



SOHAR INTERNATIONAL BANK SAOG

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

Chairman's report for the six month period ended 30 June 2023

I am pleased to present the Chairman's Report for the first half of the financial year 2023, providing an overview of Sohar International's steadfast commitment to growth and exceptional performance.

The global banking landscape continues to evolve at an unprecedented pace. Amidst changing customer demands, technological advancements, and regulatory developments, Sohar International has remained resolute in its pursuit of growth, embracing challenges as opportunities to refine strategies, enhance capabilities, and emerge stronger. In recognition of its achievements, Sohar International is included in the Forbes 50 most valuable banks in the Middle East.

FINANCIAL RESULTS

Profit for the period increased 28.2% to RO 23.7 million compared to RO 18.5 million for the same period last year.

Total operating income increased 13.7% to RO 69.0 million, (30 June 2022: RO 60.7 million), driven by increases in both net interest income and other operating income.

Total operating expenses increased 15.6% to RO 30.3 million (30 June 2022: RO 26.2 million). Increased expenses reflect the bank's continued investment in people, technology and costs associated with the bank's strategic initiatives, including the merger with HSBC Bank Oman and the establishment costs of our new branch in the Kingdom of Saudi Arabia.

Net operating income before impairment provisions increased 12.4% to RO 38.7 million (30 June 2022: RO 34.5 million) resulting in an expenses-to-income ratio of 43.9% compared to 43.2% for the same period last year.

Loan impairment charges and other credit risk provisions (net) for the period was RO 11.0 million compared to RO 12.7 million for the same period last year.

Total assets of RO 4,352 million are in line with 30 June last year of RO 4,364 million. Loans, advances and Islamic financings (net) increased 11.3% to RO 3,041 million (30 June 2022: RO 2,732 million).

Customer deposits increased 5.5% to RO 2,709 million (30 June 2022: RO 2,568 million), highlighting the bank's funding strength.

The increase in shareholder's equity from RO 396 million as at 30 June 2022 to RO 565 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 tier1 capital securities on the call date of 25th September 2022.

GROWTH STRATEGY

Sohar International has made significant strides in its growth journey. Shareholders of the bank voted in favour of the merger with HSBC Bank Oman SAOG (HSBC Oman) at an extraordinary general meeting held on 20th June 2023. The shareholders of HSBC Oman also voted to approve the merger. Sohar International is working closely with HSBC Oman to ensure a smooth and seamless customer integration with 17th August 2023 being the tentative target date for completion of the merger.

The operational launch of Sohar International's branch in the Kingdom of Saudi Arabia is on track for the second half of this year and is a milestone for the bank's expansion into international markets.

On June 16th 2022, Sohar International confirmed its commitment to pursue a possible merger with Bank Nizwa with further updates announced as the merger activities evolve.

SUPPORTING OMAN'S ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) AGENDA

Sohar International remains committed to supporting the Sultanate's sustainability agenda.

The bank has actively engaged in ESG forums, such as the Arab Federation of Capital Markets (AFCM) Conference, where our Chief Executive Officer (CEO), Mr. Ahmed Al Musalmi, shared valuable insights including investment opportunities in Oman, sustainable financing and ESG regulation and reporting.

Sohar International has actively participated in ESG workshops aimed at fostering the development of sustainable finance practices in Oman, including Estidamah's Sustainable Finance Workshop, Muscat Stock Exchange's (MSX) ESG Metrics and ESG data platform workshops.

SERVING INVESTORS

In line with the bank's commitment to foster strong relationships and open communication with investors, Sohar International collaborated with MSX to present its 2022 financial performance, with our CEO sharing key updates and insights in to the bank's exceptional performance and strategic direction.

Sohar International proudly sponsored and actively participated in the Arab Federation of Capital Markets conference, a prestigious gathering of industry leaders from across the region. Our CEO delivered a thought provoking presentation that highlighted the untapped potential for investors in Oman and emphasized the Sultanate's readiness to embrace and explore new investment opportunities.



SERVING CUSTOMERS

Solidifying the bank's commitment to the government's mega projects, Sohar International and Sohar Islamic collaborated with the Ministry of Housing & Urban Planning to offer streamlined financing solutions to prospective customers seeking to acquire property units in Sultan Haitham City. The partnership epitomizes the harmonious integration between the government and private sectors, highlighting the remarkable advancements in Oman's real estate development domain.

In its unwavering commitment to delivering exceptional value to customers, Sohar International has established strong business alliances with a wide range of entities within the tourism and entertainment sectors to provide exclusive deals and benefits to customers enhancing the bank's overall value proposition.

In delivering superior service Sohar Islamic has diligently undertaken relocation of customer servicing centres including relocation of its head office to the more accessible and customer convenient location in Shatti Al Qurum.

REDEFINING WITH DIGITAL

Sohar International's extensive range of customized and easy access services in wholesale banking has enabled the bank to emerge as a prominent player, leading to remarkable portfolio growth.

Sohar International has made strategic investments in a cutting-edge and unified transactional banking platform. This platform serves as a catalyst for cash and liquidity management, trade finance solutions and streamlined operations. It enables optimized collections, capitalizes on timely foreign exchange rates, enhances payments processing, ensures efficient liquidity management, facilitates effective supply chain management and offers digitized trade finance applications. By implementing this platform, Sohar International demonstrates its unwavering commitment to empower corporate clients redefine their business models through digital, thereby enhancing value.

As a part of its commitment to embrace customer experience, Sohar Islamic introduced an advanced internet-banking platform specifically designed for its corporate clients offering a range of digital services that ensure seamless banking.

Sohar International has recently transformed its mobile banking app interface, with the primary objective of further enhancing user experience.



SERVING THE COMMUNITY

As a testament to Sohar International's unwavering dedication to the community and to Oman, the bank has been proactive in supporting the national agenda of youth empowerment. The bank recently unveiled the third edition of its Tomohi program, a comprehensive one-year internship initiative designed to enhance the skills and capabilities of Omani youth. Through this internship, students not only gain valuable on-the-job training but also participate in the bank's extensive staff training and development programs.

As part of its Corporate Social Responsibility initiatives, Sohar International has focused immensely on human welfare, supporting through admirable organisations orphan care, disadvantaged children, rehabilitation, the disabled and cancer patients. Sohar International has also contributed to a number of government schools by providing advanced learning tools for classrooms. Through these endeavors, the bank strives to make a positive impact on society and foster an environment of well-being for all.

CARING FOR EMPLOYEES

Sohar International is fully committed to cultivating a talented and driven workforce, evident through its continuous investments in comprehensive training and development initiatives for employees. In line with this commitment, the bank has recently launched a specialized training program meticulously and specifically designed to empower graduates with essential skills and knowledge to thrive in the dynamic banking industry.

