



SOHAR INTERNATIONAL BANK SAOG

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

Chairman's report for the three month period ended 31 March 2023

With impressive first quarter financial results, which included the bank's total assets now the second highest among Omani banks, and an exciting strategic growth agenda to compliment the exceptional organic growth, I am privileged to present Sohar International's performance for the quarter ended 31 March 2023.

With the Sultanate having secured a top five position in the Arab world in terms of GDP growth forecasts for 2023, Sohar International is well positioned to continue supporting the government's "Vison 2040" agenda supported by the optimistic economic outlook.

Boasting a healthy fiscal surplus and a projected increase in oil and gas output, Oman is in a strong position to continue its upward trajectory while fulfilling its revenue diversification goals. In line with its commitment to supporting critical government sectors, Sohar International is steadfast in its efforts to cultivate a skilled workforce and lead community well-being initiatives. The bank's focus on these key areas is a testament to our unwavering dedication to the prosperity of the Sultanate and its people.

FINANCIAL RESULTS

Profit for the period increased 55.9% to RO 13.3 million compared to RO 8.5 million for the same period last year. Total operating income increased 18.4% to RO 36.0 million, (31 March 2022: RO 30.4 million), driven by increases in both net interest income and other operating income.

Total operating expenses increased 11.1% to RO 14.9 million (31 March 2022: RO 13.4 million). Increased expenses reflect the bank's continued investment in people, technology and costs associated with the bank's strategic initiatives.

Net operating income before impairment provisions increased 24.2% to RO 21.0 million (31 March 2022: RO 16.9 million) resulting in an expenses-to-income ratio of 41.5% compared to 44.2% for the same period last year. Loan impairment charges and other credit risk provisions (net) for the period was RO 5.4 million compared to RO 6.8 million for the same period last year.

Total assets increased 10.4% to RO 4,632 million (31 March 2022: RO 4,196 million) mainly driven by increase in loans, advances and Islamic financings (net) which increased 14.9% to RO 3,069 million (31 March 2022: RO 2,671 million).

Customer deposits increased 15.1% to RO 2,775 million (31 March 2022: RO 2,410 million), highlighting the bank's funding strength with the net loans-to-customer deposit ratio of 110.6% in line with the same period last year.

The increase in shareholder's equity from RO 385.5 million as at 31 March 2022 to RO 554.5 million includes the highly successful rights issue in September 2022 of RO 160 million. The bank's capital strength also supported a repayment of OMR 100 million perpetual tier 1 capital securities on the call date of 25th September 2022.

GROWTH STRATEGY

On 5th February 2023, Sohar International Bank SAOG announced that approval had been received from the Central Bank of Oman for the proposed merger with HSBC Bank Oman SAOG. The merger, which is still subject to approval from relevant regulatory bodies as well as from the respective shareholders of the two entities, is expected to be completed in the second half of 2023.

This exciting growth opportunity will further position Sohar International as Oman's leading financial services organization.

On June 16th, 2022 the bank had confirmed its commitment to pursue a possible merger with Bank Nizwa SAOG.

Sohar International's registered branch in the Kingdom of Saudi Arabia is expected to commence full operations in the second half of 2023. The branch further increases the bank's ability to support economic cooperation between our nations, realizing meaningful commercial and investment exchanges and contributing towards achieving the goals outlined in Oman Vision 2040.

ADDING VALUE TO OMAN'S SUSTAINABLE ECONOMIC GROWTH

Committed as a key player in promoting Foreign Direct Investment (FDI) in Oman, Sohar International has extended its support as the main partner for the 'Invest Oman' hall that has been initiated and developed by the Ministry of Commerce, Industry, and Investment Promotion (MoCIIP). The hall's objective is centred on implementing a cohesive approach to bolster the Sultanate's standing as a prime destination for investments. Additionally, Sohar International participated in a prestigious investment conference organized by the Muscat Stock Exchange (MSX) in Saudi Arabia, showcasing investment prospects and fostering connections between investors. This further solidifies the bank's commitment to promoting investment opportunities in Oman and supporting the growth of FDI in the region.

SERVING CUSTOMERS

Sohar International is steadfast in its unwavering commitment to deliver exceptional financial solutions to its valued customers. The bank acted as the financial advisor to Oman Investment Authority in a significant private equity transaction for a publicly listed company in Oman. This landmark achievement contributed to the growth of foreign direct investment and reinforced the bank's position as a trusted financial partner in the region.

Staying ahead of evolving market needs and customer expectations, the bank has expanded its ecosystem of products and services, leveraging analytic research and insight-based customer segmentation to introduce relevant promotions that add value to our customers.

The bank's commitment to promoting financial literacy and financial inclusion among customers is reflected in its revamped Minor Account, for parents seeking to secure their child's financial future, and Sohar Islamic | Student Account catering to the lifestyle needs of our local youth community.

The bank has established business arrangements with diverse entities to provide its customers with exclusive deals and benefits, thereby augmenting the bank's value proposition. Enhancing customer experience, the bank relocated and renovated certain branches to improve accessibility and convenience, aligning with its brand and offering a contemporary banking environment.

REDEFINING WITH DIGITAL

Sohar International is at the forefront of redefining banking experience through digital innovation. The bank has embraced the latest trends and advancements in technology to enhance its digital platforms and services. The focus on customer-centricity has resulted in the introduction of new features and services that reflect the bank's digital capabilities.

A significant development in this regard are new features for the Sohar International and Sohar Islamic mobile banking apps, making banking transactions convenient and frictionless. Gaining further traction and proving popular is the cutting-edge Unified Transaction Banking platform that serves our corporate customer base.

Notably, the bank has achieved an accelerated upward trajectory in terms of customer growth, with the successful on-boarding of over 3,000 corporate customers to the new digital banking platform in just one year. All existing corporate customers have been seamlessly migrated to the platform, which offers a wide range of cutting-edge features, including digital trade finance, international and domestic payments, credit card payments, utility payments, and salary payments.

As the Wholesale Banking division of Sohar International continues to attract new clients, the bank is set to leverage Digi-H2H connectivity to ensure uninterrupted execution of digital banking transactions. This implementation will further bolster the platform's capabilities, providing a seamless and efficient experience for both existing and new customers.

Sohar International has been proactive in raising awareness of its digital capabilities, educating customers on the benefits of using digital services, and communicating regularly on fraud prevention measures.

Sohar Islamic has recently launched a state-of-the-art internet banking platform tailored for its corporate clients, empowering them to conduct transactions electronically. The platform offers a host of cutting-edge digital services, providing clients with a seamless and superior banking experience.

SERVING OUR COMMUNITY

Sohar International's humanitarian philosophy and active involvement in the community aims to enrich the lives of people and in the belief that an empowered community drives a nation's sustainable development.

The Bank undertook community service in the holy month of Ramadan, with an extensive distribution of Ramadan ration in the Wilaiyat of Masirah.

Taking great pride in promoting the culture and heritage of the nation and positioning Oman as an iconic sports and entertainment destination, Sohar International has sponsored prominent local events such as the Desert Adventures Festival in Al Sharqiyah Sands and extended support to the Oman National Football Association post the 25th Arabian Gulf Cup.

Complementing the government's efforts to enhance the healthcare system, a key sector, the bank has collaborated with prominent organisations that have been driving holistic wellness in the community. The bank partnered with Ihsan Association in an ongoing partnership to further benefit society by providing financial aid to purchase fully equipped ambulances through Athar Foundation. In addition the bank contributed to Royal Oman Hospital to provide 500 MRI scans to private hospitals reducing waiting lists for examinations and provide better services to the community.

Reaffirming its dedication to spearheading knowledge sharing through thought leadership forums, Sohar International acted as a Strategic Partner at the Alam Al-Iktissad Oman Forum 2023 themed 'Sustainability, Innovation and Inclusive Growth'. The bank also sponsored the 2nd International Conference on Banking, Finance and Business, where the bank's Chief Executive Officer, Mr. Ahmed Al Musalmi, led insightful discussions as a keynote speaker.

CARING FOR OUR EMPLOYEES

Sohar International is dedicated to nurturing a highly skilled and motivated workforce in line with Oman's Vision 2040. The bank's ongoing investments in training and development programs for its employees reflect this commitment. Recently, the bank introduced a training program tailored for national graduates and designed to equip them with the necessary skills and knowledge to excel in the banking industry.

In keeping with its commitment to promoting sustainability, Sohar International has transitioned from traditional printed paper business cards to NFC-enabled cards. This move aligns with the bank's ESG agenda and underscores its willingness to embrace innovation while minimizing its carbon footprint.

