



بنك عمان العربي
OMAN ARAB BANK

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

OMAN ARAB BANK SAOG

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

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CHAIRMAN'S REPORT – THIRD QUARTER 2023

Dear Shareholders,

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

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

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

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

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

Another successful quarter for awards and accolades bestowed on Oman Arab Bank saw recognition for its domestic retail operations and innovative SME payment solutions with two wins at the prestigious Asian Banking & Finance (ABF) Retail Banking Awards 2023. A panel of esteemed judges from across the banking and financial industry selected the Bank for top honors in two categories: Domestic Retail Bank of the Year – Oman and the SME Payment Solutions of the Year – Oman.



OUR FINANCIAL PERFORMANCE

Our performance for the nine months period ended 30 September 2023 shows a consolidated net profit after tax of OMR 17.9 million, up 68% compared to OMR 10.6 million for the same period in 2022.

Operating income reached OMR 91.9 million for the nine months period ended 30 September 2023 compared to OMR 92.3 million for the same period in 2022. Net interest income from conventional banking and net income from Islamic financing reached OMR 74.5 million for the nine months period ended 30 September 2023, compared to OMR 75.1 million for the same period in 2022 and reflected a higher cost of funds in line with the current high interest rate environment.

Operating expenses recorded OMR 54.1 million for the nine months period ended 30 September 2023 and were down 1% compared to the same period in 2022. Net allowances for expected credit losses stood at OMR 16.5 million in the nine months period ended 30 September 2023 compared to OMR 24.8 million for the same period in 2022.

Net loans and advances, including Islamic finance, grew 11% to OMR 3,327 million compared to OMR 2,993 million at 30 September 2022. Customer deposits reached OMR 3,198 million by the end of the third quarter of 2023, up 7% compared to OMR 2,993 million at 30 September 2022.

PERFORMANCE OF THE PARENT COMPANY

The parent company recorded a net profit after tax of OMR 12.1 million for the nine months period ended 30 September 2023 compared to OMR 6.4 million for the same period in 2022. Operating income reached OMR 68.1 million in 2023 compared to OMR 69.9 million for the same period in 2022. Interest income grew by 15% 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 40 million in the first nine months of 2023. Net allowances for expected credit losses stood at OMR 13.6 million in the third quarter of 2023 compared to OMR 21.9 million for the same period in 2022.

Net loans and advances grew 10% to reach OMR 2,355 million at 30 September 2023, compared to OMR 2,135 million at 30 September 2022. Customer deposits increased by 4%



to reach OMR 2,207 million at 30 September 2023 compared to OMR 2,119 million at 30 September 2022.

ALIZZ ISLAMIC BANK

During the first nine months of 2023, Alizz Islamic Bank's net profit grew by 36% to reach OMR 6.0 million compared to OMR 4.4 million for the same period last year. Net financing receivables amounted to OMR 973 million at 30 September 2023, 13% higher than OMR 859 million at 30 September 2022. Customer deposits reached OMR 991 million at 30 September 2023, a 13% increase compared to OMR 874 million at 30 September 2022.

With its 'Alizz Cares' initiative, Alizz Islamic Bank partnered with the Children First Association conference and exhibition. With a strong belief in supporting Omani SMEs; the Bank collaborated with the Engineering Village to develop a unique journey for children visiting Alizz Islamic Bank at the Oman Childhood Conference & Expo.

Alizz Islamic Bank also collaborated with Dar Al Atta'a to implement one of the 'Tamkeen Program' projects. This comes as part of its belief that the prosperity of individuals leads to the prosperity of the societies in which we live.

BANKING SERVICES AND PRODUCTS

Conceived to further strengthen the Bank's support of the pivotal role of SMEs in the Sultanate, a new value proposition, Tumohi ('My Ambition'), was announced in August. Set-up to serve SMEs, it is targeted towards helping the nation's budding businesses thrive by providing access to comprehensive solutions and financial services.

During the third quarter, the Bank continued its ongoing branch optimization program. This included the opening of renovated/enhanced branches such as Nakhal branch in Al Batinah South Governorate, and two branches in Dhofar, Awqad and Saada.

OAB was one of the most active banks during this period with initiatives ranging from Savings campaigns to social campaigns such as Children banking aimed at educating children and giving them chance to work in a bank as employees.



OAB customers benefitted from being able to digitally subscribe to Oman's largest Initial Public Offering (IPO) in history for OQ Gas Networks, the exclusive operator of Oman's gas transportation system. Using the OAB mobile banking app, customers were able to subscribe, place orders and complete transactions conveniently, without needing to visit a branch.

The successful OAB Credit Card summer 2023 campaign offered four lucky winners an unforgettable vacation worth OMR 1,200 each in a draw conducted by the Bank in September. Participating customers earned draw entries per OMR 5 spent, including online and POS transactions, with double draw entries awarded to those spending in Salalah during the competition period.

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

Alizz Islamic Bank continues to work towards building a strong digital business model that enhances customers' experience. As part of this vision, Alizz Islamic Bank recently launched its Chatbot service that responds to customer inquiries. In addition, Alizz Islamic Bank introduced its new 'Alizz Youth' value proposition, to cater to customers' financial requirements at each stage of their life, and launched its new corporate website. Following the launch, Alizz Islamic Bank received an award for the 'Corporate Website of the Year' at the OERLive DX Excellence Awards.

HUMAN RESOURCE DEVELOPMENT

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

Long-serving Bank employees were center of attention at a special event in August to celebrate their ongoing contributions to the Bank's success. The event marked 50 years of the Bank's journey to date, serving as a platform to express heartfelt gratitude to the long-



term employees and appreciating their dedicated service, as well as recognizing their positive impact on the organization's corporate culture.

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

Continuing its endeavor to empower national talent, Alizz Islamic Bank successfully concluded its summer internship program for 'Manahil Alizz' students. The Bank hosted a formal ceremony to celebrate the accomplishments of the 20 motivated and ambitious students from various universities and colleges across the Sultanate.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Ensuring our impact transcends banking, OAB helped to lift the spirits of more than 400 orphans in collaboration with Al Rahma Association for Motherhood & Child Welfare in Al Khoudh, providing gifts, food and a children's entertainment corner. The event was part of an ongoing community-focused calendar the Bank started earlier in the year.

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

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

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



We also launched a campaign to plant 5000 trees all over our branch network.

On behalf of the Board of Directors, I would like to thank all our 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.


