

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Ahlibank SAOG (the 'Bank') is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial & investment banking activities through a network of forty nine branches as at year end with twenty four conventional and twenty five Islamic branches. (2023 - twenty four conventional and twenty two Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, PC 116, Sultanate of Oman.

ahli islamic (the Islamic Window) was licensed by Central Bank of Oman (CBO) to operate as an Islamic Banking Window of the Bank. It offers a full range of Islamic banking services and products. The principal activities of ahli islamic include accepting Sharia compliant customer deposits, providing Sharia compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Wakala and undertaking investment activities and providing commercial banking services and other investment activities permitted under the Islamic Banking Regulatory Framework (IBRF) issued by the CBO.

The Bank had 983 employees as at 31 December 2024 compared to 943 as at 31 December 2023

**2 BASIS OF PREPARATION****2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 2019, disclosure requirements of the the Financial Services Authority (FSA) (formerly Capital Market Authority (CMA)) of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman (CBO).

The Bank prepares a separate set of financial statements for its Islamic Window in accordance with the requirements of Section 1.2 of Title 3 of the Islamic Banking Regulatory Framework ("IBRF") issued by the CBO. The separate set of financial statements of its Islamic Window are prepared in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Islamic Window (the "SSB") and other applicable requirements of the CBO. The Islamic Window financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these financial statements. All inter branch balances and transactions have been eliminated.

**2.2 Basis of measurement**

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income which have been measured at fair value. The statement of financial position is presented in the order of liquidity as this presentation is more appropriate to Bank's operations.

**2.3 Functional and presentation currency**

The financial statements are prepared in Rial Omani ('RO') which is the functional and reporting currency of the Bank. The United States Dollar ('US\$') amounts shown in the financial statements have been translated from Rial Omani to US\$ for information purposes as a supplementary information for the convenience of readers, using the exchange rate of RO 0.385 = US\$ 1.00. All financial information presented in Rial Omani and US Dollars has been rounded to the nearest thousand, unless otherwise stated.

**2.4 Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**2 BASIS OF PREPARATION (continued)****2.4 Use of estimates and judgements (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

**2.5 Standards, amendments and interpretations effective in 2024 and relevant for the Bank's operations****2.5.1 Amendments to IAS 1 - Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Bank's financial statements.

**2.5.2 Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback**

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Bank's financial statements.

**2.5.3 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements.

The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments had no impact on the Bank's financial statements.

**2.6 The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2024:****2.6.1 IFRS 18 Presentation and Disclosures in Financial Statements**

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

### 2.6.2 Lack of exchangeability – Amendments to IAS 21

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

### 2.6.3 Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments).

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

## 3.1 Foreign currency translation

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot rate of exchange at the reporting date. Any resulting exchange differences are included in 'other operating income' in the statement of profit or loss.

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognised in the statement of profit or loss, except for non-monetary financial assets, which are included in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

## 3.2 Revenue and expense recognition

### 3.2.1 Interest income and expense

Interest income and expense is recognised in the statement of profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the gross carrying amount or the amortised cost of the financial asset or liability. The calculation of effective interest rate includes transaction costs and fees paid / received that are an integral part of effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principle repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

**3.2.1 Interest income and expense (continued)**

When a financial asset becomes credit-impaired (as set out in Note 3.3.5 and is therefore regarded as 'Stage 3'), the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Interest income and expense presented in the statement of profit or loss include:

- i) Interest on financial assets and liabilities at amortised cost on an effective interest rate basis;
- ii) Interest on debt investment securities on an effective interest rate basis.

Interest income which is doubtful of recovery is included in loan impairment and excluded from income until it is received in cash.

**3.2.2 Fees and commission**

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income include account servicing fees, credit related fees, administration fees and other management fees, sales commission, placement fees, advisory fees and syndication fees. Fees and commission income is measured based on the consideration specified in the contract with the customers. The Bank satisfies its performance obligation upon completion of the related services as mentioned in the contract and revenue is recognised accordingly.

**3.2.3 Dividends**

Dividend income is recognised when the right to receive dividend is established.

**3.2.4 Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation arising from a past event and the costs to settle the obligation are both probable and can be reliably estimated.

**3.3 Financial assets and financial liabilities****3.3.1 Recognition and initial measurement**

The Bank initially recognises loans & advances and financing, deposits, debt securities and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit & loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Transaction cost of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

**3.3.2 Measurement categories of financial assets and financial liabilities****Financial assets**

The Bank has three principal classification categories for its financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVTPL.

On initial recognition, a financial asset is classified and measured at; amortised cost, FVOCI or FVTPL.

**3.3 Financial assets and financial liabilities (continued)****3.3.2 Measurement categories of financial assets and financial liabilities (continued)****Financial assets measured at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL;

- The asset is held within business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

It is initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost less impairment.

**Financial assets measured at fair value through other comprehensive income****a) Debt instruments**

Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL;

- The asset is held within business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity.

**b) Equity instruments**

For an equity instrument that is not held for trading, the Bank may elect at initial recognition to irrevocably designate those instruments under FVOCI. This election is made on an investment by investment basis. Amounts presented in other comprehensive income are not subsequently transferred to the statement of profit or loss.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPTL if doing so eliminates or significantly reduces and accounting mismatch that would otherwise arise.

**Financial assets measured at fair value through profit or loss**

Financial assets at fair value through profit or loss comprises of investments held for trading and designated as FVTPL on initial recognition or mandatorily required to be measured at fair value as per IFRS 9. It is initially recognised at fair value with transaction costs recognised in the statement of profit or loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the statement of profit or loss.

### 3.3.2 Measurement categories of financial assets and financial liabilities (continued)

#### Business model assessment

Business model available under IFRS 9 are:

- (i) Hold to Collect - Financial assets held with the objective to collect contractual cash flows.
- (ii) Hold to Collect and Sell - Financial assets held with the objective of both collecting contractual cash flows and selling financial assets.
- (iii) Other - Financial assets held with trading intent or that do not meet the criteria of either “Hold to collect” or “Hold to collect and sell”.

The Bank's business model reflects how it manages the assets to generate cash flows. Whether it is solely to collect the contractual cash flows from the asset (Hold to collect) or both the contractual cash flows and from sale of asset (Hold to collect and sell). Factors considered by the Bank in determining the business models for group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

#### Financial assets

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. These securities are classified in the 'other business model and measured at FVTPL.

#### Assessment whether contractual cash flows are solely payments of principal and interest (The 'SPPI test')

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represents solely payment of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

#### 3.3.2.1 Loans & advances and financings receivables

The Bank holds a portfolio of loans & advances and financing receivables for which interest rates are revised at periodic intervals. These rates are revised based on the market rates. Accordingly, the Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate that is consideration for time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Loans & advances and financing receivables are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest method less allowance for impairment losses which are recognised in the statement of profit or loss.

The Bank has two classes of loans & advances and financing receivables;

##### Corporate banking (including SME)

Corporate customers includes loans & advances and financing given to corporate and institutional customers by way of working capital loans, term loans, overdrafts, leases, syndication arrangements, fund transfer facilities etc.

**3.3.2 Measurement categories of financial assets and financial liabilities (continued)****3.3.2.1 Loans & advances and financings receivables (continued)****Retail banking**

Retail banking offers a broad range of products and services to meet the personal banking needs of individual customers. It includes personal banking products such as current and savings accounts, mortgages and personal loans, credit cards, debit cards, overdraft facilities, Islamic financing and fund transfer facilities.

**3.3.2.2 Investments**

Investments which are recognised in the statement of financial position includes:

- (i) Debt securities measured at FVOCI;
- (ii) Equity investment securities mandatorily measured at FVTPL and these are at fair value with changes recognised immediately in profit or loss;
- (iii) Equity investment securities designated at FVOCI

For debt securities measured at FVOCI, gain and losses are recognised in 'other comprehensive income' and when it is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The Bank has designated certain equity investments under FVOCI on the basis that these investments are not held for trading / intends to hold in long term for better dividend yields. The Bank elects to present in other comprehensive income the changes in the fair value of certain investments in equity instruments that are measured at FVOCI. The election is made on an instrument by instrument basis on initial recognition.

**3.3.2.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, unrestricted balances held with Central Bank of Oman, due from banks, due to banks and highly liquid financial assets with original maturities of upto three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**3.3.2.4 Due from banks**

These are stated at amortised cost using effective interest rate method, less any amounts written off and allowance for impairment.

**3.3.2.5 Financial guarantee contracts, letters of credit and undrawn loan commitments**

The Bank issues financial guarantees, letter of credit and loan commitments. Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holders for a loss that is incurred because of specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

For financial guarantee contracts and loan commitments, the loss allowance is recognised as a provision as described in note 3.3.5. Liabilities arising from financial guarantee and loan commitments are included within provisions under other liabilities in statement of financial position.

**3.3.2.5 Financial guarantee contracts, letters of credit and undrawn loan commitments (continued)**

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

**3.3.2.6 Financial liabilities**

IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in the statement of profit or loss.

**3.3.2.7 Borrowed funds**

Borrowed funds are recognised initially at their issue proceeds less transaction cost, if any. Borrowings are subsequently stated at amortised cost, any difference between proceeds net of transaction cost, and the redemption value is recognised in the statement of profit or loss over the period of borrowing using the effective interest rate method.

**3.3.2.8 Deposits**

Deposits are measured at amortised cost using the effective interest method.

**3.3.3 Derecognition****Financial assets**

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- (a) The rights to receive cash flows from the asset have expired;
- (b) The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or
- (c) the Bank has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Bank's involvement in the asset. In that case, the Bank also recognises an associated liability.

**Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of profit or loss.

### 3.3.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on net basis only when permitted by IFRS or for gains and losses arising from a group of similar transactions.

### 3.3.5 Impairment

The Bank assess on a forward-looking basis the expected credit losses (ECL) associated with financial assets measured at amortised cost or FVOCI which mainly include loans & advances and financings, investments (other than equity investments), interbank placements, loan commitments and financial guarantees. The Bank recognises a loss allowance and provisions for such losses at reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank's approach leveraged the existing regulatory capital models and processes for Bank's loan portfolios that use the existing Internal Rating based and behavioral credit models. ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities and loans & advances and financings that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### i) Measurement of ECL

ECL are a probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit impaired at the reporting date: Difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the Bank expects to receive;
- financial guarantee contracts; the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

#### ii) Overview of ECL principles

The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment requirements under IFRS 9.

### 3.3.5 Impairment (continued)

#### ii) Overview of ECL principles (continued)

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

**Stage 1** – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

**Stage 2** – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

**Stage 3** – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Both 12 month expected credit loss and lifetime expected credit losses are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instruments credit risk has increased significantly since initial recognition, by considering the change in risk of default occurring over the remaining life of the financial instrument.

At initial recognition of a financial asset, the Bank recognises a loss allowance equal to 12 month expected credit losses. After initial recognition, the three stages would be applied as follows:

Stage 1: Credit risk has not increased significantly since initial recognition- recognise 12 month expected credit losses.

Stage 2: Credit risk has increased significantly since initial recognition- recognise lifetime expected losses with revenue being calculated based on the gross amount of the asset.

Stage 3: There is objective evidence of impairment as at the reporting date to recognise lifetime expected losses, with revenue being based on the net amount of the asset.

For financial assets in Stage 1 and Stage 2, the Bank calculates interest income by applying the Effective Interest Rate (EIR) to the gross carrying amount (i.e., without deduction for ECLs). Interest income for financial assets in Stage 3 is suspended and included in loan impairment.

#### iii) ECL calculation

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

**3.3.5 Impairment (continued)****iii) ECL calculation (continued)**

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Bank considers three scenarios (a base case, good case and a bad case). Each of these is associated with different PDs, EADs and LGDs for calculating ECL on the financial assets. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral the amount that might be received for selling the asset.

**iv) Presentation of ECL allowance in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets at amortised cost: as a deduction from gross carrying amount of assets;
- loan commitments and financial guarantee contracts: carrying as provision and shown within other liabilities.
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

**v) Debt instruments measured at fair value through OCI**

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance is recognised in the other comprehensive income with a corresponding charge to the statement of income. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the statement of profit or loss and other comprehensive income.

**vi) Credit enhancements: collateral valuation and financial guarantees**

Credit risk mitigation (CRM) encompasses collateral management and credit guarantee arrangements. To mitigate credit risk, the Bank will use collateral values, wherever possible. The Bank accepts various types of collateral such as cash margins, fixed deposits, real estate, shares listed in GCC etc., Collateral unless it is repossessed, is not recorded in the statement of financial position. Since the fair value of collateral affects the calculation of ECLs, management monitors and reassess the collateral values at regular intervals and requests for additional collateral, if required. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non financial collateral such as real estate is valued by certified third party valuers.

### 3.3.5 Impairment (continued)

#### vii) Write off

Loans, financing and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, certain financial assets that are technically written off and held through memorandum accounts could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. If, in a subsequent year, written off loans & advances and financings receivable is recovered, the recovery is credited to the statement of profit or loss.

#### viii) Forward looking information

Forward-looking information is incorporated into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios is formulated. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by various entities for the country where Bank operates. The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk along credit losses. For computation of ECL, the Bank considers three scenario viz. base case, Good case and bad case. Disclosures relating different scenarios together with sensitivity testing is provided under note 35.1.6

### 3.3.6 Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial assets are included in calculating the cash shortfalls from the existing asset.
  
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

### 3.3.7 Credit impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost/FVOCI are credit impaired. A financial asset is "credit impaired" when one or more below mentioned events has occurred.

- significant financial difficulty of the borrower;
- a breach of contract such as default or past due event;
- the restructuring of a loan by the Bank;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrowers condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

**3.3 Financial assets and financial liabilities (continued)****3.3.7 Credit impaired financial assets (continued)**

In making an assessment of whether an investment in a debt instrument is credit impaired, the Bank considers the following events:

- The markets' assessment of creditworthiness of those instrument yields.
- Rating agencies assessment
- The country's ability to access the capital markets for new debt issuance.

**3.3.8 Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

**3.3.9 Modifications of financial assets and liabilities****Financial assets**

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition and the Bank recalculates the gross carrying amount based on the revised cash flows and the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of profit or loss. If the cash flows are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

**Financial liabilities**

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at either amortised cost or fair value. The difference between the carrying amount of the financial liability derecognised and the new financial liability with modified terms is recognised in the statement of income.

**3.3.10 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell an asset or transfer a liability takes place either in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Please refer to note 33 for fair value hierarchy valuation techniques.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value of the non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**3.3.11 Derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

- (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- (ii) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) hedges of a net investment in a foreign operation (net investment hedge).

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognized immediately in the statement of profit or loss.

*Hedge documentation, effectiveness assessment, and discontinuation*

At the inception of the hedge, the Bank formally designates and documents the hedging relationship to which the Bank wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio). Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

When the hedging instrument or instruments have been sold or terminated, or when a hedging relationship no longer meets the risk management objective or the criteria for hedge accounting, any cumulative gain or loss that has been recognized in other comprehensive income at that time remains in other comprehensive income and is recognized when the hedged forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of profit or loss.

### 3.4 Repurchase and resale agreements

Securities sold with a commitment to repurchase (repos) at a specified future date at predetermined price are recognised in the statement of financial position and are measured in accordance with accounting policies for financial assets. The counterparty liability for amounts received under these agreements is included in 'due to banks'. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement using the effective interest rate method. These securities are not derecognised as the related risks and rewards are not transferred to the counterparties.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) at predetermined price are not recognised in the statement of financial position and the amounts paid under these agreements are included in 'due from banks'. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repo agreement.

### 3.5 Property, equipment and intangibles

Items of property, equipment and software are measured at cost less accumulated depreciation / amortisation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation / amortisation is provided on a straight-line basis over the estimated useful lives of property, equipment and software, except freehold land. The estimated useful lives for the current period are as follows:

	Years
Building	25
Leasehold improvements	5 - 10
Computer and other equipment	5 - 10
Intangibles	5 - 10
Vehicles	5
Furniture	10

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date. Capital work in progress is not depreciated until the asset is put to use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount and are recognised within 'other operating income' in the statement of profit or loss.

Repairs and renewals are charged to the statement of profit or loss when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, equipment and software. All other expenditures are recognised in the statement of profit or loss as an expense when incurred.

### 3.6 Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and financings receivables. Real estate is stated at the lower of the net realisable value of the related loans and financings receivables and the current fair value of such assets. Gains or losses on disposal and unrealised losses on revaluation are recognised in the statement of profit or loss.

### 3.7 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

### 3.8 Taxation

Taxation is provided in accordance with Omani fiscal regulations. Income tax comprises current and deferred tax. Tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax asset/liability is calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.9 Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 3.10 Leases

#### A. Definition of lease

At inception of contract, the Bank assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the right to direct the use of an identified asset;
- the contract has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.

#### B. As a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use (ROU) assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**3.10 Leases (continued)****Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate of 4.50% as the discount rate for measurement of lease liability.

Lease payments included in the measurement of lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depends on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments or lease assessment whether it will exercise a purchase, extension or termination option.

Interest on lease liability during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of lease liability. Interest on lease liability is shown separately from the depreciation charge on ROU asset and is shown under other operating expenses in the statement of profit or loss.

The Bank has disclosed ROU assets under 'property, equipment and intangibles' and lease liabilities in 'other liabilities' in the statement of financial position.

**Short-term leases and leases of low-value assets**

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**3.11 Acceptances**

Acceptances are disclosed in the statement of financial position under other assets with corresponding liability disclosed under other liabilities. Therefore, there is no off-balance sheet commitment for acceptances.

**3.12 Employee terminal benefits****3.12.1 Terminal benefits**

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labor Law as amended. Contribution to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of profit or loss when incurred.

**3.12.2 Short term benefits**

Short term benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

**3.13 Segment reporting**

An operating segment is the component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transaction with any of the Bank's other components, whose operating results are reviewed regularly by the Bank's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**3.14 Earnings per share**

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

**3.15 Directors' remuneration**

The Board of Directors' remuneration is accrued within the limits specified by the Financial Services Authority (FSA) and the requirements of the Commercial Companies Law of the Sultanate of Oman.

**3.16 Dividend on ordinary shares**

Dividend on ordinary shares is recognised as liability and deducted from equity in the period when it is approved by the Bank's shareholders. Interim dividend is deducted from equity when they are paid.

Dividend for the year that is approved after the reporting date is considered to be an event after the reporting date and disclosed in the financial statements.

**3.17 Perpetual bonds**

Perpetual Additional Tier 1 capital instruments of the Bank are recognised under equity in the statement of financial position and the corresponding distribution on those instruments are accounted as a debit to retained earnings. 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: Presentation. The Tier 1 securities do not have a fixed redemption or final maturity date and is redeemable by the Bank at its sole discretion on the first call date or on any interest payment date thereafter.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS****4.1 Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 35.1.6, which also sets out key sensitivities of the ECL to changes in these elements.

**4.1 Measurement of the expected credit loss allowance (continued)**

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- (a) determining criteria for significant increase in credit risk;
- (b) choosing appropriate models and assumptions for measurement of ECL;
- (c) establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL; and
- (d) establishing groups of similar financial assets for the purposes of measuring ECL.

**4.2 Fair value of derivatives and other financial instruments**

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Bank uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Bank uses expected cash flow analysis and internal models for various financial assets that are not traded in active markets.

**4.3 Classification of Tier 1 bond instrument under IAS 32**

The Bank has issued Perpetual Tier 1 Securities listed on the Muscat Securities Market, which have been classified as equity in accordance with IAS 32: Financial Instruments – Classification. The key features of the instruments are as follows:

- no fixed date of maturity for all AT1 instruments except the Mandatory Convertible Bonds (MCBs) which are convertible into equity after two years from the date of issue
- payment of interest and/or capital is solely at the discretion of the Bank.
- the instruments are deeply subordinated and rank just above the ordinary
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman.

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation. The Bank, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed by the bank as not being substantive for the purpose of determining the debt vs equity classification. The Bank has considered appropriate independent legal advice in forming their judgement around this matter.

**4.4 Going Concern**

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

For the year ended 31 December 2024, the Bank has recognised a net profit after tax of RO 41.662 million. The Bank's quarterly average high quality liquid assets were RO 365.343 million as at 31 December 2024 with the liquidity coverage ratio of 151.37%.

**4.5 Fair value estimation of unquoted securities**

Significant judgement is exercised in the classification of fair value instruments as level 3 as the valuation of such instruments is driven by significant unobservable inputs. Management believes that income approach valuation technique of these investments is representative of the fair value of the underlying assets that are fair valued.

**4.6 Fee and commission income**

The recognition of fee and commission income depends on the purpose for which fees are assessed and the basis of accounting for any associated financial instrument. Management applies certain assumptions and judgements to determine the fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

**4.7 Taxation**

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Bank establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Bank. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**4.8 Determination of lease term**

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several rental lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

**5 CASH AND BALANCES WITH CENTRAL BANK OF OMAN**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
50,769	47,800	Cash	18,403	19,546
1,299	1,299	Capital deposit with Central Bank of Oman	500	500
65	65	ATM deposit with Central Bank of Oman	25	25
276,452	229,974	Clearing account with CBO	88,540	106,434
118,000	226,192	Placement with Central Bank of Oman	87,084	45,430
<u>446,585</u>	<u>505,330</u>		<u>194,552</u>	<u>171,935</u>

The capital and ATM deposits with the Central Bank of Oman (CBO) are mandatory deposits and cannot be withdrawn without its approval and accordingly are not available for use in day to day operations of the Bank. The average minimum balance to be kept with the Central bank of Oman as statutory reserve was RO 86.005 million (2023: RO 77.063 million)

**6 DUE FROM BANKS**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
99,000	246,792	Placements	95,015	38,115
130,390	47,610	Nostro account balances	18,330	50,200
(200)	(36)	Less: Impairment loss allowance - Refer note 35.1.6	(14)	(77)
<u>229,190</u>	<u>294,366</u>		<u>113,331</u>	<u>88,238</u>

## 7 LOANS, ADVANCES AND FINANCING, NET

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		<b>Conventional Banking</b>		
4,329,940	<b>4,671,496</b>	Corporate lending	<b>1,798,526</b>	1,667,027
1,573,208	<b>1,703,395</b>	Retail lending	<b>655,807</b>	605,685
<u>5,903,148</u>	<u><b>6,374,891</b></u>	Loans & advances, gross	<u><b>2,454,333</b></u>	<u>2,272,712</u>
		<b>Islamic Banking</b>		
947,649	<b>1,243,218</b>	Corporate financing	<b>478,639</b>	364,845
425,855	<b>496,696</b>	Retail financing	<b>191,228</b>	163,954
<u>1,373,504</u>	<u><b>1,739,914</b></u>	Financing, gross	<u><b>669,867</b></u>	<u>528,799</u>
7,276,652	<b>8,114,805</b>	<b>Loans, advances and financing, gross</b>	<b>3,124,200</b>	2,801,511
		Loans and financing impairment (including reserve interest and profit)* - Refer note 35.1.6		
(278,834)	<b>(264,727)</b>		<b>(101,920)</b>	(107,351)
<u>6,997,818</u>	<u><b>7,850,078</b></u>		<u><b>3,022,280</b></u>	<u>2,694,160</u>

\*Reserve interest forms part of specific provision for the purpose of IFRS.

The table below analyses the concentration of gross loans & advances and financing by economic sector:

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
1,999,063	<b>2,200,091</b>	Personal loans	<b>847,035</b>	769,639
946,272	<b>887,701</b>	Construction	<b>341,765</b>	364,315
706,452	<b>674,830</b>	Wholesale and retail trade & other trade	<b>259,810</b>	271,984
988,008	<b>1,056,509</b>	Services	<b>406,755</b>	380,383
642,532	<b>896,610</b>	Financial institutions	<b>345,195</b>	247,375
368,797	<b>386,286</b>	Manufacturing	<b>148,720</b>	141,987
267,475	<b>283,171</b>	Electricity, gas and water	<b>109,021</b>	102,978
557,283	<b>752,824</b>	Mining and quarrying	<b>289,837</b>	214,554
586,655	<b>747,640</b>	Transport and communication	<b>287,842</b>	225,862
18,681	<b>45,065</b>	Government	<b>17,350</b>	7,192
195,434	<b>184,078</b>	Other	<b>70,870</b>	75,242
<u>7,276,652</u>	<u><b>8,114,805</b></u>		<u><b>3,124,200</b></u>	<u>2,801,511</u>

## 7 LOANS, ADVANCES AND FINANCING, NET (continued)

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loan accounts for the regulatory reporting purposes.

## 7.1 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2024:

Disclosure requirements for the year ended 31 December 2024, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount	Provision required as per CBO norms*	Reserve interest as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net amount as per CBO norms	Net amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
Standard	Stage 1	2,528,941	28,538	-	3,665	24,873	2,500,403	2,525,276
	Stage 2	191,285	2,158	-	5,480	(3,322)	189,127	185,805
	Stage 3	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>2,720,226</b>	<b>30,696</b>	-	<b>9,145</b>	<b>21,551</b>	<b>2,689,530</b>	<b>2,711,081</b>
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	274,567	3,098	-	25,091	(21,993)	271,469	249,476
	Stage 3	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>274,567</b>	<b>3,098</b>	-	<b>25,091</b>	<b>(21,993)</b>	<b>271,469</b>	<b>249,476</b>
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,270	531	35	580	(14)	739	690
<b>Subtotal</b>		<b>1,270</b>	<b>531</b>	<b>35</b>	<b>580</b>	<b>(14)</b>	<b>739</b>	<b>690</b>
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	33,975	15,358	1,455	15,372	1,441	18,617	18,603
<b>Subtotal</b>		<b>33,975</b>	<b>15,358</b>	<b>1,455</b>	<b>15,372</b>	<b>1,441</b>	<b>18,617</b>	<b>18,603</b>
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	94,162	65,649	13,449	51,732	27,366	28,513	42,430
<b>Subtotal</b>		<b>94,162</b>	<b>65,649</b>	<b>13,449</b>	<b>51,732</b>	<b>27,366</b>	<b>28,513</b>	<b>42,430</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	550,715	-	-	267	(267)	550,715	550,448
	Stage 2	54,713	-	-	1,097	(1,097)	54,713	53,616
	Stage 3	1,052	-	-	240	(240)	1,052	812
<b>Subtotal</b>		<b>606,480</b>	-	-	<b>1,604</b>	<b>(1,604)</b>	<b>606,480</b>	<b>604,876</b>
<b>Total</b>	<b>Stage 1</b>	<b>3,079,656</b>	<b>28,538</b>	-	<b>3,932</b>	<b>24,606</b>	<b>3,051,118</b>	<b>3,075,724</b>
	<b>Stage 2</b>	<b>520,565</b>	<b>5,256</b>	-	<b>31,668</b>	<b>(26,412)</b>	<b>515,309</b>	<b>488,897</b>
	<b>Stage 3</b>	<b>130,459</b>	<b>81,538</b>	<b>14,939</b>	<b>67,924</b>	<b>28,553</b>	<b>48,921</b>	<b>62,535</b>
	<b>Total</b>	<b>3,730,680</b>	<b>115,332</b>	<b>14,939</b>	<b>103,524</b>	<b>26,747</b>	<b>3,615,348</b>	<b>3,627,156</b>
	<b>Total (US \$'000)</b>	<b>9,690,077</b>	<b>299,564</b>	<b>38,803</b>	<b>268,891</b>	<b>69,475</b>	<b>9,390,513</b>	<b>9,421,186</b>

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

## 7 LOANS, ADVANCES AND FINANCING, NET (continued)

## 7.2 Restructured loans

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO norms	Reserve interest as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying amount as per CBO norms	Net carrying amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
Classified as performing	Stage 1	6,510	42	-	74	(32)	6,468	6,436
	Stage 2	284,154	1,700	-	19,095	(17,395)	282,454	265,059
	Stage 3	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>290,664</b>	<b>1,742</b>	<b>-</b>	<b>19,169</b>	<b>(17,427)</b>	<b>288,922</b>	<b>271,495</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,057	3,323	82	3,154	251	734	903
<b>Sub total</b>		<b>4,057</b>	<b>3,323</b>	<b>82</b>	<b>3,154</b>	<b>251</b>	<b>734</b>	<b>903</b>
<b>Total</b>	<b>Stage 1</b>	<b>6,510</b>	<b>42</b>	<b>-</b>	<b>74</b>	<b>(32)</b>	<b>6,468</b>	<b>6,436</b>
	<b>Stage 2</b>	<b>284,154</b>	<b>1,700</b>	<b>-</b>	<b>19,095</b>	<b>(17,395)</b>	<b>282,454</b>	<b>265,059</b>
	<b>Stage 3</b>	<b>4,057</b>	<b>3,323</b>	<b>82</b>	<b>3,154</b>	<b>251</b>	<b>734</b>	<b>903</b>
	<b>Total</b>	<b>294,721</b>	<b>5,065</b>	<b>82</b>	<b>22,323</b>	<b>(17,176)</b>	<b>289,656</b>	<b>272,398</b>
	<b>Total (US \$'000)</b>	<b>765,509</b>	<b>13,155</b>	<b>213</b>	<b>57,983</b>	<b>(44,615)</b>	<b>752,354</b>	<b>707,526</b>

## 7.3 Impairment charge and provisions held

	As per CBO norms*	As per IFRS 9	Difference
Impairment loss charged to SOCI	13,428	13,428	-
Provisions required as per CBO norms/ held as per IFRS 9	115,332	103,524	26,747
Gross NPL ratio (percentage)	4.14%	4.14%	-
Net NPL ratio (percentage)	1.53%	1.96%	-0.43%

\* CBO provision does not include reserved interest

**Impairment reserve:**

In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

Restructured loans include the restructuring/rescheduling of certain affected borrowers allowed as per CBO circular BSD/CB & FLCs/2021/004 dated November 18, 2021 & circular SD/CB & FLCs/2022/005 dated October 4, 2022. As per these CBO circulars, the loan classification of the borrowers were continued to be retained as either Stage 1 or Stage 2 upon implementation of restructuring/rescheduling, however appropriate ECL is maintained.

