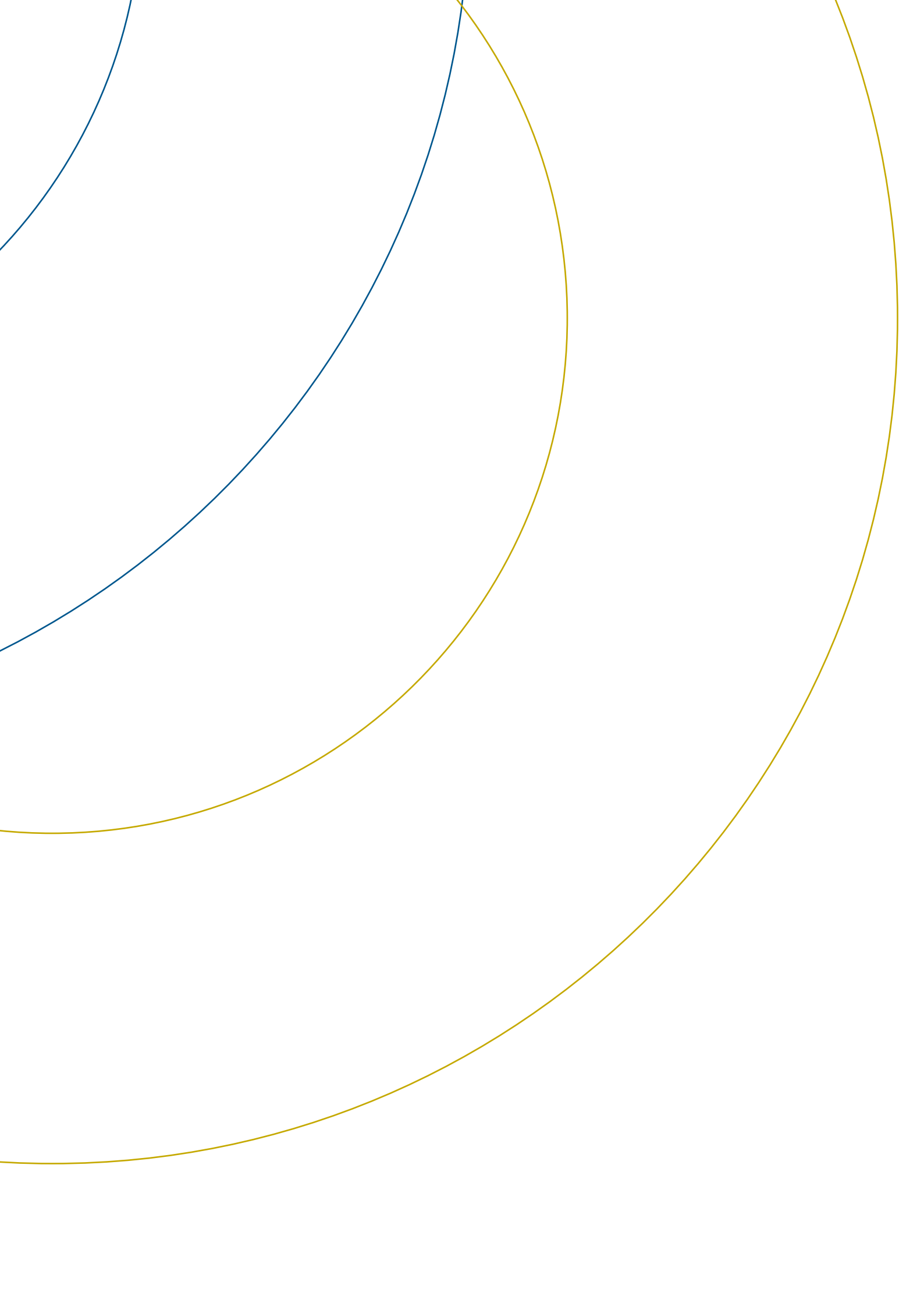


YOUR PARTNER IN EXCELLENCE







His Majesty Sultan Haitham bin Tarik

- May Allah Protect Him -

The background image shows a modern building with a large glass facade and a courtyard. On the right side, there is a large, vibrant mural with blue and yellow abstract patterns and Arabic calligraphy. The text "TABLE OF CONTENTS" is overlaid on the left side of the image.

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SECTION I **AHLIBANK**





OUR VISION

To be a vibrant and innovative center of banking in Oman to drive the economic and social development.

AT A GLANCE

About ahlibank

Your Partner in Excellence

Since its establishment in 2007 as a full-fledged commercial bank, ahlibank has grown into one of Oman's leading financial institutions, setting new benchmarks in innovation, integrity, responsibility, sustainability and excellence. Driven by a steadfast commitment to customer-centricity and digital transformation, we continue to shape the banking landscape by offering a diverse suite of financial products and services that cater to the evolving needs of individuals, businesses and institutions.

As a Partner in Excellence, ahlibank's mission goes beyond conventional banking. Our approach integrates world-class financial solutions with a strong emphasis on national development, aligning our strategies with Oman Vision 2040. Through strategic investments in digitalization, corporate banking, wealth management and retail banking, we ensure that customers benefit from seamless, secure and future-ready banking experiences. Our technological advancements, such as the state-of-the-art ahliExpress Multi-Functional Kiosks (MFK) and an expanding network of digital branches, underscore our commitment to enhancing accessibility and financial inclusion.

Our role as a key financial partner extends beyond transactions. We are deeply committed to corporate social responsibility (CSR), fostering economic resilience and supporting SMEs. Through initiatives like Tamkeen crowd funding and strategic financing of national infrastructure projects, we empower businesses and individuals to achieve financial prosperity while contributing to the country's sustainable growth.

Our footprint continues to expand across the Sultanate, ensuring that our modern branches and digital solutions remain at the forefront of customer convenience. With an unwavering dedication to excellence, ahlibank remains a trusted partner, helping individuals and businesses navigate the complexities of modern finance while staying rooted in the values that define us, those values being innovation, integrity, responsibility, and sustainability.

As we continue this journey, our vision is clear: to be a dynamic and forward-thinking financial institution that fuels progress, empowers communities and strengthens Oman's position in the global financial landscape. Through excellence in service, strategic foresight and a commitment to national development, ahlibank stands as a true Partner in Excellence, leading the way towards financially secure and prosperous future.

About ahli islamic

As a pioneering Islamic banking institution in Oman, ahli islamic operates as a dedicated Shariah-compliant financial partner, offering innovative and ethical banking solutions tailored to the needs of individuals, businesses and corporate entities. With a steadfast commitment to excellence, innovation, integrity, responsibility and sustainability, ahli islamic is at the forefront of advancing Oman's Islamic finance landscape.

Guided by the Islamic Banking Regulatory Framework established by the Central Bank of Oman (CBO), ahli islamic has built a robust governance structure, ensuring adherence to the highest Shariah standards. This is upheld through a well-established Shariah Supervisory Board (SSB), a Shariah Audit and Compliance Department, and a dedicated team of professionals across all business units and branches. Every product and service offered by ahli islamic is meticulously reviewed and approved in alignment with Shariah principles, reinforcing its reputation as a trusted Islamic financial institution.

With a growing presence across 25 strategically located branches throughout Oman, ahli islamic continues to expand its footprint, offering an extensive portfolio of financial solutions that cater to individuals, SMEs and corporate clients. These include tailor-made home, auto and personal financing, treasury and investment solutions, as well as wealth management services, all designed to support customers in achieving their financial aspirations while adhering to Islamic banking values.

Driven by a commitment to digital transformation, ahli islamic integrates state-of-the-art core banking technology to enhance customer convenience and accessibility. Its mobile banking platform and digital services provide seamless and secure financial transactions, aligning with global Islamic banking trends.

ahli islamic also plays a crucial role in supporting Oman's socio-economic growth, contributing to national development through strategic investments, corporate social responsibility initiatives and Shariah-compliant financing solutions that empower individuals and businesses.

As Your Partner in Excellence, ahli islamic remains dedicated to delivering world-class Islamic banking experiences, fostering financial prosperity and championing ethical banking practices that contribute to a sustainable and thriving economy in Oman.



2008

Launch of Commercial Banking activities



2009

Launch of SME banking services



2012

Launch of Asset Management and Brokerage Services. RO 25 Million Capital raised through a Rights Issue. RO 1 Billion in Assets



2013

Launch of Islamic banking - 7 branches in the first year Shift to the iconic HO Building



2014

Introduced Signature and infinite cards for private customers



2015

Launch of Graduate Development Program (Himam) Expanded to 20 branches across Oman



2016

First bank in Oman to be certified for Payment Card Industry Data Security Standards



2017

RO 50 Million AT 1 - Capital RO 2 Billion in Assets



2018

RO 54 Million AT 1 - Capital Formation of '#ahliCares' team



2019

Launched the ahli islamic brand Start of ahli digital



2020

Supported the Sultanate's Covid-19 relief efforts. Launched youth account 'MyChoice'



2021

First Islamic bank to launch on boarding through mobile app. Launch of ahliGlobal Equity Fund. RO 30 Million Rights Issue. RO 3 Billion in Assets



2023

5 digital branches across Oman. First bank to provide 1:1 financing option through mobile app. RO 50 million rights issue. RO 54 million raised via AT 1 bonds



2024

3 new ahli Islamic branches across Oman. Al Shumookh Premium Banking Center opening. Launch of ahli islamic youth account 'Al Masar'. Launch of Al Majd. Launch of instant credit card printing

OUR PEOPLE

ahlibank has consistently contributed to Oman's national agenda in accordance with **Oman Vision 2040**, focusing on job creation and skill development, particularly for the young national workforce.



Omanisation Ratio

94.30%

as at December 31, 2024

983

as at December 31, 2024

The Bank acknowledges the pivotal role of employees in achieving short and long-term strategies

“Our commitment to human resource development aligns with meeting labour market needs.”

The Bank prioritizes training and offers a platform for employees to advance in their careers. We foster a nurturing and motivating work culture, crucial for developing strong human capital. This approach underpins our strategy for human resource development, embodying the potential for career growth and extensive learning opportunities. From resourcing to retention and from fostering positive competition between employees to enhancing employee engagement, ahlibank acknowledges the pivotal role of its employees in achieving its short and long-term strategic goals. Being part of ahlibank means engaging in a culture of excellence, embracing challenges, thriving in an environment that nurtures innovation, and focusing on delivering superior customer experiences.



A large, modern office interior with a high ceiling and extensive glass walls. The space is filled with natural light, creating a bright and airy atmosphere. The architecture features a complex network of white structural beams and cables. In the foreground, there is a dark, curved desk or reception area. In the middle ground, a lounge area is furnished with light blue sofas and wooden coffee tables. A large abstract painting is displayed on the wall. The background shows a view of a city and mountains through the glass walls. The overall color palette is dominated by blues and whites, with a touch of wood. A large white circle graphic is overlaid on the image, partially enclosing the text.

KEY HIGHLIGHTS



2024 Key Highlights and Achievements

The year 2024 has been a landmark for ahlibank, marked by strategic growth, innovation and a strong commitment to sustainability and community empowerment. Reinforcing its position as Your Partner in Excellence, the bank has expanded its corporate, retail and digital banking offerings while driving impactful initiatives aligned with Oman Vision 2040.

