

# **National Bank of Oman SAOG**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 June 2023 (UNAUDITED)**



PO Box 751 PC 112 Ruwi Sultanate of Oman.

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## **CHAIRPERSON'S REPORT H1 2023**

On behalf of the Board of Directors of National Bank of Oman SAOG, I am pleased to present the first half 2023 report for the period ended 30<sup>th</sup> June 2023.

### **Oman's Economy & Financial Sector**

Seeking to boost its economy, Oman recently announced the establishment of a new economic city and two economic free zones and signed agreements to setup a USD 3 billion railway network linking Oman with the UAE and a USD 320 million project with the Saudi Fund for Development to finance the infrastructure of the special economic zone in the governorate of ad-Dhahirah. Additionally, Oman plans to launch a USD 5 billion public investment fund, the Oman Future Fund, to support plans to overhaul the economy over the next two decades. The fund will allocate a percentage of its capital to bolster investments in small, medium, and emerging businesses. Oman's construction sector is performing well, with several major projects underway, including Sultan Haitham City.

As per a report by the World Bank, Oman is set to become the fastest growing economy among the six GCC nations in 2023 with a projected growth of 4.3 per cent. Meanwhile, Fitch Ratings has revised Oman's credit outlook to Positive (BB) from Stable.

Oman's public revenue at the end of May 2023 registered USD 14.2 billion, up by 3 per cent compared to USD 13.8 billion over the same period in 2022. This is mainly due to an increase in net oil revenue and current revenue, representing 52 per cent and 30 per cent, respectively, of total public revenue, according to the Fiscal Performance Bulletin issued by the Ministry of Finance.

Overall, the economic and financial outlook for Oman in the first half of 2023 is positive. The economy is expected to continue to grow, while the financial sector is sound and stable.

### **NBO's Financial Performance**

Given this backdrop, Net Interest Income for H1 2023 was OMR 57.0 million, showing an increase of 21.8 percent compared with the same period last year.

Fee Income for the same period was OMR 18.4 million compared to OMR 19.2 million, a reduction of 4.1 per cent, due to one-off gain on sale of Government development bonds in H1 2022, as per regulatory guidelines.

Operating Expenses for the six months ended 30 June 2023 was OMR 30.9 million, compared to OMR 29.3 million for the corresponding period in 2022, an increase of 5.3 percent.

Operating Profit, as a result, grew strongly by 21.4 percent year on year.

Net Impairment for the first six months of 2023 was OMR 9.6 million, compared to OMR 10.5 million for the corresponding period last year, a decrease of 8.7 percent.

As a result, Net Profit for H1 2023 was OMR 29.3 million, a growth of 32.8 percent over corresponding period last year.

Gross loans and advances as at 30 June 2023 are at OMR 3.6 billion, showing growth of 5.5 percent over last year. Customer deposits correspondingly are at OMR 3.3 billion, with the bank continuing to maintain a healthy CASA mix.

The bank's Core Equity and Total Capital Adequacy Ratio stands at 11.6 percent and 16.6 percent respectively.

### **Key Updates and Highlights**

This year coincides with NBO's 50th anniversary, which was marked with a series of initiatives and events bringing together clients, team members and other stakeholders. During these celebrations, participants enjoyed a virtual showcase of NBO's 50-year journey highlighting our contributions and the opportunities we have unlocked and future plans, which was produced as the biggest digital show of its kind in Oman.

NBO acted as an Issue Manager and one of the Joint Global Coordinators for Abraj Energy Services' Initial Public Offering. The success of this IPO is a proud moment for NBO and serves as a testament to the bank's leading advisory services backed by a team of passionate people with proven expertise in managing large transactions.

Continuing to unlock opportunities for our customers, we launched a Salary Transfer Campaign to eligible customers who open new accounts with a salary transfer or have existing accounts with no salary transfer for more than 12 months. These customers have the chance to receive a cashback of up to 10% on their new salary credit, with a maximum cashback limit of OMR 500 and additional benefits.

In keeping with our commitment to creating value for our customers, Private Banking held the Market Outlook 2023 event for our high-net-worth clientele at the bank's head office. The unique experience was part of NBO's comprehensive Private Banking proposition, which it created to guide clients towards long-term financial well-being.

Coinciding with Ramadan, we launched a specially designed car loan campaign, allowing both customers and non-customers to benefit from attractive rates and other benefits. To support this campaign, we organised a Car Carnival Weekend at our head office, an event that served as a one-stop shop for people looking to buy a new or pre-owned car.

On the Corporate side, we signed an agreement with Oman Oil Marketing Company to provide a medium-term financing. The credit facility will enable the expansion of the OOMCO's investment portfolio across strategic segments in Oman and support the group's business and investment activities.



NBO and Muzn Islamic Banking concluded the refinancing of Syndicated USD Term Loan for OQ Gas Networks. This transaction helped us strengthen our relationship with OQ Group and make new inroads for our Islamic window in terms of growth of quality assets.

New call account deposits were attracted from Energy Development Oman through our online banking platform, and we also increased liability balances from a private utility company, Phoenix Power, with NBO leveraging its role as agent and collections bank to sanction secondary market loan purchase from a Japanese lender for this customer.

### **Digital Capabilities**

We participated in COMEX 2023, where we have demonstrated the advances in financial technology and the bank's capabilities, including our first in the country self-service kiosk, NBO Mobile App, Merchant App and Muzn App. Visitors of the corner were able to open new accounts via the kiosk and avail card services along with other benefits.

Adding accessibility and convenience, we revamped Oman's first Digital Corner in the bank's head office in Al Azaiba and Qurayat branch to serve NBO and non-NBO customers alike at any time of day or night. The new NBO Digital Corner allows customers to make banking suit their life, how and when they want, at a time that best suits them.

Reaffirming our commitment to delivering a seamless and value-added experience for our customers, Global Transaction Banking launched Remote Deposit Cheque solution (RDC). Offered to our corporate customer with large number of cheques, RDC will help clients to transmit cheque images from their office to NBO for clearance, eliminating the need to visit a branch.

In the corporate digital sphere, total income from digital channels has increased significantly in Q2 2023 by 15 per cent compared to corresponding Q2 2022. Overall number of transactions through our digital platform has increased by 5 per cent in Q2 2023 compared to the same period in 2022.

### **Partnerships**

As part of our efforts to unlock opportunities and support the real estate development sector in Oman, we signed a MoU with the Ministry of Housing and Urban Development to provide financing solutions for prospective customers who intend to purchase residential units in Sultan Haitham City.

Another major milestone was the signing of an agreement to join the Buna Payment System. Buna is a cross-border and multi-currency payment system that allows customers to send and receive payments across the Arab region and facilitates remittances, trade, and commerce between countries in the Arab World.

We entered a partnership with the telecom provider Vodafone Oman, to further facilitate the bank's services and digital solutions, while both entities will also cooperate in other

initiatives benefiting customers and team members alike. In addition, the bank also signed an agreement with Abraj Energy Services, an integrated energy company in Oman. NBO also partnered with Ottu, a Kuwait-based company offering Computer Integrated Solutions, to further streamline online payment processes for the bank's customers.

Adding convenience to our Private and Sadara Priority Banking customers, we partnered with Mohsin Haidar Darwish LLC to offer them exclusive airport transfer service.

To foster collaboration in financial technology, we signed an agreement with Mamun Company, a provider of advanced financial technology solutions. We also signed an agreement with Nesto Hypermarket on providing global transaction banking services to Nesto in Oman. We have also partnered with Awasr as part of our commitment to creating value for our customers and unlocking opportunities for their banking experience by providing seamless payment services.

Celebrating the GCC Endowment Week, Muzn signed a MoU with the Ministry of Endowment and Religious Affairs to support the Charitable Endowment Fund for Mosques and Quran Schools in Oman.

## **Muzn**

To commemorate its 10th anniversary, Muzn hosted an exclusive event dedicated to celebrating its corporate partners at NBO's Head Office, where it showcased its journey, while reflecting upon its growth and achievements. Founded in 2013, Muzn was the first licensed Islamic banking window in Oman and has been committed to fostering the development of the Sultanate's Islamic Finance sector by providing customers Sharia compliant services that are in line with their beliefs.

With an aim to provide unique investment solutions, Muzn has extended its investment product to endowments, mosques (masajid) and Quran schools. Such institutions can open accounts with a minimum balance of OMR 5,000 and earn tier-based profits based on the daily closing balance in the account.

To streamline payment processes for its corporate clients, Muzn launched its Online Direct Debit processing service. Using cutting-edge technology, the secured service comprises a range of innovative digital solutions, which enable companies to efficiently monitor, control, manage and automate their payments.

Continuing to create Shari'a-compliant value propositions for our customers, Muzn has partnered with Oman Air Holidays to offer flexible financing plans for Umrah packages. Under the scheme, customers can tailor their pilgrimage with a host of great value flight, accommodation, transport, and add-on options and pay for it in monthly installments according to the Service Ijarah concept, making it easier and more convenient to plan their Umrah.