**Special reserve:**

Impairment provision on specific basis includes provision on re-structured loans as per CBO guidelines. Similarly based on the requirements of the CBO's letter BSD/2017/BKUP/Bank & FLC's/ 467 dated 20 June 2017, the Bank is required to create a provision on certain loans appropriated to a special reserve account. The reserve as at December 31, 2024 was RO 0.298 million, equivalent to 0.77 million (2023: RO 0.298 million, equivalent to US\$ 0.77 million).

## 7.4 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2023:

Disclosure requirements for the year ended 31 December 2023, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount	Provision required as per CBO norms*	Reserve interest as per CBO norms	Provision held as per IFRS 9	Difference		Net amount as per CBO norms	Net amount as per IFRS 9
						between CBO provision required and provision held			
(1)	(2)	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
		(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)	
Standard	Stage 1	2,202,738	24,842	-	6,122	18,720	2,177,896	2,196,616	
	Stage 2	275,638	3,109	-	10,669	(7,560)	272,529	264,969	
	Stage 3	-	-	-	-	-	-	-	
<b>Subtotal</b>		2,478,376	27,951	-	16,791	11,160	2,450,425	2,461,585	
Special Mention	Stage 1	-	-	-	-	-	-	-	
	Stage 2	212,955	2,402	-	15,523	(13,121)	210,553	197,432	
	Stage 3	-	-	-	-	-	-	-	
<b>Subtotal</b>		212,955	2,402	-	15,523	(13,121)	210,553	197,432	
Substandard	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	6,936	1,807	230	2,360	(323)	5,129	4,576	
<b>Subtotal</b>		6,936	1,807	230	2,360	(323)	5,129	4,576	
Doubtful	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	2,585	1,053	82	1,196	(61)	1,532	1,389	
<b>Subtotal</b>		2,585	1,053	82	1,196	(61)	1,532	1,389	
Loss	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	100,659	72,735	15,780	71,481	17,034	27,924	29,178	
<b>Subtotal</b>		100,659	72,735	15,780	71,481	17,034	27,924	29,178	
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	661,920	-	-	494	(494)	661,920	661,426	
	Stage 2	54,922	-	-	1,369	(1,369)	54,922	53,553	
	Stage 3	164	-	-	39	(39)	164	125	
<b>Subtotal</b>		717,006	-	-	1,902	(1,902)	717,006	715,104	
<b>Total</b>	<b>Stage 1</b>	2,864,658	24,842	-	6,616	18,226	2,839,816	2,858,042	
	<b>Stage 2</b>	543,515	5,511	-	27,561	(22,050)	538,004	515,954	
	<b>Stage 3</b>	110,344	75,595	16,092	75,076	16,611	34,749	35,268	
	<b>Total</b>	3,518,517	105,948	16,092	109,253	12,787	3,412,569	3,409,264	
	<b>Total (US \$'000)</b>	9,139,005	275,190	41,797	283,773	33,214	8,863,816	8,855,232	

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

## 7.5 Restructured loans

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO norms	Reserve interest as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying amount as per CBO norms	Net carrying amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
Classified as performing	Stage 1	102,997	75	-	1,502	(1,427)	102,922	101,495
	Stage 2	308,758	223	-	21,426	(21,203)	308,535	287,332
	Stage 3	-	-	-	-	-	-	-
<b>Subtotal</b>		411,755	298	-	22,928	(22,630)	411,457	388,827
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	5,380	4,495	202	4,530	(35)	885	850
<b>Sub total</b>		5,380	4,495	202	4,530	(35)	885	850
<b>Total</b>	<b>Stage 1</b>	102,997	75	-	1,502	(1,427)	102,922	101,495
	<b>Stage 2</b>	308,758	223	-	21,426	(21,203)	308,535	287,332
	<b>Stage 3</b>	5,380	4,495	202	4,530	(35)	885	850
	<b>Total</b>	417,135	4,793	202	27,458	(22,665)	412,342	389,677
<b>Total (US \$'000)</b>		1,083,468	12,450	525	71,319	(58,870)	1,071,018	1,012,148

## 7.6 Impairment charge and provisions held

	As per CBO norms*	As per IFRS 9	Difference
Impairment loss charged to SOCI	13,092	13,092	-
Provisions required as per CBO norms/ held as per IFRS 9	105,948	109,253	12,787
Gross NPL ratio (percentage)	3.93%	3.93%	-
Net NPL ratio (percentage)	1.23%	1.25%	-0.02%

\* CBO provision does not include reserved interest

## 8 INVESTMENT SECURITIES

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		<b>Equity investments:</b>		
41,244	46,182	Measured at FVTPL	17,780	15,879
92,769	146,804	Designated at FVOCI	56,519	35,716
134,013	192,986		74,299	51,595
		<b>Debt investments:</b>		
-	538,095	Measured at FVTPL	207,167	-
653,792	163,039	Designated at FVOCI	62,770	251,710
653,792	701,134		269,937	251,710
787,805	894,120	<b>Total investment securities</b>	344,236	303,305

The table below summarises the concentration of investments by various sectors.

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		<b>Equity investments:</b>		
		<b>A. Measured at FVTPL</b>		
		<b>Quoted investments - Oman</b>		
4,886	4,904	Banking and investment sector	1,888	1,881
		<b>Quoted investments - Foreign</b>		
30,430	29,981	Banking and investment sector	11,543	11,715
290	410	Manufacturing	158	112
5,638	4,593	Service sector	1,768	2,171
36,358	34,984		13,469	13,998
		<b>Unquoted investments - Oman</b>		
-	6,294	Banking and investment sector	2,423	-
41,244	46,182	<b>Subtotal of equity investments measured at FVTPL</b>	17,780	15,879
		<b>B. Designated at FVOCI</b>		
		<b>Quoted investments - Oman</b>		
27,108	36,735	Banking and investment sector	14,142	10,437
27,562	59,535	Manufacturing	22,922	10,611
4,025	4,039	Service sector	1,555	1,550
58,695	100,309		38,619	22,598
		<b>Quoted investments - Foreign</b>		
9,776	12,530	Banking and investment sector	4,824	3,764
2,182	2,812	Manufacturing	1,082	840
8,289	7,589	Service sector	2,922	3,191
1,047	1,953	Real Estate	752	403
21,294	24,884		9,580	8,198
		<b>Unquoted investments - Oman</b>		
-	6,887	Banking and investment sector	2,652	-
12,780	12,780	Manufacturing	4,920	4,920
-	1,271	Service sector	489	-
12,780	20,938		8,061	4,920
		<b>Unquoted investments - Foreign</b>		
-	673	Banking and investment sector	259	-
54,122	146,804	<b>Subtotal of equity investments measured at FVOCI</b>	56,519	54,122
134,013	192,986	<b>Total</b>	74,299	51,595

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 8 INVESTMENT SECURITIES (continued)

2023 US\$ '000	2024 US\$ '000	Debt investments:	2024 RO '000	2023 RO '000
		<b>A. Designated at FVTPL</b>		
-	377,808	Government development bonds	145,456	-
-	2,594	Government bonds	999	-
-	157,693	Government sukuks	60,712	-
-	538,095	<b>Subtotal of debt investments measured at FVTPL</b>	<b>207,167</b>	-
		<b>B. Designated at FVOCI</b>		
		<b>Quoted investments - Oman</b>		
370,377	-	Government development bonds	-	142,595
72,608	77,153	Government bonds	29,703	27,954
132,610	2,190	Government sukuks	843	51,055
47,013	46,918	Services	18,063	18,100
6,623	7,200	Manufacturing	2,772	2,550
7,812	2,606	Banking and investment	1,004	3,008
637,043	136,067		52,385	245,262
		<b>Quoted investments - Foreign</b>		
16,749	26,972	Banking and investment	10,385	6,448
16,749	26,972		10,385	6,448
653,792	163,039	<b>Subtotal of debt investments measured at FVOCI</b>	<b>62,770</b>	251,710
653,792	701,134	<b>Total Debt investments</b>	<b>269,937</b>	251,710
787,805	894,120		<b>344,236</b>	303,305

For unquoted investments, the Bank has applied income approach (discounting of cash flows) technique for valuation purpose. Management believes that income approach valuation technique of this investment is representative of the fair value of the underlying assets that are fair valued.

The Bank has designated certain equity investments as FVOCI as these are investments that are not held for trading and intended to be held for long term for better dividend yields. Certain investments were sold during the year on account of lesser yields. The cumulative loss recognised in other comprehensive income amounted to RO 0.096 million equivalent to US\$ 0.25 million (2023: cumulative gain of RO 0.032 million equivalent to US\$ 0.08 million)

During the year, the Bank reclassified Government Development Bonds (GDBs) and Sukuk instruments from Fair Value Through Other Comprehensive Income (FVOCI) to Fair Value Through Profit or Loss (FVTPL) amounting to RO 180.3 million subsequent to initial recognition. This reclassification was made in accordance with the requirements set out in IFRS 9 - Financial Instruments to be consistent with the Bank's objectives.

## 9 PROPERTY, EQUIPMENT &amp; INTANGIBLES

	Freehold land RO '000	Building RO '000	Leasehold improvements RO '000	Computer and other equipment RO '000	Intangibles RO '000	Vehicles RO '000	Furniture RO '000	ROU assets RO '000	Capital work in progress RO '000	Total RO '000
<b>Cost:</b>										
At 1 January 2024	7,091	14,387	5,127	8,241	10,919	185	1,541	7,667	7,861	63,019
Additions	3,821	-	166	398	260	-	25	2,690	4,567	11,927
Transfers	-	-	1,441	3,136	3,055	-	202	-	(7,834)	-
Disposals / scrapped	-	-	(124)	(40)	-	(8)	(11)	(914)	-	(1,097)
<b>At 31 December 2024</b>	<b>10,912</b>	<b>14,387</b>	<b>6,610</b>	<b>11,735</b>	<b>14,234</b>	<b>177</b>	<b>1,757</b>	<b>9,443</b>	<b>4,594</b>	<b>73,849</b>
<b>Accumulated depreciation and amortization:</b>										
At 1 January 2024	-	2,642	3,313	4,977	6,802	107	630	3,417	-	21,888
Charge for the year	-	575	440	938	889	28	125	1,334	-	4,329
Transfers	-	-	-	12	-	-	-	-	-	12
Disposals / scrapped	-	-	(119)	(30)	-	(8)	(8)	(651)	-	(816)
<b>At 31 December 2024</b>	<b>-</b>	<b>3,217</b>	<b>3,634</b>	<b>5,897</b>	<b>7,691</b>	<b>127</b>	<b>747</b>	<b>4,100</b>	<b>-</b>	<b>25,413</b>
<b>Net book value as at 31 December 2024 (RO '000)</b>	<b>10,912</b>	<b>11,170</b>	<b>2,976</b>	<b>5,838</b>	<b>6,543</b>	<b>50</b>	<b>1,010</b>	<b>5,343</b>	<b>4,594</b>	<b>48,436</b>
<b>(US\$ '000)</b>	<b>28,341</b>	<b>29,013</b>	<b>7,729</b>	<b>15,163</b>	<b>16,995</b>	<b>131</b>	<b>2,625</b>	<b>13,878</b>	<b>11,933</b>	<b>125,808</b>

	Freehold land RO '000	Building RO '000	Leasehold improvements RO '000	Computer and other equipment RO '000	Intangibles RO '000	Vehicles RO '000	Furniture RO '000	ROU assets RO '000	Capital work in progress RO '000	Total RO '000
Cost:										
At 1 January 2023	7,091	7,634	4,391	7,072	10,576	180	1,126	8,503	8,611	55,184
Additions	-	-	257	446	269	44	106	812	8,052	9,986
Transfers	-	6,753	628	750	74	-	597	-	(8,802)	-
Disposals / scrapped	-	-	(149)	(27)	-	(39)	(288)	-	-	(503)
Leases closed/changed during the year	-	-	-	-	-	-	-	(1,648)	-	(1,648)
At 31 December 2023	7,091	14,387	5,127	8,241	10,919	185	1,541	7,667	7,861	63,019
Accumulated depreciation and amortization:										
At 1 January 2023	-	2,177	2,869	4,340	6,012	126	821	3,735	-	20,080
Charge for the year	-	465	592	664	790	20	79	1,288	-	3,898
Disposals / scrapped	-	-	(148)	(27)	-	(39)	(270)	-	-	(484)
Leases closed/changed during the year	-	-	-	-	-	-	-	(1,606)	-	(1,606)
At 31 December 2023	-	2,642	3,313	4,977	6,802	107	630	3,417	-	21,888
Net book valueas at 31 December 2023 (RO '000)	7,091	11,745	1,814	3,264	4,117	78	911	4,250	7,861	41,131
(US\$ '000)	18,418	30,506	4,712	8,478	10,694	203	2,366	11,039	20,418	106,834

**10 LEASES**

The Bank has taken various branch premises on lease rental basis which falls under IFRS 16. The leases typically run for an average period of 5-10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Similarly, the Bank has taken certain office equipment (printers) on lease basis which are of short term in nature/leases of low value items. The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases. Disclosure about leases for which the Bank is a lessee is as below:

**I. Right of Use Assets**

Right-of-use assets related to leased branch and office premises are presented within property and equipment. Refer note 9 for the detailed breakup of those assets.

**II. Amounts recognised in statement of profit or loss**

2023 US\$'000s	2024 US\$'000s	Particulars	2024 RO'000s	2023 RO'000s
450	515	Interest on lease liabilities	198	173
82	556	Expenses relating to short-term leases	214	32
223	65	Expenses relating to leases of low-value assets	25	86
<u>755</u>	<u>1,136</u>	<b>Total</b>	<u>437</u>	<u>291</u>

**III. Amounts recognised in statement of cash flows**

Refer to the cash flow statement for the payment made towards lease liabilities in the year 2024 and 2023.

**IV. Lease Liabilities**

Refer note 35.2.2 for maturity analysis of liabilities as at 31 December 2024 and 31 December 2023.

**11 TAXATION****a) Recognised in the statement of profit or loss**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		Current tax		
16,173	16,292	- Current year	6,272	6,227
(1,264)	-	- Prior years	-	(488)
323	1,421	Deferred tax	547	125
<u>15,232</u>	<u>17,713</u>		<u>6,819</u>	<u>5,864</u>

**b) Tax liability**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		<b>Current tax</b>		
16,173	16,291	- Current year	6,272	6,227
17,179	16,285	- Prior years	6,270	6,613
<u>33,352</u>	<u>32,576</u>		<u>12,542</u>	<u>12,840</u>

**c) Deferred tax liability**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
(1,263)	(1,587)	At 1 January	(611)	(486)
(323)	(1,421)	Charged during the year	(547)	(125)
<u>(1,586)</u>	<u>(3,008)</u>	At 31 December	<u>(1,158)</u>	<u>(611)</u>

**11 TAXATION (continued)****d) Movement in Tax Liability**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
29,725	33,352	At 1 January	12,840	11,444
15,232	17,713	Charge for the year	6,819	5,864
(11,079)	(18,489)	Payments during the year	(7,117)	(4,266)
(526)	-	Additional provision/(reversal) made	-	(202)
<u>33,352</u>	<u>32,576</u>	At 31 December	<u>12,542</u>	<u>12,840</u>

**e) Relationship between tax expense and accounting profit**

The Bank is liable to income tax for the year 2024 in accordance with the income tax laws of the Sultanate of Oman at the rate of 15% (2023: 15%) on taxable profits.

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
109,910	125,923	Accounting profit for the year	48,481	42,316
16,487	18,889	Tax charge @ 15% on accounting profit	7,272	6,347
		<b>Add/ (less) tax effects of:</b>		
(960)	(3,877)	Income not taxable	(1,493)	(369)
145	120	Non deductible expense / (income)	46	56
(441)	2,581	Others	994	(170)
<u>15,231</u>	<u>17,713</u>	Tax expense	<u>6,819</u>	<u>5,864</u>

The effective tax rate of the Bank for 2024 was 14.07% (2023: 13.86%)

The Bank's tax assessments have been completed by the Tax Authorities upto the year 2020. The Bank has filed an appeal with the tax authorities for the disallowance of interest of Tier-1 perpetual bonds for the assessment year 2018 to 2020. The Bank is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Bank's financial position as at 31 December 2024

**12 OTHER ASSETS**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
27,460	41,836	Acceptances	16,107	10,572
2,919	5,348	Prepaid expenses	2,059	1,124
10,309	11,416	Interest and profit receivable on investments	4,395	3,969
5,777	9,149	Derivatives - positive mark-to-market (note 34)	3,522	2,224
4,499	15,747	Other receivables	6,063	1,732
(117)	(138)	Less: Impairment loss allowance	(53)	(45)
<u>50,847</u>	<u>83,358</u>		<u>32,093</u>	<u>19,576</u>

**13 DUE TO BANKS**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
454,522	877,797	Inter-bank deposits	337,952	174,991
6,649	15,530	Vostro account balances	5,979	2,560
21,429	-	Borrowings under repurchase agreements	-	8,250
<u>482,600</u>	<u>893,327</u>		<u>343,931</u>	<u>185,801</u>

As at December 31, 2024, there were no borrowings under repurchase agreements. During the year, borrowings collateralized by certain bonds with carrying values amounting to RO 11.893 million equivalent to US\$ 30.890 million were repaid.

## 14 CUSTOMERS' DEPOSITS

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		<b>Conventional Banking</b>		
2,568,873	<b>2,865,684</b>	Time deposits	<b>1,103,288</b>	989,016
1,649,888	<b>1,760,377</b>	Demand deposits	<b>677,745</b>	635,207
648,982	<b>736,592</b>	Savings deposits	<b>283,588</b>	249,858
<u>4,867,743</u>	<u><b>5,362,653</b></u>		<u><b>2,064,621</b></u>	<u>1,874,081</u>
		<b>Islamic Banking</b>		
817,252	<b>797,792</b>	Time deposits	<b>307,150</b>	314,642
366,335	<b>550,616</b>	Demand deposits	<b>211,987</b>	141,039
378,971	<b>464,958</b>	Savings deposits	<b>179,009</b>	145,904
<u>1,562,558</u>	<u><b>1,813,366</b></u>		<u><b>698,146</b></u>	<u>601,585</u>
<u>6,430,301</u>	<u><b>7,176,019</b></u>		<u><b>2,762,767</b></u>	<u>2,475,666</u>

## 15 BORROWED FUNDS

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
100,000	-	Financial institutions	-	38,500

## 16 OTHER LIABILITIES

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
27,460	<b>41,888</b>	Acceptances	<b>16,127</b>	10,572
72,494	<b>70,995</b>	Interest and profit payable	<b>27,333</b>	27,910
25,005	<b>29,366</b>	Accrued expenses	<b>11,306</b>	9,627
9,792	<b>12,330</b>	Lease liabilities	<b>4,747</b>	3,770
11,714	<b>11,483</b>	Staff related liabilities	<b>4,421</b>	4,510
2,442	<b>468</b>	Derivatives - negative mark-to-market (note 34)	<b>180</b>	940
4,426	<b>3,818</b>	Impairment allowance on off balance sheet items	<b>1,470</b>	1,704
1,587	<b>3,008</b>	Deferred tax liabilities	<b>1,158</b>	611
36,018	<b>4,597</b>	Matured deposits	<b>1,770</b>	13,867
8,132	<b>4,649</b>	Unearned business fees	<b>1,790</b>	3,131
3,954	<b>5,810</b>	Manager cheque payable	<b>2,237</b>	1,522
15,532	<b>13,326</b>	Others	<b>5,130</b>	5,980
<u>218,556</u>	<u><b>201,738</b></u>		<u><b>77,669</b></u>	<u>84,144</u>

Staff related liabilities includes employee end of service benefits liabilities, the movement during the year is as follows:

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
1,620	<b>2,739</b>	At 1 January	<b>1,055</b>	624
2,060	<b>200</b>	Provided during the year (note 28)	<b>77</b>	793
(941)	<b>(144)</b>	Payments made during the year	<b>(55)</b>	(362)
<u>2,739</u>	<u><b>2,795</b></u>	At 31 December	<u><b>1,077</b></u>	<u>1,055</u>

As per the directives of the Financial Services Authority (FSA), the amount of unpaid dividend which is outstanding for more than seven months is required to be transferred to the "Investors' Trust Fund" established by the FSA. During the year unpaid cash dividend amounting to RO 0.007 million was transferred to the "Investors' Trust Fund" (2023: RO 0.002 million).

**17 SHARE CAPITAL**

The authorised share capital of the Bank is 5,000,000,000 shares (31 December 2023: 5,000,000,000 shares) out of which 2,349,657,466 shares are issued and fully paid up - 1,949,657,466 shares at 100 baiza per share and 400,000,000 shares at 125 baiza (31 December 2023: 2,349,657,466 shares issued and fully paid up).

Ahli United Bank B.S.C (AUB), Al Hosn Investment Company SAOC and Social Protection Fund are the shareholders who own 10% or more of the Bank's shares. As at December 31, 2024, shareholding of AUB was 822,380,096 shares equivalent to 35% (31 December 2023: 822,380,096 shares equivalent to 35%), Al Hosn Investment Company SAOC was 357,076,325 shares equivalent to 15.20% (31 December 2023: 332,703,763 equivalent to 14.16%) and Social Protection Fund was 256,491,550 shares equivalent to 10.92% (The fund was established in 2024 as per Royal decree 50/2023 consolidating various pension funds in the Sultanate of Oman).

On February 4, 2025, subsequent to the end of the reporting period, Ahli United Bank B.S.C. sold its entire 35% shareholding to multiple shareholders. Post this transaction, the Royal Court Affairs shareholding is 411,190,048 shares equivalent to 17.5%. This change in ownership does not adjust the financial position or performance as of December 31, 2024.

**18 LEGAL RESERVE**

As required by the Commercial Companies Law of 2019, 10% of the net profit for the year has been transferred to legal reserve. The Bank may resolve to discontinue such annual transfers when the reserve totals one third of the paid up share capital. The reserve is not available for distribution to the shareholders. During the year, RO 4.166 million equivalent to US\$ 10.82 million (31 December 2023: RO 3.645 million equivalent to US\$ 9.47 million) was transferred to legal reserve.

**19 DIVIDEND PAID AND PROPOSED**

The Board of Directors have recommended dividend of 10 baizas per share (5 baizas per share as cash dividend and 5 baizas per share in the form of mandatory convertible bonds (MCBs)) which is subject to approval of the shareholders at the ensuing Annual General Meeting (31 December 2023: 4.5 baizas per share as cash dividend and 4.5 baizas per share in the form of mandatory convertible bonds (MCBs)).

The cash dividend for 2023 was approved by the shareholders in Annual General Meeting and was paid in 2024.

**20 TIER 1 SUBORDINATED BONDS**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
387,013	465,886	Tier 1 subordinated bonds	179,366	149,000

In August 2022, the Bank raised additional Tier I Capital of RO 75 million pursuant to the CBO's Basel III Regulations through an issue of Non-Convertible Unsecured Perpetual Additional Tier 1 Bonds. They are redeemable by the Bank at its sole discretion on 11 August 2027 (the "First Call Date") or on any interest payment date thereafter subject to prior consent of CBO. These bonds bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.50% per annum

In December 2023, the Bank raised additional Tier I Capital of RO 54 million pursuant to the CBO's Basel III Regulations through an issue of Non-Convertible Unsecured Perpetual Additional Tier 1 Bonds. They are redeemable by the Bank at its sole discretion on 25 December 2028 (the "First Call Date") or on any interest payment date thereafter subject to prior consent of CBO. The Bank redeemed the Tier-1 Capital of RO 54 million issued in December 2018 in line with terms and conditions. These bonds bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.50% per annum

In June 2024, the Bank exercised the call option for RO 20 million Tier I Perpetual Subordinated bonds which became due on 13 June 2024. This was subsequently replaced with an additional issue of RO 40 million which were pursuant to the CBO's Basel III regulation. They are redeemable by the Bank at its sole discretion on 27 June 2029 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of CBO. These bonds bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.25% per annum

**20 TIER 1 SUBORDINATED BONDS (continued)**

The interest rates will be reset at five year intervals. Interest will be payable semi annually in arrears and treated as deduction from equity. Interest is non cumulative and payable at Bank's discretion.

The Bank at its sole discretion may elect not to distribute interest on these Tier 1 subordinated bonds and this is not considered as an event of default. If the Bank does not pay interest on the Tier 1 subordinated bonds on the relevant interest payment date, the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid interest payment amount. If interest is not paid as a consequence of a non payment event or a non payment election, then from the date of such Non-Payment Event or Non-Payment Election (the "Dividend Stopper Date"), the Bank will not, so long as any of the Bonds are outstanding declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, the ordinary shares of the Bank, ranking junior to or pari passu with the Tier 1 capital securities unless and until it has paid one interest payment in full on the Tier 1 capital securities. The Tier 1 capital securities also allow the bank to write down (in whole or in part) any amounts due to the holders of the securities under certain circumstances.

In April 2024, the Bank has issued mandatory convertible bonds (MCBs) of 103,661,359 at a price of 102 baizas (including issue expenses of 2 baizas per MCB) which was approved by the Central Bank of Oman, Board of Directors and shareholders of the Bank at the Annual General Meeting. The MCBs will bear an annual coupon of 6% payable semi-annually. The MCBs will be mandatorily converted into New Ordinary Shares on the second anniversary of the Issue Date, at the fixed contractual conversion price of 145 baizas per New Ordinary Share.

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

**21 NET ASSETS VALUE PER SHARE**

Net assets value per share is calculated by dividing the net assets with the issued and paid up shares at end of the year.

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
967,257	983,514	Net assets	378,653	372,394
2,349,657	2,349,657	Issued and paid up shares (in 000's) at 31 December	2,349,657	2,349,657
41	42	Net asset value per share (US cents /baizas)	161	159

**22 CONTINGENT LIABILITIES AND COMMITMENTS**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
305,939	332,943	Financial guarantees*	128,183	117,786
116,388	160,099	Letters of credit	61,638	44,810
134,935	126,787	Loan commitments	48,813	51,950
13,151	11,653	Capital commitments	4,486	5,063
570,413	631,482		243,120	219,609

\*As at December 31, 2023, guarantees of RO 0.118 million equivalent to US\$ 0.31 million were issued against counter guarantees of other banks (December 31, 2023: RO 0.344 million equivalent to US\$ 0.89 million)

**Legal cases**

As at 31 December 2024, there were certain legal suits pending against the Bank. Based on the opinion of the Bank's legal counsel, the Bank's management believes that no additional liability is expected to arise from these cases and therefore does not consider it necessary to make any additional provisions in this regard.

**23 INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
340,210	372,527	Loans and advances	143,423	130,981
29,130	28,958	Investments	11,149	11,215
2,203	4,319	Due from banks	1,663	848
371,543	405,804		156,235	143,044
75,764	94,741	Islamic financing	36,475	29,169
9,460	10,960	Islamic investment and due from banks	4,220	3,642
85,224	105,701		40,695	32,811
456,767	511,505	Total	196,930	175,855

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

24 **INTEREST EXPENSE AND UNRESTRICTED INVESTMENT ACCOUNT HOLDERS' SHARE OF PROFIT AND PROFIT EXPENSE**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
138,564	<b>168,423</b>	Time deposits	<b>64,843</b>	53,347
55,764	<b>68,262</b>	Demand and saving deposits	<b>26,281</b>	21,469
4,566	<b>5,096</b>	Borrowings	<b>1,962</b>	1,758
14,714	<b>12,857</b>	Inter-bank deposits	<b>4,950</b>	5,665
<u>213,608</u>	<u><b>254,638</b></u>		<u><b>98,036</b></u>	<u>82,239</u>
44,595	<b>64,668</b>	Islamic customer deposits	<b>24,897</b>	17,169
392	<b>247</b>	Islamic Inter-bank borrowings	<b>95</b>	151
<u>44,987</u>	<u><b>64,915</b></u>		<u><b>24,992</b></u>	<u>17,320</u>
<u>258,595</u>	<u><b>319,553</b></u>	<b>Total</b>	<u><b>123,028</b></u>	<u>99,559</u>

25 **OTHER OPERATING INCOME**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
1,925	<b>(299)</b>	Gain on sale of investments, net	<b>(115)</b>	741
9,322	<b>17,210</b>	Foreign exchange gain, net	<b>6,626</b>	3,589
4,927	<b>9,618</b>	Dividend income	<b>3,703</b>	1,897
1,990	<b>17,169</b>	Unrealised gain on FVTPL investments, net	<b>6,610</b>	766
<u>18,164</u>	<u><b>43,698</b></u>		<u><b>16,824</b></u>	<u>6,993</u>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**26 DISAGGREGATION OF FEE AND COMMISSION INCOME, NET**

IFRS 15 requires the disclosure of disaggregated revenue earned from contracts with customers for major products/ service lines. The below table provides disaggregation of fees and other income and commission with the Bank's reportable segments:

	2024			2023		
	Retail banking RO '000	Wholesale banking, treasury and investment banking RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury and investment banking RO '000	Total RO '000
<b>Disaggregated income</b>						
Service charges	1,496	838	2,334	1,178	1,227	2,405
Fees income	3,672	12,153	15,825	3,191	8,859	12,050
Commission income	163	1,576	1,739	382	1,688	2,070
Total fee and commission income	5,331	14,567	19,898	4,751	11,774	16,525
Fee expense	(2,319)	-	(2,319)	(1,274)	-	(1,274)
Net fee and commission income	3,012	14,567	17,579	3,477	11,774	15,251

	2024			2023		
	Retail banking US\$'000	Wholesale banking, treasury and investment banking US\$'000	Total US\$'000	Retail banking US\$'000	Wholesale banking, treasury and investment banking US\$'000	Total US\$'000
<b>Disaggregated income</b>						
Service charges	3,886	2,177	6,063	3,058	3,187	6,245
Fees income	9,538	31,565	41,103	8,289	23,010	31,299
Commission income	424	4,092	4,516	992	4,385	5,377
Total fee and commission income	13,848	37,834	51,682	12,339	30,582	42,921
Fee expense	(6,023)	-	(6,023)	(3,310)	-	(3,310)
Net fee and commission income	7,825	37,834	45,659	9,029	30,582	39,611

**27 NET IMPAIRMENT ON FINANCIAL ASSETS**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		<b>Net impairment charge</b>		
171	(163)	Due from banks	(63)	66
48,626	48,054	Loans, advances and financing (net of recoveries)	18,502	18,721
26	(36)	Investment securities	(14)	10
(88)	22	Other assets	9	(34)
(1,971)	(597)	Loan commitments and financial guarantees	(230)	(759)
(1,443)	(562)	Recovery of loans written off earlier	(216)	(555)
45,321	46,718		17,988	17,449
(11,316)	(11,842)	Less: Interest reserved during the period	(4,560)	(4,357)
34,005	34,876		13,428	13,092

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**28 STAFF EXPENSES**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
57,423	<b>61,914</b>	Salaries and allowances	<b>23,837</b>	22,108
3,894	<b>4,860</b>	Other staff costs	<b>1,871</b>	1,499
4,535	<b>5,151</b>	Contribution to social insurance schemes	<b>1,983</b>	1,746
2,060	<b>200</b>	Employees end of service benefits (note 16)	<b>77</b>	793
<u>67,912</u>	<u><b>72,125</b></u>		<u><b>27,768</b></u>	<u>26,146</u>

**29 OTHER OPERATING EXPENSES**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
30,709	<b>32,657</b>	Operating and administration costs	<b>12,573</b>	11,823
2,358	<b>3,597</b>	Occupancy costs	<b>1,385</b>	908
928	<b>886</b>	Board related expenses	<b>341</b>	357
<u>33,995</u>	<u><b>37,140</b></u>		<u><b>14,299</b></u>	<u>13,088</u>

**30 BASIC AND DILUTED EARNINGS PER SHARE**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
94,678	<b>108,210</b>	Profit for the year	<b>41,662</b>	36,452
(29,026)	<b>(31,741)</b>	Less: AT1 Interest paid during the year	<b>(12,220)</b>	(11,175)
<u>65,652</u>	<u><b>76,469</b></u>	<b>Profit Attributable to Equity Shareholders</b>	<u><b>29,442</b></u>	<u>25,277</u>
2,146,426	<b>2,349,657</b>	Weighted average number of outstanding shares during the year for Basic EPS (in 000's)	<b>2,349,657</b>	2,146,426
-	<b>2,453,319</b>	Weighted average number of outstanding shares during the year for diluted EPS (in 000's)	<b>2,453,319</b>	-
<u>3</u>	<u><b>3</b></u>	Basic Earnings per share (cents/baizas)	<u><b>13</b></u>	<u>12</u>
<u>-</u>	<u><b>3</b></u>	Diluted Earnings per share (cents/baizas)	<u><b>12</b></u>	<u>-</u>

Earnings per share for the current and prior period have been calculated using the weighted average shares outstanding for the current period.