AWARDS AND ACCOLADES

Sohar International has started the year on a high note, garnering recognition and praise for its people-centric strategies. The bank has recently received awards that attest to its commitment to providing a positive work environment and supporting social causes. The Global Economics, UK, has honoured Sohar International with the 'Best Place to Work in Banking Sector – Oman 2022' award. This accolade acknowledges the bank's focus on creating a work culture that values employee wellbeing, engagement, and growth opportunities. The bank has also been recognized as the "Top Omani Brand in Banking Sector" by Alam Al-Iktisaad reflecting the bank's reputation as a reliable and trustworthy financial institution in Oman. In addition to these awards, Sohar International has also received recognition from the Oman Cancer Society for its support of the organization's initiatives. The bank's efforts in supporting social causes demonstrate its commitment to creating a positive impact beyond the financial sector. These accolades are a testament to Sohar International's people-centric and socially responsible approach.

RECOGNITION

I express my gratitude to our esteemed shareholders and customers who have bestowed upon us utmost confidence as we have scaled new heights. Our employees continue to mirror the bank's core values with proficiency and diligence.

The strong governance policies and reforms implemented by the Central Bank of Oman and the Capital Market Authority along with their ongoing support to the financial sector have further boosted growth opportunities in the economy.

Finally, on behalf of the board of directors and our employees, I extend my heartfelt gratitude to His Majesty Sultan Haitham Bin Tarik whose exemplary leadership and strong vision have propelled the banking sector to achieve new milestones, crystalized socio-economic progress, and established a clear path for our nation's continued prosperity and growth.



Mohamed Mahfoodh Al Ardhi
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(RO'000)

		31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	5	173,209	125,895	101,755
Due from banks	6	440,534	103,945	123,661
Investment securities	8	819,811	853,843	1,015,774
Loans, advances and Islamic financings (net)	7	3,068,683	2,924,294	2,670,692
Other assets	9	78,406	72,108	233,453
Investment properties		2,900	2,900	2,900
Property and equipment		48,458	48,016	47,895
TOTAL ASSETS		4,632,001	4,131,001	4,196,130
LIABILITIES				
Due to banks	10	1,102,081	806,015	905,320
Customer deposits	11	2,775,118	2,560,098	2,410,225
Other liabilities	12	99,828	98,905	259,472
Subordinated loans		494	485	35,645
TOTAL LIABILITIES		3,977,521	3,465,503	3,610,662
SHAREHOLDERS' EQUITY				
Share capital	13	455,355	455,355	295,355
Share premium	13	18,038	18,038	18,038
Legal reserve		37,877	37,877	34,389
General reserve		988	988	988
Fair value reserve		(103)	(173)	(2,288)
Subordinated loans reserve		485	485	28,000
Impairment reserve		5,464	5,464	5,464
Retained earnings		36,376	47,464	5,522
TOTAL SHAREHOLDERS' EQUITY		554,480	565,498	385,468
Perpetual tier 1 capital securities	14	100,000	100,000	200,000
TOTAL EQUITY		654,480	665,498	585,468
TOTAL LIABILITIES AND EQUITY		4,632,001	4,131,001	4,196,130
CONTINGENT LIABILITIES COMMITMENTS	15.1 15.2	312,384 405,406	289,074 570,552	298,087 533,930
		<i>Baisa</i>	<i>Baisa</i>	<i>Baisa</i>
Net assets per share		120.8	123.2	128.9

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 30 April 2023 and signed on their behalf by:

Chairman

Board member

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023
(Unaudited)
(RO'000)

		Three months ended	
	Notes	31 March 2023	31 March 2022
Interest income	16	52,473	37,414
Interest expense	17	(28,486)	(16,264)
Net interest income		23,987	21,150
Net income from Islamic financing and investing activities	18	2,054	2,233
Other operating income	19	9,906	6,980
TOTAL OPERATING INCOME		35,947	30,363
Staff costs		(8,887)	(7,967)
Other operating expenses	20	(5,072)	(4,533)
Depreciation		(962)	(934)
TOTAL OPERATING EXPENSES		(14,921)	(13,434)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		21,026	16,929
Loan impairment charges and other credit risk provisions (net)	21	(5,416)	(6,830)
PROFIT BEFORE TAX		15,610	10,099
Income tax expense		(2,326)	(1,577)
PROFIT FOR THE PERIOD		13,284	8,522
Items that will not be reclassified to profit and loss			
Revaluation loss on equity instruments held at fair value through other comprehensive income (FVOCI)		(20)	(15)
Items to be reclassified subsequently to profit and loss			
Net changes in fair value on debt instruments classified FVOCI		90	(92)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		70	(107)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		13,354	8,415
Profit for the period			
Conventional banking		11,363	7,439
Islamic banking		1,921	1,083
		13,284	8,522
Basic earnings per share for the period	22	<i>Baisa</i> 2.08	<i>Baisa</i> 0.32

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2023

(Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Subordinated loans reserve	Impairment reserve	Retained earnings	TOTAL SHAREHOLDERS' EQUITY	Perpetual tier 1 capital securities	TOTAL EQUITY
Balance as at 1 January 2023	455,355	18,038	37,877	988	(173)	485	5,464	47,464	565,498	100,000	665,498
Profit for the period	-	-	-	-	-	-	-	13,284	13,284	-	13,284
Other comprehensive income for the period	-	-	-	-	70	-	-	-	70	-	70
Total comprehensive income for the period	-	-	-	-	70	-	-	13,284	13,354	-	13,354
Dividends paid for the year 2022	-	-	-	-	-	-	-	(20,655)	(20,655)	-	(20,655)
Perpetual tier 1 interest paid	-	-	-	-	-	-	-	(3,717)	(3,717)	-	(3,717)
Balance as at 31 Mar 2023	455,355	18,038	37,877	988	(103)	485	5,464	36,376	554,480	100,000	654,480

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Subordinated loans reserve	Impairment reserve	Retained earnings	TOTAL SHAREHOLDERS' EQUITY	Perpetual Tier 1 Capital Securities	TOTAL EQUITY
Balance as at 1 January 2022	295,355	18,038	34,389	988	(2,181)	28,000	5,464	16,525	396,578	200,000	596,578
Profit for the period	-	-	-	-	-	-	-	8,522	8,522	-	8,522
Other comprehensive loss for the period	-	-	-	-	(107)	-	-	-	(107)	-	(107)
Total comprehensive income for the period	-	-	-	-	(107)	-	-	8,522	8,415	-	8,415
Dividends approved for the year 2021	-	-	-	-	-	-	-	(11,961)	(11,961)	-	(11,961)
Perpetual tier 1 interest paid	-	-	-	-	-	-	-	(7,564)	(7,564)	-	(7,564)
Balance as at 31 March 2022	295,355	18,038	34,389	988	(2,288)	28,000	5,464	5,522	385,468	200,000	585,468

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023**
**(Unaudited)
(RO'000)**

	31 March 2023	31 March 2022
OPERATING ACTIVITIES		
Profit before tax	15,610	10,099
Adjustments for:		
Depreciation	962	934
Loan impairment charges and other credit risk provisions (net)	5,416	6,830
Net loss/(gain) on investments	(2)	21
Income from Islamic investment activities	(400)	(430)
Interest on investments	(10,035)	(6,138)
Interest accrued on subordinated loans	9	604
Cash from operating activities before changes in operating assets and liabilities	11,560	11,920
Due from banks	(374)	(5,068)
Loans, advances and Islamic financings (net)	(149,361)	(64,934)
Investment held at fair value through profit or loss (FVTPL)	(656)	(683)
Other assets	(6,171)	(62,253)
Due to banks	294,045	184,621
Customer deposits	215,020	15,759
Other liabilities	(401)	57,756
Cash from operating activities	363,662	137,118
INVESTING ACTIVITIES		
Purchase of investments (net)	(302)	-
Proceeds from sale of investments	4,500	-
Acquisition of property and equipment	(1,400)	(1,090)
Income from Islamic investment activities	58	-
Interest received on investments	10,035	6,138
Net cash from investing activities	12,891	5,048
FINANCING ACTIVITIES		
Dividends paid	(20,655)	-
Interest paid on subordinated loans	-	(353)
Interest paid on perpetual tier 1 capital securities	(3,717)	(7,564)
Net cash used in financing activities	(24,372)	(7,917)
NET CHANGE IN CASH AND CASH EQUIVALENTS	352,181	134,249
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	455,450	593,226
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	807,631	727,475
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit)	172,707	101,253
Due from banks with original maturity (OM) of 90 days or less	433,424	123,502
Investment securities with OM of 90 days or less	356,094	563,653
Due to banks with OM of 90 days or less	(154,594)	(60,933)
	807,631	727,475

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023****1. Legal status and principal activities****1.1 Sohar International Bank SAOG**

Sohar International Bank SAOG (“the Bank”), formerly Bank Sohar SAOG, was established in the Sultanate of Oman on 4 March 2007 as a public joint stock company and is primarily engaged in commercial, investment and Islamic banking through a network of thirty commercial banking branches and nine Islamic banking branches within the Sultanate of Oman. The Bank operates under commercial, investment and an Islamic banking licence issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank started commercial operations from 9 April 2007. The registered address of the Bank is PO Box 44, Hai Al Mina, Postal Code 114, Muscat, Sultanate of Oman. The Bank has its primary listing on the Muscat Securities Market.