## People

Sharing his expertise and experience, our CEO, Mr. Abdullah Zahran Al Hinai, participated in the panel discussion on 'Building a Fintech Ecosystem Beyond Borders' at Dubai Fintech Summit.

NBO is underpinned by its mission to unlock new possibilities, delivering growth opportunities associated with bringing high-class banking experiences to Oman. Within this context, and contributing to our Omanisation efforts, we appointed Dr. Issam Mohsin Al Balushi to our senior management team as Deputy General Manager - Head of Compliance, while we promoted Mr. Mustahil Ahmed Al Mamari to Assistant General Manager - Head Strategy and Transformation and Dr. Ali Salim Al Shekeili to Assistant General Manager – Head of Digital & E-Channels.

As part of our commitment to building a high-performance culture based on our core values, we launched our Values Recognition Program. The program will be recognizing four employees each month who demonstrates one of our four values, celebrating their achievements across the bank and building a stronger culture together.

We also introduced our dynamic customer experience program for all branch employees. 'Dhiyafa' is a three-month course that focuses on communication etiquette, customer expectations, standards for serving customers, face-to-face interactions, and all aspects of the NBO customer experience.

Eleven members of NBO's Direct Sales Agents (DSA) team received a certificate from the bank's Academy of Excellence upon completion of the 2-week Sales Star training program. Additionally, 58 members across the bank received professional certification in different areas, 57 members received Banca Certification, 14 members received Future Branch Manager certification, and 18 members received certifications through the College of Banking and Financial Studies.

Furthermore, Muzn has enrolled staff members in the Universal Banker Certificate Program. The training programme provides frontline banking professionals with the instruments and skills they require to deliver a seamless, convenient, and effective customer experience.

As part of our customer engagement efforts, we organized an Online Trade Platform Training Workshop to offer platform familiarization and empowering them to make the most of our trade channels.

Aiming to raise public awareness about financial fraud risks and prevention, we ran a series of financial crime workshops for higher education students and organizations in Oman. During the workshops that were held at Sultan Qaboos University and Muscat Duty Free, a

team shared best practices on how individuals and organizations can protect themselves from financial fraud.

### **Community and Events**

Creating value that feeds into the overall progress of Oman, we announced an initiative with the Oman Charitable Organization, in which NBO donated to the non-governmental organization to support national social welfare projects and programs benefitting children, orphans and disabled people.

We launched Shahr il Atta, the bank's annual campaign held during the Holy month of Ramadan and Eid al-Fitr. We utilized this community outreach program to distribute food hampers to families in need. We also organized Ramadan Bake Sale at the bank's head office, bringing the team together across the bank to raise funds for charity in collaboration with Nidaa Charity.

To mark this year's Eid Al-Fitr and Eid Al Adha celebrations, we hosted a SMEs Eid Marketplace Exhibition at our head office. The event provided an ideal opportunity for businesses to display their products from handcrafted jewelry, perfumes, fashion to unique homeware and food, while visitors had the chance to purchase their Eid essentials and support local businesses. Also, we were pleased to contribute in Mutrah Charity team Eid initiative, as part of our commitment to CSR.

Marking the occasion of World Civil Defense Day, we partnered with the Civil Defense and Ambulance Authority to raise awareness of the importance of its role and best practices in defense risk management for the sake of the general well-being of Omani citizens and residents.

### **Local & Global Recognition**

We have been awarded 'Excellence in Sustainability in Banking and Finance' by Alam Al Iktisaad Sustainability Awards, ranked by Forbes among The Region's top 50 Banks in 2023 and received recognition for our partnership with Etimad Programme by the Royal Academy of Management.

Recognizing its reignited brand Identity, NBO has received 'Best Brand Identity in Oman 2023' by the International Business Magazine and 'Best Brand Identity in Banking Oman 2023' by the World Economic Magazine Awards. This recognition demonstrates the success of NBO's purpose-driven and value-oriented communications strategy, which is designed to fulfil customers' needs and optimize their overall satisfaction.



NBO also won its sixth Straight Through Processing (STP) Excellence award from Citibank. This is owed to the bank's excellence in Treasury and Commercial Payments, of which we managed to successfully achieve an STP rate of over 99.9% and 98.5% respectively. Meanwhile, NBO's Mobile App received 'Best Mobile Banking App Oman 2023' award by Global Business and Finance Magazine.

In recognition of its achievements in digital capacity building, NBO's Academy of Excellence won the 'Best Practices for Internal eLearning' Award. The accolade was presented by MEA HR (Human Resources) & Learning Achievement Awards. This acknowledgment highlights the bank's efforts to offer innovative and rewarding upskilling opportunities for its employees.

Highlighting our efforts in empowering women and the success of our strategy for people's growth, Salima Al Marzouqi, AGM and Chief Islamic Banking Officer, was ranked in the WOMANi 2022 Report for 'most influential women in the field of Islamic business and finance around the world, issued by the Cambridge Institute of Islamic Finance.

### **Appreciation**

On behalf of the Board of Directors, I would like to thank our customers, shareholders, executive management, and the entire team of NBO for their support and efforts in implementing the bank's strategy and in achieving its goals and objectives.

We would also like to express our appreciation to our regulators, the Central Bank of Oman, the Central Bank of the United Arab Emirates and the Capital Market Authority for their constant support and dedicated efforts to develop Oman's financial industry, especially the banking sector.

We pay tribute to His Majesty, Sultan Haitham bin Tarik Al Said, for his visionary leadership and under whose wise guidance Oman steadfastly continues towards sustainable economic and social development.

Above all, be well and take care.



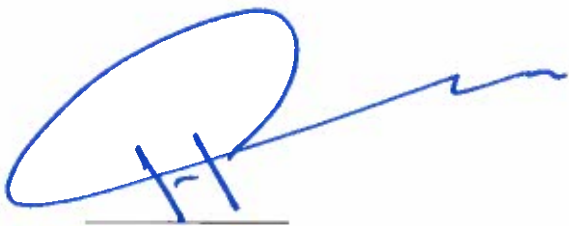
**Amal Suhail Bahwan**  
Chairperson

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2023 (unaudited)

		30/06/2023	30/06/2022	Audited 31/12/2022
	Notes	RO'000	RO'000	RO'000
<b>Assets</b>				
Cash and balances with Central Banks	3	222,961	284,083	261,589
Due from banks and other money market placements (net)	4	203,910	101,987	119,260
Loans, advances and Islamic financing assets (net)	5	3,443,000	3,260,848	3,353,699
Financial investments (net)	6	448,913	400,740	404,387
Property and equipment	7	55,659	58,261	57,090
Other assets	8	112,668	93,413	98,055
<b>Total assets</b>		<b>4,487,111</b>	<b>4,199,332</b>	<b>4,294,080</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks and other money market deposits	9	182,481	262,803	261,743
Customers' deposits and unrestricted investment accounts	10	3,304,204	3,040,304	3,047,422
Euro medium term notes	11	191,590	190,190	188,865
Other liabilities	12	141,940	129,199	139,235
Taxation	13	14,608	10,884	15,981
<b>Total liabilities</b>		<b>3,834,823</b>	<b>3,633,380</b>	<b>3,653,246</b>
<b>Equity</b>				
Share capital		162,595	162,595	162,595
Share premium		34,465	34,465	34,465
Legal reserve		54,198	54,198	54,198
Other reserves	14	7,059	4,317	6,390
Retained earnings		226,838	194,877	216,053
<b>Total equity attributable to the shareholders of the bank</b>		<b>485,155</b>	<b>450,452</b>	<b>473,701</b>
Tier 1 perpetual bonds	15	167,133	115,500	167,133
<b>Total equity</b>		<b>652,288</b>	<b>565,952</b>	<b>640,834</b>
<b>Total liabilities and equity</b>		<b>4,487,111</b>	<b>4,199,332</b>	<b>4,294,080</b>

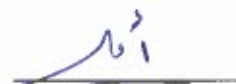
The interim condensed financial statements were authorised for issue on 26 July 2023 in accordance with a resolution of the Board of Directors.