**31 RELATED PARTY TRANSACTIONS**

The Bank enters into transactions with major shareholders, directors, senior management and their related entities in the ordinary course of business at commercial terms as approved by the board.

The year end balances in respect of related parties included in the statement of financial position are as follows:

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		<b>Directors and senior management</b>		
6,577	<b>5,499</b>	Loans, advances and financing, gross	<b>2,117</b>	2,532
3,557	<b>3,265</b>	- secured	<b>1,257</b>	1,370
2,967	<b>2,234</b>	- unsecured	<b>860</b>	1,142
8,429	<b>7,701</b>	Customers' deposits	<b>2,965</b>	3,245
		<b>Major shareholders, its parent company &amp; its subsidiaries</b>		
3,070	<b>3,055</b>	Due from banks	<b>1,176</b>	1,182
		Other assets		
2,675	<b>997</b>	- Fair value of swaps	<b>384</b>	1,030
3,570	<b>2,184</b>	Due to banks	<b>841</b>	1,375
410		- Customers' deposits	-	158
		<b>Bank's investment fund</b>		
400	<b>688</b>	Investments securities	<b>265</b>	154

Loans & advances and financing provided to directors and senior management are not credit impaired at the reporting date and ECL allowance was calculated based on expected credit losses.

The related maturity profile and interest rate risk is given in note 35.2.2 and 35.3.2 respectively.

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
		<b>Directors and senior management</b>		
143	<b>517</b>	Interest income	<b>199</b>	55
210	<b>309</b>	Interest expense	<b>119</b>	81
779	<b>779</b>	Board remuneration proposed	<b>300</b>	300
149	<b>105</b>	Board sitting fees	<b>41</b>	57
80	<b>80</b>	Shariah Supervisory Board expenses	<b>31</b>	31
		<b>Major shareholders, its parent company &amp; its subsidiaries</b>		
8		- Interest expense	-	3
1,005	<b>1,678</b>	Loss on fair value of interest rate swaps	<b>646</b>	387

As at 31 December 2024, guarantees were issued to beneficiaries on behalf of related party amounting to RO 0.118 million equivalent to US\$ 0.307 million (31 December 2023: RO 0.248 million equivalent to US\$ 0.64 million).

The key management comprises of 5 members (2023: 5 members) of the management committee. Total remuneration paid during the year was RO 1.745 million for 2024 (2023: 1.628 million).

## 32 FINANCIAL INSTRUMENTS CLASSIFICATION

The following table provides a reconciliation between lines in the statement of financial position and categories of financial instruments:

2024						
Particulars	Note	Amortised cost RO '000	FVOCI-debt instruments RO '000	FVOCI-equity instruments RO '000	FVTPL RO '000	Total RO '000
<b>Financial assets</b>						
Cash and balances with Central Bank of Oman	5	194,552	-	-	-	194,552
Due from banks	6	113,331	-	-	-	113,331
Loans, advances and financing, net	7	3,022,280	-	-	-	3,022,280
Investment securities	8	-	62,770	56,519	224,947	344,236
Other assets - acceptances and interest and profit receivable	12	20,502	-	-	-	20,502
Forward foreign exchange contracts		-	-	-	1,575	1,575
Derivatives - positive mark-to-market		-	1,947	-	-	1,947
		-	-	-	-	
<b>Financial liabilities</b>						
Due to banks	13	343,931	-	-	-	343,931
Customers' deposits	14	2,762,767	-	-	-	2,762,767
Borrowed funds	15	-	-	-	-	-
Other liabilities - acceptances and interest and profit payable	16	45,230	-	-	-	45,230
Forward foreign exchange contracts		-	-	-	63	63
Derivatives - negative mark-to-market		-	117	-	-	117

2024						
Particulars	Note	Amortised	FVOCI-debt	FVOCI-equity	FVTPL	Total
		cost	instruments	instruments	US\$ '000	US\$ '000
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Financial assets</b>						
Cash and balances with Central Bank of Oman	5	505,330	-	-	-	505,330
Due from banks	6	294,366	-	-	-	294,366
Loans, advances and financing, net	7	7,850,078	-	-	-	7,850,078
Investment securities	8	-	163,039	146,804	584,277	894,120
Other assets - acceptances and interest and profit receivable	12	53,252	-	-	-	53,252
Forward foreign exchange contracts		-	-	-	4,091	4,091
Derivatives - positive mark-to-market		-	5,057	-	-	5,057
<b>Financial liabilities</b>						
Due to banks	13	893,327	-	-	-	893,327
Customers' deposits	14	7,176,019	-	-	-	7,176,019
Borrowed funds	15	-	-	-	-	-
Other liabilities - acceptances and interest and profit payable	16	117,481	-	-	-	117,481
Forward foreign exchange contracts		-	-	-	164	164
Derivatives - negative mark-to-market		-	304	-	-	304

2023						
Particulars	Note	Amortised	FVOCI-debt	FVOCI-equity	FVTPL	Total
		cost	instruments	instruments		
		RO '000	RO '000	RO '000	RO '000	RO '000
<b>Financial assets</b>						
Cash and balances with Central Bank of Oman	5	171,935	-	-	-	171,935
Due from banks	6	88,238	-	-	-	88,238
Loans, advances and financing, net	7	2,694,160	-	-	-	2,694,160
Investment securities	8	-	251,710	35,716	15,879	303,305
Other assets - acceptances and interest and profit receivable	12	14,541	-	-	-	14,541
Forward foreign exchange contracts		-	-	-	211	211
Derivatives - positive mark-to-market		-	2,013	-	-	2,013
<b>Financial liabilities</b>						
Due to banks	13	185,801	-	-	-	185,801
Customers' deposits	14	2,475,666	-	-	-	2,475,666
Borrowed funds	15	38,500	-	-	-	38,500
Other liabilities - acceptances, interest and profit payable and matured deposit	16	52,349	-	-	-	52,349
Forward foreign exchange contracts		-	-	-	143	143
Derivatives - negative mark-to-market		-	797	-	-	797

Particulars	Note	2023					Total US\$ '000
		Amortised cost US\$ '000	FVOCI-debt instruments US\$ '000	FVOCI-equity instruments US\$ '000	FVTPL US\$ '000		
<b>Financial assets</b>							
Cash and balances with Central Bank of Oman	5	446,585	-	-	-	446,585	
Due from banks	6	229,190	-	-	-	229,190	
Loans, advances and financing, net	7	6,997,818	-	-	-	6,997,818	
Investment securities	8	-	653,792	92,769	41,244	787,805	
Other assets - acceptances and interest and profit receivable	12	37,769	-	-	-	37,769	
Forward foreign exchange contracts		-	-	-	549	549	
Derivatives - positive mark-to-market		-	5,228	-	-	5,228	
<b>Financial liabilities</b>							
Due to banks	13	482,600	-	-	-	482,600	
Customers' deposits	14	6,430,301	-	-	-	6,430,301	
Borrowed funds	15	100,000	-	-	-	100,000	
Other liabilities - acceptances, interest and profit p:	16	135,971	-	-	-	135,971	
Forward foreign exchange contracts		-	-	-	372	372	
Derivatives - negative mark-to-market		-	2,069	-	-	2,069	

## 33 ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of financial assets and financial liabilities.

**Investments**

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, a reasonable estimate of the fair value is determined by reference to the current market value of a similar investment, or is based on the expected discounted cash flows. Investments having short term maturities are not discounted.

**Other financial instruments**

The fair value of all on balance sheet financial instruments are considered to approximate their book values.

Foreign exchange contracts are valued based on market prices. The market value adjustments in respect of foreign exchange contracts are included under other assets and other liabilities.

**Fair Value Measurement recognised in Statement of Financial Position**

Level 1 - Quoted prices (unadjusted) in active markets.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs that are not based on observable market data

The following table shows an analysis of financial instruments other than derivative instruments recorded at fair value by level of the fair value hierarchy.

	31 December 2024				31 December 2023			
	Level 1 RO '000	Level 2 RO '000	Level 3	Total RO '000	Level 1 RO '000	Level 2 RO '000	Level 3	Total RO '000
<b>Financial assets:</b>								
Investments at FVTPL	3,099	221,848	-	224,947	15,879	-	-	15,879
Investments at FVOCI	33,254	80,626	5,409	119,289	85,497	197,009	4,920	287,426
<i>Derivative financial instruments</i>								
Interest rate swaps	-	1,947	-	1,947	-	2,013	-	2,013
Forward foreign exchange contracts	1,575	-	-	1,575	211	-	-	211
	<u>37,928</u>	<u>304,421</u>	<u>5,409</u>	<u>347,758</u>	<u>101,587</u>	<u>199,022</u>	<u>4,920</u>	<u>305,529</u>
<b>Financial liabilities</b>								
<i>Derivative financial instruments</i>								
Interest rate swaps	-	117	-	117	-	797	-	797
Forward foreign exchange contracts	63	-	-	63	143	-	-	143
	<u>63</u>	<u>117</u>	<u>-</u>	<u>180</u>	<u>143</u>	<u>797</u>	<u>-</u>	<u>940</u>
<b>Financial assets:</b>	US\$ '000	US\$ '000		US\$ '000	US\$ '000	US\$ '000		US\$ '000
Investments at FVTPL	8,049	576,228	-	584,277	41,244	-	-	41,244
Investments at FVOCI	86,374	209,419	14,050	309,843	222,069	511,712	12,780	746,561
<i>Derivative financial instruments</i>								
Interest rate swaps	-	5,058	-	5,058	-	5,228	-	5,228
Forward foreign exchange contracts	4,091	-	-	4,091	549	-	-	549
	<u>98,514</u>	<u>790,705</u>	<u>14,050</u>	<u>903,269</u>	<u>263,862</u>	<u>516,940</u>	<u>12,780</u>	<u>793,582</u>
<b>Financial liabilities</b>								
<i>Derivative financial instruments</i>								
Interest rate swaps	-	304	-	304	-	2,070	-	2,070
Forward foreign exchange contracts	164	-	-	164	372	-	-	372
	<u>164</u>	<u>304</u>	<u>-</u>	<u>468</u>	<u>372</u>	<u>2,070</u>	<u>-</u>	<u>2,442</u>

As of 31 December 2024, level 3 equity investments were valued on the basis of fair valuation carried out in accordance with appropriate valuation techniques based on income approach by discounting of cash flows. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, using the best information available in the circumstances.

34 **DERIVATIVES HELD FOR RISK MANAGEMENT AND HEDGE ACCOUNTING**

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Unrealised gains and losses are either recognised in profit and loss or in other comprehensive income. The Bank uses the following derivative financial instruments:

**Derivative product types**

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Forward rate agreements are effectively tailor-made interest rate futures which fix a forward rate of interest on a notional loan, for an agreed period of time starting on a specified future date.

Interest rate swaps are contractual agreements between two parties to exchange interest differentials based on a specific notional amount. Counter parties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Cross-currency interest rate swaps are contractual agreements between two parties to exchange nominals and periodically exchange interest payments in two currencies.

**Derivatives held for hedging purposes**

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall financial position exposures.

The Bank uses forward foreign exchange contracts and swaps to hedge against specifically identified currency risks. In addition, the Bank uses interest rate swaps to hedge against the changes in the cash flow arising from certain fixed interest rate loans and borrowings.

For interest rate risks strategic hedging is carried out by monitoring the repricing of financial assets and liabilities and entering into interest rate swaps/ cross-currency interest rate swap to hedge a proportion of the interest rate/ foreign exchange exposure. As strategic hedging does not qualify for hedge accounting, the related derivatives are accounted for as regular derivative transactions.

**Fair value hedges of interest rate risk**

The Bank uses interest rate swaps/ cross currency interest rate swap to hedge its exposure to changes in fair values of fixed-rate investments in respect of a benchmark interest rate. Interest rate swaps/ cross currency interest rate swaps are matched to specific purchases of investments and borrowings.

The Bank hedges interest rate risk only to the extent of benchmark interest rates. The benchmark rate is a component of interest rate risk that is observable in relevant environments. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship.

When fair value hedge accounting is applied by the Bank, the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item.

The fair value of the swaps is disclosed in other assets (liabilities) and the carrying amount of the hedged items included in the line item 'Investments' and 'Due to Banks' in the statement of financial position. Fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in other operating income.

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totalling to RO 25.588 million equivalent to US\$ 66.46 million (2023: RO 45.220 million equivalent to US\$ 117.45 million). These hedged items comprise of debt instruments which are held as FVOCI.

**Cash flow hedge**

The Bank uses interest rate swaps to hedge the cash flow volatility risk on its borrowed funds and pay fixed/receive floating interest rate in respect of USD SOFR interest rate. The Bank hedges interest rate risk to the extent of benchmark interest rate exposure on its floating-rate notes to mitigate variability in its cash flows. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

**35 FINANCIAL RISK MANAGEMENT**

The primary objective of the risk management system is to safeguard the Bank's capital, its financial resources from various risks. The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

In addition, the Bank is in the process of identifying climate risk and acknowledges this as an emerging risk arising from financial instruments that may have growing impact on Bank's activities.

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has approved the Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Executive Risk Committee of the Board under the oversight of the Board is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Executive Risk Committee of the Board is assisted in these functions by the Risk Management Department. The Risk Management Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Executive Risk Committee.

**35.1 CREDIT RISK**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans & advances and financing to customers, due from banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

**35.1.1 Management of credit risk**

The Board has delegated responsibility for the monitoring of credit risk to its Executive Risk Committee. A separate Risk Management Department, reporting to the chairman of the Executive Risk Committee, is responsible for the following:

- formulating credit risk policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the authorisation structure for the approval and renewal of credit facilities;
- reviewing and assessing credit risk. The Board's Executive Risk Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. The process also includes approval by Risk of borrower ratings arrived at by the business units;
- limiting concentrations of exposure to counterparties, geographies and industries (for loans & advances and financing, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities);
- developing and maintaining the Bank's risk gradings in order to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 10 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executives or committee, as appropriate. Risk grades are subject to regular review by Risk;
- developing and maintaining the Bank's processes for measuring ECL: This includes processes for: initial approval, regular validation and back testing of the models used; determining and monitoring significant increase in credit risk; and incorporating of forward-looking information.
- reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on credit quality of portfolios are provided to Credit Risk Management Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances. Ensuring to be within the single obligor limit and also within the concentration risk limit for various sectors, which are continuously monitored; and
- providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement Bank's credit risk policies and procedures, with credit approval authorities delegated from the Board. Business units have their counterparts in risk management, having specialised expertise in managing risks typical to these business units. Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit Department.

The Bank employs a range of policies and practices to mitigate credit risk. The Bank follows a risk mitigation practice of identifying business cash flows as the primary take out for the loans & advances and financing extended. These cash flows are then tested for sustainability over the tenor of the credit facility and a suitable mechanism is put in place to capture the same into the borrowers account with the Bank. To cover unforeseen risks, which dry up the cash flows, additional tangible securities are taken such as real estate or equity shares. The Bank implements guidelines on the acceptability of specific classes of collateral credit risk mitigation. The principal types of collaterals for loans & advances and financing are:

- mortgages over properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equity securities.

Longer-term finance and lending to corporate borrowers are generally secured; revolving individual credit facilities are generally unsecured from a collateral perspective, whereas credit risk is primarily mitigated through capture of business cash flows. In addition, in order to minimise the credit loss, the Bank seeks additional collateral from the borrower as soon as impairment indicators are noticed for the relevant individual loans & advances and financing. Collateral held as security for financial assets other than loans & advances and financing, is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured other than certain assets where hedging strategy is considered.

All loans & advances and financing of the Bank are regularly monitored to ensure compliance with the stipulated repayment terms. Those loans & advances and financing are classified into 5 broad classification categories: Standard, Special Mention, Substandard, Doubtful, and Loss – as stipulated by Central Bank of Oman regulations and guidelines. Further, as mandated by IFRS 9, the loans & advances and financing, due from banks and investment debt securities are classified into stage 1, stage 2 and stage 3 based on criteria established by the Bank in line with the requirements of CBO.

### 35.1.2 Credit risk measurement

#### (a) Loans and advances (including Loan commitments and guarantees)

##### Corporate and SME credit

Risk department is responsible for independent assessment and control of risks related to all corporate and Small and Medium Enterprise exposures. The credit risk associated with corporate loans is assessed based on analysis of customer and the industry in which it operates. The credit rating acts as a key factor in credit decisions at the time of approval and subsequent credit reviews. The department reviews and assesses credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews are also subject to same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries, grades etc, and deviations, if any are highlighted. The Bank has implemented a customised Moody's Credit Lens model for risk rating of corporate borrowers. The Bank maintains an accurate and consistent corporate credit rating for all its customers.

In addition to formal annual credit risk reviews of each corporate facility, more frequent reviews are also undertaken for watch list accounts, early warning accounts, lower rated customers and public exposures. The Bank undertakes sector review of its exposure to real estate, construction, healthcare etc. A comprehensive review of the corporate credit portfolio is conducted on regular basis and provided to the executive management and Risk committee. The salient areas covered in the review include:

- Exposures downgraded / negatively migrated.
- Portfolio concentration / performance.
- Position of restructured exposures.
- Position of past due exposures.
- Syndicated exposures.
- Exposure to countries / financial institutions.

##### Retail credit

Retail credit department manages the credit risk in retail portfolio. Credit facilities are offered to retail customers primarily based on product programmes approved by Risk committee. The retail credit book is classified into performing and non performing loans at monthly intervals. The risk department prepares list of classified accounts based on the risk rating policy of the Bank. A review of retail credit portfolio is conducted on half yearly basis and provided to the board sub committees. Salient areas covered in the review include:

- Portfolio quality
- NPA trends
- Identifying the delinquency factors.

## 35.1.2 Credit risk measurement (continued)

## (a) Loans and advances (including Loan commitments and guarantees) (continued)

## Loan review mechanism

Loan Review Mechanism (LRM) is an effective tool for constantly evaluating the quality of loan portfolio and to assist in improving the credit administration quality. As mandated by CBO, the Bank has put in place a proper LRM, addressing the high value accounts taking into consideration qualitative criteria such as restricted accounts, risk ratings, high risk sectors like real estate, etc. The bank has an independent loan review division whose objective is to improve the quality of bank assets and to identify any potential deterioration in the book / asset quality. Moreover, the division evaluates the effectiveness and efficiency of credit approval process, review of credit assessment, evaluate portfolio quality etc.

## (b) Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank's internal Risk Rating (RR) system is developed as a 10 grade system - enumerated from RR 1 to RR 10 - to risk rate a customer and to associate a default probability to each rating grade. The ratings will also assist studying the distribution of borrowers, grade wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing Loans (NPL) etc. Risk appetite/ Policy limits will also be set in terms of how much of exposure the Bank expects in various grade bands. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

Credit quality rating	Risk Rating(RR)	Classification
Standard	RR1 to RR6	Not credit impaired on initial recognition- classified under 'Stage 1'.
Special Mention	RR7	Identified SICR since initial recognition but is not deemed to be credit impaired- Classified under 'Stage 2'.
Non performing	RR8 to RR10	Credit impaired- Classified under 'Stage 3'.

## 35.1.3 Exposure to credit risk

The following table contains an analysis of gross carrying amount financial assets / off balance sheet items by credit risk grading wise measured at amortised cost.

	2024			Total RO '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	
<b>Loans, advances and financing</b>				
Performing loans (Risk rating 1-6)	2,528,941	191,285	-	2,720,226
Special mention loans (Risk rating 7)	-	274,567	-	274,567
Non performing loans (Risk rating 8-10)	-	-	129,407	129,407
Gross carrying amount (RO'000)	2,528,941	465,852	129,407	3,124,200
Gross carrying amount (US\$'000)	6,568,678	1,210,005	336,122	8,114,805
Loss allowance (RO'000)	3,665	30,571	67,684	101,920
Loss allowance (US\$'000)	9,519	79,406	175,802	264,727
Total loans, advances and financing, net (RO'000)	2,525,276	435,281	61,723	3,022,280
Total loans, advances and financing, net (US\$'000)	6,559,159	1,130,600	160,319	7,850,078
<b>Corporate Loans, advances and financing</b>				
Performing loans (Risk rating 1-6)	1,704,631	187,629	-	1,892,260
Special mention loans (Risk rating 7)	-	270,470	-	270,470
Non performing loans (Risk rating 8-10)	-	-	114,435	114,435
Gross carrying amount (RO'000)	1,704,631	458,099	114,435	2,277,165
Gross carrying amount (US\$'000)	4,427,611	1,189,869	297,234	5,914,714
Loss allowance (RO'000)	2,011	30,326	57,770	90,107
Loss allowance (US\$'000)	5,223	78,769	150,052	234,044
<b>Retail Loans, advances and financing</b>				
Performing loans (Risk rating 1-6)	824,309	3,657	-	827,966
Special mention loans (Risk rating 7)	-	4,097	-	4,097
Non performing loans (Risk rating 8-10)	-	-	14,972	14,972

**Exposure to credit risk (continued)**

	2024			Total RO '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	
Gross carrying amount (RO'000)	824,309	7,754	14,972	847,035
Gross carrying amount (US\$'000)	2,141,063	20,140	38,888	2,200,091
Loss allowance (RO'000)	1,654	245	9,914	11,813
Loss allowance (US\$'000)	4,296	636	25,751	30,683
<b>Credit related contingent items</b>				
Performing grades (Risk rating 1-6)	189,211	44,173	-	233,384
Special mention grades (Risk rating 7)	-	4,198	-	4,198
Non performing loans (Risk rating 8-10)	-	-	1,052	1,052
Gross carrying amount (RO'000)	189,211	48,371	1,052	238,634
Gross carrying amount (US\$'000)	491,458	125,639	2,732	619,829
Loss allowance (RO'000)	181	1,054	240	1,475
Loss allowance (US\$'000)	470	2,736	623	3,829
<b>Due from banks (including balances with CBO)</b>				
Performing banks (rated)	288,969	-	-	288,969
Gross carrying amount (RO'000)	288,969	-	-	288,969
Gross carrying amount (US\$'000)	750,568	-	-	750,568
Loss allowance (RO'000)	14	-	-	14
Loss allowance (US\$'000)	36	-	-	36
<b>Investment securities</b>				
Performing grades (Risk rating 1-6)	62,770	-	-	62,770
Gross carrying amount (RO'000)	62,770	-	-	62,770
Gross carrying amount (US\$'000)	163,039	-	-	163,039
Loss allowance (RO'000)	62	-	-	62
Loss allowance (US\$'000)	161	-	-	161
<b>Other assets</b>				
Performing grades (Risk rating 1-6)	9,765	5,257	-	15,022
Special mention grades (Risk rating 7)	-	1,085	-	1,085
Gross carrying amount (RO'000)	9,765	6,342	-	16,107
Gross carrying amount (US\$'000)	25,362	16,473	-	41,835
Loss allowance (RO'000)	10	43	-	53
Loss allowance (US\$'000)	26	112	-	138

	2023			Total RO '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	
<b>Loans, advances and financing</b>				
Performing loans (Risk rating 1-6)	2,202,738	275,638	-	2,478,376
Special mention loans (Risk rating 7)	-	212,955	-	212,955
Non performing loans (Risk rating 8-10)	-	-	110,180	110,180
Gross carrying amount (RO'000)	2,202,738	488,593	110,180	2,801,511
Gross carrying amount (US\$'000)	5,721,397	1,269,073	286,182	7,276,652
Loss allowance (RO'000)	6,122	26,192	75,037	107,351
Loss allowance (US\$'000)	15,901	68,032	194,901	278,834
Total loans, advances and financing, net (RO'000)	2,196,616	462,401	35,143	2,694,160
Total loans, advances and financing, net (US\$'000)	5,705,496	1,201,041	91,281	6,997,818
<b>Corporate Loans, advances and financing</b>				
Performing loans (Risk rating 1-6)	1,461,516	272,921	-	1,734,437
Special mention loans (Risk rating 7)	-	209,671	-	209,671
Non performing loans (Risk rating 8-10)	-	-	87,764	87,764

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**Exposure to credit risk (continued)**

	2023			Total RO '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	
Gross carrying amount (RO'000)	1,461,516	482,592	87,764	2,031,872
Gross carrying amount (US\$'000)	3,796,145	1,253,486	227,958	5,277,589
Loss allowance (RO'000)	4,403	24,509	58,159	87,071
Loss allowance (US\$'000)	11,436	63,660	151,062	226,158
<b>Retail Loans, advances and financing</b>				
Performing loans (Risk rating 1-6)	741,221	2,717	-	743,938
Special mention loans (Risk rating 7)	-	3,284	-	3,284
Non performing loans (Risk rating 8-10)	-	-	22,417	22,417
Gross carrying amount (RO'000)	741,221	6,001	22,417	769,639
Gross carrying amount (US\$'000)	1,925,250	15,587	58,226	1,999,063
Loss allowance (RO'000)	1,721	1,682	16,877	20,280
Loss allowance (US\$'000)	4,470	4,369	43,836	52,675
<b>Credit related contingent items</b>				
Performing grades (Risk rating 1-6)	164,245	42,395	-	206,640
Special mention grades (Risk rating 7)	-	7,741	-	7,741
Non performing loans (Risk rating 8-10)	-	-	164	164
Gross carrying amount (RO'000)	164,245	50,136	164	214,545
Gross carrying amount (US\$'000)	426,611	130,223	426	557,260
Loss allowance (RO'000)	309	1,356	39	1,704
Loss allowance (US\$'000)	803	3,522	101	4,426
<b>Due from banks (including balances with CBO)</b>				
Performing banks (rated)	-	-	-	-
Performing banks (unrated)	-	-	-	-
Gross carrying amount (RO'000)	-	-	-	-
Gross carrying amount (US\$'000)	-	-	-	-
Loss allowance (RO'000)	77	-	-	77
Loss allowance (US\$'000)	200	-	-	200
<b>Investment securities</b>				
Performing grades (Risk rating 1-6)	251,710	-	-	251,710
Gross carrying amount (RO'000)	251,710	-	-	251,710
Gross carrying amount (US\$'000)	653,791	-	-	653,791
Loss allowance (RO'000)	76	-	-	76
Loss allowance (US\$'000)	197	-	-	197
<b>Other assets</b>				
Performing grades (Risk rating 1-6)	5,786	4,227	-	10,013
Special mention grades (Risk rating 7)	-	559	-	559
Gross carrying amount (RO'000)	5,786	4,786	-	10,572
Gross carrying amount (US\$'000)	15,029	12,431	-	27,460
Loss allowance (RO'000)	32	12	-	44
Loss allowance (US\$'000)	83	31	-	114

## 35.1.3 Exposure to credit risk (continued)

**Risk mitigation policies**

The Bank manages, limits and controls concentrations of credit risk in particular, with respect to individual counterparties and groups / Industries. The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers. Such risks are monitored and reviewed periodically by the Executive & Credit committee.

