



SOHAR INTERNATIONAL BANK SAOG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2024

Chairman's report for the three months period ended 31 March 2024

As we stand poised to continue the journey outlined in our strategic plan, I am honoured to highlight the remarkable milestones and achievements that have firmly positioned Sohar International (the "Bank") as a trailblazer within the banking sector and Oman.

Amidst global challenges, Oman has demonstrated remarkable resilience by focusing on fiscal stability, efficient resource management, and attracting foreign investment to drive sustainable economic progress.

On the back of our recent merger, international expansion into Saudi Arabia and continued organic growth Sohar International is recognized as a key player in the region. The Bank achieved the highest asset growth rate in the GCC in 2023 and has delivered an exceptional financial performance in Q1 2024 with a market leading Return on Equity of 14.4%, reflecting the Bank's commitment to achieving superior results for our shareholders.

Sohar International's transformational growth and performance has resulted in the Bank's top three market capitalisation ranking on the Muscat Stock Exchange.

FINANCIAL STRENGTH

Profit for the period increased 89% to RO 25.1 million compared to RO 13.3 million for the same period last year. Total operating income increased 67% to RO 59.9 million, (31 March 2023: RO 35.9 million), driven by increases in both net interest income and other operating income. Total operating expenses increased 62% to RO 24.1 million (31 March 2023: RO 14.9 million).

Net operating income before impairment provisions increased 70% to RO 35.8 million (31 March 2023: RO 21.0 million) resulting in an expenses-to-income ratio of 40.2% compared to 41.5% 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 5.4 million for the same period last year.

Total assets increased 47% to RO 6,798 million (31 March 2023: RO 4,632 million) mainly driven by a 28% increase of in loans, advances and Islamic financings (net) to RO 3,920 million (31 March 2023: RO 3,069 million) and a 116% increase in investment securities to RO 1,766 million (31 March 2023: RO 820 million).

Customer deposits increased 88% to RO 5,221 million (31 March 2023: RO 2,775 million), highlighting the Bank's funding strength with the net loans-to-customer deposit ratio of 75% compared to 111% for the same period last year.

The 25% increase in shareholder's equity from RO 554 million as at 31 March 2023 to RO 693 million includes RO 106 million shares issued to the shareholders of HSBC Bank Oman as part



of the merger consideration. The Bank's capital strength also supported a repayment of OMR 100 million perpetual tier 1 capital securities on the call date of 14th March 2023.

GROWTH WITH EXCELLENCE

Seizing emerging opportunities, Sohar International has commenced operations in the Kingdom of Saudi Arabia (KSA). This move not only broadens the Bank's reach but also enhances business volume, fostering cross-border trade, and strengthening the Bank's competitive position.

Aligning seamlessly with this strategy, Sohar International's membership agreement with the Saudi Credit Bureau (SIMAH) facilitates enhanced credit reporting and risk management capabilities to further serve customers and partners effectively.

DIGITAL FIRST

Sohar International proudly leads Oman's push towards digitalization, with a strong commitment to innovative service delivery. The Bank is constantly refining its mobile applications to equip customers with efficient account management, seamless bill payments, versatile card services, and sophisticated financial tools, all supported by attentive customer service. Innovative and market leading features include on-line holiday bookings, home improvement resources and a user-friendly complaint management tool.

To further streamline services Sohar International has partnered with Bima, Oman's first online insurance portal.

Serving corporate clients, Sohar International also evolved its unified transaction banking platform, offering state-of-the-art financial instruments designed to augment business agility and oversight. In collaboration with the Central Bank of Oman, and promoting the national digitalization agenda, the Bank is implementing a fully automated direct debit systems, aiming to significantly increase operational efficiency.

Providing further tangible benefits to corporate clients, a fee waiver campaign for salary and transaction processing through the digital platform was introduced.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

With the growing national and international emphasis on ESG, Sohar International recognises the importance of incorporating these practices to enhance both investor confidence and to support the Sultanate's ambitious commitment to achieve net-zero emissions by 2050.



The Board of Directors' approval of the Bank's ESG framework signals a strategic commitment to sustainability and responsible banking practices. The Bank's ESG framework will actively guide and shape the Bank's future business decisions, ensuring they align with sustainability objectives and uphold the highest ethical standards.

RESILIENT PARTNERSHIPS

In a recent showcase of robust partnerships, Sohar International had the pleasure of hosting a series of influential events, culminating in a special celebration that honoured enduring relationship with a premier corporate client. Furthermore, in the spirit of the holy month of Ramadan, the Bank initiated a series of Iftar gatherings that brought together government clients and media partners. These events not only fostered communal harmony but also underscored the Bank's dedication to maintaining active engagement with stakeholders from various sectors.

SERVING CUSTOMERS

To meet dynamic customer needs through value-added offerings, Sohar International introduced 'Because You Deserve More' campaign with comprehensive benefits. Key features included cashback incentives, fee waivers, and competitive loan rates, all enhanced by exclusive entertainment offers through the Sohar International entertainer application.

Sohar Islamic further enriched offerings by introducing its Platinum Credit Card, providing customers with a range of exclusive benefits and privileges.

The Bank's recent implementation of the International Bank Account Number (IBAN) adheres to international standards, streamlines cross-border payments, improves automation processes, and contributes to Oman's financial infrastructure and global integration.

IBAN adoption attracts foreign investment and supports economic development by promoting smoother financial interactions with international partners.

SERVING THE NATION

Sohar International has been at the forefront of driving economic progress, as underscored by the Bank's role as the gold-sponsor of the Finance and Insurance Forum 2024, an esteemed event orchestrated by the Oman Chamber of Commerce and Industry.

In a further display of its commitment to societal contributions, the Bank partnered with Oman InFocus to support a seminal documentary showcasing the rich biodiversity of the



Empty Quarter. This initiative is a step towards positioning Oman as a key destination for wildlife tourism and conservation.

Promoting environmental sustainability, Sohar International proudly backed the 'Sustainable Innovation Hackathon for a Better Future' held at the University of Technology and Applied Sciences in Muscat. This event was designed to spur young entrepreneurs and innovators to create eco-friendly solutions. The Bank has affirmed its continued commitment, pledging financial support to the University for the enhancement of its facilities.

Reinforcing ties with the academic community, Sohar International has forged a collaboration with the College of Banking and Financial Studies via the Bank's dedicated academy - Sohar|Academy. This partnership is dedicated to developing specialized training programs that prepare graduates with the competencies demanded by the ever-changing job market.

With the objective of providing practical experience and fostering career growth within the dynamic fashion sector, Sohar International also supported the Fashion Future Program in conjunction with Dar Al Aseel.

Sohar International actively engages with the community through sponsorships, partnerships, and initiatives aimed at empowering various segments of society. In line with the spirit of giving during the holy month of Ramadan, Sohar International's "Sohar Al Ataa" convoy collaborated with the Muscat charity team to provide essential aid to 100 families in the Governorate of Muscat.