With effect from 30 April 2013, the Bank obtained a license to operate an Islamic Banking Window (“Sohar Islamic”). Sohar Islamic offers a full range of Islamic banking services and products. The principal activities of the window include accepting Shari’a compliant customer deposits, providing Shari’a compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Istisna’a, Salam and providing commercial banking services, investment and other activities permitted under Islamic Banking Regulatory Framework (IBRF).

The Bank established a branch in Riyadh, Kingdom of Saudi Arabia in November 2022, Commercial Registration No. 1010839168 dated 07/11/2022. The branch is expected to be operational in 2023, initially providing commercial and Islamic banking services

The Bank employed 882 employees as of 31 March 2023 (31 December 2022: 884, 30 March 2022: 886).

1.2 Potential mergers

On 23rd November 2021 the Bank announced its intention to explore the possibility of a merger with Bank Nizwa SAOG, subject to regulatory and shareholder approvals. Approval was received from CBO on 18th January 2022 to commence the due diligence process. On June 16th, 2022 the Bank confirmed its commitment to pursue the proposed merger with the due diligence process to be finalised at the earliest.

On 16th November 2022 the Bank’s Board of Directors approved the entry into a binding merger agreement (Agreement) with HSBC Bank Oman SAOG (HSBC Oman) under which the two banks agreed to take the necessary steps to implement a merger by incorporation. Pursuant to the Agreement, HSBC Oman and Sohar International Bank SAOG will merge and all of the assets and liabilities of HSBC Oman will be transferred to the Bank. On completion of the merger, HSBC Oman will cease to exist as a legal entity and its shares will be cancelled. The shareholders of HSBC Oman will be offered consideration valuing HSBC Oman at 1.0x book value, with such consideration consisting of shares of the Bank with the option for the shareholders of HSBC Oman to elect to receive the consideration in cash, provided that the maximum cash consideration payable by the Bank to the shareholders of HSBC Oman that elect to receive cash consideration shall not exceed 70% of the total consideration payable by the Bank. The shares of the Bank that form part of the consideration to the shareholders of HSBC Oman shall value the Bank at 1.0x book value. The respective book value of each bank shall be calculated later (which is currently expected at the end of the first quarter of 2023) before the banks invite their shareholders to vote on the merger in an extraordinary general meeting.

On 5th February 2023, the Bank announced that approval had been received from the CBO for the proposed merger.

The merger, which is still subject to approval from relevant regulatory bodies as well as from the respective shareholders of the two entities, is expected to complete in the second half of 2023. The timing of the extraordinary general meetings of each of HSBC Oman and the Bank will be confirmed at a later date and subject to the publication of further information relating to the merger as required by applicable regulations. If both extraordinary general meetings vote in favour of the merger, then the resolutions will be published and the process will follow in line with the requirements of applicable laws and regulations. Only at legal completion date will HSBC Bank Oman SAOG merge into Sohar International Bank SAOG to become a single bank.

2. Basis of preparation

These interim condensed financial statements are prepared in accordance with International Accounting Standard No.34 - “Interim Financial Reporting”, relevant disclosure requirements of the Commercial Companies Law of Oman, Capital Market Authority and the applicable regulations of the CBO. Since these are interim condensed financial statements, they do not contain all information and disclosures for the full financial statements prepared in accordance with IFRS. Therefore, these interim condensed financial statements should be read in conjunction with the Bank’s annual financial statements as at 31 December 2022.

In addition, results for the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2023. (Requirement of IAS 34 para 16 A)

2.1 Statement of compliance

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 31 MARCH 2023

2. Basis of preparation (continued)

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments classified as at fair value through profit or loss (FVTPL) are measured at fair value;
- financial assets classified at fair value through other comprehensive income (FVOCI) are measured at fair value;

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

2.3 Functional and presentation currency

These financial statements are presented in Rial Omani, which is the Bank's functional currency. All financial information presented in Rial Omani has been rounded to the nearest thousands, unless otherwise indicated.

2.4 Use of estimates and judgements

In preparation of the Bank's financial statements, management is required to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant provisions for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required for impaired loans and receivables as well as provisions for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Application of new and revised International Financial Reporting Standards (IFRS)

For the period ended 31 March 2023, the Bank has adopted all of the 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 new standards and amendments to standards that were effective for annual periods beginning from 1 January 2023 did not have any material impact on these interim condensed financial statements.

4. ECL provisions and Management Overlays during the pandemic:

The Bank continues to assess borrowers for other indications of default, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or of a longer term nature. The Bank continues to assess significant corporate exposures to adequately safeguard against any adverse movements due to Covid-19 in addition to industry specific account level adjustments for retail exposures with regards to specific industry sectors whose employees are expected to be most impacted.

The Bank has included within its loan impairment charges and other credit risk provisions (net) an element of management overlay in response to expected credit deterioration due to the economic impact of COVID-19. The impact of such an uncertain economic environment is judgmental and the Bank will continue to assess its ECL taking into account initiatives by the CBO as well as guidance issued by the IASB.

Accounting for modification loss:

For both corporate and retail customers, the Bank has added the simple interest accrued during the deferral period (DP) to the principal outstanding and either extended the original maturity period of the loan or increased the instalments at the end of the DP. The Bank has determined that the modifications due to deferral of instalment and waiver of profit allowed in line with CBO relaxation measures do not result in de-recognition of financial assets. Further, the impact of day one modification loss was not considered material for the period.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
5. Cash and balances with Central Bank

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Cash	30,632	29,065	33,140
Capital deposit with CBO	502	507	502
Balance with CBO	142,075	96,323	68,113
	173,209	125,895	101,755

The Capital deposit with CBO cannot be withdrawn without CBO approval.

During the period, average minimum balance to be kept with CBO as statutory reserves is RO 104.3 million (31 December 2022: 98.3 million, 31 Mar 2022: RO 96.9 million).

6. Due from banks

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
<i>Foreign currency:</i>			
Money market placements	398,759	87,891	80,131
Lending to banks	-	-	154
Demand balances	42,080	16,055	43,376
Gross carrying amount	440,839	103,946	123,661
Less: ECL provision	(305)	(1)	-
	440,534	103,945	123,661

Analysis of changes in the gross carrying amount and corresponding ECL provision on due from banks:

	31 March 2023 (Unaudited)				30 Mar 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	103,946	-	-	103,946	172,960
New assets originated or purchased	336,893	-	-	336,893	16,059
Assets derecognised or matured	-	-	-	-	(65,358)
Gross carrying amount	440,839	-	-	440,839	123,661

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2023

(RO'000)

6. Due from banks (continued)

	31 March 2023 (Unaudited)				31 March 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	(1)	1	-	-	1
Net impairment charge/(release) (Note 21)	306	(1)	-	305	(1)
ECL provision	305	-	-	305	-

7. Loans, advances and Islamic financings (net)

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Corporate	2,199,921	2,078,958	1,887,677
Retail	1,010,815	987,309	911,654
Gross loans, advances and Islamic financings	3,210,736	3,066,267	2,799,331
Less: ECL provision	(118,360)	(113,549)	(103,220)
Less: Contractual interest/profit not recognised	(23,693)	(28,424)	(25,419)
	(142,053)	(141,973)	(128,639)
Loans, advances and Islamic financings (net)	3,068,683	2,924,294	2,670,692

Gross loans, advances and Islamic financings include RO 436.33 million (31 December 2022: RO 424.73 million, 31 March 2022: RO 346.05 million) through Sohar Islamic financing activities.

Loans, advances and Islamic financings (net) comprise:

	30 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Loans	2,690,174	2,601,370	2,590,275
Overdrafts	416,252	373,057	132,409
Loans against trust receipts	86,522	78,674	56,628
Bills discounted	17,788	13,166	20,019
Gross loans, advances and Islamic financings	3,210,736	3,066,267	2,799,331
Less: ECL provision	(118,360)	(113,549)	(103,220)
Less: Contractual interest/profit not recognised	(23,693)	(28,424)	(25,419)
	(142,053)	(141,973)	(128,639)
	3,068,683	2,924,294	2,670,692

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
7. Loans, advances and Islamic financings (net) (continued)

The analysis of changes in the gross carrying amount and corresponding ECL provision on loans, advances and Islamic financings is as follows:

31 March 2023
(Unaudited)

	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,573,987	333,095	159,185	3,066,267
New assets originated or purchased	263,721	6,364	2,050	272,136
Assets derecognised or repaid	(112,465)	(7,546)	(7,514)	(127,526)
Loans written off	-	-	(2,297)	(2,297)
Loans transferred to memoranda portfolio	-	-	(177)	(177)
Loans transferred from memoranda portfolio	-	-	2,333	2,333
Transfers to Stage 1	15,398	(14,995)	(403)	-
Transfers to Stage 2	(6,520)	6,545	(25)	-
Transfers to Stage 3	(376)	(2,518)	2,894	-
Gross carrying amount	2,733,745	320,945	156,046	3,210,736

