بنك عُمان العربي

OMAN ARAB BANK

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

OMAN ARAB BANK SAOG

Consolidated and separate financial statements
For the year ended 31 December 2023

CHAIRMAN REPORT

Dear Shareholders,

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

CELEBRATING 50 YEARS IN OMAN

Oman Arab Bank has a long and proud history in Oman, as one of the first banks established in the country. In 2023, we celebrated our 50th anniversary through a series of events, projects, promotions and a range of other celebratory moments. Our history goes back to 1973 when Arab Bank started its operations in Oman. In 1984, Oman Arab Bank (OAB) was established through the acquisition of Arab Bank branches. Eight years later, in 1992, we expanded our operations by acquiring all of Omani European Bank's retail branches. In 2020, we acquired Alizz Islamic Bank (Alizz), and merged our Islamic banking window with Alizz. That same year, OAB became a public joint-stock company (SAOG), with shares listed in the Muscat Securities Market.

OPERATING ENVIRONMENT

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

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

FINANCIAL PERFORMANCE

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

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

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

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

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

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

Parent company performance

The parent company's net profit after tax increased by 17.3% to OMR 12.0 million in 2023 compared to OMR 10.2 million in 2022. Operating income reached OMR 89.1 million compared to OMR 92.7 million in 2022. Operating expenses declined by 4.2% to reach OMR 52.9 million in 2023 compared to OMR 55.2 million in the prior year. Operating profit recorded OMR 36.2 million in 2023 against OMR 37.5 million in 2022.

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

Alizz Islamic Bank performance

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

AWARDS AND RECOGNITIONS

The Bank's achievements continued to be recognized with awards and accolades from prestigious external bodies, with OAB winning the Best Online

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

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

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

PRODUCTS AND SERVICES

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

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

We also added new features to our mobile app allowing customers to reset their PIN number for Debit, Credit and Prepaid cards via the app.

All of this was done with an aim to allow our customers to perform their banking services from the comfort of their home or office or through self-service machines without the need to visit a branch.

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

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

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

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

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

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

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

In November, OAB launched a new benefits-packed salary transfer campaign, with new customers who open an account and transfer their salaries become eligible for a one-time 15% cashback (up to OMR 500). In the same month, we celebrated Oman's National Day by allowing 50 customers and 50 staff to benefit from a special cashback promotion for OAB Credit Card holders.

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

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

PARTNERSHIPS

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

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

In October, the Bank successfully closed a new Subordinated Perpetual Additional Tier 1 Bonds issuance of OMR 40 million with a green shoe option of

OMR 10 million. The bonds were oversubscribed by 60%. The bonds carry a coupon rate of 7.00% p.a. for the first five years and got listed on Muscat Stock Exchange (MSX).

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

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

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

DEVELOPING TALENT

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

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

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

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

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

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

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

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

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

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

Alizz continued its Ruwad Alizz program, in cooperation with Harvard Management Mentor, the e-learning platform affiliated with Harvard University. The program aims to develop mid-level leaders from government and private sector organizations. The program aimed to train 60 delegates with an extensive learning program which includes 14 employees from the bank. The Bank strives to recruit talented and ambitious Omani nationals and provide them appropriate training in Islamic Banking and other leadership programs to prepare them for future roles in line with the vision of the Bank. Oman Arab Bank has a high Omanisation ratio of 90% and strives to increase it further.

CORPORATE SUSTAINABILITY

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

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

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

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

The following month, Oman Arab Bank and Alizz Islamic Bank hosted the Dakhiliyah Governorate Investment Forum in Nizwa in collaboration with the Al Dakhiliyah Governorate represented by Oman Vision 2040 Implementation

Follow-up office, an event that sought to identify investment prospects in the governorate. The forum was part of a series that moved on to other Governorates, aiming to understand the specific needs of each governorate and explore development projects that will yield economic returns in the local communities and ultimately Oman.

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

Following on from the Oman Arab Bank’s diverse program of community-based events for Ramadan and Eid Al Fitr 2023, the Bank sponsored a Ministry of Health initiative to promote awareness around the early detection and prevention of breast cancer in June. The campaign was designed to facilitate good prognosis and improved outcomes against the deadly disease, educating and training health-care workers on early detection of breast cancer, as well as increasing awareness among the community of the screening program in Oman.

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

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

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

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

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

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

OMAN ARAB BANK

IN CONCLUSION

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

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

Rashad Al Zubair
Chairman of Board of Directors

KPMG LLC
Children's Public Library Building
4th Floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
Tel. +968 24 749600, www.kpmg.com/om

Independent auditors' report

To the Shareholders of Oman Arab Bank SAOG

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Continued on page 16

CR No. 1358131
Tax Card No. 8063052

Continued from page 15

Key Audit Matters (continued)

Impairment of loans, advances and financing to customers

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

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

Continued on page 17

Continued from page 16

Key Audit Matters (continued)

Impairment of loans, advances and financing to customers

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

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

Other Information

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

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

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

Continued on page 18

Continued from page 17

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

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

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

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

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

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

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

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

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

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

Continued on page 19

Continued from page 18

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Kenneth Macfarlane
10 March 2024

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

KPMG LLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		Consolidated		Parent Company	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	Note	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	5	151,581	99,913	84,685	31,034
Due from banks	6	130,125	53,671	124,068	48,161
Loans, advances and financing to customers	7	3,274,724	3,067,063	2,306,160	2,164,984
Investment securities	8	326,561	331,656	253,644	268,426
Investment in subsidiary	9	-	-	107,144	107,144
Property and equipment	10	43,096	38,496	37,394	35,659
Intangible assets	11	6,590	6,900	-	-
Other assets	12	86,326	84,131	53,696	55,454
Total assets		**4,019,003**	**3,681,830**	**2,966,791**	**2,710,862**
Due to banks	13	32,228	94,141	32,228	59,101
Customer deposits	14	3,357,417	2,992,180	2,343,619	2,089,284
Other liabilities	15	107,146	94,496	87,097	71,114
Taxation	16	5,236	3,412	5,236	3,412
Total liabilities		**3,502,027**	**3,184,229**	**2,468,180**	**2,222,911**
Share capital	17	166,941	166,941	166,941	166,941
Share premium	19	36,565	36,565	36,565	36,565
Legal reserve	20	50,551	48,570	48,707	47,506
General reserve	21	25,560	25,560	25,560	25,560
Special reserve	22	3,837	3,837	3,837	3,837
Fair value reserve		(1,075)	(3,160)	(1,198)	(3,110)
Impairment reserve	37	9,130	9,130	9,130	9,130
Retained earnings		79,217	71,355	62,819	62,719
Shareholders' equity		**370,726**	**358,798**	**352,361**	**349,148**
Perpetual Tier 1 capital bonds	23	146,250	138,803	146,250	138,803
Total equity		**516,976**	**497,601**	**498,611**	**487,951**
Total equity and liabilities		**4,019,003**	**3,681,830**	**2,966,791**	**2,710,862**
Net assets value per share (RO)	32	0.222	0.215	0.211	0.209
Contingent liabilities and commitments	33	437,849	393,241	302,171	272,193

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

Chairman

Director

Chief Executive Officer

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Operational cash flows from interest				
Interest and financing income received	205,934	174,008	150,754	120,687
Interest and profit paid	(106,113)	(93,295)	(70,430)	(46,882)

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

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

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

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

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

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

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

2.2. Basis of measurement

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

2.3. Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

2.4. Use of estimates and judgments

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

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

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

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

For the year ended 31 December 2023, the Bank has adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2023. The following amendments to existing standards and framework have been applied by the Bank in preparation of these financial statements.

- Material accounting policy information

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

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

2.6. Standards issued but not yet effective

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.7. Consolidation

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

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

a) Business combinations

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

b) Subsidiaries

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

2. BASIS OF PREPARATION (CONTINUED)

2.7. Consolidation (continued)

c) Loss of control

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

d) Transactions eliminated on consolidation

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

e) Non-controlling interests (NCI)

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

3. MATERIAL ACCOUNTING POLICIES

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

3.1. Financial Instruments

3.1.1. Recognition

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

Loans and advances, deposits, debt securities issued and subordinated liabilities are initially recognised on the date on which they originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.2. Classification and measurement

Financial assets are classified into one of the following categories:

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

(a) Financial assets measured at amortised cost

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

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

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

(b) Debt securities measured at FVOCI

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

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

Gains and losses for these securities are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:
- Interest revenue using the effective interest method;
- Expected credit loss (ECL) and reversals; and
- Foreign exchange gains and losses.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.2. Classification and measurement (continued)

Business Model Assessment

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

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

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

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

Cash Flow Characteristic Test – SPPI

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:
- Contingent events that would change the amount and timing of cash flows.
- Leverage features.
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.2. Classification and measurement (continued)

(c) Equity investments at FVTPL

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

(d) Equity instruments at FVOCI

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

(e) Financial instruments designated at FVTPL

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

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

(f) Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.2 Classification and measurement (continued)

(g) Derivative financial instruments and hedging activities

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

i. Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
ii. Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
iii. Hedges of a net investment in a foreign operation (net investment hedge).

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

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

Fair value hedge

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

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

Cash flow hedge

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.2 Classification and measurement (continued)

(h) Financial liabilities

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

3.1.3 Reclassifications

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

3.1.4 Derecognition

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.4. Derecognition (continued)

(a) Financial assets (continued)

De-recognition due to substantial modification of terms and conditions

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

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

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

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

(b) Financial liabilities

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

3.1.5. Modifications of financial assets and financial liabilities

(a) Financial assets

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.5. Modification of financial assets and financial liabilities (continued)

(b) Financial liabilities

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

3.1.6. Offsetting

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

3.1.7. Amortised cost measurement

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

3.1.8. Fair value measurement

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1. Financial Instruments (continued)

3.1.8. Fair value measurement (continued)

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

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

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

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

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

3.2. Impairment

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

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

(a) Measurement of ECL

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2. Impairment (continued)

(b) General approach

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

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

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

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

(i) Stage 1:

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

(ii) Stage 2:

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

(iii) Stage 3:

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

(c) The calculation of ECL

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2. Impairment (continued)

(c) The calculation of ECL (continued)

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

ECL is then calculated based on the below:
- 12 month ECL = 12 month PD X LGD X EAD
- Lifetime ECL = Lifetime PD X LGD X EAD

(d) Restructured financial assets

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

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

(e) Credit-impaired financial assets

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2. Impairment (continued)

(f) Presentation of allowance for ECL in the statement of financial position

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

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

(g) Experienced credit judgement

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

(h) Write off

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

3.2.1. Impairment of financial assets

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2. Impairment (continued)

3.2.2. Impairment of non-financial assets

The bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

3.3. Renegotiated loans and modification of loans

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

3.4. Cash and cash equivalents

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5. Due from banks

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

3.6. Investment in subsidiary

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

3.7. Repurchase and resale agreements

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

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

3.8. Collateral pending sale

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

3.9. Fiduciary assets

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

3.10. Property and equipment

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11. Leases

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

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

(a) Bank as a lessee

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

(b) Right-of-use assets

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11. Leases (continued)

(b) Right-of-use assets (continued)

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

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

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

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

(c) Lease modification

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

- Lease payments
- Lease term

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

(d) Lease liabilities

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11. Leases (continued)

(e) Bank as a lessor

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

As of 31 December 2023 and 2022, the Bank is not a lessor in any of the lease arrangements.