SERVING OUR EMPLOYEES

Sohar International continues to actively cultivate a performance-driven culture by recognizing and rewarding top performers and contributors. The Bank has hosted several events where exceptional staff members are acknowledged for their outstanding performance and contributions to large-scale projects. These initiatives align with the Bank's commitment to fostering a meritocratic environment.

In addition to recognizing top talent, Sohar International prioritizes employee growth by providing ongoing training and development opportunities. These initiatives, delivered through both in-house and external programs, not only help employees adapt to changes but also foster unity and purpose within the organization.



AWARDS AND ACCOLADES

Sohar International continues to achieve significant milestones and receive prestigious local and international awards and accolades.

The Bank was recognized as the 'Most Innovative Digital Bank for Ecosystem Services – Oman 2023' at The Global Economics Awards in the UAE, showcasing its leadership in digital Banking and commitment to enhancing customer experience.

The Bank received JP Morgan Chase Bank Global Clearing Quality Recognition awards for MT103 and MT202 payments, reflecting an impressive success rate of over 99%, highlighting the Bank's dedication to operational efficiency and technological advancement in electronic payments.

Sohar International was proudly became the first Bank in Oman to attain Payment Card Industry Data Security Standard (PCIDSS) version 4.0 compliance certification.

RECOGNITION

I express my profound appreciation to our stakeholders, who have consistently bestowed upon us the highest degree of faith in support of our transformative journey. The continued dedication with which our employees have embraced and aligned themselves with the organisational values has been instrumental to our success.

The strong governance, transparency, and leadership exemplified by the Central Bank of Oman and the Capital Market Authority have also played a pivotal role in helping us achieve new levels of excellence.

On behalf of the Board of Directors and our employees, I convey my sincere gratitude to His Majesty Sultan Haitham Bin Tarik, whose visionary leadership has propelled Oman towards significant socio-economic progress and established a clear path for Oman's continued prosperity and growth.

Said Mohamed Al-Aufi
Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024
(RO'000)

		31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	5	183,457	205,669	173,209
Due from banks	6	733,188	652,004	440,534
Investment securities	7	1,766,326	1,711,182	819,811
Loans, advances and Islamic financings (net)	8	3,920,218	3,921,192	3,068,683
Other assets	9	50,901	53,588	72,489
Investment properties		2,900	2,900	2,900
Property and equipment		75,088	75,571	54,375
Intangible assets	10	65,489	66,614	-
TOTAL ASSETS		6,797,567	6,688,720	4,632,001
LIABILITIES				
Due to banks	11	777,982	676,120	1,102,081
Customer deposits	12	5,221,213	5,103,045	2,775,118
Other liabilities	13	105,004	107,481	100,322
TOTAL LIABILITIES		6,104,199	5,886,646	3,977,521
SHAREHOLDERS' EQUITY				
Share capital	14	572,508	561,572	455,355
Share premium		18,038	18,038	18,038
Legal reserve		44,910	44,910	37,877
Other reserves	15	(5,545)	(5,527)	6,834
Retained earnings		63,457	83,081	36,376
TOTAL SHAREHOLDERS' EQUITY		693,368	702,074	554,480
Perpetual tier 1 capital securities	16	-	100,000	100,000
TOTAL EQUITY		693,368	802,074	654,480
TOTAL LIABILITIES AND EQUITY		6,797,567	6,688,720	4,632,001
CONTINGENT LIABILITIES	17.1	629,666	673,865	312,384
COMMITMENTS	17.2	845,133	978,328	405,406
Net assets per share		Baisa 124.3	Baisa 128.4	Baisa 120.8

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 April 2024 and signed on their behalf by:

Chairman

Board member

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD

(Unaudited)
(RO'000)

Three months ended

	Note	31 March 2024	31 March 2023
Interest income	18	75,611	52,473
Interest expense	19	(34,068)	(28,486)
Net interest income		41,543	23,987
Net income from Islamic financing and investing activities	20	2,496	2,054
Other operating income	21	15,865	9,906
TOTAL OPERATING INCOME		59,904	35,947
Staff costs		(14,380)	(8,887)
Other operating expenses	22	(8,523)	(5,072)
Depreciation		(1,192)	(962)
TOTAL OPERATING EXPENSES		(24,095)	(14,921)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		35,809	21,026
Loan impairment charges and other credit risk provisions (net)	23	(5,418)	(5,416)
PROFIT BEFORE TAX		30,391	15,610
Income tax expense		(5,266)	(2,326)
PROFIT FOR THE PERIOD		25,125	13,284
Items that will not be reclassified to profit and loss			
Revaluation loss on equity instruments held at fair value through other comprehensive income (FVOCI)		(18)	(20)
Items to be reclassified subsequently to profit and loss			
Net changes in fair value on debt instruments classified FVOCI		-	90
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(18)	70
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		25,107	13,354
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		25,107	13,354
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		25,125	13,284
Basic earnings per share for the period	24	Baisa 3.83	Baisa 2.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2024

(Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	TOTAL SHAREHOLDERS' EQUITY	Perpetual tier 1 capital securities	TOTAL EQUITY
Balance as at 1 January 2024	561,572	18,038	44,910	(5,527)	83,081	702,074	100,000	802,074
Profit for the period	-	-	-	-	25,125	25,125	-	25,125
Other comprehensive loss for the period	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive income for the period	-	-	-	(18)	25,125	25,107	-	25,107
Issue of bonus shares	10,936	-	-	-	(10,936)	-	-	-
Repayment of perpetual tier 1 capital securities	-	-	-	-	-	-	(100,000)	(100,000)
Dividends paid for the year 2023	-	-	-	-	(30,073)	(30,073)	-	(30,073)
Perpetual tier 1 interest paid	-	-	-	-	(3,740)	(3,740)	-	(3,740)
Balance as at 31 March 2024	572,508	18,038	44,910	(5,545)	63,457	693,368	-	693,368

	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	TOTAL SHAREHOLDERS' EQUITY	Perpetual tier 1 capital securities	TOTAL EQUITY
Balance as at 1 January 2023	455,355	18,038	37,877	6,764	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 March 2023	455,355	18,038	37,877	6,834	36,376	554,480	100,000	654,480

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2024**
**(Unaudited)
(RO'000)**