AWARDS AND ACCOLADES

Sohar International has received numerous local, regional and international awards that serve as a testament to the bank's unwavering commitment to spearheading innovation within the dynamic banking sector.

The Euromoney Awards for Excellence bestowed upon the bank the distinguished "Best Investment Bank in Oman award for the year 2023." This accolade recognizes Sohar International's outstanding market-leading position in investment banking offerings and its steadfast adherence to industry best practices. The bank was honored with the titles of "Best Bank in Growth" and "Industry Leader in Digital Banking" at the Oman Banking and Finance Awards 2023, reaffirming the bank's growth ambitions and highlighting its relentless dedication to digital transformation.

In addition, at the OER Business Summit 2023, Sohar International received the "Key Enabler of Sustainable Economic Growth" award underscoring the bank's commitment to driving Oman's economic progress by providing innovative project financing solutions and actively supporting major national initiatives. These initiatives foster economic development and contribute to the country's energy autonomy, self-sufficiency, and overall resilience.



RECOGNITION

I express my gratitude to our esteemed shareholders and customers who have bestowed upon us the utmost confidence as we scale new heights. Our employees continue to live 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 local 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 Oman's continued prosperity and growth.

Mohamed Mahfoodh Al Ardhi
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(RO'000)

		30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	5	166,087	125,895	112,200
Due from banks	6	145,401	103,945	166,224
Investment securities	8	888,898	853,843	1,048,960
Loans, advances and Islamic financings (net)	7	3,040,708	2,924,294	2,731,519
Other assets	9	52,780	66,675	246,724
Investment properties		2,900	2,900	2,900
Property and equipment		55,470	53,449	55,026
TOTAL ASSETS		4,352,244	4,131,001	4,363,553
LIABILITIES				
Due to banks	10	904,775	806,015	883,669
Customer deposits	11	2,708,798	2,560,098	2,567,980
Other liabilities	12	73,675	98,905	280,511
Subordinated loans		-	485	35,385
TOTAL LIABILITIES		3,687,248	3,465,503	3,767,545
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		14	(173)	(1,692)
Subordinated loans reserve		-	485	28,000
Impairment reserve		5,464	5,464	5,464
Retained earnings		47,260	47,464	15,466
TOTAL SHAREHOLDERS' EQUITY		564,996	565,498	396,008
Perpetual tier 1 capital securities	14	100,000	100,000	200,000
TOTAL EQUITY		664,996	665,498	596,008
TOTAL LIABILITIES AND EQUITY		4,352,244	4,131,001	4,363,553
CONTINGENT LIABILITIES COMMITMENTS	15.1 15.2	307,278 341,609	289,074 570,552	297,577 561,495
		<i>Baisa</i>	<i>Baisa</i>	<i>Baisa</i>
Net assets per share		123.1	123.2	132.4

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

Chairman

Board member

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023
(Unaudited)
(RO'000)

	Notes	Six months ended		Three months ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Interest income	16	102,959	76,260	50,486	38,846
Interest expense	17	(56,591)	(32,916)	(28,105)	(16,652)
Net interest income		46,368	43,344	22,381	22,194
Net income from Islamic financing and investing activities	18	3,823	4,459	1,769	2,226
Other operating income	19	18,825	12,874	8,919	5,894
TOTAL OPERATING INCOME		69,016	60,677	33,069	30,314
Staff costs		(17,407)	(15,746)	(8,520)	(7,779)
Other operating expenses	20	(10,967)	(8,590)	(5,895)	(4,057)
Depreciation		(1,920)	(1,886)	(958)	(952)
TOTAL OPERATING EXPENSES		(30,294)	(26,222)	(15,373)	(12,788)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		38,722	34,455	17,696	17,526
Loan impairment charges and other credit risk provisions (net)	21	(11,048)	(12,721)	(5,632)	(5,891)
PROFIT BEFORE TAX		27,674	21,734	12,064	11,635
Income tax expense		(3,991)	(3,269)	(1,665)	(1,692)
PROFIT FOR THE PERIOD		23,683	18,465	10,399	9,943
Items that will not be reclassified to profit and loss					
Revaluation loss on equity instruments held at fair value through other comprehensive income (FVOCI)		3	10	23	25
Items to be reclassified subsequently to profit and loss					
Net changes in fair value on debt instruments classified FVOCI		184	479	94	571
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		187	489	117	596
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		23,870	18,954	10,516	10,539
Profit for the period					
Conventional banking		21,175	15,929	9,812	8,490
Islamic banking		2,508	2,536	587	1,453
		23,683	18,465	10,399	9,943
Basic earnings per share for the period	22	<i>Baisa</i> 4.35	<i>Baisa</i> 3.65	<i>Baisa</i> 2.27	<i>Baisa</i> 3.33

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	-	-	-	23,683	23,683	-	23,683
Other comprehensive income for the period	-	-	-	-	187	-	-	-	187	-	187
Total comprehensive income for the period	-	-	-	-	187	-	-	23,683	23,870	-	23,870
Dividends paid for the year 2022	-	-	-	-	-	-	-	(20,655)	(20,655)	-	(20,655)
Perpetual tier 1 interest paid	-	-	-	-	-	-	-	(3,717)	(3,717)	-	(3,717)
Transfers	-	-	-	-	-	(485)	-	485	-	-	-
Balance as at 30 June 2023	455,355	18,038	37,877	988	14	-	5,464	47,260	564,996	100,000	664,996

	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	-	-	-	-	-	-	-	18,465	18,465	-	18,465
Other comprehensive loss for the period	-	-	-	-	489	-	-	-	489	-	489
Total comprehensive income for the period	-	-	-	-	489	-	-	18,465	18,954	-	18,954
Dividends paid for the year 2021	-	-	-	-	-	-	-	(11,961)	(11,961)	-	(11,961)
Perpetual tier 1 interest paid	-	-	-	-	-	-	-	(7,563)	(7,563)	-	(7,563)
Balance as at 30 June 2022	295,355	18,038	34,389	988	(1,692)	28,000	5,464	15,466	396,008	200,000	596,008