3.12. Acceptances

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

3.13. Deposits

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

3.14. Employee benefits

3.14.1. Terminal benefits

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

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

3.14.2. Short term benefits

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

3.14.3. Voluntary end of service benefits

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15. Provisions

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

3.16. Taxation

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

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

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

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

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

3.17. Borrowings

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

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

3.18. Dividends on ordinary shares

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

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

3.19. Earnings per share

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20. Directors' remuneration

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

3.21. Segment reporting

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

3.22. Foreign currencies translation

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

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

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

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

3.23. Revenue and expense recognition

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

3.23.1.Interest income and expense

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.23. Revenue and expense recognition (continued)

3.23.1. Interest income and expense (continued)

that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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

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

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

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

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

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

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

Other interest income presented in the statement of profit or loss and OCI includes interest income on lease receivables. Interest expense presented in the statement of profit or loss and OCI includes:
- Financial liabilities measured at amortised cost;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- Interest expense on lease liabilities.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.23. Revenue and expense recognition (continued)

3.23.2. Fee and commission income

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

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.23. Revenue and expense recognition (continued)

3.23.2. Fee and commission income (continued)

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

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

3.23.3. Dividend income

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

3.24 Perpetual bonds

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. The Bank's critical accounting estimates were on:

4.1. Impairment losses on financial assets

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1. Impairment losses on financial assets (continued)

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

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

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

4.2 Taxes

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

4.3 Going concern

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

4.4 Impact of COVID-19

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

4.5 Fair value of financial instruments

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.6 Determination of lease term

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

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

5. CASH AND BALANCES WITH CENTRAL BANK

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

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

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

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

6. DUE FROM BANKS

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

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

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

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

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

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

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

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS (CONTINUED)

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

Consolidated	**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 year	34,958	19,456	54,414
Amounts written off during the year	(25)	(2,033)	(2,058)
Amounts released / recovered during the year	(10,298)	(3,432)	(13,730)
Balance at 31 December 2022	**174,347**	**43,915**	**218,262**
2022	RO' 000	RO' 000	RO' 000
Balance at 1 January 2022	**122,398**	**18,625**	**141,023**
Provided during the year	35,274	17,223	52,497
Amounts written off during the year	(2,821)	(3,779)	(6,600)
Amounts released / recovered during the year	(5,139)	(2,145)	(7,284)
Balance at 31 December 2022	**149,712**	**29,924**	**179,636**

Parent Company	**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 year	29,934	18,194	48,128
Amounts written off during the year	(25)	(2,033)	(2,058)
Amounts released / recovered during the year	(8,335)	(2,260)	(10,595)
Balance at 31 December 2023	**133,552**	**39,734**	**173,286**
2022	RO' 000	RO' 000	RO' 000
Balance at 1 January 2022	**88,197**	**15,866**	**104,063**
Provided during the year	31,741	15,891	47,632
Amounts written off during the year	(2,821)	(3,779)	(6,600)
Amounts released / recovered during the year	(5,139)	(2,145)	(7,284)
Balance at 31 December 2022	**111,978**	**25,833**	**137,811**

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS (CONTINUED)

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

The analysis of the Islamic financing activities is as follows:

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

8. INVESTMENT SECURITIES

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

8. INVESTMENT SECURITIES (CONTINUED)

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

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

8. INVESTMENT SECURITIES (CONTINUED)

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

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

Consolidated	Level 1	Level 2	Level 3	Total
2022	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
2023	RO'000	RO'000	RO'000	RO'000
- Quoted investments	458	-	-	458
Investment measured at FVTPL	**458**	**-**	**-**	**458**
- Quoted investments	3,223	-	-	3,223
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	**3,223**	**-**	**194**	**3,417**
- Quoted investments	60,263	-	-	60,263
Debt investments measured at FVOCI	**60,263**	**-**	**-**	**60,263**

Parent Company	Level 1	Level 2	Level 3	Total
2022	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**

8. INVESTMENT SECURITIES (CONTINUED)

Movement in allowances for the credit losses for debt securities:

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

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

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

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

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

9. INVESTMENT IN SUBSIDIARY

The Bank has the following investment in a subsidiary.

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

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

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

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

10. PROPERTY AND EQUIPMENT

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

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

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

11. INTANGIBLE ASSETS

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

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

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

12. OTHER ASSETS

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

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

13. DUE TO BANKS

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

14. CUSTOMER DEPOSITS

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

15. OTHER LIABILITIES

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

15.1 Staff end of service benefits

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

15. OTHER LIABILITIES (CONTINUED)

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

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

16. TAXATION

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

16. TAXATION (CONTINUED)

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

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

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

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

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

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

Status of tax assessments (Parent Company)

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

Status of tax assessments (Subsidiary)

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

17. SHARE CAPITAL

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

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

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

18. PROPOSED DIVIDEND

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

19. SHARE PREMIUM

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

20. LEGAL RESERVE

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

21. GENERAL RESERVE

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

22. SPECIAL RESERVE

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

23. PERPETUAL TIER 1 CAPITAL BONDS

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

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

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

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

24. INTEREST INCOME

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

25. INTEREST EXPENSE

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

26. NET INCOME FROM ISLAMIC FINANCING

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

27. NET FEE AND COMMISSION INCOME

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

27.1 Net fees and commission income comprises of:

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

28. NET INCOME FROM INVESTMENT SECURITIES

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

29. OTHER OPERATING INCOME

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

30. OPERATING EXPENSES

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

30.1 Staff costs

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

31. EARNINGS PER SHARE

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

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	**RO'000**	RO'000
Profit for the year	20,555	16,181	12,013	10,240
Less: Interest distribution of Perpetual Tier 1 capital bonds	(10,531)	(10,725)	(10,531)	(10,725)
Less: Additional Tier 1 bonds issuance cost	(181)	(62)	(181)	(62)
Profit / (loss) for the year attributable to shareholders	**9,843**	**5,394**	**1,301**	**(547)**

Weighted average number of shares outstanding during the year	1,669,410,000	1,669,410,000	1,669,410,000	1,669,410,000
Basic earning / (loss) per share (RO)	0.006	0.003	0.001	(0.0003)

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

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

32. NET ASSETS PER SHARE

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

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

33. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Letters of credit and guarantees

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

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances.

33. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(a) Letters of credit and guarantees (Continued)

The outstanding contract value or the notional amounts of these instruments were as follows:

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

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

Letters of credit and guarantees amounting to RO 168,028 thousand (2022: 112,440 thousand) were counter guaranteed by other banks in the Parent Company. As of reporting date the subsidiary has no material letters of credit and guarantees that were counter guaranteed by other banks.

i) The allowances for credit losses for commitments and financial guarantees is included under note 15.2.
ii) Contingent liabilities include RO 5,734 thousand (Consolidated), RO 5,629 thousand (Parent Company); [2022 RO 4,772 thousand (Consolidated), RO 4,339 thousand (Parent Company)] relating to non-performing loans.

Credit-related financial instruments include unutilised commitments to extend credit, standby letters of credit and guarantees which are designed to meet the financing requirements of customers. The credit risk on these transactions is generally less than the contractual amount. The notional principal amounts of outstanding credit-related contingent items and the risk-weighted exposures calculated were as follows:

	Consolidated			
	2023		**2022**	
	Notional principal amount	**Risk weighted exposure**	**Notional principal amount**	**Risk weighted exposure**
	RO'000	RO'000	RO'000	RO'000
Guarantees	230,247	117,111	265,790	128,320
Letters of credit	207,602	29,253	127,451	30,142
Total	**437,849**	**146,364**	**393,241**	**158,462**

	Parent Company			
	2023		**2022**	
	Notional principal amount	**Risk weighted exposure**	**Notional principal amount**	**Risk weighted exposure**
	RO'000	RO'000	RO'000	RO'000
Guarantees	196,714	100,344	236,916	124,009
Letters of credit	105,457	8,824	35,277	5,933
Total	**302,171**	**109,168**	**272,193**	**129,942**

33. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(b) Capital commitments

As at 31 December 2023, outstanding capital commitments in respect of premises, equipment and software purchases were RO 1.5 million (2022: RO 1.9 million).

(c) Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Bank had certain unresolved legal claims which are not expected to have any significant implication on the Bank's financial statements (2022: Nil).

34. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Cash and balances with the Central Bank of Oman (CBO) (note 5)	151,581	99,913	84,685	31,034
Due from banks (note 6)	130,240	43,707	108,762	38,193
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
Total	**280,796**	**142,595**	**192,947**	**68,727**

35. DERIVATIVE FINANCIAL INSTRUMENTS

At the reporting date, there were outstanding forward foreign exchange contracts, all maturing within one year, entered into on behalf of customers for the sale and purchase of foreign currencies. These financial instruments have been recognised at prices in active markets for identical assets or liabilities.

Also, the Bank has entered into IRS (Interest Rate Swaps) on behalf of its clients and has fully covered the position on back-to-back basis, leaving no open position on the Bank's books. An IRS is an agreement between two counterparties to exchange a stream of fixed interest payments for floating (variable) interest payments on a specified notional amount. A floating rate borrower can fix his floating liabilities payment by entering into payer swap, in which he pays the fixed rate.

The Bank is not exposed to entire notional amount of IRS, rather, its risk is limited only to the amount of differential interest payment which the client may not honour at the time of settlement. These fair values and the notional contracted amounts related to the Parent Company are summarised below. As of reporting date, Subsidiary has no derivative instruments.

35. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 – 12 months	More than 1 year
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Purchase contracts	181	-	125,009	111,951	13,058	-
Sale contracts	-	(133)	(124,961)	(111,913)	(13,048)	-
Interest rate swaps	5,179	(5,762)	56,535	-	-	56,535
Total	**5,360**	**(5,895)**	**56,583**	**38**	**10**	**56,535**
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Purchase contracts	275	-	178,921	121,865	57,056	-
Sale contracts		(226)	(178,872)	(121,857)	(57,015)	-
Interest rate swaps	1,669	(1,510)	28,824	-	-	28,824
Total	**1,944**	**(1,736)**	**28,873**	**8**	**41**	**28,824**

Derivative financial instruments are classified as level 2 in the fair value hierarchy.

36. RELATED PARTY TRANSACTIONS

(a) Technical and administrative services with major shareholders

During the year ended 31 December 2023, the cost of technical and administrative services provided to Arab Bank Plc amounted to RO 61,665 (2022: RO 48,543).

(b) Other related party transactions

In the ordinary course of business, the Bank conducts transactions with its major shareholders and other related parties comprising of Directors, senior management and companies with which they have significant interest, on arm's length basis with the approval of Board of Directors. The aggregate amounts of balances with such related parties are as follows:

Consolidated	Major shareholders	Others	Total
2023	RO'000	RO'000	**RO'000**
Loans and advances	28,667	155,187	**183,854**
Customers' deposits	2,512	32,334	**34,846**
Due from banks	41,155	22	**41,177**
Other assets	-	345	**345**
Due to banks	7,032	-	**7,032**
Stand by line of credit	57,750	-	**57,750**
Letters of credit, guarantees and acceptances	76,049	2,425	**78,474**
2022	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**

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related party transactions (continued)

Parent Company	**Subsidiary**	**Major shareholders**	**Others**	**Total**
2023	RO'000	RO'000	RO'000	**RO'000**
Loans and advances	-	28,667	123,335	**152,002**
Customers' deposits	-	2,512	27,309	**29,821**
Due from banks	15,400	41,155	-	**56,555**
Other asset	-	-	-	**-**
Due to banks	-	7,032	-	**7,032**
Stand by line of credit	-	57,750	-	**57,750**
Letters of credit, guarantees and acceptances	-	76,049	2,425	**78,474**
2022	RO'000	RO'000	RO'000	**RO'000**
Loans and advances	-	24,012	101,726	**125,738**
Customers' deposits	-	4,219	37,120	**41,339**
Due from banks	-	18,106	-	**18,106**
Other asset		-	-	**-**
Due to banks	-	22,086	-	**22,086**
Stand by line of credit	-	57,750	-	**57,750**
Letters of credit, guarantees and acceptances	-	80,010	6,772	**86,782**

The movement analysis of loans and advances with related parties is as follows:

	Consolidated		**Parent Company**	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
At 1 January	157,457	141,408	125,738	126,625
Disbursed during the year	152,135	573,591	152,002	556,655
Paid during the year	(125,737)	(557,542)	(125,737)	(557,542)
At 31 December	**183,855**	**157,457**	**152,003**	**125,738**

None of the loans and advances given to related parties were identified as credit impaired. In accordance with IFRS 9, ECL held against these exposures amounted to RO 2.67 million (Consolidated), RO 2.146 million (Parent Company) [2022: RO 1.957 million (Consolidated), RO 1.801 million (Parent Company)]. Major shareholders includes parties holding more than 10% of bank's share capital as disclosed in note 17.

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

Consolidated	**Major shareholders**	**Others**	**Total**
2023	RO'000	RO'000	**RO'000**
Interest and commission income	2,252	9,728	11,980
Interest expense	1,221	765	1,986
2022	RO'000	RO'000	**RO'000**
Interest and commission income	1,186	7,930	**9,116**
Interest expense	849	1,110	**1,959**

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related party transactions (continued)

Parent Company	**Subsidiary**	**Major shareholders**	**Others**	**Total**
2023	RO'000	RO'000	RO'000	**RO'000**
Interest and commission income	356	2,252	7,355	**9,936**
Interest expense	-	1,221	1,138	**2,356**
2022	RO'000	RO'000	RO'000	**RO'000**
Interest and commission income	15	1,186	6,405	**7,606**
Interest expense	-	849	1,110	**1,959**

(c) Key management compensation

Key management comprises of 5 personnel (2022: 5) of the executive committee in the year 2023. The Bank considers the personnel of executive committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures'. The Directors' remuneration is set out in Note 30 and the remuneration of key management during the year was as follows:

	Consolidated		**Parent Company**	
	2023	**2022**	**2023**	**2022**
	RO'000	RO'000	RO'000	RO'000
Salaries and other short-term benefits	2,108	1,918	1,325	870
End of service benefits	95	41	69	19
Total	**2,203**	**1,959**	**1,394**	**889**

37. FINANCIAL RISK MANAGEMENT

Effective risk management is of primary importance for the Bank. The Bank's risk management process evaluates, monitors and manages the risks associated with the businesses the Bank conducts in line with the defined risk appetite. The principal types of risks that the Bank faces are credit risk, liquidity risk, market risk and operational risk. The Board of Directors defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk in both the trading and the banking book of the Bank. Risk Management is carried out by the Risk Management Department in accordance with documented policies approved by the Board of Directors.

The Bank's Management Risk Committee (MRC), comprising the Bank's most senior risk professionals provides oversight to the Risk Management Division, review & oversee the Bank's risk profile and determines the actions required to maintain the risk profile within the approved appetite. It also monitor's and report's the progress of any action plans taken as and when required to maintain the objective. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks.

37.1 Credit risk

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

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management team which is divided into corporate, financial institutions and retail groups. The credit risk in corporate, retail and financial institutions portfolio is primarily managed by the Credit Review Department.

The Risk Management Department reviews the portfolio credit risk independently and directly reports to the Board Compliance and Risk Committee. The risk management framework also includes policies with respect to problem recognition, watch lists, classification parameters and risk rating adjustments.