	31 March 2024	31 March 2023
OPERATING ACTIVITIES		
Profit before tax	30,391	15,610
Adjustments for:		
Depreciation	1,192	962
Amortization of intangible	1,125	-
Loan impairment charges and other credit risk provisions (net)	5,418	5,416
Net loss/(gain) on investments	127	(2)
Income from Islamic investment activities	(420)	(400)
Interest on investments	(23,618)	(10,035)
Interest on subordinated loans	-	8
Cash from operating activities before changes in operating assets and liabilities	14,215	11,559
Due from banks	47,520	(374)
Loans, advances and Islamic financings (net)	(3,253)	(149,361)
Investment held at fair value through profit or loss (FVTPL)	26,985	(656)
Other assets	(1,412)	(6,171)
Due to banks	(4,627)	294,045
Customer deposits	118,167	215,020
Other liabilities	(4,489)	(400)
Cash from operating activities	193,106	363,662
INVESTING ACTIVITIES		
Purchase of investments (net)	(14,767)	(302)
Proceeds from redemption of investments	43,238	4,500
Purchase of property and equipment	(657)	(1,400)
Income from Islamic investment activities	-	58
Interest received on investments	23,618	10,035
Net cash from investing activities	51,432	12,891
FINANCING ACTIVITIES		
Dividends paid	(30,073)	(20,655)
Redemption of perpetual tier 1 capital securities	(100,000)	-
Interest paid on perpetual tier 1 capital securities	(3,740)	(3,717)
Net cash (used in)/from financing activities	(133,813)	(24,372)
NET CHANGE IN CASH AND CASH EQUIVALENTS	110,725	352,181
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	1,835,528	455,450
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,946,253	807,631
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit)	182,950	172,707
Due from banks with original maturity (OM) of 90 days or less	649,925	433,424
Investment securities with OM of 90 days or less	1,332,200	356,094
Due to banks with OM of 90 days or less	(218,822)	(154,594)
	1,946,253	807,631

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024

1. Legal status and principal activities

1.1 Sohar International Bank SAOG

Sohar International Bank SAOG ("Bank or "Parent Company"), 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 76 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 commenced 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 Stock Exchange.

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 Parent Company established a branch in Riyadh, Kingdom of Saudi Arabia ("KSA Branch") in November 2022, Commercial Registration No. 1010839168 dated 07/11/2022. In October 2023 the Saudi Central Bank (SAMA) approved the commencement of operations of KSA Branch which currently provides commercial and Islamic banking services.

The merger by incorporation with HSBC Bank Oman SAOG ("HBON") was completed as of 17th August 2023 (merger date). The merger resulted in all of HBON's rights, obligations, assets (including contracts and employees) and liabilities transferring to the Bank by operation of law.

As at 31 March 2024, the Bank operated in 2 countries (31 March 2023: 1 country) and employed 1,542 employees (31 March 2023: 888).

2. Basis of preparation

These unaudited interim condensed consolidated 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 consolidated financial statements, they do not contain all information and disclosures for the full financial statements prepared in accordance with IFRS. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the Bank's annual financial statements as at 31 December 2023.

In addition, results for the three months period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2024.

2.1 Statement of compliance

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2023.

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 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024

2. Basis of preparation (continued)

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 2024, 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 2024. The new standards and amendments to standards that were effective for annual periods beginning from 1 January 2024 did not have any material impact on these interim condensed financial statements.

4. Business combinations

Business combinations are accounted for using the acquisition method as at the merger date i.e. the date from which control is transferred to the Bank. Under this method, identifiable assets and liabilities acquired from the merged entity (HBON) are measured at fair value at the merger date except for non-current assets classified as assets held for sale which are accounted for at fair value less costs to sell. Contingent liabilities of the merged entity are not recognised in the consolidated balance sheet unless they represent a present obligation on the acquisition date and their fair value can be measured reliably.

In accordance with IFRS 3, the Bank initiated in 2023 an independent Purchase Price Allocation (PPA) review of the fair values of the identifiable assets and liabilities acquired relative to the total consideration paid to identify any intangible assets, changes in fair values, or other adjustments which had not been identified at the merger date and which should be reflected as goodwill or an adjustment to any gain on bargain purchase already recognised. The provisional results of this PPA review are reflected in the financial statements for the year ended 31 December 2023. In accordance with IFRS 3 the Bank may recognize PPA adjustments within 12 months of the merger date. The Bank will accordingly be assessing any further adjustments within this time period.

5. Cash and balances with Central Bank

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Cash	63,642	60,100	30,632
Balance with CBO	119,308	145,062	142,075
	<u>182,950</u>	<u>205,162</u>	<u>172,707</u>
Capital deposit with CBO	507	507	502
	<u>183,457</u>	<u>205,669</u>	<u>173,209</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 176.07 million (31 December 2023: 163.9 million, 31 March 2023: RO 104.3 million).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2024
(RO'000)**

6. Due from banks

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
<i>Local currency:</i>			
Money market placements	33,295	90,281	-
<i>Foreign currency:</i>			
Money market placements	638,270	404,024	398,759
Demand balances	62,095	158,195	42,080
	700,365	562,219	440,839
Gross carrying amount	733,660	652,500	440,839
Less: ECL provision	(472)	(496)	(305)
	733,188	652,004	440,534

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

	31 March 2024 (Unaudited)				31 March 2023 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	652,500	-	-	652,500	103,946
New assets originated or purchased	81,160	-	-	81,160	336,893
Gross carrying amount	733,660	-	-	733,660	440,839

	31 March 2024 (Unaudited)				31 March 2023 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	497	(1)	-	496	-
Net impairment charge/(release)(note 23)	(24)	-	-	(24)	305
ECL provision	473	(1)	-	472	305

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2024
(RO'000)

7. Investment securities

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Equity investments:			
Held at FVOCI	1,865	1,885	2,113
Held at FVTPL	601	603	2,220
Total equity investments	2,466	2,488	4,333
Debt investments:			
Held at FVTPL	64,205	91,314	92,010
Held at FVOCI	1,332,200	1,221,455	364,728
Less : ECL provision	-	-	(438)
FVOCI debt investments (net)	1,332,200	1,221,455	364,290
Held at amortised cost	367,632	396,033	359,628
Less : ECL provision	(177)	(108)	(450)
Held at amortised cost (net)	367,455	395,925	359,178
Total debt investments	1,763,860	1,708,694	815,478
Total investment securities	1,766,326	1,711,182	819,811

7.1 Held at FVTPL

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Unquoted equity investments - Oman			
Service sector	500	500	2,115
Quoted equity investments – Foreign			
Service sector	101	103	105
Quoted debt investments – Oman			
Government development bonds (GDB)	64,205	91,314	92,010
Total FVTPL investments	64,806	91,917	94,230

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2024
(RO'000)**

7 Investment securities (continued)

7.2 Held at FVOCI

	Carrying / fair value 31 March 2024 (Unaudited)	Cost 31 March 2024 (Unaudited)	Carrying / fair value 31 December 2023 (Audited)	Cost 31 December 2023 (Audited)	Carrying / fair value 31 March 2023 (Unaudited)	Cost 31 March 2023 (Unaudited)
Quoted equity investments – Oman						
Service sector	1,366	1,777	1,386	1,777	1,437	1,774
Unquoted equity investments – Oman						
Service sector	499	676	499	676	676	709
Total equity investments	1,865	2,453	1,885	2,453	2,113	2,483
Quoted debt investments – Oman						
Real estate sector	-	-	-	-	8,634	7,854
Less: ECL provision	-	-	-	-	(438)	-
Treasury bills	19,973	20,000	540	540	-	-
Quoted debt investments – Foreign						
Treasury bills	1,312,227	1,319,208	1,220,915	1,227,540	356,094	358,076
Total debt investments	1,332,200	1,339,208	1,221,455	1,228,080	364,290	365,930
Total investments held at FVOCI	1,334,065	1,341,661	1,223,340	1,230,533	366,403	368,413

USD Treasury bills of RO 354.2 million (31 December 2023: RO 354.2 million, 31 March 2023: 358.1 million) are assigned as collateral against the bank's borrowings of RO 354.2 million (31 December 2023: RO 354.2 million, 31 March 2023: 354.2 million).