Chief Executive Officer



Director



Chairperson

The attached notes 1 to 33 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the period ended 30 June 2023 (unaudited)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2023	2022	2023	2022
		RO'000	RO'000	RO'000	RO'000
Interest income	17	110,118	84,927	55,657	44,037
Interest expense	18	(55,909)	(40,766)	(28,799)	(20,009)
<b>NET INTEREST INCOME</b>		<b>54,209</b>	<b>44,161</b>	<b>26,858</b>	<b>24,028</b>
Income from Islamic financing and Investment		6,482	5,111	3,532	2,565
Unrestricted investment account holders' share of profit		(3,707)	(2,483)	(2,151)	(1,242)
<b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ASSETS</b>		<b>2,775</b>	<b>2,628</b>	<b>1,381</b>	<b>1,323</b>
<b>NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ASSETS</b>		<b>56,984</b>	<b>46,789</b>	<b>28,239</b>	<b>25,351</b>
Fee and commission income (net)	19	10,709	10,657	5,408	5,090
Other operating income	20	7,713	8,554	3,954	2,341
<b>OPERATING INCOME</b>		<b>75,406</b>	<b>66,000</b>	<b>37,601</b>	<b>32,782</b>
Staff costs	21	(19,321)	(17,738)	(9,594)	(8,916)
Other operating expenses	22	(8,599)	(8,674)	(4,538)	(4,424)
Depreciation	7	(2,948)	(2,913)	(1,488)	(1,452)
<b>TOTAL OPERATING EXPENSES</b>		<b>(30,868)</b>	<b>(29,325)</b>	<b>(15,620)</b>	<b>(14,792)</b>
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>		<b>44,538</b>	<b>36,675</b>	<b>21,981</b>	<b>17,990</b>
<b>TOTAL IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)</b>	23.5	<b>(9,564)</b>	<b>(10,472)</b>	<b>(4,182)</b>	<b>(3,942)</b>
<b>PROFIT BEFORE TAX</b>		<b>34,974</b>	<b>26,203</b>	<b>17,799</b>	<b>14,048</b>
Taxation	13	(5,664)	(4,125)	(2,836)	(2,213)
<b>PROFIT FOR THE PERIOD</b>		<b>29,310</b>	<b>22,078</b>	<b>14,963</b>	<b>11,835</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Equity investments at FVOCI – net change in fair value		521	(895)	(193)	(3,448)
Tax effect of equity investments at FVOCI – net change in fair value		18	86	(76)	427
<b>Items that are or maybe reclassified subsequently to profit or loss</b>					
Debt instruments at FVOCI – net change in fair value		-	(136)	-	-
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>539</b>	<b>(945)</b>	<b>(269)</b>	<b>(3,021)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>29,849</b>	<b>21,133</b>	<b>14,694</b>	<b>8,814</b>
Earnings per share:					
Basic and diluted, earnings for the period attributable to equity holders	24	0.014	0.011	0.005	0.004

The attached notes 1 to 33 form part of the interim condensed financial statements.



**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**For the period ended 30 June 2023 (unaudited)**

	Notes	Six months ended	
		30 June	
		2023	2022
		RO'000	RO'000
<b>Operating activities</b>			
<b>Profit before taxation</b>		<b>34,974</b>	26,203
Adjustments for:			
Depreciation	7	2,948	2,913
Allowance for credit losses - financial instruments	23.5	9,564	10,472
Profit on investments at FVTPL		(121)	(2,286)
Profit on sale of property and equipment		(7)	(39)
Amortisation of premium/discount (net)		(195)	(233)
Translation difference		(16)	27
Payment of lease liabilities		(1,757)	(821)
Income from investment		(13,318)	(10,277)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>32,072</b>	25,959
Due from banks and other money market deposits		(59,779)	8,438
Due to banks and other money market placements		-	6,022
Loans and advances to customers		(98,472)	(182,810)
Other assets		(14,613)	(30,617)
Customer deposits		256,782	122,572
Other liabilities		5,958	22,755
<b>Cash from/(used in) operations activities</b>		<b>121,948</b>	(27,681)
Tax paid		(7,077)	(6,443)
<b>Net cash from/(used in) operating activities</b>		<b>114,871</b>	(34,124)
<b>Investing activities</b>			
Purchase of investments		(63,961)	(44,519)
Proceeds from sale of investments		20,280	92,577
Purchase of property and equipment	7	(812)	(821)
Proceeds from sale of property and equipment		204	78
Income from investment		13,318	10,277
<b>Net cash (used in)/from investing activities</b>		<b>(30,971)</b>	57,592
<b>Financing activities</b>			
Payment of dividend		(12,032)	(6,016)
Payment of Interest on tier 1 perpetual bond		(6,363)	(4,620)
<b>Net cash used in financing activities</b>		<b>(18,395)</b>	(10,636)
Increase in cash and cash equivalents		65,505	12,832
Cash and cash equivalents at the beginning of the period		248,112	265,142
<b>Cash and cash equivalents at the end of the period</b>		<b>313,617</b>	277,974
<b>Representing:</b>			
Cash and cash equivalents	3	222,461	283,583
Due from Bank (original maturity within 3 months)		119,637	85,619
Due to Bank (original maturity within 3 months)		(28,481)	(91,228)
		<b>313,617</b>	277,974

The attached notes 1 to 33 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**
**As at 30 June 2023 (unaudited)**

<i>(RO'000)</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Tier 1 perpetual bond</i>	<i>Total equity</i>
Balance at 1 January 2023	162,595	34,465	54,198	6,390	216,053	473,701	167,133	640,834
<i>Total comprehensive income for the period</i>								
Net Profit for the period	-	-	-	-	29,310	29,310	-	29,310
Other comprehensive income for the period	-	-	-	539	-	539	-	539
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	130	(130)	-	-	-
<i>Transactions with owners of the Bank</i>								
Payment of interest on tier 1 perpetual bond	-	-	-	-	(6,363)	(6,363)	-	(6,363)
Dividend paid during the period	-	-	-	-	(12,032)	(12,032)	-	(12,032)
Balance at 30 June 2023	162,595	34,465	54,198	7,059	226,838	485,155	167,133	652,288
<i>Balance at 1 January 2022</i>	162,595	34,465	54,198	5,334	183,363	439,955	115,500	555,455
<i>Total comprehensive income for the period</i>								
Net profit for the period	-	-	-	-	22,078	22,078	-	22,078
Other comprehensive loss for the period	-	-	-	(945)	-	(945)	-	(945)
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	(72)	72	-	-	-
<i>Transactions with owners of the Bank</i>								
Payment of interest on tier 1 perpetual bond	-	-	-	-	(4,620)	(4,620)	-	(4,620)
Transferred to dividend payable	-	-	-	-	(6,016)	(6,016)	-	(6,016)
Balance at 30 June 2022	162,595	34,465	54,198	4,317	194,877	450,452	115,500	565,952
Balance at 1 July 2022	162,595	34,465	54,198	4,317	194,877	450,452	115,500	565,952
<i>Total comprehensive income for the period</i>								
Net profit for the period	-	-	-	-	26,133	26,133	-	26,133
Other comprehensive income for the period	-	-	-	2,063	-	2,063	-	2,063
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	10	(10)	-	-	-
<i>Transactions with owners of the Bank</i>								
Issuance cost on tier 1 perpetual bonds	-	-	-	-	(327)	(327)	-	(327)
Issuance of tier 1 perpetual bonds	-	-	-	-	-	-	51,633	51,633
Payment of interest on tier 1 perpetual bond	-	-	-	-	(4,620)	(4,620)	-	(4,620)
Balance at 31 December 2022	162,595	34,465	54,198	6,390	216,053	473,701	167,133	640,834

The attached notes 1 to 33 form part of the interim condensed financial statements.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2023 (unaudited)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the Bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman and through overseas branches in the United Arab Emirates and Egypt. In Oman the Bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licenses given by the respective Central Banks. The Bank is in the process of closing down its operations in Egypt and it is expected that the closure process will be completed during the year 2023. The Bank is head quartered at Azaiba, Governorate of Muscat, Sultanate of Oman and its registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The Bank's equity shares are listed on the Muscat Stock Exchange. Perpetual bonds and bonds issued under EMTN programme are listed in the Euronext Dublin.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and the relevant disclosure requirements of the Capital Market Authority ("CMA") and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS standards. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the six months ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The condensed interim financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. The functional currencies of the bank's operations are as follows:

Sultanate of Oman:	Rial Omani
United Arab Emirates:	UAE Dirham
Egypt:	US Dollar

The interim condensed financial statements are prepared under the historical cost convention, modified to include measurement of derivative financial instruments and certain investments, either through profit and loss account or through other comprehensive Income, at fair value.