(i) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. The Bank also, in limited circumstances and with proper justifications and specific approval from the Chief Risk Officer, does not treat certain events as significant increases in credit risk to continue classifying a financing exposure under Stage 1 (this is in line with CBO circular BM 1149). Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in overdue as defined by the CBO circular number BM 977 dated 25 September 2004. In addition, the Bank assesses the operational performance and financial position of the borrowers to consider downgrading the classification.

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

(ii) Definition of default

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

(iii) Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

(iv) Measurement of ECL

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

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

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs.

LGD is the likely loss, if there is a default. The bank estimates LGD parameters based on the Basel guidelines for corporate exposures and the history of recovery rates of claims against defaulted retail exposures, based on historical data. The Bank has applied a LGD of 0% on Government Development Bonds (GDB) & Treasury Bills (T-Bills) issued by Government of Oman which are classified as investments under Held to Collect & Held to Collect and Sale business model. The Bank has also applied a LGD of 0% on loans, advances and financing to customers aggregating to RO 247,428 thousand (Consolidated), RO 164,508 thousand (Parent); [(2022: RO 239,185 thousand (Consolidated), RO 163,494 thousand (Parent)] as of 31 December 2022 which are guaranteed by the Government of Oman or collateralized by way of bank deposits / cash margin.

EAD represents the expected exposure at the time of default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

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

The Bank calculates PIT PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31 December 2023, the probabilities assigned to the base case, bad case and good case scenarios were in the ratio of 55.00%:20.00%:25.00% (2022: 66.6%:5.6%/27.80%) respectively.

(v) Credit risk profile

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

(v) Credit risk profile (continued)

The internal ratings map as follows:

Internal rating grade	Internal classification
Rating grade 1	High
Rating grade 2	High
Rating grade 3	High
Rating grade 4	High
Rating grade 5	High
Rating grade 6	Standard
Rating grade 7	Standard
Rating grade 8	Standard
Rating grade 9	Standard
Rating grade 10	Satisfactory
SM	Satisfactory
Classified	
SS	Sub-standard
DD	Doubtful
LS	Loss

The credit risk profile, based on internal credit ratings, was as follows:

Consolidated	**Due from banks**	**Investment securities**	**Loans and advances including interest receivable**	**Credit related contingent items including acceptances**
2023	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL):				
High	119,885	71,640	1,625,499	311,378
Standard	25,755	250,027	775,902	373,849
Satisfactory	-	-	380,203	89,416
Gross carrying amount	**145,640**	**321,667**	**2,781,604**	**774,643**
Stage 2 (Lifetime ECL but not credit-impaired):				
High	-	-	86,562	16,326
Standard	-	-	71,254	21,738
Satisfactory	-	-	391,355	50,631
Gross carrying amount	**-**	**-**	**549,171**	**88,695**
Stage 3 (Lifetime ECL and credit-impaired):				
Sub-Standard	-	-	7,658	18
Doubtful	-	-	17,559	2,240
Loss	-	-	181,330	3,476
Gross carrying amount	**-**	**-**	**206,547**	**5,734**
Provisions for impairment:				
Stage 1	115	280	9,641	482
Stage 2	-	-	65,677	72
Stage 3	-	-	142,944	3,082
Total	**115**	**280**	**218,262**	**3,636**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

(v) Credit risk profile (continued)

Consolidated	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
2022	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL)				
High	35,601	62,744	1,274,900	261,495
Standard	18,106	264,856	972,029	358,744
Satisfactory	-	-	227,387	94,913
Gross carrying amount	**53,707**	**327,600**	**2,474,316**	**715,152**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	37,457	27,571
Standard	-	-	147,884	59,531
Satisfactory	-	-	441,286	31,981
Gross carrying amount	**-**	**-**	**626,627**	**119,083**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	12,712	106
Doubtful	-	-	19,527	928
Loss	-	-	133,544	3,738
Gross carrying amount	**-**	**-**	**165,783**	**4,772**
Provisions for impairment:				
Stage 1	36	239	9,768	426
Stage 2	-	-	59,305	101
Stage 3	-	-	110,563	3,160
Total	**36**	**239**	**179,636**	**3,687**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

(v) Credit risk profile (continued)

2023	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
Parent Company	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL)				
High	98,407	-	899,594	187,064
Standard	25,755	250,027	674,565	345,103
Satisfactory	-	-	360,907	89,389
Gross carrying amount	**124,162**	**250,027**	**1,935,066**	**621,556**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	10,495	14,721
Standard	-	-	56,005	21,620
Satisfactory	-	-	333,738	50,065
Gross carrying amount	**-**	**-**	**400,238**	**86,406**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	1,302	-
Doubtful	-	-	14,243	2,240
Loss	-	-	144,047	3,389
Gross Carrying amount	**-**	**-**	**159,592**	**5,629**
Provisions for impairment:				
Stage 1	94	258	6,886	305
Stage 2	-	-	53,751	33
Stage 3	-	-	112,649	3,001
Total	**94**	**258**	**173,286**	**3,339**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

(v) Credit risk profile (continued)

2022	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
Parent Company	RO'000	RO'000	RO'000	RO'000
Stage 1 (12-month ECL)				
High	30,087	-	646,126	159,847
Standard	18,106	264,856	854,977	347,444
Satisfactory	-	-	172,260	88,000
Gross carrying amount	**48,193**	**264,856**	**1,673,363**	**595,291**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	15,846	26,993
Standard	-	-	127,644	58,974
Satisfactory	-	-	382,556	31,444
Gross carrying amount	**-**	**-**	**526,046**	**117,411**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	11,658	50
Doubtful	-	-	11,197	783
Loss	-	-	100,558	3,506
Gross carrying amount	**-**	**-**	**123,413**	**4,339**
Provisions for impairment:				
Stage 1	32	237	6,324	201
Stage 2	-	-	49,615	67
Stage 3	-	-	81,872	2,950
Total	**32**	**237**	**137,811**	**3,218**

(vi) Economic variable assumptions

The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2023.

2023	ECL scenario and assigned weightage	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth (% change)	Base (55%)	1.66%	5.19%	2.28%	2.49%	2.59%
	Good (25%)	4.69%	8.23%	5.57%	3.94%	4.08%
	Bad (20%)	(4.40%)	(0.91%)	(4.30%)	(0.42%)	(0.40%)
Investment (% of GDP)	Base (55%)	23.20%	23.50%	23.80%	24.00%	24.10%
	Good (25%)	23.20%	31.11%	28.97%	28.69%	25.35%
	Bad (20%)	23.20%	19.69%	21.21%	21.65%	23.48%
2022	**ECL scenario and assigned weightage**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
GDP growth (% change)	Base (66.6%)	(2.83%)	2.36%	5.84%	3.45%	3.45%
	Good (27.8%)	1.53%	5.28%	7.30%	3.45%	3.45%
	Bad (5.6%)	(5.45%)	0.62%	4.97%	3.45%	3.45%
Oil revenue (% of GDP)	Base (66.6%)	26.90%	43.40%	33.50%	33.50%	33.50%
	Good (27.8%)	41.18%	52.92%	38.27%	33.50%	33.50%
	Bad (5.6%)	18.36%	37.71%	30.65%	33.50%	33.50%

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

(vi) Economic variable assumptions (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

37.1.1 Risk mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

- charges over business assets such as premises, inventory and accounts receivable
- lien on fixed deposits
- cash margins
- mortgages over residential and commercial properties
- pledge of marketable shares and securities

Longer-term finance and lending to corporate entities are generally secured. The housing loans are secured by mortgage over the residential property. Additionally, in order to minimise the credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.1 Risk mitigation policies (continued)

(b) Assessment of the financial capabilities of the borrowers

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

(c) Credit-related commitments

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

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

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The concentration of credit related commitments by industry sector at the year-end is set out in Note 37.1.2(g).

An analysis of the loans and advances for which collaterals or other credit enhancements are held is as follows:

2023	Performing loans (neither past due nor impaired) RO'000	Loans Past due and not impaired RO'000	Non-performing loans RO'000	Total RO'000
Consolidated				
Loans and advances with collateral & guarantees available	1,061,685	168,784	60,218	1,290,687
Percentage of exposure with collateral and guarantees	37%	42%	29%	37%
Parent Company	RO'000	RO'000	RO'000	RO'000
Loans and advances with collateral & guarantees available	740,086	141,872	41,369	923,327
Percentage of exposure with collateral and guarantees	36%	51%	26%	37%

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.1 Risk mitigation policies (continued)

(c) Credit-related commitments (continued)

2022	Performing loans (neither past due nor impaired)	Loans Past due and not impaired	Non-performing loans	Total
	RO'000	RO'000	RO'000	RO'000
Consolidated				
Loans and advances with collateral & guarantees available	1,043,906	96,379	55,405	1,195,690
Percentage of exposure with collateral and guarantees	36%	49%	33%	37%
Parent Company				
Loans and advances with collateral & guarantees available	705,146	74,666	31,163	810,975
Percentage of exposure with collateral and guarantees	35%	44%	25%	35%

The analysis of gross exposure to credit risk before collateral held or other credit enhancements is as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO' 000	RO' 000	RO' 000	RO' 000
Cash and balances with central bank	151,581	99,913	84,685	31,034
Due from banks	130,240	53,707	124,162	48,193
- Corporate loans	2,206,412	2,046,254	1,621,280	1,491,366
- Personal loans	1,286,574	1,200,445	858,166	811,429
Loans and advances	3,492,986	3,246,699	2,479,446	2,302,795
Other assets	81,349	79,660	48,719	50,984
GDBs and Government Sukuk	279,654	290,818	213,222	228,898
Corporate bonds	42,033	36,780	36,805	35,958
Other investments	5,152	4,295	3,875	3,807
Items on the statement of financial position	**4,182,995**	**3,811,872**	**2,990,914**	**2,701,669**
Letters of credit	207,602	127,451	105,457	35,277
Guarantees	179,214	197,325	145,681	168,451
Financial guarantees	51,033	68,465	51,033	68,465
Off-Balance sheet items	**437,849**	**393,241**	**302,171**	**272,193**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.1 Credit Risk Analysis

(a) The analysis of due from banks is as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO' 000	RO' 000	RO' 000	RO' 000
Neither past due nor impaired	130,240	53,707	124,162	48,193
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross due from banks	**130,240**	**53,707**	**124,162**	**48,193**
Less: expected credit loss	(115)	(36)	(94)	(32)
Due from banks (net)	**130,125**	**53,671**	**124,068**	**48,161**

(b) The analysis of loans, advances and financing to customers is as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO' 000	RO' 000	RO' 000	RO' 000
Neither past due nor impaired	2,880,979	2,882,878	2,040,851	2,011,281
Past due but not impaired	405,460	198,038	279,003	168,101
Impaired	206,547	165,783	159,592	123,413
Gross loans, advances and financing to customers	**3,492,986**	**3,246,699**	**2,479,446**	**2,302,795**
Less: allowances for credit losses and suspended interest	(218,262)	(179,636)	(173,286)	(137,811)
Loans, advances and financing to customers (net)	**3,274,724**	**3,067,063**	**2,306,160**	**2,164,984**

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO' 000	RO' 000	RO' 000	RO' 000
Past due up to 30 days	274,878	127,499	181,078	109,836
Past due 30-60 days	67,454	52,148	34,797	39,874
Past due 60-90 days	63,128	18,391	63,128	18,391
Total past due but not impaired	**405,460**	**198,038**	**279,003**	**168,101**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

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

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Exposure at default	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	**RO'000**
- Loans and Advances to Customers including interest receivables	2,781,604	549,171	206,547	**3,537,322**	2,474,316	626,627	165,783	**3,266,726**
- Investment Securities (Debt)	321,667	-	-	**321,667**	327,600	-	-	**327,600**
- Loan Commitments, financial guarantees and acceptances	774,643	88,695	5,734	**869,072**	715,152	119,083	4,772	**839,007**
- Due from Banks, Central Banks and Other Financial Assets	145,640	-	-	**145,640**	53,707	-	-	**53,707**
Exposure subject to ECL	**4,023,554**	**637,866**	**212,281**	**4,873,701**	**3,570,775**	**745,710**	**170,555**	**4,487,040**
Movement of ECL	RO'000	RO'000	RO'000	RO'000				
- Loans and Advances to Customers including interest receivables	9,768	55,212	84,732	**149,712**	9,215	41,721	71,462	**122,398**
- Investment Securities (Debt)	239	-	-	**239**	282	-	-	**282**
- Loan Commitments, financial guarantees and acceptances	426	101	3,160	**3,687**	551	358	2,488	**3,397**
- Due from Banks, Central Banks and Other Financial Assets	36	-	-	**36**	74	-	-	**74**
Opening balance as at 1 January	**10,469**	**55,313**	**87,892**	**153,674**	**10,122**	**42,079**	**73,950**	**126,151**
- Loans and Advances to Customers including interest receivables	(4,002)	(4,779)	8,781	-	(719)	(2,423)	3,142	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(5)	5	-	-	(38)	54	(16)	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	**(4,007)**	**(4,774)**	**8,781**	**-**	**(757)**	**(2,369)**	**3,126**	**-**
- Loans and Advances to Customers including interest receivables	3,875	9,312	11,473	**24,660**	1,272	15,914	12,949	**30,135**
- Investment Securities (Debt)	41	-	-	**41**	(43)	-	-	**(43)**
- Loan Commitments, financial guarantees and acceptances	61	(34)	(78)	**(51)**	(87)	(311)	688	**290**
- Due from Banks, Central Banks and Other Financial Assets	79	-	-	**79**	(38)	-	-	**(38)**
Charge for the year (net)	**4,056**	**9,278**	**11,395**	**24,729**	**1,104**	**15,603**	**13,637**	**30,344**
Write Off	**-**	**-**	(25)	**(25)**	-	-	(2,821)	**(2,821)**
- Loans and Advances to Customers including interest receivables	9,641	59,745	104,961	**174,347**	9,768	55,212	84,732	**149,712**
- Investment Securities (Debt)	280	-	-	**280**	239	-	-	**239**
- Loan Commitments, financial guarantees and acceptances	482	72	3,082	**3,636**	426	101	3,160	**3,687**
- Due from Banks, Central Banks and Other Financial Assets	115	-	-	**115**	36	-	-	**36**
Closing balance as at 31 December	**10,518**	**59,817**	**108,043**	**178,378**	**10,469**	**55,313**	**87,892**	**153,674**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