7.3 Held at amortised cost

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Quoted debt investments – Oman			
Government development bonds	347,669	381,818	336,606
Service sector	14,215	14,215	23,022
Treasury bills	5,748	-	-
	367,632	396,033	359,628
Less: ECL provision	(177)	(108)	(450)
Total investments held at amortised cost	367,455	395,925	359,178

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7 Investment securities (continued)

7.3 Held at amortised cost (continued)

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

	31 March 2024 (Unaudited)				31 March 2023 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	396,033	-	-	396,033	360,721
Assets purchased	14,837	-	-	14,837	-
Assets matured	(43,238)	-	-	(43,238)	(1,093)
Gross carrying amount	367,632	-	-	367,632	359,628

	Stage 1	Stage 2	Stage 3	Total	31 March 2023 (Unaudited)
At 1 January	22	86	-	108	450
Net impairment charge (note 23)	69	-	-	69	-
ECL provision	91	86	-	177	450

8. Loans, advances and Islamic financings (net)

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Corporate	2,848,272	2,809,678	2,199,921
Retail	1,370,627	1,398,703	1,010,815
Gross loans, advances and Islamic financings	4,218,899	4,208,381	3,210,736
Less: ECL provision	(242,212)	(237,030)	(118,360)
Less: Contractual interest / profit not recognised	(56,469)	(50,159)	(23,693)
	(298,681)	(287,189)	(142,053)
Loans, advances and Islamic financings (net)	3,920,218	3,921,192	3,068,683

Gross loans, advances and Islamic financings include RO 522.61 million (31 December 2023: RO 522.62 million, 31 March 2023: RO 436.33 million) through Sohar Islamic financing activities.

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

Loans, advances and Islamic financings (net) comprise:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Loans	3,643,826	3,628,890	2,690,174
Overdrafts	347,267	351,744	416,252
Loans against trust receipts	217,208	215,124	86,522
Bills discounted	10,598	12,623	17,788
Gross loans, advances and Islamic financings	4,218,899	4,208,381	3,210,736
Less: ECL provision	(242,212)	(237,030)	(118,360)
Less: Contractual interest / profit not recognised	(56,469)	(50,159)	(23,693)
	(298,681)	(287,189)	(142,053)
	3,920,218	3,921,192	3,068,683

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

**31 March 2024
(Unaudited)**

	Stage 1	Stage 2	Stage 3	Total
At 1 January	3,428,928	578,852	200,601	4,208,381
New assets originated or purchased	130,522	108,849	3,289	242,660
Assets derecognised or repaid	(146,289)	(85,435)	(461)	(232,185)
Loans written off	-	-	(8)	(8)
Loans transferred to memoranda portfolio	-	-	(68)	(68)
Loans transferred from memoranda portfolio	-	-	119	119
Transfers to Stage 1	4,349	(4,304)	(45)	-
Transfers to Stage 2	(131,272)	131,320	(48)	-
Transfers to Stage 3	(1,108)	(6,158)	7,266	-
Gross carrying amount	3,285,130	723,124	210,645	4,218,899
	Stage 1	Stage 2	Stage 3	Total
At 1 January	18,216	131,317	87,497	237,030
Impairment charge	18,383	76,416	83,014	177,813
Impairment release	(18,577)	(74,972)	(80,044)	(173,593)
Loans written off	-	-	(8)	(8)
Loans transferred to memorandum portfolio	-	-	(68)	(68)
Loans brought back from memorandum portfolio	-	-	1,038	1,038
Transfers to Stage 1	104	(99)	(5)	-
Transfers to Stage 2	(190)	190	-	-
Transfers to Stage 3	(478)	261	217	-
ECL provision	17,458	133,113	91,641	242,212
Net impairment charge / (release)	Stage 1	Stage 2	Stage 3	Total
Impairment charge	18,383	76,416	83,014	177,813
Impairment release	(30,018)	(63,531)	(80,044)	(173,593)
Net impairment charge / (release) (Note 23)	(11,635)	12,885	2,970	4,220

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8. Loans, advances and Islamic financings (net) (continued)
**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 23)	73	1,119	3,759	4,951

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

	31 March 2024 (Unaudited)	31 March 2023 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	50,159	28,424
Not recognised during the period	6,719	2,575
Written back due to recovery/write off	(409)	(7,306)
Balance at end of the period	56,469	23,693

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 2024, loans, advances and Islamic financings on which interest/profit was not accrued or where interest/profit was reserved amounted to RO 211 million. (31 December 2023: RO 201 million, 31 March 2023: RO 156 million).

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9. Other assets

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Acceptances	21,451	28,956	47,903
Prepayments	2,443	1,926	3,550
Receivables	12,415	10,118	4,373
Positive fair value of derivatives (Note 28)	1,013	1,432	73
Others	13,579	11,156	16,590
	50,901	53,588	72,489

10. Intangible assets

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Cost:		
1 January	66,614	-
Assets acquired on business combination	-	68,311
As at period end	66,614	68,311
Less: Amortization during the period	(1,125)	(1,697)
Net book value	65,489	66,614

11. Due to banks

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	1,153	17,082	101,638
Demand balances	109,073	49,934	12,003
	110,226	67,016	113,641
<i>Foreign currency:</i>			
Money market borrowings	637,972	574,690	919,026
Demand balances	29,784	34,414	49,864
Syndicated borrowings	-	-	19,550
	667,756	609,104	988,440
Total Due to banks	777,982	676,120	1,102,081

Foreign currency money market borrowings include bank borrowings amounting to RO 354.2 million (31 December 2023: RO 354.2 million, 31 March 2023: RO 354.2 million) with underlying collateral in the form of USD Treasury bills of RO 354.2 million (31 December 2023: RO 357.6 million, 31 March 2023: RO 358.1 million).