The significant judgments made by management in applying Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The new standards and amendments to standards that were effective for annual periods beginning from 1 January 2023 did not had any impact on these interim condensed financial statements of the Bank.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2023 (unaudited)**
**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<b>30/06/2023</b>	30/06/2022	31/12/2022
	<b>RO'000</b>	RO'000	RO'000
Cash	<b>39,553</b>	51,460	38,357
Other balances with Central Banks	<b>182,908</b>	232,123	222,732
<b>Cash and cash equivalents</b>	<b>222,461</b>	283,583	261,089
Capital deposit with Central Bank of Oman	<b>500</b>	500	500
<b>Cash and balances with Central Banks</b>	<b>222,961</b>	284,083	261,589

- (i) At 30 June 2023, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (30 June 2022: RO 500,000, 31 December 2022: RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 30 June 2023 is 3% of total deposits and for Central bank of UAE, is 1% of time deposits and 7% of all other deposits.
- (iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

**4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS (NET)**

	<b>30/06/2023</b>	30/06/2022	31/12/2022
	<b>RO'000</b>	RO'000	RO'000
Loans and advances to banks	<b>8,063</b>	9,455	4,450
Placements with bank	<b>175,175</b>	64,472	75,114
Demand balances	<b>20,692</b>	28,077	39,716
<b>Due from banks and other money market placement</b>	<b>203,930</b>	102,004	119,280
Less: allowance for credit losses	<b>(20)</b>	(17)	(20)
<b>Net due from banks and other money market placement</b>	<b>203,910</b>	101,987	119,260

The Bank's allowance for the credit losses on due from banks and other money market placements is set out as below:

	<b>6 months ended 30/06/2023</b>	6 months ended 30/06/2022	12 months ended 31/12/2022
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period / year	<b>20</b>	86	86
Released during the period / year	<b>-</b>	(69)	(66)
Balance at end of period / year	<b>20</b>	17	20

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**5 LOANS, ADVANCES AND ISLAMIC FINANCING ASSETS (NET)**

	<b>30/06/2023</b>	30/06/2022	31/12/2022
	<b>RO'000</b>	RO'000	RO'000
Overdrafts	<b>69,729</b>	74,197	67,388
Personal loans	<b>1,461,978</b>	1,435,435	1,434,191
Other loans	<b>2,080,678</b>	1,914,756	2,010,815
Gross loans, advances and Islamic activities for customers	<b>3,612,385</b>	3,424,388	3,512,394
Less: allowance for credit losses	<b>(169,385)</b>	(163,540)	(158,695)
Net loans, advances and Islamic financing assets	<b>3,443,000</b>	3,260,848	3,353,699

Gross loans, advances and financing activities for customers include RO 168 million due from related parties at 30 June 2023 (30 June 2022 – RO 158 million, 31 December 2022 – RO 142 million).

The movement in the provision for impairment of loans, advances and financing activities for customers is set out below:

	<b>6 months ended</b>	6 months ended	12 months ended
	<b>30/06/2023</b>	30/06/2022	31/12/2022
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period / year	<b>158,695</b>	151,243	151,243
Provided during the period / year	<b>17,304</b>	17,198	35,706
Recovered/ released during the period / year	<b>(4,031)</b>	(1,651)	(3,959)
Written off during the period / year	<b>(2,583)</b>	(3,250)	(24,295)
Balance at end of period / year	<b>169,385</b>	163,540	158,695

Provided during the period/year includes contractual interest reserved for RO 4.5 million (30 June 2022 – RO 4.1 million and 31 December 2022 – RO 8.9 million).

Recovered/released during the period/year includes recovery of reserved interest at RO 2.1 million (30 June 2022 – RO 0.9 million and 31 December 2022 – RO 1.8 million).

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity. Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the interim condensed statement of comprehensive income.

As of 30 June 2023, loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 171 million (30 June 2022 – RO 180 million and 31 December 2022 – RO 173 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**6 FINANCIAL INVESTMENTS (NET)**

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b><i>Investments measured at Fair value through profit and loss (FVTPL)</i></b>			
Quoted investments-Oman	<b>1,671</b>	593	1,528
Quoted investments-Foreign	<b>192</b>	409	344
Unquoted investments	<b>2,395</b>	2,704	2,419
<b>Total FVTPL</b>	<b>4,258</b>	3,706	4,291
<b><i>Investments measured at Fair value through other comprehensive income (FVOCI)</i></b>			
Quoted investments-Oman	<b>26,911</b>	17,399	19,060
Quoted investments-Foreign	<b>28,665</b>	22,268	28,694
<b>Total FVOCI</b>	<b>55,576</b>	39,667	47,754
<b><i>Investments measured at amortised cost</i></b>			
Government development bonds-Oman	<b>225,764</b>	236,997	231,965
Government Sukuk-Oman	<b>17,287</b>	17,276	17,281
Treasury Bills	<b>98,330</b>	75,000	75,000
Quoted investments-Oman	<b>32,490</b>	28,521	28,530
Quoted investments-Foreign	<b>15,652</b>	-	-
<b>Total – amortised cost</b>	<b>389,523</b>	357,794	352,776
<b>Total financial investments</b>	<b>449,357</b>	401,167	404,821
<b>Less: Impairment</b>	<b>(444)</b>	(427)	(434)
<b>Total financial investments</b>	<b>448,913</b>	400,740	404,387

Movement in allowances for the credit losses for debt securities at fair value through other comprehensive income and amortised cost:

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Balance at beginning of period / year	<b>434</b>	473	473
Provided / (released) during the period / year	<b>10</b>	(46)	(39)
Balance at end of period / year	<b>444</b>	427	434



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**30 June 2023 (unaudited)**

**6 FINANCIAL INVESTMENTS (NET) (CONTINUED)**

**Details of significant investments**

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

	<i>Bank's portfolio</i>	<i>Carrying value</i>
	%	RO'000
<b><u>30/06/2023</u></b>		
Government Development Bonds and Sukuk-Oman	<b>54%</b>	<b>243,051</b>
Treasury Bills	<b>22%</b>	<b>98,330</b>
<b><u>30/06/2022</u></b>		
Government Development Bonds and Sukuk -Oman	63%	254,273
Treasury Bills	19%	75,000
<b><u>31/12/2022</u></b>		
Government Development Bonds and Sukuk -Oman	62%	249,246
Treasury Bills	19%	75,000

In 2023 (YTD June), the Bank received dividends of RO 1.93 million from its FVOCI equities (YTD June 2022: RO 1.31 million for FVOCI equities and 31 December 2022: RO 1.60 million), recorded as other operating income.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**7 PROPERTY AND EQUIPMENT**

	<i>Freehold land and buildings and leasehold improvements</i>	<i>Motor vehicles, furniture and equipment</i>	<i>Capital work in progress</i>	<i>Right to use assets</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2023, net of accumulated depreciation	43,833	10,657	721	1,879	57,090
Additions	45	163	604	902	1,714
Disposals	(195)	(1)	(1)	-	(197)
Transfers	147	72	(219)	-	-
Depreciation	(680)	(1,468)	-	(800)	(2,948)
<b>Balance at 30 June 2023, net of accumulated depreciation</b>	<b>43,150</b>	<b>9,423</b>	<b>1,105</b>	<b>1,981</b>	<b>55,659</b>
At cost	61,053	48,796	1,105	4,025	114,979
Accumulated depreciation	(17,903)	(39,373)	-	(2,044)	(59,320)
<b>Net carrying value at 30 June 2023</b>	<b>43,150</b>	<b>9,423</b>	<b>1,105</b>	<b>1,981</b>	<b>55,659</b>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2022, net of accumulated depreciation	44,553	11,572	1,109	2,658	59,892
Additions	4	327	490	500	1,321
Disposals	-	(1)	(39)	1	(39)
Transfers	168	279	(447)	-	-
Depreciation	(620)	(1,417)	-	(876)	(2,913)
<b>Balance at 30 June 2022, net of accumulated depreciation</b>	<b>44,105</b>	<b>10,760</b>	<b>1,113</b>	<b>2,283</b>	<b>58,261</b>
At cost	60,867	47,374	1,113	4,700	114,054
Accumulated depreciation	(16,762)	(36,614)	-	(2,417)	(55,793)
<b>Net carrying value at 30 June 2022</b>	<b>44,105</b>	<b>10,760</b>	<b>1,113</b>	<b>2,283</b>	<b>58,261</b>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2022, net of accumulated depreciation	44,553	11,572	1,109	2,658	59,892
Additions	4	903	1,260	938	3,105
Disposals	-	(3)	(40)	-	(43)
Transfers	544	1,064	(1,608)	-	-
Depreciation	(1,268)	(2,879)	-	(1,717)	(5,864)
<b>Balance at 31 December 2022, net of accumulated depreciation</b>	<b>43,833</b>	<b>10,657</b>	<b>721</b>	<b>1,879</b>	<b>57,090</b>
At cost	61,243	48,693	721	4,355	115,012
Accumulated depreciation	(17,410)	(38,036)	-	(2,476)	(57,922)
<b>Net carrying value at 31 December 2022</b>	<b>43,833</b>	<b>10,657</b>	<b>721</b>	<b>1,879</b>	<b>57,090</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2023 (unaudited)**
**8 OTHER ASSETS**

	<i>30/06/2023</i>	<i>30/06/2022</i>	<i>31/12/2022</i>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest receivable and others	<b>61,435</b>	35,658	36,049
Positive fair value of derivatives (note 31)	<b>18,316</b>	17,017	20,847
Customers' indebtedness for acceptances (note 12)	<b>32,917</b>	40,738	41,159
	<b>112,668</b>	93,413	98,055

**9 DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS**

	<i>30/06/2023</i>	<i>30/06/2022</i>	<i>31/12/2022</i>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Borrowings	<b>164,000</b>	249,352	244,331
Other balances	<b>18,481</b>	13,451	17,412
	<b>182,481</b>	262,803	261,743

**10 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS**

	<i>30/06/2023</i>	<i>30/06/2022</i>	<i>31/12/2022</i>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Current accounts	<b>1,331,088</b>	1,350,521	1,165,818
Savings accounts	<b>610,739</b>	643,795	604,810
Term deposits	<b>1,362,377</b>	1,045,988	1,276,794
	<b>3,304,204</b>	3,040,304	3,047,422

**11 EURO MEDIUM TERM NOTES**

The bank has established Euro medium term notes programme for USD 1,500 million. These Bonds are listed in the Irish Stock Exchange and governed by English law. As at reporting date, the bank has an issuance for RO 192.5 million (USD 500 million) (30 June 2022 - RO 192.5 million - USD 500 million and 31 December 2022 - RO 192.5 million - USD 500 million), maturing in September 2023. The carrying amount of EMTN is stated at fair value for the hedge interest rate risk (Refer note 31).