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

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Exposure at default	RO'000	RO'000	RO'000	**RO'000**	RO'000	RO'000	RO'000	**RO'000**
- Loans and Advances to Customers including interest receivables	1,935,066	400,238	159,592	**2,494,896**	1,673,363	526,046	123,413	**2,322,822**
- Investment Securities (Debt)	250,027	-	-	**250,027**	264,856	-	-	**264,856**
- Loan Commitments, financial guarantees and acceptances	621,556	86,406	5,629	**713,591**	595,291	117,411	4,339	**717,041**
- Due from Banks, Central Banks and Other Financial Assets	124,162	-	-	**124,162**	48,193	-	-	**48,193**
Exposure subject to ECL	**2,930,811**	**486,644**	**165,221**	**3,582,676**	**2,581,703**	**643,457**	**127,752**	**3,352,912**
Movement of ECL	RO'000	RO'000	RO'000	RO'000				
- Loans and Advances to Customers including interest receivables	6,324	45,522	60,132	**111,978**	7,311	31,840	49,046	**88,197**
- Investment Securities (Debt)	237	-	-	**237**	276	-	-	**276**
- Loan Commitments, financial guarantees and acceptances	201	67	2,950	**3,218**	323	138	2,408	**2,869**
- Due from Banks, Central Banks and Other Financial Assets	32	-	-	**32**	73	-	-	**73**
Opening balance as at 1 January	**6,794**	**45,589**	**63,082**	**115,465**	**7,983**	**31,978**	**51,454**	**91,415**
- Loans and Advances to Customers including interest receivables	(723)	(5,587)	6,310	-	(80)	(1,057)	1,137	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(9)	9	-	-	(23)	23	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	**(732)**	**(5,578)**	**6,310**	**-**	**(103)**	**(1,034)**	**1,137**	**-**
- Loans and Advances to Customers including interest receivables	1,285	8,031	12,283	**21,599**	(907)	14,739	12,770	**26,602**
- Investment Securities (Debt)	21	-	-	**21**	(39)	-	-	**(39)**
- Loan Commitments, financial guarantees and acceptances	113	(43)	51	**121**	(99)	(94)	542	**349**
- Due from Banks, Central Banks and Other Financial Assets	62	-	-	**62**	(41)	-	-	**(41)**
Charge for the year (net)	**1,481**	**7,988**	**12,334**	**21,803**	**(1,086)**	**14,645**	**13,312**	**26,871**
Write Off	-	-	(25)	**(25)**	-	-	(2,821)	**(2,821)**
- Loans and Advances to Customers including interest receivables	6,886	47,966	78,700	**133,552**	6,324	45,522	60,132	**111,978**
- Investment Securities (Debt)	258	-	-	**258**	237	-	-	**237**
- Loan Commitments, financial guarantees and acceptances	305	33	3,001	**3,339**	201	67	2,950	**3,218**
- Due from Banks, Central Banks and Other Financial Assets	94	-	-	**94**	32	-	-	**32**
Closing balance as at 31 December	**7,543**	**47,999**	**81,701**	**137,243**	**6,794**	**45,589**	**63,082**	**115,465**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(d) Impairment charge and provisions held:

	Consolidated					
	2023			2022		
	As per CBO Norms	As per IFRS 9	Difference	As per CBO Norms	As per IFRS 9	Difference
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Impairment loss charged to profit or loss account [1]	24,729	24,729	-	30,344	30,344	-
Provisions required as per CBO norms/held as per IFRS 9 [1]	184,679	178,378	(6,301)	154,835	153,674	(1,161)
Gross NPL ratio [2]	5.91%	5.91%		5.11%	5.11%	
Net NPL ratio [2]	1.50%	1.94%		1.48%	1.80%	

	Parent Company					
	2023			2022		
	As per CBO Norms	As per IFRS 9	Difference	As per CBO Norms	As per IFRS 9	Difference
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Impairment loss charged to profit or loss account [1]	21,803	21,803	-	26,871	26,871	-
Provisions required as per CBO norms/held as per IFRS 9 [1]	145,512	137,243	(8,269)	117,782	115,465	(2,317)
Gross NPL ratio [2]	6.44%	6.44%		5.36%	5.36%	
Net NPL ratio [2]	1.51%	2.04%		1.60%	1.92%	

1. Impairment loss and provisions held include unallocated provision.
2. NPL ratios are calculated on the basis of funded non-performing loans and funded exposures.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.3 Credit Risk Analysis (continued)

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

Consolidated

Asset Classification as per CBO Norms 2023	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
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	2,759,648	10,499	9,289	1,210	-	2,749,149	2,750,359
	Stage 2	221,053	25,141	8,483	16,658	-	195,912	212,570
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**2,980,701**	**35,640**	**17,772**	**17,868**	**-**	**2,945,061**	**2,962,929**
Special Mention	Stage 1	21,956	2,234	351	1,883	-	19,722	21,605
	Stage 2	328,118	27,099	51,264	(24,165)	5,932	295,087	270,922
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**350,074**	**29,333**	**51,615**	**(22,282)**	**5,932**	**314,809**	**292,527**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,658	1,877	2,429	(552)	201	5,580	5,028
	Sub-total	**7,658**	**1,877**	**2,429**	**(552)**	**201**	**5,580**	**5,028**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	17,559	7,740	7,060	680	1,836	7,983	8,663
	Sub-total	**17,559**	**7,740**	**7,060**	**680**	**1,836**	**7,983**	**8,663**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	181,330	109,998	95,471	14,527	35,946	35,386	49,913
	Sub-total	**181,330**	**109,998**	**95,471**	**14,527**	**35,946**	**35,386**	**49,913**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,241,950	-	878	(878)	-	1,241,950	1,241,072
	Stage 2	88,695	-	70	(70)	-	88,695	88,625
	Stage 3	5,734	91	3,083	(2,992)	-	5,643	2,651
	Sub-total	**1,336,379**	**91**	**4,031**	**(3,940)**	**-**	**1,336,288**	**1,332,348**
Total	**Stage 1**	4,023,554	12,733	10,518	2,215	-	4,010,821	4,013,036
	Stage 2	637,866	52,240	59,817	(7,577)	5,932	579,694	572,117
	Stage 3	212,281	119,706	108,043	11,663	37,983	54,592	66,255
	Total	**4,873,701**	**184,679**	**178,378**	**6,301**	**43,915**	**4,645,107**	**4,651,408**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(e) Comparison of provision held as per IFRS 9 and required as per CBO guidelines (continued)

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
2022		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	2,454,047	29,987	9,633	20,354	-	2,424,060	2,444,414
	Stage 2	274,092	2,701	11,316	(8,615)	-	271,391	262,776
	Stage 3	-		-	-	-	-	-
	Sub-total	**2,728,139**	**32,688**	**20,949**	**11,739**	**-**	**2,695,451**	**2,707,190**
Special Mention	Stage 1	20,269	256	134	122	-	20,013	20,135
	Stage 2	352,535	26,886	43,895	(17,009)	4,093	321,556	304,547
	Stage 3	-		-	-	-	-	-
	Sub-total	**372,804**	**27,142**	**44,029**	**(16,887)**	**4,093**	**341,569**	**324,682**
Substandard	Stage 1	-		-	-	-	-	-
	Stage 2	-		-	-	-	-	-
	Stage 3	12,711	3,438	5,369	(1,931)	378	8,895	6,964
	Sub-total	**12,711**	**3,438**	**5,369**	**(1,931)**	**378**	**8,895**	**6,964**
Doubtful	Stage 1	-		-	-		-	-
	Stage 2	-		-	-		-	-
	Stage 3	19,528	7,141	7,073	68	1,905	10,482	10,550
	Sub-total	**19,528**	**7,141**	**7,073**	**68**	**1,905**	**10,482**	**10,550**
Loss	Stage 1	-		-	-	-	-	-
	Stage 2	-		-	-	-	-	-
	Stage 3	133,544	84,107	72,290	11,817	23,548	25,889	37,706
	Sub-total	**133,544**	**84,107**	**72,290**	**11,817**	**23,548**	**25,889**	**37,706**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,096,459		702	(702)	-	1,096,459	1,095,757
	Stage 2	119,083		102	(102)	-	119,083	118,981
	Stage 3	4,772	319	3,160	(2,841)	-	4,453	1,612
	Sub-total	**1,220,314**	**319**	**3,964**	**(3,645)**	**-**	**1,219,995**	**1,216,350**
Total	**Stage 1**	**3,570,775**	**30,243**	**10,469**	**19,774**	**-**	**3,540,532**	**3,560,306**
	Stage 2	**745,710**	**29,587**	**55,313**	**(25,726)**	**4,093**	**712,030**	**686,304**
	Stage 3	**170,555**	**95,005**	**87,892**	**7,113**	**25,831**	**49,719**	**56,832**
	Total	**4,487,040**	**154,835**	**153,674**	**1,161**	**29,924**	**4,302,281**	**4,303,442**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(e) Comparison of provision held as per IFRS 9 and required as per CBO guidelines (continued)

Parent Company

Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2023		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	1,913,110	1,592	6,535	(4,943)	-	1,911,518	1,906,575
	Stage 2	158,761	24,500	4,524	19,976	-	134,261	154,237
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**2,071,871**	**26,092**	**11,059**	**15,033**	**-**	**2,045,779**	**2,060,812**
Special Mention	Stage 1	21,956	2,234	351	1,883	-	19,722	21,605
	Stage 2	241,477	26,231	43,442	(17,211)	5,785	209,461	192,250
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**263,433**	**28,465**	**43,793**	**(15,328)**	**5,785**	**229,183**	**213,855**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,302	317	503	(186)	38	947	761
	Sub-total	**1,302**	**317**	**503**	**(186)**	**38**	**947**	**761**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	14,243	6,512	6,113	399	1,714	6,017	6,416
	Sub-total	**14,243**	**6,512**	**6,113**	**399**	**1,714**	**6,017**	**6,416**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	144,047	84,126	72,084	12,042	32,197	27,724	39,766
	Sub-total	**144,047**	**84,126**	**72,084**	**12,042**	**32,197**	**27,724**	**39,766**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	995,745	-	657	(657)	-	995,745	995,088
	Stage 2	86,406	-	33	(33)	-	86,406	86,373
	Stage 3	5,629	-	3,001	(3,001)	-	5,629	2,628
	Sub-total	**1,087,780**	**-**	**3,691**	**(3,691)**	**-**	**1,087,780**	**1,084,089**
Total	**Stage 1**	2,930,811	3,826	7,543	(3,717)	-	2,926,985	2,923,268
	Stage 2	486,644	50,731	47,999	2,732	5,785	430,128	432,860
	Stage 3	165,221	90,955	81,701	9,254	33,949	40,317	49,571
	Total	**3,582,676**	**145,512**	**137,243**	**8,269**	**39,734**	**3,397,430**	**3,405,699**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(e) Comparison of provision held as per IFRS 9 and required as per CBO guidelines (continued)

Parent Company

Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2022		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	1,653,183	21,765	6,190	15,575	-	1,631,418	1,646,993
	Stage 2	197,875	1,956	4,750	(2,794)	-	195,919	193,125
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**1,851,058**	**23,721**	**10,940**	**12,781**	**-**	**1,827,337**	**1,840,118**
Special Mention	Stage 1	20,180	255	134	121	-	19,925	20,046
	Stage 2	328,171	26,648	40,772	(14,124)	4,093	297,430	283,306
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**348,351**	**26,903**	**40,906**	**(14,003)**	**4,093**	**317,355**	**303,352**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,658	2,810	4,966	(2,156)	360	8,488	6,332
	Sub-total	**11,658**	**2,810**	**4,966**	**(2,156)**	**360**	**8,488**	**6,332**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,197	4,725	4,441	284	849	5,623	5,907
	Sub-total	**11,197**	**4,725**	**4,441**	**284**	**849**	**5,623**	**5,907**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	100,558	59,623	50,725	8,898	20,531	20,404	29,302
	Sub-total	**100,558**	**59,623**	**50,725**	**8,898**	**20,531**	**20,404**	**29,302**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	908,340	-	470	(470)	-	908,340	907,870
	Stage 2	117,411	-	67	(67)	-	117,411	117,344
	Stage 3	4,339	-	2,950	(2,950)	-	4,339	1,389
	Sub-total	**1,030,090**	**-**	**3,487**	**(3,487)**	**-**	**1,030,090**	**1,026,603**
Total	**Stage 1**	**2,581,703**	**22,020**	**6,794**	**15,226**	**-**	**2,559,683**	**2,574,909**
	Stage 2	**643,457**	**28,604**	**45,589**	**(16,985)**	**4,093**	**610,760**	**593,775**
	Stage 3	**127,752**	**67,158**	**63,082**	**4,076**	**21,740**	**38,854**	**42,930**
	Total	**3,352,912**	**117,782**	**115,465**	**2,317**	**25,833**	**3,209,297**	**3,211,614**