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12. Customer deposits

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Term deposits	1,663,704	1,531,148	1,227,771
Demand deposits	2,553,843	2,659,285	1,015,235
Saving deposits	935,269	840,429	467,024
Margin deposits	68,397	72,183	65,088
	5,221,213	5,103,045	2,775,118

Islamic Banking deposits included in the above

Term deposits	246,988	277,561	243,608
Demand deposits	139,273	123,265	101,978
Saving deposits	144,776	103,730	37,870
Margin deposits	2,413	2,258	2,062
	533,450	506,814	385,518

13. Other liabilities

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Acceptances	21,451	28,956	47,903
Staff entitlements	3,990	3,499	2,494
Income tax provision	11,612	6,178	8,947
Negative fair value of derivatives (Note 28)	3,171	3,165	5
Deferred tax liability (net)	10,725	10,893	1,158
Other accruals and provisions	45,909	47,482	32,434
Subordinated Loans	-	-	494
ECL provision on loan commitments and financial guarantees (Note 17)	2,120	1,572	1,850
Lease liability on right of use assets	6,026	5,736	5,037
	105,004	107,481	100,322

14. Share capital

The authorised capital of the Bank is RO 1 billion (31 December 2023: RO 1 billion, 31 March 2023: RO 1 billion). The issued shares of the Bank are 5,577,246,270 (31 December 2023: 5,467,888,500, 31 March 2023: 4,590,062,290). The paid up capital of the Bank is RO 572,508,107 (31 December 2023: RO 561,572,410, 31 March 2023: RO 455,355,439).

In August 2023, the Bank issued 877,826,210 fully paid up ordinary shares valued at 1.21 baisa per share to the shareholders of HBON, amounting to RO 106,216,971, as part consideration for the merger.

In the Annual General Meeting held on 28 March 2024, the shareholders approved the distribution of bonus shares at the rate of 1.95% of the Bank's paid up capital amounting to RO 10,935,777. The number of bonus shares issued to shareholders was 2 shares for every 100 shares held, resulting in an increase in the issued shares of 109,357,770.

As at 31 March 2024, the following shareholders held 10% or more of the Bank's issued shares, either individually or together with related parties:

	Number of shares	% Holding
The Royal Court of Affairs	767,200,535	13.76%
Oman Investment & Finance Co. SAOG	726,416,500	13.03%

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15. Other reserves

(Unaudited)	General reserve	Fair value reserve	Impairment reserve	Subordinated loan reserve	Fair value reserve on acquisition	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance as at 1 January 2024	988	(568)	5,464	-	(11,411)	(5,527)
Net changes in fair value of equity instruments at FVOCI	-	(18)	-	-	-	(18)
Balance as at 31 March 2024	988	(586)	5,464	-	(11,411)	(5,545)

(Audited)	General reserve	Fair value reserve	Impairment reserve	Subordinated loan reserve	Fair value reserve on acquisition	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance as at 1 January 2023	988	(173)	5,464	485	-	6,764
Transfer to retained earnings	-	-	-	(485)	-	(485)
Net changes in fair value (FV) of equity instruments at FVOCI	-	(410)	-	-	-	(410)
FV reserve on acquisition	-	-	-	-	(11,411)	(11,411)
Reclass of net changes in FV of equity instruments upon de-recognition	-	15	-	-	-	15
Balance as at 31 December 2023	988	(568)	5,464	-	(11,411)	(5,527)

(Unaudited)	General reserve	Fair value reserve	Impairment reserve	Subordinated loan reserve	Fair value reserve on acquisition	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance as at 1 January 2023	988	(173)	5,464	485	-	6,764
Net changes in FV of equity instruments at FVOCI	-	70	-	-	-	70
Balance as at 31 March 2023	988	(103)	5,464	485	-	6,834

16. Perpetual Tier 1 Capital Securities

On 14 March 2019, the Bank issued 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. RO 3.740 million was paid as interest for the period ended 31 March 2024 (31 December 2023: RO 7.500 million, 31 March 2023: RO 3.717 million) and is recognised in the statement of changes in equity.

On 28th February 2024, the Bank at its discretion and after prior consent from the relevant regulatory authority, exercised its option to redeem the securities in full on the first Call Date, i.e. the 5th anniversary of the issuance date being 14 March 2024.

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17. Contingent liabilities and commitments

17.1 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 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Guarantees	88,511	570,214	240,453
Documentary letters of credit	541,155	103,651	71,931
	<u>629,666</u>	<u>673,865</u>	<u>312,384</u>

17.2 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 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Capital commitments	2,835	2,962	4,573
Credit related commitments	842,298	975,366	400,833
	<u>845,133</u>	<u>978,328</u>	<u>405,406</u>

Analysis of changes in the gross carrying amount and corresponding ECL provision on credit related commitments, contingent liabilities and acceptances:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Contingent liabilities	629,666	673,865	312,384
Credit related commitments	842,298	975,366	400,833
Acceptances	21,451	28,956	47,903
	<u>1,493,415</u>	<u>1,678,187</u>	<u>761,120</u>

	Stage 1	Stage 2	Stage 3	Total 2024	31 March 2023
At 1 January	741	477	354	1,572	1,690
Impairment charge	207	584	795	1,586	241
Impairment release	(37)	(85)	(311)	(433)	(81)
ECL transferred to memorandum portfolio	-	-	(606)	(606)	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	(25)	(560)	585	-	-
Transfers to Stage 3	-	(1)	1	-	-
	<u>886</u>	<u>415</u>	<u>818</u>	<u>2,119</u>	<u>1,850</u>

	Stage 1	Stage 2	Stage 3	Total	Total
Net impairment charge / (release)					
Impairment charge	207	584	795	1,586	241
Impairment release	(37)	(85)	(311)	(433)	(81)
	<u>170</u>	<u>499</u>	<u>484</u>	<u>1,153</u>	<u>160</u>

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18. Interest income

	Three months ended (Unaudited)	
	31 March 2024	31 March 2023
Due from banks	5,995	2,056
Loans and advances	45,936	40,382
Investment securities	23,680	10,035
	<u>75,611</u>	<u>52,473</u>

19. Interest expense

	Three months ended (Unaudited)	
	31 March 2024	31 March 2023
Due to banks	6,953	10,035
Customer deposits	27,115	18,443
Subordinated loans	-	8
	<u>34,068</u>	<u>28,486</u>

20. Net income from Islamic financing and investing activities

Gross income earned

	Three months ended (Unaudited)	
	31 March 2024	31 March 2023
Due from banks	222	121
Financings	7,593	5,706
Investment securities	420	400
	<u>8,235</u>	<u>6,227</u>

Profit paid

Customer deposits	5,371	3,639
Due to banks	368	534
	<u>5,739</u>	<u>4,173</u>
Net income from Islamic financing and investing activities	<u>2,496</u>	<u>2,054</u>

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21. Other operating income

	Three months ended (Unaudited)	
	31 March 2024	31 March 2023
Fees and commissions	8,679	7,363
Net gains from foreign exchange	7,250	2,312
Dividend income	61	227
Bad debt recovery	2	2
Gain/(Loss) on investments	(127)	2
	15,865	9,906

22. Other operating expenses

	Three months ended (Unaudited)	
	31 March 2024	31 March 2023
Operating and administration costs	6,295	4,009
Amortisation of intangible asset	1,125	-
Amortisation of right-to-use assets	733	522
Occupancy cost	271	440
Directors remuneration	75	75
Directors sitting fees	14	13
Shari'a supervisory board remuneration and sitting fees	10	13
	8,523	5,072