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**
**(Unaudited)
(RO'000)**

	30 June 2023	30 June 2022
OPERATING ACTIVITIES		
Profit before tax	27,674	21,734
Adjustments for:		
Depreciation	1,920	1,886
Loan impairment charges and other credit risk provisions (net)	11,048	12,721
Net loss/(gain) on investments	50	41
Income from Islamic investment activities	(801)	(863)
Interest on investments	(20,504)	(12,929)
Interest on subordinated loans	15	1,215
Cash from operating activities before changes in operating assets and liabilities	19,402	23,805
Due from banks	(268)	(5,077)
Loans, advances and Islamic financings (net)	(127,359)	(134,322)
Investment held at fair value through profit or loss (FVTPL)	58	24
Other assets	13,018	(83,206)
Due to banks	148,494	88,846
Customer deposits	148,699	173,515
Other liabilities	(24,987)	91,525
Cash from operating activities	177,057	155,110
Income tax paid	(3,401)	(2,419)
	173,656	152,691
INVESTING ACTIVITIES		
Purchase of investments (net)	(302)	(14,456)
Proceeds from sale of investments	11,276	-
Acquisition of property and equipment	(4,358)	(2,466)
Income from Islamic investment activities	723	471
Interest received on investments	20,504	12,929
Net cash from investing activities	27,843	(3,522)
FINANCING ACTIVITIES		
Dividends paid	(20,655)	(11,961)
Interest paid on subordinated loans	(252)	(1,223)
Repayment of subordinated loans on maturity	(485)	-
Interest paid on perpetual tier 1 capital securities	(3,717)	(7,563)
Net cash used in financing activities	(25,109)	(20,747)
NET CHANGE IN CASH AND CASH EQUIVALENTS	176,998	128,422
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	455,450	593,226
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	632,448	721,648
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit)	165,583	111,697
Due from banks with original maturity (OM) of 90 days or less	138,091	166,057
Investment securities with OM of 90 days or less	431,614	578,950
Due to banks with OM of 90 days or less	(102,840)	(135,056)
	632,448	721,648

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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 885 employees as of 30 June 2023 (31 December 2022: 884, 30 June 2022: 888).

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 (the Board) 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.

On 30 May 2023 the Board approved the terms of the merger with HSBC Oman and approved the calling of an Extraordinary General Meeting (EGM) of the Bank’s shareholders to consider the Board’s recommendation to vote in favour of the merger and each of the EGM resolutions and other supporting documents as required by applicable regulations. In addition to the approval of the respective shareholders of Sohar International and HSBC Oman, the merger remains subject to the approval of relevant regulatory bodies.

The EGM was held on 20 June 2023 with the following resolutions issued:

1. To approve the merger by incorporation between the Bank and HSBC Oman which would lead to HSBC Oman being merged with and into the Bank, and the Bank being the surviving entity in accordance with Articles 33(1) and 35 of the Commercial Companies Law (Royal Decree NO 18/2019), pursuant to the terms and conditions set out in the explanatory note (circulated with the EGM notice and agenda) presented by the Board to its shareholders.
2. To approve the increase of issued share capital of the Bank from RO 455,360,000 to a maximum amount of RO 748,800,000, and to allot the additional shares to the shareholders of HSBC Oman.
3. To approve the amendment of Article 5 (Issued share capital) of the Bank’s Articles of Association upon the completion of the merger procedures and to register the new issued capital of the Bank with the Registrar.
4. To authorise the Board or any other person authorised by the Board to do all such acts, deed, matters and things, which are necessary in order to fulfil resolutions no. 1 – 3 (both inclusive) and to complete the merger, including but not limited to determining the increase of the issued share capital of the Bank, number of shares to be allotted to the shareholders of HSBC Oman, signing all documents relating to the merger, including the amendment to the Articles of Association of the Bank, filling and registering all documents relating to the merger with any relevant authorities and making any public announcements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 JUNE 2023

1.2 Potential mergers (continued)

The Bank and HSBC Oman are tentatively targeting completion of the merger on 17 August 2023. This timeline remains subject to all formal steps and actions being completed without any delays on account of factors beyond the control of the Bank and HSBC Oman.

On 25 June 2023 the Bank published a creditors notice in accordance with Article 37 of the Commercial Companies Law (Royal Decree No. 18/2019) inviting any creditor of Sohar International who has an objection to the Merger is invited to submit their objection to the Merger with the supporting documents within thirty (30) days from the date of this disclosure to the Secretariat of the Commercial Registry at the Ministry of Commerce, Industry and Investment Promotion.

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 six months period ended 30 June 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.

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 thousand, 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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023****3. Application of new and revised International Financial Reporting Standards (IFRS)**

For the period ended 30 June 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 deferment 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 30 JUNE 2023
(RO'000)
5. Cash and balances with Central Bank

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Cash	32,904	29,065	39,292
Capital deposit with CBO	504	507	503
Balance with CBO	132,679	96,323	72,405
	<u>166,087</u>	<u>125,895</u>	<u>112,200</u>

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 107.6 million (31 December 2022: 98.3 million, 30 June 2022: RO 98.7 million).

6. Due from banks

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
<i>Local currency:</i>			
Money market placements	-	-	6,001
	<u>-</u>	<u>-</u>	<u>6,001</u>
<i>Foreign currency:</i>			
Money market placements	119,961	87,891	138,225
Lending to banks	-	-	156
Demand balances	25,440	16,055	21,842
	<u>145,401</u>	<u>103,946</u>	<u>160,223</u>
Gross carrying amount	145,401	103,946	160,223
Less: ECL provision	-	(1)	-
	<u>145,401</u>	<u>103,945</u>	<u>166,224</u>

Analysis of changes in the gross carrying amount on due from banks:

	30 June 2023 (Unaudited)				30 June 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	103,946	-	-	103,946	172,960
New assets originated or purchased	41,455	-	-	41,455	26,087
Assets derecognised or matured	-	-	-	-	(32,823)
	<u>145,401</u>	<u>-</u>	<u>-</u>	<u>145,401</u>	<u>166,224</u>
Gross carrying amount	<u>145,401</u>	<u>-</u>	<u>-</u>	<u>145,401</u>	<u>166,224</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
7. Loans, advances and Islamic financings (net)

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Corporate	2,185,079	2,078,958	1,946,638
Retail	1,009,141	987,309	925,860
Gross loans, advances and Islamic financings	3,194,220	3,066,267	2,872,498
Less: ECL provision	(127,041)	(113,549)	(111,978)
Less: Contractual interest / profit not recognised	(26,471)	(28,424)	(29,001)
	(153,512)	(141,973)	(140,979)
Loans, advances and Islamic financings (net)	3,040,708	2,924,294	2,731,519

Gross loans, advances and Islamic financings include RO 433.10 million (31 December 2022: RO 424.73 million, 30 June 2022: RO 369.9 million) through Sohar Islamic financing activities.