1. The CBO regulations require that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirements as per the CBO guidelines are higher than IFRS 9, the difference, net of tax, needs to be transferred to the "Impairment Reserve" as an appropriation from net profit after tax. In January 2022, the CBO suspended the two-track approach / parallel run for the computation of additional provisions as per the CBO norms for 2022. Accordingly, there were no transfers to the impairment reserve in 2022. As at 31 December 2023 the allowance for credit losses as per CBO provision requirement after considering the impairment reserve held is below the allowance for credit losses held as per IFRS 9 and thus no impairment reserve was created during the year 2023. Further, the provision/ECL amount held above is excluding the special reserve for restructured cases.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(f) Restructured loans

Consolidated								
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms	Net Amount as per IFRS 9
2023		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8)=(1)-(2)-(7)	(9)=(1)-(3)-(7)
Classified as performing	Stage 1	77,983	759	1,148	(389)	-	77,224	76,835
	Stage 2	382,395	24,604	46,388	(21,784)	5,092	352,699	330,915
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**460,378**	**25,363**	**47,536**	**(22,173)**	**5,092**	**429,923**	**407,750**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	77,370	47,373	42,850	4,523	11,607	18,390	22,913
	Sub-total	**77,370**	**47,373**	**42,850**	**4,523**	**11,607**	**18,390**	**22,913**
Total	**Stage 1**	**77,983**	**759**	**1,148**	**(389)**	**-**	**77,224**	**76,835**
	Stage 2	**382,395**	**24,604**	**46,388**	**(21,784)**	**5,092**	**352,699**	**330,915**
	Stage 3	**77,370**	**47,373**	**42,850**	**4,523**	**11,607**	**18,390**	**22,913**
	Total	**537,748**	**72,736**	**90,386**	**(17,650)**	**16,699**	**448,313**	**430,663**
2022		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8)=(1)-(2)-(7)	(9)=(1)-(3)-(7)
Classified as performing	Stage 1	76,817	1,018	1,427	(409)	-	75,799	75,390
	Stage 2	364,050	26,166	39,314	(13,148)	3,733	334,151	321,003
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**440,867**	**27,184**	**40,741**	**(13,557)**	**3,733**	**409,950**	**396,393**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	47,181	30,340	29,886	454	5,470	11,371	11,825
	Sub-total	**47,181**	**30,340**	**29,886**	**454**	**5,470**	**11,371**	**11,825**
Total	**Stage 1**	**76,817**	**1,018**	**1,427**	**(409)**	**-**	**75,799**	**75,390**
	Stage 2	**364,050**	**26,166**	**39,314**	**(13,148)**	**3,733**	**334,151**	**321,003**
	Stage 3	**47,181**	**30,340**	**29,886**	**454**	**5,470**	**11,371**	**11,825**
	Total	**488,048**	**57,524**	**70,627**	**(13,103)**	**9,203**	**421,321**	**408,218**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(f) Restructured loans (continued)

Parent Company

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms	Net Amount as per IFRS 9
2023		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8)=(1)-(2)-(7)	(9)=(1)-(3)-(7)
Classified as performing	Stage 1	23,485	205	342	(137)	-	23,280	23,143
	Stage 2	260,287	23,374	35,604	(12,230)	4,945	231,968	219,738
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**283,772**	**23,579**	**35,946**	**(12,367)**	**4,945**	**255,248**	**242,881**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	62,517	40,337	36,041	4,296	10,686	11,494	15,790
	Sub-total	**62,517**	**40,337**	**36,041**	**4,296**	**10,686**	**11,494**	**15,790**
Total	**Stage 1**	**23,485**	**205**	**342**	**(137)**	**-**	**23,280**	**23,143**
	Stage 2	**260,287**	**23,374**	**35,604**	**(12,230)**	**4,945**	**231,968**	**219,738**
	Stage 3	**62,517**	**40,337**	**36,041**	**4,296**	**10,686**	**11,494**	**15,790**
	Total	**346,289**	**63,916**	**71,987**	**(8,071)**	**15,631**	**266,742**	**258,671**
2022		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8)=(1)-(2)-(7)	(9)=(1)-(3)-(7)
Classified as performing	Stage 1	8,986	152	418	(266)	-	8,834	8,568
	Stage 2	286,003	25,495	32,955	(7,460)	3,733	256,775	249,315
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**294,989**	**25,647**	**33,373**	**(7,726)**	**3,733**	**265,609**	**257,883**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	39,828	25,766	25,302	464	4,850	9,212	9,676
	Sub-total	**39,828**	**25,766**	**25,302**	**464**	**4,850**	**9,212**	**9,676**
Total	**Stage 1**	**8,986**	**152**	**418**	**(266)**	**-**	**8,834**	**8,568**
	Stage 2	**286,003**	**25,495**	**32,955**	**(7,460)**	**3,733**	**256,775**	**249,315**
	Stage 3	**39,828**	**25,766**	**25,302**	**464**	**4,850**	**9,212**	**9,676**
	Total	**334,817**	**51,413**	**58,675**	**(7,262)**	**8,583**	**274,821**	**267,559**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(g) Concentration of risk

Concentrations risk is the potential loss in value when a number of counterparties or exposures move together in unfavourable direction. They may have comparable economic characteristics, or are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The Bank uses a number of controls and measures to minimise undue concentration of exposure across industries, countries and business.

The concentration of gross exposures by sector is as follows:

	Consolidated							
	2023				2022			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	1,286,574	-	-	-	1,200,445	-	-
Corporate	130,125	2,133,222	46,906	353,644	53,671	2,046,253	40,838	306,377
Government	-	73,190	279,655	84,205	-	1	290,818	86,864
Total	**130,125**	**3,492,986**	**326,561**	**437,849**	**53,671**	**3,246,699**	**331,656**	**393,241**

	Parent Company							
	2023				2022			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	858,166	-	-	-	811,429	-	-
Corporate	124,068	1,619,090	40,422	290,907	48,161	1,491,365	39,528	258,270
Government	-	2,190	213,222	11,264	-	1	228,898	13,923
Total	**124,068**	**2,479,446**	**253,644**	**302,171**	**48,161**	**2,302,795**	**268,426**	**272,193**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(g) Concentration of risk (continued)

The concentration of gross exposures by location is as follows:

Consolidated	**Sultanate of Oman**	**Other GCC countries**	**Europe**	**United States of America**	**Others**	**Total**
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	151,581	-	-	-	-	151,581
Due from banks	63,390	30,707	6,148	18,148	11,732	130,125
Loans and advances	3,274,724	-	-	-	-	3,274,724
Investment securities	322,701	3,668	-	-	192	326,561
Intangible assets	6,590	-	-	-	-	6,590
Other assets	86,326	-	-	-	-	86,326
Property and equipment	43,096	-	-	-	-	43,096
Total assets	**3,948,408**	**34,375**	**6,148**	**18,148**	**11,924**	**4,019,003**
Due to banks	68	7,683	14,234	-	10,243	32,228
Customer deposits	3,357,417	-	-	-	-	3,357,417
Other liabilities	107,146	-	-	-	-	107,146
Taxation	5,236	-	-	-	-	5,236
Total liabilities	**3,469,867**	**7,683**	**14,234**	**-**	**10,243**	**3,502,027**

Consolidated	**Sultanate of Oman**	**Other GCC countries**	**Europe**	**United States of America**	**Others**	**Total**
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	99,913	-	-	-	-	99,913
Due from banks	25,477	5,229	2,538	3,759	16,668	53,671
Loans and advances	3,067,063	-	-	-	-	3,067,063
Investment securities	330,710	757	-	-	189	331,656
Intangible assets	6,900	-	-	-	-	6,900
Other assets	84,131	-	-	-	-	84,131
Property and equipment	38,496	-	-	-	-	38,496
Total assets	**3,652,690**	**5,986**	**2,538**	**3,759**	**16,857**	**3,681,830**
Due to banks	54,109	29,869	9,943	-	220	94,141
Customer deposits	2,992,180	-	-	-	-	2,992,180
Other liabilities	94,496	-	-	-	-	94,496
Taxation	3,412	-	-	-	-	3,412
Total liabilities	**3,144,197**	**29,869**	**9,943**	**-**	**220**	**3,184,229**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(g) Concentration of risk (continued)

Parent Company 2023	**Sultanate of Oman** RO'000	**Other GCC countries** RO'000	**Europe** RO'000	**United States of America** RO'000	**Others** RO'000	**Total** RO'000
Cash and balances with central bank	84,685	-	-	-	-	84,685
Due from banks	63,805	26,668	5,883	15,980	11,732	124,068
Loans and advances	2,306,160	-	-	-	-	2,306,160
Investment securities	253,452	-	-	-	192	253,644
Investment in subsidiary	107,144	-	-	-	-	107,144
Other assets	53,696	-	-	-	-	53,696
Property and equipment	37,394	-	-	-	-	37,394
Total assets	**2,906,336**	**26,668**	**5,883**	**15,980**	**11,924**	**2,966,791**
Due to banks	68	7,683	14,234	-	10,243	32,228
Customer deposits	2,343,619	-	-	-	-	2,343,619
Other liabilities	87,097	-	-	-	-	87,097
Taxation	5,236	-	-	-	-	5,236
Total liabilities	**2,436,020**	**7,683**	**14,234**	**-**	**10,243**	**2,468,180**

Parent Company 2022	**Sultanate of Oman** RO'000	**Other GCC countries** RO'000	**Europe** RO'000	**United States of America** RO'000	**Others** RO'000	**Total** RO'000
Cash and balances with central bank	31,034	-	-	-	-	31,034
Due from banks	19,967	5,229	2,538	3,759	16,668	48,161
Loans and advances	2,164,984	-	-	-	-	2,164,984
Investment securities	268,237	-	-	-	189	268,426
Investment in subsidiary	107,144	-	-	-	-	107,144
Other assets	55,454	-	-	-	-	55,454
Property and equipment	35,659	-	-	-	-	35,659
Total assets	**2,682,479**	**5,229**	**2,538**	**3,759**	**16,857**	**2,710,862**
Due to banks	19,069	29,869	9,943	-	220	59,101
Customer deposits	2,089,284	-	-	-	-	2,089,284
Other liabilities	71,114	-	-	-	-	71,114
Taxation	3,412	-	-	-	-	3,412
Total liabilities	**2,182,879**	**29,869**	**9,943**	**-**	**220**	**2,222,911**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(g) Concentration of risk (continued)

The concentration of the gross loans, advances and financings by economic sector is as follows:

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	RO' 000	%	RO' 000	%	RO' 000	%	RO' 000	%
Personal loans	1,286,574	37%	1,200,445	37%	**858,166**	**35%**	811,429	35%
Construction	270,098	8%	281,018	9%	**222,771**	**9%**	243,830	11%
Manufacturing	267,615	8%	266,467	8%	**206,802**	**8%**	196,455	9%
Mining and quarrying	140,324	4%	152,399	5%	**124,534**	**5%**	137,329	6%
Services	327,409	9%	345,363	11%	**139,031**	**6%**	159,515	7%
Import trade	95,732	3%	97,371	3%	**78,539**	**3%**	78,398	3%
Transportation	194,884	6%	177,681	5%	**180,077**	**7%**	160,975	7%
Electricity, water & gas	171,573	5%	107,062	3%	**142,558**	**6%**	103,668	5%
Wholesale and retail trade	115,990	3%	135,984	4%	**68,034**	**3%**	85,993	4%
Financial institutions	233,498	7%	146,295	3%	**189,328**	**8%**	108,163	5%
Agriculture and allied activities	20,272	1%	22,921	1%	**6,345**	**0%**	6,554	0%
Export trade	30	0%	64	0%	**30**	**0%**	64	0%
Government	2,190	0%	1	0%	**2,190**	**0%**	1	0%
Lending to non-residents	2,083	0%	2,134	0%	**165**	**0%**	216	0%
Others	364,714	9%	311,494	11%	**260,876**	**10%**	210,205	8%
Total	**3,492,986**	**100%**	**3,246,699**	**100%**	**2,479,446**	**100%**	**2,302,795**	**100%**

The concentration of contingent liabilities by economic sector is as follows:

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	RO' 000	%	RO' 000	%	RO' 000	%	RO' 000	%
Construction	65,670	15%	75,644	19%	47,558	16%	68,499	25%
Utilities	1,218	0%	3,269	1%	1,218	0%	1,393	1%
Financial Institutions	168,044	39%	112,457	29%	168,044	56%	112,457	41%
Government	84,205	19%	86,864	22%	11,264	4%	13,923	5%
Import trade	5,965	1%	13,609	3%	5,965	2%	13,609	5%
Transportation	1,504	0%	2,571	1%	967	0%	210	0%
Wholesale and retail trade	17,449	4%	19,781	5%	14,319	5%	17,215	6%
Services	56,082	13%	51,052	13%	29,442	10%	23,329	9%
Manufacturing	19,395	5%	15,942	4%	16,386	5%	14,674	5%
Mining & Quarrying	18,317	4%	12,052	3%	7,008	2%	6,884	3%
Total	**437,849**	**100%**	**393,241**	**100%**	**302,171**	**100%**	**272,193**	**100%**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.2 Credit Risk Analysis (continued)