**Maximum exposure to credit risk before collateral held or other credit enhancements**

Net maximum exposure	Gross maximum exposure	Net maximum exposure	Gross maximum exposure		Gross maximum exposure	Net maximum exposure	Gross maximum exposure	Net maximum exposure
2023 US\$ '000	2023 US\$ '000	2024 US\$ '000	2024 US\$ '000		2024 RO '000	2024 RO '000	2023 RO '000	2023 RO '000
				Balances with Central Bank of Oman				
395,816	395,816	457,530	457,530		176,149	176,149	152,389	152,389
229,190	229,390	294,366	294,403	Due from banks	113,345	113,331	88,315	88,238
				Loans, advances and financing				
6,997,817	7,276,652	7,850,078	8,114,805		3,124,200	3,022,280	2,801,511	2,694,160
5,051,431	5,277,590	5,684,914	5,914,714	-Corporate	2,277,165	2,188,692	2,031,872	1,944,801
1,946,385	1,999,062	2,165,164	2,200,091	-Retail	847,035	833,588	769,639	749,359
				Investment securities	62,770	62,708	251,710	251,634
653,594	653,791	162,878	163,039	Other assets	20,502	20,502	14,541	14,541
37,769	37,769	53,252	53,252	Derivative financial instruments				
5,776	5,776	9,147	9,147		3,521	3,521	2,224	2,224
				<b>Total on balance sheet exposure</b>	<b>3,500,487</b>	<b>3,398,490</b>	3,310,690	3,203,186
				Loan & capital commitments				
148,086	148,086	138,440	138,440		53,299	53,299	57,013	57,013
				Financial guarantees and letters of credit				
422,327	422,327	493,042	493,042		189,821	189,821	162,596	162,596
				<b>Total off balance sheet exposure</b>	<b>243,120</b>	<b>243,120</b>	219,609	219,609
570,413	570,413	631,482	631,482	<b>Grand total</b>	<b>3,743,608</b>	<b>3,641,611</b>	3,530,299	3,422,795
8,890,375	9,169,607	9,458,733	9,723,658					

The above table represents the maximum credit risk exposure to the Bank at 31 December 2024 and 2023 without taking into account the collateral held or other credit enhancements. Management is confident that the Bank has suitable policies to measure and control the credit risk. In addition, credit risk is mitigated through collaterals in the form of mortgages, charges, liens on deposits and guarantees wherever required.

## 35.1.4 Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has guidelines regarding the acceptability of types of collateral and valuation parameters. The principal collateral types for loans & advances and financing are as follows:

- Charges over business assets such as premises, inventory and accounts receivable
- Lien on deposits
- Cash margins
- Mortgages over residential and commercial properties

Management monitors the market value of collateral at regular interval and requests additional collateral in accordance with the underlying agreement in case of shortfall. The Bank also periodically reviews the collateral cover for determining the adequacy of the allowance for impairment losses. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since last year. There are no repossessed assets held by the Bank as at the balance sheet date.

**35.1.4 Collateral and other credit enhancements (continued)**

The fair value of collateral that the bank holds relating to loans & advances and financing that are credit impaired at the reporting date as at 31 December 2024 was RO 51.478 million equivalent to US\$ 133.71 million (2023: RO 52.421 million equivalent to US\$ 136.16 million). Collateral amounting to RO 1,826.750 million equivalent to US\$ 4,744.81 million (2023: RO 1,844.632 million equivalent to US\$ 4,791.25 million ) are against loans & advances and financing which are not credit impaired.

**35.1.5 Loans written off / recovery based on enforcement activity**

The Bank has made certain technical write off of loans & advances that are still subject to enforcement activity. The contractual amount outstanding that were technically written off as at year end 31 December 2024 was RO 17.974 million, equivalent to US\$ 46.69 million. The Bank still seeks to recover amounts it is legally owned in full, but has been technically written off due to no reasonable expectation of full recovery.

**35.1.6 Expected credit loss (ECL) measurement****Overview of ECL principles**

The adoption of IFRS 9 has fundamentally changed the Bank's financing loss impairment method by replacing incurred loss approach with a forward looking ECL approach. The Bank has been recording the allowance for expected credit losses for all financing exposure and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank has established a policy to perform an assessment on a monthly basis whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

**Measuring ECL - Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit –impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12MPD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amount the bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD) . For example, for revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

**35.1.6 Expected credit loss (ECL) measurement (continued)****Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)**

The ECL is determined by projected the PD, LGD and EAD for each future month and for each individual exposure of collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month), this effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12 months PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loan. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Based on the above process, the Bank groups its financing exposure into Stage 1, Stage 2 and Stage 3, as classified below:

**Stage 1**

When financing are first recognised, the Bank recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from stage 2.

**Stage 2**

When a financing exposure has shown a significant increase in credit risk since origination, the Bank records an allowance for lifetime ECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from stage 3.

**Stage 3**

Financing exposure considered credit impaired. The Bank records an allowance for lifetime ECLs.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

**Generating the term structure of probability of default (PD)**

Risk ratings are the primary input into determination of PD term structure for credit exposures. Default and performing information is collected for each credit exposure and analysed by borrower and respective risk rating. Statistical models are utilize to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

**ECL exposure of financial assets and off-balance sheet**

The following table contains an analysis of stagewise reconciliation of gross carrying amount/loss allowance from the opening to the closing balance of financial assets/off balance sheet items by class of financial instrument.

**Expected credit loss (ECL) measurement (continued)****Movement in gross carrying amount**

	2024				
	Stage 1	Stage 2	Stage 3	Total	Total
	RO '000	RO '000	RO '000	RO '000	US\$ '000
<b>Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	2,202,738	488,593	110,180	<b>2,801,511</b>	<b>7,276,652</b>
Transfer between stages					
- Transfer to Stage 1	70,796	(68,726)	(2,070)	-	-
- Transfer to Stage 2	(100,062)	100,062	-	-	-
- Transfer to Stage 3	(1,478)	(37,902)	39,380	-	-
Re-measurement of outstanding	91,815	(4,434)	8,042	<b>95,423</b>	<b>247,851</b>
Financial assets originated during the period	336,457	3,144	-	<b>339,601</b>	<b>882,081</b>
Financial assets matured during the period	(71,325)	(14,885)	(2,192)	<b>(88,402)</b>	<b>(229,615)</b>
Write off	-	-	(23,933)	<b>(23,933)</b>	<b>(62,164)</b>
<b>Balance at 31 December</b>	<b>2,528,941</b>	<b>465,852</b>	<b>129,407</b>	<b>3,124,200</b>	<b>8,114,805</b>

	2024				
	Stage 1	Stage 2	Stage 3	Total	Total
	RO '000	RO '000	RO '000	RO '000	US\$ '000
<b>Corporate Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	1,461,516	482,592	87,764	<b>2,031,872</b>	<b>5,277,589</b>
Transfer between stages					
- Transfer to Stage 1	66,456	(66,456)	-	-	-
- Transfer to Stage 2	(94,763)	94,763	-	-	-
- Transfer to Stage 3	(342)	(36,675)	37,017	-	-
Re-measurement of outstanding	92,757	(4,186)	7,221	<b>95,792</b>	<b>248,809</b>
Financial assets originated during the period	221,613	2,488	-	<b>224,101</b>	<b>582,081</b>
Financial assets matured during the period	(42,605)	(14,428)	(1,961)	<b>(58,994)</b>	<b>(153,230)</b>
Write off	-	-	(15,606)	<b>(15,606)</b>	<b>(40,535)</b>
<b>Balance at 31 December</b>	<b>1,704,632</b>	<b>458,098</b>	<b>114,435</b>	<b>2,277,165</b>	<b>5,914,714</b>

**Retail Loans, advances and financing at Amortised cost**

<b>Balance at 1 January</b>	741,221	6,001	22,417	<b>769,639</b>	<b>1,999,063</b>
Transfer between stages					
- Transfer to Stage 1	4,340	(2,270)	(2,070)	-	-
- Transfer to Stage 2	(5,299)	5,299	-	-	-
- Transfer to Stage 3	(1,136)	(1,227)	2,363	-	-
Re-measurement of outstanding	(941)	(248)	820	<b>(369)</b>	<b>(959)</b>
Financial assets originated during the period	114,844	656	-	<b>115,500</b>	<b>300,000</b>
Financial assets matured during the period	(28,720)	(457)	(231)	<b>(29,408)</b>	<b>(76,384)</b>
Write off	-	-	(8,327)	<b>(8,327)</b>	<b>(21,629)</b>
<b>Balance at 31 December</b>	<b>824,309</b>	<b>7,754</b>	<b>14,972</b>	<b>847,035</b>	<b>2,200,091</b>

**Debt investment securities at FVOCI**

<b>Balance at 1 January</b>	251,710	-	-	<b>251,710</b>	<b>653,792</b>
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	-	-	-	-	-
Financial assets matured during the period	-	-	-	-	-
Reclassification during the year	(188,940)	-	-	<b>(188,940)</b>	<b>(490,754)</b>
Loss from change in fair value	-	-	-	-	-
<b>Balance at 31 December</b>	<b>62,770</b>	<b>-</b>	<b>-</b>	<b>62,770</b>	<b>163,038</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**Expected credit loss (ECL) measurement (continued)**

	2024			Total RO '000	Total US\$ '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000		
<b>Other financial assets at amortised cost</b>					
<b>Balance at 1 January</b>	245,965	4,786	-	250,751	651,302
Transfer between stages					
- Transfer to Stage 1	1,762	(1,762)	-	-	-
- Transfer to Stage 2	(2,009)	2,009	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	50,988	4	-	50,992	132,445
Financial assets matured during the period	2,028	1,305	-	3,333	8,657
<b>Balance at 31 December</b>	<b>298,734</b>	<b>6,342</b>	<b>-</b>	<b>305,076</b>	<b>792,404</b>

**Off balance sheet items at amortised cost**

<b>Balance at 1 January</b>	164,245	50,136	164	214,545	557,260
Transfer between stages					
- Transfer to Stage 1	16,696	(16,696)	-	-	-
- Transfer to Stage 2	(20,786)	20,786	-	-	-
- Transfer to Stage 3	(2)	(3,366)	3,368	-	-
Financial assets originated during the period	51,931	-	-	51,931	134,886
Financial assets matured during the period	(22,873)	(2,489)	(2,480)	(27,842)	(72,317)
<b>Balance at 31 December</b>	<b>189,211</b>	<b>48,371</b>	<b>1,052</b>	<b>238,634</b>	<b>619,829</b>

**Movement in gross carrying amount**

	2023			Total RO '000	Total US\$ '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000		
<b>Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	2,060,340	431,152	97,573	2,589,065	6,724,844
Transfer between stages					
- Transfer to Stage 1	67,622	(65,915)	(1,707)	-	-
- Transfer to Stage 2	(141,891)	141,891	-	-	-
- Transfer to Stage 3	(2,651)	(4,566)	7,217	-	-
Re-measurement of outstanding	91,957	11,548	7,744	111,249	288,958
Financial assets originated during the period	251,974	-	-	251,974	654,478
Financial assets matured during the period	(124,613)	(25,517)	(629)	(150,759)	(391,582)
Write off	-	-	(18)	(18)	(47)
<b>Balance at 31 December</b>	<b>2,202,738</b>	<b>488,593</b>	<b>110,180</b>	<b>2,801,511</b>	<b>7,276,654</b>
<b>Corporate Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	1,346,926	423,155	76,595	1,846,676	4,796,561
Transfer between stages					
- Transfer to Stage 1	61,854	(61,854)	-	-	-
- Transfer to Stage 2	(137,966)	137,966	-	-	-
- Transfer to Stage 3	(1,028)	(3,371)	4,399	-	-
Re-measurement of outstanding	103,326	11,787	6,906	122,019	316,932
Financial assets originated during the period	164,282	-	-	164,282	426,705
Financial assets matured during the period	(75,878)	(25,091)	(122)	(101,091)	(262,574)
Write off	-	-	(14)	(14)	(36)
<b>Balance at 31 December</b>	<b>1,461,516</b>	<b>482,592</b>	<b>87,764</b>	<b>2,031,872</b>	<b>5,277,588</b>

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Expected credit loss (ECL) measurement (continued)	2023			Total RO '000	Total US\$ '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000		
<b>Retail Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	713,414	7,997	20,978	742,389	1,928,283
Transfer between stages					
- Transfer to Stage 1	5,767	(4,061)	(1,706)	-	-
- Transfer to Stage 2	(3,925)	3,925	-	-	-
- Transfer to Stage 3	(1,623)	(1,195)	2,818	-	-
Re-measurement of outstanding	(11,369)	(239)	838	(10,770)	(27,974)
Financial assets originated during the period	87,692	-	-	87,692	227,771
Financial assets matured during the period	(48,735)	(426)	(507)	(49,668)	(129,008)
Write off	-	-	(4)	(4)	(10)
<b>Balance at 31 December</b>	<b>741,221</b>	<b>6,001</b>	<b>22,417</b>	<b>769,639</b>	<b>1,999,063</b>
<b>Debt investment securities at FVOCI</b>					
<b>Balance at 1 January</b>	265,856	-	-	265,856	690,535
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	-	-	-	-	-
Financial assets matured during the period	(14,146)	-	-	(14,146)	(36,744)
Loss from change in fair value	-	-	-	-	-
<b>Balance at 31 December</b>	<b>251,710</b>	<b>-</b>	<b>-</b>	<b>251,710</b>	<b>653,791</b>
<b>Other financial assets at amortised cost</b>					
<b>Balance at 1 January</b>	212,220	5,930	-	218,150	566,623
Transfer between stages					
- Transfer to Stage 1	1,495	(1,495)	-	-	-
- Transfer to Stage 2	(9,665)	9,665	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	52,084	-	-	52,084	135,283
Financial assets matured during the period	(10,169)	(9,314)	-	(19,483)	(50,605)
<b>Balance at 31 December</b>	<b>245,965</b>	<b>4,786</b>	<b>-</b>	<b>250,751</b>	<b>651,302</b>
<b>Off balance sheet items at amortised cost</b>					
<b>Balance at 1 January</b>	184,935	46,606	207	231,748	601,943
Transfer between stages					
- Transfer to Stage 1	7,665	(7,665)	-	-	-
- Transfer to Stage 2	(28,081)	28,081	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	7,506	(16,211)	(38)	(8,743)	(22,709)
Financial assets matured during the period	(7,780)	(675)	(5)	(8,460)	(21,974)
<b>Balance at 31 December</b>	<b>164,245</b>	<b>50,136</b>	<b>164</b>	<b>214,545</b>	<b>557,260</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 35.1.6 Expected credit loss (ECL) measurement (continued)

## Movement in impairment allowance and provision

	2024				
	Stage 1	Stage 2	Stage 3	Total	Total
	RO '000	RO '000	RO '000	RO '000	US\$ '000
<b>Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	6,124	26,191	75,036	107,351	278,834
Transfer between stages					
- Transfer to Stage 1	2,982	(1,660)	(1,322)	-	-
- Transfer to Stage 2	(584)	584	-	-	-
- Transfer to Stage 3	(7)	(2,647)	2,654	-	-
Impairment charged to income statement for	(4,850)	8,103	(8,684)	(5,431)	(14,106)
- <i>Re-measurement of impairment allowances</i>	(5,631)	8,509	10,719	13,597	35,316
- <i>Financial assets originated during the period</i>	991	42	-	1,033	2,683
- <i>Financial assets matured during the period</i>	(210)	(448)	-	(658)	(1,709)
Recoveries from impairment for credit losses	-	-	(1,924)	(1,924)	(4,998)
Interest reserve charged to interest income	-	-	7,295	7,295	18,948
Recoveries of reserved interest in interest income	-	-	(841)	(841)	(2,184)
Write off of impairment allowances	-	-	(23,933)	(23,933)	(62,164)
<b>Balance at 31 December</b>	<b>3,665</b>	<b>30,571</b>	<b>67,684</b>	<b>101,920</b>	<b>264,727</b>

## Corporate Loans, advances and financing at Amortised cost

<b>Balance at 1 January</b>	4,403	24,509	58,159	87,071	226,158
Transfer between stages					
- Transfer to Stage 1	1,036	(1,036)	-	-	-
- Transfer to Stage 2	(558)	558	-	-	-
- Transfer to Stage 3	(4)	(2,251)	2,255	-	-
Impairment charged to income statement for	(2,866)	8,546	(4,278)	1,402	3,642
- <i>Re-measurement of impairment allowances</i>	(3,534)	8,849	7,054	12,369	32,128
- <i>Financial assets originated during the period</i>	799	17	-	816	2,119
- <i>Financial assets matured during the period</i>	(131)	(320)	-	(451)	(1,171)
Recoveries from impairment for credit losses	-	-	(1,820)	(1,820)	(4,728)
Interest reserve charged to interest income	-	-	6,482	6,482	16,836
Recoveries of reserved interest in interest income	-	-	(388)	(388)	(1,008)
Write off of impairment allowances	-	-	(15,606)	(15,606)	(40,534)
<b>Balance at 31 December</b>	<b>2,011</b>	<b>30,326</b>	<b>56,136</b>	<b>88,473</b>	<b>229,800</b>

## Retail Loans, advances and financing at Amortised cost

<b>Balance at 1 January</b>	1,721	1,682	16,877	20,280	52,675
Transfer between stages					
- Transfer to Stage 1	1,946	(624)	(1,322)	-	-
- Transfer to Stage 2	(26)	26	-	-	-
- Transfer to Stage 3	(3)	(396)	399	-	-
Impairment charged to income statement for	(1,984)	(443)	(4,406)	(6,833)	(17,748)
- <i>Re-measurement of impairment allowances</i>	(2,097)	(340)	3,665	1,228	3,190
- <i>Financial assets originated during the period</i>	192	25	-	217	564
- <i>Financial assets matured during the period</i>	(79)	(128)	-	(207)	(538)
Recoveries from impairment for credit losses	-	-	(104)	(104)	(270)
Interest reserve charged to interest income	-	-	813	813	2,112
Recoveries of reserved interest in interest income	-	-	(453)	(453)	(1,177)
Write off of impairment allowances	-	-	(8,327)	(8,327)	(21,629)
<b>Balance at 31 December</b>	<b>1,654</b>	<b>245</b>	<b>11,548</b>	<b>13,447</b>	<b>34,927</b>

## 35.1.6 Expected credit loss (ECL) measurement (continued)

	2024			Total RO '000	Total US\$ '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000		
<b>Debt investment securities at FVOCI</b>					
<b>Balance at 1 January</b>	76	-	-	76	197
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for	(14)	-	-	(14)	(36)
- <i>Re-measurement of impairment allowances</i>	(14)	-	-	(14)	(36)
- <i>Financial assets originated during the period</i>	-	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-	-
<b>Balance at 31 December</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>62</b>	<b>161</b>
<b>Other financial assets at amortised cost</b>					
<b>Balance at 1 January</b>	109	12	-	121	314
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	(3)	3	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for	(82)	28	-	(54)	(140)
- <i>Re-measurement of impairment allowances</i>	(82)	28	-	(54)	(140)
- <i>Financial assets originated during the period</i>	-	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-	-
<b>Balance at 31 December</b>	<b>24</b>	<b>43</b>	<b>-</b>	<b>67</b>	<b>174</b>
<b>Off balance sheet items at amortised cost</b>					
<b>Balance at 1 January</b>	309	1,357	39	1,705	4,426
Transfer between stages					
- Transfer to Stage 1	71	(71)	-	-	-
- Transfer to Stage 2	(53)	53	-	-	-
- Transfer to Stage 3	-	(104)	104	-	-
Impairment charged to income statement for	(146)	(181)	97	(230)	(597)
- <i>Re-measurement of impairment allowances</i>	(151)	(181)	97	(235)	(608)
- <i>Financial assets originated during the period</i>	53	-	-	53	138
- <i>Financial assets matured during the period</i>	(48)	-	-	(48)	(125)
<b>Balance as at 31 December</b>	<b>181</b>	<b>1,054</b>	<b>240</b>	<b>1,475</b>	<b>3,829</b>
<b>Movement in impairment allowance and provision</b>					
	2023			Total RO '000	Total US\$ '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000		
<b>Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	7,837	22,027	58,766	88,630	230,209
Transfer between stages					
- Transfer to Stage 1	3,319	(1,970)	(1,349)	-	-
- Transfer to Stage 2	(961)	961	-	-	-
- Transfer to Stage 3	(7)	(546)	553	-	-
Impairment charged to income statement for	(4,066)	5,720	17,067	18,721	48,627
- <i>Re-measurement of impairment allowances</i>	(4,317)	6,444	17,680	19,807	51,447
- <i>Financial assets originated during the period</i>	557	-	-	557	1,450
- <i>Financial assets matured during the period</i>	(306)	(724)	-	(1,030)	(2,675)
Recoveries from impairment for credit losses	-	-	(4,953)	(4,953)	(12,865)
Interest reserve charged to interest income	-	-	5,061	5,061	13,145
Recoveries of reserved interest in interest income	-	-	(703)	(703)	(1,826)
Write off of impairment allowances	-	-	(18)	(18)	(47)
<b>Balance at 31 December</b>	<b>6,122</b>	<b>26,192</b>	<b>75,037</b>	<b>107,351</b>	<b>278,837</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 35.1.6 Expected credit loss (ECL) measurement (continued)

Movement in impairment allowance and provision	2023				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
<b>Corporate Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	6,407	20,286	43,129	69,822	181,358
Transfer between stages					
- Transfer to Stage 1	1,077	(1,077)	-	-	-
- Transfer to Stage 2	(950)	950	-	-	-
- Transfer to Stage 3	(3)	(228)	231	-	-
Impairment charged to income statement for	(2,128)	4,578	14,799	17,249	44,801
- <i>Re-measurement of impairment allowances</i>	(2,310)	5,239	13,401	16,330	42,415
- <i>Financial assets originated during the period</i>	371	-	-	371	965
- <i>Financial assets matured during the period</i>	(189)	(661)	-	(850)	(2,208)
Recoveries from impairment for credit losses	-	-	(2,680)	(2,680)	(6,961)
Interest reserve charged to interest income	-	-	4,254	4,254	11,049
Recoveries of reserved interest in interest income	-	-	(162)	(162)	(421)
Write off of impairment allowances	-	-	(14)	(14)	(36)
<b>Balance at 31 December</b>	<b>4,403</b>	<b>24,509</b>	<b>58,159</b>	<b>87,071</b>	<b>226,158</b>
<b>Retail Loans, advances and financing at Amortised cost</b>					
<b>Balance at 1 January</b>	1,430	1,741	15,637	18,808	48,853
Transfer between stages					
- Transfer to Stage 1	2,243	(893)	(1,350)	-	-
- Transfer to Stage 2	(10)	10	-	-	-
- Transfer to Stage 3	(4)	(318)	322	-	-
Impairment charged to income statement for	(1,938)	1,142	2,268	1,472	3,822
- <i>Re-measurement of impairment allowances</i>	(2,007)	1,205	4,279	3,477	9,030
- <i>Financial assets originated during the period</i>	186	-	-	186	483
- <i>Financial assets matured during the period</i>	(117)	(63)	-	(180)	(468)
Recoveries from impairment for credit losses	-	-	(2,273)	(2,273)	(5,904)
Interest reserve charged to interest income	-	-	807	807	2,096
Recoveries of reserved interest in interest income	-	-	(541)	(541)	(1,405)
Write off of impairment allowances	-	-	(4)	(4)	(10)
<b>Balance at 31 December</b>	<b>1,721</b>	<b>1,682</b>	<b>16,877</b>	<b>20,280</b>	<b>52,675</b>
<b>Movement in impairment allowance and provision (continued)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Total</b>
	<b>RO '000</b>	<b>RO '000</b>	<b>RO '000</b>	<b>RO '000</b>	<b>US\$ '000</b>
<b>Debt investment securities at FVOCI</b>					
<b>Balance at 1 January</b>	66	-	-	66	171
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
<b>Movement in impairment allowance and provision (continued)</b>					
Impairment charged to income statement for	10	-	-	10	26
- <i>Re-measurement of impairment allowances</i>	10	-	-	10	26
- <i>Financial assets originated during the period</i>	-	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-	-
<b>Balance at 31 December</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>197</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 35.1.6 Expected credit loss (ECL) measurement (continued)

Other financial assets at amortised cost	2023				
<b>Balance at 1 January</b>	57	32	-	89	231
Transfer between stages					
- Transfer to Stage 1	17	(17)	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for	35	(3)	-	32	83
- <i>Re-measurement of impairment allowances</i>	35	(3)	-	32	83
- <i>Financial assets originated during the period</i>	-	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-	-
<b>Balance at 31 December</b>	<b>109</b>	<b>12</b>	<b>-</b>	<b>121</b>	<b>314</b>
<b>Off balance sheet items at amortised cost</b>					
<b>Balance at 1 January</b>	416	2,013	35	2,464	6,399
Transfer between stages					
- Transfer to Stage 1	139	(139)	-	-	-
- Transfer to Stage 2	(91)	91	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for	(155)	(608)	4	(759)	(1,973)
- <i>Re-measurement of impairment allowances</i>	(383)	(604)	4	(983)	(2,552)
- <i>Financial assets originated during the period</i>	243	-	-	243	629
- <i>Financial assets matured during the period</i>	(15)	(4)	-	(19)	(49)
<b>Balance as at 31 December</b>	<b>309</b>	<b>1,357</b>	<b>39</b>	<b>1,705</b>	<b>4,428</b>

**Significant increase in credit risk (SICR)**

The Bank continuously monitors all assets subject to ECLs. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information. Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. For non-retail facilities, internally derived credit ratings have been identified as representing the best available determinants of credit risk. The Bank assigns each facility a credit rating at initial recognition based on qualitative and quantitative information available about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an asset is more than 30 DPD. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default:

- a) Inadequate or unreliable financial and other information such as unavailability of financial statements.
- b) Non-cooperation by the borrowers in matters pertaining to documentation
- c) Borrower is the subject of litigation by third parties that may have a significant impact on this financial position.
- d) Frequent changes in senior management
- e) Intra-group transfer of funds without underlying transactions.
- f) Deferment/ delay in the date of commencement of commercial operations by more than one year
- g) Modification of terms resulting in concessions granted to the borrower
- h) A fall of 25% or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- i) Erosion in networth by more than 20% as compared to the previous year end coupled with an increase in leverage
- j) A fall in the debt service coverage ratio to below 1

Further, the following quantitative guidelines are used to determine the staging of accounts:

1. An account will migrate to stage 2 if any of the changes in rating below are met;
  - For risk ratings 1 – 4:  $\geq$  3 notch downgrade
  - For risk rating 5: 2 notch downgrade
  - For risk rating 6: 1 notch downgrade
2. An account will also migrate to stage 2 if it is more than 30 days past due
3. An account will also be considered stage 2 if has been placed under special mention as per bank's IFRS 9 staging guidelines which includes if the customer has days past due of 60 days or more but less than 90 days.

**35.1.6 Expected credit loss (ECL) measurement (continued)****Macroeconomic factors, forward looking information (FLI) and multiple scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

In its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: real gross domestic product (GDP) growth [1.93% - 4.36%] and oil prices [USD 69.42 / bbl – USD 98.19 / bbl] . The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments.

**Definition of default and cure**

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.

Overdrafts are considered as being past due once the customer has breached the advised limit or been advised of a limit smaller than the current amount outstanding without acceptable justification.

In assessing whether the borrower is in default, the Bank considers indicators that are;

- qualitative - e.g. breaches of covenant
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in

The definition of default is aligned to CBO regulatory requirements. An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets the default criteria in line with requirements of CBO relevant to upgrading of customer from stage 3. Any upgrade is appropriately approved and validated by the internal audit department.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

In its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: real gross domestic product (GDP) growth and oil prices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments.

As on the reporting date, collective provision held by the bank through management overlays amounts to 17.59% of total impaired loans & advances and financing based on exposures of certain performing or non-performing customers whether secured or unsecured. This is in addition to the existing ECL provision considered on conservative practices to mitigate any unforeseen impacts in the portfolio. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis.

## 35.1.6 Expected credit loss (ECL) measurement (continued)

## Sensitivity analysis - ECL

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

2024			2024	
Impact on ECL	ECL		ECL	Impact on ECL
US\$'000	'US\$'000		RO'000	RO'000
	92,468	ECL on non impaired financial assets under IFRS 9	35,600	
(8,618)	83,849	Good scenario - 100% weighted	32,282	(3,318)
382	92,849	Base scenario - 100% weighted	35,747	147
7,852	100,319	Bad scenario - 100% weighted	38,623	3,023
2023			2023	
Impact on ECL	ECL		ECL	Impact on ECL
US\$'000	'US\$'000		RO'000	RO'000
	88,772	ECL on non impaired financial assets under IFRS 9	34,176	
(7,952)	80,820	Good scenario - 100% weighted	31,116	(3,061)
(135)	88,637	Base scenario - 100% weighted	34,125	(51)
9,066	97,838	Bad scenario - 100% weighted	37,668	3,491

For computation of ECL, the Bank considers three scenarios i.e., Good, base and bad with weightage of 25%, 50% and 25% respectively for the years 2024 and 2023

The Bank carries out assessment on a portfolio basis using internal ratings for corporate and SME portfolio which are estimated on an individual basis with their respective credit risk parameters applied for ECL calculations of the same credit risk ratings and homogeneous segments of the loan portfolio. For retail portfolio similar assessment is made, however the internal ratings are replaced by Days Past Due buckets. The Bank performs an assessment on a portfolio basis for the following types of loans:

- Retail loans
- Corporate/ SMEs loans

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as Corporate/SME or retail), product type, credit risk rating both at initial recognition and current, term to maturity, collateral, etc. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

**35.1.7 Settlement risk**

Settlement risk is the risk of loss due to the failure of a party to honor its obligations to deliver cash, securities or other asset as contractually agreed on the day of settlement.

In foreign exchange trades, though there is fulfilment of both the legs of the transaction on the settlement date as it is common practice between trading partners (free settlement), there will be risk on account of different time zones. In these cases, the settlement risk is mitigated through the execution of bilateral payment netting agreements.

**35.1.8 Concentration risk**

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of credit risk with individuals or group of counterparty in specific locations or businesses. It also obtains appropriate security.