With a focus on sustainable finance, digital transformation and corporate social responsibility (CSR), ahlibank has played a pivotal role in supporting national development projects, enhancing customer convenience and fostering financial inclusion.

Financing of Khazaen Economic City (KEC)
Supporting the development of a major logistics and industrial hub.



Expansion of Multi-Functional Kiosks (MFKs)
Increasing access to digital banking across Oman.

Yiti Sustainable City advisory services
Providing financial advisory for Oman's flagship sustainable urban project.



Cooperation agreement with Nafath Renewable Energy
Installing a Solar Energy System at the Head Office parking area.

Upgraded mobile application
Offering an enhanced, seamless, and secure digital banking experience.



Launch of instant credit card printing
Providing customers with immediate access to their credit cards at ahlibank and ahli islamic branches.

Additional Tier 1 Capital Instruments (AT1 Bonds) issue (RO 40 million)
Strengthening capital reserves through private placement.



Expansion of ahli souq
Offering a platform for SMEs and entrepreneurs to showcase their products.

Financial closure of project financing for an SPV owned by be'ah (RO 50 million)
Supporting environmental sustainability efforts.



Inaugural Launch of ahli Expo
Driving business networking and innovation in Oman's financial and entrepreneurial ecosystem.



2024 Key Awards

As a testament to our commitment to excellence across a multitude of facets, ahlibank has been recognized with prestigious awards, in that each award underscores our dedication to innovation, customer service elegance and technological advancements. These awards bolster our status as a leading financial institution not only in Oman, but on a wider regional and international scene.

Corporate Bank of the Year Award

MENA Banking Excellence Awards 2024



Excellence in Private Banking Award

New Age Banking Summit 2024



Excellence in Corporate Banking Award

New Age Banking Summit 2024



Excellence in Digital Transformation Award

New Age Banking Summit 2024



Excellence in Corporate Banking & Innovative solutions Award

The Alam Al Iktisaad awards



Best Performing Company – Large Cap

The Alam Al Iktisaad awards



Excellence in Digital Banking Award

The OER Live DX Awards Oman



Best Conventional Bank Award

Union of Arab Banks



Excellence in Islamic Retail Cutting-Edge Products and Services

Alam Al Iktisad Awards 2024





OUR LOCATIONS



LOCATION & **BRANCHES**

ahlibank continues
to extend its reach
across Oman,

with several new branches
opening in key locations, in line
with our aim to enhance service
accessibility. These new
branches are equipped with the
latest technology, ensuring an
efficient and modern banking
experience for all our customers.





24
branches

- Al Khuwair
- Ghubra
- Mall of Muscat
- Mabellah
- Madinat As' Sultan Qaboos
- Al Mouj
- Al Buraimi
- Al Khaburah
- Barka
- Ruwi
- Al Wattaya
- Al Seeb
- Oman Avenues Mall
- Al Khoudh
- Sohar
- Suwaiq
- Mussanah
- Ibri
- Nizwa
- Sur
- Rustaq
- Ibra
- Saada
- Salalah



25
branches

- Al Wattaya
- Al Khuwair
- Al Amerat
- Al Khoudh
- Al Khoudh 6
- Al Hail
- Al Suwaiq
- Barka
- Sohar
- Saham
- Mabellah
- Ghubra
- Al Ansab
- Mall of Oman
- Qurayat
- Al Shumookh Centre
- Ibri
- Rustaq
- Nizwa
- Bahla
- Sur
- Sinaw
- Samail
- Jalan Bani Bu Ali
- Salalah



17
Multi functional
Kiosks (MFKs)

- Head Office
- MQ Branch1 and 2
- Head Office Islamic
- Mall of Oman Kiosk
- Mall of Oman Islamic branch
- Al Mouj Branch
- Nizwa Islamic Branch
- Shumookh Center
- Al Khoudh Branch
- Sohar Islamic
- Sohar Branch
- Barka Branch
- Al Khoudh Islamic
- Barka Islamic Branch
- Al Khoudh 6 Islamic Branch
- Al Ansab Islamic

SECTION II

AHLIBANK





OUR MISSION

To be a trusted and preferred banking partner, dedicated to creating unique value for our employees, customers, shareholders and society.

BOARD OF DIRECTORS



Hamdan Ali Nasser Al Hinai
Chairman

Holds Master in Development and project management, Bachelors in Business Management & Economics and Diploma in international Development Management; Former Director General, Purchasing and Contracts, Ministry of Defense. Mr. Al Hinai has over 40 years of experience in various senior positions across both government and private sectors.



Anwar Hilal Hamdoon Al Jabri,
First Deputy Chairman

Certified Public Accountant (CPA), USA, holding a Masters of Business Administration (MBA), University of Hull, UK and a Bachelor's of Science in Accounting (BS.A), University of Akron, Ohio, USA; Mr. Anwar is a Founder/CEO of Jabreen International, Former CEO of Jabreen Capital, a regional private equity asset manager. A Chairman of U-Capital GCC Fund; A former Chairman of Shamal Plastics SAOC; A Former board member of Liva, one of the largest insurance company in the GCC and also a Former board member of Eastridge Partners, Singapore, a Private Equity Asset Management Co. with a focus of investments in south East Asia. Previous experience as Investment Director of Oman Investment Fund (A Sovereign Wealth Fund) and CEO of OIF's subsidiary National Pioneer Investment & Development Company managing multibillion-dollar portfolio regionally and internationally. He has also worked for several years for the Central Bank of Oman and Oman Refinery. Mr. Al Jabri has accumulated more than 25 years of Investment and finance industry experience holding various leading positions.



Ibrahim Said Badar Al Eisri,
Second Deputy Chairman

Member of the Association of Chartered Certified Accountants (ACCA), Masters in Finance, Oxford Brookes University, UK and Bachelor's Degree in Commerce Major Accounting & Finance, Curtin University of Technology, Perth, Australia; Chief of Investments – Private of Private Market in Oman Investment Authority (OIA); Board Chairman of Nama Water Services and Board Member at Omantel. Having over 21 years of experience in different sectors including, Telecommunication, Oil & Gas and Financial & Investments; Held different leadership roles in Finance & Investment Operations.



Abdul Hameed Ahmed Mohamed Al Bulushi,
Director

Hold High Diploma in Development, United Kingdom; Bachelor degree in Law, Egypt; Former Legal Expert in Civil Service Employees Pension Fund. Chairman, Oman Hospitality Company; Director at Al Nama Poultry Company, Director at Osool Poultry Company, and director of Raysut Cement SAOG Company. He has more than 33 years of experience in Ministry of Civil Service & Civil Service Employees Pension Fund in different senior positions.



Salim Ali Hamed Al Hasni, **Director**

Holds Master of Science in Commercial Project Management from the University of Manchester – College of Mechanical, Aerospace & Civil Engineering and Bachelor of Science (Commerce & Economics) from Sultan Qaboos University. Director of Contracts - Ministry of Defense. Chairman of the Board of Directors of Reem Batteries & Power Appliances SAOC; Vice Chairman of Sohar Power Company SAOG. Having more than 23 years of experience in Ministry of Defense in different positions.



Qais Abdullah Moosa Al Kharusi, **Director**

Certified Chartered Financial Analyst (CFA), Financial Risk Manager (FRM) and Chartered Alternative Investment Analyst (CAIA); Holds an MBA degree in Value Investing & Finance from Columbia Business School, New York, USA and a BSE degree in Industrial and Operation Engineering from the University of Michigan, USA; Chief Executive Officer of Al Hosn Investment Company; Board Member of A'Saffa Foods SAOG; He has 16 years of diversified investment experience with over 9 years in senior leadership positions.



Abdullah Saif Ali Al Rajhi, **Director**

Holds a Bachelor's degree in Journalism and Media from Sultan Qaboos University, a Master's degree in International Relations (International Security) from the University of Leeds, and a Master's degree in Strategic Studies for National Security and Defense from Sultan Qaboos University. Completed executive training programs from the National Defense college. Currently serves as an Administrative and Financial Expert at the Office of the Minister of Agricultural, Fisheries Wealth, and Water Resources. Over 27 years of experience in operations management, strategic planning, human resources, crisis management, financial and administration.



Sulaiman Abdullah Khalfan Al Balushi, **Director**

Holds a Master's degree in International Banking, Finance, and Risk Management from Glasgow Caledonian University, a Pre-Master's degree in Business, Social Sciences, and Law from the University of Glasgow, and a Diploma in Accounting from Sultan Qaboos University. Currently serving as the Director of Investments at Royal Court Affairs, he oversees multi-asset investments across global financial markets, leveraging his expertise in strategic asset allocation, portfolio management, risk assessment, and investment strategy. He is the Vice Chairman of Oryx Fund and a management body member of Ahli Islamic Money Market Fund, Izdihar Real Estate Fund, Al Tharwa Fund, and Meethaq Equity Fund. With over 20 years of experience in investment and audit functions, he has contributed to the organization's objectives and risk management strategy.



Ali Said Ali Al Uraimi, **Director**

Holds a bachelor degree in Finance from Sultan Qaboos University and a postgraduate qualification in Management Learning and Leadership from Lancaster University. A fellow researcher at the Center for Business in Society at Coventry University since 2017 and an alumnus of the National CEO Program (third cohort) by IMD Business School. Currently serves as the Chief Executive Officer of Nakheel Oman Development Company; Chairman of Bio Products Oman SAOC, and a Board Member of Sun Packaging Company SAOC. Member in Economic committee and Food security committee in Oman chamber of Commerce. Has over 20 years of experience in strategic business development, financial management, performance management, and investment planning across various industries, including food, agriculture, investment, and education services.

EXECUTIVE MANAGEMENT



Said Abdullah Al Hatmi
Chief Executive Officer



Abdullah Salim Al Jabri
Deputy CEO - Support Services



Bilal Anwar
Deputy CEO - Business Group



Hanaa Mohammed Al Kharusi
Senior General Manager - Wholesale
Banking



Taher AlBakhsh Al Balushi
Senior General Manager - Strategy,
Transformation, Technology and
Projects



Fahad Fraish Al Shuaili
General Manager - Chief Risk Officer

Zaliya Lal Bakhsh Al Balushi
GM - Head of Corporate Banking

Yousuf Salim Al Rawahi
DGM - Head of Ahli Islamic

Najla Murtadha Al Lawati
DGM - Head of Private Banking & Wealth
Management

Sriram Balakrishnan
DGM - Head of Finance (CFO)

Muneer Ahmed Al Balushi
AGM - Head of Retail Distribution

Noora Sabah Jawad Sultan
AGM - Head of Retail Banking ahli Islamic

Ibrahim Abdullah Al Maamari
AGM - Head of Compliance

Khalid Al Hamhami
AGM - Head of Credit Risk

Mohammed Abdul Qadir Al Balushi
AGM - Head of Treasury

Habib Murtadha Al Hamaid
AGM - Head of Complaints Management
& Corporate Affairs

Jumana Aflah Al Hashmi
AGM - Head of Marketing & Corporate
Communications

Zainab Mustafa Al Lawati
AGM - Head of Corporate Banking in ahli
Islamic

Hassan Maqbool Al Lawati
AGM - Head of SME

Said Ahmed Al Mahrooqi
AGM - Head of Information Security

Farid Mohammed Al Bahri
AGM - Head of Internal Audit

Abdullah Nasser Al Hinai
AGM - Head of IT

Qais Ibrahim Al Hasni
AGM - Head of Retail Business Support



Chairman's Report

YOUR PARTNER IN EXCELLENCE

FOR DIGITAL AND
FINANCIAL OFFERINGS



Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the financial statements of ahlibank for the year ended 31 December 2024.