**12 OTHER LIABILITIES**

	<i>30/06/2023</i>	<i>30/06/2022</i>	<i>31/12/2022</i>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest payable and other accruals	<b>85,434</b>	66,033	69,385
Lease commitment	<b>1,161</b>	1,460	1,330
Allowances for credit losses for loan commitments and Financial guarantees (refer below)	<b>2,860</b>	2,595	2,477
Negative fair value of derivatives (note 31)	<b>19,103</b>	17,906	24,335
Liabilities under acceptances (note 8)	<b>32,917</b>	40,738	41,159
Deferred tax liability (note 13)	<b>465</b>	467	549
	<b>141,940</b>	129,199	139,235

Movement in the allowance for credit losses - non-funded loans, advances and financing activities for customers:

	<i>6 months ended 30/06/2023</i>	<i>6 months ended 30/06/2022</i>	<i>12 months ended 31/12/2022</i>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Balance at beginning of period / year	<b>2,477</b>	2,616	2,616
Provided / (released) during the period / year	<b>383</b>	(21)	(139)
Balance at end of period / year	<b>2,860</b>	2,595	2,477

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2023 (unaudited)**
**13 TAXATION**

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Statement of comprehensive income</b>			
Current tax expense for the period/year	5,730	4,083	9,219
Deferred tax (income) / expense	(66)	42	42
	<b>5,664</b>	<b>4,125</b>	<b>9,261</b>

The Bank is liable to income tax at the following rates:

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
• Sultanate of Oman (of consolidated taxable income)	15%	15%	15%
• United Arab Emirates (of taxable income)	20%	20%	20%
• Egypt (of taxable income)	22.5%	22.5%	22.5%

Set out below is reconciliation between incomes tax calculated on accounting profit with income tax expense for the period:

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Accounting profit	34,974	26,203	57,472
Tax at applicable rate	5,246	3,930	8,621
Non-deductible expenses	68	62	106
Tax exempt revenues	(397)	(285)	(394)
Others	813	376	886
Total	<b>5,730</b>	<b>4,083</b>	<b>9,219</b>

The Bank's liabilities for taxation in the Sultanate of Oman have been assessed and agreed up to the year ended 31 December 2018.

Management believes that additional taxes, if any, in respect of open tax assessments would not be significant to the Bank's financial position as at 30 June 2023.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The Bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2022.

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Income tax liability</b>			
Through comprehensive income	5,730	4,083	9,219
Through prior years	8,878	6,827	6,736
Through retained earnings	-	(26)	26
	<b>14,608</b>	<b>10,884</b>	<b>15,981</b>

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Recognised deferred tax liability</b>			
Deferred tax assets are attributable to the following:			
Deductible temporary differences relating to provisions	36	(31)	(30)
FVOCI investments	(501)	(436)	(519)
	<b>(465)</b>	<b>(467)</b>	<b>(549)</b>

**Movement of deferred tax liability**

	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>31/12/2022</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Balance at the beginning of the year	(549)	(511)	(511)
Released / (provided) during the period/year	66	(42)	(42)
Tax effect of movement in FVOCI investments	18	86	4
	<b>(465)</b>	<b>(467)</b>	<b>(549)</b>



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**14 OTHER RESERVES**

	<i>FVOCI reserve RO '000</i>	<i>Impairment Reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2023	(4,190)	10,580	6,390
Net movement on FVOCI	651	-	651
Tax effect of net results on FVOCI	18	-	18
<b>At 30 June 2023</b>	<b>(3,521)</b>	<b>10,580</b>	<b>7,059</b>
At 30 June 2022	(6,263)	10,580	4,317
At 31 December 2022	(4,190)	10,580	6,390

- I. The impairment reserve represents excess of impairment allowance (net of tax) calculated as per CBO norms and IFRS 9. Based on current regulation, there are no changes to the reserve in the period / year. The reserve is not available for distribution to the shareholders.

**15 TIER 1 PERPETUAL BOND**

The bank has following Perpetual Tier 1 Capital Securities (the "Tier 1 Securities"). The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 Securities do not have a fixed or final maturity date. They are redeemable by the bank at its sole discretion on any interest payment date on or after the first call date subject to the prior consent of the Central Bank of Oman.

Issuance Month/Year	Issued Amount	Coupon Rate
April 2021	USD 300 million (OMR 115.5 million)	Fixed interest rate of 8.00% with a reset after 5 years
November 2022	USD 134.11 million (OMR 51.63 million)	Fixed interest rate of 6.75% with a reset after 5 years

These securities form part of Tier 1 Capital of the bank and comply with Basel - III and Central Bank of Oman regulations (BM 1114).

**16 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30/06/2023 RO'000</i>	<i>30/06/2022 RO'000</i>	<i>31/12/2022 RO'000</i>
Guarantees	273,634	281,594	280,300
Documentary letters of credit	32,320	72,590	43,682
Undrawn commitment to lend	120,743	211,522	200,409
	<b>426,697</b>	<b>565,706</b>	<b>524,391</b>

- (i) The allowances for credit losses for commitments and financial guarantees amounts to RO 2.9 million (30 June 2022 – RO 2.6 million and December 2022 – 2.5 million) and is included under note 12.
- (ii) Guarantees include RO 5.43 million (30 June 2022 – RO 12.65 million and 31 December 2022 – 6.23 million) relating to non-performing loans.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2023 (unaudited)**
**17 INTEREST INCOME**

	<b>6 months ended 30/06/2023 RO'000</b>	6 months ended 30/06/2022 RO'000	<b>3 months ended 30/06/2023 RO'000</b>	3 months ended 30/06/2022 RO'000
Interest from Loans and advances	<b>94,353</b>	76,857	<b>47,013</b>	40,145
Interest from banks	<b>4,915</b>	347	<b>2,920</b>	264
Interest from investments	<b>10,850</b>	7,723	<b>5,724</b>	3,628
	<b>110,118</b>	84,927	<b>55,657</b>	44,037

**18 INTEREST EXPENSE**

	<b>6 months ended 30/06/2023 RO'000</b>	6 months ended 30/06/2022 RO'000	<b>3 months ended 30/06/2023 RO'000</b>	3 months ended 30/06/2022 RO'000
Interest to customers	<b>39,750</b>	31,548	<b>20,775</b>	15,371
Interest to banks	<b>7,519</b>	4,095	<b>3,593</b>	2,305
Euro medium term notes	<b>8,640</b>	5,123	<b>4,431</b>	2,333
	<b>55,909</b>	40,766	<b>28,799</b>	20,009

**19 FEE AND COMMISSION INCOME (NET)**

The commission and fee income shown in the statement of comprehensive income is net of commission and fee paid of RO 10.71 million for the period ended 30 June 2023 (30 June 2022 – RO 10.66 million). The disaggregation of fee and commission income is provided under note 29.

**20 OTHER OPERATING INCOME**

	<b>6 months ended 30/06/2023 RO'000</b>	6 months ended 30/06/2022 RO'000	<b>3 months ended 30/06/2023 RO'000</b>	3 months ended 30/06/2022 RO'000
Net gains from foreign exchange dealings	<b>3,519</b>	2,835	<b>1,930</b>	1,577
Gain/(Loss) on investments	<b>121</b>	2,286	<b>42</b>	(450)
Dividend income	<b>1,930</b>	1,313	<b>925</b>	144
Other income	<b>2,143</b>	2,120	<b>1,057</b>	1,070
	<b>7,713</b>	8,554	<b>3,954</b>	2,341

**21 STAFF COSTS**

	<b>6 months ended 30/06/2023 RO'000</b>	6 months ended 30/06/2022 RO'000	<b>3 months ended 30/06/2023 RO'000</b>	3 months ended 30/06/2022 RO'000
Employees' salaries	<b>13,799</b>	13,738	<b>6,892</b>	6,862
Contribution to social insurance schemes	<b>1,247</b>	1,370	<b>624</b>	744
Other staff costs	<b>4,275</b>	2,630	<b>2,078</b>	1,310
	<b>19,321</b>	17,738	<b>9,594</b>	8,916

The bank employed 1,417 employees as of 30 June 2023 (30 June 2022 – 1,455 employees).