	2024			2023		
	Loans & advances and financing, gross RO '000	Due from banks RO '000	Investment securities RO '000	Loans & advances and financing, gross RO '000	Due from banks RO '000	Investment securities RO '000
<b>Concentration by type</b>						
Corporate	2,277,165	-	106,523	2,031,872	-	81,701
Personal	847,035	-	-	769,639	-	-
Sovereign	-	-	237,713	-	-	221,604
Banks	-	113,345	-	-	88,315	-
	<b>3,124,200</b>	<b>113,345</b>	<b>344,236</b>	<b>2,801,511</b>	<b>88,315</b>	<b>303,305</b>
<b>Concentration by location</b>						
Oman	3,098,451	88,100	310,544	2,795,628	38,115	274,660
Other GCC countries	25,749	8,756	7,963	5,357	15,972	8,935
United Kingdom	-	928	7,555	-	3,301	4,932
United States of America	-	6,467	3,031	-	28,203	2,374
Others	-	9,094	15,143	526	2,724	12,404
	<b>3,124,200</b>	<b>113,345</b>	<b>344,236</b>	<b>2,801,511</b>	<b>88,315</b>	<b>303,305</b>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Concentration by type</b>						
Corporate	5,914,714	-	276,683	5,277,590	-	212,211
Personal	2,200,091	-	-	1,999,062	-	-
Sovereign	-	-	617,437	-	-	575,594
Banks	-	294,402	-	-	229,390	-
	<b>8,114,805</b>	<b>294,402</b>	<b>894,120</b>	<b>7,276,652</b>	<b>229,390</b>	<b>787,805</b>
<b>Concentration by location</b>						
Oman	8,047,923	228,830	806,606	7,261,372	98,999	713,403
Other GCC countries	66,882	22,744	20,684	13,914	41,486	23,207
United Kingdom	-	2,411	19,624	-	8,574	12,812
United States of America	-	16,796	7,873	-	73,255	6,166
Others	-	23,621	39,333	1,366	7,075	32,217
	<b>8,114,805</b>	<b>294,402</b>	<b>894,120</b>	<b>7,276,652</b>	<b>229,389</b>	<b>787,805</b>

Concentration by location for loans & advances and financing is measured based on the location of the entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

**35.2 LIQUIDITY RISK**

Liquidity risk is the risk that the Bank will face difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

**35.2.1 Management of liquidity risk**

Liquidity risk arises when the Bank is unable to generate sufficient cash resources to meet obligations as they fall due or can do so only at materially disadvantageous terms. Such liquidity risk may arise even when the institution is solvent. Liquidity stress may be caused by counterparties withdrawing credit lines or of not rolling over existing funding or as a result of general disruption in the markets or run on Bank deposits etc.

Asset Liability Committee (ALCO) of the Bank manages the liquidity position. In order to ensure that the Bank meets its financial obligations as and when they fall due, cash flow positions are closely monitored. Liquidity risk management ensures that the Bank has the ability, under varying levels of stress to efficiently and economically meet liquidity needs.

The Bank consciously diversifies its funding base to include deposits raised from inter-bank, retail customer deposits and bonds. These together with the strength of the Bank's equity and asset quality ensure that funds are available at competitive rates at all times. The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration and ensure a robust management of liquidity risks.

The Bank undertakes assessment of liquidity position and initiate measures to fund these gaps. The Bank undertakes liquidity management through both cash flow approach and stock approach. Under the stock approach, Liquid assets ratios are closely monitored and managed. Under cash approach, assets and liabilities are bucketed based on their residual maturity to ascertain liquidity gaps. The ALCO reviews the liquidity position on a continuous basis. The Bank's statement on maturity of asset and liability is outlined in note 35.2.2 to the financial statements.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligation when due, under normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank has put in place an approved Contingency Liquidity Plan to facilitate management of liquidity.

Liquidity risk is managed by the Bank through closely monitoring the liquidity gap against the limit fixed.

Adequate liquidity is ensured by Treasury department, which receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, placements with other banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. In this process due care is taken to ensure that the Bank complies with all the CBO regulations.

All liquidity policies are subject to review and approval of Board of Directors.

The Bank prepares a liquidity gap report to monitor the Bank's short term liquidity position in a time horizon spanning one month. The gap is adjusted by instruments for repo or refinance and also for unavailed committed lines of credit, if any. This statement of short term liquidity is to be reported to the ALCO every month and also to Executive Risk Committee on a quarterly basis.

**35.2.2 Exposure to liquidity risk**

The lending ratio, which is the ratio of the total loans and advances to customer deposits and capital, is monitored on a daily basis in line with the regulatory guidelines. The Bank also manages its liquidity risk on a monthly basis monitoring the liquid ratio which is a ratio of net liquid assets to total assets.

The Bank also maintains significant investments in liquid instruments issued by Governments and banks principally for maintaining liquidity. The Bank also has standby lines of credit to meet its obligations at any given time, if the need arises.

The CBO also restricts the limits on lending by the commercial banks. The maximum lending ratio permissible as at 31 December 2024 and 2023 was 87.50%.

Details of the reported lending ratio for the year are as follows:

	2024	2023
	<b>Lending ratio</b>	Lending ratio
Year end	<b>84.58%</b>	82.37%
Maximum for the year	<b>89.77%</b>	90.77%
Minimum for the year	<b>78.35%</b>	81.49%
Average for the year	<b>84.10%</b>	86.01%

## 35.2.2 Exposure to liquidity risk (continued)

The Bank also monitors Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The Bank has also laid down internal limits and are in compliance with the regulatory requirement as at 31 December 2024. The following table summarises the maturity profile of the Bank's assets and liabilities as on the reporting date. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
	RO '000	RO '000	RO '000	RO '000	RO '000
<b>31 DECEMBER 2024</b>					
<b>Assets</b>					
Cash and balances with Central Bank of Oman	142,126	51,901	-	525	194,552
Due from banks	113,331	-	-	-	113,331
Investment securities	185,716	74,843	39,020	44,657	344,236
Loans, advances and financing, net	704,486	190,179	628,938	1,498,677	3,022,280
Other assets	32,093	-	-	-	32,093
Property & Equipment	-	-	-	48,436	48,436
<b>Total assets</b>	<b>1,177,752</b>	<b>316,923</b>	<b>667,958</b>	<b>1,592,295</b>	<b>3,754,928</b>
<b>Liabilities and equity</b>					
Due to banks	343,931	-	-	-	343,931
Customers' deposits	625,412	1,026,326	547,592	563,437	2,762,767
Tax Liability	12,542	-	-	-	12,542
Other liabilities	24,321	10,852	-	42,496	77,669
Tier 1 subordinated bonds	-	-	-	179,366	179,366
Shareholders' funds	-	-	-	378,653	378,653
<b>Total liabilities and equity</b>	<b>1,006,206</b>	<b>1,037,178</b>	<b>547,592</b>	<b>1,163,952</b>	<b>3,754,928</b>
<b>Net liquidity gap</b>	<b>171,546</b>	<b>(720,255)</b>	<b>120,366</b>	<b>428,343</b>	<b>-</b>
<b>Off balance sheet items</b>					
Irrevocable commitments to extend credit	18,874	29,939	-	-	48,813
Financial guarantees and letters of credit	44,932	61,164	78,075	5,650	189,821
Derivative products	220,617	40,554	25,179	-	286,350
<b>Total off balance sheet assets</b>	<b>284,423</b>	<b>131,657</b>	<b>103,254</b>	<b>5,650</b>	<b>524,984</b>
<b>Future Interest Cash Flows</b>					
- Inflows	23,611	24,692	52,777	43,632	144,712
- Outflows	9,763	31,728	46,963	13,624	102,078
<b>Net Cash Flows</b>	<b>13,848</b>	<b>(7,035)</b>	<b>5,814</b>	<b>30,008</b>	<b>42,634</b>
<b>Assets</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Cash and balances with Central Bank of Oman	369,158	134,808	-	1,364	505,330
Due from banks	294,366	-	-	-	294,366
Loans, advances and financing, net	1,829,834	493,972	1,633,605	3,892,667	7,850,078
Investment securities	482,382	194,397	101,350	115,991	894,120
Other assets	83,358	-	-	-	83,358
Property & Equipment	-	-	-	125,808	125,808
<b>Total assets</b>	<b>3,059,098</b>	<b>823,177</b>	<b>1,734,955</b>	<b>4,135,830</b>	<b>9,753,060</b>
<b>Liabilities and equity</b>					
Due to banks	893,327	-	-	-	893,327
Customers' deposits	1,624,448	2,665,783	1,422,316	1,463,472	7,176,019
Tax Liability	32,576	-	-	-	32,576
Other liabilities	63,171	28,187	-	110,380	201,738
Tier 1 subordinated bonds	-	-	-	465,886	465,886
Shareholders' funds	-	-	-	983,514	983,514
<b>Total liabilities and equity</b>	<b>2,613,522</b>	<b>2,693,970</b>	<b>1,422,316</b>	<b>3,023,252</b>	<b>9,753,060</b>
<b>Net liquidity gap</b>	<b>445,576</b>	<b>(1,870,793)</b>	<b>312,639</b>	<b>1,112,578</b>	<b>-</b>
<b>Off balance sheet items</b>					
Irrevocable commitments to extend credit	49,023	77,764	-	-	126,787
Financial guarantees and letters of credit	116,706	158,867	202,792	14,676	493,041
Derivative products	573,031	105,335	65,400	-	743,766
<b>Total off balance sheet assets</b>	<b>738,760</b>	<b>341,966</b>	<b>268,192</b>	<b>14,676</b>	<b>1,363,594</b>
<b>Future Interest Cash Flows</b>					
- Inflows	61,328	64,136	137,084	113,329	375,877
- Outflows	25,359	82,410	121,982	35,387	265,138
<b>Net Cash Flows</b>	<b>35,969</b>	<b>(18,274)</b>	<b>15,102</b>	<b>77,942</b>	<b>110,739</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 35.2.2 Exposure to liquidity risk (continued)

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2023	RO '000	RO '000	RO '000	RO '000	RO '000
<b>Assets</b>					
Cash and balances with Central Bank of Oman	171,410	-	-	525	171,935
Due from banks	42,615	45,623	-	-	88,238
Investment securities	217,283	84,919	645	458	303,305
Loans, advances and financing, net	587,668	96,134	409,516	1,600,842	2,694,160
Other assets	19,576	-	-	-	19,576
Property and Equipment	-	-	-	41,131	41,131
<b>Total assets</b>	<b>1,038,552</b>	<b>226,676</b>	<b>410,161</b>	<b>1,642,956</b>	<b>3,318,345</b>
<b>Liabilities and equity</b>					
Due to banks	91,311	94,490	-	-	185,802
Customers' deposits	481,119	875,402	593,857	525,288	2,475,666
Borrowed funds	-	-	38,500	-	38,500
Tax Liability	12,840	-	-	-	12,840
Other liabilities	31,832	11,528	-	40,784	84,144
Tier 1 subordinated bonds	-	-	-	149,000	149,000
Shareholders' funds	-	-	-	372,394	372,394
<b>Total liabilities and equity</b>	<b>617,102</b>	<b>981,420</b>	<b>632,357</b>	<b>1,087,466</b>	<b>3,318,345</b>
<b>Net liquidity gap</b>	<b>421,450</b>	<b>(754,744)</b>	<b>(222,196)</b>	<b>555,490</b>	<b>-</b>
<b>Off balance sheet items</b>					
Irrevocable commitments to extend credit	23,350	28,600	-	-	51,950
Financial guarantees and letters of credit	50,100	47,268	63,779	1,449	162,596
Derivative products	318,964	89,050	145,886	-	553,900
<b>Total off balance sheet assets</b>	<b>392,414</b>	<b>164,918</b>	<b>209,665</b>	<b>1,449</b>	<b>768,446</b>
<b>Future Interest Cash Flows</b>					
- Inflows	10,633	5,782	67,673	81,896	165,983
- Outflows	4,107	26,380	40,691	11,554	82,732
<b>Net Cash Flows</b>	<b>6,526</b>	<b>(20,599)</b>	<b>26,983</b>	<b>70,342</b>	<b>83,251</b>
<b>Assets</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Cash and balances with Central Bank of Oman	445,221	-	-	1,364	446,585
Due from banks	110,690	118,500	-	-	229,190
Loans, advances and financing, net	1,526,411	249,699	1,063,677	4,158,031	6,997,818
Investment securities	564,371	220,568	1,676	1,190	787,805
Other assets	50,847	-	-	-	50,847
Property and Equipment	-	-	-	106,834	106,834
<b>Total assets</b>	<b>2,697,540</b>	<b>588,767</b>	<b>1,065,353</b>	<b>4,267,419</b>	<b>8,619,079</b>
<b>Liabilities and equity</b>					
Due to banks	237,171	245,429	-	-	482,600
Customers' deposits	1,249,660	2,273,772	1,542,486	1,364,383	6,430,301
Borrowed funds	-	-	100,000	-	100,000
Tax Liability	33,352	-	-	-	33,352
Other liabilities	82,681	29,943	-	105,932	218,556
Tier 1 subordinated bonds	-	-	-	387,013	387,013
Shareholders' funds	-	-	-	967,257	967,257
<b>Total liabilities and equity</b>	<b>1,602,864</b>	<b>2,549,144</b>	<b>1,642,486</b>	<b>2,824,585</b>	<b>8,619,079</b>
<b>Net liquidity gap</b>	<b>1,094,676</b>	<b>(1,960,377)</b>	<b>(577,133)</b>	<b>1,442,834</b>	<b>-</b>
<b>Off balance sheet items</b>					
Irrevocable commitments to extend credit	60,649	74,286	-	-	134,935
Financial guarantees and letters of credit	130,129	122,775	165,659	3,764	422,327
Derivative products	828,478	231,299	378,925	-	1,438,702
<b>Total off balance sheet assets</b>	<b>1,019,256</b>	<b>428,360</b>	<b>544,584</b>	<b>3,764</b>	<b>1,995,964</b>
<b>Future Interest Cash Flows</b>					
- Inflows	27,619	15,017	175,775	212,717	431,128
- Outflows	10,667	68,520	105,691	30,009	214,888
<b>Net Cash Flows</b>	<b>16,952</b>	<b>(53,502)</b>	<b>70,083</b>	<b>182,708</b>	<b>216,240</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 35.2.2 Exposure to liquidity risk (continued)

The table below summarizes the maturity profile of the Bank's financial liabilities based on expected undiscounted payment obligations.

	Upto three months or on demand RO '000	Above three months to twelve months RO '000	Above one year to five years RO '000	More than five years RO '000	Total RO '000
<b>31 DECEMBER 2024</b>					
Due to banks	343,931	-	-	-	343,931
Customers' deposits	625,412	1,026,326	547,592	563,437	2,762,767
<b>Total liabilities</b>	<b>969,343</b>	<b>1,026,326</b>	<b>547,592</b>	<b>563,437</b>	<b>3,106,698</b>
<b>Credit related commitments</b>	<b>18,874</b>	<b>29,939</b>	-	-	<b>48,813</b>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Due to banks	893,327	-	-	-	893,327
Customers' deposits	1,624,447	2,665,783	1,422,316	1,463,472	7,176,018
<b>Total liabilities</b>	<b>2,517,774</b>	<b>2,665,783</b>	<b>1,422,316</b>	<b>1,463,472</b>	<b>8,069,345</b>
<b>Credit related commitments</b>	<b>49,023</b>	<b>77,764</b>	-	-	<b>126,787</b>
	Upto three months or on demand RO '000	Above three months to twelve months RO '000	Above one year to five years RO '000	More than five years RO '000	Total RO '000
<b>31 December 2023</b>					
Due to banks	91,311	94,490	-	-	185,801
Customers' deposits	481,119	875,402	593,857	525,288	2,475,666
Borrowed funds	-	-	38,500	-	38,500
<b>Total liabilities</b>	<b>572,430</b>	<b>969,892</b>	<b>632,357</b>	<b>525,288</b>	<b>2,699,967</b>
<b>Credit related commitments</b>	<b>23,350</b>	<b>28,600</b>	-	-	<b>51,950</b>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Due to banks	237,171	245,429	-	-	482,600
Customers' deposits	1,249,660	2,273,772	1,542,486	1,364,383	6,430,301
Borrowed funds	-	-	100,000	-	100,000
<b>Total liabilities</b>	<b>1,486,831</b>	<b>2,519,201</b>	<b>1,642,486</b>	<b>1,364,383</b>	<b>7,012,901</b>
<b>Credit related commitments</b>	<b>60,648</b>	<b>74,286</b>	-	-	<b>134,934</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**35 FINANCIAL RISK MANAGEMENT (continued)****35.3 MARKET RISK**

Market risk is the exposure to loss resulting from the changes in the interest rates, foreign currency exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return to risk. There are no commodity price risk exposures to the Bank.

**35.3.1 Management of market risks**

The Bank separates its exposure to market risk between trading and non trading portfolios. Trading portfolios include all positions arising from market making and proprietary position taking together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is transferred by Treasury to the trading book. Accordingly, the foreign exchange position is treated as a part of the Bank's trading portfolio for risk management purposes. Foreign currency risk is monitored and managed by the Bank through Mid Office to monitor the market risk, and the risk is managed by putting in place Market Risk Management procedures and implementing limit framework, reporting tools like Currency Position Report, Risk Analysis of Currency Position, Breach Analysis Report, and Dealer Limit Breach report.

Overall authority for market risk is vested with ALCO. The risk management function is responsible for development of detailed risk management policies (subject to approval by ALCO and Executive Risk Committee of the Board). The market risk policies are periodically reviewed to keep it up to date with the market developments.

**35.3.2 Exposure to interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate and re-pricing tenure of rate sensitive assets and liabilities.

The effective interest rate (effective yield) of a monetary financial instrument is the rate used in a present value calculation which results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is provided in this note. The Bank also assesses interest rate risk by assessing the interest rate impact (both earnings perspective and economic value perspective) as per Basel-II guidelines communicated by CBO by applying interest rate shock of 200 bps and takes measures to reduce the impact. The Bank also assesses impact on earnings of interest rate shock of 200 bps.

## 35.3.2 Exposure to interest rate risk (continued)

	Effective annual interest rate	Above				Non - Sensitive to interest rate	Total
		Upto three months	three months to twelve months	Above one year to five years	More than five years		
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<b>31 DECEMBER 2024</b>							
<b>Assets</b>							
Cash and balances with Central Bank of Oman	1.50%	55,825	-	-	500	138,227	194,552
Due from banks	4.10%	113,331	-	-	-	-	113,331
Loans, advances and financing, net	6.21%	1,449,714	522,670	396,488	653,408	-	3,022,280
Investment securities	5.13%	5,190	6,263	232,155	59,493	41,135	344,236
Other assets	-	-	-	-	-	32,093	32,093
Property and equipment	-	-	-	-	-	48,436	48,436
<b>Total assets</b>		<b>1,624,060</b>	<b>528,933</b>	<b>628,643</b>	<b>713,401</b>	<b>259,891</b>	<b>3,754,928</b>
<b>Liabilities and equity</b>							
Due to banks	5.62%	343,931	-	-	-	-	343,931
Customers' deposits	4.24%	478,301	994,050	1,108,581	10,082	171,753	2,762,767
Tax liability	-	-	-	-	-	12,542	12,542
Other liabilities	-	-	-	-	-	77,669	77,669
Tier 1 subordinated bonds	7.36%	-	-	-	-	179,366	179,366
Shareholders' funds	-	-	-	-	-	378,653	378,653
<b>Total liabilities and equity</b>		<b>822,232</b>	<b>994,050</b>	<b>1,108,581</b>	<b>10,082</b>	<b>819,983</b>	<b>3,754,928</b>
<b>Total interest rate sensitivity gap</b>		<b>801,828</b>	<b>(465,117)</b>	<b>(479,938)</b>	<b>703,319</b>	<b>(560,092)</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>801,828</b>	<b>336,711</b>	<b>(143,227)</b>	<b>560,092</b>	<b>-</b>	<b>-</b>
<b>31 DECEMBER 2024</b>							
		US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
<b>Assets</b>							
Cash and balances with Central Bank of Oman	1.50%	145,000	-	-	1,299	359,031	505,330
Due from banks	4.10%	294,366	-	-	-	-	294,366
Loans, advances and financing, net	6.21%	3,765,490	1,357,584	1,029,840	1,697,164	-	7,850,078
Investment securities	5.13%	13,482	16,267	602,999	154,526	106,846	894,120
Other assets	-	-	-	-	-	83,358	83,358
Property and equipment	-	-	-	-	-	125,808	125,808
<b>Total assets</b>		<b>4,218,338</b>	<b>1,373,851</b>	<b>1,632,839</b>	<b>1,852,989</b>	<b>675,043</b>	<b>9,753,060</b>
<b>Liabilities and equity</b>							
Due to banks	5.62%	893,327	-	-	-	-	893,327
Customers' deposits	4.24%	1,242,341	2,581,948	2,879,432	26,186	446,112	7,176,019
Tax liability	-	-	-	-	-	32,576	32,576
Other liabilities	-	-	-	-	-	201,738	201,738
Tier 1 subordinated bonds	7.36%	-	-	-	-	465,886	465,886
Shareholders' funds	-	-	-	-	-	983,514	983,514
<b>Total liabilities and equity</b>		<b>2,135,668</b>	<b>2,581,948</b>	<b>2,879,432</b>	<b>26,186</b>	<b>2,129,826</b>	<b>9,753,060</b>
<b>Total interest rate sensitivity gap</b>		<b>2,082,670</b>	<b>(1,208,097)</b>	<b>(1,246,593)</b>	<b>1,826,803</b>	<b>(1,454,783)</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>2,082,670</b>	<b>874,573</b>	<b>(372,020)</b>	<b>1,454,783</b>	<b>-</b>	<b>-</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 35.3.2 Exposure to interest rate risk (continued)

	Effective annual interest rate	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Non - Sensitive to interest rate	Total
<i>31 December 2023</i>		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<i>Assets</i>							
Cash and balances with Central Bank of Oman	1.50%	-	-	-	500	171,435	171,935
Due from banks	3.48%	50,123	38,115	-	-	-	88,238
Loans, advances and financing, net	6.05%	674,768	97,159	602,277	1,319,956	-	2,694,160
Investment securities	4.98%	11,000	9,383	205,955	40,514	36,453	303,305
Other assets	-	-	-	-	-	19,576	19,576
Property and equipment	-	-	-	-	-	41,131	41,131
<b>Total assets</b>		<b>735,891</b>	<b>144,657</b>	<b>808,232</b>	<b>1,360,970</b>	<b>268,595</b>	<b>3,318,345</b>
<i>Liabilities and equity</i>							
Due to banks	5.06%	91,311	94,490	-	-	-	185,802
Customers' deposits	3.66%	328,739	825,833	1,111,553	10,342	199,199	2,475,666
Borrowed funds	7.02%	-	-	38,500	-	-	38,500
Tax liability	-	-	-	-	-	12,840	12,840
Other liabilities	-	-	-	-	-	84,144	84,144
Tier 1 subordinated bonds	7.50%	-	-	-	-	149,000	149,000
Shareholders' funds	-	-	-	-	-	372,394	372,394
<b>Total liabilities and equity</b>		<b>420,050</b>	<b>920,323</b>	<b>1,150,053</b>	<b>10,342</b>	<b>817,577</b>	<b>3,318,345</b>
<b>Total interest rate sensitivity gap</b>		<b>315,841</b>	<b>(775,666)</b>	<b>(341,821)</b>	<b>1,350,628</b>	<b>(548,982)</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>315,841</b>	<b>(459,825)</b>	<b>(801,646)</b>	<b>548,982</b>	<b>-</b>	<b>-</b>
<i>31 December 2023</i>		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<i>Assets</i>							
Cash and balances with Central Bank of Oman	1.50%	-	-	-	1,299	445,286	446,585
Due from banks	3.48%	130,190	99,000	-	-	-	229,190
Loans, advances and financing, net	6.05%	1,752,643	252,362	1,564,356	3,428,457	-	6,997,818
Investment securities	4.98%	28,571	24,371	534,949	105,232	94,682	787,805
Other assets	-	-	-	-	-	50,847	50,847
Property and equipment	-	-	-	-	-	106,834	106,834
<b>Total assets</b>		<b>1,911,404</b>	<b>375,733</b>	<b>2,099,305</b>	<b>3,534,988</b>	<b>697,649</b>	<b>8,619,079</b>
<i>Liabilities and equity</i>							
Due to banks	5.06%	237,171	245,429	-	-	-	482,599
Customers' deposits	3.66%	853,867	2,145,022	2,887,149	26,862	517,401	6,430,302
Borrowed funds	7.02%	-	-	100,000	-	-	100,000
Tax liability	-	-	-	-	-	33,352	33,352
Other liabilities	-	-	-	-	-	218,556	218,556
Tier 1 subordinated bonds	7.50%	-	-	-	-	387,013	387,013
Shareholders' funds	-	-	-	-	-	967,257	967,257
<b>Total liabilities and equity</b>		<b>1,091,038</b>	<b>2,390,451</b>	<b>2,987,149</b>	<b>26,862</b>	<b>2,123,579</b>	<b>8,619,079</b>
<b>Total interest rate sensitivity gap</b>		<b>820,366</b>	<b>(2,014,718)</b>	<b>(887,844)</b>	<b>3,508,126</b>	<b>(1,425,930)</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>820,366</b>	<b>(1,194,352)</b>	<b>(2,082,196)</b>	<b>1,425,930</b>	<b>-</b>	<b>-</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 35.3.2 Exposure to interest rate risk (continued)

## Exposure and sensitivity analysis

Basel-II Accord has recommended for assessing the impact of interest rate risk by applying upto 200 bps interest rate sensitivity. Earning impact of a 200 basis points parallel shift in interest rate is provided below:

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
47,044	36,127	Impact of +200 bps interest rate increase	13,909	18,112
(47,044)	(36,127)	Impact of -200 bps interest rate decrease	(13,909)	(18,112)

The table below shows the positive and negative fair values of derivative financial instruments, together with the undiscounted cash flows analysed by the term of their maturity.

	Assets RO '000	Liabilities RO '000	Nominal cash flows by term to maturity			
			Notional cash flows RO '000	Within 3 months RO '000	3 to 12 months RO '000	Over 1 year RO '000
<b>At 31 December 2024</b>						
<b>Derivatives for hedging:</b>						
Interest rate swaps						
- Fair value hedge	1,947	117	50,204	25,025	-	25,179
<b>Derivatives:</b>						
Forward purchase contracts	1,459	17	118,073	97,796	20,277	-
Forward sales contracts	116	46	118,073	97,796	20,277	-
	<u>3,522</u>	<u>180</u>	<u>286,350</u>	<u>220,617</u>	<u>40,554</u>	<u>25,179</u>
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Derivatives for hedging:</b>						
Interest rate swaps						
- Fair value hedge	5,058	304	130,400	65,000	-	65,400
<b>Derivatives:</b>						
Forward purchase contracts	3,790	44	306,684	254,016	52,668	-
Forward sales contracts	301	120	306,684	254,016	52,668	-
	<u>9,149</u>	<u>468</u>	<u>743,768</u>	<u>573,032</u>	<u>105,336</u>	<u>65,400</u>
<b>At 31 December 2023</b>	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<b>Derivatives for hedging:</b>						
Interest rate swaps						
- Fair value hedge	1,762	607	69,878	-	-	69,878
- Cash flow hedge	250	190	38,500	-	-	38,500
<b>Derivatives:</b>						
Forward purchase contracts	45	45	222,761	159,482	44,525	18,754
Forward sales contracts	167	98	222,761	159,482	44,525	18,754
	<u>2,224</u>	<u>940</u>	<u>553,900</u>	<u>318,964</u>	<u>89,050</u>	<u>145,886</u>

## 35.3.2 Exposure to interest rate risk (continued)

At 31 December 2023	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
<b>Derivatives for hedging:</b>						
Interest rate swaps						
-Fair value hedge	4,578	1,576	181,501	-	-	181,501
-Cash flow hedge	650	493	100,000	-	-	100,000
<b>Derivatives:</b>						
Forward purchase contracts	117	117	578,600	414,239	115,649	48,712
Forward sales contracts	433	255	578,600	414,239	115,649	48,712
	<u>5,778</u>	<u>2,441</u>	<u>1,438,701</u>	<u>828,478</u>	<u>231,298</u>	<u>378,925</u>

Fair values are included under other assets where positive and other liabilities where negative.

## 35.3.3 Exposure to equity price risk

The Bank's market risk is affected mainly by changes to the actual market price of financial assets. Actual performance of the Bank's local equity portfolio has a correlation to the performance of MSM 30 Index and international equity portfolio for other GCC and other countries has a correlation with their respective stock market index. The table below shows the changes in fair value +/- 5% in the MSM 30 Index and other GCC countries and other countries stock index;

2023 US\$ '000	2024 US\$ '000	Security as per country	2024 RO '000	2023 RO '000
3,818	<b>6,311</b>	MSM - Oman +5% impact	<b>2,430</b>	1,470
(3,818)	<b>(6,311)</b>	MSM - Oman -5% impact	<b>(2,430)</b>	(1,470)
2,883	<b>3,027</b>	Other countries +5% impact	<b>1,165</b>	1,110
(2,883)	<b>(3,027)</b>	Other countries -5% impact	<b>(1,165)</b>	(1,110)

Investment value risk is the risk of reduction in the market value of the Bank's portfolio as a result of diminishment in the market value of individual investment. The responsibility for management of investment value risk rests with the Investment Banking Division under the supervision and guidance of the Credit Investment Committee, Asset and Liabilities Committee and Executive Risk Committee of the Bank. The Bank's investments are governed by an investment policy approved by the Board of Directors. The rating and price of the instruments are monitored on a regular basis and necessary actions are taken to reduce exposure if needed. The portfolio of investments is revalued at market price to ensure that unrealised losses, if any, on account of reduction in the market value of the investments remains within the acceptable parameters.

## 35.3.4 Exposure to currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within established limits. The Bank also monitors foreign currency risk as per requirements and the same was within regulatory limit as at 31 December 2024.

The Bank had the following net exposures denominated in foreign currencies:

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
81,719	<b>360,278</b>	US Dollar	<b>138,707</b>	31,462
764	<b>2,703</b>	Euro	<b>1,041</b>	294
14,855	<b>3,488</b>	UAE Dirham	<b>1,343</b>	5,719
144	<b>207</b>	GBP Sterling	<b>80</b>	56
9,146	<b>7,108</b>	Others	<b>2,736</b>	3,521
<u>106,628</u>	<u><b>373,784</b></u>		<u><b>143,907</b></u>	<u>41,052</u>

**35.3 MARKET RISK (continued)****35.3.4 Exposure to currency risk (continued)**

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Changes in the non parity foreign currency rates as at 31 December 2024 and 31 December 2023 on net assets is considered negligible.