ECONOMIC OVERVIEW

The Sultanate of Oman's economy continues to demonstrate resilience and adaptability amidst a dynamic global economic environment.

Oman's strategic focus on diversifying revenue streams, combined with its steady oil breakeven price since 2021, provides a foundation for economic stability and incremental development in the coming years. The consumer price index has also shown encouraging stabilization following an inflationary peak in 2022, reflecting effective macroeconomic management. Meanwhile, the reduction in the gross debt-to-GDP ratio underscores Oman's commitment to fiscal prudence, further solidifying its economic outlook.

The Sultanate's 2025 Budget represents the culmination of the 10th Five-Year Development Plan (2021-2025), marking a pivotal phase in advancing Oman's Vision 2040. This comprehensive financial framework addresses the challenges presented by global geopolitical shifts, economic fluctuations, and oil price volatility. With a focus on sustainable growth, the budget prioritizes stimulating private sector activity and driving long-term economic and social development. The projected budget 2025 deficit of RO 0.62 billion, equivalent to 1.4% of GDP, contrasts with the estimated surplus of RO 0.54 billion in 2024, reflecting strategic fiscal management to balance development objectives with financial stability.

Amid this promising economic environment, ahlibank is strategically positioned to capitalize on emerging opportunities. By aligning our banking solutions with market demands and leveraging innovative technologies, we remain committed to delivering unparalleled value to our stakeholders and fostering economic growth across Oman.

FINANCIAL PERFORMANCE

The Bank completed 17 successful years since its incorporation as a commercial Bank and continued to move ahead with another steady performance across key financial indicators for the period ended 31 December 2024.



Net Loans, Advances & Financing

31-Dec-24: 3,022.3 RO Million

31-Dec-23: 2,694.2 RO Million

Growth: 12.2%



Total Assets

31-Dec-24: 3,754.9 RO Million

31-Dec-23: 3,318.3 RO Million

Growth: 13.2%

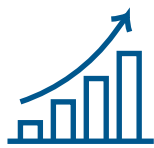


Customers' Deposits

31-Dec-24: 2,762.8 RO Million

31-Dec-23: 2,475.7 RO Million

Growth: 11.6%



Equity

31-Dec-24: 558.0 RO Million

31-Dec-23: 521.4 RO Million

Growth: 7.0%



Operating Income

31-Dec-24: 108.31 RO Million

31-Dec-23: 98.54 RO Million

Growth: 9.9%



Operating Expenses

31-Dec-24: 46.40 RO Million

31-Dec-23: 43.13 RO Million

Growth: 7.6%



Profit for the Period

31-Dec-24: 41.66 RO Million

31-Dec-23: 36.45 RO Million

Growth: 14.3%

The Bank's Net Loans, Advances & Financing witnessed a 12.2% growth to RO 3,022.3 million at end of 31st December 2024, over the corresponding period in 2023. Customers' deposits increased by 11.6% to reach RO 2,762.8 million, compared to the corresponding period of last year. Total Assets increased by 13.2%, reaching to RO 3,754.9 million. Operating Income increased by 9.9% to reach RO 108.31 million. Operating Expenses, increased by 7.6% to reach RO 46.40 million. Profit for the period grew by 14.3% to reach RO 41.66 million, demonstrating the Bank's sustained growth strategy.

ACHIEVEMENT HIGHLIGHTS

As ahlibank reinforced its standing as a leader in banking excellence and innovation, the year 2024 achievements reflect a focused strategy to deliver exceptional value to stakeholders while aligning with Oman's national economic goals. ahlibank's milestones highlight its commitment to excellence, adaptability and shaping the future of banking in the Sultanate.

Following the success of the first phase of one of the most ambitious projects in the Sultanate, the Bank signed an agreement to finance the second phase of Khazaen Economic City (KEC). The project is set to enhance the country's socio-economic development, driving forward the goals outlined in Oman Vision 2040. Further, ahlibank announced the financial closure of the project financing facility to a SPV owned by the Oman Environmental Service Company SAOC - 'be'ah'. The facility was undertaken to finance the Industrial Waste Treatment Facility (IWTF) Project in Sohar Port and Free zone. The IWTF facility is the first-of-its-kind in Oman and will enable the Sultanate to manage and treat industrial hazardous waste instead of exporting it overseas, thereby reducing reliance on other countries.

Incorporating a wide array of investors, ahlibank successfully completed its Additional Tier 1 Capital Instruments (AT1 Bonds) issue aggregating RO 40 million, through private placement. This included a base issue of RO 20 million and a Green Shoe Option of RO 20 million. The AT1 Bonds issuance was set to strengthen the overall capital adequacy of the Bank, having achieved yet another great milestone.

Keeping with the theme of providing nothing but the best to its high-net-worth customers, ahli islamic officially inaugurated its brand-new Al Shumookh center in line with its commitment to providing unparalleled banking services adhering to Sharia-compliant principles, offering an exclusive sanctuary for its discerning patrons.

The Bank also successfully completed its advisory role for the Sustainable Development Investment Company in raising RO 40.6 million to finance the development of 300 residential villas within The Sustainable City, Yiti. The fundraising garnered a total investment of RO 58.2 million for the development of the villas.

ahlibank, driven by its commitment to operational excellence and customer-centric innovation, has significantly enhanced its digital capabilities in 2024. The

Bank's mobile banking application underwent a comprehensive revamp, integrating advanced digital solutions and unique features designed to exceed conventional banking standards. This upgrade not only expanded the range of financial products and services available but also improved user experience by simplifying financial management. Furthermore, ahlibank and ahli islamic branches introduced instant credit card issuance through highly advanced credit card printing machines, delivering enhanced convenience and reducing service turnaround times for customers seeking immediate financial solutions. Expanding its digital footprint further, the Bank launched three new ahliExpress Multifunctional Kiosks (MFK) across Oman, bringing the total number of ahliExpress kiosks to 17. These initiatives reaffirm ahlibank's strategic focus on driving digital transformation while maintaining superior service standards.

Awards and Accolades

Revered for its exceptional performance and forward-thinking approach, ahlibank was honored at the MENA Banking Excellence Awards 2024, where it won the Corporate Bank of the Year Award at a ceremony held in Dubai, United Arab Emirates.

Exemplifying its relentless pursuit to excellence, ahlibank received three distinguished accolades at the ninth edition of the New Age Banking Summit 2024 - 'Excellence in Private Banking' award, 'Excellence in Corporate Banking' award, and 'Excellence in Digital Transformation' award.

ahlibank received top honors at the Alam Al Iktisaad Awards 2024, in which the Bank won two prestigious titles - 'Excellence in Corporate Banking & Innovative Solutions', and 'Best Performing Company - Large Cap' - achieving two significant milestones in its successful track record.

Adding to its achievements and extraordinary milestones, ahlibank was awarded the 'Excellence in Digital Banking' award at the OER Live DX Oman (Digital Transformation Conference) event. The Bank was honored for its contributions and innovation in providing a range of exceptional and leading digital banking products and services.

Conferred by the Union of Arab Banks, ahlibank received the 'Best Conventional Bank in Oman' for the year 2024. The award is a testament to ahlibank's leading status in the Sultanate, showcasing its banking expertise and forward-thinking vision as a dynamic hub for banking.

These accomplishments, awards and distinguished titles highlight ahlibank's and ahli islamic's steadfast dedication to innovation and their efforts to prioritize customers' needs.

Corporate Social Responsibility (CSR)

ahlibank's CSR initiatives in 2024 emphasized creating long-lasting impact by fostering community development, empowering small businesses and driving socio-economic growth across Oman.

A key initiative, the Ramadan Souq, held in collaboration with Riyada for the second consecutive year, provided a vital platform for over 40 SMEs to showcase their products and strengthen their market presence. This initiative not only celebrated entrepreneurship but also contributed to boosting local economic activity. Similarly, the ahli Expo 2024 brought SMEs together through an engaging B2B event that featured interactive workshops and insightful panel discussions. These initiatives underscore ahlibank's commitment to supporting the backbone of Oman's economy - its small and medium enterprises.

Beyond economic empowerment, the Bank's 'ahli cares' program had a profound social impact by addressing critical community needs. From engaging with senior citizens at the Social Welfare Home to delivering essential care items that improve the quality of life for its residents, ahlibank has consistently demonstrated its dedication to community welfare. Additionally, partnering with the Al Rahma Association, ahlibank supplied school essentials to 2,000 underprivileged students, ensuring they were equipped to thrive academically and socially.

A cornerstone of ahlibank's CSR efforts is its HIMAM program, which celebrated its 10th batch in 2024. This flagship youth empowerment initiative provided participants with employment accompanied by rigorous training, equipping them with the skills and competencies required to excel in the competitive banking sector.

Through these impactful initiatives, ahlibank reaffirmed its role as a catalyst for economic and social progress, demonstrating its unwavering commitment to fostering a thriving and inclusive society.

Looking Ahead

As we move into 2025, ahlibank remains unwavering in its commitment to innovation and excellence. Celebrating its

17th anniversary, ahlibank aims to further expand its portfolio of digital solutions and deliver tailored offerings that cater to diverse customer needs. Guided by its vision of being a trusted 'Partner in Excellence,' the Bank will continue driving growth and supporting Oman's economic aspirations.

Acknowledgments

On behalf of the Board of Directors, I would like to extend our gratitude to our shareholders for their heartfelt support to ahlibank and for placing their trust in our ability to fulfill our commitments. Your faith has been instrumental in our sustained progress throughout the past year.

I would also like to thank the Bank's Executive Management and all the employees whose discerning efforts have been key to our continued success. My sincere thanks go out to the teams for their dedication and relentless pursuits for excellence.

We at ahlibank will continue to pledge our allegiance and undivided support to His Majesty Sultan Haitham bin Tarik and the country's economic progression in realizing the goals outlined in Oman Vision 2040



Hamdan Ali Nasser Al Hinai
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review

Oman's economy continued its recent positive growth in 2024, achieving real Gross Domestic Product (GDP) growth of 1.9% during first three quarters of 2024 compared to 1.3% during 2023. This positive economic performance contributed to a budget surplus of RO 540 million for the financial year 2024, as per preliminary data. The average price of Oman crude oil was USD 82/bbl during 2024, contributing to higher revenues which has supported the government in being able to reduce the public debt by RO 0.8 billion bringing it down to RO 14.4 billion, which is 34% of GDP. The recent credit rating upgrades for Oman are a positive signal for its economic stability and fiscal health. S&P raised Oman's rating to BBB- with a stable outlook; this classification places Oman into the investment-grade category, with the stable outlook indicating that S&P's expectation for sustainable economic improvements. Fitch also raised its rating to BB+ with a positive outlook, with the potential for further upgrades if Oman continues its path of fiscal reform and debt reduction. Finally, Moody's raised Oman's rating to Ba1 with a positive outlook, which aligns with the upward trend seen by the other agencies. These upgrades evidence the confidence in Oman's economic trajectory, particularly the management of public finances and debt. In 2024, Oman continued to focus on economic diversification, with major investments in tourism, manufacturing, renewable energy, logistics, and digital transformation.