**22 OTHER OPERATING EXPENSES**

	<b>6 months ended 30/06/2023 RO'000</b>	6 months ended 30/06/2022 RO'000	<b>3 months ended 30/06/2023 RO'000</b>	3 months ended 30/06/2022 RO'000
Establishment costs	<b>2,314</b>	2,047	<b>1,178</b>	1,023
Operating and administration expenses	<b>6,007</b>	6,403	<b>3,215</b>	3,289
Directors remuneration and sitting fees	<b>278</b>	224	<b>145</b>	112
	<b>8,599</b>	8,674	<b>4,538</b>	4,424

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

**23.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement:**

**Impairment charge and provision held as of 30 June 2023**

	<i>Amounts in RO'000</i>		
	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	9,564	NA
Provisions required as per CBO norms/ held as per IFRS 9	182,296	172,709	(9,587)
Gross non-performing loan ratio (percentage)	-	4.73	-
Net non-performing loan ratio (percentage)	-	4.12	-

**Mapping of IFRS 9 and CBO norms as of 30 June 2023**

<i>Amounts in RO'000</i>							
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,671,307	36,139	5,708	30,431	2,665,599	-
	Stage 2	602,010	6,401	8,991	(2,590)	593,019	-
	Stage 3	-	-	-	-	-	-
Subtotal		3,273,317	42,540	14,699	27,841	3,258,618	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	168,026	1,727	40,525	(38,798)	127,501	-
	Stage 3	-	-	-	-	-	-
Subtotal		168,026	1,727	40,525	(38,798)	127,501	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	8,885	2,211	3,831	(1,558)	5,054	62
Subtotal		8,885	2,211	3,831	(1,558)	5,054	62
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	22,199	10,019	9,907	1,750	12,292	1,638
Subtotal		22,199	10,019	9,907	1,750	12,292	1,638
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	139,958	102,598	100,423	23,676	39,535	21,501
Subtotal		139,958	102,598	100,423	23,676	39,535	21,501
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	786,558	-	786	(786)	785,772	-
	Stage 2	172,684	-	2,538	(2,538)	170,146	-
	Stage 3	-	-	-	-	-	-
Subtotal		959,242	-	3,324	(3,324)	955,918	-
Total	Stage 1	3,457,865	36,139	6,494	29,645	3,451,371	-
	Stage 2	942,720	8,128	52,054	(43,926)	890,666	-
	Stage 3	171,042	114,828	114,161	23,868	56,881	23,201
	Total	4,571,627	159,095	172,709	9,587	4,398,918	23,201

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement (continued):**

**Impairment charge and provision held as of 30 June 2022**

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	10,472	NA
Provisions required as per CBO norms/ held as per IFRS 9	194,207	166,579	(27,628)
Gross non-performing loan ratio (percentage)	-	5.25	NA
Net non-performing loan ratio (percentage)	-	4.73	NA

**Mapping of IFRS 9 and CBO norms as of 30 June 2022**

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,688,697	36,368	5,773	30,595	2,682,924	-
	Stage 2	377,670	4,144	9,942	(5,798)	367,728	-
	Stage 3	-	-	-	-	-	-
	Subtotal	3,066,367	40,512	15,715	24,797	3,050,652	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	178,082	1,825	30,287	(28,462)	147,795	-
	Stage 3	-	-	-	-	-	-
	Subtotal	178,082	1,825	30,287	(28,462)	147,795	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	10,205	2,370	3,024	(497)	7,181	157
	Subtotal	10,205	2,370	3,024	(497)	7,181	157
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	22,734	10,248	8,961	1,964	13,773	677
	Subtotal	22,734	10,248	8,961	1,964	13,773	677
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	147,000	120,500	105,553	32,865	41,447	17,918
	Subtotal	147,000	120,500	105,553	32,865	41,447	17,918
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	711,760	-	885	(885)	710,875	-
	Stage 2	107,323	-	2,154	(2,154)	105,169	-
	Stage 3	-	-	-	-	-	-
	Subtotal	819,083	-	3,039	(3,039)	816,044	-
Total	Stage 1	3,400,457	36,368	6,658	29,710	3,393,799	-
	Stage 2	663,075	5,969	42,383	(36,414)	620,692	-
	Stage 3	179,939	133,118	117,538	34,332	62,401	18,752
	Total	4,243,471	175,455	166,579	27,628	4,076,892	18,752



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement:**

**Restructured loans as at 30 June 2023**

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	203,005	2,093	31,375	(29,282)	171,630	-
	Stage 3	-	-	-	-	-	-
Subtotal		203,005	2,093	31,375	(29,282)	171,630	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	31,309	22,127	18,036	8,023	13,273	3,932
Sub total		31,309	22,127	18,036	8,023	13,273	3,932
Total	Stage 1	-	-	-	-	-	-
	Stage 2	203,005	2,093	31,375	(29,282)	171,630	-
	Stage 3	31,309	22,127	18,036	8,023	13,273	3,932
	Total	234,314	24,220	49,411	(21,259)	184,903	3,932

**Restructured loans as at 30 June 2022**

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	168,155	1,627	6,259	(4,632)	161,896	-
	Stage 3	-	-	-	-	-	-
Subtotal		168,155	1,627	6,259	(4,632)	161,896	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	29,421	22,735	17,651	8,527	11,770	3,443
Sub total		29,421	22,735	17,651	8,527	11,770	3,443
Total	Stage 1	-	-	-	-	-	-
	Stage 2	168,155	1,627	6,259	(4,632)	161,896	-
	Stage 3	29,421	22,735	17,651	8,527	11,770	3,443
	Total	197,576	24,362	23,910	3,895	173,666	3,443

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.3 Movement in Expected credit losses (ECL)**

<b>As at 30 June 2023</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RO' 000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers	2,671,307	770,036	171,042	3,612,385
- Investment Securities (Debt)	449,357	-	-	449,357
- Loan Commitments and Financial Guarantees	254,013	172,684	-	426,697
- Due from Banks, Central Banks and Other Financial Assets	203,930	-	-	203,930
	3,578,607	942,720	171,042	4,692,369
<b>Opening Balance - as at 1 January 2023</b>				
- Loans and Advances to Customers	5,485	43,488	109,722	158,695
- Investment Securities (Debt)	311	123	-	434
- Loan Commitments and Financial Guarantees	577	1,900	-	2,477
- Due from Banks, Central Banks and Other Financial Assets	20	-	-	20
	6,393	45,511	109,722	161,626
<b>Net transfer between stages</b>				
- Loans and Advances to Customers	48	(5,624)	5,576	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	48	(5,624)	5,576	-
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	176	11,651	1,446	13,273
- Investment Securities (Debt)	133	(123)	-	10
- Loan Commitments and Financial Guarantees	(256)	639	-	383
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	53	12,167	1,446	13,666
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(2,583)	(2,583)
	-	-	(2,583)	(2,583)
<b>Closing Balance - as at 30 June 2023</b>				
- Loans and Advances to Customers	5,709	49,515	114,161	169,385
- Investment Securities (Debt)	444	-	-	444
- Loan Commitments and Financial Guarantees	321	2,539	-	2,860
- Due from Banks, Central Banks and Other Financial Assets	20	-	-	20
	6,494	52,054	114,161	172,709

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.3 Movement in Expected credit losses (ECL) (continued)**

<b>As at 30 June 2022</b>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers	2,688,697	555,752	179,939	3,424,388
- Investment Securities (Debt)	395,392	5,775	-	401,167
- Loan Commitments and Financial Guarantees	459,924	105,782	-	565,706
- Due from Banks, Central Banks and Other Financial Assets	102,004	-	-	102,004
	3,646,017	667,309	179,939	4,493,265
<b>Opening Balance - as at 1 January 2022</b>				
- Loans and Advances to Customers	9,043	32,763	109,437	151,243
- Investment Securities (Debt)	300	173	-	473
- Loan Commitments and Financial Guarantees	908	1,708	-	2,616
- Due from Banks, Central Banks and Other Financial Assets	86	-	-	86
	10,337	34,644	109,437	154,418
<b>Net transfer between stages</b>				
- Loans and Advances to Customers	888	(2,811)	1,923	-
- Investment Securities (Debt)	(121)	121	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	767	(2,690)	1,923	-
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	(4,158)	10,277	9,428	15,547
- Investment Securities (Debt)	127	(173)	-	(46)
- Loan Commitments and Financial Guarantees	(346)	325	-	(21)
- Due from Banks, Central Banks and Other Financial Assets	(69)	-	-	(69)
	(4,446)	10,429	9,428	15,411
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(3,250)	(3,250)
	-	-	(3,250)	(3,250)
<b>Closing Balance - as at 30 June 2022</b>				
- Loans and Advances to Customers	5,773	40,229	117,538	163,540
- Investment Securities (Debt)	306	121	-	427
- Loan Commitments and Financial Guarantees	562	2,033	-	2,595
- Due from Banks, Central Banks and Other Financial Assets	17	-	-	17
	6,658	42,383	117,538	166,579