Loans, advances and Islamic financings (net) comprise:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Loans	2,892,390	2,601,370	2,645,941
Overdrafts	209,273	373,057	147,331
Loans against trust receipts	78,735	78,674	60,441
Bills discounted	13,822	13,166	18,785
Gross loans, advances and Islamic financings	3,194,220	3,066,267	2,872,498
Less: ECL provision	(127,041)	(113,549)	(111,978)
Less: Contractual interest/profit not recognised	(26,471)	(28,424)	(29,001)
	(153,512)	(141,973)	(140,979)
	3,040,708	2,924,294	2,731,519

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 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:

30 June 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	414,809	12,541	8,552	435,902
Assets derecognised or repaid	(266,634)	(30,461)	(13,443)	(310,538)
Loans written off	-	-	(2,224)	(2,224)
Loans transferred to memoranda portfolio	-	-	(84)	(84)
Loans transferred from memoranda portfolio	-	-	4,897	4,897
Transfers to Stage 1	19,194	(17,980)	(1,214)	-
Transfers to Stage 2	(19,121)	19,126	(5)	-
Transfers to Stage 3	(2,999)	(5,805)	8,804	-
Gross carrying amount	2,719,236	310,516	164,468	3,194,220
	Stage 1	Stage 2	Stage 3	Total
At 1 January	13,389	36,785	63,375	113,549
Impairment charge	1,017	8,294	8,642	17,953
Impairment release	(1,245)	(364)	(5,441)	(7,050)
Loans written off	-	-	(2,224)	(2,224)
Loans transferred to memorandum portfolio	-	-	(84)	(84)
Loans brought back from memorandum portfolio	-	-	4,897	4,897
Transfers to Stage 1	934	(333)	(601)	-
Transfers to Stage 2	(75)	77	(2)	-
Transfers to Stage 3	(49)	(501)	550	-
ECL provision	13,971	43,958	69,112	127,041
	Stage 1	Stage 2	Stage 3	Total
Net impairment charge / (release)				
Impairment charge	1,017	8,294	8,642	17,953
Impairment release	(1,245)	(364)	(5,441)	(7,050)
Net impairment charge / (release) (Note 21)	(228)	7,930	3,201	10,903

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
7. Loans, advances and Islamic financings (net) (continued)
30 June 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	329,754	13,895	4,319	347,968
Assets derecognised or repaid	(175,056)	(32,767)	(1,913)	(209,736)
Loans written off	-	-	(1,393)	(1,393)
Loans transferred to memoranda portfolio	-	-	(14,189)	(14,189)
Loans transferred from memoranda portfolio	-	-	385	385
Transfers to Stage 1	20,573	(19,979)	(594)	-
Transfers to Stage 2	(10,863)	12,177	(1,314)	-
Transfers to Stage 3	(2,459)	(11,972)	14,431	-
Gross carrying amount	<u>2,414,857</u>	<u>309,919</u>	<u>147,723</u>	<u>2,872,498</u>
	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,206	34,123	72,784	112,113
Impairment charge	1,130	5,376	15,003	21,509
Impairment release	(1,781)	(1,482)	(3,184)	(6,447)
Loans written off	-	-	(1,393)	(1,393)
Loans transferred to memorandum portfolio	-	-	(14,189)	(14,189)
Loans brought back from memorandum portfolio	-	-	385	385
Transfers to Stage 1	715	(551)	(164)	-
Transfers to Stage 2	(94)	537	(443)	-
Transfers to Stage 3	(15)	(837)	852	-
ECL provision	<u>5,161</u>	<u>37,166</u>	<u>69,651</u>	<u>111,978</u>

	Stage 1	Stage 2	Stage 3	Total
Net impairment charge / (release)				
Impairment charge	1,130	5,376	15,003	21,509
Impairment release	(1,781)	(1,482)	(3,184)	(6,447)
Net impairment charge / (release) (Note 21)	<u>(651)</u>	<u>3,894</u>	<u>11,819</u>	<u>15,062</u>

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

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	28,424	25,142
Not recognised during the period	5,361	5,864
Written back due to recovery/write off	(7,314)	(2,005)
Balance at end of the period	<u>26,471</u>	<u>29,001</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 30 June 2023, loans, advances and Islamic financings on which interest/profit was not accrued or where interest/profit was reserved amounted to RO 164.5 million. (31 December 2022: RO 159.0 million, 30 June 2022: RO 147.7 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)

8. Investment securities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Equity investments:			
Held at FVOCI	2,128	6,319	5,093
Held at FVTPL	2,252	2,219	2,636
Total equity investments	4,380	8,538	5,769
Debt investments:			
Held at FVTPL	91,241	91,353	91,398
Held at FVOCI	440,230	394,119	589,923
Less : ECL provision	(438)	(438)	(428)
FVOCI debt investments (net)	439,792	393,681	589,495
Held at amortised cost	353,935	360,721	360,103
Less : ECL provision	(450)	(450)	(441)
Held at amortised cost (net)	353,485	360,271	359,662
Total debt investments	884,518	845,305	1,043,867
Total investment securities	888,898	853,843	1,048,960

8.1 Held at FVTPL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Unquoted equity investments - Oman			
Service sector	2,115	2,115	2,500
Quoted equity investments – Foreign			
Service sector	137	104	136
Quoted debt investments – Oman			
Government development bonds (GDB)	91,241	91,353	91,398
Total FVTPL investments	93,493	93,572	94,034

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%, 30 June 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 30 JUNE 2023
(RO'000)
8 Investment securities (continued)
8.2 Held at FVOCI

	Carrying / fair value 30 June 2023 (Unaudited)	Cost 30 June 2023 (Unaudited)	Carrying / fair value 31 December 2022 (Audited)	Cost 31 December 2022 (Audited)	Carrying / fair value 30 June 2022 (Unaudited)	Cost 30 June 2022 (Unaudited)
Quoted equity investments – Oman						
Service sector	1,458	1,832	5,643	5,972	5,093	6,338
Unquoted equity investments – Oman						
Service sector	670	617	676	709	-	34
Total equity investments	2,128	2,449	6,319	6,681	5,093	6,372
Quoted debt investments – Oman						
Real estate sector	8,616	7,854	8,389	7,854	7,953	7,854
Less : ECL provision	(438)	-	(438)	-	(428)	-
Treasury bills	45,451	45,810	29,854	30,000	224,401	224,057
Less: ECL provision	-	-	-	-	-	-
Quoted debt investments – Foreign						
Treasury bills	386,163	383,748	355,876	357,594	357,569	354,230
Less : ECL provision	-	-	-	-	-	-
Total debt investments	439,792	437,412	393,681	395,448	589,495	586,141
Total investments held at FVOCI	441,920	439,861	400,000	402,129	594,588	592,513

USD Treasury bills of RO 383.7 million (31 December 2022: RO 357.6 million, 30 June 2022: 354.2 million) are assigned as collateral against the bank's borrowings of RO 354.2 million (31 December 2022: RO 354.2 million, 30 June 2022: 354.2 million).

