

Auditors Report		English
		01/01/2021-31/12/2021
DISCLOSURE AUDITOR'S REPORT		
DISCLOSURE OF AUDITOR'S REPORT		
AUDITOR'S OPINION		
Unmodified Opinion		Yes
Qualified Opinion		No
Adverse Opinion		No
Disclaimer of Opinion		No
AUDITOR'S OPINION BASIS		
Basis of Unmodified Opinion		Ref #1
Key Audit Matters		Ref #2
Other information		Ref #3
Responsibilities of Management and Those Charged with Governance for the Financial Statements		Ref #4
Auditor's Responsibilities for the Audit of the Financial Statements		Ref #5
Report on Other Legal and Regulatory Requirements		Ref #6

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Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ahli Bank SAOG (the “Bank”) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank’s financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Our audit approach

Overview

Key audit matter

- Measurement of Expected credit losses on loans, advances and financing to customers

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans, advances and financing to customers	
At 31 December 2021, the Bank had net investment in loans, advances and financing to customers of RO 2,402 million net of credit impairment provision of RO 76.9 million. ECL charge for the year ended 31 December 2021 amounted to RO 14.7 Million.	We obtained an understanding of management's assessment of impairment of loans, advances and financing including the Bank’s internal rating model, impairment allowance policy and the ECL modelling methodology.
The Bank applies the requirements of International Financial Reporting Standard 9 ‘Financial Instruments’ (IFRS 9) to determine Expected Credit Loss (ECL) on loans, advances and financing to customers. The ECL provision represents the directors best estimate of the credit losses as at the date of the statement of financial position.	We assessed and tested the design and operating effectiveness of the key controls over the credit processes such as loan origination, ongoing monitoring and provisioning of loans and advances.
As disclosed in note 37, the COVID-19 global pandemic significantly impacted management’s determination of the ECL and required the application of heightened judgement. As a result, the ECL has a higher than usual degree of uncertainty and the inputs used are inherently subject to change, which may materially change the estimate of Stage 1 and Stage 2 ECL in future periods.	We performed the following substantive procedures: - understanding the Bank’s IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9; - obtaining an understanding of and tested the grouping

of similar financial assets in the portfolios for the purposes of measuring ECL;

Independent auditor’s report to the shareholders of Ahli Bank SAOG (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans, advances and financing to customers (continued)	
To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in the Bank’s modelled results, management applied credit judgments, quantitative and qualitative adjustments to its overall loan’s portfolio resulting from COVID-19, the temporary effects of the loan deferral schemes, which may not completely mitigate future losses, and the impacts to particularly vulnerable sectors affected by COVID-19. We focused on this area because directors make complex and subjective judgements over both timing of recognition of impairment and the estimation of the size of any impairment, and this has a material impact on the financial statements of the Bank. The key areas of judgements include: • establishing portfolios of similar financial assets for the purposes of measuring ECL; • choosing appropriate models and assumptions for the measurement of ECL which includes estimation of Probability of default (PD), Loss Given default (LGD), and Exposure at Default (EAD); • determining criteria for significant increase in credit risk (SICR) and judgements in classification of loans into stage 2; • establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; • judgements in calculation of management overlays and other post-model adjustments;	• testing a sample of loans to determine the appropriateness and application of the staging criteria; • obtaining an understanding of the methodology to identify and calculate individual impairment allowance for stage 3 exposures and tested a sample of credit exposures against the methodology; • assessing the related financial statement disclosures to determine if they are in accordance with the requirements of International Financial Reporting Standards; and. • testing overlays to the ECL model for appropriateness. We involved our specialists in areas that required specific expertise (e.g. ECL model) including: • testing the implementation of IFRS 9 methodology for the ECL calculation, mathematical accuracy and logical integrity of the model; • testing the reasonableness of historical macroeconomic and forward-looking information and assumptions used by the directors by agreeing to latest available macro economic information upto 31 December 2021; • assessing the appropriateness of the definition of default and testing the application of the default criteria; • assessing the appropriateness of the PD and LGD and evaluating the reasonableness of the EAD;

Independent auditor’s report to the shareholders of Ahli Bank SAOG (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans, advances and financing to customers (continued)	
• judgement to determine when a default event has occurred (for stage 3 customers); • assessing the recoverability of stage 3 financial assets; and • determining disclosure requirements in accordance with accounting standards.	• assessing the appropriateness of the criteria used to determine the Significant Increase in Credit Risk (SICR) and the resultant classification of exposures into various stages including movements between stages; and • testing and assessing the reasonableness of the Bank’s use of scenarios, weightings and discounting.

Information on the accounting policy and credit risk management is included in notes 4 and 37.1 to the financial statements respectively. Disclosures relating to the ECL provisions are included in notes 8 and 29 to the financial statements.

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Other information

The directors are responsible for the other information. The other information comprises the Chairman’s report, Management Discussion and Analysis, , Corporate Governance Report, Basel II Pillar III and Basel III Reports of the Bank, Shari’a Compliance Report of Shari’a Supervisory Board, resolutions issued by Shari’a Supervisory Board, Fatwas issued by Shari’a Supervisory Board, Financial Statements of Ahli Islamic and Basel II Pillar III and Basel III Reports of the Bank and Ahli Islamic (but does not include the financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report and the Bank’s Annual Report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Bank’s Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

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Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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Auditor’s responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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Report on other legal and regulatory requirements

Further, as required by the relevant requirements of the Capital Market Authority of the Sultanate of Oman

and the applicable provisions of the Commercial Companies Law of 2019, we report that the financial

statements have been prepared and comply, in all material respects, with those requirements and provisions.

The above paragraphs 1- 6 of the Auditor’s report is only a reproduction from the full audit report issued on 6 March 2022. Please refer to the full set of financial statements including the independent auditor’s report thereon, that is available at the Bank’s registered office at Ahli Bank SAOG, Al Watayya, P.O Box 545, Minal Al Fahal, Postal Code 116, Sultanate of Oman.

Auditors Report		English	/Audited
		01/01/2021-31/12/2021	
DISCLOSURE AUDITOR'S REPORT			
DISCLOSURE OF AUDITOR'S DETAILS			
Name of partner signing off auditor's report		Kashif Kalam	
Name of audit firm		PRICEWATERHOUSECOOPERS LLC	
Registration number of Audit firm		1230865	
Date of certification from auditor		06/03/2022	