	Stage 1	Stage 2	Stage 3	Total
At 1 January	13,389	36,785	63,375	113,549
Impairment charge	760	1,514	4,227	6,501
Impairment release	(687)	(395)	(468)	(1,550)
Loans written off	-	-	(2,297)	(2,297)
Loans transferred to memorandum portfolio	-	-	(177)	(177)
Loans brought back from memorandum portfolio	-	-	2,333	2,333
Transfers to Stage 1	443	(245)	(198)	-
Transfers to Stage 2	(47)	47	-	-
Transfers to Stage 3	(4)	(341)	345	-
ECL provision	13,854	37,366	67,140	118,360

	Stage 1	Stage 2	Stage 3	Total
Net impairment charge / (release)				
Impairment charge	760	1,514	4,227	6,501
Impairment release	(687)	(395)	(468)	(1,550)
Net impairment charge / (release) (Note 21)	73	1,119	3,759	4,951

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)

7. Loans, advances and Islamic financings (net) (continued)

31 March 2022
(Unaudited)

	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,252,908	348,564	147,991	2,749,463
New assets originated or purchased	96,638	61,628	2,541	160,807
Assets derecognised or repaid	(26,923)	(66,713)	(1,960)	(95,596)
Loans written off	-	-	(1,253)	(1,253)
Loans transferred to memoranda portfolio	-	-	(14,302)	(14,302)
Loans transferred from memoranda portfolio	-	-	212	212
Transfers to Stage 1	14,047	(13,989)	(58)	-
Transfers to Stage 2	(15,059)	16,892	(1,833)	-
Transfers to Stage 3	(724)	(6,653)	7,377	-
Gross carrying amount	<u>2,320,887</u>	<u>339,729</u>	<u>138,715</u>	<u>2,799,331</u>
	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,206	34,123	72,784	112,113
Impairment charge	2,309	1,736	8,747	12,792
Impairment release	(1,386)	(4,219)	(736)	(6,341)
Loans written off	-	-	(1,253)	(1,253)
Loans transferred to memorandum portfolio	-	-	(14,302)	(14,302)
Loans brought back from memorandum portfolio	-	-	212	212
Transfers to Stage 1	492	(464)	(28)	-
Transfers to Stage 2	(119)	630	(512)	-
Transfers to Stage 3	(3)	(542)	545	-
ECL provision	<u>6,499</u>	<u>31,264</u>	<u>65,457</u>	<u>103,220</u>

	Stage 1	Stage 2	Stage 3	Total
Net impairment charge / (release)				
Impairment charge	2,309	1,736	8,747	12,792
Impairment release	(1,386)	(4,219)	(736)	(6,341)
Net impairment charge / (release) (Note 21)	<u>923</u>	<u>(2,483)</u>	<u>8,011</u>	<u>6,451</u>

The analysis of the changes in contractual interest/profit not recognised is as follows:

	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	28,424	25,142
Not recognised during the period	2,575	2,520
Written back due to recovery/write off	(7,306)	(2,243)
Balance at end of the period	<u>23,693</u>	<u>25,419</u>

All loans, advances and Islamic financings require payment of interest, some at fixed rates and others at rates that reprice prior to maturity. Interest/profit reserve account (reserve interest) is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and Islamic financings that are impaired. As of 31 March 2023, loans, advances and Islamic financings on which interest/profit was not being accrued or where interest/profit was reserved amounted to RO 156.0 million. (31 December 2022: RO 159.0 million, 31 March 2022: RO 138.7 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)

8. Investment securities

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Equity Investments:			
Held at FVOCI	2,113	6,319	5,744
Held at FVTPL	2,220	2,219	2,636
Total Equity Investments	4,333	8,538	8,380
Debt Investments			
Held at FVTPL	92,010	91,353	92,125
Held at FVOCI	364,728	394,119	573,927
Less : ECL provision	(438)	(438)	(1,479)
FVOCI debt investments (net)	364,290	393,681	572,448
Held at amortised cost	359,628	360,721	344,775
Less : ECL provision	(450)	(450)	(1,954)
Held at amortised cost (net)	359,178	360,271	342,821
Total Debt Investments	815,478	845,305	1,010,030
Total Investment securities	819,812	853,843	1,015,774

8.1 Held at FVTPL

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Unquoted equity investments - Oman			
Service sector	2,115	2,115	2,500
Quoted equity investments – Foreign			
Service sector	105	104	136
Quoted debt investments – Oman			
Government development bonds (GDB)	92,010	91,353	92,125
Total FVTPL investments	94,230	93,572	94,761

Unquoted equity investment represents an investment in the Oman Development Fund SAOC (Fund). The Fund was incorporated on 7 May 2014 under license no. 1196427 with the Bank being the founder shareholder. The purpose of the Fund is to identify mid-segment industrial and manufacturing sectors that leverage Oman's unique advantages such as its infrastructure, tax treaties, geography and natural mineral resources for potential investment opportunities. The Bank currently holds a 12.66% stake in the Fund (31 December 2022: 12.66%, 31 March 2022: 12.66%). The Bank has an Investment Management Agreement with the Fund. In the current year the Bank has applied net assets valuation technique for valuation purpose. Management believes that net asset value of this investment is representative of the fair value of the underlying assets that are fair valued.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)**
8 Investment securities (continued)
8.2 Held at FVOCI

	Carrying / fair value 31 March 2023 (Unaudited)	Cost 31 March 2023 (Unaudited)	Carrying / fair value 31 December 2022 (Audited)	Cost 31 December 2022 (Audited)	Carrying / fair value 31 March 2022 (Unaudited)	Cost 31 March 2022 (Unaudited)
Quoted equity investments – Oman						
Service sector	1,437	1,774	5,643	5,972	5,744	7,013
Unquoted equity investments – Oman						
Service sector	676	709	676	709	-	34
Total Equity Investments	2,113	2,483	6,319	6,681	5,744	7,047
Quoted debt investments – Oman						
Real estate sector	8,634	7,854	8,389	7,854	7,214	7,854
Less : ECL provision	(438)	-	(438)	-	(429)	-
Treasury bills	-	-	29,854	30,000	212,433	212,284
Less: ECL provision	-	-	-	-	(14)	-
Quoted debt investments – Foreign						
Treasury bills	356,094	358,076	355,876	357,594	354,280	354,414
Less : ECL provision	-	-	-	-	(1,036)	-
Total debt investments	364,290	365,930	393,681	395,448	572,448	574,552
Total investments held at FVOCI	366,403	368,413	400,000	402,129	578,192	581,599

USD Treasury bills of RO 358.1 million (31 December 2022: RO 357.6 million, 31 March 2022: 354.4 million) are assigned as collateral against the bank's borrowings of RO 354.2 million (31 December 2022: RO 354.2 million, 31 March 2022: 354.2 million).

Analysis of changes in the ECL provision on debt investments classified as FVOCI:

	31 March 2023 (Unaudited)				31 March 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	-	438	-	438	797
Net impairment charge / (release) (Note 21)	-	-	-	-	682
ECL provision	-	438	-	438	1,479

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)

8. Investment securities (continued)

8.3 Held at amortised cost

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Quoted debt investments – Oman			
Government development bonds	336,606	337,575	321,754
Service sector	23,022	23,146	23,021
	<u>359,628</u>	<u>360,721</u>	<u>344,775</u>
Less: ECL provision	(450)	(450)	(1,954)
	<u>359,178</u>	<u>360,271</u>	<u>342,821</u>

Analysis of changes in the fair value and the corresponding ECL provision on debt investments classified as held at amortised cost:

	31 March 2023 (Unaudited)				31 March 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	352,498	8,223	-	360,721	345,635
Assets purchased	(1,093)	-	-	(1,093)	(860)
Gross carrying amount	<u>351,405</u>	<u>8,223</u>	<u>-</u>	<u>359,628</u>	<u>344,775</u>
	Stage 1	Stage 2	Stage 3	Total	31 March 2022 (Unaudited)
At 1 January	91	359	-	450	1,947
Net impairment charge / (release) (Note 21)	-	-	-	-	7
ECL provision	<u>91</u>	<u>359</u>	<u>-</u>	<u>450</u>	<u>1,954</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)

9. Other assets

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Acceptances	47,903	45,943	197,840
Prepayments	3,550	1,987	5,213
Receivables	4,373	2,684	2,852
Positive fair value of derivatives (Note 26)	73	76	3,349
Right-to-use assets	5,917	5,433	7,006
Others	16,590	15,985	17,193
	<u>78,406</u>	<u>72,108</u>	<u>233,453</u>

10. Due to banks

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	101,638	8,857	15,011
Demand balances	12,003	11,833	8,837
	<u>113,641</u>	<u>20,690</u>	<u>23,848</u>
<i>Foreign currency:</i>			
Money market borrowings	919,026	765,819	815,857
Demand balances	49,864	-	46,276
Syndicated borrowings	19,550	19,506	19,339
	<u>988,440</u>	<u>785,325</u>	<u>881,472</u>
Total Due to banks	<u><u>1,102,081</u></u>	<u><u>806,015</u></u>	<u><u>905,320</u></u>