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

		Three months ended (Unaudited)	
	Note	31 March 2024	31 March 2023
Net impairment charge / (release):			
Loans, advances and Islamic financings (net)	8	4,220	4,951
Contingent liabilities and commitments	17	1,153	160
Due from banks	6	(24)	305
Debt securities at amortised cost	7.3	69	-
Loan impairment charges and other credit risk provisions (net)		5,418	5,416

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24. 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
	2024	2023
Profit for the period	25,125	13,284
Less: Interest paid on perpetual tier 1 capital securities	(3,740)	(3,717)
	21,385	9,567
Weighted average number of shares outstanding during the period ('000)	5,577,246	4,590,062
Basic earnings per share for the period (baisa)	3.83	2.08

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

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25. Financial Instruments

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

31 March 2024

(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	3,199,032	38,329	16,274	22,055	3,182,758	-	-
	Stage 2	153,325	1,619	65,111	(63,492)	88,214	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		3,352,357	39,948	81,385	(41,437)	3,270,972	-	-
Special mention	Stage 1	86,098	751	1,184	(433)	84,914	-	-
	Stage 2	569,799	11,941	73,854	(61,913)	495,945	5,852	5,852
	Stage 3	-	-	-	-	-	-	-
Sub Total		655,897	12,692	75,038	(62,346)	580,859	5,852	5,852
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	12,521	3,129	3,746	(617)	8,775	89	89
Sub Total		12,521	3,129	3,746	(617)	8,775	89	89
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	16,321	6,700	5,788	912	10,533	858	858
Sub Total		16,321	6,700	5,788	912	10,533	858	858
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	181,803	130,646	132,724	(2,078)	49,079	49,670	49,670
Sub Total		181,803	130,646	132,724	(2,078)	49,079	49,670	49,670
Gross Loans, advances and Islamic financings(net)	Stage 1	3,285,130	39,080	17,458	21,622	3,267,672	-	-
	Stage 2	723,124	13,560	138,965	(125,405)	584,159	5,852	5,852
	Stage 3	210,645	140,475	142,258	(1,783)	68,387	50,617	50,617
Sub Total		4,218,899	193,115	298,681	(105,566)	3,920,218	56,469	56,469
*Due from banks,	Stage 1	3,913,621	-	1,449	(1,449)	3,912,172	-	-
Investment securities,	Stage 2	76,738	-	501	(501)	76,237	-	-
Loan commitments & Financial guarantees	Stage 3	3,865	-	818	(818)	3,047	-	-
Sub total		3,994,224	-	2,768	(2,768)	3,991,456	-	-
Total	Stage 1	7,198,751	39,080	18,907	20,173	7,179,844	-	-
Total	Stage 2	799,862	13,560	139,466	(125,906)	660,396	5,852	5,852
Total	Stage 3	214,510	140,475	143,076	(2,601)	71,434	50,617	50,617
		8,213,123	193,115	301,449	(108,334)	7,911,674	56,469	56,469

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

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25. Financial Instruments (continued)

31 December 2023
(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	3,345,357	40,198	16,484	23,714	3,328,873	-	3,345,357
	Stage 2	96,133	1,071	100,024	(98,953)	(3,891)	-	96,133
	Stage 3	-	-	-	-	-	-	-
Sub Total		3,441,490	41,269	116,508	(75,239)	3,324,982	-	3,441,490
Special mention	Stage 1	83,571	733	1,733	(1,000)	81,838	-	83,571
	Stage 2	482,719	11,008	31,292	(20,284)	451,427	-	482,719
	Stage 3	-	-	-	-	-	-	-
Sub Total		566,290	11,741	33,025	(21,284)	533,265	-	566,290
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	10,168	2,475	3,620	(1,145)	6,548	110	10,168
Sub Total		10,168	2,475	3,620	(1,145)	6,548	110	10,168
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	18,779	9,224	6,393	2,831	12,386	1,030	18,779
Sub Total		18,779	9,224	6,393	2,831	12,386	1,030	18,779
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	171,654	127,422	127,643	(221)	44,011	49,019	171,654
Sub Total		171,654	127,422	127,643	(221)	44,011	49,019	171,654
Gross Loans, advances and Islamic financings (net)	Stage 1	3,428,928	40,931	18,217	22,714	3,410,711	-	3,428,928
	Stage 2	578,852	12,079	131,316	(119,237)	447,536	-	578,852
	Stage 3	200,601	139,121	137,656	1,465	62,945	50,159	200,601
Sub Total		4,208,381	192,131	287,189	(95,058)	3,921,192	50,159	4,208,381
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	3,958,914	-	739	(739)	3,958,175	-	3,958,914
	Stage 2	72,241	-	477	(477)	71,764	-	72,241
	Stage 3	10,822	-	354	(354)	10,468	-	10,822
Sub Total		4,041,977	-	1,570	(1,570)	4,040,407	-	4,041,977
Total	Stage 1	7,387,842	40,931	18,956	21,975	7,368,886	-	7,387,842
Total	Stage 2	651,093	12,079	131,793	(119,714)	519,300	-	651,093
Total	Stage 3	211,423	139,121	138,010	1,111	73,413	50,159	211,423
		8,250,358	192,131	288,759	(96,628)	7,961,599	50,159	8,250,358

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

25. Financial Instruments (continued)

31 March 2023
(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	2,652,959	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	-	-
Total	Stage 1	4,618,308	30,887	14,572	16,315	4,603,736	-	-
Total	Stage 2	364,303	9,883	38,387	(28,504)	325,916	-	-
Total	Stage 3	158,773	104,517	92,139	12,378	66,634	23,693	23,693
		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 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

25. 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 2024 (Unaudited)	CBO RO'000	IFRS 9 RO'000	Difference RO'000
Loan impairment charges and other credit risk provisions (net)	984	5,418	4,434
Total ECL provision and contractual interest / profit not recognised	249,584	301,449	51,865
Gross NPL ratio	4.99	4.99	-
Net NPL ratio	0.49	1.74	1.25

(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	193,115	242,212
Due from Banks	-	472
Investment securities (amortised cost)	-	177
Loan commitments and financial guarantees	-	2,119
Total ECL provision	193,115	244,980
Contractual interest / profit not recognised	56,469	56,469
Total ECL provision and contractual interest / profit not recognised	249,584	301,449

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 2024 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	18,956	131,793	87,851	238,600
Impairment charge	18,674	76,937	83,788	179,399
Impairment release	(18,614)	(75,012)	(80,355)	(173,981)
Loans written off	-	-	(8)	(8)
Loans transferred to memorandum portfolio	-	-	(68)	(68)
Loans transferred from memorandum portfolio	-	-	1,038	1,038
Transfers to Stage 1	103	6	(109)	-
Transfers to Stage 2	266	(370)	104	-
Transfers to Stage 3	(478)	260	218	-
Total ECL provision	18,907	133,614	92,459	244,980

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

25. 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.