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.4 Movement in loans**

<b>As at 30 June 2023</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RO' 000</b>	<b>RO' 000</b>	<b>RO' 000</b>	<b>RO' 000</b>
<b>Exposure subject to ECL</b>				
Opening Balance - as at 1 January 2023	2,801,141	538,141	173,112	3,512,394
Transfer to stage 1	2,007	(1,610)	(397)	-
Transfer to stage 2	(144,779)	144,945	(166)	-
Transfer to stage 3	(1,627)	(13,500)	15,127	-
New loans and advances	374,787	15,325	-	390,112
Recovery of loans and advances	(360,222)	86,735	(14,051)	(287,538)
Write off for the period	-	-	(2,583)	(2,583)
Closing Balance - as at 30 June 2023	2,671,307	770,036	171,042	3,612,385

<b>As at 30 June 2022</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RO' 000</b>	<b>RO' 000</b>	<b>RO' 000</b>	<b>RO' 000</b>
<b>Exposure subject to ECL</b>				
Opening Balance - as at 1 January 2022	2,482,125	586,363	171,401	3,239,889
Transfer to stage 1	12,804	(12,804)	-	-
Transfer to stage 2	(7,460)	7,704	(244)	-
Transfer to stage 3	(39)	(2,746)	2,785	-
New loans and advances	457,643	122,803	9,384	589,830
Recovery of loans and advances	(256,376)	(145,568)	(137)	(402,081)
Write off for the period	-	-	(3,250)	(3,250)
Closing Balance - as at 30 June 2022	2,688,697	555,752	179,939	3,424,388

**23.5 Impairment credit losses on financial assets**

	<b>6 months ended</b>	6 months ended	<b>3 months ended</b>	3 months ended
	<b>30/06/2023</b>	30/06/2022	<b>30/06/2023</b>	30/06/2022
	<b>RO'000</b>	RO'000	<b>RO'000</b>	RO'000
<b>(Impairment)/reversal of impairment for credit losses:</b>				
Due from Banks	-	69	5	9
Loans and advances to customers	(12,780)	(13,125)	(5,521)	(5,457)
Investments	(10)	46	18	74
Financial guarantees	(383)	21	(163)	(35)
<b>Total</b>	<b>(13,173)</b>	(12,989)	<b>(5,661)</b>	(5,409)
<b>Recoveries and releases from:</b>				
Provision for credit losses	1,888	763	344	407
Loans and advances written off	1,721	1,754	1,135	1,060
<b>Total</b>	<b>3,609</b>	2,517	<b>1,479</b>	1,467
<b>Net Impairment losses</b>	<b>(9,564)</b>	(10,472)	<b>(4,182)</b>	(3,942)



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**24 BASIC AND DILUTED EARNINGS PER SHARE**

Earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	<b>6 months ended 30/06/2023 RO'000</b>	6 months ended 30/06/2022 RO'000	<b>3 months ended 30/06/2023 RO'000</b>	3 months Ended 30/06/2022 RO'000
Profit for the period	<b>29,310</b>	22,078	<b>14,963</b>	11,835
Less: Interest on tier 1 perpetual bond	<b>(6,363)</b>	(4,620)	<b>(6,363)</b>	(4,620)
Profit attributable to shareholders	<b>22,947</b>	17,458	<b>8,600</b>	7,215
Weighted average number of shares outstanding during the year (in '000s)	<b>1,625,946</b>	1,625,946	<b>1,625,946</b>	1,625,946
Earnings per share	<b>0.014</b>	0.011	<b>0.005</b>	0.004

No figure for diluted earnings per share has been presented, as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.

**25 ASSET LIABILITY MISMATCH**

The asset liability mismatch is based on CBO circular BM 955 and given as follows:

	<b>Assets RO'000</b>	<b>Equity and liabilities RO'000</b>	<b>Mismatch RO'000</b>
<b><i>Maturities as at 30 June 2023</i></b>			
0 - 3 month	<b>1,029,293</b>	<b>1,164,787</b>	<b>(135,494)</b>
3 - 12 month	<b>251,744</b>	<b>1,141,780</b>	<b>(890,036)</b>
1 – 5 years	<b>1,168,929</b>	<b>952,232</b>	<b>216,697</b>
More than 5 years	<b>2,037,145</b>	<b>1,228,312</b>	<b>808,833</b>
Total	<b>4,487,111</b>	<b>4,487,111</b>	<b>-</b>
<b><i>Maturities as at 30 June 2022</i></b>			
0 - 3 month	949,268	903,969	45,299
3 - 12 month	390,312	1,087,516	(697,204)
1 – 5 years	981,843	1,085,365	(103,522)
More than 5 years	1,877,909	1,122,482	755,427
Total	4,199,332	4,199,332	-
<b><i>Maturities as at 31 December 2022</i></b>			
0 - 3 month	831,012	943,502	(112,490)
3 - 12 month	316,024	1,271,521	(955,497)
1 – 5 years	1,090,958	915,884	175,074
More than 5 years	2,056,086	1,163,173	892,913
Total	4,294,080	4,294,080	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**30 June 2023 (unaudited)**

**26 RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Bank conducts transactions with certain of its directors, shareholders, senior management and companies over which they have significant interest. Principal shareholders comprise of all shareholders with holding more than 10% of the paid-up share capital and others include directors, senior management and associate companies of principal shareholders and directors. The Bank engages in transactions with related parties at arm's length terms and in accordance with relevant laws and regulations. Terms of these transactions are approved by the Bank's Board and Management.

	30/06/2023			31/12/2022		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Loans and advances	-	168,176	168,176	-	141,789	141,789
Customers' deposits	142,880	60,773	203,653	150,110	56,059	206,169
Due from banks	182	-	182	4,376	-	4,376
Due to banks	180	-	180	94	-	94
Letters of credit, guarantees and acceptances	570	11,888	12,458	985	12,723	13,708
Investments	2,459	584	3,043	2,702	541	3,243

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

	30/06/2023			30/06/2022		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Interest income	20	4,078	4,098	-	3,829	3,829
Commission income	1	268	269	2	185	187
Interest expense	3,532	1,180	4,712	2,333	1,031	3,364
Other expenses	-	626	626	-	413	413

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**27 SHAREHOLDERS**

The shareholders of the Bank who own 10% or more of the Bank's shares:

	<b>30/06/2023</b>	30/06/2022	31/12/2022
<i>Number of shares held ('000)</i>			
The Commercial Bank of Qatar	<b>567,453</b>	567,453	567,453
Suhail Salim Abdullah Al Mukhaini Bahwan	<b>239,805</b>	239,805	239,805
Civil Service Employee Pension Fund	<b>187,345</b>	186,009	187,715
<i>% of shareholding</i>			
The Commercial Bank of Qatar	<b>34.90%</b>	34.90%	34.90%
Suhail Salim Abdullah Al Mukhaini Bahwan	<b>14.75%</b>	14.75%	14.75%
Civil Service Employee Pension Fund	<b>11.52%</b>	11.44%	11.54%

The percentage shareholding is calculated based on the total shares of the Bank outstanding at the reporting date.

**28 CAPITAL ADEQUACY**

The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	<b>30/06/2023</b>	30/06/2022	31/12/2022
	<b>RO'000</b>	RO'000	RO'000
<b>Capital base</b>			
Common equity Tier 1	<b>440,107</b>	414,684	447,096
Additional Tier 1 - capital	<b>167,133</b>	115,500	167,133
Tier 2 capital	<b>20,920</b>	20,239	22,318
Total capital base	<b>628,160</b>	550,423	636,547
<b>Risk weighted assets</b>			
Credit risk	<b>3,468,673</b>	3,271,053	3,388,663
Operational risk	<b>236,595</b>	230,414	236,595
Market risk	<b>72,978</b>	87,284	133,025
Total risk weighted assets	<b>3,778,246</b>	3,588,751	3,758,283
Common Equity Tier 1 Ratio	<b>11.6%</b>	11.6%	11.9%
Tier 1 Ratio	<b>16.1%</b>	14.8%	16.3%
Risk asset ratio (Basel II norms)	<b>16.6%</b>	15.3%	16.9%

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

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### 29 SEGMENT REPORTING

For management purposes, the Bank is organised into four operating segments based on business units and are as follows:

- Retail Banking offers various products and facilities to individual retail and high net-worth customers to meet everyday banking needs. This includes asset products like personal loans, housing loan, credit cards and term loans and liability products like savings account, current account and term deposits.
- Wholesale Banking delivers a variety of products and services to Corporate, Government and Financial Institutions, that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes investment Banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.
- International operations include UAE and Egypt operations.
- Islamic Banking offers various products as per Shari'a principles.
- Funding Center – The Funding center is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the Bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the support functions are allocated to operating segments for performance measurement purposes.