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 of Board of Directors

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

	Note	Consolidated		Parent Company	
		Unaudited	Audited	Unaudited	Audited
		30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
		RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	3	140,849	99,913	64,604	31,034
Due from banks	4	47,309	53,671	17,721	48,161
Loans, advances and financing to customers	5	3,327,050	3,067,063	2,355,054	2,164,984
Investment securities	6	321,639	331,656	254,370	268,426
Investment in subsidiary		-	-	107,144	107,144
Property and equipment		39,645	38,496	37,174	35,659
Intangible assets	7	6,667	6,900	-	-
Other assets	8	99,695	84,131	60,224	55,454
Total assets		3,982,854	3,681,830	2,896,291	2,710,862
Due to banks	9	145,584	94,141	97,859	59,101
Customer deposits	10	3,198,074	2,992,180	2,207,040	2,089,284
Other liabilities	11	123,562	94,496	91,236	71,114
Taxation		5,255	3,412	5,255	3,412
Total liabilities		3,472,475	3,184,229	2,401,390	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		(2,984)	(3,160)	(2,987)	(3,110)
Impairment reserve		9,130	9,130	9,130	9,130
Retained earnings		83,957	71,355	69,546	62,719
Shareholders' equity		371,576	358,798	356,098	349,148
Perpetual Tier 1 capital bonds	12	138,803	138,803	138,803	138,803
Total equity		510,379	497,601	494,901	487,951
Total equity and liabilities		3,982,854	3,681,830	2,896,291	2,710,862
Net assets value per share (RO)	24 (b)	0.223	0.215	0.213	0.209
Contingent liabilities and commitments	23	413,241	393,241	282,037	272,193


The financial statements were authorised on 09 November 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 SEPTEMBER 2023**

		Consolidated (Unaudited)			
		Nine months ended		Three months ended	
		30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	Note	RO'000	RO'000	RO'000	RO'000
Interest income	13	107,506	93,956	38,104	32,881
Interest expense	14	(53,095)	(37,937)	(19,537)	(13,127)
Net interest income		54,411	56,019	18,567	19,754
Net income from Islamic financing	15	20,083	19,092	6,905	6,478
Net fee and commission income	16	13,970	13,710	4,119	3,944
Net income from investment securities	17	230	199	38	51
Other operating income	18	3,203	3,238	1,296	994
Total income		91,897	92,258	30,925	31,221
Operating expenses	19	(54,062)	(54,841)	(18,255)	(18,621)
Net allowances for credit losses		(16,460)	(24,754)	(5,054)	(8,362)
Profit before tax		21,375	12,663	7,616	4,238
Income tax expense		(3,508)	(2,032)	(1,290)	(656)
Net Profit for the period		17,867	10,631	6,326	3,582
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		129	(37)	(104)	(16)
Items that are or may be reclassified to profit or loss in the subsequent periods					
- Debt investment at FVOCI – net change in fair value		47	(4,370)	(752)	(1,018)
Other comprehensive income / (loss) for the period		176	(4,407)	(856)	(1,034)
Total comprehensive income for the period		18,043	6,224	5,470	2,548
Earnings per share:					
Basic and diluted (RO)	24 (a)	0.008	0.003	0.004	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 COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

		Parent (Unaudited)			
		Nine months ended		Three months ended	
		30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	Note	RO'000	RO'000	RO'000	RO'000
Interest income	13	107,733	93,956	38,189	32,881
Interest expense	14	(53,095)	(37,937)	(19,537)	(13,127)
Net interest income		54,638	56,019	18,652	19,754
Net income from Islamic financing	15	-	-	-	-
Net fee and commission income	16	10,537	10,893	3,068	2,878
Net income from investment securities	17	189	199	38	51
Other operating income	18	2,730	2,828	1,131	815
Total income		68,094	69,939	22,889	23,498
Operating expenses	19	(40,009)	(40,331)	(13,527)	(13,687)
Net allowances for credit losses		(13,604)	(21,911)	(4,319)	(7,212)
Profit before tax		14,481	7,697	5,043	2,599
Income tax expense		(2,389)	(1,252)	(892)	(398)
Net Profit for the period		12,092	6,445	4,151	2,201
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		68	(37)	(56)	(16)
Items that are or may be reclassified to profit or loss in the subsequent periods					
- Debt investment at FVOCI – net change in fair value		55	(4,358)	(738)	(1,009)
Other comprehensive income / (loss) for the period		123	(4,395)	(794)	(1,025)
Total comprehensive income for the period		12,215	2,050	3,357	1,176
Earnings per share:					
Basic and diluted (RO)	24 (a)	0.004	0.001	0.002	0.001

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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		-	-	-	-	-	-	-	10,631	10,631	-	10,631
Unrealised loss on FVOCI investments		-	-	-	-	-	(4,407)	-	-	(4,407)	-	(4,407)
Realised loss on FVOCI investments		-	-	-	-	-	53	-	(53)	-	-	-
Total comprehensive income		-	-	-	-	-	(4,354)	-	10,578	6,224	-	6,224
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 September 2022		166,941	36,565	46,921	25,560	3,837	(5,435)	9,130	72,720	356,239	138,803	495,042
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		-	-	-	-	-	-	-	17,867	17,867	-	17,867
Unrealised gain on FVOCI investments		-	-	-	-	-	176	-	-	176	-	176
Realised loss on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	176	-	17,867	18,043	-	18,043
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 September 2023		166,941	36,565	48,570	25,560	3,837	(2,984)	9,130	83,957	371,576	138,803	510,379

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 SEPTEMBER 2023**

Parent Company (Unaudited)	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2022		166,941	36,565	46,482	25,560	3,837	(1,017)	9,130	64,343	351,841	168,803	520,644
Net Profit for the period		-	-	-	-	-	-	-	6,445	6,445	-	6,445
Unrealised loss on FVOCI investments		-	-	-	-	-	(4,395)	-	-	(4,395)	-	(4,395)
Realised loss on FVOCI investments		-	-	-	-	-	53	-	(53)	-	-	-
Total comprehensive income		-	-	-	-	-	(4,342)	-	6,392	2,050	-	2,050
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 September 2022		166,941	36,565	46,482	25,560	3,837	(5,359)	9,130	65,214	348,370	138,803	487,173
Parent Company (Unaudited)	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2023		166,941	36,565	47,506	25,560	3,837	(3,110)	9,130	62,719	349,148	138,803	487,951
Net Profit for the period		-	-	-	-	-	-	-	12,092	12,092	-	12,092
Unrealised gain on FVOCI investments		-	-	-	-	-	123	-	-	123	-	123
Realised loss on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	123	-	12,092	12,215	-	12,215
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 September 2023		166,941	36,565	47,506	25,560	3,837	(2,987)	9,130	69,546	356,098	138,803	494,901

