218 | 386,254 | 392,625 |
| Credit risk | 2,890,262 | 2,699,066 | 2,149,523 | 2,007,061 |
| Market risk | 25,726 | 41,826 | 17,813 | 13,263 |
| Operational risk | 215,348 | 215,348 | 168,625 | 168,625 |
| Total risk weighted assets | 3,131,336 | 2,956,240 | 2,335,961 | 2,188,949 |
| Capital adequacy ratio % | 15.86% | 16.99% | 16.54% | 17.94% |
| CET 1 ratio | 10.70% | 11.33% | 9.80% | 10.45% |
| Tier 1 Capital ratio | 15.05% | 15.94% | 15.63% | 16.68% |

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 June 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 30 June 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 30 June 2023 (Unaudited) | Retail | Corporate | Treasury | Others | Islamic Banking | Total |
|---|---------------|---------------|--------------|--------------|--------------------|---------------|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Net interest income | 13,861 | 20,486 | 1,497 | - | - | 35,844 |
| Net income from Islamic financing | - | - | - | - | 13,178 | 13,178 |
| Net fees, commission and other operating income | 4,085 | 4,717 | 417 | - | 2,731 | 11,950 |
| Total operating income | 17,946 | 25,203 | 1,914 | - | 15,909 | 60,972 |
| Operating expenses | (14,704) | (10,025) | (1,753) | (155) | (9,170) | (35,807) |
| Net allowances for credit losses | 390 | (9,666) | (9) | - | (2,121) | (11,406) |
| Tax expenses | (576) | (874) | (47) | - | (721) | (2,218) |
| Profit / (Loss) for the period | 3,056 | 4,638 | 105 | (155) | 3,897 | 11,541 |
| Assets | 831,599 | 1,481,239 | 400,212 | 103,610 | 1,139,753 | 3,956,413 |
| Liabilities | 685,061 | 1,568,228 | 66,341 | 106,937 | 1,024,938 | 3,451,505 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 June 2023**
27. SEGMENT INFORMATION

| Consolidated | Retail | Corporate | Treasury | Others | Islamic Banking | Total |
|---|---------------|------------------|-----------------|---------------|------------------------|---------------|
| 30 June 2022 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Net interest income | 11,652 | 12,827 | 11,786 | - | - | 36,265 |
| Net income from Islamic financing | - | - | - | - | 12,614 | 12,614 |
| Net fees, commission and other operating income | 3,527 | 6,105 | 544 | - | 1,982 | 12,158 |
| Total operating income | 15,179 | 18,932 | 12,330 | - | 14,596 | 61,037 |
| Operating expenses | (14,580) | (10,205) | (1,859) | (155) | (9,421) | (36,220) |
| Net allowances for credit losses | (302) | (14,426) | 29 | - | (1,693) | (16,392) |
| Tax expenses | (264) | 1,879 | (2,469) | - | (522) | (1,376) |
| Profit / (Loss) for the period | 33 | (3,820) | 8,031 | (155) | 2,960 | 7,049 |
| As at 31 December 2022 | | | | | | |
| Assets | 796,094 | 1,368,890 | 347,621 | 96,964 | 1,072,261 | 3,681,830 |
| Liabilities | 767,389 | 1,321,895 | 59,101 | 74,526 | 961,318 | 3,184,229 |

| Parent Company | Retail | Corporate | Treasury | Others | Islamic Banking | Total |
|---|---------------|------------------|-----------------|---------------|------------------------|---------------|
| 30 June 2023 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Net interest income | 13,861 | 20,486 | 1,639 | - | - | 35,986 |
| Net fees, commission and other operating income | 4,085 | 4,717 | 417 | - | - | 9,219 |
| Total operating income | 17,946 | 25,203 | 2,056 | - | - | 45,205 |
| Operating expenses | (14,704) | (10,025) | (1,753) | - | - | (26,482) |
| Net allowances for credit losses | 390 | (9,666) | (9) | - | - | (9,285) |
| Tax expenses | (576) | (874) | (47) | - | - | (1,497) |
| Profit / (Loss) for the period | 3,056 | 4,638 | 247 | - | - | 7,941 |
| Assets | 831,599 | 1,482,289 | 507,356 | 102,640 | - | 2,923,884 |
| Liabilities | 685,061 | 1,568,228 | 66,341 | 112,710 | - | 2,432,340 |

| Parent Company | Retail | Corporate | Treasury | Others | Islamic Banking | Total |
|---|---------------|------------------|-----------------|---------------|------------------------|---------------|
| 30 June 2022 (Unaudited) | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Net interest income | 11,652 | 12,827 | 11,786 | - | - | 36,265 |
| Net fees, commission and other operating income | 3,527 | 6,105 | 544 | - | - | 10,176 |
| Total operating income | 15,179 | 18,932 | 12,330 | - | - | 46,441 |
| Operating expenses | (14,580) | (10,205) | (1,859) | - | - | (26,644) |
| Net allowances for credit losses | (302) | (14,426) | 29 | - | - | (14,699) |
| Tax expenses | (264) | 1,879 | (2,469) | - | - | (854) |
| Profit / (Loss) for the period | 33 | (3,820) | 8,031 | - | - | 4,244 |
| As at 31 December 2022 | | | | | | |
| Assets | 796,094 | 1,368,890 | 454,765 | 91,113 | - | 2,710,862 |
| Liabilities | 767,389 | 1,321,895 | 59,101 | 74,526 | - | 2,222,911 |

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.