Foreign currency money market borrowings include bank borrowings amounting to RO 354.2 million (December 2022: RO 354.2 million, 31 March 2022: RO 354.2 million) with underlying collateral in the form of USD Treasury bills of RO 358.1 million (December 2022: RO 357.6 million, 31 March 2022: RO 354.3 million)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)**
11. Customer deposits

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Term deposits	1,227,771	927,310	954,391
Demand deposits	1,015,235	1,058,821	980,034
Saving deposits	467,024	507,818	412,153
Margin deposits	65,088	66,149	63,647
	<u>2,775,118</u>	<u>2,560,098</u>	<u>2,410,225</u>

Islamic Banking deposits included in the above

Term deposits	243,608	175,263	160,380
Demand deposits	101,978	181,559	86,140
Saving deposits	37,870	44,220	45,518
Margin deposits	2,062	1,369	1,402
	<u>385,518</u>	<u>402,411</u>	<u>293,440</u>

12. Other liabilities

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Acceptances	47,903	45,943	197,840
Staff entitlements	2,494	2,026	2,875
Income tax provision	8,947	6,594	11,203
Negative fair value of derivatives (Note 26)	5	28	16
Deferred tax liabilities	1,158	1,186	1,106
Other accruals and provisions	32,434	36,654	24,118
Dividend payable	-	-	11,961
ECL provision on loan commitments and financial guarantees (Note 15)	1,850	1,690	3,519
Lease liability on right of use assets	5,037	4,784	6,834
	<u>99,828</u>	<u>98,905</u>	<u>259,472</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2023

(RO'000)

13. Share capital and Share premium

The authorised share capital of the Bank is RO 1 billion (31 December 2022: RO 1 billion, 31 March 2022: RO 400 million). The issued shares of the Bank are 4,590,062,290 shares (31 December 2022: 4,590,062,290 shares, 31 March 2022: 2,990,062,290 shares). The paid up capital of the Bank is RO 455.355 million (31 December 2022: RO 455.355 million, 31 March 2022: RO 295.355 million).

On 22 September 2022, the Bank completed the issuance of 1,600,000,000 shares through rights issue to its existing shareholders at a price of 102 baisa per share consisting of nominal value of 100 baisa per share and 2 baisa per share to cover the rights issue expenses, resulting in an increase in paid up capital of RO 160 million.

As at 31 March 2023, the following shareholders held 10% or more of the Bank's capital, either individually or together with related parties:

	<i>Number of shares</i>	<i>% Holding</i>
The Royal Court of Affairs	752,157,388	16.39
Oman Investment & Finance Co. SAOG	712,173,041	15.52

The share premium of RO 18 million (31 December 2022: RO18 million, 31 March 2022: RO 18 million) represents premium collected on rights shares issued prior to 2019.

14. Perpetual Tier 1 Capital Securities

The Bank issued its first perpetual tier 1 capital Securities amounting to RO 100 million on 25 September 2017. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.75% with interest rate reset at five year intervals. The interest is payable semi-annually in arrears and treated as a deduction from equity. On 25th September 2022 the Bank, after prior consent from the CBO, exercised its option to redeem the securities in full.

On 14 March 2019, the Bank issued its second perpetual tier 1 capital Securities amounting to RO 100 million. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.50% with interest rate reset at five year intervals. The interest is payable semi-annually in arrears and treated as a deduction from equity.

Both the securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. They do not have a fixed or final maturity date. The Bank may at its discretion and after prior consent from the relevant regulatory authority, exercise its option to redeem the securities in full (not in part) on the first Call Date, i.e. the 5th anniversary of the Issue Date, and every six months thereafter, again subject to the prior consent of the regulatory authorities. The Bank at its sole discretion may elect not to pay the interest. This is not considered as an event of default. If the Bank does not pay the interest, on a scheduled payment date (for whatever reason), it cannot make any other distribution or payment on or with respect to its ordinary shares or any of its other Common Equity Tier 1 instruments or securities, ranking junior to or pari-passu with the perpetual tier 1 capital securities unless and until it has paid one interest payment in full on the securities. The terms of the perpetual tier 1 capital securities issuance allow the Bank to write-down (in whole or in part) any amounts due to the holders of the securities under certain circumstances. RO 3.717 million was paid as interest for the period ended 31 March 2023 (31 December 2022: RO15.250 million, 31 March 2022: RO 7.564 million) and is recognised in the statement of changes in equity.

On 16th June 2022, the Bank announced its intention to issue its third perpetual tier 1 capital securities amounting to RO 50 million with a green – shoe option of RO 25 million subject to regulatory and shareholder approvals. The shareholders approved the proposed transaction on 18th August 2022.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
15. Contingent liabilities and commitments
15.1 Contingent liabilities

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers, contingent upon the failure of the customer to perform under the terms of a specified contract.

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Guarantees	240,453	219,843	223,004
Documentary letters of credit	71,931	69,231	75,083
	<u>312,384</u>	<u>289,074</u>	<u>298,087</u>

15.2 Commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees designed to meet the requirements of the Bank's customers. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, other termination clauses, and payment of a fee. Since commitments may expire without being drawn, the total contracted amounts do not necessarily represent future cash obligations.

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Capital commitments	4,573	3,816	2,698
Credit related commitments	400,833	566,736	531,232
	<u>405,406</u>	<u>570,552</u>	<u>533,930</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
15. Contingent liabilities and commitments (continued)
Analysis of changes in the gross carrying amount and corresponding ECL provision on credit related commitments, contingent liabilities and acceptances:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)		
Contingent liabilities	312,384	338,521	298,087		
Credit related commitments	400,833	516,515	533,930		
Acceptances	47,903	137,795	195,142		
Gross carrying amount	761,120	992,831	1,027,159		

	31 March 2023 (Unaudited)				31 March 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	871,116	28,043	2,594	901,753	992,962
New assets originated or purchased	147,586	5,524	108	153,218	316,344
Assets derecognised or repaid	(286,923)	(6,743)	(185)	(293,851)	(282,147)
Transfers to Stage 1	358	(329)	(29)	-	-
Transfers to Stage 2	(18)	18	-	-	-
Transfers to Stage 3	(227)	(12)	239	-	-
Gross carrying amount	731,892	26,501	2,727	761,120	1,027,159

	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	330	213	1,147	1,690	3,828
Impairment charge	63	18	160	241	1,015
Impairment release	(72)	(8)	(1)	(81)	(1,324)
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
ECL provision	321	223	1,306	1,850	3,519

	Stage 1	Stage 2	Stage 3	Total	Total
Net impairment charge/(release)					
Impairment charge	63	18	160	241	1,015
Impairment release	(72)	(8)	(1)	(81)	(1,324)
Net impairment charge/(release)(Note 21)	(9)	10	159	160	(309)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)

16. Interest income

	Three months ended (Unaudited)	
	31 March 2023	31 March 2022
Due from banks	2,056	94
Loans and advances	40,382	31,182
Investment securities	10,035	6,138
	<u>52,473</u>	<u>37,414</u>

17. Interest expense

	Three months ended (Unaudited)	
	31 March 2023	30 March 2022
Due to banks	10,035	2,252
Customer deposits	18,443	13,408
Subordinated loans	8	604
	<u>28,486</u>	<u>16,264</u>

18. Net income from Islamic financing and investing activities

Gross income earned

	Three months ended (Unaudited)	
	31 March 2023	31 March 2022
Due from banks	121	-
Financings	5,706	4,302
Investment securities	400	430
	<u>6,227</u>	<u>4,732</u>

Profit paid

Customer deposits	3,639	2,275
Due to banks	534	224
	<u>4,173</u>	<u>2,499</u>
Net income from Islamic financing and investing activities	<u>2,054</u>	<u>2,233</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2023

(RO'000)

19. Other operating income

	Three months ended (Unaudited)	
	31 March 2023	31 March 2022
Fees and commissions	7,363	4,761
Net gains from foreign exchange	2,312	2,048
Dividend income	227	191
Bad debt recovery	2	1
Gain/(loss) on sale of investments	2	(21)
	<u>9,906</u>	<u>6,980</u>

20. Other operating expenses

	Three months ended (Unaudited)	
	31 March 2023	31 March 2022
Operating and administration costs	4,009	3,576
Occupancy cost	962	867
Directors remuneration	75	75
Directors sitting fees	13	2
Shari'a supervisory board remuneration and sitting fees	13	13
	<u>5,072</u>	<u>4,533</u>

21. Loan impairment charges and other credit risk provisions (net)

		Three months ended (Unaudited)	
	Note	31 March 2023	31 March 2022
Net impairment charge / (release):			
Loans, advances and Islamic financings (net)	7	4,951	6,451
Contingent liabilities and commitments	15	160	(309)
Due from banks	6	305	(1)
Investment securities	8	-	689
		<u>5,416</u>	<u>6,830</u>
Loan impairment charges and other credit risk provisions (net)		<u><u>5,416</u></u>	<u><u>6,830</u></u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)

22. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the period less interest on perpetual tier 1 capital securities by the weighted average number of shares outstanding during the period.