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 SEPTEMBER 2023**

	Notes	Consolidated		Parent Company	
		Unaudited	Unaudited	Unaudited	Unaudited
		30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
		RO'000	RO'000	RO'000	RO'000
<u>Operating activities:</u>					
Profit before tax		21,375	12,663	14,481	7,697
Adjustments:					
Depreciation	19	6,675	6,903	5,794	6,079
Amortization	19	233	233	-	-
Net impairment for credit losses		16,460	24,754	13,604	21,911
Income from investments at amortized cost		(12,635)	(9,542)	(10,272)	(9,542)
Dividend income	17	(204)	(212)	(163)	(212)
Changes in fair value of financial assets at FVTPL	17	(26)	13	(26)	13
Operating profit before working capital changes		31,878	34,812	23,418	25,946
Loans, advances and financing to customers		(278,498)	(261,592)	(205,684)	(195,941)
Due from banks		33,100	(10,077)	10,000	(10,077)
Other assets		(11,443)	(17,861)	471	(9,747)
Deposits from customers		205,894	182,588	117,756	154,039
Other liabilities		20,880	17,084	11,848	9,148
Cash generated from / (used in) operations		1,811	(55,046)	(42,191)	(26,632)
Tax paid		467	-	467	-
Net cash from / (used in) in operating activities		2,278	(55,046)	(41,724)	(26,632)
<u>Investing activities:</u>					
Purchase of investments		(6,301)	(14,183)	(2,100)	(14,183)
Proceeds from sale of investments		15,680	4,621	15,487	4,600
Income from investments at amortized cost		12,635	9,542	10,272	9,542
Purchase of property and equipment		(2,971)	(2,949)	(2,456)	(2,758)
Dividend Income	17	204	212	163	212
Net cash from / (used in) in investing activities		19,247	(2,757)	21,366	(2,587)
<u>Financing activities:</u>					
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		16,260	(93,324)	(25,623)	(64,740)
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	64,714	122,242	(15,997)	71,908

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 became a public joint stock company (SAOG) and was listed on the Muscat Stock Exchange (MSX). The Parent Company is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the Bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Sultanate of Oman. The Parent Company was a subsidiary of Oman International Development and Investment Company SAOG up to 29 June 2020. On 30 June 2020, Oman Arab Bank SAOG became a subsidiary of Arab Bank PLC, an entity listed in Jordan.

The consolidated financial statements as at and for the period ended 30 September 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 September 2023 are not necessarily indicative of the results that may be expected for the financial year 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-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Cash in hand	29,403	27,769	23,067	21,711
Balances with the Central Bank of Oman:				
- Clearing account	88,861	46,763	41,037	7,202
- Placements	21,560	24,356	-	1,621
- Capital deposit	1,025	1,025	500	500
Total	140,849	99,913	64,604	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 September 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

4. DUE FROM BANKS

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Placements	34,672	39,884	7,047	36,884
Current accounts	12,702	13,823	10,711	11,309
Due from banks and other money market placements	47,374	53,707	17,758	48,193
Less: allowance for credit losses	(65)	(36)	(37)	(32)
Total	47,309	53,671	17,721	48,161

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

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-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	29	(38)	5	(41)
Balance at the end of the period	65	36	37	32

5. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Term loans	1,520,742	1,341,771	1,520,742	1,341,771
Overdrafts	120,324	111,706	120,324	111,706
Bills discounted	16,237	34,136	16,237	34,136
Islamic finance	596,208	554,888	-	-
Corporate loans	2,253,511	2,042,501	1,657,303	1,487,613
Consumer loans	455,952	432,424	455,952	432,424
Mortgage loans	389,056	372,431	389,056	372,431
Overdrafts	3,339	988	3,339	988
Credit cards	10,176	9,339	10,176	9,339
Islamic finance	420,513	389,016	-	-
Retail loans	1,279,036	1,204,198	858,523	815,182
Gross loans, advances and financing to customers	3,532,547	3,246,699	2,515,826	2,302,795
Allowance for credit losses	165,789	149,712	125,158	111,978
Contractual interest not recognised	39,708	29,924	35,614	25,833
Less: allowance for credit losses and suspended interest	(205,497)	(179,636)	(160,772)	(137,811)
Net loans, advances and financing to customers	3,327,050	3,067,063	2,355,054	2,164,984



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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
2023	RO' 000	RO' 000	RO' 000
Balance at 1 January 2023	149,712	29,924	179,636
Provided during the period	24,160	13,419	37,579
Amounts written off and net transfer to memorandum portfolio	(390)	(1,754)	(2,144)
Amounts released / recovered during the period	(7,693)	(1,881)	(9,574)
Balance at 30 September 2023	165,789	39,708	205,497
2022	RO' 000	RO' 000	RO' 000
Balance at 1 January 2022	122,636	18,387	141,023
Provided during the period	28,011	12,000	40,011
Amounts written off and net transfer to memorandum portfolio	(1,933)	(3,049)	(4,982)
Amounts released / recovered during the period	(3,666)	(1,654)	(5,320)
Balance at 30 September 2022	145,048	25,684	170,732

Parent Company Unaudited	Allowance for credit losses	Contractual interest not recognised	Total
2023	RO' 000	RO' 000	RO' 000
Balance at 1 January 2023	111,978	25,833	137,811
Provided during the period	20,222	13,416	33,638
Amounts written off and net transfer to memorandum portfolio	(390)	(1,754)	(2,144)
Amounts released / recovered during the period	(6,652)	(1,881)	(8,533)
Balance at 30 September 2023	125,158	35,614	160,772
2022	RO' 000	RO' 000	RO' 000
Balance at 1 January 2022	88,197	15,866	104,063
Provided during the period	25,194	11,337	36,531
Amounts written off and net transfer to memorandum portfolio	(1,933)	(3,049)	(4,982)
Amounts released / recovered during the period	(3,666)	(1,654)	(5,320)
Balance at 30 September 2022	107,792	22,500	130,292