31 March 2024 (Unaudited)	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
Classification:						
CBO		(1)	(2)	(3)	(4) = (2)-(3)	(5) = (1)-(3)
Classified as performing	Stage 1	134,071	1,601	2,135	(534)	131,936
	Stage 2	224,196	2,254	22,151	(19,897)	202,045
	Stage 3	-	-	-	-	-
Sub Total		358,267	3,855	24,286	(20,431)	333,981
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	57,340	49,884	24,525	25,359	32,815
Sub Total		57,340	49,884	24,525	25,359	32,815
	Stage 1	134,071	1,601	2,135	(534)	131,936
	Stage 2	224,196	2,254	22,151	(19,897)	202,045
	Stage 3	57,340	49,884	24,525	25,359	32,815
Total		415,607	53,739	48,811	4,928	366,796

31 December 2023 (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						
Classified as performing	Stage 1	130,846	1,595	1,860	(265)	128,986
	Stage 2	169,861	8,041	14,383	(6,342)	155,478
	Stage 3	-	-	-	-	-
Sub Total		300,707	9,636	16,243	(6,607)	284,464
Classified as non- performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	55,961	17,586	19,777	(2,191)	36,184
Sub Total		55,961	17,586	19,777	(2,191)	36,184
Total	Stage 1	130,846	1,595	1,860	(265)	128,986
	Stage 2	169,861	8,041	14,383	(6,342)	155,478
	Stage 3	55,961	17,586	19,777	(2,191)	36,184
Total		356,668	27,222	36,020	(8,798)	320,648

31 March 2023 (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						
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
	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	60,529	53,350	27,391	25,959	33,138
Total		347,031	63,146	42,858	20,288	304,173

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

26. 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 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Directors & senior management			
Loans, advances and Islamic financings at end of period	4,588	4,569	3,000
Disbursed during the period	406	1,730	23
Repaid during the period	(187)	(732)	(126)
Deposits at end of period	1,475	602	1,258
Received during the period	938	589	788
Matured/paid during the period	(108)	(64)	(165)
Interest income during the period	50	167	28
Interest expense during the period	10	33	17
Directors sitting fees and remuneration	89	367	88
Shari'a Supervisory Board members sitting fees and remuneration	10	49	13
Other related parties			
Loans, advances and Islamic financings at end of period	83,419	94,158	102,309
Disbursed during the period	47,892	52,249	41,957
Repaid during the period	(185)	(9,301)	(1,151)
Deposits at end of period	10,598	12,401	9,031
Received during the period	1,556	8,684	2,787
Matured/paid during the period	(2,574)	(1,977)	(379)
Interest income during the period	1,207	4,760	1,231
Interest expense during the period	70	293	64

Key management compensation:

Key management comprises of 7 (2023:7) 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 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Key management personnel			
Loans, advances and Islamic financings	1,275	1,295	1,414
Deposits at end of period	42	48	208

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

26. 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:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Interest income during the period	13	49	11
Interest expense during the period	-	1	-
Salaries and other short-term benefits*	382	3,131	364
Post-employment benefits	14	78	12

*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 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Loans, advances and Islamic financing at end of period	14,853	15,100	15,515
Disbursed during the period	5,909	9,512	9,607
Repaid during the period	(356)	(412)	(92)
Deposits at end of period	122	38	70
Received during the period	91	14	-
Matured/paid during the period	(7)	(22)	(57)
Interest income during the period	219	797	191
Interest expense during the period	-	1	1

As at 31 March 2024, no loans to related parties are classified under stage 3 (31 December 2023: nil, 31 March 2023; nil).

27. 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 CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2024
(RO'000)

27. Fair value of financial instruments (continued)

At 31 March 2024 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying value	Total fair value
Assets					
Cash and balances with Central Bank	183,457	-	-	183,457	183,457
Due from banks	733,188	-	-	733,188	733,188
Investment securities	367,455	1,334,065	64,806	1,766,326	1,766,326
Loans, advances and Islamic financings (net)	3,920,218	-	-	3,920,218	3,920,218
Other assets (excluding prepayments)	47,445	-	1,013	48,458	48,458
	<u>5,251,763</u>	<u>1,334,065</u>	<u>65,819</u>	<u>6,651,647</u>	<u>6,651,647</u>
Liabilities					
Due to banks	777,982	-	-	777,982	777,982
Customer deposits	5,011,818	-	209,395	5,221,213	5,219,518
Other liabilities (excluding other accruals & provisions)	55,952	-	3,171	59,123	59,123
	<u>5,845,752</u>	<u>-</u>	<u>212,566</u>	<u>6,058,318</u>	<u>6,056,623</u>

At 31 December 2023 (Audited)	Amortised cost	FVOCI	FVTPL	Total carrying value	Total fair value
Assets					
Cash and balances with Central Bank	205,669	-	-	205,669	205,669
Due from banks	652,004	-	-	652,004	652,004
Investment securities	395,925	1,223,340	91,917	1,711,182	1,711,182
Loans, advances and Islamic financings (net)	3,921,192	-	-	3,921,192	3,921,192
Other assets (excluding prepayments)	50,230	-	1,432	51,662	51,662
	<u>5,225,020</u>	<u>1,223,340</u>	<u>93,349</u>	<u>6,541,709</u>	<u>6,541,709</u>
Liabilities					
Due to banks	676,120	-	-	676,120	676,120
Customer deposits	4,893,650	-	209,395	5,103,045	5,104,816
Other liabilities (excluding other accruals & provisions)	56,228	-	3,165	59,393	59,393
	<u>5,625,998</u>	<u>-</u>	<u>212,560</u>	<u>5,838,558</u>	<u>5,840,329</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2024
(RO'000)**

27. 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	359,178	366,403	94,230	819,811	819,811
Loans, advances and Islamic financings (net)	3,068,683	-	-	3,068,683	3,068,683
Other assets (excluding prepayments and derivatives)	74,782	-	73	74,855	74,855
	<u>4,116,386</u>	<u>366,403</u>	<u>94,303</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)	69,040	-	-	69,040	69,040
	<u>3,946,239</u>	<u>-</u>	<u>-</u>	<u>3,946,239</u>	<u>3,946,239</u>

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

31 March 2024 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Customer deposits	Total
Level 1	549	-	-	-	549
Level 2	1,397,822	1,013	(3,171)	209,395	1,605,059
Level 3	500	-	-	-	500
	<u>1,398,871</u>	<u>1,013</u>	<u>(3,171)</u>	<u>209,395</u>	<u>1,606,108</u>

31 December 2023 (Audited)	Investments securities	Positive FV of Derivatives	Negative FV of Derivatives	Customer deposits	Total
Level 1	549	-	-	-	549
Level 2	1,314,208	1,432	(3,165)	209,355	1,521,830
Level 3	500	-	-	-	500
	<u>1,315,257</u>	<u>1,432</u>	<u>(3,165)</u>	<u>209,355</u>	<u>1,522,879</u>