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

	30 June 2023 (Unaudited)				30 June 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	-	438	-	438	797
Net impairment charge / (release) (Note 21)	-	-	-	-	(369)
ECL provision	-	438	-	438	428

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
8. Investment securities (continued)
8.3 Held at amortised cost

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Quoted debt investments – Oman			
Government development bonds	323,429	323,263	322,986
Service sector	16,198	23,146	23,147
Sukuk certificates	14,308	14,312	13,970
	<u>353,935</u>	<u>360,721</u>	<u>360,103</u>
Less: ECL provision	(450)	(450)	(441)
	<u>(450)</u>	<u>(450)</u>	<u>(441)</u>
Total investments held at amortised cost	<u><u>353,485</u></u>	<u><u>360,271</u></u>	<u><u>359,662</u></u>

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

	30 June 2023 (Unaudited)				30 June 2022 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	352,498	8,223	-	360,721	345,635
Assets purchased	(6,786)	-	-	(6,786)	14,468
Gross carrying amount	<u>345,712</u>	<u>8,223</u>	<u>-</u>	<u>353,935</u>	<u>360,103</u>
	<u>345,712</u>	<u>8,223</u>	<u>-</u>	<u>353,935</u>	<u>360,103</u>
	Stage 1	Stage 2	Stage 3	Total	30 June 2022 (Unaudited)
At 1 January	91	359	-	450	1,947
Net impairment charge / (release) (Note 21)	-	-	-	-	(1,506)
ECL provision	<u>91</u>	<u>359</u>	<u>-</u>	<u>450</u>	<u>441</u>
	<u>91</u>	<u>359</u>	<u>-</u>	<u>450</u>	<u>441</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2023

(RO'000)

9. Other assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Acceptances	35,405	45,943	222,347
Prepayments	4,033	1,987	4,201
Receivables	2,106	2,684	1,493
Positive fair value of derivatives (Note 26)	79	76	2,367
Others	11,157	15,985	16,316
	<u>52,780</u>	<u>66,675</u>	<u>246,724</u>

10. Due to banks

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	28,877	8,857	13,027
Demand balances	10,379	11,833	9,984
	<u>39,256</u>	<u>20,690</u>	<u>23,011</u>
<i>Foreign currency:</i>			
Money market borrowings	795,739	765,819	790,512
Demand balances	49,729	-	50,773
Syndicated borrowings	20,051	19,506	19,373
	<u>865,519</u>	<u>785,325</u>	<u>860,658</u>
Total Due to banks	<u>904,775</u>	<u>806,015</u>	<u>883,669</u>

Foreign currency money market borrowings include bank borrowings amounting to RO 354.2 million (31 December 2022: RO 354.2 million, 30 June 2022: RO 354.2 million) with underlying collateral in the form of USD Treasury bills of RO 383.7 million (31 December 2022: RO 357.6 million, 30 June 2022: RO 354.5 million)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2023

(RO'000)

11. Customer deposits

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Term deposits	1,059,206	927,310	943,502
Demand deposits	1,104,413	1,058,821	1,093,186
Saving deposits	479,713	507,818	465,331
Margin deposits	65,466	66,149	65,961
	<u>2,708,798</u>	<u>2,560,098</u>	<u>2,567,980</u>

Islamic Banking deposits included in the above

Term deposits	303,785	175,263	156,481
Demand deposits	93,681	181,559	169,803
Saving deposits	43,092	44,220	49,896
Margin deposits	2,142	1,369	1,119
	<u>442,700</u>	<u>402,411</u>	<u>377,299</u>

12. Other liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Acceptances	35,405	45,943	222,347
Staff entitlements	2,620	2,026	1,925
Income tax provision	7,355	6,594	10,474
Negative fair value of derivatives (Note 26)	8	28	18
Deferred tax liability (net)	1,014	1,186	1,108
Other accruals and provisions	20,911	36,654	34,649
ECL provision on loan commitments and financial guarantees (Note 15)	1,835	1,690	3,362
Lease liability on right of use assets	4,527	4,784	6,628
	<u>73,675</u>	<u>98,905</u>	<u>280,511</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 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, 30 June 2022: RO 400 million). The issued shares of the Bank are 4,590,062,290 shares (31 December 2022: 4,590,062,290 shares, 30 June 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, 30 June 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 30 June 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: RO 18 million, 30 June 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 30 June 2023 (31 December 2022: RO 15.250 million, 30 June 2022: RO 7.563 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 30 JUNE 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.

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Guarantees	230,734	219,843	212,252
Documentary letters of credit	76,544	69,231	85,325
	<u>307,278</u>	<u>289,074</u>	<u>297,577</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.

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Capital commitments	3,918	3,816	1,932
Credit related commitments	337,691	566,736	559,563
	<u>341,609</u>	<u>570,552</u>	<u>561,495</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 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:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)		
Contingent liabilities	307,278	289,074	297,577		
Credit related commitments	337,691	566,736	559,563		
Acceptances	35,405	45,943	222,347		
Gross carrying amount	680,374	901,753	1,079,487		

	30 June 2023 (Unaudited)				30 June 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	150,257	2,756	235	153,248	391,204
Assets derecognised or repaid	(368,854)	(5,580)	(193)	(374,627)	(304,679)
Transfers to Stage 1	482	(460)	(22)	-	-
Transfers to Stage 2	(2,357)	2,364	(7)	-	-
Transfers to Stage 3	(66)	(15)	81	-	-
Gross carrying amount	650,578	27,108	2,688	680,374	1,079,487

	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	330	213	1,147	1,690	3,827
Impairment charge	111	10	129	250	630
Impairment release	(86)	(11)	(8)	(105)	(1,095)
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	(1)	1	-	-	-
Transfers to Stage 3	(1)	-	1	-	-
ECL provision	353	213	1,269	1,835	3,362

	Stage 1	Stage 2	Stage 3	Total	Total
Net impairment charge / (release)					
Impairment charge	111	10	129	250	630
Impairment release	(86)	(11)	(8)	(105)	(1,095)
Net impairment charge / (release)(Note 21)	25	(1)	121	145	(465)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
16. Interest income

	Six months ended (Unaudited)		Three months ended (Unaudited)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Due from banks	4,316	336	2,260	242
Loans and advances	78,139	62,995	37,757	31,813
Investment securities	20,504	12,929	10,469	6,791
	<u>102,959</u>	<u>76,260</u>	<u>50,486</u>	<u>38,846</u>

17. Interest expense

	Six months ended (Unaudited)		Three months ended (Unaudited)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Due to banks	20,086	4,985	10,051	2,733
Customer deposits	36,490	26,716	18,047	13,308
Subordinated loans	15	1,215	7	611
	<u>56,591</u>	<u>32,916</u>	<u>28,105</u>	<u>16,652</u>

18. Net income from Islamic financing and investing activities
Gross income earned

	Six months ended (Unaudited)		Three months ended (Unaudited)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Due from banks	297	1	176	1
Financings	11,883	8,783	6,177	4,481
Investment securities	802	863	402	433
	<u>12,982</u>	<u>9,647</u>	<u>6,755</u>	<u>4,915</u>