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

5. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO' 000	RO' 000	RO' 000	RO' 000
Performing loans, advances and financings	3,331,705	3,080,916	2,359,098	2,179,382
Allowance for credit losses and suspended interest on performing loans	73,865	69,073	58,331	55,939
Non-performing loans, advances and financings on which interest was not accrued	200,842	165,783	156,728	123,413
Allowance for credit losses and suspended interest on non-performing loans	131,632	110,563	102,441	81,872

The analysis of the Islamic financing activities is as follows:

	Corporate	Retail	Total
	RO'000	RO'000	RO'000
30 September 2023 (Unaudited)			
Musharaka	280,558	243,782	524,340
Murabaha	63,277	61,872	125,149
Ijarah Muntahia Bittamleek	56,613	110,126	166,739
Wakala	195,636	2,000	197,636
Others	124	2,733	2,857
Balance at 30 September 2023	596,208	420,513	1,016,721
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

6. INVESTMENT SECURITIES

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
- Banking and investment sector	272	252	272	252
Quoted investments – Oman	272	252	272	252
- Banking and investment sector	196	189	196	189
Quoted investments – Foreign	196	189	196	189
Investments measured at FVTPL	468	441	468	441
- Banking and investment sector	2,400	2,400	2,400	2,400
- Manufacturing sector	219	240	219	240
- Service sector	621	542	621	542
Quoted investments – Oman	3,240	3,182	3,240	3,182
- Service sector	781	424	-	-
Quoted investments – Foreign	781	424	-	-
- Service sector	194	248	194	184
Unquoted investments – Oman	194	248	194	184
Equity investments measured at FVOCI	4,215	3,854	3,434	3,366
- Government Sukuk	44,440	43,826	-	-
- Government Development Bonds (GDBs)	34,353	32,895	34,353	32,895
- Corporate Bonds	27,345	24,079	23,370	23,256
Debt investments measured at FVOCI	106,138	100,800	57,723	56,151
Investments measured at FVOCI	110,353	104,654	61,157	59,517
- Government Development Bonds (GDBs)	180,310	196,003	180,310	196,003
- Government Sukuk	18,095	18,095	-	-
Quoted investments – Oman	198,405	214,098	180,310	196,003
- Corporate Bonds	12,676	12,702	12,676	12,702
Quoted investments – Foreign	12,676	12,702	12,676	12,702
Investments measured at amortized cost	211,081	226,800	192,986	208,705
Total financial investments	321,902	331,895	254,611	268,663
Less: allowance for credit losses	(263)	(239)	(241)	(237)
Net financial investments	321,639	331,656	254,370	268,426



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

6. INVESTMENT SECURITIES

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

Consolidated	Level 1	Level 2	Level 3	Total
30 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
- Quoted investments	468	-	-	468
Investment measured at FVTPL	468	-	-	468
- Quoted investments	4,021	-	-	4,021
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	4,021	-	194	4,215
- Quoted investments	57,723	48,415	-	106,138
Debt investments measured at FVOCI	57,723	48,415	-	106,138
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	3,606	-	-	3,606
- Unquoted investments	-	-	248	248
Equity investment measured at FVOCI	3,606	-	248	3,854
- Quoted investments	56,151	44,649	-	100,800
Debt investments measured at FVOCI	56,151	44,649	-	100,800
Parent Company	Level 1	Level 2	Level 3	Total
30 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
- Quoted investments	468	-	-	468
Investment measured at FVTPL	468	-	-	468
- Quoted investments	3,240	-	-	3,240
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	3,240	-	194	3,434
- Quoted investments	57,723	-	-	57,723
Debt investments measured at FVOCI	57,723	-	-	57,723
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Customers' indebtedness against acceptances	13,213	13,700	13,213	13,700
Fees receivable	2,793	2,147	2,793	2,147
Interest and profit receivable	56,362	46,540	22,656	23,312
Prepayments	2,606	1,826	1,286	978
Positive fair value of derivatives	7,185	1,944	7,185	1,944
Deferred tax asset	928	2,047	-	-
Others	16,608	15,927	13,091	13,373
Total	99,695	84,131	60,224	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-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Current accounts	7,097	5,308	7,097	5,308
Borrowings	138,487	88,833	90,762	53,793
Total	145,584	94,141	97,859	59,101

10. CUSTOMER DEPOSITS

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Term deposits	1,718,726	1,410,556	1,162,615	982,922
Demand and call accounts	937,960	1,034,812	695,935	758,752
Saving accounts	541,388	546,812	348,490	347,610
Total	3,198,074	2,992,180	2,207,040	2,089,284



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

11. OTHER LIABILITIES

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Liabilities against acceptances	13,213	13,700	13,213	13,700
Interest payable	42,791	34,487	30,087	24,230
Accrued expenses and other payables	27,966	21,434	24,329	18,605
Cheques and trade settlement payable	5,502	4,250	4,113	3,032
Staff end of service benefits	739	965	690	674
Interest and commission received in advance	4,209	3,683	4,209	3,683
Negative fair value of derivatives	6,520	1,736	6,520	1,736
Deferred tax liability	112	198	112	198
Provision for loan commitments, financial guarantees and acceptances	3,627	3,687	3,243	3,218
Others	14,000	8,654	2	556
Lease liabilities	4,883	1,702	4,718	1,482
Total	123,562	94,496	91,236	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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

13. INTEREST INCOME

	Consolidated (Unaudited)				Parent Company (Unaudited)			
	Nine months ended		Three months ended		Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Loans and advances	95,079	83,699	34,180	29,371	95,079	83,699	34,180	29,371
Investment securities	10,382	9,542	3,399	3,172	10,382	9,542	3,399	3,172
Placements with banks	2,045	715	525	338	2,272	715	610	338
Total	107,506	93,956	38,104	32,881	107,733	93,956	38,189	32,881

14. INTEREST EXPENSE

	Consolidated (Unaudited)				Parent Company (Unaudited)			
	Nine months ended		Three months ended		Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Time deposits	37,007	28,324	14,256	9,729	37,007	28,324	14,256	9,729
Call accounts	9,431	6,097	3,040	2,078	9,431	6,097	3,040	2,078
Bank borrowings	3,303	739	1,080	364	3,303	739	1,080	364
Savings accounts	3,242	2,667	1,108	922	3,242	2,667	1,108	922
Interest cost on lease liabilities	112	110	53	34	112	110	53	34
Total	53,095	37,937	19,537	13,127	53,095	37,937	19,537	13,127