31 March 2023 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Customer deposits	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>-</u>	<u>460,701</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

28. 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 2024 (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	46	21	562,557	561,487	1,070	-
Forward foreign exchange sale contracts	13	51	562,433	561,353	1,081	-
Interest rate swaps	954	3,099	221,650	106,150	-	115,500
Total	1,013	3,171				

As at 31 December 2023 (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	123	14	489,696	484,473	5,223	-
Forward foreign exchange sale contracts	21	92	490,800	485,573	5,227	-
Interest rate swaps	1,288	3,059	221,650	57,750	77,000	77,000
Total	1,432	3,165				

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 sales contracts	4	-	453,698	430,812	22,887	-
Total	73	5				

The Bank has entered into fixed-for-floating interest rate swap amounting to RO 211.750 million to manage the exposure for changes in fair value due to movements in market interest rates on certain fixed rate customer deposits which are not measured at FVTPL.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

29. 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 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
LCR	174.1%	204.9%	218.9%
LCR (average for the quarter)	213.2%	177.4%	166.9%
NSFR	127.5%	137.3%	114.7%
Leverage ratio	8.7%	10.3%	13.5%

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 2024 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	777,982	781,969	217,324	210,425	354,220
Customer deposits	5,221,213	5,345,281	3,847,200	434,871	1,063,210
Other liabilities	105,004	105,004	105,004	-	-
	<u>6,104,199</u>	<u>6,232,254</u>	<u>4,169,528</u>	<u>645,296</u>	<u>1,417,430</u>

31 December 2023 (Audited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	676,120	678,663	216,880	107,576	354,207
Customer deposits	5,103,045	5,253,025	3,821,242	721,688	710,095
Other liabilities	107,481	107,481	107,481	-	-
	<u>5,886,646</u>	<u>6,039,169</u>	<u>4,145,603</u>	<u>829,264</u>	<u>1,064,302</u>

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	-	-
	<u>3,977,521</u>	<u>4,019,827</u>	<u>2,060,537</u>	<u>925,225</u>	<u>1,034,065</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2024
(RO'000)**

30. 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 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
CET 1 capital			
Ordinary share capital	572,508	561,572	455,355
Share premium	18,038	18,038	18,038
Legal reserve	44,910	44,910	37,877
General reserve	988	988	988
Subordinated loan reserve	-	-	485
Retained earnings	38,332	53,008	23,092
Fair value reserve on acquisition	(11,411)	(11,411)	-
Intangible	(55,666)	(56,622)	-
Fair value losses	(629)	(645)	(581)
Total CET 1 capital	607,070	609,838	535,254
Additional Tier 1 capital			
Perpetual tier 1 capital securities	-	100,000	100,000
Total tier 1 capital	607,070	709,838	635,254
Tier 2 capital			
Impairment provision on portfolio basis	36,882	54,183	14,568
Fair value gains	19	35	19
Total tier 2 capital	36,901	54,218	14,587
Total regulatory capital	643,971	764,056	649,841
Risk weighted assets			
Credit and market risks	3,984,695	4,001,541	3,175,139
Operational risk	269,921	269,921	215,865
Total risk weighted assets	4,254,616	4,271,462	3,391,004
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	15.14%	17.89 %	19.16%
Total tier I capital expressed as a percentage of total risk weighted assets	14.27%	16.62%	18.73%
Total CET 1 capital expressed as a percentage of total risk weighted assets	14.27%	14.28%	15.78%

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 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

31. 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 2024 is RO 957 million (31 December 2023: RO 544 million, 31 March 2023: RO 388 million).

32. Revenue concentration

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 2024 and 31 March 2023 respectively.

33. Segmental information

The Chief Executive Officer monitors the operating results of business segments for decision making, resource allocation and performance assessment.

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:

Corporate banking including loans to and deposits from large and mid-sector corporates, small & medium enterprises, trade finance, payments and cash management.

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

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.

KSA Branch:

Commercial and Islamic Banking services.

Head office:

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(RO'000)**

33. Segmental information (continued)

31 March 2024 (Unaudited)

	Retail banking	Wholesale banking	Islamic banking	KSA Branch	Head Office	Total
PROFIT FOR THE PERIOD						
Net interest income	8,607	32,947	-	(11)	-	41,543
Net income from Islamic financing and investing activities	-	-	2,496	-	-	2,496
Other operating income	6,524	8,561	780	-	-	15,865
Total operating income	15,131	41,508	3,276	(11)	-	59,904
Total operating expenses	(10,525)	(10,350)	(1,497)	(598)	(1,125)	(24,095)
Net operating income before impairment provisions	4,606	31,158	1,779	(609)	(1,125)	35,809
Loan impairment charges and other credit risk provisions (net)	(1,960)	(3,097)	(361)	-	-	(5,418)
Profit before tax	2,646	28,061	1,418	(609)	(1,125)	30,391
Income tax expense	(397)	(4,825)	(213)	-	169	(5,266)
Profit for the period	2,249	23,236	1,205	(609)	(956)	25,125

	Retail banking	Wholesale banking	Islamic banking	KSA Branch	Head Office	Total
FINANCIAL POSITION						
Assets						
Cash and balances with Central Bank	-	147,802	35,276	379	-	183,457
Due from banks	-	708,947	24,086	155	-	733,188
Investment securities	-	1,727,028	33,550	5,748	-	1,766,326
Loans, advances and Islamic financings (net)	1,202,930	2,192,679	524,609	-	-	3,920,218
Other assets	-	22,800	1,651	201	26,249	50,901
Investment properties	-	-	-	-	2,900	2,900
Property and equipment	-	-	2,192	2,556	70,340	75,088
Intangible asset	-	-	-	-	65,489	65,489
Total Assets	1,202,930	4,799,256	621,364	9,039	164,978	6,797,567
Liabilities						
Due to banks	-	762,560	15,422	-	-	777,982
Customer deposits	1,117,019	3,570,744	533,450	-	-	5,221,213
Other liabilities	-	28,619	2,552	769	73,064	105,004
Total Liabilities	1,117,019	4,361,923	551,424	769	73,064	6,104,199
Internal funding	85,911	437,333	-	8,270	(531,514)	-
Total Equity	-	-	69,940	-	623,428	693,368
Total Liabilities & Equity	1,202,930	4,799,256	621,364	9,039	164,978	6,797,567

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2024 (RO'000)

33. 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)	(6,570)	(1,398)	(353)	(14,921)
Net operating income before impairment provisions	3,519	15,405	2,455	(353)	21,026
Loan impairment charges and other credit risk provisions (net)	497	(5,718)	(195)	-	(5,416)
Profit before tax	4,016	9,687	2,260	(353)	15,610
Income tax expense	(607)	(1,433)	(339)	53	(2,326)
Profit for the period	3,409	8,254	1,921	(300)	13,284
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	(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

34. 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.