(h) Stage wise movement of loans portfolio

Consolidated 2023	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	2,454,290	626,626	165,783	3,246,699
Additions (new accounts)	784,818	130,200	18,473	933,491
Repaid / derecognized facilities	(480,443)	(199,668)	(5,035)	(685,146)
Transfer to Stage 1	63,465	(63,029)	(436)	-
Transfer to Stage 2	(77,794)	87,208	(9,414)	-
Transfer to Stage 3	(7,068)	(32,166)	39,234	-
Written off including transfer to memorandum accounts	-	-	(2,058)	(2,058)
Balance at the end of the year	**2,737,268**	**549,171**	**206,547**	**3,492,986**

Consolidated 2022	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	2,181,974	574,457	138,026	2,894,457
Additions (new accounts)	736,447	329,753	21,019	1,087,219
Repaid / derecognized facilities	(424,901)	(301,330)	(2,146)	(728,377)
Transfer to Stage 1	22,663	(22,406)	(257)	-
Transfer to Stage 2	(56,795)	61,535	(4,740)	-
Transfer to Stage 3	(5,098)	(15,383)	20,481	-
Written off including transfer to memorandum accounts	-	-	(6,600)	(6,600)
Balance at the end of the year	**2,454,290**	**626,626**	**165,783**	**3,246,699**

Parent 2023	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	1,653,337	526,045	123,413	2,302,795
Additions (new accounts)	714,457	127,780	18,194	860,431
Repaid / derecognized facilities	(470,327)	(209,135)	(2,260)	(681,722)
Transfer to Stage 1	61,256	(61,256)	-	-
Transfer to Stage 2	(34,898)	44,237	(9,339)	-
Transfer to Stage 3	(4,209)	(27,433)	31,642	-
Written off including transfer to memorandum accounts	-	-	(2,058)	(2,058)
Balance at the end of the year	**1,919,616**	**400,238**	**159,592**	**2,479,446**

Parent 2022	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	1,470,735	487,812	106,527	2,065,074
Additions (new accounts)	640,391	308,976	15,891	965,258
Repaid / derecognized facilities	(424,901)	(293,890)	(2,146)	(720,937)
Transfer to Stage 1	21,822	(21,822)	-	-
Transfer to Stage 2	(50,559)	55,295	(4,736)	-
Transfer to Stage 3	(4,151)	(10,326)	14,477	-
Written off including transfer to memorandum accounts	-	-	(6,600)	(6,600)
Balance at the end of the year	**1,653,337**	**526,045**	**123,413**	**2,302,795**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.3 CBO COVID related disclosures

(a) Outbreak of Coronavirus (COVID-19)

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. The pandemic has continued to affect the economic environment and business landscape of the banks. The businesses witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic witnessing stress on revenues & delay in servicing debts. Tightening of market conditions, lockdowns, restrictions on trade and movement of people had caused significant disruptions to businesses and economic activities globally and across industries & sectors. The impact on the economy has receded since 2022 and the economy has witnessed growth in 2023. However, most of the businesses are still to reach the pre-covid operational performance.

(b) Government measures

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the Central Bank of Oman (CBO), also instituted a host of measures to protect the stability of country's economy. These measures include deferral of loan instalments for the affected borrowers (particularly the corporates and SMEs), deferment and waiver of interest/profit for affected Omani nationals employed in private sector, waiver of point of sale (POS) charges, lowering of regulatory capital ratios and increasing the lending ratio etc., suspension of assessment of Significant Increase in Credit risk (SICR). In late 2021, the CBO had released guidance on restructuring of affected borrowers from corporate/SME, which has been adhered to.

(c) Impact of COVID-19 on the Bank

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration is given to both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, has not automatically led to loans being measured on the basis of lifetime losses. The measurement of ECL is based on the models with respect to probability of default, Loss Given Default and Exposure at default, when it is not possible to reflect all relevant information in the models, post-model overlays or adjustments are considered. This is also broadly consistent with guidelines issued by other regulators including those issued by the CBO.

The Central Bank of Oman had issued guidelines on restructuring of facilities for borrowers affected by COVID-19 to be undertaken in 2022. The restructuring of borrowers under the CBO window has been completed by October 2022.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.3 CBO COVID related disclosures (continued)

(c) Impact of COVID-19 on the Bank (continued)

- Bank has developed estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration is given both to the effects of Covid-19 coupled with oil prices & significant CBO policy measures being undertaken.

- Nevertheless, any changes made to ECL estimate the impact of Covid-19 distress will be subject to very high levels of uncertainty as reasonable and supportable forward-looking information may not be currently available to substantiate those changes. As such, the macro-economic forecasts applied by the Bank in the IFRS 9/ECL models cannot be recalibrated upfront with pre-mature effects of Covid-19 and CBO support measures, besides the individual and collective LGD's may get impacted due to Covid-19 effect on market prices of collateral and guarantees.

- The Management Risk Committee of the Bank is primarily responsible for overseeing the Bank's adequacy on ECL. It closely monitors the impact of COVID-19 by an ongoing review of the portfolio including a review of all individually significant exposures. SME customers are evaluated based on the stability of the business owner and business and any short term cash flow mismatches are supported by the Bank.

A considerable portion of Bank's retail portfolio comprises of Omani nationals employed in government sector. This retail segment is expected to largely remain shielded from job cuts and salary reductions. Retail lending to private sector employees is expected to witness impact of economic meltdown in the short to medium term due to the pandemic and hence could lead to potential credit issues. The Bank had extended the deferment of payments for terminated retail borrowers in 2023, which is being extended to 2024 based on the CBO requirement to extend the deferment. The Bank is fully committed to help its customers through these turbulent years as directed by the CBO. The Bank continues to support its customers and partners through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Supreme Committee entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Bank continually reviews its precautionary and administrative measures in response to changes on the ground.

(d) Impact on SICR

The exercise of the deferment option by a customer, in its own, is not considered by the Bank as triggering SICR. However, as part of the Bank's credit evaluation process especially given the current economic situation due to after effects of lock down, the Bank obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable. The assessment of 'Significant Increase in Credit Risk' (SICR) was reinstated by CBO in 2023.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.3 CBO COVID related disclosures (continued)

(e) Impact on ECL

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Bank expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December 2023 are set out as follows:

As at 31 December 2023, the collective provision held by the Bank through management overlays amounts to RO 40,942 thousand (consolidated), RO 32,230 thousand (Parent Company) [2022: RO 22,652 thousand (consolidated), RO 14,110 thousand (Parent Company)] which are specifically allocated to certain stressed parties. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected year.

(f) PMAs and management adjustments

The bank has applied the latest customer ratings, PD term structures and forward looking macro-economic variables applicable in its ECL computation for the year ended 31 December 2023. The Bank holds post model adjustments / overlays as per the sensitivity analysis.

In determining above, the management has considered Investments as per percentage of GDP and Real GDP growth rate as the macroeconomic factors.

(g) Sensitivity of ECL to future economic conditions

Following are the scenario weightage considered by the Bank at Group level:

- Scenario weightings of 55.00%, 20.00%, 25.00% for Base, Bad and Good scenarios (31 December 2022: 66.6%, 5.6%, 27.80%);

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) excluding management overlays under IFRS 9 as at 31 December 2023 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	Consolidated		Parent Company	
	2023		2023	
	Required ECL	Impact on ECL	Required ECL	Impact on ECL
Sensitivity of impairment estimates	RO' 000	RO' 000	RO' 000	RO' 000
ECL on non-impaired loans under IFRS9	37,268	-	22,734	-
Simulations				
Good case - 100% weighted	24,526	12,742	15,591	7,143
Base case - 100% weighted	39,248	(1,980)	24,875	(2,141)
Bad case - 100% weighted	56,867	(19,599)	32,521	(9,788)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.3 CBO COVID related disclosures (continued)

(h) Accounting for modification gain/loss

In case of corporate customers, the Bank post the restructuring of the deferred exposures has computed the modification gain/loss by comparing the net present value of the restructured cash flows, which are discounted at the pre restructuring interest rates to the gross carrying value of the exposures. The Bank has determined that the modifications due to deferment of instalment and waiver of interest/profit allowed in line with CBO relaxation measures did not result in derecognition of financial assets. Further, the impact of day one modification gain/loss was accounted as part of impairment allowance.

(i) Stage-wise analysis of customers restructured under CBO window

The restructured/ rescheduled loans implemented as per CBO circular BSD/CB & FLCs/2021/004 dated 18 November 2021 - window for restructuring/ rescheduling of credit facilities for affected customers are also disclosed in the following table:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023	RO' 000	RO' 000	RO' 000	**RO' 000**
Loans and financing receivables restructured under CBO window	65,390	243,059	6,992	**315,441**
ECL as per IFRS 9	953	18,455	2,438	**21,846**
ECL required as per CBO Circular under restructuring window	998	16,777	2,438	**20,213**

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023	RO' 000	RO' 000	RO' 000	**RO' 000**
Loans and advances restructured under CBO window	16,339	159,744	-	**176,083**
ECL as per IFRS 9	180	11,809	-	**11,989**
ECL required as per CBO Circular under restructuring window	225	10,131	-	**10,356**

In addition to the ECL held above, the bank has utilised special reserve amounting to RO 2.4 million for restructured cases under CBO window.

(j) Impact on the Capital Adequacy

The Bank has applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of the above filter on the Bank's regulatory capital is 49 bps [Parent Company: 67 bps].

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1.4 Loans and advances renegotiated

These arrangements include extended payment arrangements, deferral of payments and modification of interest rates. Following restructuring, a previously deferred loan account is reclassified as a normal loan and managed with other similar loans which are neither past due nor impaired. The restructuring arrangements are based on the criteria and indicators which in the judgement of the management will indicate that the payment will most likely continue.

The total restructured loans at 31 December 2023 amounted to RO 537,748 thousand (consolidated), RO 346,289 thousand (Parent Company); [2022: RO 488,231 thousand (consolidated), RO 334,817 thousand (Parent Company)].

37.1.5 Debt securities

The Bank's investments in debt securities are mainly in Government Development Bonds / Sukuks or treasury bills denominated in Rial Omani issued by the Government of Oman. The Bank also invests in debt securities issued by foreign sovereigns / Omani public sector enterprises based on their individual external credit rating. These investments are made to deploy the surplus liquid funds with maximum return.

37.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank’s funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced.

(a) Maturity profile

The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy. The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the Central Bank of Oman. The deposits with no contractual maturity amounting to RO 1,444 million (2022: RO 1,582 million) for Consolidated and RO 988 million (2022: RO 1,106 million) for Parent Company are included in the maturity profile schedule based on behavioural maturity. These fit into on-demand classification for the requirements of IFRS Accounting Standards. An analysis of the maturity profile of deposits based on contractual maturities is as follows:

	Less than 3 months	3 to 12 months	Sub total	1 to 5 years	Over 5 years	Total
Consolidated	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
2023	1,600,491	649,827	2,250,318	897,997	209,102	**3,357,417**
2022	1,446,795	427,105	1,873,900	1,020,592	97,688	**2,992,180**
Parent	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
2023	1,110,174	676,487	1,786,661	420,932	136,026	**2,343,619**
2022	986,935	356,272	1,343,207	614,081	131,996	**2,089,284**

For financial liabilities apart from on-demand customers deposits the behavioural maturities and contractual maturities are approximately the same. An analysis of the maturity profile based on the estimated behavioural maturities is as follows:

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

(a) Maturity profile (continued)

Consolidated	**On demand or within 3 months**	**3 to 12 months**	**Sub total**	**1 to 5 Years**	**Over 5 years**	**Total**
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	65,715	34,142	99,857	30,628	21,096	**151,581**
Due from banks	130,125	-	130,125	-	-	**130,125**
Loans and advances	400,657	305,359	706,016	915,928	1,652,780	**3,274,724**
Investment securities	9,454	49,771	59,225	189,707	77,629	**326,561**
Intangible assets	-	-	-	-	6,590	**6,590**
Other assets	49,600	32,936	82,536	3,790	-	**86,326**
Property and equipment	-	-	-	-	43,096	**43,096**
Total assets	**655,551**	**422,208**	**1,077,759**	**1,140,053**	**1,801,191**	**4,019,003**
Due to banks	32,228	-	32,228	-	-	**32,228**
Customer deposits	362,674	1,135,168	1,497,842	897,997	961,578	**3,357,417**
Other liabilities	59,637	22,966	82,603	24,543	-	**107,146**
Taxation	5,236	-	5,236	-	-	**5,236**
Total liabilities	**459,775**	**1,158,134**	**1,617,909**	**922,540**	**961,578**	**3,502,027**
Liquidity gap	**195,776**	**(735,926)**	**(540,150)**	**217,513**	**839,613**	**516,976**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	111,951	13,058	125,009	-	-	**125,009**
- Sale contracts	(111,913)	(13,048)	(124,961)	-	-	**(124,961)**
	38	**10**	**48**	-	-	**48**