15. NET INCOME FROM ISLAMIC FINANCING

	Consolidated				Parent Company			
	Nine months ended		Three months ended		Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Income from Islamic financing	42,651	35,673	15,321	12,258	-	-	-	-
Income from Government Sukuk	2,363	2,271	817	762	-	-	-	-
Profit paid on participatory deposits	(24,931)	(18,852)	(9,233)	(6,542)	-	-	-	-
Total	20,083	19,092	6,905	6,478	-	-	-	-



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

16. NET FEE AND COMMISSION INCOME

	Consolidated				Parent Company			
	Nine months ended		Three months ended		Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Fee and commission income	21,410	19,455	6,912	6,438	17,434	16,109	5,661	5,179
Fee and commission expense	(7,440)	(5,745)	(2,793)	(2,494)	(6,897)	(5,216)	(2,593)	(2,301)
Total	13,970	13,710	4,119	3,944	10,537	10,893	3,068	2,878

17. NET INCOME FROM INVESTMENT SECURITIES

	Consolidated				Parent Company			
	Nine months ended		Three months ended		Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Fair value changes	26	(13)	(4)	9	26	(13)	(4)	9
Dividend income	204	212	42	42	163	212	42	42
Total	230	199	38	51	189	199	38	51

18. OTHER OPERATING INCOME

	Consolidated				Parent Company			
	Nine months ended		Three months ended		Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Foreign exchange income	2,926	3,216	1,075	990	2,453	2,806	910	811
Other income	277	22	221	4	277	22	221	4
Total	3,203	3,238	1,296	994	2,730	2,828	1,131	815

19. OPERATING EXPENSES

	Consolidated				Parent Company			
	Nine months ended		Three months ended		Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Staff costs	32,421	31,456	11,165	10,821	23,024	22,219	7,963	7,719
Other operating expenses	14,505	16,021	4,781	5,374	11,038	11,880	3,646	3,907
Depreciation	6,675	6,903	2,155	2,272	5,794	6,079	1,867	2,010
Amortization	233	233	78	78	-	-	-	-
Directors' remuneration	228	228	76	76	153	153	51	51
Total	54,062	54,841	18,255	18,621	40,009	40,331	13,527	13,687



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

20. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000
Cash and balances with the Central Bank of Oman (CBO)	140,849	130,297	64,604	74,870
Due from banks (maturing within 3 months)	47,374	49,614	17,758	44,862
Less: due to banks (maturing within 3 months)	(122,484)	(56,644)	(97,859)	(47,324)
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
Total	64,714	122,242	(15,997)	71,908

21. ASSETS LIABILITIES GAP

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

Consolidated	Assets	Liabilities	Gap	Cumulative Gap
30 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
0-3 months	539,491	678,998	(139,507)	(139,507)
3-12 months	480,813	997,136	(516,323)	(655,830)
1-5 years	1,129,560	1,011,103	118,457	(537,373)
More than 5 years	1,832,990	785,238	1,047,752	510,379
Total	3,982,854	3,472,475	510,379	
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 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
0-3 months	389,806	497,511	(107,705)	(107,705)
3-12 months	283,280	737,584	(454,304)	(562,009)
1-5 years	765,597	575,844	189,753	(372,256)
More than 5 years	1,457,608	590,451	867,157	494,901
Total	2,896,291	2,401,390	494,901	
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

22. RELATED PARTY TRANSACTIONS

(a) Technical and administrative services with major shareholders

During the period ended 30 September 2023, the cost of technical and administrative services provided by Arab Bank Plc amounted to RO 53,602 (30 September 2022: RO 31,893).

(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 September 2023 (Unaudited)	Subsidiary	Major shareholders	Others	Total
	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	32,469	154,690	187,159
Customers' deposits	-	155	45,897	46,052
Due from banks	-	6,208	50	6,258
Other assets	-	-	284	284
Due to banks	-	19,929	-	19,929
Stand by line of credit	-	57,750	-	57,750
Letters of credit, guarantees and acceptances	-	-	2,550	2,550
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 September 2023 (Unaudited)	Subsidiary	Major shareholders	Others	Total
	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	32,469	119,989	152,458
Customers' deposits	-	155	38,045	38,200
Due from banks	-	6,208	-	6,208
Other asset	-	-	-	-
Due to banks	-	19,929	-	19,929
Stand by line of credit	-	57,750	-	57,750
Letters of credit, guarantees and acceptances	-	-	2,550	2,550
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

22. RELATED PARTY TRANSACTIONS

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

Consolidated	Subsidiary	Major shareholders	Others	Total
30 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
Interest and commission income	-	1,498	6,980	8,478
Interest expense	-	(978)	(825)	(1,803)
30 September 2022 (Unaudited)	RO'000	RO'000	RO'000	RO'000
Interest and commission income	-	849	6,015	6,864
Interest expense	-	576	825	1,401
Parent Company	Subsidiary	Major shareholders	Others	Total
30 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000
Interest and commission income	227	1,498	5,472	7,197
Interest expense	-	(978)	(825)	(1,803)
30 September 2022 (Unaudited)	RO'000	RO'000	RO'000	RO'000
Interest and commission income	-	849	4,894	5,743
Interest expense	-	576	825	1401



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 2023 were as follows:

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Letters of credit	179,301	127,451	86,648	35,277
Guarantees	180,231	197,325	141,680	168,451
Financial guarantees	53,709	68,465	53,709	68,465
Total	413,241	393,241	282,037	272,193

Letters of credit and guarantees amounting to RO 151,822 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 September 2023, the unutilised commitment of facilities of RO 340,225 thousand (Consolidated), RO 319,410 thousand (Parent Company); [(31 December 2022 RO 469,784 thousand (Consolidated), RO 431,148 thousand (Parent Company))].

As at 30 September 2023, contingent liabilities include RO 6,273 thousand (Consolidated), RO 5,596 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

24. EARNINGS PER SHARE/ NET ASSETS PER SHARE

(a) Basic and diluted earnings per share

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

	Consolidated (Unaudited)			
	Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000
Profit for the period	17,867	10,631	6,326	3,582
Less: Interest distribution of Perpetual Tier 1 capital bonds	(5,265)	(5,459)	-	-
Less: Additional Tier 1 bonds issuance cost	-	(62)	-	-
Profit for the period attributable to shareholders	12,602	5,110	6,326	3,582
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 per share (RO)	0.008	0.003	0.004	0.002
	Parent Company (Unaudited)			
	Nine months ended		Three months ended	
	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
	RO'000	RO'000	RO'000	RO'000
Profit for the period	12,092	6,445	4,151	2,201
Less: Interest distribution of Perpetual Tier 1 capital bonds	(5,265)	(5,459)	-	-
Less: Additional Tier 1 bonds issuance cost	-	(62)	-	-
Profit for the period attributable to shareholders	6,827	924	4,151	2,201
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 per share (RO)	0.004	0.001	0.002	0.001
Weighted average number of shares outstanding				
1 January 2023 to 30 September 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 September 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 September 2023.