	Three months ended	
	(Unaudited)	
	31 March	31 March
	2023	2022
Profit for the period	13,284	8,522
Less: Interest paid on perpetual tier 1 capital securities	(3,717)	(7,564)
	<u>9,567</u>	<u>958</u>
Weighted average number of shares outstanding during the period ('000)	4,590,062	2,990,062
Basic earnings per share for the period (baisa)	<u>2.08</u>	<u>0.32</u>

There are no instruments dilutive in nature and hence the basic and diluted earnings per share are same for each period.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)**
23. Financial Instruments

Additional disclosures on non-performing financial assets and impairment coverage as per CBO circular BM 1149:

**31 March 2023
(Unaudited)**

Classification								
CBO	IFRS9	Gross carrying amount (1)	CBO Provisions (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS9 Reserve Interest	CBO Reserve Interest
Standard	Stage 1	2,652,959	30,156	12,441	17,715	2,640,518	-	-
	Stage 2	58,975	664	3,389	(2,725)	55,586	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	2,711,934	30,820	15,830	14,990	2,696,104	-	-
Special mention	Stage 1	80,786	731	1,413	(682)	79,373	-	-
	Stage 2	261,970	9,219	33,977	(24,758)	227,993	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	342,756	9,950	35,390	(25,440)	307,366	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,945	3,225	5,219	(1,994)	6,726	135	135
	Sub Total	11,945	3,225	5,219	(1,994)	6,726	135	135
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,395	4,914	4,751	163	6,644	423	423
	Sub Total	11,395	4,914	4,751	163	6,644	423	423
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	132,706	96,378	80,863	15,515	51,843	23,135	23,135
	Sub Total	132,706	96,378	80,863	15,515	51,843	23,135	23,135
Gross Loans, advances and Islamic financings (net)	Stage 1	2,733,745	30,887	13,854	17,033	2,719,891	-	-
	Stage 2	320,945	9,883	37,366	(27,483)	283,579	-	-
	Stage 3	156,046	104,517	90,833	13,684	65,213	23,693	23,693
	Sub Total	3,210,736	145,287	142,053	3,234	3,068,683	23,693	23,693
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,884,563	-	718	(718)	1,883,845	-	-
	Stage 2	43,358	-	1,021	(1,021)	42,337	-	-
	Stage 3	2,727	-	1,306	(1,306)	1,421	-	-
	Sub total	1,930,648	-	3,045	(3,045)	1,927,603	-	-
	Stage 1	4,618,308	30,887	14,572	16,315	4,603,736	-	-
	Stage 2	364,303	9,883	38,387	(28,504)	325,916	-	-
	Stage 3	158,773	104,517	92,139	12,378	66,634	23,693	23,693
	Total	5,141,384	145,287	145,098	189	4,996,286	23,693	23,693

*Other items not covered under CBO circular BM 977 and related instructions

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)**
23. Financial Instruments (continued)

31 December 2022

(Audited)

Classification:								
CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	IFRS9 Reserve interest RO'000	CBO Reserve interest RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,493,682	28,741	12,705	16,036	2,480,977	-	-
	Stage 2	78,931	869	1,784	(915)	77,147	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,572,613	29,610	14,489	15,121	2,558,124	-	-
Special mention	Stage 1	80,305	733	684	49	79,621	-	-
	Stage 2	254,164	8,931	35,001	(26,070)	219,163	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		334,469	9,664	35,685	(26,021)	298,784	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	10,635	2,731	4,317	(1,586)	6,318	137	137
Sub Total		10,635	2,731	4,317	(1,586)	6,318	137	137
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	11,664	5,273	4,223	1,050	7,441	382	382
Sub Total		11,664	5,273	4,223	1,050	7,441	382	382
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	136,886	94,264	83,259	11,005	53,627	27,905	27,905
Sub Total		136,886	94,264	83,259	11,005	53,627	27,905	27,905
Gross Loans, advances and Islamic financings (net)	Stage 1	2,573,987	29,474	13,389	16,085	2,560,598	-	-
	Stage 2	333,095	9,800	36,785	(26,985)	296,310	-	-
	Stage 3	159,185	102,268	91,799	10,469	67,386	28,424	28,424
Sub Total		3,066,267	141,542	141,973	(431)	2,924,294	28,424	28,424
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,718,271	-	421	(421)	1,717,850	-	-
	Stage 2	44,655	-	1,011	(1,011)	43,644	-	-
	Stage 3	2,594	-	1,147	(1,147)	1,447	-	-
Sub Total		1,765,520	-	2,579	(2,579)	1,762,941	-	-
Total	Stage 1	4,292,258	29,474	13,810	15,664	4,278,448	-	-
	Stage 2	377,750	9,800	37,796	(27,996)	339,954	-	-
	Stage 3	161,779	102,268	92,946	9,322	68,833	28,424	28,424
Total		4,831,787	141,542	144,552	(3,010)	4,687,235	28,424	28,424

*Other items not covered under CBO circular BM 977 and related instructions

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)**
23. Financial Instruments (continued)

 31 March 2022
(Unaudited)

CBO Classification	IFRS9	Gross carrying amount RO'000	CBO Provisions RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	IFRS9 Reserve Interest RO'000	CBO Reserve Interest RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard`	Stage 1	2,240,518	30,336	6,097	24,239	2,234,421	-	-
	Stage 2	54,004	729	2,103	(1,374)	51,901	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,294,522	31,065	8,200	22,865	2,286,322	-	-
Special mention	Stage 1	80,369	871	402	469	79,967	-	-
	Stage 2	285,725	10,001	29,161	(19,160)	256,564	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		366,094	10,872	29,563	(18,691)	336,531	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	9,640	3,356	4,106	(750)	5,534	131	131
Sub Total		9,640	3,356	4,106	(750)	5,534	131	131
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	15,696	8,678	7,252	1,426	8,444	444	444
Sub Total		15,696	8,678	7,252	1,426	8,444	444	444
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	113,379	66,717	79,518	(12,801)	33,861	24,844	24,844
Sub Total		113,379	66,717	79,518	(12,801)	33,861	24,844	24,844
Gross Loans, advances and Islamic financings (net)	Stage 1	2,320,887	31,207	6,499	24,708	2,314,388	-	-
	Stage 2	339,729	10,730	31,264	(20,534)	308,465	-	-
	Stage 3	138,715	78,751	90,876	(12,125)	47,839	25,419	25,419
Sub Total		2,799,331	120,688	128,639	(7,951)	2,670,692	25,419	25,419
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	2,005,051	-	4,473	(4,473)	2,000,578	-	-
	Stage 2	61,706	3	1,478	(1,475)	60,228	-	-
	Stage 3	2,765	-	1,001	(1,001)	1,764	-	-
Sub total		2,069,522	3	6,952	(6,949)	2,062,570	-	-
	Stage 1	4,325,938	31,207	10,972	20,235	4,314,966	-	-
	Stage 2	401,435	10,733	32,742	(22,009)	368,693	-	-
	Stage 3	141,480	78,751	91,877	(13,126)	49,603	25,419	25,419
	Total		4,868,853	120,691	135,591	(14,900)	4,733,262	25,419

*Other items not covered under CBO circular BM 977 and related instructions

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
23. Financial Instruments (continued)

In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of impact of taxation, will be transferred to an impairment reserve as an appropriation from the retained earnings. The Bank generally transfers this amount at the end of the financial year.

31 March 2023 (Unaudited)	CBO RO'000	IFRS 9 RO'000	Difference RO'000
Loan impairment charges and other credit risk provisions (net)	4,320	5,416	1,096
Total ECL provision and contractual interest/profit not recognised	168,980	145,098	(23,882)
Gross NPL ratio	4.86%	4.86%	-
Net NPL ratio	0.92%	2.13%	1.21%

(NPL ratio denominator is funded non-performing loans, advances and Islamic financings)

Comparison of ECL provision under IFRS 9 and extant CBO norms:

	CBO	IFRS 9
Gross loans advances and Islamic financings	145,287	118,360
Due from Banks	-	305
Investment securities (amortised cost)	-	450
Investment securities (FVOCI)	-	438
Loan commitments and financial guarantees	-	1,852
Total ECL provision	145,287	121,405
Contractual interest/profit not recognised	23,693	23,693
Total ECL provision and contractual interest/profit not recognised	168,980	145,098

Analysis of changes in the IFRS 9 ECL provision on Due from banks, Loans, advances and Islamic financings (net) (excluding contractual interest/profit not recognised), Investment securities and Loan commitments and financial guarantees:

	31 March 2023 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	13,810	37,796	64,522	116,128
Impairment charge	1,129	1,532	4,387	7,048
Impairment release	(760)	(403)	(469)	(1,632)
Loans written off	-	-	(2,297)	(2,297)
Loans transferred to memorandum portfolio	-	-	(177)	(177)
Loans transferred from memorandum portfolio	-	-	2,333	2,333
Transfers to Stage 1	444	(245)	(198)	-
Transfers to Stage 2	(47)	47	-	-
Transfers to Stage 3	(4)	(341)	345	-
Total ECL provision	14,572	38,387	68,446	121,405

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023**
(RO'000)
23. Financial Instruments (continued)
Restructured loans

Loans with renegotiated terms are defined as loans that have been restructured due to deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off. For restructured loans, there is no reserve interest under IFRS9 and CBO classification.