Oman's 2025 budget maintains financial, economic and social stability in line with the Financial Framework of the 10th Five-Year Development Plan (2021-2025) and Oman Vision 2040. It has several key initiatives in the form of developmental projects in education, health, transport, infrastructure and urban planning. The budget includes a focus on social protection through the Social Protection Fund and supporting target sectors through the Oman Future Fund and Estidamah. Oil and gas revenues, representing 68% of the total revenues, are budgeted at OMR 7.61 billion for 2025, 1.6% higher than the 2024 budget of OMR 7.49 billion. The 2025 budget assumes an average oil price of USD 60/ bbl and an average oil production of 1.001 million barrels per day. Non-oil and gas revenues are budgeted at OMR 3.57 billion based on the expected higher tax and fee revenues resulting from the recovery of economic activities. A budget deficit of OMR 620 million is estimated at 1.4% of GDP, compared to a surplus of OMR 540 million as per the 2024 preliminary results.

Financial Sector

Oman banks have continued to record healthy growth in 2024, supported by higher oil prices and improved liquidity due to stable fiscal conditions. The preliminary financial statements of commercial banks show total assets have

increased to RO 44.6 billion as of December 31, 2024, 6.7% higher than December 2023.

The banks have achieved this increase in profits with a 7% growth in loans and financing. The improvement in the banks' financial results also reflects their efforts to diversify their lending and financing portfolios, coupled with their contributions to financing government and private sector projects.

The MSX 30 Index closed at 4,577 points for 2024, an increase of 1.4% from 2023. The value of traded securities during this year reached RO 1.26 billion which is 11.5% higher compared to last year (RO 1.13 billion), driven by equity trades, IPOs. The total yearly traded volume has increased by 45% during 2024, reaching 6.6 billion shares in 2024 compared to 4.5 billion in 2023. The market capitalization increased by 16% which was in part driven by the IPOs of OQGN, OQBI and OQEP, and reached RO 27.6 billion compared to RO 23.8 billion last year.

The Bank's Performance

The Bank has completed 17 successful years since its conversion to a full-fledged commercial bank and has enhanced its commitment to provide financial services that go beyond the conventional mode and espouse sustainable business practices going forward. Ahlibank's total assets grew by 13.2% in 2024, reaching RO 3.75 billion, compared to RO 3.32 billion in 2023. Customer deposits went up by 11.6% to reach RO 2.76 billion compared to RO 2.48 billion. Net Loans & advances and financing grew by 12.2% reaching RO 3.02 billion. The Bank's operating income increased by 9.9% reaching RO 108.3 million in 2024. The profit after tax for the period grew by 14.3%.

Capital and Reserves: The capital and reserves of the Bank as of 31 December 2024 stood at RO 558.0 million compared to RO 521.4 million as of 31 December 2023. The Bank maintained sufficient capital buffers and the capital adequacy ratio of the bank stood at 15.38% above the regulatory requirement. The Bank also raised AT1 capital of RO 40 million on 27 June 2024 after exercising the first call option on AT1 Capital of RO 20 million, issued in June 2019.

Loans and Financing: The increase in gross loans and financing in 2024 reflects the Bank's strategy of active balance sheet management, to position the Bank for sustainable profitable growth in the coming years. The Bank's gross loan and financing increased by RO 322.7 million to RO 3.124 billion as of 31 December 2024 from RO 2.802 billion as of 31 December 2023. The focus in 2024 was to maintain high-asset quality, which reflected in the low non-performing loans to gross loans ratio of 4.14% one of the lowest amongst its industry peers.

Customer Deposits: Customer deposits of RO 2.762 billion at year-end 2024 reflected an increase of 11.6% compared to 2023. The Bank continues its strategy to focus on expanding a lower cost-funding base through new product launches and retail branch expansions.

Profitability: The net profit after tax increased by 14.3% to RO 41.66 million as compared to RO 36.45 in 2023. The return on equity of the Bank as at December 31, 2024 stood at 11.1%.

Business Units

The Bank is dedicated to constantly enhancing its effective governance policies, prudent risk assessment procedures, cost-efficiency strategy and the introduction of new products and services to promote the interests of its stakeholders and ensure long-term sustainability. Its employees are encouraged to aim high, enabled with a sense of empowerment to achieve their tasks. Coupled with continuous training and development, the management aims to constantly build a talent pool that is able to achieve high-quality performance and innovation. Furthermore, the Bank strives to provide its customers with optimal banking propositions through convenient channels in a timely manner with the highest levels of accuracy and reliability. In line with the latest trends in digital banking, the Bank continuously invests in new and secure technologies in order to provide world-class customer service and experience through multiple platforms.

Corporate Banking

ahlibank's corporate banking brand continues to grow in stature. Its industry-specific teams boast a deep understanding of their respective local and regional market segments, working to ensure the delivery of insightful relationship management with fast turnaround times across its product spectrum. These divisions comprise:



The Bank has strategically aligned its teams to concentrate on sectors key to the Sultanate's diversification strategy and Vision 2040, thereby creating wealth through economic diversification and private sector partnerships. It continues to contribute towards the economic development of these sectors through the funding of various projects and by providing a comprehensive range of competitively priced, funded and non-funded financial products and advisory services. ahlibank is fully committed to the Sultanate's vision towards diversification of energy sources through green energy financing and other sustainable biofuels. As part of our long-term strategy, the Bank plans to strengthen its procedures to help fund ESG projects.

SME Banking

Small and Medium Enterprises (SMEs) continue to play a vital role in the economic development of Oman. The empowerment of this sector contributes to the generation of job opportunities, enhancement of exports, facilitation of equitable income distribution, reduction of oil dependency, and an increased contribution to the country's GDP. With Oman reviving and redirecting its focus and resources towards SMEs, the country has developed various programs to establish and support new business units. Concurrently, there is a reliance on banks to continue playing a crucial role in the development of this sector. ahlibank Launched the "Tamkeen" crowdfunding initiative during FY 2022 in collaboration with Beehive, marking it as the first of its kind in Oman. The programme provided Financial aid to 100 locally established firms with total funding exceeding RO 5 million until end of 2024. Ahlibank also launched a new finance product against point of Sales (POS) in FY 2024, the new product is designed to support MSMEs in the country and operators of Ahlibank POS machines, the programme is designed to support both; Capital, and operating Expenditures of companies, with flexible repayment plans reaching to 36 months. Ahlibank have also successfully launched "AhliExpo" as a first SME Convention in the country, it exhibited 40 promising SME companies which have protentional to grow in the country, the exhibition showcased their potentials and presented them to the business society as possible business partners. The convention also included several seminars and workshops

along with panel discussions with several experts and influencers in the business community.

Corporate Liabilities

A dedicated team is tasked to focus on increasing the liabilities of the Bank, offering its corporate clients a range of liability products from operative accounts, call accounts, fixed as well as structured deposits. Its customer-centric team recognises the importance of relationship building, ensuring that a comprehensive range of products is available to the client as well as to their employees. With a focus on low-cost deposit to diversify the funding base of the Bank, the team continues to grow to complement the Corporate Banking lending and retail banking team.

Government Banking

The Government Banking unit, catering to the needs of government bodies and institutions, including Ministries and other governmental offices, such as pension funds. The unit provides products and services tailored to the government's diverse banking requirements. It collaborates with other departments within the Bank, such as Corporate Banking for funding needs, and Retail, Premium, and Private Banking for employee-related services, offering attractive, customised packages.

Transaction Banking (Corporate E-Channels)

Our transaction banking platform caters to the needs of businesses, corporations and institutions in terms of seamlessly managing their routine financial transactions, which encompass financing of international trade, cash management and liquidity management.

The difficulties companies encounter in securing short-term liquidity and their search for efficiency and financial optimisation have led to the rise of transaction banking, consolidating its position within corporate banking.

Transaction banking comprises three major verticals: Trade Finance sales, cash and liquidity management and the corporate products that complement the business lines, such as the payment gateway and the array of corporate cards. Together, these elements cater to the complete corporate digital ecosystem and enable seamless and convenient transaction solutions, providing our clients with state-of-the-art features that create an unmatched experience in managing their busy business lives. This focuses on driving efficiencies and ensuring robust cybersecurity measures and guaranteed confidentiality.

Retail Banking

ahlibank remains steadfast in its commitment to innovation, customer-centricity, and market leadership. By designing and delivering cutting-edge products and services, the bank strengthens its foothold in the market while ensuring seamless and enriching experiences for its customers. As part of its strategic retail network expansion and digital transformation journey, ahlibank launched its first digital branch, "ahli express", in 2022, setting a new benchmark for convenience and efficiency. Building on this success, the bank has operationalised 17 Multi-Functional Kiosks by the end of 2024, significantly enhancing its service delivery capabilities.

This strategic initiative is designed to expand customer touchpoints, provide scalable and convenient banking solutions, and contribute to the growth and development of local communities. By broadening its geographical reach and implementing targeted sales strategies, ahlibank aims to maximize stakeholder value over the medium term. The bank's focus on innovation, technology, and customer satisfaction underscores its vision to redefine the future of banking.

Private Banking Services

ahlibank's Private Banking Services are tailored exclusively for High-Net-Worth Individuals (HNWIs), offering a bespoke and privileged financial experience. Our team of dedicated Relationship Managers and wealth management experts collaborates closely with clients to deliver customized solutions for deposits, transactional needs, and exclusive credit card offerings.

Beyond traditional banking, ahlibank's Private Banking extends to comprehensive financial planning, estate management, and concierge-level services, designed to address the unique needs of our discerning clientele. With one-to-one personalized service, we ensure the highest levels of confidentiality in our exclusive service centers and lounges, enabling clients to explore unique opportunities with unparalleled privacy and exclusivity.

ahlibank's Private Banking is built on a foundation of trust, innovation, and partnership. We are committed to evolving alongside our clients, offering sophisticated solutions that align with their dynamic financial goals and aspirations. Our focus remains on delivering exceptional value, fostering long-term relationships, and providing a banking experience that is as unique as our clients.

AI Nukhba Premium Banking: The Bank's premium customers benefit from the extensive range of services including financial and non-financial privileges. All the dedicated Relationship Managers (RMs) offer personalised services to clients through its various branches and Premium Service Centres. The segment offers below high level benefits to customers:



Imtiyaz: ahlibank customers can now access our dedicated banking services for the Imtiyaz segment, offering a seamless banking experience tailored to the demands of a modern lifestyle. Eligibility for this segment requires a minimum salary transfer of OR 1,000 or a deposit of OR 10,000 and above.

MyChoice: ahlibank presents an opportunity for its young customers to embark on the path to financial independence. By managing their own budget and starting to save with the MyChoice Youth Account, young customers can enjoy an array of specially designed perks and offers. These include a welcome gift, free mobile data, exclusive offers and discounts through the ahliwards app and at VOX cinema, among many other benefits.

Istqrar: The Istqrar account, specifically designed for retirees, offers an array of attractive facilities. This special bank account caters to all basic banking needs, while providing added value through higher returns on fixed deposits, lower interest rates on personal, mortgage, and auto loans, among many other benefits.