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
Total equity (RO'000)	371,576	358,798	356,098	349,148
Number of shares (in thousands)	1,669,410	1,669,410	1,669,410	1,669,410
Net assets per share	0.223	0.215	0.213	0.209



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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	Consolidated (Unaudited)							
	30-Sep-23				30-Sep-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	2,790,604	593,345	200,842	3,584,791	2,388,413	647,858	151,009	3,187,280
- Investment Securities (Debt)	317,871	-	-	317,871	286,002	-	-	286,002
- Loan Commitments, financial guarantees and acceptances	652,139	108,267	6,273	766,679	675,037	125,004	4,522	804,563
- Due from Banks, Central Banks and Other Financial Assets	47,383	-	-	47,383	69,691	-	-	69,691
Exposure subject to ECL	3,807,997	701,612	207,115	4,716,724	3,419,143	772,862	155,531	4,347,536
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	(19,546)	13,300	6,246	-	(1,407)	(248)	1,655	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(47)	12	35	-	(40)	40	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	(19,593)	13,312	6,281	-	(1,447)	(208)	1,655	-
- Loans and Advances to Customers including interest receivables	19,123	(8,337)	5,681	16,467	2,097	19,493	2,755	24,345
- Investment Securities (Debt)	24	-	-	24	(16)	-	-	(16)
- Loan Commitments, financial guarantees and acceptances	60	(35)	(85)	(60)	(88)	17	482	411
- Due from Banks, Central Banks and Other Financial Assets	29	-	-	29	14	-	-	14
Charge for the period (net)	19,236	(8,372)	5,596	16,460	2,007	19,510	3,237	24,754
Write Off	-	-	(390)	(390)	-	-	(1,933)	(1,933)
- Loans and Advances to Customers including interest receivables	9,345	60,175	96,269	165,789	9,905	61,204	73,939	145,048
- Investment Securities (Debt)	263	-	-	263	266	-	-	266
- Loan Commitments, financial guarantees and acceptances	439	78	3,110	3,627	423	415	2,970	3,808
- Due from Banks, Central Banks and Other Financial Assets	65	-	-	65	88	-	-	88
Closing balance as at 30 September	10,112	60,253	99,379	169,744	10,682	61,619	76,909	149,210



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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	Parent Company (Unaudited)							
	30-Sep-23				30-Sep-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	1,940,169	438,128	156,728	2,535,025	1,630,938	543,530	114,304	2,288,772
- Investment Securities (Debt)	250,709	-	-	250,709	241,657	-	-	241,657
- Loan Commitments, financial guarantees and acceptances	502,799	106,265	5,596	614,660	587,853	123,404	4,290	715,547
- Due from Banks, Central Banks and Other Financial Assets	17,758	-	-	17,758	64,939	-	-	64,939
Exposure subject to ECL	2,711,435	544,393	162,324	3,418,152	2,525,387	666,934	118,594	3,310,915
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	(15,727)	10,795	4,932	-	176	(928)	752	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(12)	12	-	-	(40)	40	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	(15,739)	10,807	4,932	-	136	(888)	752	-
- Loans and Advances to Customers including interest receivables	15,363	(8,291)	6,498	13,570	(547)	18,895	3,180	21,528
- Investment Securities (Debt)	4	-	-	4	(19)	-	-	(19)
- Loan Commitments, financial guarantees and acceptances	44	(42)	23	25	(10)	1	407	398
- Due from Banks, Central Banks and Other Financial Assets	5	-	-	5	4	-	-	4
Charge for the period (net)	15,416	(8,333)	6,521	13,604	(572)	18,896	3,587	21,911
Write Off								
- Loans and Advances to Customers including interest receivables	5,960	48,026	71,172	125,158	6,940	49,807	51,045	107,792
- Investment Securities (Debt)	241	-	-	241	257	-	-	257
- Loan Commitments, financial guarantees and acceptances	233	37	2,973	3,243	273	179	2,815	3,267
- Due from Banks, Central Banks and Other Financial Assets	37	-	-	37	77	-	-	77
Closing balance as at 30 September	6,471	48,063	74,145	128,679	7,547	49,986	53,860	111,393



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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

(b) Impairment charge and provisions held:

	Consolidated (Unaudited)					
	30-Sep-23			30-Sep-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	16,460	16,460	-	24,754	24,754	-
Provisions required as per CBO norms/held as per IFRS 9 ¹	168,603	169,744	1,141	141,975	149,210	7,235
Gross NPL ratio ²	5.69%	5.69%		4.77%	4.77%	
Net NPL ratio ²	1.56%	2.08%		1.20%	1.81%	

	Parent Company (Unaudited)					
	30-Sep-23			30-Sep-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	13,604	13,604	-	21,911	21,911	-
Provisions required as per CBO norms/held as per IFRS 9 ¹	129,926	128,679	(1,247)	105,624	111,393	5,769
Gross NPL ratio ²	6.23%	6.23%		5.04%	5.04%	
Net NPL ratio ²	1.70%	2.31%		1.38%	2.03%	