Classification:	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
CBO		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	125,928	1,520	1,840	(320)	124,088
	Stage 2	160,574	8,276	13,627	(5,351)	146,947
	Stage 3	-	-	-	-	-
Sub Total		286,502	9,796	15,467	(5,671)	271,035
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	60,529	53,350	27,391	25,959	33,138
Sub Total		60,529	53,350	27,391	25,959	33,138
Total		347,031	63,146	42,858	20,288	304,173

31 December 2022 (Audited)

Classification:	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
CBO		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	84,076	787	1,665	(878)	82,411
	Stage 2	162,314	5,519	13,574	(8,055)	148,740
	Stage 3	-	-	-	-	-
Sub Total		246,390	6,306	15,239	(8,933)	231,151
Classified as non- performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total		84,076	787	1,665	(878)	82,411
		162,314	5,519	13,574	(8,055)	148,740
		-	-	-	-	-
		246,390	6,306	15,239	(8,933)	231,151

31 March 2022 (Unaudited)

Classification:	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
CBO		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	76,472	732	369	363	76,103
	Stage 2	185,291	5,547	15,442	(9,895)	169,849
	Stage 3	-	-	-	-	-
Sub Total		261,763	6,279	15,811	(9,532)	245,952
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total		76,472	732	369	363	76,103
		185,291	5,547	15,442	(9,895)	169,849
		-	-	-	-	-
		261,763	6,279	15,811	(9,532)	245,952

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2023

(RO'000)

24. Related party transactions

In the ordinary course of business, the Bank enters into transactions with certain of its directors, shareholders, senior management, Shari'a supervisory board, Shari'a reviewer and companies in which they have a significant interest. These transactions are conducted on an arm's length basis and are approved by the Bank's management and Board of Directors.

Aggregate amount of balances and the income and expenses generated with such related parties:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Directors & senior management			
Loans, advances and Islamic financings at end of period	3,000	3,305	3,567
Disbursed during the period	23	632	193
Repaid during the period	(126)	(399)	(130)
Deposits at end of period	1,258	890	1,513
Received during the period	788	983	334
Matured/paid during the period	(165)	(992)	(805)
Interest income during the period	28	109	39
Interest expense during the period	17	21	6
Directors sitting fees and remuneration	88	681	147
Shari'a Supervisory Board members sitting fees and remuneration	13	55	13
Other related parties			
Loans, advances and Islamic financings at end of period	102,309	100,570	72,777
Disbursed during the period	41,957	49,685	18,097
Repaid during the period	(1,151)	(3,859)	(679)
Deposits at end of period	9,031	8,055	11,791
Received during the period	2,787	2,379	2,622
Matured/paid during the period	(379)	(3,483)	(3,767)
Interest income during the period	1,231	4,303	1,054
Interest expense during the period	64	247	59

Key management compensation:

Key management comprises of 7 (2022:7) senior management executives. The Bank considers these members to be key management personnel for the purpose of IAS 24 Related Party Disclosures.

In the ordinary course of business, the Bank conducts transactions with certain of its key management personnel and companies in which they have a significant interest. The balances in respect of these related parties as at the reporting date are as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Key management personnel			
Loans, advances and Islamic financings	1,414	1,380	1,476
Deposits at end of period	208	182	254

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2023

(RO'000)

24. Related party transactions (continued)

The income and expenses, accrued or paid, in respect of these key management personnel as included in the Bank's statement of comprehensive income for the year are as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Interest income during the year	11	45	12
Interest expense during the year	-	2	-
Salaries and other short term benefits*	364	2,550	385
Post-employment benefits	12	43	11

*Certain components of key management compensation are paid on a deferral basis in accordance with regulatory guidelines.

Aggregate amount of balances and the income and expenses generated with shareholders holding 10% or more of the Bank's shares:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Loans, advances and Islamic financing at end of period	15,515	12,800	7,122
Disbursed during the period	9,607	12,800	6,046
Repaid during the period	(92)	(196)	(19)
Deposits at end of period	70	127	565
Received during the period	-	82	513
Matured/paid during the period	(57)	(6)	-
Interest income during the period	191	357	192
Interest expense during the period	1	3	2

As at 31 March 2023, no loans to related parties are classified under stage 3 (31 December 2022: nil, 31 March 2022; nil)

25. Fair value of financial instruments

Fair value (FV) 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 accessible principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument without modification or repacking;
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The Bank considers that the fair value of financial instruments was not significantly different to their carrying value (including accrued interest) at each of those dates. The table below sets out the classification and fair value of each class of financial assets and liabilities including accrued interest.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
**25. Fair value of financial instruments
(continued)**

At 31 March 2023 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying value	Total fair value
Assets					
Cash and balances with Central Bank	173,209	-	-	173,209	173,209
Due from banks	440,534	-	-	440,534	440,534
Investment securities	359,177	365,760	94,874	819,811	819,811
Loans, advances and Islamic financings (net)	3,068,683	-	-	3,068,683	3,068,683
Other assets (excluding prepayments)	74,782	-	73	74,855	74,855
	<u>4,116,385</u>	<u>365,760</u>	<u>94,947</u>	<u>4,577,092</u>	<u>4,577,092</u>
Liabilities					
Due to banks	1,102,081	-	-	1,102,081	1,102,081
Customer deposits	2,775,118	-	-	2,775,118	2,775,118
Other liabilities (excluding other accruals & provisions)	68,546	-	-	68,546	68,546
Subordinated loans	494	-	-	494	494
	<u>3,946,239</u>	<u>-</u>	<u>-</u>	<u>3,946,239</u>	<u>3,946,239</u>

At 31 December 2022 (Audited)	Amortised cost	FVOCI	FVTPL	Total carrying value	Total fair value
Assets					
Cash and balances with Central Bank	125,895	-	-	125,895	125,895
Due from banks	103,945	-	-	103,945	103,945
Investment securities	360,271	400,000	93,572	853,843	853,843
Loans, advances and Islamic financings (net)	2,924,294	-	-	2,924,294	2,924,294
Other assets (excluding prepayments)	70,045	-	76	70,121	70,121
	<u>3,584,450</u>	<u>400,000</u>	<u>93,648</u>	<u>4,078,098</u>	<u>4,078,098</u>
Liabilities					
Due to banks	806,015	-	-	806,015	806,015
Customer deposits	2,560,098	-	-	2,560,098	2,560,098
Other liabilities (excluding other accruals & provisions)	67,022	-	-	67,022	67,022
Subordinated loans	485	-	-	485	485
	<u>3,433,620</u>	<u>-</u>	<u>-</u>	<u>3,433,620</u>	<u>3,433,620</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)**
25. Fair value of financial instruments (continued)

At 31 March 2022 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying value	Total fair value
Assets					
Cash and balances with Central Bank	101,755	-	-	101,755	101,755
Due from banks	123,661	-	-	123,661	123,661
Investment securities	342,821	578,192	94,761	1,015,774	1,015,774
Loans, advances and Islamic financings (net)	2,670,692	-	-	2,670,692	2,670,692
Other assets (excluding prepayments and derivatives)	228,240	-	-	228,240	228,240
	<u>3,467,169</u>	<u>578,192</u>	<u>94,761</u>	<u>4,140,122</u>	<u>4,140,122</u>
Liabilities					
Due to banks	905,320	-	-	905,320	905,320
Customer deposits	2,410,225	-	-	2,410,225	2,410,225
Other liabilities (excluding other accruals & provisions)	235,353	-	-	235,353	235,353
Subordinated loans	35,645	-	-	35,645	35,645
	<u>3,586,543</u>	<u>-</u>	<u>-</u>	<u>3,586,543</u>	<u>3,586,543</u>

Analysis of financial instruments measured at fair value at the end of the reporting period:

31 March 2023 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	794	-	-	794
Level 2	456,663	73	(5)	456,731
Level 3	3,176	-	-	3,176
	<u>460,633</u>	<u>73</u>	<u>(5)</u>	<u>460,701</u>

31 December 2022 (Audited)	Investments securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,201	-	-	5,201
Level 2	485,195	76	(28)	485,243
Level 3	3,176	-	-	3,176
	<u>493,572</u>	<u>76</u>	<u>(28)</u>	<u>493,620</u>

31 March 2022 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,069	-	-	5,069
Level 2	664,709	3,349	(16)	668,042
Level 3	3,175	-	-	3,175
	<u>672,953</u>	<u>3,349</u>	<u>(16)</u>	<u>676,286</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
26. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

As at 31 March 2023 (Unaudited)	Positive FV	Negative FV	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	69	5	456,661	433,774	22,888	-
Forward foreign exchange sale contracts	4	-	453,698	430,812	22,887	-

As at 31 December 2022 (Audited)	Positive FV	Negative FV	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	66	13	349,825	303,710	46,115	-
Forward foreign exchange sale contracts	10	15	346,082	300,036	46,046	-

As at 31 March 2022 (Unaudited)	Positive FV	Negative FV	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	38	16	1,127,291	705,252	398,638	23,401
Forward foreign exchange sales contracts	3,311	-	1,129,560	708,931	397,298	23,331

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
27. Exposure to liquidity risk

The Bank also monitors the liquidity through Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio.