Loyalty Platform (Pearl Points): Retail Banking is rewarding its customers via state-of-the-art loyalty platform. For customers, every day banking is not just about managing finances but unlocking a world of exclusive rewards and benefits. Customers earn points on joining the loyalty program, debit and credit card transactions, deposit balances and usage of internet and mobile banking. Points earned can then be redeemed through the loyalty platform to purchase airline tickets, booking of hotels, payment of utility bills, merchants vouchers etc.

Cards: ahlibank offers a range of credit and debit cards across various customer segments: Classic, Gold, Platinum, Signature and Infinite under the credit card category and Platinum and Signature under the debit card category. The credit cards are equipped with exciting features, including redemption against travel miles, travel protection insurance, extended appliance warranty, airport lounge access, purchase protection, concierge services, etc.

Personal Loans: ahlibank's personal loan facility, branded as "MyLoan" offers ready cash with high loan amounts, easy and suitable repayment options, and competitive interest rates. With simple documentation requirements and a hassle-free experience, MyLoan fulfils all dreams in one go: cash for fulfilling family requirements, providing children with the best education, taking dream vacations with loved ones, and much more.

Home Loans: With the most experienced and highly trained staff in home loans, ahlibank offers this service under the brand "MyHome," offering convenient plans to suit everyone's needs. With many attractive features, including long tenor, standard documentation and attractive interest rates, owning a home is no longer a distant dream. Customers can now build or purchase their dream home financed by ahlibank's MyHome facility.

Car Loans: ahlibank offers car loans to customers for purchasing new and used cars, with competitive interest rates, long repayment tenors of up to ten years, and high loan amounts.

MySmart: MySmart from ahlibank is a unique interest-bearing savings account that offers a high interest along

with the flexibility of a transactional account. The account calculates interest based on monthly average balances and pays out monthly. This is coupled with the use of a chequebook to transact freely. Customers can use their funds anytime without notice while enjoying high interest rates on the balance available in their accounts.

Wafra Plus: This is a daily growth account that offers interest on the daily balance maintained by the customers. Interest is compounded and credited to the customer account at the end of each day.

MySaver: With My Saver Plan, customers can invest small amounts every month, multiplied with regular bonuses over time. The account pays Attractive interest monthly based on the daily available balance. Free life insurance coverage up to is also bundled with the account.

Exclusive Plus Account: an interest-bearing saving account that offers customers high interest rates on their deposits and a transactional account's flexibility. Interest is calculated on the quarterly average balances of each calendar quarter. Interest is paid to customers on a quarterly basis after the end of each calendar quarter.

Bancassurance: ahlibank offers a wide range of insurance products to protect its customers' assets and property. The insurance products cover unexpected events, protecting customers from collateral damage that could otherwise erode savings or investments.

Alternative Channels: To meet the growing demand for efficient ATM, CDM and digital banking services, ahlibank continues to enhance customer experience by providing convenient and seamless banking services and offering secure and reliable banking technologies.

To enhance and offer state-of-the-art digital banking services, the Bank has made further expansion in more locations where customers can enjoy a seamless and efficient banking experience 24 x 7 through Multi-Functional Kiosks. This digital platform offers 12 banking services such as Instant saving account opening for new customers, additional account opening for existing customers, Cheque book printing, Debit card printing for multiple segments, Statement printing, Civil ID update, Personal video assistance and other such debit card services like Card activation, PIN change, Limit update etc.

ahlibank's free e-channel service offers 24-hour access to banking services that provide a welcome alternative to visiting a branch. With its conventional and Islamic branches network across the Sultanate, coupled with a host of e-channel services including Internet banking, mobile banking, SMS banking, 24x7 call centre (Ahli connect), ATMs, CDMs, service centres and kiosks, the Bank remains accessible to customers whenever and wherever they require.

In line with its intuitive efforts to empower Small and Medium Enterprises (SMEs) through well-articulated solutions, ahlibank has launched its Point of Sale (POS) Financing Program for SMEs in 2024. The new program is geared towards SMEs who are willing to use, or are already using, ahlibank's POS machines, granting short/medium term loans against POS receivables for operating and capital expenditures.

By subscribing to ahlibank's Mobile Banking service,

customers can enjoy easy access to services such as viewing transactions of accounts, debit and credit cards specific services such as change in PIN number, activate and disable card, plan travel, enable and disable international and e-commerce transactions and more, making fund transfers locally and internationally, bill payments, viewing and downloading bank statements, instant account opening for new customers through e-kyc, additional saving account opening for existing customers, instant account opening for minors for only conventional banking, view loan details and download loan statement, open fixed deposit, update Civil ID, real time video calling for private and premium customers etc. All these services are complemented by an exclusive Personal Financial Management (PFM) facility, uniquely offered by Ahlibank, and are backed by the assurance of the highest online security standards.

As part of its ongoing efforts to lead digital transformation in the Sultanate of Oman, ahlibank aims to continuously improve operations and drive innovation with advanced technologies that enhance customer experiences. By using unique digital solutions, ahlibank has revamped its mobile banking application with added new Ui/UX features, exceeding traditional banking standards and offering an impressive range of products and services.

Apart from its wide range of innovative products and services, ahlibank also has an accessible network of ATMs, CDMs and kiosks across Oman that offer Cash withdrawals, cash deposits, cheque deposits, credit card payments, among other services. To enhance the cash deposit service experience and maximise CDM utilisation, the Bank launched the 'Cross cash deposit' service on CDM in 2023, which will allow customers to make cash deposits to any of Ahlibank or ahli Islamic accounts using any of the bank CDMs regardless of banking type. This innovative online service enables customers to deposit cash into any Ahlibank or ahli Islamic beneficiary account using any CDM across the Bank's network, with the deposited amount credited instantly.

Treasury

ahlibank's professional and experienced treasury team provides a comprehensive package of services in both treasury and investment products to individuals, corporations, commercial entities, and government institutions. The Treasury prides itself on being one of the most proficient dealing rooms in Oman, providing corporate and individual clients with a wide selection of foreign exchange, money market and derivative products ranging from the traditional to the customised.

The Treasury and Investment division can offer best-in class service with unparalleled access to the local and regional markets. Delivering everyday banking needs effectively and efficiently is critical to the Bank's success. With a Treasury team that understands business needs and ambitions, with its award-winning service and solutions, it is committed to helping clients succeed.

Financial Institutions

Financial Institutions Group (FIG) covers global relationships with other financial institutions and acts as an international arm of Ahli Bank. Leveraging Ahli Bank's regional knowledge and banking expertise, the Financial Institutions Group seeks to build strategic and long-term relationships with other financial institutions to deliver seamless customer experience

to its corporate, institutional and retail clients. This is achieved through dedicated and experienced relationship managers who work closely with internal stakeholders to ensure their clients' needs are met in the most efficient manner. In doing so, the Financial Institutions Group ensures that ahlibank's Brand recognition is enhanced in existing and new geographical markets and regions.

The Bank also provides "Nostro service" in major currencies and "Vostro service" for Omani Rial accounts. Through Nostro Accounts in different currencies, Ahli Bank facilitates Funds Transfer/Trade/Treasury/Foreign Currency Drafts, Import/Export Letters of Credit, Collection of Documents and issuance of Local and Overseas Guarantees for its clients such as Bid/ Tender Guarantee, Advance Payment Guarantee, Performance Guarantee & Financial Guarantee.

Vostro accounts allow Ahli Bank to make efficient settlements via book transfers for other financial institutions.

The Financial Institutions Group actively explores opportunities to arrange funding requirements of Ahli Bank both locally and internationally in order to meet regulatory and liquidity requirements at the most competitive Terms and conditions.

Trade Finance

The Trade Finance Department is a full-fledged specialised department of ahlibank, handling all trade finance requirements of corporate and consumer banking customers. The department is aligned with the Bank's Wholesale and retail Banking in providing various fund-based credit facilities such as export finance, bill discounting, receivables/invoice finance, loans against Imports and non-fund-based credit facilities such as the issuance of imports letters of credit, standby letters of credit, guarantees, handling export and import bills on for collection basis, validation of import bills for collection, advising and handling of export letter of credits and documents under them and risk participation with other Banks for local and overseas transactions covering both conventional and Islamic products. The Bank's Trade Finance team is well experienced, trained and updated with the requisite skill set, abreast of the latest developments in the local and international markets, and the rules governing international trade, with specific focus on customer service.

Bank is in the phase of digitizing trade finance with a front-end trade portal being implemented for customers and easing the end-to-end trade finance requirements of the customers. This will support the customer's growing needs and efficiently process trade finance transactions.

Asset Management

ahlibank continues to grow its Asset Management capabilities and build a track record to realise its strategic vision of becoming one of the leading investment management firms in Oman. It offers a diverse range of investment solutions for institutional and high-net-worth clients, including mutual funds and investment advisory services that cater to each customer's specific needs.

During the year, ahlibank expanded its product suite by launching the Ahli Islamic Money Market Fund, the first Islamic Money Market Fund in Oman, setting a benchmark in the market. The Fund provides a Sharia-compliant liquidity management solution through a diversified

portfolio of short-term Murabahah, Wakalah, and sukuk placements, meeting Islamic investors' needs. Ahli Bank also introduced a new Islamic Balanced Strategy, a multi-asset strategy offering a well-balanced approach to income generation and capital growth. This strategy aims to deliver consistent, attractive payouts while maintaining a prudent investment focus. These solutions build on the fixed-income range launched last year, which attracted substantial investment flows. The flagship Ahli Global Equity Fund continues gaining traction with clients, providing international diversification and closing the year with a remarkable performance. The Asset Management team also manages several discretionary strategies, including thematic and regional equities.

We remain committed to advancing our product suite, with plans to introduce more innovative offerings in 2025. These additions will empower clients with access to distinctive and compelling investment products, filling gaps in the current market landscape.

The dedicated investment team at ahlibank remains unwavering in pursuing our long-term vision. With considerable expertise across various markets and asset classes, we are well-positioned to deliver capabilities and instill confidence in our clients. Our approach revolves around a robust investment process grounded in thorough fundamentals, ensuring superior risk-adjusted returns. Complementing this, we have implemented a disciplined Risk Management Framework to navigate and mitigate volatility effectively, safeguarding client interests.

Corporate Finance Advisory

The Corporate Finance Advisory division is a full-service financial advisory and fundraising platform with a proven track record across products, including equity/debt capital markets, debt syndications, refinancing/restructurings, M&A, private equity, Islamic finance, strategic financial advisory and structured finance. It develops innovative, customised solutions for its clients backed by deep understanding and specialised domain knowledge of major industry sectors through a team of dedicated experts. It continues to build its reputation as an advisor of choice and has executed quality equity and debt transactions in FY 2024 across marquee corporate and GRE clients. During FY 2024, it managed marquee capital market issuances, including the Additional Tier 1 Offering (RO40 million) for ahlibank and also managed the mandatory convertible bond offering for ahlibank (RO 10 million). It also acted as the collecting bank for the IPO of OQ Exploration and Production and OQ Base Industries.