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms ¹ RO'000	Net Amount as per IFRS 9 RO'000
30 September 2023 (Unaudited)		(1)	(2)	(3)	(4) = (2)-(3)	(5)	(6) = (1)-(2)-(5)	(7) = (1)-(3)-(5)
Standard	Stage 1	2,774,741	33,369	8,839	24,530	-	2,741,372	2,765,902
	Stage 2	238,564	2,599	9,116	(6,517)	-	235,965	229,448
	Stage 3	-	-	-	-	-	-	-
	Sub-total	3,013,305	35,968	17,955	18,013	-	2,977,337	2,995,350
Special Mention	Stage 1	15,862	329	506	(177)	-	15,533	15,356
	Stage 2	354,782	18,465	51,059	(32,594)	4,345	331,972	299,378
	Stage 3	-	-	-	-	-	-	-
	Sub-total	370,644	18,794	51,565	(32,771)	4,345	347,505	314,734
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,807	1,860	1,759	101	401	5,546	5,647
	Sub-total	7,807	1,860	1,759	101	401	5,546	5,647
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	21,320	9,701	8,317	1,384	1,989	9,630	11,014
	Sub-total	21,320	9,701	8,317	1,384	1,989	9,630	11,014
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	171,715	102,045	86,193	15,852	32,973	36,697	52,549
	Sub-total	171,715	102,045	86,193	15,852	32,973	36,697	52,549
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,017,393	-	767	(767)	-	1,017,393	1,016,626
	Stage 2	108,267	-	78	(78)	-	108,267	108,189
	Stage 3	6,273	235	3,110	(2,875)	-	6,038	3,163
	Sub-total	1,131,933	235	3,955	(3,720)	-	1,131,698	1,127,978
Total	Stage 1	3,807,996	33,698	10,112	23,586	-	3,774,298	3,797,884
	Stage 2	701,613	21,064	60,253	(39,189)	4,345	676,204	637,015
	Stage 3	207,115	113,841	99,379	14,462	35,363	57,911	72,373
	Total	4,716,724	168,603	169,744	(1,141)	39,708	4,508,413	4,507,272

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS


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

(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)	(5)	(6) = (1)-(2)-(5)	(7) = (1)-(3)-(5)
Standard	Stage 1	2,454,047	29,987	9,633	20,354	-	2,424,060	2,444,414
	Stage 2	274,092	2,701	11,316	(8,615)	-	271,391	262,776
	Stage 3	-	-	-	-	-	-	-
	Sub-total	2,728,139	32,688	20,949	11,739	-	2,695,451	2,707,190
Special Mention	Stage 1	20,269	256	134	122	-	20,013	20,135
	Stage 2	352,535	26,886	43,895	(17,009)	4,093	321,556	304,547
	Stage 3	-	-	-	-	-	-	-
	Sub-total	372,804	27,142	44,029	(16,887)	4,093	341,569	324,682
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	12,711	3,438	5,369	(1,931)	378	8,895	6,964
	Sub-total	12,711	3,438	5,369	(1,931)	378	8,895	6,964
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	19,528	7,141	7,073	68	1,905	10,482	10,550
	Sub-total	19,528	7,141	7,073	68	1,905	10,482	10,550
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	133,544	84,107	72,290	11,817	23,548	25,889	37,706
	Sub-total	133,544	84,107	72,290	11,817	23,548	25,889	37,706
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,096,459	-	702	(702)	-	1,096,459	1,095,757
	Stage 2	119,083	-	102	(102)	-	119,083	118,981
	Stage 3	4,772	319	3,160	(2,841)	-	4,453	1,612
	Sub-total	1,220,314	319	3,964	(3,645)	-	1,219,995	1,216,350
Total	Stage 1	3,570,775	30,243	10,469	19,774	-	3,540,532	3,560,306
	Stage 2	745,710	29,587	55,313	(25,726)	4,093	712,030	686,304
	Stage 3	170,555	95,005	87,892	7,113	25,831	49,719	56,832
	Total	4,487,040	154,835	153,674	1,161	29,924	4,302,281	4,303,442

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS



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

(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 RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms ¹ RO'000	Net Amount as per IFRS 9 RO'000
30 September 2023 (Unaudited)		(1)	(2)	(3)	(4) = (2)-(3)	(5)	(6) = (1)-(2)-(5)	(7) = (1)-(3)-(5)
Standard	Stage 1	1,924,307	24,413	5,454	18,959	-	1,899,894	1,918,853
	Stage 2	162,225	1,848	4,860	(3,012)	-	160,377	157,365
	Stage 3	-	-	-	-	-	-	-
	Sub-total	2,086,532	26,261	10,314	15,947	-	2,060,271	2,076,218
Special Mention	Stage 1	15,862	329	506	(177)	-	15,533	15,356
	Stage 2	275,903	17,728	43,166	(25,438)	4,345	253,830	228,392
	Stage 3	-	-	-	-	-	-	-
	Sub-total	291,765	18,057	43,672	(25,615)	4,345	269,363	243,748
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	3,233	787	884	(97)	100	2,346	2,249
	Sub-total	3,233	787	884	(97)	100	2,346	2,249
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	19,325	8,807	7,496	1,311	1,916	8,602	9,913
	Sub-total	19,325	8,807	7,496	1,311	1,916	8,602	9,913
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	134,170	76,014	62,792	13,222	29,253	28,903	42,125
	Sub-total	134,170	76,014	62,792	13,222	29,253	28,903	42,125
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	771,266	-	511	(511)	-	771,266	770,755
	Stage 2	106,265	-	37	(37)	-	106,265	106,228
	Stage 3	5,596	-	2,973	(2,973)	-	5,596	2,623
	Sub-total	883,127	-	3,521	(3,521)	-	883,127	879,606
Total	Stage 1	2,711,435	24,742	6,471	18,271	-	2,686,693	2,704,964
	Stage 2	544,393	19,576	48,063	(28,487)	4,345	520,472	491,985
	Stage 3	162,324	85,608	74,145	11,463	31,269	45,447	56,910
	Total	3,418,152	129,926	128,679	1,247	35,614	3,252,612	3,253,859



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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)	(5)	(6) = (1)-(2)-(5)	(7) = (1)-(3)-(5)
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.

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS



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

(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 September 2023 (Unaudited)		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(5)	(6) = (1)-(2)-(5)	(7) = (1)-(3)-(5)
Classified as performing	Stage 1	78,192	873	1,212	(339)	-	77,319	76,980
	Stage 2	389,337	18,287	43,426	(25,139)	3,892	367,158	342,019
	Stage 3	-	-	-	-	-	-	-
	Sub-total	467,529	19,160	44,638	(25,478)	3,892	444,477	418,999
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	72,361	41,753	38,118	3,635	10,494	20,114	23,749
	Sub-total	72,361	41,753	38,118	3,635	10,494	20,114	23,749
Total	Stage 1	78,192	873	1,212	(339)	-	77,319	76,980
	Stage 2	389,337	18,287	43,426	(25,139)	3,892	367,158	342,019
	Stage 3	72,361	41,753	38,118	3,635	10,494	20,114	23,749
	Total	539,890	60,913	82,756	(21,843)	14,386	464,591	442,748
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

25. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS



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

(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 September 2023 (Unaudited)		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(5)	(6) = (1)-(2)-(5)	(7) = (1)-(3)-(5)
Classified as performing	Stage 1	27,199	245	280	(35)	-	26,954	26,919
	Stage 2	270,039	17,075	33,042	(15,967)	3,892	249,072	233,105
	Stage 3	-	-	-	-	-	-	-
	Sub-total	297,238	17,320	33,322	(16,002)	3,892	276,026	260,024
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	61,056	35,542	32,616	2,926	9,530	15,984	18,910
	Sub-total	61,056	35,542	32,616	2,926	9,530	15,984	18,910
Total	Stage 1	27,199	245	280	(35)	-	26,954	26,919
	Stage 2	270,039	17,075	33,042	(15,967)	3,892	249,072	233,105
	Stage 3	61,056	35,542	32,616	2,926	9,530	15,984	18,910
	Total	358,294	52,862	65,938	(13,076)	13,422	292,010	278,934
31 December 2022 (Audited)		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(5)	(6) = (1)-(2)-(5)	(7) = (1)-(3)-(5)
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

26. CAPITAL MANAGEMENT

The Bank's objectives of capital management are:

- To comply with the capital requirements set by the regulator i.e. the Central Bank of Oman;
- To safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- To maintain a strong capital base to support the development of its business.

The principal objective of the CBO capital adequacy requirements is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a Bank's statement of financial position, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS). The CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy (CAR) of 11%. Additionally, the CAR threshold requires a capital conservation buffer (CCB) of 2.5 per cent. In 2020, the CBO relaxed the CCB requirements to 1.25% and accordingly, the minimum capital adequacy requirement has been reduced to 12.25%.

The Bank's regulatory capital as per Basel III regulations is grouped into:

- Tier 1 capital, which includes ordinary share capital, share premium, reserves, retained earnings (net of proposed dividend) after deductions for goodwill, intangibles including deferred tax asset and 50% of carrying value of the investment in associates as per the regulatory adjustments that are included in equity but are treated differently for capital adequacy purposes and additional tier1 capital.
- Tier 2 capital, which includes qualifying subordinated liabilities, general loan loss impairment / ECL provision (Stage 1 and 2) and the element of the fair value reserve relating to unrealised gains on equity instruments classified as FVOCI after deductions for 50% of carrying value of investments in associates.

The qualifying Tier II cannot exceed Tier I capital, the amount of collective impairment allowances that may be included as part of Tier II capital is limited to 1.25% of the total credit risk-weighted assets. Additional incremental Stage 2 ECL as on December 31, 2022, over Stage 2 ECL as on December 31, 2019, qualifies as Tier II capital with a gradual phase-out by 2024.

The capital adequacy of the Bank is as follows:

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	RO'000	RO'000	RO'000	RO'000
Common Equity Tier 1 (CET 1)	334,943	334,943	228,810	228,810
Additional Tier 1	136,403	136,403	136,403	136,403
Tier 1 capital	471,346	471,346	365,213	365,213
Tier 2 capital	25,402	30,872	21,041	27,412
Total capital base	496,748	502,218	386,254	392,625
Credit risk	2,941,481	2,699,066	2,181,599	2,007,061
Market risk	29,500	41,826	18,675	13,263
Operational risk	215,348	215,348	168,625	168,625
Total risk weighted assets	3,186,329	2,956,240	2,368,899	2,188,949
Capital adequacy ratio %	15.59%	16.99%	16.31%	17.94%
CET 1 ratio	10.51%	11.33%	9.66%	10.45%
Tier 1 Capital ratio	14.79%	15.94%	15.42%	16.68%

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 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	Retail	Corporate	Treasury	Others	Islamic Banking	Total
30 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	18,591	26,841	8,979	-	-	54,411
Net income from Islamic financing	-	-	-	-	20,083	20,083
Net fees, commission and other operating income	5,772	6,750	657	-	4,224	17,403
Total operating income	24,363	33,591	9,636	-	24,307	91,897
Operating expenses	(22,304)	(15,118)	(2,587)	(233)	(13,820)	(54,062)
Net allowances for credit losses	597	(14,192)	(9)	-	(2,856)	(16,460)
Tax expenses	(438)	(706)	(1,245)	-	(1,119)	(3,508)
Profit / (Loss) for the period	2,218	3,575	5,795	(233)	6,512	17,867
Assets	838,657	1,515,347	336,695	104,065	1,188,090	3,982,854
Liabilities	655,000	1,552,040	97,860	96,490	1,071,085	3,472,475

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

Consolidated	Retail	Corporate	Treasury	Others	Islamic Banking	Total
30 September 2022 (Unaudited)	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	20,001	26,375	9,643	-	-	56,019
Net income from Islamic financing	-	-	-	-	19,092	19,092
Net fees, commission and other operating income	5,184	8,031	705	-	3,227	17,147
Total operating income	25,185	34,406	10,348	-	22,319	92,258
Operating expenses	(22,111)	(15,445)	(2,775)	(233)	(14,277)	(54,841)
Net allowances for credit losses	407	(22,333)	15	-	(2,843)	(24,754)
Tax expenses	(576)	559	(1,235)	-	(780)	(2,032)
Profit / (Loss) for the period	2,905	(2,813)	6,353	(233)	4,419	10,631
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 September 2023 (Unaudited)	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	18,591	26,841	9,206	-	-	54,638
Net fees, commission and other operating income	5,772	6,750	934	-	-	13,456
Total operating income	24,363	33,591	10,140	-	-	68,094
Operating expenses	(22,304)	(15,118)	(2,587)	-	-	(40,009)
Net allowances for credit losses	597	(14,192)	(9)	-	-	(13,604)
Tax expenses	(438)	(706)	(1,245)	-	-	(2,389)
Profit / (Loss) for the period	2,218	3,575	6,299	-	-	12,092
Assets	838,657	1,516,397	443,839	97,398	-	2,896,291
Liabilities	655,000	1,552,040	97,860	96,490	-	2,401,390

Parent Company	Retail	Corporate	Treasury	Others	Islamic Banking	Total
30 September 2022 (Unaudited)	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	20,001	26,375	9,643	-	-	56,019
Net fees, commission and other operating income	5,184	8,031	705	-	-	13,920
Total operating income	25,185	34,406	10,348	-	-	69,939
Operating expenses	(22,111)	(15,445)	(2,775)	-	-	(40,331)
Net allowances for credit losses	407	(22,333)	15	-	-	(21,911)
Tax expenses	(576)	559	(1,235)	-	-	(1,252)
Profit / (Loss) for the period	2,905	(2,813)	6,353	-	-	6,445
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.