Consolidated	**On demand or within 3 months**	**3 to 12 months**	**Sub total**	**1 to 5 Years**	**Over 5 years**	**Total**
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	72,874	8,293	81,167	12,174	6,572	**99,913**
Due from banks	33,703	19,968	53,671	-	-	**53,671**
Loans and advances	295,643	416,541	712,184	849,716	1,505,163	**3,067,063**
Investment securities	441	19,659	20,100	153,692	157,864	**331,656**
Intangible assets	-	-	-	-	6,900	**6,900**
Other assets	46,521	27,734	74,255	9,876	-	**84,131**
Property and equipment	-	-	-	-	38,496	**38,496**
Total assets	**449,182**	**492,195**	**941,377**	**1,025,458**	**1,714,995**	**3,681,830**
Due to banks	94,141	-	94,141	-	-	**94,141**
Customer deposits	259,865	886,744	1,146,609	1,020,593	824,978	**2,992,180**
Other liabilities	43,596	17,584	61,180	33,309	7	**94,496**
Taxation	3,412	-	3,412	-	-	**3,412**
Total liabilities	**401,014**	**904,328**	**1,305,342**	**1,053,902**	**824,985**	**3,184,229**
Liquidity gap	**48,168**	**(412,133)**	**(363,965)**	**(28,444)**	**890,010**	**497,601**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	121,865	57,056	178,921	-	-	**178,921**
- Sale contracts	(121,857)	(57,015)	(178,872)	-	-	**(178,872)**
	8	**41**	**49**	**-**	**-**	**49**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

(a) Maturity profile (continued)

Parent Company 2023	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with central bank	26,375	26,819	53,194	16,470	15,021	**84,685**
Due from banks	108,668	15,400	124,068	-	-	**124,068**
Loans and advances	334,703	176,788	511,491	598,603	1,196,066	**2,306,160**
Investment securities	9,454	21,192	30,646	154,891	68,107	**253,644**
Investment in subsidiary	-	-	-	-	107,144	**107,144**
Other assets	41,931	9,928	51,859	1,837	-	**53,696**
Property and equipment	-	-	-	-	37,394	**37,394**
Total assets	**521,131**	**250,127**	**771,258**	**771,801**	**1,423,732**	**2,966,791**
Due to banks	32,228	-	32,228	-	-	**32,228**
Customer deposits	259,705	888,406	1,148,111	420,932	774,576	**2,343,619**
Other liabilities	59,638	22,966	82,604	4,493	-	**87,097**
Taxation	5,236	-	5,236	-	-	**5,236**
Total liabilities	**356,807**	**911,372**	**1,268,179**	**425,425**	**774,576**	**2,468,180**
Liquidity gap	**164,324**	**(661,245)**	**(496,921)**	**346,376**	**649,156**	**498,611**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	111,951	13,058	125,009	-	-	**125,009**
- Sale contracts	(111,913)	(13,048)	(124,961)	-	-	**(124,961)**
	38	**10**	**48**	**-**	**-**	**48**

Parent Company 2022	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with central bank	30,353	59	30,412	60	562	**31,034**
Due from banks	28,193	19,968	48,161	-	-	**48,161**
Loans and advances	270,548	225,675	496,223	561,878	1,106,883	**2,164,984**
Investment securities	441	19,470	19,911	93,987	154,528	**268,426**
Investment in subsidiary	-	-	-	-	107,144	**107,144**
Other assets	39,894	7,875	47,769	7,685	-	**55,454**
Property and equipment	-	-	-	-	35,659	**35,659**
Total assets	**369,429**	**273,047**	**642,476**	**663,610**	**1,404,776**	**2,710,862**
Due to banks	59,101	-	59,101	-	-	**59,101**
Customer deposits	223,898	610,435	834,333	614,081	640,870	**2,089,284**
Other liabilities	43,596	17,584	61,180	9,927	7	**71,114**
Taxation	3,412	-	3,412	-	-	**3,412**
Total liabilities	**330,007**	**628,019**	**958,026**	**624,008**	**640,877**	**2,222,911**
Liquidity gap	**39,422**	**(354,972)**	**(315,550)**	**39,602**	**763,899**	**487,951**
Forward exchange contracts at notional amounts (note 37):						
- Purchase contracts	121,865	57,056	178,921	-	-	**178,921**
- Sale contracts	(121,857)	(57,015)	(178,872)	-	-	**(178,872)**
	8	**41**	**49**	**-**	**-**	**49**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

(a) Maturity profile (continued)

Consolidated	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	11,443	58,906	83,569	10,537	**164,455**
Future interest inflow	35,491	114,451	475,613	395,278	**1,020,833**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	5,181	33,330	79,359	541	**118,411**
Future interest inflow	26,057	96,283	394,241	331,977	**848,558**

Parent Company	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	4,716	51,109	65,535	10,537	**131,897**
Future interest inflow	21,785	77,952	286,289	240,818	**626,844**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	3,066	29,433	66,634	541	**99,674**
Future interest inflow	14,047	64,493	229,361	186,858	**494,759**

The following table below shows the contractual expiry of the Bank's contingent liabilities and commitments:

Consolidated	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	22,757	75,137	35,604	96,749	230,247
Letters of credit	116,915	88,366	2,321	0	207,602
Total commitments and contingencies	**139,672**	**163,503**	**37,925**	**96,749**	**437,849**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	14,713	32,080	16,216	1,142	64,151
Letters of credit	77,489	115,328	26,758	109,515	329,090
Total commitments and contingencies	**92,202**	**147,408**	**42,974**	**110,657**	**393,241**

Parent Company	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	16,347	65,078	22,833	92,456	196,714
Letters of credit	96,574	6,562	2,321	-	105,457
Total commitments and contingencies	**112,921**	**71,640**	**25,154**	**92,456**	**302,171**
2022	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	5,079	23,607	6,591	-	35,277
Letters of credit	65,003	35,687	26,711	109,515	236,916
Total commitments and contingencies	**70,082**	**59,294**	**33,302**	**109,515**	**272,193**

Due to the nature of the issued guarantee contracts, these instruments could be called earlier than the bucket under which reported.

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The details of Bank's capital commitments and unutilised loan commitments are disclosed in note 35.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

(b) Lending ratio

The lending ratio is a regulatory ratio which considers total loans and advances to customer deposits and capital. This ratio is monitored on daily basis and reported on monthly basis as per CBO guidelines. The Bank has internally set a conservative lending ratio benchmark which is lower than CBO lending ratio.

The maximum permissible lending ratio as at 31 December 2023 was 92.5% (2022: 92.5%). In the COVID-19 stimulus package announced by CBO the maximum limit of this ratio was extended to 92.5% from 87.5%. The Bank has reported following lending ratio for the year:

	Parent Company	
	2023	2022
Year end	87.07%	86.96%

(c) Basel III liquidity and funding ratios

An overview of the Basel III liquidity and funding ratios is provided in BASEL II - PILLAR III and BASEL III related disclosures. The LCR and NSFR ratios for the year ended 31 December 2023 are as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
LCR	235%	127%	242%	130%
NSFR	114%	111%	113%	112%

The above disclosed values for LCR are based on average of three-monthly data points.

37.3 Market risk

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

37.3.1 Price risk

The Bank holds listed securities classified as held-for-trading and held to collect and sale to take advantage of short-term capital market movements and manage liquidity. All investment securities present a risk of loss of capital. The Bank controls this risk through a careful selection of securities in accordance with Investment Management Policy approved by the Board. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Bank's market positions are reviewed periodically by the management.

Bank's investments include equity securities which are publicly traded on the Muscat Securities Market (MSM). The Bank's equity and total comprehensive income at 31 December 2023 may decrease by 0.05% Consolidated and 0.03% Parent (2022 Consolidated – 0.04%, Parent – 0.03%) due to decrease by 10% in the MSM - 30 Index and the GCC market indices, with all the other variables held constant. The subsidiary has no investment in equity securities publicly traded on MSM.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest-based assets and liabilities that mature or re-price in a given year. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as its assets and liabilities are aligned for re-pricing in line with the risk appetite. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate with the objective of limiting the potential adverse effects on the Bank's profitability. The Bank's exposure to the interest rate risks is summarised below. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

Consolidated	**Average effective interest rate**	**Within 3 months**	**4 to 6 months**	**7 to 12 months**	**> 1 to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
2023	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1	18,095	-	-	-	1,025	132,461	151,581
Due from banks	4.75	104,681	-	-	-	-	25,444	130,125
Loans and advances	5.18	1,477,333	380,522	419,221	890,358	107,290	-	3,274,724
Investment securities		8,996	18,699	31,072	189,707	75,314	2,773	326,561
Intangible assets		-	-	-	-	-	6,590	6,590
Other assets		11,206	5,582	1,485	1,836	-	66,217	86,326
Property and equipment		-	-	-	-	-	43,096	43,096
Total assets		**1,620,311**	**404,803**	**451,778**	**1,081,901**	**183,629**	**276,581**	**4,019,003**
Due to banks	5.2	31,563	-	-	-	-	665	32,228
Customer deposits	2.76	1,363,322	468,788	728,558	367,194	55,101	374,454	3,357,417
Other liabilities		4,116	6,675	9,019	9,023	-	78,313	107,146
Taxation		-	-	-	-	-	5,236	5,236
Total liabilities		**1,399,001**	**475,463**	**737,577**	**376,217**	**55,101**	**458,668**	**3,502,027**
Total interest sensitivity gap		**221,310**	**(70,660)**	**(285,799)**	**705,684**	**128,528**	**(182,087)**	**516,976**
Cumulative interest sensitivity gap		**221,310**	**150,650**	**(135,149)**	**570,535**	**699,063**	**516,976**	

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3.2 Interest rate risk (continued)

Consolidated	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
2022	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.00	24,356	-	-	-	1,025	74,532	99,913
Due from banks	1.76	32,362	10,000	-	-	-	11,309	53,671
Loans and advances	5.18	1,337,212	477,750	322,247	774,943	154,911	-	3,067,063
Investment securities	5.20	189	-	15,469	162,806	151,297	1,895	331,656
Intangible assets		-	-	-	-	-	6,900	6,900
Other assets		23,313	-	-	-	-	60,818	84,131
Property and equipment		-	-	-	-	-	38,496	38,496
Total assets		**1,417,432**	**487,750**	**337,716**	**937,749**	**307,233**	**193,950**	**3,681,830**
Due to banks	1.79	88,382	-	-	-	-	5,759	94,141
Customer deposits	2.76	1,183,871	168,044	603,602	486,662	-	550,001	2,992,180
Other liabilities		3,032	-	-	-	-	91,464	94,496
Taxation		-	-	-	-	-	3,412	3,412
Total liabilities		**1,275,285**	**168,044**	**603,602**	**486,662**	**-**	**650,636**	**3,184,229**
Total interest sensitivity gap		**142,147**	**319,706**	**(265,886)**	**451,087**	**307,233**	**(456,686)**	**497,601**
Cumulative interest sensitivity gap		**142,147**	**461,853**	**195,967**	**647,054**	**954,287**	**497,601**	

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3.2 Interest rate risk (continued)

Parent Company	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
2022	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.00	1,621	-	-	-	500	28,913	31,034
Due from banks	1.78	26,852	10,000	-	-	-	11,309	48,161
Loans and advances	5.19	1,096,753	194,900	129,241	708,880	35,210	-	2,164,984
Investment securities	5.27	-	-	15,469	103,102	148,448	1,407	268,426
Investment in subsidiary		-	-	-	-	-	107,144	107,144
Other assets		23,312	-	-	-	-	32,142	55,454
Property and equipment		-	-	-	-	-	35,659	35,659
Total assets		**1,148,538**	**204,900**	**144,710**	**811,982**	**184,158**	**216,574**	**2,710,862**
Due to banks	1.91	53,342	-	-	-	-	5,759	59,101
Customer deposits	2.51	889,168	130,803	303,213	263,403	-	502,697	2,089,284
Other liabilities		3,032	-	-	-	-	68,082	71,114
Taxation		-	-	-	-	-	3,412	3,412
Total liabilities		**945,542**	**130,803**	**303,213**	**263,403**	**-**	**579,950**	**2,222,911**
Total interest sensitivity gap		**202,996**	**74,097**	**(158,503)**	**548,579**	**184,158**	**(363,376)**	**487,951**
Cumulative interest sensitivity gap		**202,996**	**277,093**	**118,590**	**667,169**	**851,327**	**487,951**	

For managing its interest rate risk in the banking book, the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its projected Net Interest Income (NII) from 50/100/200bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the current year. The EaR at 31 December 2023 is 3.3% (2022 – 2.5%).

37.3.3 Interest rate benchmark reforms

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), plays a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates ("RFRs") and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other Interbank Offer Rates ("IBORs") are expected to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates ("ARRs"), with the exception of certain USD LIBOR rates were cessation may be delayed until 30 June 2023.