The division has closed multiple loan syndications for clients including RO 50 million Islamic financing for Hazardous Waste Management SPC for an Industrial Waste Management Project in Sohar and RO 40.6 million financing for Sustainable Development Investment Company for construction of 300 villas in Sustainable City, Yiti. The division also has existing mandates in mining, real estate, and port services to raise over RO 250 million. It continues to have a strong pipeline and is constantly engaging in a wide cross-section of mandated transactions across capital markets, loan markets and advisory.

The division continues to focus on building strong relationships and track record and delivering innovative solutions for its clients. It is increasing its focus on its platinum client as well as increasing the share of wallets. It

is also working to strengthen its relationships with regional banks and investors.

Brokerage

The brokerage services continue to provide its clients with direct market access to both Oman and other GCC markets, our focused efforts to launch an international trading desk further exemplify our commitment to providing tailored and innovative solutions that address the diverse needs of our clients. During the year, it achieved a turnover of approximately RO 102 million, capturing about 4% of the market share and maintaining its position as the 7th in ranking in Oman, consistent with its ranking in 2023. Additionally, the division played a vital role in several high-profile transactions, acting as a trusted intermediary for both buy & Sell side engagements.

The brokerage strengthened its research capabilities by expanding coverage of local equities and sector reports while broadening its focus to include regional listed equities. This initiative received positive feedback from the market, reinforcing our reputation as a trusted source of in-depth and comprehensive insights. These advancements highlight our commitment to delivering value-driven research and sustaining a strong market presence.

Wealth Management Services

ahlibank's Wealth Management Services continue to deliver a comprehensive and integrated approach to financial stewardship for High-Net-Worth Individuals (HNWIs). Designed for discerning clients, our wealth management professionals craft bespoke investment strategies that align with individual financial goals, adapting to an ever-evolving global financial landscape.

Our services deliver diversified asset allocation across Equities, Bonds, and an expanded spectrum of alternative investments. These include International Fixed Income Securities, Bonds and Sukuk listed on major global exchanges, Global Mutual Funds, Exchange-Traded Funds (ETFs), and Private Debt Funds, offering access to high-yield private credit markets, delivering robust portfolios designed to weather market uncertainties. We offer a complete range of solutions, from money market funds for short-term liquidity management to medium- and long-term investments focused on growth and income. Additionally, we have expanded into newer geographies with Sharia-compliant funds across income and growth strategies, providing ethical and regionally relevant options for our clients.

Our Systematic Investment Plans (SIPs) remain a cornerstone of our commitment to financial inclusivity. This disciplined investment approach enables clients to systematically grow their wealth over time, making our wealth management services accessible to a broader audience beyond traditional HNWI clients.

By incorporating holistic financial planning into our approach, we ensure every client enjoys a comprehensive view of their financial landscape, with solutions tailored to meet their unique aspirations. Our dedicated wealth advisors work closely with clients, ensuring a seamless and personalized experience at every step.

At ahlibank, we are committed to fostering long-term partnerships that adapt to changing financial needs and aspirations, empowering our clients to achieve enduring prosperity.

ahli Islamic

ahli Islamic has demonstrated a remarkable growth trajectory since its inception in 2013, and has established itself as a prominent player in the domain of Islamic banking in the Sultanate of Oman. Over the years, ahli Islamic has significantly contributed towards the development of the market by offering superior financial services and fostering financial inclusion amongst prospective customers. The Bank has earned the confidence of all its stakeholders by virtue of its unwavering commitment to Sharia-compliant practices.

ahli Islamic offers a diverse range of Sharia-compliant products and services that cater to a wide spectrum of customer segments, including institutional, corporate, SME,

and retail customers. ahli Islamic's network of twenty-five dedicated branches, located in strategically important locations enables it to serve its customers effectively and efficiently.

In order to further extend its reach and cater to its premium, private, and wealth management customers, ahli Islamic launched the Al Shumookh segment in 2022. The segment offers a suite of new services and benefits exclusively designed for its esteemed customers, including a dedicated relationship manager, specialised service centres, handpicked offers from select merchants, and other exciting perks. ahli Islamic offers a range of innovative Shari'a-compliant products in their deposits and liabilities portfolio. Further details regarding these products are given below.

Products and Services



Privileged Banking:

1. AlShumookh Private Banking by ahli islamic offers personalized wealth management and investment solutions, providing high-net-worth individuals with expert advice and exclusive, tailored services.
2. AlShumookh Premium Banking by Ahli Islamic provides exclusive financial services designed for high-net-worth individuals, offering personalized banking, tailored investment solutions, and priority support to deliver a seamless and sophisticated banking experience. AlShumookh branch in Qurum, dedicated to serving the needs of its premium & private customers.
3. The launch of our Al Majd upper mass segment reflects on the banks effort to facilitate to one of the biggest segments in the Sultanate. Moreover, it further demonstrates our commitment to serving the discerning needs of upper-mass customers, while our focus on digital technology ensures seamless and efficient banking experiences for all.

Wealth Management:

1. Asset Management has launched the "Ahli Islamic Money Market Fund," The Ahli Islamic MMF aims to optimize liquidity and generate short-term income by strategically investing in a diversified portfolio of Islamic money market instruments denominated in OMR and USD. These instruments encompass a range of Shariah-compliant options, including Sukuks with residual maturity of less than 1 year, Murabaha, Wakala, Ijara, and various other short-term liquidity instruments. Our approach offers investors a compelling alternative to conventional call accounts, emphasizing liquidity preservation, capital protection, and the potential for attractive returns aligned with prevailing short-term profit rates.
2. The ahli Global Sukuk Fund will invest in a diversified portfolio of Sukuk both in the MENA region and globally. The Fund aims to achieve regular income as well as capital growth, with certain share classes making income distributions on a monthly basis. The Fund will achieve diversification by investing in a basket of eligible asset based Sukuk with various maturities, from a variety of issuers.
3. ahli Islamic Income & Growth Strategy Ahli Islamic Income and Growth Fund Open Ended IC Plc is an actively managed Shari'a compliant fund that aims to deliver a total return through investing in funds or securities to achieve long-term capital growth. The Fund will indirectly take a balanced approach to equity markets, with such exposure to Shari'a compliant equity or equity-linked securities typically ranging between 40% and 75% exposure, of its assets with a neutral position of 60%. The remainder of the Fund assets will be invested in funds or securities which invest in other asset classes such as Sukuk, alternatives and cash. There is no guarantee that the Fund will meet its investment objective or deliver a positive return and capital is at risk. The Fund will typically access markets through direct single security exposure but it may gain exposure to certain markets and assets through collective investment schemes.
4. ahli Islamic's Systematic Investment Plan (SIP) is a Sharia-compliant investment option that allows

investors to regularly invest a minimum of OMR 100 fixed amount in Islamic financial products, such as mutual funds. The plan offers a disciplined approach to investing, helping individuals build wealth over time by contributing small amounts periodically, instead of making a large lump sum investment. This method reduces the impact of market fluctuations and allows investors to benefit from cost averaging. It's designed for those who want to invest steadily while adhering to Islamic principles.

5. ahli Islamic E-IPO is a Sharia-compliant online platform that allows investors to participate in IPOs of companies. It offers both normal subscription and financing options. The fully digital service is convenient, transparent, and secure, enabling easy application for shares in new public companies. The platform adheres to Islamic finance principles, ensuring ethical and Sharia-compliant investments. It's ideal for those looking to invest in IPOs while following Islamic guidelines.

Financing Products

Corporate Banking

ahli Islamic offers a comprehensive array of Shariah-compliant financing solutions catering to the working capital finance, commodity operations financing, long-term finance, and project-based financing needs of a large number of corporate clientele comprising private and public sector entities.

A focused business strategy to diligently build a high-quality and well-diversified portfolio has enabled the Bank to grow its Corporate Banking portfolio.

Shariah Advisory Services:

ahli islamic regularly facilitates corporate entities by providing Shariah advisory and Shariah technical services and support for the development of Shariah-compliant products for their business needs.

Corporate Islamic Financing and Related Assets

Murabaha Finance

Murabaha is a sale contract wherein the first party (Bank) sells a Shari'a-compliant asset/goods to the customer at cost, along with a pre-agreed profit.

Diminishing Musharaka (DM) for Existing Asset:

It is a form of co-ownership in which Ahli Islamic Banking Services and its Customer (s) take ownership of a tangible asset in an agreed proportion and the Customer undertakes to buy in periodically the proportionate share of the Bank until the title of the asset is completely transferred to the purchasing customer. Further during the entire tenor of the facility, the Bank leases out its undivided share in the asset to the Customer for agreed rentals.

Diminishing Musharaka (DM) for Under Construction Asset:

It is a form partnership whereby Ahli Islamic Banking Services and its Customer contribute, with an agreed proportion, for development of an asset (real estate property/project). Here the Customer undertakes to buy

periodically the proportionate share of the Bank in the asset in agreed number of units. The customer can contribute by an asset (such as plot) as well as construction cost, and the Bank can finance plot and/or construction cost. Furthermore, during the facility, the Bank leases out its share in the asset to the other customer through Forward Lease Agreement.

Ijarah MBT:

Ijarah MBT or financial lease is a rental arrangement, whereby the asset owner allows use of the asset against specified rentals. It includes a promise from the lessor to transfer the title of the leased asset to the lessee at the end of the lease term through a sale for an agreed price. During the entire tenor of the financial lease, the Bank must retain asset ownership, along with relevant risks and rewards.

Wakalah Bil Istithmar (WBI)

In Wakalah Bil Istithmar financing, the Bank enters into an investment agency transaction with the customer acting as an agent of the Bank. Under this mechanism, the funds disbursed are invested by the customer on behalf of the Bank and are recorded as financing upon their investment in the business. By the end of each quarter, half year, or any other defined period, the customer pays the profit.

Istisna Finance

Istisna Finance is an Islamic financial product used to finance the production or construction of goods, properties, or projects. It is a contract between a financier and a manufacturer or builder, where the financier agrees to buy a specific asset or project which is yet to be constructed or manufactured at an agreed price and on a predetermined future date.

Running Musharka (RM)

Running Musharakah is an Islamic financing product based on the principles of partnership and profit-sharing. It is a form of Musharakah, a joint enterprise where all partners share the profits and losses of a business venture. Running Musharakah is specifically designed to cater to the working capital needs of businesses.

Wakla Bil Bai (WBB)

Wakala Bil Bai is an Islamic financial product that combines the concepts of Wakala (agency) and Bai (sale). It is a Shar'iah-compliant financing structure where one party (the Muwakkil or principal) appoints another party (the Wakil or agent) to carry out a sale transaction on their behalf. This arrangement is commonly used in trade financing and other commercial transactions.

Musharaka:

A partnership agreement between Ahli Islamic Banking Services and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property. Once Musharaka is developed Ahli Islamic Banking Services as co-owner in the property leases its part to its partner in the asset on agreed rental basis.

Service Ijarah

Services Ijarah is a lease contract, whereby the Bank (lessor) leases to a customer (the lessee) a specific service for a specific period of time, in exchange for an agreed rental. As per the procedure Ahli Islamic Banking Services purchases

the services on request of the customer and after purchase of the service, it leases the services to the customer.

Retail Islamic Financing and Related Assets

Personal (Goods) Finance - Offers a high financing amount with a repayment period of up to 10 years at a highly competitive profit rate, designed to meet personal financing requirements of Islamic Banking customers.