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
LCR	218.9%	154.3%	168.3%
LCR (average for the quarter)	166.9%	140.7%	183.3%
NSFR	114.7%	112.0%	115.8%
Leverage ratio	13.5%	15.2%	13.3%

The LCR and NSFR is calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The complete disclosures required under these circulars are available on the Investor Relations page of the Bank's website.

The table below summarises the maturity profile of the Bank's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

31 March 2023 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	1,102,081	1,115,640	311,952	344,250	459,438
Customer deposits	2,775,118	2,803,865	1,648,263	580,975	574,627
Other liabilities	99,828	99,828	99,828	-	-
Subordinated loans	494	494	494	-	-
Total	3,977,521	4,019,827	2,060,537	925,225	1,034,065

31 December 2022 (Audited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	806,015	807,191	225,275	227,697	354,219
Customer deposits	2,560,098	2,626,189	1,551,827	510,604	563,759
Other liabilities	98,905	98,905	98,905	-	-
Subordinated loans	485	485	-	485	-
Total	3,465,503	3,532,770	1,876,007	738,786	917,978

31 March 2022 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	905,320	1,006,273	154,098	494,859	357,316
Customer deposits	2,410,225	2,478,769	1,493,923	551,448	433,398
Other liabilities	259,472	259,472	259,472	-	-
Subordinated loans	35,645	38,668	325	1,956	36,387
Total	3,610,662	3,783,182	1,907,818	1,048,263	827,101

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
28. Capital management

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
CET 1 capital			
Ordinary share capital	455,355	455,355	295,355
Share premium	18,038	18,038	18,038
Legal reserve	37,877	37,877	34,389
General reserve	988	988	988
Subordinated loan reserve	485	485	28,000
Retained earnings	23,092	26,809	(2,998)
Fair value losses	(581)	(657)	(2,311)
Total CET 1 capital	535,254	538,895	371,461
Additional Tier 1 capital			
Perpetual tier 1 capital securities	100,000	100,000	200,000
Total tier 1 capital	635,254	638,895	571,461
Tier 2 capital			
Impairment provision on portfolio basis	14,568	13,810	10,971
Fair value gains	19	21	10
Subordinated loan	-	-	7,000
Total tier 2 capital	14,587	13,831	17,981
Total regulatory capital	649,841	652,726	589,442
Risk weighted assets			
Credit and market risks	3,175,139	2,899,381	3,056,690
Operational risk	215,865	215,865	199,723
Total risk weighted assets	3,391,004	3,115,246	3,256,413
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	19.16%	20.95%	18.10%
Total tier I capital expressed as a percentage of total risk weighted assets	18.73%	20.51%	17.55%
Total CET 1 capital expressed as a percentage of total risk weighted assets	15.78%	17.30%	11.41%

The capital adequacy ratio is calculated in accordance with Basel II & Basel III requirements as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by CBO are available on the Investor Relations page of the Bank's website.

Total CET 1 capital excludes impairment reserve, interim profits for the period and an adjustment to fair value for unrealised gains. Proposed dividends (if any) are deducted from retained earnings.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2023

(RO'000)

29. Fiduciary activities

The Bank's fiduciary activities consist of portfolio and investment management and custodial services. The aggregated assets under management, which are not included in the Bank's statement of financial position as at 31 March 2023 is RO 304 million (31 December 2022: RO 270 million, 31 March 2022: RO 279 million).

30. Segmental information

Segmental information is presented for the Bank's operating segments. For management purposes the Bank is organised into the following operating segments:

Retail banking:

Including loans to and deposits from retail customers, credit card and fund transfer facilities.

Wholesale banking:

Corporates including loans to and deposits from large and mid-sector corporates, small & medium enterprises and trade finance customers.

Government and project finance syndication including loans to and deposits from government and financial institutions, project finance and syndicated loans.

Investments including proprietary investments, correspondent and investment banking.

Treasury including money market instruments, derivatives and foreign exchange products

Islamic banking

Including Islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Shari'a principles.

Head office

Includes balance sheet, income and expense related items that are not directly related to the Bank's operating segments

The CEO monitors the operating results of business units separately for making decisions about resource allocation and performance assessment.

Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external counterparty or customer amounted to 10% or more of the Bank's total revenue for the periods ending 31 March 2023 and 31 March 2022 respectively.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
30.1 Segmental information (continued)

31 March 2023 (Unaudited)

	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
PROFIT FOR THE PERIOD					
Net interest income	5,855	18,132	-	-	23,987
Net income from Islamic financing and investing activities	-	-	2,054	-	2,054
Other operating income	4,264	3,843	1,799	-	9,906
Total operating income	10,119	21,975	3,853	-	35,947
Total operating expenses	(6,600)	(6,923)	(1,398)	-	(14,921)
Net operating income before impairment provisions	3,519	15,052	2,455	-	21,026
Loan impairment charges and other credit risk provisions (net)	497	(5,718)	(195)	-	(5,416)
Profit before tax	4,016	9,334	2,260	-	15,610
Income tax expense	(607)	(1,380)	(339)	-	(2,326)
Profit for the period	3,409	7,954	1,921	-	13,284
	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	153,574	19,635	-	173,209
Due from banks	-	423,774	16,760	-	440,534
Investment securities	-	791,944	27,867	-	819,811
Loans, advances and Islamic financings (net)	832,465	1,802,795	433,423	-	3,068,683
Other assets	-	47,928	4,446	26,032	78,406
Investment properties	-	-	-	2,900	2,900
Property and equipment	-	-	757	47,701	48,458
Total Assets	832,465	3,220,015	502,888	76,633	4,632,001
Liabilities					
Due to banks	-	1,047,350	54,731	-	1,102,081
Customer deposits	987,071	1,402,529	385,518	-	2,775,118
Other liabilities	-	47,904	5,126	46,798	99,828
Subordinated loans	-	-	-	494	494
Total Liabilities	987,071	2,497,783	445,375	47,292	3,977,521
Internal funding (net)	(154,606)	722,232	-	(567,626)	-
Total Equity	-	-	57,513	596,967	654,480
Total Liabilities & Equity	832,465	3,220,015	502,888	76,633	4,632,001

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2023
(RO'000)
30.1 Segmental information (continued)

	31 March 2022 (Unaudited)				
	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
PROFIT FOR THE PERIOD					
Net interest income	5,494	15,656	-	-	21,150
Net income from Islamic financing and investing activities	-	-	2,233	-	2,233
Other operating income	1,858	4,864	258	-	6,980
Total operating income	7,352	20,520	2,491	-	30,363
Total operating expenses	(6,005)	(6,132)	(1,297)	-	(13,434)
Net operating income before impairment provisions	1,347	14,388	1,194	-	16,929
Loan impairment charges and other credit risk provisions (net)	(322)	(6,588)	80	-	(6,830)
Profit before tax	1,025	7,800	1,274	-	10,099
Income tax expense	(152)	(1,234)	(191)	-	(1,577)
Profit for the period	873	6,566	1,083	-	8,522
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	84,553	17,202	-	101,755
Due from banks	-	121,436	2,225	-	123,661
Investment securities	-	986,922	28,852	-	1,015,774
Loans, advances and Islamic financings (net)	746,763	1,580,322	343,607	-	2,670,692
Other assets	-	201,154	2,258	30,041	233,453
Investment properties	-	-	-	2,900	2,900
Property, equipment and fixtures	-	-	669	47,226	47,895
Total Assets	746,763	2,974,387	394,813	80,167	4,196,130
Liabilities					
Due to banks	-	846,972	58,348	-	905,320
Customer deposits	628,210	1,488,575	293,440	-	2,410,225
Other liabilities	-	197,856	2,840	58,776	259,472
Subordinated loans	-	-	-	35,645	35,645
Total Liabilities	628,210	2,533,403	354,628	94,421	3,610,662
Internal funding (net)	118,553	440,984	-	(559,537)	-
Total Equity	-	-	40,185	545,283	585,468
Total Liabilities & Equity	746,763	2,974,387	394,813	80,167	4,196,130

31. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation for the current period. Such reclassifications do not affect previously reported net profit or shareholders' equity.