Profit paid

Customer deposits	7,926	4,629	4,287	2,354
Due to banks	1,233	559	699	335
	<u>9,159</u>	<u>5,188</u>	<u>4,986</u>	<u>2,689</u>

Net income from Islamic financing and investing activities

	<u>3,823</u>	<u>4,459</u>	<u>1,769</u>	<u>2,226</u>
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
19. Other operating income

	Six months ended (Unaudited)		Three months ended (Unaudited)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Fees and commissions	11,052	9,920	3,689	5,159
Net gains from foreign exchange	7,593	2,801	5,281	753
Dividend income	227	192	-	1
Bad debt recovery	3	2	1	1
Loss on investments	(50)	(41)	(52)	(20)
	<u>18,825</u>	<u>12,874</u>	<u>8,919</u>	<u>5,894</u>

20. Other operating expenses

	Six months ended (Unaudited)		Three months ended (Unaudited)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Operating and administration costs	8,829	6,365	4,820	2,789
Occupancy cost	1,930	1,752	968	885
Directors remuneration	150	450	75	375
Directors sitting fees	33	6	20	4
Shari'a supervisory board remuneration and sitting fees	25	17	12	4
	<u>10,967</u>	<u>8,590</u>	<u>5,895</u>	<u>4,057</u>

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

	Note	Six months ended (Unaudited)		Three months ended (Unaudited)	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Net impairment charge / (release):					
Loans, advances and Islamic financings (net)	7	10,903	15,062	5,952	8,611
Contingent liabilities and commitments	15	145	(465)	(16)	(156)
Due from banks	6	-	(1)	(304)	-
Debt securities at FVOCI	8.2	-	(369)	-	(369)
Debt securities at amortised cost	8.3	-	(1,506)	-	(2,195)
		<u>11,048</u>	<u>12,721</u>	<u>5,632</u>	<u>5,891</u>
Loan impairment charges and other credit risk provisions (net)					

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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.

	Six months ended (Unaudited)		Three months ended (Unaudited)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Profit for the period	23,683	18,465	10,399	9,943
Less: Interest paid on perpetual tier 1 capital securities	(3,717)	(7,563)	-	-
	19,966	10,902	10,399	9,943
Weighted average number of shares outstanding during the period ('000)	4,590,062	2,990,062	4,590,062	2,990,062
Basic earnings per share for the period (baisa)	4.35	3.65	2.27	3.33

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 30 JUNE 2023
(RO'000)**
23. Financial Instruments

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

**30 June 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	2,635,544	29,952	12,449	17,503	2,623,095	-	-
	Stage 2	49,820	569	3,770	(3,201)	46,050	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	2,685,364	30,521	16,219	14,302	2,669,145	-	-
Special mention	Stage 1	83,692	751	1,522	(771)	82,170	-	-
	Stage 2	260,696	9,621	40,188	(30,567)	220,508	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	344,388	10,372	41,710	(31,338)	302,678	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	16,016	3,924	6,414	(2,490)	9,602	262	262
	Sub Total	16,016	3,924	6,414	(2,490)	9,602	262	262
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	6,649	2,638	2,560	78	4,089	283	283
	Sub Total	6,649	2,638	2,560	78	4,089	283	283
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	141,803	102,928	86,609	16,319	55,194	25,926	25,926
	Sub Total	141,803	102,928	86,609	16,319	55,194	25,926	25,926
Gross Loans, advances and Islamic financings (net)	Stage 1	2,719,236	30,703	13,971	16,732	2,705,265	-	-
	Stage 2	310,516	10,190	43,958	(33,768)	266,558	-	-
	Stage 3	164,468	109,490	95,583	13,907	68,885	26,471	26,471
	Sub Total	3,194,220	150,383	153,512	(3,129)	3,040,708	26,471	26,471
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,577,685	-	471	(471)	1,577,214	-	-
	Stage 2	43,948	-	983	(983)	42,965	-	-
	Stage 3	2,688	-	1,269	(1,269)	1,419	-	-
	Sub total	1,624,321	-	2,723	(2,723)	1,621,598	-	-
	Stage 1	4,296,921	30,703	14,442	16,261	4,282,479	-	-
	Stage 2	354,464	10,190	44,941	(34,751)	309,523	-	-
	Stage 3	167,156	109,490	96,852	12,638	70,304	26,471	26,471
	Total	4,818,541	150,383	156,235	(5,852)	4,662,306	26,471	26,471

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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	-	-	
	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 30 JUNE 2023
(RO'000)**
23. Financial Instruments (continued)

 30 June 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	2,299,350	26,740	4,537	22,203	2,294,813	-	-
	Stage 2	34,021	428	1,769	(1,341)	32,252	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,333,371	27,168	6,306	20,862	2,327,065	-	-
Special mention	Stage 1	115,506	989	624	365	114,882	-	-
	Stage 2	275,898	13,208	35,397	(22,189)	240,501	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		391,404	14,197	36,021	(21,824)	355,383	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,812	1,901	4,453	(2,552)	3,359	125	125
Sub Total		7,812	1,901	4,453	(2,552)	3,359	125	125
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	8,023	3,608	3,341	267	4,682	345	345
Sub Total		8,023	3,608	3,341	267	4,682	345	345
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	131,888	84,377	90,858	(6,481)	41,030	28,531	28,531
Sub Total		131,888	84,377	90,858	(6,481)	41,030	28,531	28,531
Gross Loans, advances and Islamic financings (net)	Stage 1	2,414,856	27,729	5,161	22,568	2,409,695	-	-
	Stage 2	309,919	13,636	37,166	(23,530)	272,753	-	-
	Stage 3	147,723	89,886	98,652	(8,766)	49,071	29,001	29,001
Sub Total		2,872,498	131,251	140,979	(9,728)	2,731,519	29,001	29,001
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	2,144,730	1	1,457	(1,456)	2,143,273	-	-
	Stage 2	47,784	-	1,190	(1,190)	46,594	-	-
	Stage 3	2,795	-	1,584	(1,584)	1,211	-	-
Sub total		2,195,309	1	4,231	(4,230)	2,191,078	-	-
	Stage 1	4,559,586	27,730	6,618	21,112	4,552,968	-	-
	Stage 2	357,703	13,636	38,356	(24,720)	319,347	-	-
	Stage 3	150,518	89,886	100,236	(10,350)	50,282	29,001	29,001
	Total		5,067,807	131,252	145,210	(13,958)	4,922,597	29,001

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 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.