Auto Finance - Easy repayment tenors at very affordable profit rates with higher amount limit for new and used car buyers, with the option of salary and non-salary transfer, ahli Islamic's Auto Financing is the most attractive product in the market. ahli Islamic also offers mortgage-free auto financing for salary customers to add more convenience and freedom in owning their vehicles.

Home Finance - Offering up to 80% of the property value for both ready property purchases and construction projects, with flexible financing options available for up to 25 years. This product is designed for individuals looking to buy or build their homes, providing competitive profit rates, personalized payment plans, and the convenience of a streamlined approval process.

Service Ijarah Personal Finance - Service agreements with various service providers (Education Financing, Membership Financing, Travel Financing, Hajj and Umrah, Services Transportation, Medical Expenses Financing, Marriage Expenses Financing, Construction/ Developer Expenses Financing), where ahli Islamic purchases the customers' desired services and extends the service through Ijarah.

Retail Commercial Finance - As part of our comprehensive customer experience offering and to tap the segment of customers that request financing of commercial assets under Retail banking, ahli Islamic extends the existing approved set of Retail financing products to finance retail customers for commercial purposes.

Qard Hassan Finance - A profit-free facility, Qard Hassan, will be offered to new employees from select entities. The new employees can avail up to RO 1,500 repayable in one year with a grace period of three months, during which the Bank will bear the life takaful during the said period. Qard is offered to new employees to help them settle through the displacement at the start of their roles with the government entity.

Credit Cards - Visa Gold, Platinum, Signature and Infinite, socially responsible Islamic credit cards, bundled with the various benefits of global airport lounge access, Chauffeur service, cash back, Takaful insurance protection, travel and lifestyle deals. Many discounts and offers are available for credit card customers.

Risk Management

The Bank strives to balance risk and returns while operating within the Risk Management Framework. The Risk Management Division closely monitors the core risk areas and reports to the Board Risk Committee. The primary goal of the Risk Management Division is to ensure that the Bank's asset and liability profile, trading positions and credit and operational activities are not exposed to losses that could threaten its stability and continuity.

Risk Management ensures that risk exposures do not become excessive, nor concentrated, relative to the Bank's capital and financial standing in line with the Bank's approved Risk Appetite Statement, which is cascaded to the business unit level and monitored regularly. The Risk Management Practices, Policies and Risk Appetite Statement are also regularly updated in line with the evolving business and regulatory environment.

The Bank manages the risks effectively and efficiently by monitoring and approving all retail and commercial credit applications. This emphasises a clear understanding of business requirements in terms of products, clients, delivery capabilities, competition, regulatory environment, shareholder values, and the global economic environment, leading to the identification of the various associated risks.

The Bank complies with Basel III Norms and other international standards and guidelines issued by the Central Bank of Oman. The Bank has implemented systems for calculating liquidity ratios, capital adequacy ratio, expected credit losses and for determining credit ratings of counterparties. Regular reviews of portfolios and corrective measures are taken, where essential, to maintain high asset quality and support business growth. For cyber risks, the Bank has various procedures to ensure its readiness to respond to imminent cyber threats.

The Risk Management Function will continue to invest in new projects to adapt to the changing regulatory landscape, further enhancing risk management practices. It will also maintain adherence to international best practices and persist in monitoring and controlling exposures within the predetermined acceptable limits.

Board Committees:



Management Committees:

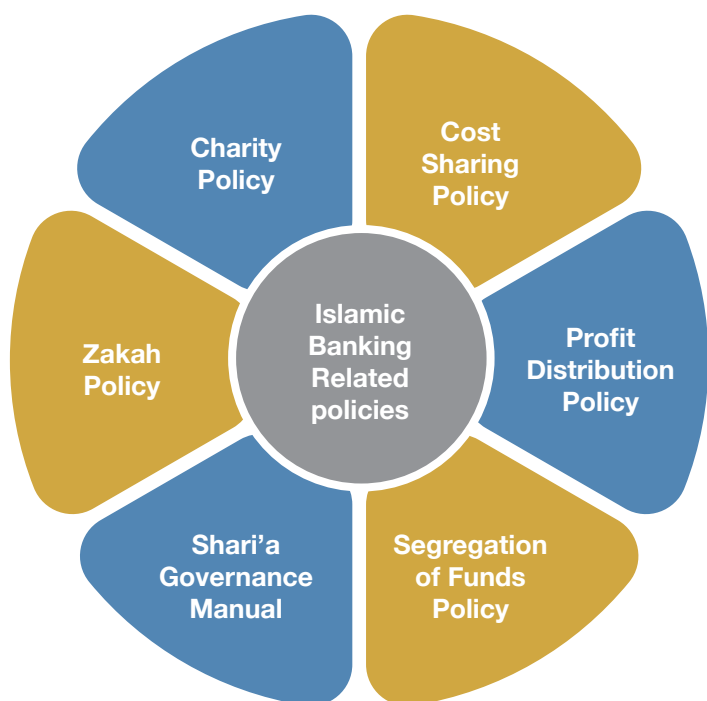


The Bank has established policies and measures to assess capital adequacy in accordance with Central Bank of Oman (CBO) regulations, which have been approved by the Board of Directors. Under these policies, the Bank assesses its capital against its risk profile to ensure it sufficiently supports all material risks to which it is exposed.

Policies and Procedures

Anti-Money Laundering Policy and Sanctions Policy	Asset Management Policy	Board Remuneration Policy	Brokerage Policy	Business Continuity Management
Capital Management Policy	Classification and Measurement Financial Assets and Liabilities	Cloud Policy	Code of Business Conduct	Compliance Policy
Corporate Communication and Marketing Policy	Corporate Governance Policy	Corporate Social Responsibility Policy	Credit and Investment Policy	Customer Complaints Redressal Policy
Disclosure Policy	Dividend Policy	Electronic Banking Policy	Expense Policy	Financial Institutions Policy
Fraud Risk Management Framework	Fraud Risk Management Policy	Human Resources Policy	Information Security Policy	Liquidity and Funding Policy
Market Risk Policy	Operational Risk Management Framework	Operational Risk Management Policy	Outsourcing Policy	Personal Account Dealing Policy
Products and Consumer Protection Policy	Risk Management - Approach and Framework	Security and Safety Policy and Plan	Social and Environment Management System Policy	Social Media Policy
Treasury and Investment Policy	Voice Recording Policy	Wealth Management Policy	Whistle Blowing Policy	

Islamic Banking Related Policies



Consumer Protection

The consumer protection framework implemented by ahlibank reinforces its foundation of integrity, responsibility and excellence in our customer relationships. Consumer protection is not only part of ahlibank's mission but also embedded in the core values of the Bank. ahlibank's ongoing efforts to ensure continuous adherence with Financial Consumer Protection Regulatory Framework (FCPRF) are reiterated below;

A. Disclosure and Transparency

1. ahlibank's customer services-related documentation (Terms & Conditions, Account Opening Forms, Agreements, Contracts, etc.) has been comprehensively reviewed by respective product team, legal department and external legal firm for improvements in terms of transparency and clarity in adherence to the consumer protection framework requirements.
2. T&Cs of Retail & SME products are adequately developed and published on bank's websites.
3. Written communications to customers, sales and advertisement materials of the bank are in line with FCPRF regulations whereby it contains and highlight key features of a given product or service.
4. Key customer related documents such as consumer agreements, forms, receipts and statements are provided to customers in a written form.
5. ahlibank has developed key facts statements (KFS) documents covering all its Retail and SME products and published the KFS documents on bank's websites.
6. Investment products KFS documents contain required disclosures as stipulated in FCPRF guidelines
7. Awareness created across the bank about FCPRF

in general and Key Facts Statements (KFS) and its uses in particular.

8. Managing conflict of interest is adequately covered in bank's Compliance Policy and Code of Business Conduct policy
9. Bank ensures disclosure of conflicts of interest to customers in relation to investment products
10. ahlibank continues to ensure that written product-related agreement copies are provided to customers where needed (Credit facilities, Loans, etc.).
11. Bank issues periodic statements to customers for their transactional accounts, cards, etc which are also available through its channels and branches.

B. Fair Treatment and Business Conduct

1. ahlibank has internal policies and procedures (including credit policies and Fraud Risk management framework), where needed in relation to compliance with the Consumer Protection Framework.
2. The Bank's promotional and advertisement materials include appropriate warnings to customers on various risks.
3. Bank's Retail & SME products terms and conditions have been thoroughly and independently reviewed by bank's Legal team and a third-party legal consultancy firm to ensure they are adequate, fair, and clear.
4. The bank has organized various awareness training sessions to enhance the skills of the front-line staff/functions and sales team for ensuring fairness in treatment of customer services
5. Bank has in place a well-developed Asset Management Operations Manual & Procedures covering all relevant regulatory requirements
6. Bank has in place dedicated product development teams under various business lines, well-defined policies and procedures for launching new products and services to customers, and a dedicated senior management committee (PCPC) who is responsible for ensuring adherence to regulatory guidelines on bank's products and services
7. Bank has in place a dedicated Insurance unit and established a suitable Insurance Management Procedure Manual that defines the controls and methodology of handling customer-related insurance matters
8. Bank's credit and investment policy covers customer repayment capacity as well as maturity and currency profile of the loan book, keeping in view the market risks inherent in the balance sheet, risk management capability, liquidity, etc
9. Bank's Retail Credit procedures cover issuance of NOCs for customers who are interested in transferring a product/ service to another bank.
10. The tariff of charges schedules is uploaded on bank's websites
11. The Terms of Reference for Board of Directors and Management Committee have been reviewed and modified to oversee matters related to Consumer Protection

C. Data Protection and Privacy

The Bank's privacy policy is in line with the new Data Protection Law of Oman and covers customers data rights protection.

Bank has the following controls in place to address regulatory requirements of data protection:

1. Adequate responsibility and authority related to data protection are assigned to Board of Directors and Senior Management of the bank in their respective terms of reference (TORs)
2. Internal policies for launching or amending Products & services.
3. Management Committees overseeing the bank's products & services and systems
4. Product Development teams and Information Security teams ensure protection of data, while developing or launching products
5. Retention Procedure defining minimum period of records retention to be 10 years as stipulated by regulatory guidelines
6. Charges for retrieval of customers records/data as defined in the bank's schedule of charges
7. A dedicated ISO team under Risk Management department to control & monitor data confidentiality & security
8. T&Cs of third-party products (Cards/Insurance) cover adequate disclosure clauses

D. Dispute Resolution Mechanisms

The Bank has a Board approved Customers Complaints Redressal Policy. It has a dedicated Quality Assurance and Complaints Management team. The Bank continuously creates awareness on its social media and websites about consumer rights and manner of submitting complaints to the bank. It has a defined escalation and turnaround time for handling customer complaints. The customer may submit complaints through various banking channels and the following mechanism is adopted

1. Customers receive auto notifications of their complaints received by the bank with a reference number for the case registered.
2. Call back service from the bank's Quality Assurance unit to inform the customer that his/her case is under investigation.
3. On resolution, the customer is informed by the bank through an SMS sent confirming closure of the case.
4. Bank maintain written records of all complaints through a Complaints Management System

E. Financial Education and Financial Capability

Bank has developed a financial education and financial capability plan which includes the major initiatives related to consumer education, namely i). Product awareness ii) financial tips iii) financial awareness events. Bank use its various channels to improve customers' education and capability, the methods used for this purpose include the following:

1. Publishing posts and videos discussing various product awareness topics through Social Media & SMS
2. Organising regular awareness events, such as

gatherings or seminars through Face-to-Face & virtual.