Segment information by business line is as follows:

	Retail Banking RO'000	Wholesale Banking RO'000	International Banking RO'000	Islamic Banking RO'000	Funding center RO'000	Total RO'000
<b>30 June 2023</b>						
Operating income	27,361	38,746	2,930	3,193	3,176	75,406
Net profit	5,676	19,765	704	507	2,658	29,310
Total assets	1,404,605	2,216,302	126,332	330,109	409,763	4,487,111
<b>30 June 2022</b>						
Operating income	29,905	41,764	1,719	3,138	(10,526)	66,000
Net profit/(loss)	9,352	25,099	(2,890)	244	(9,727)	22,078
Total assets	1,335,457	2,040,810	113,077	209,946	500,042	4,199,332

### Disaggregated revenues

IFRS15 requires the disclosure of disaggregated revenue from contracts with customers for major products / service lines. The below table provides disaggregation of commission and fee income (net) into revenues within Bank's reportable segments. Contract revenue is further segregated based on the products and services:

	Retail RO'000	Wholesale RO'000	International RO'000	Islamic RO'000	Total RO'000
<b>30 June 2023</b>					
Transactional	3,610	-	1	31	3,642
Trade Income	35	1,230	110	86	1,461
Account Services	59	534	(1)	16	608
Underwriting & Syndication	401	3,173	123	81	3,778
Investment banking	-	1,220	-	-	1,220
<b>Total</b>	<b>4,105</b>	<b>6,157</b>	<b>233</b>	<b>214</b>	<b>10,709</b>
<b>30 June 2022</b>					
Transactional	4,399	-	1	30	4,430
Trade Income	26	1,614	138	97	1,875
Account Services	60	494	(26)	14	542
Underwriting & Syndication	417	2,289	105	206	3,017
Investment banking	-	793	-	-	793
<b>Total</b>	<b>4,902</b>	<b>5,190</b>	<b>218</b>	<b>347</b>	<b>10,657</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**30 June 2023 (unaudited)**

**29 SEGMENT REPORTING (continued)**

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

- i) Oman
- ii) United Arab Emirates (UAE)
- iii) Egypt

Transactions between the above segments are conducted at estimated market rates on an arm's length basis. Segment information by geography is as follows:

<b>For the period ended 30 June 2023</b>	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Net interest income and income from Islamic financing and Investment activities	54,367	2,616	1	56,984
Fees, Commission and other operating income	18,109	469	(156)	18,422
<b>Operating income/(loss)</b>	<b>72,476</b>	<b>3,085</b>	<b>(155)</b>	<b>75,406</b>
Operating expenses	(29,567)	(1,294)	(7)	(30,868)
<b>Operating profit/(loss)</b>	<b>42,909</b>	<b>1,791</b>	<b>(162)</b>	<b>44,538</b>
Impairment losses (net) and taxation	(15,187)	(41)	-	(15,228)
<b>Segment profit/(loss) for the period</b>	<b>27,722</b>	<b>1,750</b>	<b>(162)</b>	<b>29,310</b>

**Other information**

<b>Segment assets</b>	<b>4,360,779</b>	<b>125,561</b>	<b>771</b>	<b>4,487,111</b>
<b>Segment capital expenses</b>	<b>761</b>	<b>51</b>	<b>-</b>	<b>812</b>

<b>For the period ended 30 June 2022</b>	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Net interest income and income from Islamic financing and Investment activities	45,466	1,323	-	46,789
Fees, Commission and other operating income	18,815	606	(210)	19,211
<b>Operating income/(loss)</b>	<b>64,281</b>	<b>1,929</b>	<b>(210)</b>	<b>66,000</b>
Operating expenses	(27,988)	(1,325)	(12)	(29,325)
<b>Operating profit/(loss)</b>	<b>36,293</b>	<b>604</b>	<b>(222)</b>	<b>36,675</b>
Impairment losses (net) and taxation	(12,112)	(2,485)	-	(14,597)
<b>Segment profit/(loss) for the period</b>	<b>24,181</b>	<b>(1,881)</b>	<b>(222)</b>	<b>22,078</b>

**Other information**

<b>Segment assets</b>	<b>4,086,255</b>	<b>111,530</b>	<b>1,547</b>	<b>4,199,332</b>
<b>Segment capital expenses</b>	<b>803</b>	<b>18</b>	<b>-</b>	<b>821</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**30 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>30 June 2023</b>			
<b>Investment measured at FVTPL</b>			
Quoted equities	1,863	-	1,863
Unquoted equities	-	2,395	2,395
<b>Total</b>	<b>1,863</b>	<b>2,395</b>	<b>4,258</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	55,576	-	55,576
<b>Total</b>	<b>55,576</b>	<b>-</b>	<b>55,576</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>57,439</b>	<b>2,395</b>	<b>59,834</b>
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>30 June 2022</b>			
<b>Investment measured at FVTPL</b>			
Quoted equities	1,002	-	1,002
Unquoted equities	-	2,704	2,704
<b>Total</b>	<b>1,002</b>	<b>2,704</b>	<b>3,706</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	39,667	-	39,667
<b>Total</b>	<b>39,667</b>	<b>-</b>	<b>39,667</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>40,669</b>	<b>2,704</b>	<b>43,373</b>



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**30 June 2023 (unaudited)**

**30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
<b>31 December 2022</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Investment measured at FVTPL</b>			
Quoted equities	1,872	-	1,872
Unquoted equities	-	2,419	2,419
<b>Total</b>	<b>1,872</b>	<b>2,419</b>	<b>4,291</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	47,754	-	47,754
<b>Total</b>	<b>47,754</b>	<b>-</b>	<b>47,754</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>49,626</b>	<b>2,419</b>	<b>52,045</b>

The Bank's primary medium and long-term financial liabilities are the borrowed funds and subordinated liabilities. The fair values of these financial liabilities not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 31).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**30 June 2023 (unaudited)**

**31 DERIVATIVES**

	<i>Positive fair value (Note 8) RO'000</i>	<i>Negative fair value (Note 12) RO'000</i>	<i>Notional amount total RO'000</i>	<b>Notional amounts by term to maturity</b>		
				<b>Within 3 months</b>	<b>3 – 12 months</b>	<b>Above 1 Year</b>
				<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>30 June 2023</b>						
Fair Value hedge	-	(910)	192,500	192,500	-	-
Interest rate swaps	17,943	(17,943)	331,231	202,730	26,259	102,242
Forward foreign exchange purchase contracts	11	(246)	268,492	153,582	114,910	-
Forward foreign exchange sales contracts	362	(4)	268,492	153,668	114,824	-
<b>Total</b>	<b>18,316</b>	<b>(19,103)</b>	<b>1,060,715</b>	<b>702,480</b>	<b>255,993</b>	<b>102,242</b>
<b>30 June 2022</b>						
Fair Value hedge	-	(2,310)	192,500	-	-	192,500
Interest rate swaps	15,118	(15,118)	465,874	9,005	30,804	426,065
Forward purchase contracts	353	(381)	405,588	164,611	223,890	17,087
Forward sales contracts	1,546	(97)	405,588	214,065	154,552	36,971
<b>Total</b>	<b>17,017</b>	<b>(17,906)</b>	<b>1,469,550</b>	<b>387,681</b>	<b>409,246</b>	<b>672,623</b>
<b>31 December 2022</b>						
Fair Value hedge	-	(3,635)	192,500	-	-	192,500
Interest rate swaps	20,557	(20,557)	442,065	13,131	31,662	397,272
Forward purchase contracts	4	(50)	388,784	143,828	244,956	-
Forward sales contracts	286	(93)	388,784	143,860	244,924	-
<b>Total</b>	<b>20,847</b>	<b>(24,335)</b>	<b>1,412,133</b>	<b>300,819</b>	<b>521,542</b>	<b>589,772</b>

Derivatives are valued at level 2 based on quoted forward rates.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2023 (unaudited)**

**32 LIQUIDITY COVERAGE RATIO**

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is applicable from January 1, 2015 with a minimum ratio of 60% and increasing by 10% every year thereafter till it reaches a minimum required level of 100% on 1 January, 2020.

	June 2023		June 2022	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
<b>High quality liquid assets</b>				
<b>Total High Quality Liquid Assets (HQLA)</b>	-	601,161	-	666,555
<b>Cash outflows</b>				
Stable deposits	422,438	12,673	463,187	13,896
Less stable deposits	312,941	31,294	335,690	33,569
<b>Retail deposits and deposits from small business customers</b>	735,379	43,967	798,877	47,465
<b>Unsecured wholesale funding, of which:</b>				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,329,938	454,658	1,444,652	552,121
<b>Additional requirements, of which:</b>				
Credit and liquidity facilities	23,681	2,368	20,529	2,053
Other contractual funding obligations	31,854	1,593	28,655	1,433
Other contingent funding obligations	482,157	151,243	505,764	122,435
<b>Total cash outflows</b>	2,603,009	653,829	2,798,477	725,507
<b>Cash inflows</b>				
Inflows from fully performing exposures	406,744	317,704	285,858	177,735
Other cash inflows	185,062	185,062	108,577	108,577
<b>Total cash inflows</b>	591,806	502,766	394,435	286,312
<b>Total high quality liquid assets</b>	-	601,161	-	666,555
<b>Total net cash outflows</b>	-	163,457	-	439,195
<b>Liquidity coverage ratio (%)</b>	-	367.78	-	151.77

**33**      **COMPARATIVE AMOUNTS**

Certain of the corresponding figures for 2022 have been reclassified in order to conform with the presentation for the current year.