**35.4 OPERATIONAL RISK**

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises due to variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external events and to include risks other than credit, market and liquidity risks.

The Bank's objective is to manage operational risk to avoid/ reduce financial losses to the Bank by establishing necessary controls, systems and procedures. The Bank recognises that an over controlled environment may affect the Bank's business and earnings besides adding to costs. Therefore, the Bank aims at effective management of operational risk through control optimisation and well established systems, methods and governance framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards in the following areas for management of operational risk:

- Clear reporting lines
- Proper delegation of powers
- Appropriate segregation of duties and authorisation of transactions through a maker checker system and authorisation matrix reporting lines
- Ownership, reconciliation and monitoring of accounts
- Documentation of controls and processes
- Compliance with regulatory and other legal requirements
- Periodic assessment of the operational risks faced and evaluating the adequacy of controls and procedures to address the risks identified
- Reporting of operational losses and incidents triggering operational losses and remedial action
- Development of contingency plans
- Training, skill upgradation and professional development
- Ethical and business standards
- IT and cyber risks
- Risk mitigation through insurance, where this is cost-effective

Compliance with Bank standards is complemented by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Compliance Committee and senior management of the Bank. The Bank has a comprehensive Operational Risk Management Framework by which the Bank has put in place Operational Risk Management Policy, Operational Risk Self Assessment (ORSA) Policy, Operational Risk Loss Event Reporting Framework, Maintenance of Operational Risk Loss Data Base.

The Bank carries out a comprehensive Business Continuity (BCP) test on an annual basis.

**35.5 CAPITAL MANAGEMENT**

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratio in order to support its business and to maximise shareholders value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. However, no changes are made in the objectives, policies and processes from the previous years as far as management of capital is concerned.

The Bank carries out regular Internal Capital Adequacy Assessment Process (ICAAP) exercise for assessing the Bank's capital adequacy in case of various stressed scenarios.

## 35.5 CAPITAL MANAGEMENT (continued)

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014. CBO through its circular SDD/CBS/CB/2024/108 dated June 26, 2024 restored the capital conservation buffer to 2.5%. Accordingly, the minimum capital adequacy ratio requirement for the year is 13.5% including capital conservation buffer of 2.5% (31 December 2023: 12.25% including capital conservation buffer of 1.25%). In order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the banks, CBO issued a requirement to apply a "prudential filter" approach on IFRS 9 expected credit loss (ECL) provisions on calculating the regulatory capital. Any increase in the Stage 2 provisioning since December 31, 2019 will be added back to regulatory capital while these provisions will be gradually phased-in during a five-year period ending 31 December 2024. The impact of above filter on the bank's regulatory capital is 10 bps.

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
890,896	867,767	Common Equity Tier 1 (CET1)	334,090	342,995
387,013	465,886	Additional Tier 1	179,366	149,000
1,277,909	1,333,653	Tier 1	513,456	491,995
32,382	20,134	Tier 2	7,752	12,467
1,310,291	1,353,787	<b>Total regulatory capital</b>	<b>521,208</b>	<b>504,462</b>
		<b>Risk weighted assets</b>		
6,931,181	7,855,604	Credit risk	3,024,407	2,668,505
208,888	493,050	Market risk	189,824	80,422
407,842	453,828	Operational risk	174,724	157,019
7,547,911	8,802,482	<b>Total risk weighted assets</b>	<b>3,388,955</b>	<b>2,905,946</b>
		<b>Capital adequacy ratio</b>		
11.80%	9.86%	CET1 capital expressed as a percentage of total risk-weighted assets	9.86%	11.80%
16.93%	15.15%	Total tier I capital expressed as a percentage of total risk-weighted assets	15.15%	16.93%
0.43%	0.23%	Tier II capital expressed as a percentage of total risk-weighted assets	0.23%	0.43%
17.36%	15.38%	<b>Total regulatory capital expressed as a percentage of total risk-weighted assets</b>	<b>15.38%</b>	<b>17.36%</b>

## 36 SEGMENT INFORMATION

Segment information is presented in respect of the Bank's operating segments. For management purposes, the Bank is organised into two operating segments based on products and services as follows:

- Retail banking includes customers' deposits, unrestricted investment account, consumer loans, overdrafts, credit card, Islamic financing and fund transfer facilities.
- Wholesale banking, treasury and investments include deposits including current accounts, term deposit, loans & advances and Islamic financing etc. for corporate and institutional customers, Treasury, Trade Finance and Investment Banking Services.

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the profit after tax. Geographical distribution of major assets are provided in note 36.1.9 and all liabilities are originated in Oman.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on pool rate, which is approximates the cost of the funds.

## 36 SEGMENT INFORMATION (continued)

Segment information is as follows:

	2024			2023		
	Retail banking RO '000	Wholesale banking, Treasury & Investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, Treasury & Investment RO '000	Total RO '000
Net interest income	24,070	34,129	58,199	22,816	37,989	60,805
Net income from Islamic financing and investments	9,360	6,343	15,703	6,776	8,715	15,491
<b>Net interest income and income from Islamic financing and investments</b>	<b>33,430</b>	<b>40,472</b>	<b>73,902</b>	<b>29,592</b>	<b>46,704</b>	<b>76,296</b>
Fee and commission income, net & Other operating income	3,576	30,827	34,403	3,879	18,365	22,244
<b>Net operating income</b>	<b>37,006</b>	<b>71,299</b>	<b>108,305</b>	<b>33,471</b>	<b>65,069</b>	<b>98,540</b>
Net impairment on financial assets	827	(14,255)	(13,428)	(711)	(12,381)	(13,092)
Operating expenses	(28,680)	(17,716)	(46,396)	(25,760)	(17,372)	(43,132)
<b>Profit before taxation</b>	<b>9,153</b>	<b>39,328</b>	<b>48,481</b>	<b>7,000</b>	<b>35,316</b>	<b>42,316</b>
Tax expense	(1,291)	(5,528)	(6,819)	(999)	(4,865)	(5,864)
<b>Segment profit for the year</b>	<b>7,862</b>	<b>33,800</b>	<b>41,662</b>	<b>6,001</b>	<b>30,451</b>	<b>36,452</b>
<b>Segment assets</b>	<b>844,515</b>	<b>2,910,413</b>	<b>3,754,928</b>	<b>758,513</b>	<b>2,559,833</b>	<b>3,318,345</b>
<b>Segment liabilities</b>	<b>1,266,182</b>	<b>1,930,727</b>	<b>3,196,909</b>	<b>1,053,354</b>	<b>1,743,597</b>	<b>2,796,951</b>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	62,520	88,646	151,166	59,262	98,673	157,935
Net income from Islamic financing and investments	24,312	16,474	40,786	17,602	22,635	40,237
<b>Net interest income and income from Islamic financing and investments</b>	<b>86,832</b>	<b>105,120</b>	<b>191,952</b>	<b>76,864</b>	<b>121,308</b>	<b>198,172</b>
Fee and commission income, net & Other operating income	9,288	80,069	89,357	10,074	47,699	57,773
<b>Net operating income</b>	<b>96,120</b>	<b>185,189</b>	<b>281,309</b>	<b>86,938</b>	<b>169,007</b>	<b>255,945</b>
Net impairment on financial assets	2,148	(37,025)	(34,877)	(1,847)	(32,158)	(34,005)
Operating expenses	(74,492)	(46,017)	(120,509)	(66,909)	(45,123)	(112,032)
<b>Profit before taxation</b>	<b>23,776</b>	<b>102,147</b>	<b>125,923</b>	<b>18,182</b>	<b>91,726</b>	<b>109,908</b>
Tax expense	(3,353)	(14,360)	(17,713)	(2,595)	(12,637)	(15,232)
<b>Segment profit for the year</b>	<b>20,423</b>	<b>87,787</b>	<b>108,210</b>	<b>15,587</b>	<b>79,089</b>	<b>94,676</b>
<b>Segment assets</b>	<b>2,193,546</b>	<b>7,559,514</b>	<b>9,753,060</b>	<b>1,970,163</b>	<b>6,648,916</b>	<b>8,619,079</b>
<b>Segment liabilities</b>	<b>3,288,784</b>	<b>5,014,876</b>	<b>8,303,660</b>	<b>2,735,983</b>	<b>4,528,826</b>	<b>7,264,809</b>

## 37 FIDUCIARY ACTIVITIES

The Bank's fiduciary activities consist of investment management activities conducted as trustee and manager as a part of the Discretionary Portfolio Management portfolio. The aggregate of the funds managed which are not included in the Bank's statement of financial position were RO 122.038 million which is equivalent to US\$ 316.982 million (2023: RO 25.504 million equivalent to US\$ 66.25 million)

## 38 COMPARATIVE FIGURES

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current year for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or owner's equity.



**AHLI ISLAMIC**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2024

2023 US\$ '000	2024 US\$ '000		Note	2024 RO '000	2023 RO '000
<b>ASSETS</b>					
203,740	127,229	Cash and balances with Central Bank of Oman	6	48,983	78,440
100,678	164,338	Due from banks	7	63,270	38,761
161,174	160,561	Investment securities	11	61,816	62,052
106,768	152,296	Murabaha receivables	8	58,634	41,106
166,169	371,452	Wakala bil Istithmar	9	143,009	63,975
802,570	922,171	Musharaka receivables	10	355,036	308,990
223,901	207,701	Ijarah assets - Ijarah Muntahia Bittamleek	12	79,965	86,202
2,797	4,049	Credit Card receivables	13	1,559	1,077
6,946	15,104	Service ijarah	14	5,815	2,674
13,101	-	Istisna receivable	15	-	5,044
192	88	Qard Hassan Financing	16	34	74
14,481	22,460	Property, equipment and intangibles	17	8,647	5,575
12,878	26,078	Other assets	18	10,040	4,958
1,815,395	2,173,527	<b>TOTAL ASSETS</b>		<b>836,808</b>	698,928
<b>LIABILITIES</b>					
21	60	Due to banks	19	23	8
75,624	90,104	Customers' current accounts		34,690	29,116
30,158	46,901	Other liabilities	20	18,057	11,611
105,803	137,065	<b>TOTAL LIABILITIES</b>		<b>52,770</b>	40,735
1,504,431	1,797,603	Quasi Equity	21	692,077	579,206
1,610,234	1,934,668	<b>TOTAL LIABILITIES AND QUASI EQUITY</b>		<b>744,847</b>	619,941
<b>OWNERS' EQUITY</b>					
116,883	129,870	Share capital	22	50,000	45,000
(397)	(787)	Investment fair value reserve		(303)	(153)
8,787	8,753	Impairment reserve		3,370	3,383
79,888	101,023	Retained earnings		38,894	30,757
205,161	238,859	<b>TOTAL OWNERS' EQUITY</b>		<b>91,961</b>	78,987
1,815,395	2,173,527	<b>TOTAL LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>		<b>836,808</b>	698,928
140,855	117,127	Contingencies and Commitments	23	45,094	54,229

The financial statements and the accompanying notes were approved by the Board of Directors on 29th January 2025 and signed on their behalf by:

Hamdan Ali Nasser Al Hinai  
Chairman

Said Abdullah Al Hatmi  
Chief Executive Officer

The accompanying notes form an integral part of these financial statements

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2024**

2023 US\$ '000	2024 US\$ '000		Note	2024 RO '000	2023 RO '000
		<b>Operating Income</b>			
75,762	94,740	Income from financing activities	24	36,475	29,168
9,462	10,961	Income from investing activities	25	4,220	3,643
8,055	17,138	Other operating income	26	6,598	3,101
93,279	122,839			47,293	35,912
		<b>Operating expenses</b>			
(12,556)	(14,950)	Staff expenses	28	(5,756)	(4,834)
(2,535)	(2,964)	Depreciation	17	(1,141)	(976)
(5,833)	(10,927)	Other operating expenses	29	(4,207)	(2,245)
(20,924)	(28,841)			(11,104)	(8,055)
		<b>Net Operating Income - before impairment and expected credit losses</b>			
72,355	93,998			36,189	27,857
(4,413)	(4,255)	Allowance for impairment and expected credit losses – net		(1,638)	(1,699)
67,942	89,743	<b>Net Operating Income</b>		34,551	26,158
(46,358)	(64,917)	Profit attributable to quasi - equity	27	(24,993)	(17,848)
		<b>Net income before tax</b>			
21,584	24,826			9,558	8,310
(3,239)	(3,725)	<b>Taxation</b>		(1,434)	(1,247)
18,345	21,101	<b>Net income for the year</b>		8,124	7,063
		<b>Other comprehensive (loss) / income</b>			
		<b>Items that will not be reclassified to profit or loss</b>			
161	(1,185)	Changes in fair value of securities measured through equity		(456)	62
		<b>Items that will be reclassified to profit or loss</b>			
1,275	795	Changes in fair value of debts measured through equity		306	491
1,436	(390)	<b>Other comprehensive (loss) / income for the year</b>		(150)	553
19,781	20,711	<b>Total comprehensive income for the year</b>		7,974	7,616

The accompanying notes form an integral part of these financial statements

**STATEMENT OF CHANGES IN OWNERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Share capital RO '000	Investment fair value reserve RO '000	Impairment reserve RO '000	Retained earnings RO '000	Total RO '000
Balance at 1 January 2024	45,000	(153)	3,383	30,757	78,987
Profit for the year	-	-	-	8,124	8,124
Other comprehensive income	-	(150)	-	-	(150)
Transfer from impairment reserve	-	-	(13)	13	-
Allocation of capital	5,000	-	-	-	5,000
<b>At 31 December 2024</b>	<b>50,000</b>	<b>(303)</b>	<b>3,370</b>	<b>38,894</b>	<b>91,961</b>
<b>At 31 December 2024 (US\$ '000)</b>	<b>129,870</b>	<b>(787)</b>	<b>8,753</b>	<b>101,023</b>	<b>238,859</b>

  

	Share capital RO '000	Investment fair value reserve RO '000	Impairment reserve RO '000	Retained earnings RO '000	Total RO '000
Balance at 1 January 2023	35,000	(706)	4,553	22,524	61,371
Profit for the year	-	-	-	7,063	7,063
Other comprehensive income	-	553	-	-	553
Transfer from impairment reserve	-	-	(1,170)	1,170	-
Allocation of capital	10,000	-	-	-	10,000
<b>At 31 December 2023</b>	<b>45,000</b>	<b>(153)</b>	<b>3,383</b>	<b>30,757</b>	<b>78,987</b>
<b>At 31 December 2023 (US\$ '000)</b>	<b>116,883</b>	<b>(397)</b>	<b>8,787</b>	<b>79,888</b>	<b>205,161</b>

The accompanying notes form an integral part of these financial statements

**STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI - EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2024**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
93,279	122,839	<b>Operating income before profit attributable to quasi-equity</b>	47,293	35,912
(17,517)	(28,099)	Less: Income not attributable to quasi-equity	(10,818)	(6,744)
75,762	94,740	<b>Net operating income attributable to quasi-equity</b>	36,475	29,168
		<b>Profit equalization reserve - net movement</b>		
57	262	Add: Opening	101	22
262	509	Less: Closing	196	101
319	247	<b>Net movement in reserve</b>	(95)	(79)
76,081	94,987	<b>Total income attributable to quasi-equity - reserve adjusted</b>	36,380	29,089
1,091	(1,267)	Less: mudarib share	(488)	420
(30,814)	(28,803)	Less: Bank's fee as wakeel - from wakala	(10,899)	(11,661)
46,358	64,917	<b>Total income attributable to quasi-equity</b>	24,993	17,848

The accompanying notes form an integral part of these financial statements

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

<b>STATEMENT OF CASH FLOWS</b>				
<b>FOR THE YEAR ENDED 31 DECEMBER 2024</b>				
2023	2024		2024	2023
US\$ '000	US\$ '000	Note	RO '000	RO '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
21,584	24,826		9,558	8,310
<b>Net income before tax</b>				
<i>Adjustments for:</i>				
2,535	2,964	17	1,141	976
4,413	4,255		1,638	1,699
(621)	(16)		(6)	(239)
27,911	32,029		12,331	10,746
(7,592)	(37,125)		(14,293)	(2,923)
33,151	(121,758)		(46,877)	12,763
(3,036)	(8,164)		(3,143)	(1,169)
(686)	(1,249)		(481)	(264)
(91,083)	(205,083)		(78,957)	(35,067)
(13,117)	13,117		5,050	(5,050)
(192)	104		40	(74)
(99,000)	99,000		38,115	(38,115)
(1,626)	(13,403)		(5,160)	(626)
(2,242)	39		15	(863)
(8,699)	14,478		5,574	(3,349)
8,195	11,983		4,613	3,155
318,013	293,171		112,871	122,435
159,997	77,139		29,698	61,599
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
5,218	5,532		2,130	2,009
(31,919)	(260)		(100)	(12,289)
2,119	4,249		1,636	816
(7,156)	(11,584)	17	(4,460)	(2,755)
(31,738)	(2,063)		(794)	(12,219)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
25,974	12,987		5,000	10,000
(1,345)	(2,065)		(795)	(518)
24,629	10,922		4,205	9,482
152,888	85,998		33,109	58,862
52,683	205,571		79,145	20,283
205,571	291,569		112,254	79,145
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Refer below)</b>				
2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
203,740	127,229	6	48,983	78,440
1,831	164,340	7	63,271	705
205,571	291,569		112,254	79,145

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Ahli Islamic (The Islamic Window) was licensed by Central Bank of Oman (CBO) to operate as an Islamic Banking Window of Ahli Bank SAOG (The Bank). The Islamic Window offers a full range of Islamic banking services and products. The principal activities of the Islamic Window include accepting Sharia compliant Istisna, Qard Hassan, customer deposits, providing Sharia compliant financing based on Murabaha, Wakala, Musharaka, Ijarah, Istisna and undertaking investment activities and providing commercial banking services and other investment activities permitted under the Islamic Banking Regulatory Framework (IBRF) issued by the CBO. The Islamic Window was operating through a network of twenty five branches as at year end (31 December 2023: twenty two branches).

The Islamic Window employed 209 employees as at 31 December 2024 (31 December 2023: 187 employees).

**2 BASIS OF PREPARATION****2.1 Statement of compliance**

The Islamic Window is not a separate legal entity, the separate financial statements of the Islamic Window has been prepared to comply with the requirements of Articles 1.5.1.2 to 1.5.1.4 of Title 2 'General Obligations and Governance' of IBRF issued by the CBO. These financial statements are prepared in accordance with Financial Accounting Standards (FAS) issued by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Islamic Window and other applicable requirements of CBO. In accordance with the requirements of AAOIFI, for matters which are not covered by AAOIFI and other directives, the Islamic Window uses the relevant International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

These financial statements pertain to the Islamic Window operations only and do not include financial results of the Bank. Statement of restricted investment accountholders, statement of Qard fund and Zakat are not presented as these are not applicable. Complete set of financial statements of the Bank is presented separately.

**2.2 Basis of measurement**

The financial statements have been prepared under the historical cost convention except for investments classified as instruments at Fair value through equity which have been measured at fair value.

**2.3 Functional and presentation currency**

The financial statements are prepared in Rial Omani ('RO') which is the functional and reporting currency of the Bank. The United States Dollar ('US\$') amounts shown in the financial statements have been translated from Rial Omani at an exchange rate of RO 0.385 to each US\$, and are shown for the convenience of the user of financial statements only as supplemental information. All financial information presented in Rial Omani and US Dollars has been rounded to the nearest thousand, unless otherwise stated.

**2.4 Use of judgements and estimates**

The preparation of financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

**3 STANDARDS, AMENDMENTS AND INTERPRETATIONS**

During the year, the Islamic Window applied the following standards in preparation of these financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Islamic Window.

**3.1 FAS 1 (Revised) General Presentation and Disclosure in the Financial Statements**

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 .

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

The Islamic window has adopted this standard from its effective date and applied changes in certain presentation and disclosures in its financial statements. The adoption of this standard did not have any significant impact on recognition and measurement. Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quassi equity is introduced; c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current.

**3.1.1 FAS 40 Financial Reporting for Islamic Finance Windows**

This standard was issued in 2021. The objective of this standard is to establish financial reporting requirement for Islamic finance window and applicable to all conventional financial institutions providing Islamic financial services through and Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services offered by Conventional Financial Institutions". This standard shall be effective for the financial periods beginning on or after 1st January 2024. The Islamic Window is assessing the impact of these standards on the financial statements upon the initial application.

**3.1.2 FAS 44 Determining control of assets and business**

The objective of this standard is to establish the principles of assessing as to whether and when and institution controls an asset or a business, both in case of underlying asset(s) of a participatory structure, as well as, for the purpose of consolidation of financial statements of subsidiaries

**3.2 Standards, amendments and interpretations effective in 2024 and relevant for the Bank's operations****3.2.1 FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions**

This standard was issued in 2022. The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents and disclosures in the financial statements and a recommended structure of financial statements that facilitates fair presentation in line with Shari'ah principles and rules for Takaful institutions . This standard shall be effective for the financial periods beginning on or after 1st January 2025, with early adoption permitted. Since, it is applicable to Takaful Institutions, the Islamic Window will not be impacted by these amendments.

**3.2.2 FAS 43 Accounting for Takaful: Recognition and Measurement**

This standard was issued in 2022. The objective of this standard is to set out principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. This standard shall be effective for the financial periods beginning on or after 1st January 2025, with early adoption permitted. The Islamic Window is assessing the impact of these standards on the financial statements upon the initial application. Since, it is applicable to Takaful Institutions, the Islamic Window will not be impacted by these amendments.

**3 STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)****3.2.3 FAS 45 Quasi - equity including investment accounts**

The objective of this standard is to establish the principles of financial reporting related to instruments classified as quasi-equity, such as investment accounts and similar instruments invested with the Islamic financial institutions (IFIs / the institutions). Quasi-equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting" (the conceptual framework). This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted.

**3.2.4 FAS 46 Off - Balance sheet assets under management**

The objective of this standard is to establish the principles of financial reporting related to off-balance-sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting" (the conceptual framework). This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi - Equity (including Investment Accounts).

**3.2.5 FAS 47 Transfer of assets between investment pools**

The objective of this standard is to establish the principles of financial reporting principles that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted.

**4 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below:

**4.1 Foreign currency translation**

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the reporting date. Any resulting exchange differences are included in 'other operating income' in the statement of income.

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognized in the statement of income, except for non-monetary financial assets, such as investments classified as at Fair value through other comprehensive income, which are included in 'investments fair value reserve' in statement of changes in owners' equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, balances with Central Bank of Oman, due from and due to banks and highly liquid financial assets with original maturities of up to three months, which are subject to insignificant risk of changes in their fair value, and are used by the Islamic Window in management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**4.3 Murabaha receivable**

Murabaha receivables are sales on deferred profits. The Islamic Window arranges a Murabaha transaction by buying a commodity (which represents the object of the Murabaha) and then resells this commodity to customer (beneficiary) after computing a margin of profit over cost. The sale price (cost plus profit margin) is repaid in installments by the customer over the agreed period. Murabaha receivables are stated net of deferred profits and expected credit loss allowance, if any.

**4.4 Musharaka**

In Musharaka based financing, the Islamic Window enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilization of the Islamic Window's Musharaka share by the customer.

**4.5 Wakala bil Istithmar**

The Islamic Window invests money with banks and other customers on Wakala bil Istithmar basis in return for a Wakala fee. The Islamic Window also accepts money from customers on Wakala bil Istithmar basis on unrestricted Wakala arrangement. The arrangement may include an agreement that any profit over and above the expected profit rate will be retained by Wakil as performance fee. The principal would be responsible to bear any loss of Wakala Capital unless it is due to the negligence of Wakala contractual terms on the part of Wakil.

**Wakala Investment Accounting**

FAS 31 requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the Wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

In case of Wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the Wakala venture, net of any agent's remuneration including variable remuneration payable as of that date.

From the principal's perspective, the Islamic Window opted to use Wakala venture approach using equity method of accounting instead of pass-through approach given the practical difficulties for the principal to identify the assets in which funds are invested in and the principal is unable to obtain relevant information with regards to the assets and their performance without undue cost and efforts.

The Islamic Window provides funds to other banks and non-banking customers under this Wakala venture arrangement where the Islamic Window is acting as principal. Those Wakala funds are mainly invested in money market placements and other Shari'a-compliant businesses.

**Wakala - Agency Accounting**

From the agent's perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach where, by virtue of additional considerations attached to the instrument based on investment agency arrangement, may allow the same to be accounted for as on-balance sheet. An agent may also maintain multi-level investment arrangement.

**4.6 Ijarah assets – Ijarah Muntahia Bittamleek**

Ijarah Muntahia Bittamleek (Ijarah MBT) is a hybrid Ijarah arrangement which, in addition to the Ijarah contract, includes a promise resulting in transfer of the ownership of the underlying asset to the lessee, either after the end of the term of the Ijarah period or by stages during the term of the contract. Such transfer of the ownership is executed through a sale or a gift, or a series of sales transactions – independent of Ijarah contract.

The Islamic Window, in its capacity either as a lessor or lessee, classifies each of its Ijarah as:

**4.6 Ijarah assets – Ijarah Muntahia Bittamleek (continued)**

- a. an operating Ijarah;
- b. an Ijarah MBT, including the following types:
  - i. an Ijarah MBT – with expected transfer of ownership after the end of the Ijarah term – either through a sale or a gift;  
or
  - ii. an Ijarah MBT with gradual transfer – with gradual transfer of ownership during the Ijarah term (including Diminishing Musharaka Ijarah).

Assets acquired for Ijarah are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the period of the lease or useful life, whichever is lower. Ijarah income receivables represent outstanding rentals at the end of the period less any expected credit losses.

**4.7 Investments**

Investment securities comprise investments in debt-type, equity-type or other investment instruments.

**Classification**

Debt-type instruments are a type of investment instruments, whereby the transaction structure results in creation of a monetary or non-monetary liability. Equity-type instruments are the instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument. Other investment instruments are such investment instruments which do not meet the definition of either debt-type or equity-type instruments.

Investments in debt-type instruments are classified into the following categories:

- 1) at amortised cost
- 2) at fair value through other comprehensive income
- 3) fair value through income statement

An investment is measured at amortised cost if both of the following conditions are met:

- a. the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument
- b. the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

An investment is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment
- b. the investment represents a non-monetary debt-type instrument or other investment instrument having reasonably determinable effective yield.

An investment is measured at fair value through income statement unless it is measured at amortised cost or at fair value through other comprehensive income through an irrevocable election at initial recognition.

On initial recognition, the Islamic window makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through other comprehensive income.

**4.7 Investments (continued)****Measurement****Initial recognition**

All investments are initially recognized at their fair value plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the income statement when incurred.

At the end of each reporting period, investments carried at amortised cost are re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the income statement. While applying the effective profit rate method, the commencement (or consummation in case of trade-based transaction) date of the respective transaction in line with Shari'ah is considered as the date of initial cash outflow, if the investment is made at the subscription stage of the instrument or at any time before the commencement (consummation) of such transaction. Investments carried at amortised cost are tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

**Subsequent measurement**

Investments carried at fair value through income statement are re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value is recognized in the income statement. All other income and expenses arising from these investments shall be recognized in the income statement.

Investments carried at fair value through other comprehensive income are re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value is directly recognized in equity under "investments fair value reserve".

Investments carried at fair value through other comprehensive income are tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

**Measurement principles****Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fee and points paid or received that are an integral part of the effective profit rate.

**Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Islamic window measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Islamic window by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

**4.8 Credit Cards**

Credit card receivable is based on the Islamic financial principle of profit-free Qard Hasan whereby the customer is required to repay the utilised amount without any profit. In addition, the customer may be charged a monthly fees which could be waived off at the discretion of the Islamic Window.

**4.9 Service Ijarah**

Service ijarah is based on ijarah principle, whereby Islamic window acquires the services from the third party and then sub-lease it to the customers. Service ijarah are stated at cost net of expected credit loss allowance if any

**4.10 Istisna receivable**

Istisna receivable is a sale agreement between the Islamic window as a seller and the customer as the ultimate purchaser whereby, the Islamic window undertakes to have manufactured (or Acquire) goods and sell it to the customer for an agreed price on completion at future dates. Istisna receivable are stated at net deferred profit and expected credit loss.

**4.11 Qard Hasan**

Qard Hasan is based on Islamic financial principle of profit-free Qard Hasan whereby, the customer is required to repay the financing amount without any profit. Qard Hasan finance is stated at cost net of expected credit loss allowance, if any

**4.12 Property, equipment and Intangibles**

Items of Property, equipment and Intangibles are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided on a straight-line basis over the estimated useful lives of Property, equipment and Intangibles.

The estimated useful lives for the current period are as follows:

	<b>Years</b>
Building	25
Leasehold improvements	5 - 10
Computer and other equipment	5 - 10
Intangibles	5 - 10
Vehicles	5
Furniture	10

Intangible assets, including computer software and core banking system, are amortised over their estimated useful life of 5-10 years and carried net of accumulated amortisation and impairment losses.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date. Capital work in progress is not depreciated until the asset is put to use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

Repairs and renewals are charged to the income statement when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognised in the income statement as an expense when incurred.

**4.13 Customers' current accounts**

Customers' current accounts are treated on the basis of "Qard". No profit or loss is passed on to current account holders, however the funds of current accounts are treated as equity for the purpose of profit calculation for investments account holders and any profit earned / loss incurred on those funds are allocated to the equity of the Islamic Window.

**4.14 Equity of investment account holders (Quasi - Equity)**

Equity of investment account holders (IAH) are funds held by the Islamic Window in pool of unrestricted investment account, which is invested by the Islamic Window ('Mudarib') in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts. The funds received under the Wakala arrangement is invested in the investment pool and is considered as investment made by an investment account holder. Under both the Mudaraba and a comingled Wakala arrangement, the investment account holder authorizes the Islamic Window to invest the account holder's funds in a manner which the Islamic Window deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Islamic Window charges management fee (Mudarib fees) to investment account holders. The allocation of income is determined by the management of the Islamic Window at a pre-agreed ratio with IAH. Administrative expenses incurred in connection with the management of the fund are borne directly by the Islamic Window and are not charged to investment accounts.

Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment account holders are carried at cost plus profit and related reserves less amounts settled. The basis applied by the Islamic Window in arriving at the equity of investment account holder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Islamic Window does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share profits from the Mudaraba investment pool in the capacity of Mudarib. Under FAS 30, ECL is allocated to the assets invested using funds from unrestricted investment accounts.

**4.15 Profit equalisation reserve**

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment account holders.

**4.16 Investment risk reserve**

Investment risk reserves are amounts appropriated out of the income of equity of investment account holders, after allocating the mudarib share, in order to cater against future losses for equity of investment account holders.

**4.17 Revenue recognition****4.17.1 Murabaha**

Income on Murabaha transactions is recognised by proportionately allocating the attributable profits over the period of the transaction where each financial period carries its portion of profit irrespective of whether or not cash is received, net of suspended profit.

**4.17.2 Musharaka**

Income on Musharaka is recognised on accrual basis, net of suspended profit.

**4.17.3 Ijarah**

Rentals accrued from ijarah financings is recognised on a time-apportioned basis over the lease term net of depreciation charged are taken to the income statement, net of suspended profit.

**4.17.4 Wakala bil Istithmar**

Income from Wakala bil Istithmar placements is recognised on a time apportioned basis so as to yield a expected rate of return based on the wakala capital.

**4.17.5 Income from investments**

Income from investments is recognised when earned.

**4.17.6 Istisna**

Profit from Istisna is recognised using proportionate allocation over the futuer financial period of financing whereby, each financial period shall carry its portion of profits irrespective of wether or not cash received, net of suspended profit.

**4.17.7 Service Ijarah**

Service ijraha income is recognised on the portion basis over the ijarah term, net of suspended profit

**4.17.8 Dividend**

Dividend income is recognised when right to receive payment is established.

**4.17.9 Fee and commission**

Fee and commission income recognised when earned.

Commission on letters of credit and letters of guarantee are recognised as income over the period of the transaction.

Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognised when the Islamic Window has fulfilled all its obligations in connection with the related transaction.

**4.17.10 Islamic Window share as a Mudarib**

The Islamic Windows' share as Mudarib for managing equity of investment accountholders is accrued based on the terms and conditions of the related mudaraba agreement.

**4.17.11 Profit suspension**

Profit receivable which is doubtful of recovery is excluded from the profit recognised until it is received in cash.

**4.18 Provisions**

Provisions are recognised when the Islamic Window has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**4.19 Taxation**

Taxation is calculated and paid by the Bank on an overall basis. Taxation expense in these financial statements represents allocation of such taxation to the Islamic Window. The notional tax expense on the Islamic Window result for the year at the statutory effective taxrate would amount to RO 1.434 Mn (2023: 1.247Mn).

**4.20 Impairment of Financial Contracts**

Financing and investment contracts consist of balances with banks and the Central Bank of Oman, due from banks, investment securities, Wakala bil Istithmar, Murabaha receivables (net of deferred profits), Diminishing Musharaka, Ijarah Muntahia Bittamleek, Service ijarah, Istisna receivable Sukuk, financing commitments and guarantees and other financial assets.

**Impairment assessment - ECL**

The Islamic Window applies three-stage approach to measure ECL. Assets subject to ECL approach shall include all financing & investment contracts and off-balance sheet exposures including guarantees, letters of credit, forward foreign exchange and other similar positions. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

**Measurement of ECL**

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Islamic Window approach leveraged the existing regulatory capital models and processes for financing portfolios that use the existing Internal Rating based and behavioral credit models. FAS 30 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Islamic Window measures loss allowances and provisions at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Credit loss allowances and provisions are measured using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss and provision is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss and provision based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

For financial assets in Stage 1 and Stage 2, the Islamic Window calculates profit income by applying the Effective Profit Rate to the gross carrying amount (i.e., without deduction for ECLs).

Profit income for financial assets in Stage 3 is calculated by applying the EIR to the amortized cost (i.e., the gross carrying amount less the credit loss allowance).

**4.20 Impairment of Financial Contracts (continued)**

The key inputs into the measurement of ECL are the term structure of the following variables:

- (i) Probability of default (PD);
- (ii) loss given default (LGD);
- (iii) exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

**Presentation of allowance for ECL in the statement of financial position**

Allowance for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no provision is recognized in the Statement of Financial Position because the carrying value of these assets is their fair value. However, the provision determined is disclosed and recognised in the fair value reserve
- Off-balance sheet credit risks include undrawn financing commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

**Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the financee, then ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial assets are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

**Write off**

Financing receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Islamic Window. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the financing impairment account. If a write-off is later recovered, the recovery is credited to the income statement.

**4.21 Fair value**

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- For quoted investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.

- For unquoted investments, fair values is determined by reference to recent significant buy or sell transaction with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

- For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Islamic Window using current profit rates. For investments with similar terms and risk characteristics.

- Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less impairment loss, if any.

**4.22 De-recognition of financial assets and liabilities**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired;

- the Islamic Window retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- the Islamic Window has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**4.23 Employee terminal benefits****4.23.1 Terminal benefits**

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labor Law as amended. Contribution to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of profit or loss when incurred.

**4.23.2 Short term benefits**

Short term benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

**4.24 Earnings prohibited by Sharia**

The Islamic Window is committed to avoid recognising any income generated from non-Islamic sources. Accordingly all non-Islamic income is credited to the charity account where the Islamic Window uses these funds for charitable purposes.

**4.25 Zakah**

Zakah is calculated in accordance with FAS 9 Zakah using the net assets method. The Islamic Window will calculate the "Zakah base" based on audited financial statements and after approval from Sharia Supervisory Board, notify the Shareholders of their pro-rata share of the Zakah payable annually. Payment of Zakah on the investment accounts and other accounts is the responsibility of investment account holders.

**4.26 Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Islamic Window has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**4.27 Sharia Supervisory Board**

The Islamic Window's business activities are subject to the supervision of a Sharia Supervisory Board consisting of members appointed by the general assembly of shareholders.

**4.28 Joint and self financed**

Assets that are jointly owned by the Islamic Window and the investment account holders are presented as "jointly financed" in the financial statements. All other assets are "self financed".

**4.29 Commingling of funds**

The funds of Islamic Window are not commingled with the funds of Conventional Operations of the Bank.

**4.30 Trade date accounting**

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. that date the Islamic Window commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the market place.

**4.31 Fiduciary Assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Islamic Window in the statement of financial position.

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The Islamic Window's significant accounting estimates are in the following:

**5.1 Financial asset classification**

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

**5.2 Measurement of the expected credit loss allowance and provisions**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and Fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 33, which also sets out key sensitivities of the ECL to changes in these elements.

**5.2 Measurement of the expected credit loss allowance and provisions (continued)**

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for measurement of ECL;
- establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL
- establishing groups of similar financial assets for the purposes of measuring ECL.

**5.3 Useful life of property, equipment and Intangible and Ijarah Muntahia Bittamleek**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

**5.4 Going concern**

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

For the year ended 31 December 2024, the Islamic window has recognised a net profit after tax of RO 8.214 million. The Islamic window's quarterly average high quality liquid assets were RO 87.278 million as at 31 December 2024 with the liquidity coverage ratio of 215.46%.

**6 CASH AND BALANCES WITH CENTRAL BANK OF OMAN**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
18,416	17,501	Cash	6,738	7,090
85,324	96,728	Clearing account with Central Bank of Oman	37,240	32,850
100,000	13,000	Placement with Central Bank of Oman	5,005	38,500
<b>203,740</b>	<b>127,229</b>		<b>48,983</b>	<b>78,440</b>

**7 DUE FROM BANKS**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
99,000	-	Wakala placements	-	38,115
1,831	164,341	Nostro account balances	63,271	705
100,831	164,341		63,271	38,820
		Less: Impairment loss allowance		
(153)	(3)	Stage 1 and 2 (Note 33)	(1)	(59)
<b>100,678</b>	<b>164,338</b>		<b>63,270</b>	<b>38,761</b>

**8 MURABAHA RECEIVABLES**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
45,932	87,636	Vehicles	33,740	17,684
58,273	54,982	Personal financing	21,168	22,435
26,548	31,810	Corporate	12,247	10,221
130,753	174,428	Gross receivables	67,155	50,340
(14,647)	(21,197)	Deferred profits	(8,161)	(5,639)
116,106	153,231		58,994	44,701
		Less: Impairment loss allowance		
(153)	(281)	Stage 1 and 2 (Note 33)	(108)	(59)
(9,185)	(654)	Stage 3 (Note 33)	(252)	(3,536)
<b>106,768</b>	<b>152,296</b>		<b>58,634</b>	<b>41,106</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

## 8.1 DEFERRED PROFIT

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
(13,114)	(14,647)	Deferred profit at the beginning of the year	(5,639)	(5,049)
(39,057)	(86,725)	Murabaha sales during the year	(33,389)	(15,037)
32,018	73,169	Murabaha cost of sales	28,170	12,327
(7,039)	(13,556)	Deferred profit on sales	(5,219)	(2,710)
5,506	7,006	Murabaha income recognised during the period	2,697	2,120
<b>(14,647)</b>	<b>(21,197)</b>	Deferred profit at the end of the year	<b>(8,161)</b>	<b>(5,639)</b>

## 9 WAKALA BIL ISTITHMAR

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
166,409	371,491	Gross receivables	143,024	64,067
(240)	(39)	Less: Stage 1 Impairment loss allowance (Note 33)	(15)	(92)
<b>166,169</b>	<b>371,452</b>		<b>143,009</b>	<b>63,975</b>

Wakala bil Istithmar is jointly financed by the Islamic window and investment account holders.

## 10 MUSHARAKA RECEIVABLES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
821,984	943,743	Musharaka receivables	363,341	316,464
(5,000)	(7,369)	Less: Impairment loss allowance		
(14,414)	(14,203)	Stage 1 and 2 (Note 33)	(2,837)	(1,925)
		Stage 3 (Note 33)	(5,468)	(5,549)
<b>802,570</b>	<b>922,171</b>		<b>355,036</b>	<b>308,990</b>

Musharaka receivables are jointly financed by the Islamic window and investment account holders.

## 11 INVESTMENT SECURITIES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		<b>Debt type instrument at fair value through other comprehensive income</b>		
127,771	11,125	Sukuks	4,283	49,192
		<b>Debt type instrument at fair value through income statement</b>		
-	116,995	Sukuks	45,043	-
-	688	Open end mutual fund and equity	265	-
		<b>Equity type instrument at fair value through other comprehensive income</b>		
13,722	12,013	Open end mutual fund and equity	4,625	5,283
19,681	19,740	Additional Tier 1 perpetual security	7,600	7,577
<b>161,174</b>	<b>160,561</b>		<b>61,816</b>	<b>62,052</b>

Investment securities are jointly financed by the Islamic window and investment account holders.

**12 IJARAH ASSETS - IJARAH MUNTAHIA BITTAMLEEK**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
334,036	<b>292,888</b>	Cost	<b>112,762</b>	128,604
(105,997)	<b>(70,382)</b>	Accumulated depreciation	<b>(27,097)</b>	(40,809)
228,039	<b>222,506</b>	<b>Book value</b>	<b>85,665</b>	87,795
		Less: Impairment loss allowance		
(3,215)	<b>(13,964)</b>	Stage 1 and 2 (Note 33)	<b>(5,376)</b>	(1,238)
(923)	<b>(841)</b>	Stage 3 (Note 33)	<b>(324)</b>	(355)
223,901	<b>207,701</b>	<b>Net book value</b>	<b>79,965</b>	86,202

Ijarah assets are jointly financed by the Islamic window and investment account holders.

**13 CREDIT CARD RECEIVABLES**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
2,808	<b>4,057</b>	Islamic Credit Card	<b>1,562</b>	1,081
		Less: Impairment loss allowance		
(11)	<b>(8)</b>	Stage 1,2 & 3 (Note 33)	<b>(3)</b>	(4)
2,797	<b>4,049</b>	<b>Net book value</b>	<b>1,559</b>	1,077

**14 SERVICE IJARAH**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
6,947	<b>15,112</b>	Service Ijarah	<b>5,818</b>	2,675
		Less: Impairment loss allowance		
(1)	<b>(8)</b>	Stage 1 & 2	<b>(3)</b>	(1)
6,946	<b>15,104</b>	<b>Net book value</b>	<b>5,815</b>	2,674

Service ijarah assets are jointly financed by the Islamic window and investment account holders.

**15 ISTISNA RECEIVABLE**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
13,117	-	Istisna receivable	-	5,050
		Less: Impairment loss allowance		
(16)	-	Stage 1 & 2 (Note 33)	-	(6)
13,101	-	<b>Net book value</b>	-	5,044

**16 QARD HASSAN FINANCING**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
192	<b>88</b>	Qard Hassan Financing	<b>34</b>	74
		Less: Impairment loss allowance		
-	-	Stage 1 & 2 (Note 33)	-	-
192	<b>88</b>	<b>Net book value</b>	<b>34</b>	74



**16.1 FINANCING ACTIVITIES**

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

**16.1.1 Comparison of provision held as per IFRS 9 and required as per CBO norms**

Disclosure requirements for the year ended 31 December 2024, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9 / FAS 30, profit recognised as per IFRS 9/FAS 30 and suspended profit required as per CBO are given below based on CBO circular BM 1149.

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Suspended profit as per CBO norms	Provision held as per IFRS 9	Difference between		Net Amount as per CBO norms*	Net Amount as per IFRS 9
						CBO provision required and provision held			
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6)=(5)+(6)	(7) = (4)-(6)	(8)=(3)-(4)	(9) = (3)-(6)	
Standard	Stage 1	600,775	6,229	-	334	5,895	594,546	600,441	
	Stage 2	17,832	190	-	407	(217)	17,642	17,425	
	Stage 3	-	-	-	-	-	-	-	
<b>Subtotal</b>		<b>618,607</b>	<b>6,419</b>	<b>-</b>	<b>741</b>	<b>5,678</b>	<b>612,188</b>	<b>617,866</b>	
Special Mention	Stage 1	-	-	-	-	-	-	-	
	Stage 2	21,169	243	-	7,612	(7,369)	20,926	13,557	
	Stage 3	-	-	-	-	-	-	-	
<b>Subtotal</b>		<b>21,169</b>	<b>243</b>	<b>-</b>	<b>7,612</b>	<b>(7,369)</b>	<b>20,926</b>	<b>13,557</b>	
Substandard	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	228	57	9	70	(13)	171	158	
<b>Subtotal</b>		<b>228</b>	<b>57</b>	<b>9</b>	<b>70</b>	<b>(13)</b>	<b>171</b>	<b>158</b>	
Doubtful	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	122	31	1	51	(20)	91	71	
<b>Subtotal</b>		<b>122</b>	<b>31</b>	<b>1</b>	<b>51</b>	<b>(20)</b>	<b>91</b>	<b>71</b>	
Loss	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	18,312	12,146	1,623	7,546	4,600	6,166	10,766	
<b>Subtotal</b>		<b>18,312</b>	<b>12,146</b>	<b>1,623</b>	<b>7,546</b>	<b>4,600</b>	<b>6,166</b>	<b>10,766</b>	
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	143,887	-	-	10	(10)	143,887	143,877	
	Stage 2	18,606	-	-	847	(847)	18,606	17,759	
	Stage 3	220	-	-	220	(220)	220	-	
<b>Subtotal</b>		<b>162,713</b>	<b>-</b>	<b>-</b>	<b>1,077</b>	<b>(1,077)</b>	<b>162,713</b>	<b>161,636</b>	
<b>Total</b>		<b>744,662</b>	<b>6,229</b>	<b>-</b>	<b>344</b>	<b>5,885</b>	<b>738,433</b>	<b>744,318</b>	
		<b>57,607</b>	<b>433</b>	<b>-</b>	<b>8,866</b>	<b>(8,433)</b>	<b>57,174</b>	<b>48,741</b>	
		<b>18,882</b>	<b>12,234</b>	<b>1,633</b>	<b>7,887</b>	<b>4,347</b>	<b>6,648</b>	<b>10,995</b>	
		<b>821,151</b>	<b>18,896</b>	<b>1,633</b>	<b>17,097</b>	<b>1,799</b>	<b>802,255</b>	<b>804,054</b>	

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, financing commitments and financial guarantees.

## 16.1.2 Restructured Loans \*\*

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Suspended profit as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9
(1)	(2)	RO '000 (3)	RO '000 (4)	RO '000 (5)	RO '000 (6)	RO '000 (7) = (4)+(5)-(6)	RO '000 (8)=(3)-(4)	RO '000 (9) = (3)-(6)
Classified as performing	Stage 1	4,148	21	-	46	(25)	4,127	4,102
	Stage 2	19,683	98	-	1,371	(1,273)	19,585	18,312
	Stage 3	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>23,831</b>	<b>119</b>	<b>-</b>	<b>1,417</b>	<b>(1,298)</b>	<b>23,712</b>	<b>22,414</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122	30	-	50	(20)	92	72
<b>Sub total</b>		<b>122</b>	<b>30</b>	<b>-</b>	<b>50</b>	<b>(20)</b>	<b>92</b>	<b>72</b>
<b>Total</b>	<b>Stage 1</b>	<b>4,148</b>	<b>21</b>	<b>-</b>	<b>46</b>	<b>(25)</b>	<b>4,127</b>	<b>4,102</b>
	<b>Stage 2</b>	<b>19,683</b>	<b>98</b>	<b>-</b>	<b>1,371</b>	<b>(1,273)</b>	<b>19,585</b>	<b>18,312</b>
	<b>Stage 3</b>	<b>122</b>	<b>30</b>	<b>-</b>	<b>50</b>	<b>(20)</b>	<b>92</b>	<b>72</b>
	<b>Total</b>	<b>23,953</b>	<b>149</b>	<b>-</b>	<b>1,467</b>	<b>(1,318)</b>	<b>23,804</b>	<b>22,486</b>

\*Net of provisions and suspended profit as per CBO norms

**16.1.3 Impairment charge and provisions held**

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	1,638	1,638	-
Provisions required as per CBO norms / held as per IFRS 9	18,896	17,097	3,432
Gross NPL ratio (percentage)	2.83%	2.83%	-
Net NPL ratio (percentage)	0.73%	1.64%	-0.91%

In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

\*\*Restructured loans include the restructuring/rescheduling of certain affected borrowers allowed as per CBO circular BSD/CB & FLCs/2021/004 dated November 18, 2021 & circular SD/CB & FLCs/2022/005 dated October 4, 2022. As per these CBO circulars, the loan classification of the borrowers were continued to be retained as either Stage 1 or Stage 2 upon implementation of restructuring/rescheduling, however appropriate ECL is maintained.



In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

#### 16.1.4 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2023:

Disclosure requirements for the year ended 31 December 2023, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, profit recognised as per IFRS 9 and suspended profit required as per CBO are given below based on CBO circular BM 1149.

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Suspended profit as per CBO norms	Provision held as per IFRS 9	Difference between		Net Amount as per CBO norms*	Net Amount as per IFRS 9
						CBO provision required and provision held			
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)	
Standard	Stage 1	458,568	4,786	-	1,356	3,430	453,782	457,212	
	Stage 2	24,319	254	-	668	(414)	24,065	23,651	
	Stage 3	-	-	-	-	-	-	-	
<b>Subtotal</b>		<b>482,887</b>	<b>5,040</b>	<b>-</b>	<b>2,024</b>	<b>3,016</b>	<b>477,847</b>	<b>480,863</b>	
Special Mention	Stage 1	-	-	-	-	-	-	-	
	Stage 2	20,135	210	-	1,299	(1,089)	19,925	18,836	
	Stage 3	-	-	-	-	-	-	-	
<b>Subtotal</b>		<b>20,135</b>	<b>210</b>	<b>-</b>	<b>1,299</b>	<b>(1,089)</b>	<b>19,925</b>	<b>18,836</b>	
Substandard	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	1,382	346	2	172	176	1,036	1,210	
<b>Subtotal</b>		<b>1,382</b>	<b>346</b>	<b>2</b>	<b>172</b>	<b>176</b>	<b>1,036</b>	<b>1,210</b>	
Doubtful	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	360	126	8	125	9	234	235	
<b>Subtotal</b>		<b>360</b>	<b>126</b>	<b>8</b>	<b>125</b>	<b>9</b>	<b>234</b>	<b>235</b>	
Loss	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	17,143	12,085	2,662	11,818	2,929	5,058	5,325	
<b>Subtotal</b>		<b>17,143</b>	<b>12,085</b>	<b>2,662</b>	<b>11,818</b>	<b>2,929</b>	<b>5,058</b>	<b>5,325</b>	
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	208,781	-	-	114	(114)	208,781	208,667	
	Stage 2	12,387	-	-	805	(805)	12,387	11,582	
	Stage 3	142	-	-	142	(142)	142	-	
<b>Subtotal</b>		<b>221,310</b>	<b>-</b>	<b>-</b>	<b>1,061</b>	<b>(1,061)</b>	<b>221,310</b>	<b>220,249</b>	
		<b>667,349</b>	<b>4,786</b>	<b>-</b>	<b>1,470</b>	<b>3,316</b>	<b>662,563</b>	<b>665,879</b>	
<b>Total</b>		<b>56,841</b>	<b>464</b>	<b>-</b>	<b>2,772</b>	<b>(2,308)</b>	<b>56,377</b>	<b>54,069</b>	
		<b>19,027</b>	<b>12,557</b>	<b>2,672</b>	<b>12,257</b>	<b>2,972</b>	<b>6,470</b>	<b>6,770</b>	
		<b>743,217</b>	<b>17,807</b>	<b>2,672</b>	<b>16,499</b>	<b>3,980</b>	<b>725,410</b>	<b>726,718</b>	

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, financing commitments and financial guarantees.

## 16.1.5 Restructured Loans

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Suspended profit as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9
(1)	(2)	RO '000 (3)	RO '000 (4)	RO '000 (5)	RO '000 (6)	RO '000 (7) = (4)+(5)-(6)	RO '000 (8)=(3)-(4)	RO '000 (9) = (3)-(5)
Classified as performing	Stage 1	48,340	242	-	698	(456)	48,098	47,642
	Stage 2	25,650	128	-	1,713	(1,585)	25,522	23,937
	Stage 3	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>73,990</b>	<b>370</b>	<b>-</b>	<b>2,411</b>	<b>(2,041)</b>	<b>73,620</b>	<b>71,579</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	65	16	-	23	(7)	49	42
<b>Sub total</b>		<b>65</b>	<b>16</b>	<b>-</b>	<b>23</b>	<b>(7)</b>	<b>49</b>	<b>42</b>
<b>Total</b>	<b>Stage 1</b>	<b>48,340</b>	<b>242</b>	<b>-</b>	<b>698</b>	<b>(456)</b>	<b>48,098</b>	<b>47,642</b>
	<b>Stage 2</b>	<b>25,650</b>	<b>128</b>	<b>-</b>	<b>1,713</b>	<b>(1,585)</b>	<b>25,522</b>	<b>23,937</b>
	<b>Stage 3</b>	<b>65</b>	<b>16</b>	<b>-</b>	<b>23</b>	<b>(7)</b>	<b>49</b>	<b>42</b>
	<b>Total</b>	<b>74,055</b>	<b>386</b>	<b>-</b>	<b>2,434</b>	<b>(2,048)</b>	<b>73,669</b>	<b>71,621</b>

\*Net of provisions and suspended profit as per CBO norms

**16.1.6 Impairment charge and provisions held**

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	1,699	1,699	-
Provisions required as per CBO norms / held as per IFRS 9	17,807	16,499	3,980
Gross NPL ratio (percentage)	3.62%	3.62%	-
Net NPL ratio (percentage)	0.70%	1.27%	-0.57%

In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

## 17 Property, equipment and Intangibles

	Building RO '000	Leasehold improvements RO '000	Computer and other equipment RO '000	Intangibles RO '000	Furniture RO '000	ROU Assets RO '000	Capital work in progress RO '000	Total RO '000
<b>Cost:</b>								
At 1 January 2024	1,762	1,899	1,060	1,162	279	3,233	-	9,395
Additions	-	75	19	-	14	2,147	2,205	4,460
Transfers	-	416	1,155	473	54	-	(2,098)	-
Disposals / scrapped	-	(124)	-	-	(11)	(607)	-	(742)
<b>At 31 December 2024</b>	<b>1,762</b>	<b>2,266</b>	<b>2,234</b>	<b>1,635</b>	<b>336</b>	<b>4,773</b>	<b>107</b>	<b>13,113</b>
<b>Accumulated depreciation:</b>								
At 1 January 2024	222	906	562	891	90	1,149	-	3,820
Depreciation	71	187	209	83	27	564	-	1,141
Transfers	-	-	12	-	-	-	-	12
Disposals / scrapped	-	(119)	-	-	(8)	-	-	(127)
Leases closed / changed during the year	-	-	-	-	-	(380)	-	(380)
<b>At 31 December 2024</b>	<b>293</b>	<b>974</b>	<b>783</b>	<b>974</b>	<b>109</b>	<b>1,333</b>	<b>-</b>	<b>4,466</b>
<b>Net book value as at</b>								
<b>At 31 December 2024</b>	<b>1,469</b>	<b>1,292</b>	<b>1,451</b>	<b>661</b>	<b>227</b>	<b>3,440</b>	<b>107</b>	<b>8,647</b>
<b>At 31 December 2024 (US\$ '000)</b>	<b>3,816</b>	<b>3,356</b>	<b>3,769</b>	<b>1,717</b>	<b>589</b>	<b>8,935</b>	<b>278</b>	<b>22,460</b>
<b>Cost:</b>								
At 1 January 2023	477	1,438	845	1,075	211	3,187	2	7,235
Additions	-	36	22	70	38	568	2,021	2,755
Transfers	1,285	461	205	17	55	-	(2,023)	-
Disposals / scrapped	-	(36)	(12)	-	(25)	(522)	-	(595)
<b>At 31 December 2023</b>	<b>1,762</b>	<b>1,899</b>	<b>1,060</b>	<b>1,162</b>	<b>279</b>	<b>3,233</b>	<b>-</b>	<b>9,395</b>
<b>Accumulated depreciation:</b>								
At 1 January 2023	173	694	471	827	97	1,125	-	3,387
Depreciation	49	248	103	64	18	494	-	976
Disposals / scrapped	-	(36)	(12)	-	(25)	(470)	-	(543)
<b>At 31 December 2023</b>	<b>222</b>	<b>906</b>	<b>562</b>	<b>891</b>	<b>90</b>	<b>1,149</b>	<b>-</b>	<b>3,820</b>
<b>Net book value as at</b>								
<b>At 31 December 2023</b>	<b>1,540</b>	<b>993</b>	<b>498</b>	<b>271</b>	<b>189</b>	<b>2,084</b>	<b>-</b>	<b>5,575</b>
<b>At 31 December 2023 (US\$ '000)</b>	<b>4,000</b>	<b>2,579</b>	<b>1,294</b>	<b>704</b>	<b>491</b>	<b>5,413</b>	<b>-</b>	<b>14,481</b>

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**18 OTHER ASSETS**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
10,595	24,870	Profit receivable on financing	9,575	4,079
499	481	Profit receivable on sukuks	185	192
1,076	3	Profit receivable on wakala placement	1	414
851	1,013	Others	390	328
226	283	Prepayments	109	87
(369)	(571)	Impairment loss allowance	(220)	(142)
12,878	26,079		10,040	4,958

**19 DUE TO BANKS**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
21	60	Vostro account balances	23	8
21	60		23	8

**20 OTHER LIABILITIES**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
10,265	18,267	Accrued expenses and other payables	7,033	3,952
5,396	4,818	Profit payable	1,855	2,078
4,947	8,086	Lease liability	3,113	1,905
3,238	3,725	Provision for tax	1,434	1,246
2,538	3,353	Manager cheque payable	1,291	977
1,010	909	Unearned fee income	350	389
278	4,096	Others	1,577	107
265	509	Profit equalization reserve	196	102
8	8	Charity payable	3	3
-	922	Escrow account	355	-
2,213	2,208	Impairment loss allowance	850	852
30,158	46,901		18,057	11,611

**21 QUASI - EQUITY**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
379,252	466,995	Saving and call accounts	179,793	146,012
17,501	74,338	Wakala acceptances	28,620	6,738
2,564	8,044	Wakala deposits - Financial institutions	3,097	987
1,105,379	1,248,735	Wakala deposits - Others	480,763	425,571
1,504,696	1,798,112	Equity of investment account holders	692,273	579,308
(265)	(509)	Less: Profit equalisation reserve	(196)	(102)
1,504,431	1,797,603		692,077	579,206

The average profit rate for the investment account holders during the year was 3.37% (2023: 3.10%). Profit sharing ratio of mudarib as at 31 December 2024 was 25% (2023: 25%)

**22 SHARE CAPITAL**

The allocated share capital of the Islamic Window is RO 50 million equivalent to US\$ 129.870 million (2023: RO 45 million equivalent US\$ 116.883 million). During the year, the Bank has allocated a capital of RO 5 million to Islamic Window.