30 June 2023 (Unaudited)	CBO RO'000	IFRS 9 RO'000	Difference RO'000
Loan impairment charges and other credit risk provisions (net)	8,200	11,048	2,848
Total ECL provision and contractual interest / profit not recognised	176,854	156,235	(20,619)
Gross NPL ratio	5.15%	5.15%	-
Net NPL ratio	0.94%	2.27%	1.32%

(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	150,383	127,041
Due from Banks	-	-
Investment securities (amortised cost)	-	450
Investment securities (FVOCI)	-	438
Loan commitments and financial guarantees	-	1,835
Total ECL provision	150,383	129,764
Contractual interest / profit not recognised	26,471	26,471
Total ECL provision and contractual interest / profit not recognised	176,854	156,235

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:

	30 June 2023 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	13,810	37,796	64,522	116,128
Impairment charge	1,128	8,304	8,771	18,203
Impairment release	(1,304)	(404)	(5,447)	(7,155)
Loans written off	-	-	(2,224)	(2,224)
Loans transferred to memorandum portfolio	-	-	(84)	(84)
Loans transferred from memorandum portfolio	-	-	4,897	4,897
Transfers to Stage 1	934	(333)	(601)	-
Transfers to Stage 2	(76)	78	(2)	-
Transfers to Stage 3	(50)	(501)	549	-
Total ECL provision	14,442	44,941	70,381	129,764

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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.

	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
30 June 2023 (Unaudited)						
Classification:						
CBO						
	Stage 1	126,528	1,507	1,946	(439)	124,582
Classified as performing	Stage 2	160,182	5,225	14,186	(8,961)	145,996
	Stage 3	-	-	-	-	-
Sub Total		286,710	6,732	16,132	(9,400)	270,578
	Stage 1	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-
	Stage 3	62,518	54,261	27,421	26,840	35,097
Sub Total		62,518	54,261	27,421	26,840	35,097
	Stage 1	126,528	1,507	1,946	(439)	124,582
	Stage 2	160,182	5,225	14,186	(8,961)	145,996
	Stage 3	62,518	54,261	27,421	26,840	35,097
Total		349,228	60,993	43,553	17,440	305,675

31 December 2022 (Audited)

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

30 June 2022 (Unaudited)

	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classification:						
CBO						
	Stage 1	95,758	2,355	474	1,881	95,284
Classified as performing	Stage 2	176,803	4,002	15,003	(11,001)	161,800
	Stage 3	-	-	-	-	-
Sub Total		272,561	6,357	15,477	(9,120)	257,084
	Stage 1	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
	Stage 1	95,758	2,355	474	1,881	95,284
	Stage 2	176,803	4,002	15,003	(11,001)	161,800
	Stage 3	-	-	-	-	-
Total		272,561	6,357	15,477	(9,120)	257,084

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 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:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Directors & senior management			
Loans, advances and Islamic financings at end of period	2,949	3,305	3,503
Disbursed during the period	95	632	287
Repaid during the period	(244)	(399)	(245)
Deposits at end of period	1,320	890	1,302
Received during the period	1,032	983	1,162
Matured/paid during the period	(528)	(992)	(1,217)
Interest income during the period	54	109	65
Interest expense during the period	9	21	8
Directors sitting fees and remuneration	183	681	526
Shari'a Supervisory Board members sitting fees and remuneration	25	55	13
Other related parties			
Loans, advances and Islamic financings at end of period	84,720	100,570	67,738
Disbursed during the period	25,457	49,685	12,603
Repaid during the period	(2,341)	(3,859)	(1,108)
Deposits at end of period	7,538	8,055	9,258
Received during the period	2,886	2,379	2,754
Matured/paid during the period	(1,611)	(3,483)	(6,237)
Interest income during the period	2,394	4,303	1,807
Interest expense during the period	127	247	116

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:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Key management personnel			
Loans, advances and Islamic financings	1,392	1,380	1,452
Deposits at end of period	219	182	439

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 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 period are as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Interest income during the period	23	45	23
Interest expense during the period	-	2	1
Salaries and other short term benefits*	728	2,550	767
Post-employment benefits	29	43	32

*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:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Loans, advances and Islamic financing at end of period	13,679	12,800	6,208
Disbursed during the period	7,848	12,800	6,013
Repaid during the period	(170)	(196)	-
Deposits at end of period	54	127	228
Received during the period	8	82	176
Matured/paid during the period	(81)	(6)	-
Interest income during the period	387	357	189
Interest expense during the period	1	3	1

As at 30 June 2023, no loans to related parties are classified under stage 3 (31 December 2022: nil, 30 June 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 30 JUNE 2023
(RO'000)
25. Fair value of financial instruments (continued)

At 30 June 2023 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying value	Total fair value
Assets					
Cash and balances with Central Bank	166,087	-	-	166,087	166,087
Due from banks	145,401	-	-	145,401	145,401
Investment securities	353,485	441,920	93,493	888,898	888,898
Loans, advances and Islamic financings (net)	3,040,708	-	-	3,040,708	3,040,708
Other assets (excluding prepayments)	48,668	-	79	48,747	48,747
	<u>3,754,349</u>	<u>441,920</u>	<u>93,572</u>	<u>4,295,949</u>	<u>4,295,949</u>
Liabilities					
Due to banks	904,775	-	-	904,775	904,775
Customer deposits	2,708,798	-	-	2,708,798	2,708,798
Other liabilities (excluding other accruals & provisions)	52,763	-	-	52,763	52,763
	<u>3,666,336</u>	<u>-</u>	<u>-</u>	<u>3,668,687</u>	<u>3,668,687</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)	64,612	-	76	64,688	64,688
	<u>3,579,017</u>	<u>400,000</u>	<u>93,648</u>	<u>4,072,665</u>	<u>4,072,665</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)	62,251	-	-	62,251	62,251
Subordinated loans	485	-	-	485	485
	<u>3,428,849</u>	<u>-</u>	<u>-</u>	<u>3,428,849</u>	<u>3,428,849</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
25. Fair value of financial instruments (continued)

At 30 June 2022 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying value	Total fair value
Assets					
Cash and balances with Central Bank	112,200	-	-	112,200	112,200
Due from banks	166,224	-	-	166,224	166,224
Investment securities	359,662	595,264	94,034	1,048,960	1,048,960
Loans, advances and Islamic financings (net)	2,731,519	-	-	2,731,519	2,731,519
Other assets (excluding prepayments and derivatives)	242,523	-	-	242,523	242,523
	<u>3,612,128</u>	<u>595,264</u>	<u>94,034</u>	<u>4,301,426</u>	<u>4,301,426</u>
Liabilities					
Due to banks	883,669	-	-	883,669	883,669
Customer deposits	2,567,980	-	-	2,567,980	2,567,980
Other liabilities (excluding other accruals & provisions)	245,862	-	-	245,862	245,862
Subordinated loans	35,385	-	-	35,385	35,385
	<u>3,732,896</u>	<u>-</u>	<u>-</u>	<u>3,732,896</u>	<u>3,732,896</u>

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

30 June 2023 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	783	-	-	783
Level 2	532,478	79	(8)	532,549
Level 3	2,152	-	-	2,152
	<u>535,413</u>	<u>79</u>	<u>(8)</u>	<u>535,484</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>

30 June 2022 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,093	-	-	5,093
Level 2	680,353	2,367	(18)	683,378
Level 3	3,176	-	-	3,176
	<u>688,622</u>	<u>2,367</u>	<u>(18)</u>	<u>691,647</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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 30 June 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	77	4	350,392	338,667	11,725	-
Forward foreign exchange sale contracts	2	4	349,859	338,141	11,719	-

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 30 June 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	49	18	940,063	823,121	116,942	-
Forward foreign exchange sales contracts	2,318	-	947,206	831,681	115,526	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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.