Central Bank of Oman wide it's circular No: SDD/CBS/FLCs/CB/2021/3565 dated 09 December, 2021 has specified that Bank(s) should stop entering into new financial contracts with LIBOR as the reference rate and instead identify and use any widely accepted Alternative Reference Rate (ARR), in respect of each currency, with immediate effect.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3.3 Interest rate benchmark reforms (continued)

The Bank's system has been updated to enable lending linked to these ARR/RFRs and the time-line for transition is as mentioned below:

- Starting January 1, 2022. All new floating rates loans as well as associated derivative deals as executed by the Bank will based on ARR e.g., for USD it will be based on SOFR (Secured Overnight Financing Rate)
- Loans which reference USD Libor and which will remain outstanding post 2021 may continue unchanged, as USD Libor will continue to be published until the Q2 2023.
- Any remaining loans in USD only which reference USD Libor must mature or will be migrated away from using Libor before June 30th 2023, ideally on the final interest reset day prior to this date.

As at 31 December 2023, all LIBOR linked loans have been transferred to RFRs.

37.3.4 Currency risk

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

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and approved by the Executive Committee of the Board and entering into forward contracts based on the underlying commercial transactions with the customers.

Net foreign currency exposure

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO' 000	RO' 000	RO' 000	RO' 000
USD	37,843	40,187	29,305	12,288
EUR	1,394	368	846	27
GBP	26	375	26	367
Others	2,517	2,067	1,966	1,423
Total	**41,780**	**42,997**	**32,143**	**14,105**

Oman operates with a fixed exchange rate, and the Omani Rial is pegged to the USD at $2.5975 per Omani Rial.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.4 Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. The risk is associated with human error, systems failure, inadequate procedures or controls and external causes. Losses from external events, such as a natural disaster that has the potential to damage the Bank's physical assets or electrical or telecommunication failures that disrupt business, are relatively easier to define than losses from internal problems, such as employee fraud and product flaws. The risks from internal problems are more closely tied to the Bank's specific products and business lines; they are more specific to the Bank's operations than the risks due to external events. Operational risks faced by the Bank include IT Security, telecom failure, fraud, and operational errors.

Operational risk governance is set through policies, processes, procedures and oversight of the executive committee. The Bank cannot eliminate all operational risks; however, the operational risk framework is set to identify, assess, monitor and control the risks through the three lines of defences. It periodically conducts various assessments to review risk exposures and implements controls to mitigate the operational risk profile, in accordance with the overall risk appetite. To ensure effective controls and building risk culture, operational risk awareness is scheduled annually across the Bank. Insurance is another tool used as an operational risk mitigant. Insurance coverage such as Bankers' Blanket Bond (BBB), Professional Indemnity, cyber security, etc aim to protect the bank from high-severity risks by reducing the financial impact.

(a) Management risk committee

The Management Risk committee is the main committee for Bank's major risk including operational risk. The committee is composed of main business and control functions. The objectives of the committee is to review and oversee the Bank's risk profile and to put in place actions required to maintain the risk profile within the approved appetite.

(b) Business Continuity Management (BCM)

Business Continuity Plan addresses the inherent risks, which may lead to unexpected business interruptions. The goal of BCM is to provide the ability to effectively respond to threats to protect the business interests and continue to operate following a significant unplanned event or major operational disruption. As a part of Crisis Communication and Business Continuity Management processes, OAB has taken initiatives and proactive measures in meeting the contingency requirements always and especially during COVID-19. The Bank has taken proactive steps considering the pandemic scenario in its BCP. The bank has ensured the resilience to run the business-critical processes during such contingency situation with the effective process in place and the management support. The Bank has a Disaster Recovery Site and remote working set up to meet any unforeseen disaster and maintain operational continuation in such event. The Bank has conducted various BCP requirement like Business Impact assessments, evacuation drills, tests (announced and unannounced) call tree, and spread awareness.

(c) Information Security

Information Security is an essential component of risk management. The Bank seeks to avoid risk and uncertainty for its critical information assets and systems affecting operations and reputation of the bank. Information security governance set up is in place through security policies & procedures. The Bank has invested to implement robust security infrastructure and is conducting yearly vulnerability assessments to ensure the security of the systems.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.5 Fair value estimation

The estimate of fair values of the financial instruments is based on information available to management as at 31 December 2023. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted in deriving the fair values are as follows:

37.5.1 Current account balances due to and from banks

The carrying amount of current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short-term nature.

37.5.2 Loans, advances and financings to customers

The fair value of non-performing loans approximates to the book value adjusted for allowance for loan impairment. For the performing loans, the fair value is taken as being equivalent to its carrying amount as the prevailing interest rates offered on similar loans are not materially different from the actual loan rates and loan rates are reset at frequent intervals to align the rate with market conditions.

37.5.3 Investments at fair value through profit or loss

Quoted market prices, when available, are used as the measure for fair value. However, when the quoted market prices do not exist, fair value presented is estimated using discounted cash flow models or other valuation techniques. Changes in fair value resulting from these calculations are not material to the financial statements. Details are set out in note 8.

37.5.4 Customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

37.5.5 Derivatives

The Bank usually enters into short term forward foreign exchange contracts, on behalf of its customers for the sale and purchase of foreign currencies. For forward foreign exchange contracts, it uses a valuation model with readily available market observable inputs. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.6 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

(a) Financial assets as per statement of financial position

Consolidated	Fair value through profit or loss (FVTPL)	Amortized costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
2023	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	151,581	-	151,581
Due from banks	-	130,125	-	130,125
Loans, advances & financing activities	-	3,274,724	-	3,274,724
Investment securities	458	207,781	118,322	326,561
Other assets	-	81,349	-	81,349
Total	**458**	**3,845,560**	**118,322**	**3,964,340**
2022	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	99,913	-	99,913
Due from banks	-	53,671	-	53,671
Loans, advances & Financing activities	-	3,067,063	-	3,067,063
Investment securities	441	226,724	104,491	331,656
Other assets	-	79,660	-	79,660
Total	**441**	**3,527,031**	**104,491**	**3,631,963**

Parent Company	Fair value through profit or loss (FVTPL)	Amortized costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
2023	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	84,685	-	84,685
Due from banks	-	124,068	-	124,068
Loans, advances & financing activities	-	2,306,160	-	2,306,160
Investment securities	458	189,686	63,500	253,644
Other assets	-	48,719	-	48,719
Total	**458**	**2,753,318**	**63,500**	**2,817,276**
2022	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	31,034	-	31,034
Due from banks	-	48,161	-	48,161
Loans, advances & Financing activities	-	2,164,984	-	2,164,984
Investment securities	441	208,629	59,356	268,426
Other assets	-	50,984	-	50,984
Total	**441**	**2,503,792**	**59,356**	**2,563,589**

(b) Financial liabilities as per statement of financial position

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
	RO' 000	RO' 000	RO' 000	RO' 000
Due to banks	32,228	94,141	32,228	59,101
Deposits from customers	3,357,417	2,992,180	2,343,619	2,089,284
Other liabilities	102,715	90,615	82,666	67,233
Total	**3,492,360**	**3,176,936**	**2,458,513**	**2,215,618**

38. CAPITAL MANAGEMENT

The Bank's objectives of capital management are:

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

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

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

- Tier 1 capital, which includes ordinary share capital, share premium, reserves, retained earnings (net of proposed dividend) after deductions for goodwill, intangibles including deferred tax asset and 50% of carrying value of the investment in associates as per the regulatory adjustments that are included in equity but are treated differently for capital adequacy purposes and additional 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 2% of risk weighted assets. The amount of collective impairment allowances that may be included as part of Tier II capital is limited to 1.25% of the total credit risk-weighted assets. Additional incremental Stage 2 ECL as on December 31, 2023, over Stage 2 ECL as on December 31, 2019, qualifies as Tier II capital with a gradual phase-out by 2024.

The capital adequacy of the Bank is as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Common Equity Tier 1 (CET 1)	347,289	334,943	231,231	228,810
Additional Tier 1	143,850	136,403	143,850	136,403
Tier 1 capital	491,139	471,346	375,081	365,213
Tier 2 capital	27,358	30,872	23,320	27,412
Total capital base	**518,497**	**502,218**	**398,401**	**392,625**
Credit risk	2,872,616	2,699,066	2,092,426	2,007,061
Market risk	39,138	41,826	29,500	13,263
Operational risk	221,734	215,348	167,175	168,625
Total risk weighted assets	**3,133,488**	**2,956,240**	**2,289,101**	**2,188,949**
Capital adequacy ratio %	16.55%	16.99%	17.40%	17.94%
CET 1 ratio	**11.08%**	**11.33%**	**10.10%**	**10.45%**
Tier 1 Capital ratio	**15.67%**	**15.94%**	**16.39%**	**16.68%**

39. SEGMENT INFORMATION

The Bank mainly operates in only one geographical location, the Sultanate of Oman. The Bank has, however, earned interest income and incurred interest expenses on account of money market placements and borrowings with banks outside the Sultanate of Oman as of 31 December 2023. The information regarding the Bank's due from banks and due to banks based on the geographical locations for 2023 and 2022 is set out in note 37.1.2(g).

For management purposes, the conventional operations of the Bank are organised into four operating segments based on products and services. In addition, Islamic banking services are offered through Alizz Islamic Bank. The operating segments are as follows:

Retail banking	Individual personal loan, overdraft, credit card and funds transfer facilities.
Corporate banking	Loans and other credit facilities for corporate and institutional customers.
Treasury	Bonds, placements, bank borrowings, foreign exchange.
Others	Other central functions and Head office.
Islamic Banking	Sharia' compliant Islamic banking products and services including Ijarah, Murabaha, Mudarbah and Diminishing Musharakah.

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**
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	24,198	34,295	12,204	-	-	**70,697**
Net income from Islamic financing	-	-	-	-	26,194	**26,194**
Other operating income	7,946	9,082	1,341	-	4,981	**23,350**
Total operating income	**32,144**	**43,377**	**13,545**	**-**	**31,175**	**120,241**
Operating expenses	(29,484)	(19,978)	(3,418)	(310)	(18,089)	**(71,279)**
Net allowances for credit losses	350	(21,020)	(83)	-	(3,976)	**(24,729)**
Tax expenses	(496)	(219)	(1,655)	-	(1,308)	**(3,678)**
Profit / (Loss) for the year	**2,514**	**2,160**	**8,389**	**(310)**	**7,802**	**20,555**
Assets	837,732	1,468,428	462,397	82,280	1,168,166	**4,019,003**
Liabilities	684,556	1,659,063	32,229	76,931	1,049,248	**3,502,027**

39. SEGMENT INFORMATION (CONTINUED)

Consolidated	**Retail**	**Corporate**	**Treasury**	**Others**	**Islamic Banking**	**Total**
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	28,197	33,707	12,565	-	-	74,469
Net income from Islamic financing	-	-	-	-	25,683	25,683
Other operating income	6,959	10,219	829	193	4,183	22,383
Total operating income	**35,156**	**43,926**	**13,394**	**193**	**29,866**	**122,535**
Operating expenses	(30,243)	(21,093)	(3,845)	(310)	(19,244)	(74,735)
Net allowances for credit losses	(357)	(26,594)	80	-	(3,473)	(30,344)
Tax expenses	(19)	286	(651)	(8)	(883)	(1,275)
Profit / (Loss) for the year	**4,537**	**(3,475)**	**8,978**	**(125)**	**6,266**	**16,181**
Assets	799,540	1,364,394	347,621	98,014	1,072,261	3,681,830
Liabilities	661,321	1,427,963	59,101	74,526	961,318	3,184,229

Parent Company	**Retail**	**Corporate**	**Treasury**	**Others**	**Islamic Banking**	**Total**
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	24,198	34,295	12,560	-	-	**71,053**
Other operating income	7,946	9,082	985	-	-	**18,013**
Total operating income	**32,144**	**43,377**	**13,545**	**-**	**-**	**89,066**
Operating expenses	(29,484)	(19,978)	(3,418)	-	-	**(52,880)**
Net allowances for credit losses	350	(22,070)	(83)	-	-	**(21,803)**
Tax expenses	(496)	(219)	(1,655)	-	-	**(2,370)**
Profit / (Loss) for the year	**2,514**	**1,110**	**8,389**	**-**	**-**	**12,013**
Assets	837,732	1,468,428	569,541	91,090	-	**2,966,791**
Liabilities	684,556	1,659,063	32,229	92,332	-	**2,468,180**

Parent Company	**Retail**	**Corporate**	**Treasury**	**Others**	**Islamic Banking**	**Total**
2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	28,197	33,707	12,580	-	-	74,484
Other operating income	6,959	10,219	829	193	-	18,200
Total operating income	**35,156**	**43,926**	**13,409**	**193**	**-**	**92,684**
Operating expenses	(30,243)	(21,093)	(3,845)	-	-	(55,181)
Net allowances for credit losses	(357)	(26,594)	80	-	-	(26,871)
Tax expenses	(19)	286	(651)	(8)	-	(392)
Profit / (Loss) for the year	**4,537**	**(3,475)**	**8,993**	**185**	**-**	**10,240**
Assets	799,540	1,365,444	454,765	91,113	-	2,710,862
Liabilities	661,321	1,427,963	59,101	74,526	-	2,222,911

40. COMPARATIVE FIGURES

Certain comparative figures for 2022 have been reclassified to conform to the presentation for the current year. During 2023, the group modified the classification of due to banks maturing less than three month and excluded it from cash and cash equivalent amount. This resulted in excluding an amount of RO 94.1 million in Consolidated and RO 59.1 million in Parent from the cash and cash equivalent amount as at 31 December 2022.

41. SUBSEQUENT EVENTS

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