**23 CONTINGENT LIABILITIES AND COMMITMENTS**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
63,063	<b>70,374</b>	Guarantees	<b>27,094</b>	24,279
77,792	<b>46,753</b>	Financing Commitment	<b>18,000</b>	29,950
<u>140,855</u>	<u><b>117,127</b></u>		<u><b>45,094</b></u>	<u>54,229</u>

**24 INCOME FROM FINANCING ACTIVITIES**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
53,473	<b>57,034</b>	Musharaka	<b>21,958</b>	20,587
12,218	<b>14,597</b>	Rental income on ijarah assets	<b>5,620</b>	4,704
5,507	<b>7,005</b>	Murabaha	<b>2,697</b>	2,120
4,161	<b>15,790</b>	Wakala bil Istithmar	<b>6,079</b>	1,602
403	<b>314</b>	Istisna	<b>121</b>	155
<u>75,762</u>	<u><b>94,740</b></u>		<u><b>36,475</b></u>	<u>29,168</u>

**25 INCOME FROM INVESTING ACTIVITIES**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
6,368	<b>6,221</b>	Income from investments	<b>2,395</b>	2,452
3,094	<b>4,740</b>	Income from wakala placements	<b>1,825</b>	1,191
<u>9,462</u>	<u><b>10,961</b></u>		<u><b>4,220</b></u>	<u>3,643</u>

**26 OTHER OPERATING INCOME**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
5,570	<b>7,704</b>	Fee and commission income	<b>2,966</b>	2,144
(418)	<b>(901)</b>	Fee and commission expense	<b>(347)</b>	(161)
-	<b>3,760</b>	Unrealized gain on investments	<b>1,448</b>	-
1,107	<b>2,699</b>	Dividend income	<b>1,039</b>	426
387	<b>2,068</b>	Foreign exchange gain - net	<b>796</b>	149
788	<b>1,792</b>	Service charges	<b>690</b>	304
621	<b>16</b>	Gain on sale of investments	<b>6</b>	239
<u>8,055</u>	<u><b>17,138</b></u>		<u><b>6,598</b></u>	<u>3,101</u>

**27 PROFIT ATTRIBUTABLE TO QUASI - EQUITY**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
3,242	<b>4,101</b>	Return on investment account holders under Mudaraba	<b>1,579</b>	1,248
41,345	<b>60,569</b>	Return on customer wakala deposits	<b>23,319</b>	15,918
1,771	<b>247</b>	Return on inter bank wakala deposit	<b>95</b>	682
<u>46,358</u>	<u><b>64,917</b></u>		<u><b>24,993</b></u>	<u>17,848</u>

**28 STAFF EXPENSES**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
6,120	<b>7,810</b>	Salaries and wages	<b>3,007</b>	2,356
6,436	<b>7,140</b>	Allowances and other staff cost	<b>2,749</b>	2,478
<u>12,556</u>	<u><b>14,950</b></u>		<u><b>5,756</b></u>	<u>4,834</u>

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**29 OTHER OPERATING EXPENSES**

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
3,990	<b>8,782</b>	Operating and administration costs	<b>3,381</b>	1,536
1,268	<b>1,286</b>	Advertisement costs	<b>495</b>	488
481	<b>805</b>	Occupancy costs	<b>310</b>	185
94	<b>54</b>	Shariah Supervisory Board related expenses	<b>21</b>	36
<b>5,833</b>	<b>10,927</b>		<b>4,207</b>	<b>2,245</b>

**30 ZAKAH**

Zakah is directly borne by the owners and unrestricted investment accountholders. The Islamic Window does not collect or pay Zakah on behalf of its owners and its investment accountholders.

**31 RELATED PARTY TRANSACTIONS**

In the ordinary course of business the Islamic Window enters into transactions with major shareholders, directors, senior management, Sharia Supervisory Board and their related concerns. These transactions are conducted on an arm's length basis and are approved by the Islamic Window's management and Board of Directors.

The year end balances in respect of related parties included in the statement of financial position are as follows:

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		<b>Directors, Shariah Supervisory Board and senior management</b>		
52	<b>88</b>	Financing assets	<b>34</b>	20
2,919	<b>3,714</b>	Customers' deposits	<b>1,430</b>	1,124
		<b>Major shareholders and its subsidiaries</b>		
138	<b>356</b>	Nostro account balances	<b>137</b>	53
400	<b>688</b>	Investment securities	<b>265</b>	154
17,500	<b>12,987</b>	Due to banks - Wakala acceptances	<b>5,000</b>	6,738

The income and expenses in respect of related parties included in the statement of comprehensive income are as follows:

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		<b>Directors, Shariah Supervisory Board and senior management</b>		
3	-	Profit earned	-	1
68	<b>42</b>	Shariah Supervisory Board remuneration	<b>16</b>	26
12	<b>12</b>	Shariah Supervisory Board sitting fee	<b>5</b>	5

The Islamic Window has not rented any branch premises from a Director during the year 2024 and 2023

**32 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is an amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of investments classified as fair value through other comprehensive income as at 31 December 2024 is RO 16,508 million equivalent to US\$ 42.88 million with cost amounts to RO 16,817 million equivalent to US\$ 43.68 million & fair value of investments classified as fair value through income statement as at December 2024 RO 45,308 equivalent to US\$ 117.68 with cost amounts to RO 45,861 million equivalent to US\$ 119.11 million.

During the year, the Bank reclassified Sukuk instruments from Fair Value through comprehensive income to Fair Value through income statement amounting to RO 43,401 million subsequent to initial recognition. This reclassification was made to reflect the change in the Bank's business model for managing the financial asset.

Other than investments the Islamic Window considers that the fair value of other financial instruments is not significantly different to their carrying value.

**Valuation of financial instruments:**

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analysis of financial instruments measured at fair value at the reporting date:

	2024 RO '000	2024 RO '000	2024 RO '000	2023 RO '000	2023 RO '000	2023 RO '000
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets</b>						
Investment - debt type instruments at fair value through other comprehensive income	-	4,283	4,283	49,192	-	49,192
Investment - debt type instruments at fair value through income statement	-	45,308	45,308	-	-	-
Investment - equity type instrument at fair value through other comprehensive income	4,625	7,600	12,225	12,860	-	12,860
	<b>4,625</b>	<b>57,191</b>	<b>61,816</b>	<b>62,052</b>	<b>-</b>	<b>62,052</b>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Financial assets</b>						
Investment - debt type instruments at fair value through other comprehensive income	-	11,125	11,125	127,771	-	127,771
Investment - debt type instruments at fair value through income statement	-	117,683	117,683	-	-	-
Investment - equity type instrument at fair value through other comprehensive income	12,013	19,740	31,753	33,403	-	33,403
	<b>12,013</b>	<b>148,548</b>	<b>160,561</b>	<b>161,174</b>	<b>-</b>	<b>161,174</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

**33 FINANCIAL RISK MANAGEMENT**

Risk management is an integral part of the Islamic Window's decision making process. The Board of Directors and executive risk committee guide and assist the overall management of the Islamic Window's statement of financial position risks. The Islamic Window manages exposures by setting limits approved by the Board of Directors. The Islamic Window has exposure to the following risk from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

In addition, the Bank is in the process of identifying climate risk and acknowledges this as an emerging risk arising from financial instruments that may have growing impact on Bank's activities.

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has approved the Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Executive Risk Committee under the oversight of the Board is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Executive Risk Committee of the Board is assisted in these functions by the Risk Management Department. The Risk Management Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Executive Risk Committee.

**33.1 CREDIT RISK**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans & advances and financing to customers, due from banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

**33.1.1 TYPE OF CREDIT RISK**

Financing contracts mainly comprise Murabaha receivables, Musharaka, Ijarah assets, Wakala, Istisna, Service Ijarah and credit card receivables.

**33.1.2 MURABAHA RECEIVABLE**

The Islamic Window finances these transactions through buying a commodity which represents the object of the murabaha and then resells this commodity to the murabaha (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in installments by the murabaha over the agreed period. The transactions are secured at times by the object of the murabaha and other times by a total collateral package securing the facilities given to the client.

**33.1.3 MUSHARAKA**

An agreement between the Islamic Window and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

**33.1.4 IJARAH - IJARAH MUNTAHIA BITTAMLEEK**

This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease) term, provided that all Ijarah instalments are settled.

**33.1.5 SERVICE IJARAH**

This is lease of services against agreed rentals. The Islamic Banking Window purchases services from third party, service provider by making full payment and then lease it to the customer through Service Ijara Contract.

**33.1.6 CREDIT CARD RECEIVABLES**

The Islamic Banking Window takes a fee for the credit card services and there are no charges taken on the amount utilized since, it is based on the Qard principle.

**33.1.7 WAKALA BIL ISTITHMAR**

This is an investment in which the Islamic window, in its capacity as the "Muwakil" (principle) appoints the customer as "Wakeel" (Agent) to manage the invested funds in Sharia Compliant activities. The investment amount is not guaranteed while the profit rate is anticipated and cannot be fixed. Therefore, the utmost care is taken before taking any exposure.

**33.1.8 Credit risk measurement****(a) Financings (including loan commitments and guarantees)**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Islamic Window measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

**(b) Credit risk grading**

The Islamic Window uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The bank's internal Risk Rating (RR) system is developed as a 10 grade system - enumerated from RR 1 to RR 10 - to risk rate a customer and to associate a default probability to each rating grade. The ratings will also assist studying the distribution of borrowers, grade wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing Loans (NPL) etc. Risk appetite will also be set in terms of how much of exposure bank expects in various grade bands. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

Credit quality rating	Risk Rating(RR)	Classification
Standard	RR1 to RR6	Not credit impaired on initial recognition- classified under 'Stage 1'.
Special Mention	RR7	Identified SICR since initial recognition but is not deemed to be credit impaired- Classified under 'Stage 2'.
Non performing	RR8 to RR10	Credit impaired- Classified under 'Stage 3'.

**33.1.9 Exposure to credit risk**

The credit exposure of the Bank as on the reporting date is as follows:

	2024				2023
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total RO '000
Clearing account with Central Bank of Oman	42,245	-	-	42,245	71,350
Due from banks	63,271	-	-	63,271	38,820
Financing to customers - Gross	600,775	39,001	18,662	658,438	521,907
Investment securities	11,883	-	-	11,883	56,769
Financing commitments and financial guarantees	26,488	18,606	-	45,094	54,229
Other assets	-	-	220	220	142
<b>Gross carrying amount</b>	<b>744,662</b>	<b>57,607</b>	<b>18,882</b>	<b>821,151</b>	<b>743,217</b>
<b>Impairment loss allowance</b>	<b>344</b>	<b>8,866</b>	<b>7,887</b>	<b>17,097</b>	<b>16,499</b>
<b>Carrying amount</b>	<b>744,318</b>	<b>48,741</b>	<b>10,995</b>	<b>804,054</b>	<b>726,718</b>

  

	2024				2023
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000	Total US\$ '000
Clearing account with Central Bank of Oman	109,728	-	-	109,728	185,325
Due from banks	164,340	-	-	164,340	100,831
Financing to customers - Gross	1,560,455	101,301	48,473	1,710,229	1,355,603
Investment securities	30,865	-	-	30,865	147,452
Financing commitments and financial guarantees	68,800	48,327	-	117,127	140,855
Other assets	-	-	571	571	368
<b>Gross carrying amount</b>	<b>1,934,188</b>	<b>149,628</b>	<b>49,044</b>	<b>2,132,860</b>	<b>1,930,434</b>
<b>Impairment loss allowance</b>	<b>894</b>	<b>23,028</b>	<b>20,486</b>	<b>44,408</b>	<b>42,855</b>
<b>Carrying amount</b>	<b>1,933,294</b>	<b>126,600</b>	<b>28,558</b>	<b>2,088,452</b>	<b>1,887,579</b>

**33.1.9 Exposure to credit risk (continued)****Collateral held**

The collateral held against impaired financing is RO 22.189 million equivalent to US\$ 57.64 million (31 December 2023 RO 30.123 million equivalent to US\$ 78.24 million).

**Overview of ECL principles**

The adoption of IFRS 9 has fundamentally changed the Islamic Window financing loss impairment method by replacing incurred loss approach with a forward looking ECL approach. From 1 January 2018, the Islamic Window has been recording the allowance for expected credit losses for all financing exposure and other debt financial assets not held at fair value through statement of income together with financing commitments and financial guarantee contracts.

**33.1.10 Expected credit loss measurement**

The ECL Allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Islamic Window has established a policy to perform an assessment on a monthly basis whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Islamic Window groups its financing exposure into Stage 1, Stage 2 and Stage 3, as classified below:

**Stage 1**

When financing are first recognised, the Islamic Window recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from stage 2.

**Stage 2**

When a financing exposure has shown a significant increase in credit risk since origination, the Islamic Window records an allowance for lifetime ECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from stage 3.

**Stage 3**

Financing exposure considered credit impaired. The Islamic Window records an allowance for lifetime ECLs.

**Measurement of ECL**

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

**ECL Exposure of financial assets and off-balance sheet**

The following table contains an analysis of stagewise reconciliation of loss allowance from the opening to the closing balance of financial assets / off balance sheet items by class of financial instrument.

## 33.1.10 Expected credit loss measurement (continued)

## Movement in Impairment allowance and provision

	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000
<b>Opening balance as at 1 January 2024</b>				
Financings	1,356	1,967	12,115	15,438
Investment Securities & Due from Banks	66	-	-	66
Financing commitments and financial guarantees	47	805	-	852
Other assets	-	-	142	142
<b>Net transfer between stages</b>				
Financings	298	(230)	(68)	-
Financing commitments and financial guarantees	(4)	4	-	-
<b>Charge for the Year (net)</b>				
Financings	(1,320)	6,282	(4,380)	582
Investment Securities & Due from Banks	(59)	-	-	(59)
Financing commitments and financial guarantees	(40)	38	-	(2)
Other assets	-	-	78	78
<b>Closing balance as at 31 December 2024</b>				
Financings	334	8,019	7,667	16,020
Investment Securities & Due from Banks	7	-	-	7
Financing commitments and financial guarantees	3	847	-	850
Other assets	-	-	220	220

Note: Charge for the year includes reversal of suspended profit of RO 1.039 Mn

## 33.1.11 Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information. Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. For non-retail facilities, internally derived credit ratings have been identified as representing the best available determinants of credit risk. The Bank assigns each facility a credit rating at initial recognition based on qualitative and quantitative information available about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an asset is more than 30 DPD. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default:

- Inadequate or unreliable financial and other information such as unavailability of financial statements.
- Non-cooperation by the borrowers in matters pertaining to documentation
- Borrower is the subject of litigation by third parties that may have a significant impact on this financial position.
- Frequent changes in senior management
- Intra-group transfer of funds without underlying transactions.
- Deferral / delay in the date of commencement of commercial operations by more than one year
- Modification of terms resulting in concessions granted to the borrower
- A fall of 25% or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- Erosion in networth by more than 20% as compared to the previous year end coupled with an increase in leverage
- A fall in the debt service coverage ratio to below 1

Further, the following quantitative guidelines are used to determine the staging of accounts:

- An account will migrate to stage 2 if any of the changes in rating below are met:
  - For risk ratings 1 – 4:  $\geq$  3 notch downgrade
  - For risk rating 5: 2 notch downgrade
  - For risk rating 6 : 1 notch downgrade
- An account will also migrate to stage 2 if it is more than 30 days past due.
- An account will also be considered stage 2 if has been placed under special mention as per bank's IFRS 9 staging guidelines which includes if the customer has days past due of 60 days or more but less than 90 days.

**33.1.12 Definition of default**

The Islamic Window considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Islamic Window in full, without recourse by the Islamic Window to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Islamic Window.

In assessing whether the borrower is in default, the Islamic Window considers indicators that are:

- qualitative - e.g. breaches of covenant
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Islamic Window; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instruments is in default and their significance may vary over time to reflect changes in circumstances.

**Macroeconomic factors, forward looking information (FLI) and multiple scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

An investment is measured at fair value through statement of income unless it is measured at amortised cost or at fair value through equity or if irrevocable classification choices at initial recognition.

In its models, the Islamic Window relies on a broad range of forward looking information as economic inputs, such as: real gross domestic product (GDP) growth and oil revenue (as % of GDP). The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

**Impact on SICR**

The exercise of the deferment option by a customer, in its own, is not considered by the Islamic Window as triggering SICR. However, as part of the Islamic Window evaluation process especially given the current economic situation due to after effects of lock down, the Islamic Window obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' ratings and accordingly exposure staging were adjusted, where applicable.

**Sensitivity analysis - ECL**

The following table shows a comparison of the Islamic window's loss allowances on non-impaired financial contracts (Stages 1 and 2) based on the probability weightings of three scenarios with loss allowances resulting from simulations of each scenario weighted at 100%.

Impact on ECL US\$'000	2024		2024	
	ECL US\$'000		ECL RO'000	Impact on ECL RO'000
	23,922	ECL on non impaired financial contracts	9,210	
-950	22,973	Good scenario - 100% weighted	8,844	-366
28	23,950	Base scenario - 100% weighted	9,221	11
893	24,815	Bad scenario - 100% weighted	9,554	344

**33.1.12 Definition of default (continued)****Sensitivity analysis - ECL (continued)**

2023		2023	
Impact on ECL	ECL	ECL	Impact on ECL
US\$'000	'US\$'000	RO'000	RO'000
	11,018	4,242	
	ECL on non impaired financial contracts		
-600	10,418	4,011	-231
	Good scenario - 100% weighted		
-25	10,992	4,232	-9
	Base scenario - 100% weighted		
649	11,668	4,492	250
	Bad scenario - 100% weighted		

For computation of ECL, the Bank considers three scenarios ie., Good, base and bad with weightage of 25%, 50% and 25% respectively for the years 2024 and 2023

**33.2 LIQUIDITY RISK**

Liquidity risk is the risk that the Islamic Window will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Islamic Window's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligation when due, under normal and stressed conditions without incurring unacceptable losses or risking damage to the Islamic Window's reputation. The Islamic Window has put in place an approved Contingency Liquidity Plan to facilitate management of liquidity.

Liquidity risk is managed by the Islamic Window through closely monitoring the liquidity gap against the limit fixed.

Adequate liquidity is ensured by Treasury, which receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Islamic Window as a whole. In this process due care is taken to ensure that the Islamic Window complies with all the Central Bank of Oman regulations and the liquidity ratios were in compliance with regulatory requirements as of year ended 31 December 2024.

The following table summarises the maturity profile of the Islamic Window assets and liabilities as on the reporting date. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take account of the effective maturities as indicated by the Islamic Window's deposit retention history and the availability of liquid funds.

## 33.2 LIQUIDITY RISK (continued)

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
	RO '000	RO '000	RO '000	RO '000	RO '000
<b>31 December 2024</b>					
<b>Assets</b>					
Cash and balances with Central Bank of Oman	33,766	15,217	-	-	48,983
Due from banks	63,270	-	-	-	63,270
Financing assets	106,134	44,107	101,187	392,624	644,052
Investment securities	34,830	15,103	11,040	843	61,816
Property, equipment and Intangibles	-	-	-	8,647	8,647
Other assets	10,040	-	-	-	10,040
<b>Total assets</b>	<b>248,040</b>	<b>74,427</b>	<b>112,227</b>	<b>402,114</b>	<b>836,808</b>
<b>Liabilities, Quasi - equity and owners' equity</b>					
Due to banks	28,643	-	-	-	28,643
Customers' deposits	153,469	237,550	78,867	228,261	698,147
Other liabilities	18,057	-	-	-	18,057
Shareholder's fund	-	-	-	91,961	91,961
<b>Total liabilities, Quasi - equity and owners' equity</b>	<b>200,169</b>	<b>237,550</b>	<b>78,867</b>	<b>320,222</b>	<b>836,808</b>
<b>Net liquidity gap</b>	<b>47,871</b>	<b>(163,123)</b>	<b>33,360</b>	<b>81,892</b>	<b>-</b>
<b>Cummulative liquidity gap</b>	<b>47,871</b>	<b>(115,252)</b>	<b>(81,892)</b>	<b>-</b>	<b>-</b>
	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>31 December 2024</b>					
<b>Assets</b>					
Cash and balances with Central Bank of Oman	87,704	39,525	-	-	127,229
Due from banks	164,338	-	-	-	164,338
Financing assets	275,673	114,564	262,821	1,019,803	1,672,861
Investment securities	90,468	39,229	28,674	2,190	160,561
Property and equipment	-	-	-	22,460	22,460
Other assets	26,078	-	-	-	26,078
<b>Total assets</b>	<b>644,261</b>	<b>193,318</b>	<b>291,495</b>	<b>1,044,453</b>	<b>2,173,527</b>
<b>Liabilities, Quasi equity and owners' equity</b>					
Due to banks	74,398	-	-	-	74,398
Customers' deposits	398,621	617,013	204,849	592,886	1,813,369
Other liabilities	46,901	-	-	-	46,901
Shareholder's fund	-	-	-	238,859	238,859
<b>Total liabilities, Quasi equity and owners' equity</b>	<b>519,920</b>	<b>617,013</b>	<b>204,849</b>	<b>831,745</b>	<b>2,173,527</b>
<b>Net liquidity gap</b>	<b>124,341</b>	<b>(423,695)</b>	<b>86,646</b>	<b>212,708</b>	<b>-</b>
<b>Cummulative liquidity gap</b>	<b>124,341</b>	<b>(299,354)</b>	<b>(212,708)</b>	<b>-</b>	<b>-</b>

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025

31 December 2023	Above three				Total RO '000
	Upto three months RO '000	months to twelve months RO '000	Above one year to five years RO '000	More than five years RO '000	
<i>Assets</i>					
Cash and balances with Central Bank of Oman	78,440	-	-	-	78,440
Due from banks	646	38,115	-	-	38,761
Financing assets	50,904	42,657	79,696	335,885	509,142
Investment securities	43,129	18,923	-	-	62,052
Property and equipment	-	-	-	5,575	5,575
Other assets	4,958	-	-	-	4,958
<b>Total assets</b>	<b>178,077</b>	<b>99,695</b>	<b>79,696</b>	<b>341,460</b>	<b>698,928</b>
<i>Liabilities, Quasi equity and owners' equity</i>					
Due to banks	6,746	-	-	-	6,746
Customers' deposits	107,748	176,030	120,448	197,358	601,584
Other liabilities	7,899	-	-	3,712	11,611
Shareholder's fund	-	-	-	78,987	78,987
<b>Total liabilities, Quasi equity and owners' equity</b>	<b>122,393</b>	<b>176,030</b>	<b>120,448</b>	<b>280,057</b>	<b>698,928</b>
Net liquidity gap	55,684	(76,335)	(40,752)	61,403	-
Cummulative liquidity gap	55,684	(20,651)	(61,403)	-	-
31 December 2023	Above three				Total US\$ '000
	Upto three months US\$ '000	months to twelve months US\$ '000	Above one year to five years US\$ '000	More than five years US\$ '000	
<i>Assets</i>					
Cash and balances with Central Bank of Oman	203,740	-	-	-	203,740
Due from banks	1,678	99,000	-	-	100,678
Financing assets	132,218	110,797	207,003	872,426	1,322,444
Investment securities	112,023	49,151	-	-	161,174
Property and equipment	-	-	-	14,481	14,481
Other assets	12,878	-	-	-	12,878
<b>Total assets</b>	<b>462,537</b>	<b>258,948</b>	<b>207,003</b>	<b>886,907</b>	<b>1,815,395</b>
<i>Liabilities, Quasi equity and owners' equity</i>					
Due to banks	17,522	-	-	-	17,522
Customers' deposits	279,865	457,221	312,852	512,616	1,562,554
Other liabilities	20,517	-	-	9,641	30,158
Shareholder's fund	-	-	-	205,161	205,161
<b>Total liabilities, Quasi equity and owners' equity</b>	<b>317,904</b>	<b>457,221</b>	<b>312,852</b>	<b>727,418</b>	<b>1,815,395</b>
Net liquidity gap	144,633	(198,273)	(105,849)	159,489	-
Cummulative liquidity gap	144,633	(53,640)	(159,489)	-	-

The financial statements and accompanying notes were approved by the Board of Directors on 29 January 2025



**33.4 OPERATIONAL RISK**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Islamic Window cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

**33.5 CONCENTRATION RISK**

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises due to variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external events and to include risks other than credit, market and liquidity risks.

The Bank's objective is to manage operational risk to avoid/ reduce financial losses to the Bank by establishing necessary controls, systems and procedures. The Bank recognises that an over controlled environment may affect the Bank's business and earnings besides adding to costs. Therefore, the Bank aims at effective management of operational risk through control optimisation and well established systems, methods and governance framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards in the following areas for management of operational risk:

- Clear reporting lines
- Proper delegation of powers
- Appropriate segregation of duties and authorisation of transactions through a maker checker system and authorisation matrix reporting lines
- Ownership, reconciliation and monitoring of accounts
- Documentation of controls and processes
- Compliance with regulatory and other legal requirements
- Periodic assessment of the operational risks faced and evaluating the adequacy of controls and procedures to address the risks identified
- Reporting of operational losses and incidents triggering operational losses and remedial action
- Development of contingency plans
- Training, skill upgradation and professional development
- Ethical and business standards
- IT and cyber risks
- Risk mitigation through insurance, where this is cost-effective

Compliance with Bank standards is complemented by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Compliance Committee and senior management of the Bank. The Bank has a comprehensive Operational Risk Management Framework by which the Bank has put in place Operational Risk Management Policy, Operational Risk Self Assessment (ORSA) Policy, Operational Risk Loss Event Reporting Framework, Maintenance of Operational Risk Loss Data Base.

The Bank carries out a comprehensive Business Continuity (BCP) test on an annual basis.

## 33.5 CONCENTRATION RISK (continued)

Concentration by industry	2024						
	Murabaha, gross	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Sovereign	-	-	-	-	-	-	61,816
Corporate	11,746	143,024	280,216	31,300	5,548	-	-
Personal	47,248	-	83,125	54,365	1,866	-	-
Banks	-	-	-	-	-	63,271	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Sovereign	-	-	-	-	-	-	160,561
Corporate	30,509	371,491	727,834	81,299	14,410	-	-
Personal	122,722	-	215,909	141,207	4,847	-	-
Banks	-	-	-	-	-	164,341	-
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Sovereign	-	-	-	-	-	-	62,052
Corporate	9,851	64,067	250,453	28,547	5,050	-	-
Personal	34,850	-	66,011	59,248	3,830	-	-
Banks	-	-	-	-	-	38,820	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Sovereign	-	-	-	-	-	-	161,174
Corporate	25,587	166,409	650,527	74,148	13,116	-	-
Personal	90,519	-	171,457	153,891	9,948	-	-
Banks	-	-	-	-	-	100,831	-
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Financing receivables together with Investment securities							
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Oman	58,994	143,024	363,341	85,665	7,414	60,738	61,816
Other GCC countries	-	-	-	-	-	362	-
Unites States of America	-	-	-	-	-	1,734	-
OECD countries	-	-	-	-	-	437	-
Others	-	-	-	-	-	-	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Oman	153,231	371,491	943,743	222,506	19,257	157,762	160,561
Other GCC countries	-	-	-	-	-	940	-
Unites States of America	-	-	-	-	-	4,504	-
OECD countries	-	-	-	-	-	1,135	-
Others	-	-	-	-	-	-	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Oman	116,106	166,409	821,984	228,039	23,064	99,000	161,174
Other GCC countries	-	-	-	-	-	428	-
Unites States of America	-	-	-	-	-	1,245	-
OECD countries	-	-	-	-	-	158	-
Others	-	-	-	-	-	-	-

Concentration by location for financings is measured based on the location of the entity holding the asset, which has a high correlation with the location of the customer. Concentration by location for investment securities is measured based on the location of the issuer of the security.

**34 CAPITAL MANAGEMENT**

The primary objectives of the Islamic Window's capital management are to ensure that the Islamic Window complies with externally imposed capital requirements and that the Islamic Window maintains strong credit ratings and healthy capital ratio in order to support its business and to maximize shareholders value.

The Islamic Window manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Islamic Window may adjust the amount of dividend payment to shareholders or issue, return capital to shareholders or issue capital securities. However, no changes are made in the objectives, policies and processes from the previous years as far as management of capital is concerned.

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014.

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
194,777	<b>228,065</b>	Common Equity Tier 1 (CET1)	<b>87,805</b>	74,989
194,777	<b>228,065</b>	Tier 1	<b>87,805</b>	74,989
5,406	<b>4,636</b>	Tier 2	<b>1,785</b>	2,081
200,183	<b>232,701</b>	<b>Total regulatory capital</b>	<b>89,590</b>	77,070
		<b>Risk weighted assets</b>		
1,437,829	<b>1,779,963</b>	Credit risk	<b>685,286</b>	553,564
11,135	<b>32,182</b>	Market risk	<b>12,390</b>	4,287
58,312	<b>74,236</b>	Operational risk	<b>28,581</b>	22,450
1,507,276	<b>1,886,381</b>	<b>Total risk weighted assets</b>	<b>726,257</b>	580,301
		<b>Capital adequacy ratio</b>		
12.92%	<b>12.09%</b>	CET1 capital expressed as a percentage of total risk weighted assets	<b>12.09%</b>	12.92%
12.92%	<b>12.09%</b>	Total tier I capital expressed as a percentage of total risk weighted assets	<b>12.09%</b>	12.92%
0.37%	<b>0.26%</b>	Tier II capital expressed as a percentage of total risk weighted assets	<b>0.26%</b>	0.37%
13.28%	<b>12.34%</b>	Total regulatory capital expressed as a percentage of total risk weighted assets	<b>12.34%</b>	13.28%

As at the reporting date the capital position of the Islamic Window remains strong and is well placed to absorb the impact of the current disruption.

The capital adequacy ratio given above is calculated in accordance with the Basel II norms as adopted by Central Bank of Oman and IBRF. The capital conservation buffer requirement of 2.5% is maintained at the bank level.

**35 SOURCES AND APPLICATION OF CHARITY FUND**

2023 US\$ '000	2024 US\$ '000		2024 RO '000	2023 RO '000
5	7	<b>Undistributed charity fund at the beginning of the year</b>	3	2
3	3	Penalties to customers for late payment	1	1
5	8	Sharia non-compliant income	3	2
<b>13</b>	<b>18</b>	<b>Total source of charity fund</b>	<b>7</b>	<b>5</b>
<b>Uses of charity fund</b>				
5	10	Donations during the year	4	2
<b>8</b>	<b>8</b>	<b>Undistributed charity fund at the end of the year</b>	<b>3</b>	<b>3</b>

**36 SOCIAL RESPONSIBILITY**

The Islamic Window discharges its social responsibilities through donations to charitable causes and organisations.

**37 COMPARATIVE INFORMATION**

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current year for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or owner's equity.