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
LCR	146.6%	154.3%	208.9%
LCR (average for the quarter)	130.5%	140.7%	180.8%
NSFR	112.8%	112.0%	120.0%
Leverage ratio	14.3%	15.2%	12.8%

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.

30 June 2023 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	904,775	909,097	207,749	347,129	354,219
Customer deposits	2,708,798	2,782,893	1,643,325	611,779	527,789
Other liabilities	73,675	73,675	73,675	-	-
	<u>3,687,248</u>	<u>3,765,664</u>	<u>1,924,749</u>	<u>958,908</u>	<u>882,008</u>

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	-
	<u>3,465,503</u>	<u>3,532,770</u>	<u>1,876,007</u>	<u>738,786</u>	<u>917,978</u>

30 June 2022 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	883,669	883,711	103,093	426,404	354,214
Customer deposits	2,567,980	2,635,892	1,610,464	498,563	526,865
Other liabilities	280,511	280,511	280,511	-	-
Subordinated loans	35,385	37,720	351	29,643	7,726
	<u>3,767,545</u>	<u>3,837,834</u>	<u>1,994,419</u>	<u>954,610</u>	<u>888,805</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 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	28,000
Retained earnings	23,577	26,809	(2,998)
Fair value losses	(491)	(657)	(1,715)
Total CET 1 capital	535,344	538,895	372,057
Additional Tier 1 capital			
Perpetual tier 1 capital securities	100,000	100,000	200,000
Total tier 1 capital	635,344	638,895	572,057
Tier 2 capital			
Impairment provision on portfolio basis	14,910	13,810	6,618
Fair value gains	31	21	10
Total tier 2 capital	14,941	13,831	6,628
Total regulatory capital	650,285	652,726	578,685
Risk weighted assets			
Credit and market risks	3,061,608	2,899,381	3,128,609
Operational risk	215,865	215,865	199,723
Total risk weighted assets	3,277,473	3,115,246	3,328,332
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	19.84%	20.95%	17.39%
Total tier I capital expressed as a percentage of total risk weighted assets	19.39%	20.51%	17.19%
Total CET 1 capital expressed as a percentage of total risk weighted assets	16.33%	17.30%	11.18%

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 30 JUNE 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 30 June 2023 is RO 319 million (31 December 2022: RO 270 million, 30 June 2022: RO 282 million).

30. Segmental information

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 30 June 2023 and 30 June 2022 respectively.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
30.1 Segmental information (continued)
30 June 2023 (Unaudited)

	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
PROFIT FOR THE PERIOD					
Net interest income	13,335	33,033	-	-	46,368
Net income from Islamic financing and investing activities	-	-	3,823	-	3,823
Other operating income	8,564	7,914	2,347	-	18,825
Total operating income	21,899	40,947	6,170	-	69,016
Total operating expenses	(13,366)	(14,187)	(2,741)	-	(30,294)
Net operating income before impairment provisions	8,533	26,760	3,429	-	38,722
Loan impairment charges and other credit risk provisions (net)	653	(11,223)	(478)	-	(11,048)
Profit before tax	9,186	15,537	2,951	-	27,674
Income tax expense	(1,335)	(2,213)	(443)	-	(3,991)
Profit for the period	7,851	13,324	2,508	-	23,683
	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	126,809	39,278	-	166,087
Due from banks	-	120,761	24,640	-	145,401
Investment securities	-	861,191	27,707	-	888,898
Loans, advances and Islamic financings (net)	830,727	1,780,073	429,908	-	3,040,708
Other assets	-	35,436	2,549	14,795	52,780
Investment properties	-	-	-	2,900	2,900
Property and equipment	-	-	854	54,616	55,470
Total Assets	830,727	2,924,270	524,936	72,311	4,352,244
Liabilities					
Due to banks	-	884,508	20,267	-	904,775
Customer deposits	1,090,749	1,175,349	442,700	-	2,708,798
Other liabilities	-	35,409	3,774	34,492	73,675
Total Liabilities	1,090,749	2,095,266	466,741	34,492	3,687,248
Internal funding (net)	(260,022)	829,007	-	(568,985)	-
Total Equity	-	-	58,195	606,801	664,996
Total Liabilities & Equity	830,727	2,924,273	524,936	72,308	4,352,244

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2023
(RO'000)
30.1 Segmental information (continued)

	30 June 2022 (Unaudited)				
	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
PROFIT FOR THE PERIOD					
Net interest income	10,534	32,810	-	-	43,344
Net income from Islamic financing and investing activities	-	-	4,459	-	4,459
Other operating income	4,054	7,937	883	-	12,874
Total operating income	14,588	40,747	5,342	-	60,677
Total operating expenses	(11,317)	(12,460)	(2,445)	-	(26,222)
Net operating income before impairment provisions	3,271	28,287	2,897	-	34,455
Loan impairment charges and other credit risk provisions (net)	(253)	(12,554)	86	-	(12,721)
Profit before tax	3,018	15,733	2,983	-	21,734
Income tax expense	(504)	(2,318)	(447)	-	(3,269)
Profit for the period	2,514	13,415	2,536	-	18,465
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	73,362	38,838	-	112,200
Due from banks	-	137,944	28,280	-	166,224
Investment securities	-	1,019,577	29,383	-	1,048,960
Loans, advances and Islamic financings (net)	756,638	1,607,468	367,413	-	2,731,519
Other assets	-	224,666	1,381	20,677	246,724
Investment properties	-	-	-	2,900	2,900
Property, equipment and fixtures	-	-	729	54,297	55,026
Total Assets	756,638	3,063,017	466,024	77,874	4,363,553
Liabilities					
Due to banks	-	839,720	43,949	-	883,669
Customer deposits	768,226	1,422,455	377,299	-	2,567,980
Other liabilities	-	222,359	2,568	55,584	280,511
Subordinated loans	-	-	-	35,385	35,385
Total Liabilities	768,226	2,484,534	423,816	90,969	3,767,545
Internal funding (net)	(11,588)	578,483	-	(566,895)	-
Total Equity	-	-	42,208	553,800	596,008
Total Liabilities & Equity	756,638	3,063,017	466,024	77,874	4,363,553

31. Comparative figures

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