3. Facilitating financial tips through social media platforms.

Bank has submitted the Financial Awareness Initiatives Annual Report and plan to the Central Bank of Oman (CBO) for 2024.

F. Role of the Board and Senior Management

At the Board level, the Executive Risk committee oversees matter relating to the implementation of the framework. At the Management level, the Product committee was also revamped to Product and Consumer Protection Committee (PCPC) to oversee the implementation of the Consumer protection framework. The PCPC monitored the FCPRF implementation within the Bank. The Executive Management Committee and Board were periodically updated on the progress of the implementation.

Bank has submitted the annual report of reviews on financial consumer protection to the Board of Directors and made other required disclosures, where necessary.

G. Other action Required by Licensed Entities

1. The Bank's Charter of consumer rights and responsibilities are published in both Ahlibank & Ahli Islamic websites
2. Bank's Retail banking services conducts mystery shopping, at periodic intervals to perform qualitative monitoring of financial consumer protection.

Complaints Management

The Bank has a dedicated Complaint Management unit responsible for addressing customer feedback and managing customers complaints. The unit ensures compliance with all requirements related to Complaints Management and redressal. As per requirements of the Financial Consumer Protection Regulatory Framework, the following table details complaints data for 2024, and the comparative date for 2023.

Disclosure on Customer Complaints

Complaints Received by the bank for its customers	31 st Dec 2023	31 st Dec 2024
1. Number of complaints pending at beginning of the year	4	6
2. Number of complaints received during the year	925	1519
3. Number of complaints Disposed during the year	919	1501
3.1 Number of complaints rejected by the bank	Nil	Nil
4. Number of complaints pending at the end of the year	6	24*
4.1 Number of complaints pending beyond 30 days	-	-

*All complaints are within the compliant resolution timeframe

During the year 2024, there were no cases on which any enforcement actions were on Bank for violations of consumer protection laws or Financial Consumer Protection Regulatory Framework (FCPRF).

The Bank's website (both ahlibank.om and ahliislamic.om) provides customers with easy access to information they need on their rights and responsibilities. The pages can be found under knowledge center:

Key Facts Statements <https://ahlibank.om/key-facts-statements/>

For feedback and complaints, please call 24577177. The complaint will be acknowledged with a reference number and addressed in a reasonable time. For any escalation, customers may contact Mr. Ibrahim AlMaamari on phones number 24653015/24653093, WhatsApp 72400111 or email us on complaints@ahlibank.om.

The above information is available in the website @ <https://ahlibank.om/ahliconnect/>

Internal Audit

The Internal Audit Function reviews and provides independent assurance to the Board of Directors and Executive Management on the effectiveness of the Bank's internal control, risk management, and governance systems and processes. The Internal Audit Function at ahlibank has adopted an audit methodology and standard aligned with globally accepted methodologies and standards as propounded by the Institute of Internal Auditors (IIA), USA. This Function is an integral part of the Bank's control environment, providing independent assessments and reviews through audits based on a risk-based annual plan. It shares the findings with senior management and submits them to the Audit & Compliance Committee. All issues are diligently followed up for timely corrective actions and brought to their logical conclusions.

Information Technology

The Bank's IT strategy is underpinned by three key themes—Technology, Process, and People—that define our roadmap for success. With a forward-thinking approach, aligning with the bank's strategic objectives, we prioritize investment in advancing our IT infrastructure and maturing our IT landscape. This allows us to craft differentiated digital products and services that enable a superior customer experience across various banking channels—be it retail banking, corporate banking, lending, payments, cards, or customer experience in general. In an era where technology is the driving force behind the banking sector's evolution, we remain focused on ensuring that our IT systems and platforms are not only robust but also scalable and future-ready, fostering high levels of digital engagement and adoption.

Our infrastructure modernization efforts have been specifically focused on ensuring the long-term stability and scalability of the Bank's IT operations, enabling us to meet current demands and support future growth. The successful establishment and seamless migration to the Bank's new state-of-the-art data center is a pivotal achievement in our technology transformation journey. With meticulous planning, we ensured minimal downtime and maintained data integrity throughout the transition. The new data center lays the groundwork for future innovations, including advanced cloud solutions and Artificial Intelligence (AI), enabling us to meet the growing demands of digital banking and positioning the Bank to stay ahead in an increasingly competitive financial landscape.

Mobile Workplace Modernization, another key initiative, has revolutionized how we work by providing flexible, on-demand access to our staff from anywhere. This not only boosts productivity but ensures a consistent, high-level employee experience across all locations. Similarly, with desktop virtualization, we have empowered our teams to work seamlessly in a hybrid environment, driving greater flexibility and efficiency.

High Availability has been enabled for critical customer-facing services, ensuring that essential services achieve scalability by remaining available and accessible to customers at all times. We have created a resilient IT architecture that minimizes downtime and guarantees the continuity of services for our customers.

The technology team has been instrumental in advancing the Bank's Enterprise Transformation strategy, driving a significant leap in operational efficiency and customer experience through the digitization and automation of core processes. This strategic shift has not only streamlined operations but has also drastically cut processing times and minimized errors resulting in a more agile and responsive organization. Furthermore, automating critical compliance functions, such as Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) procedures, as well as National Customer Financial Information (NCFI) reporting, has freed up our teams to focus on high-value, strategic initiatives that drive business growth. This shift has strengthened our ability to innovate while ensuring we remain at the forefront of regulatory compliance, meeting and exceeding the rigorous standards that govern our industry.

In the aspect of data, we recognize the opportunities and the risks, and have proactively embarked on a journey to position the bank to fully leverage the transformative potential of data for both our business and our customers. By implementing a comprehensive Data Governance Framework, we established a critical prerequisite for the successful implementation of our Data Management Program. This governance structure not only ensures compliance with regulatory requirements but also serves as a catalyst for the strategic integration of advanced technologies such as Artificial Intelligence (AI) and Machine Learning (ML). These technologies are enhancing our ability to unlock valuable insights, drive data-driven decision-making, and manage data as a critical asset that supports the bank's long-term strategic objectives.

To fortify the protection of our data and critical information assets, we have strategically implemented Next-Generation Cloud Security, extending our security framework far beyond the traditional boundaries of the bank's network. This forward-thinking solution provides comprehensive protection against data leakage, while enabling advanced monitoring and real-time analytics. By ensuring that sensitive information remains secure both within and beyond the bank's infrastructure, we are positioning ourselves to effectively mitigate emerging threats and safeguard the trust of our customers.

Innovation is at the heart of our approach, driving us to continuously explore new possibilities and improve our internal processes. We foster a culture of intrapreneurship, empowering our employees to think creatively and take ownership of internal innovation initiatives. By utilizing the Ideation Incubation Board, we manage and streamline the innovation process, from the initial idea phase through to development and execution. This structured approach has resulted in several successful internal launches that have significantly enhanced our operations.

People and capacity development remain a cornerstone of our organizational strategy, with a strong focus on

equipping our staff with the expertise and skills needed to excel in an ever-evolving technological landscape. Team members actively engage in specialized fintech and other technology-focused training programs, further enhancing their leadership capabilities and technical acumen. In addition, we foster a culture of continuous learning through internal knowledge-sharing sessions, where employees share insights and best practices. This commitment to both individual and collective growth not only empowers our staff but also drives the innovation and efficiency that are essential to our continued success.

Digital Transformation

Ahli Bank completed its first phase of its digital transformation in 2024, firmly establishing the foundational elements and readiness for its Digital Transformation 2.0. Our unwavering commitment to continuously enhance the bank's digital capabilities, prioritizing customer-centric innovation, and aligning with Oman Vision 2040, has enabled us to redefine the banking experience. By leveraging advanced technologies, we continue to meet the dynamic and ever evolving needs of our customers, while setting new benchmarks in operational excellence and innovation.

Over the past year, Ahli Bank has completed key significant milestones in its digital transformation journey. A cornerstone of this progress has been the strengthening of our mobile-first strategy, demonstrated by the enhancement of innovative features such as e-IPO mobile capability, which allows customers to apply for 1:1 leveraging seamlessly to instant digital onboarding. These enhancements have improved accessibility together with catering to the growing preference for seamless digital banking experiences.

Our collaborations with FinTech partners have played a crucial role in driving innovation, enabling us to introduce cutting-edge products and services that enhance our competitiveness in the banking sector. Simultaneously, the adoption of robotic process automation across critical processes has accelerated service delivery, reduced turnaround times, and elevated customer satisfaction.

Cloud computing has been another key area of focus, continuing with projects like Customer Loyalty, otherwise known as Pearl Points, which is a digital customer rewards program, and International Remittances through the mobile banking, that demonstrates our commitment to delivering scalable and cost-efficient solutions. Meanwhile, the iGeneration program has introduced its second cohort with an increased number of graduates being employed and equipped with emerging technology skills, ensuring that our workforce is prepared to support the Bank's ambitious digital goals.

Building on the successes of 2024, Digital Transformation 2.0 will be central to our strategic priorities in 2025. This initiative is defined by a commitment to customer-centric innovation, operational efficiency, and alignment with national objectives. A critical component is the adoption of artificial intelligence and machine learning to personalize customer experiences, deliver predictive insights and automating these interactions. By expanding our mobile-first approach through the introduction of advanced digital interfaces that offer seamless and intuitive experiences, we ensure that customers remain at the heart of our innovation efforts.

Deepening our ongoing FinTech collaborations with partners will continue enabling us to co-create innovative solutions, enhancing our service offerings and maintaining our competitive edge. The implementation of intelligent automation through advanced RPA and AI-driven workflows will further streamline operations, delivering faster service and improving customer satisfaction. With the increased reliance on digital solutions, we remain dedicated to safeguarding customer data and transactions through AI-enabled threat detection, advanced encryption protocols, and continuous monitoring.

Firmly aligned with Oman Vision 2040, our Digital Transformation 2.0 initiatives contribute to national economic growth, embracing innovation and a steadfast focus on customer-centric transformation, all of which underscores our commitment to leveraging cutting-edge technologies, fostering a skilled and sustainable workforce, and driving value for our customers and stakeholders.

Our Most Valuable Asset

Human capital development continues to play a vital role in ahlbank's pursuit of excellence. Providing employees with a positive working environment is a key element of the Bank's responsibility, enhancing their level of engagement, commitment, loyalty, and overall satisfaction. The Bank links competencies to performance management at all levels to support employee development and align them with personalised training needs. This sustains highly skilled staff capabilities, enhancing ahlbank's path to excellence and maintaining its leading position within the Omani Market.

ahlibank is at the forefront of enhancing the capabilities and competencies of Oman's youth, contributing effectively to the national agenda outlined in Oman Vision 2040 through job creation and skill development. In this vein, the Bank has continued its intake of the Himmam Programme for the 10th batch. This annual initiative accelerates participants' career growth and prepares them for leadership roles at the Bank. Since its establishment in 2015, the Himmam programme has employed 128 candidates across various departments. Additionally, the Bank launched the iGeneration Programme by employing 26 candidates over two batches. In 2024, this program serves as a cornerstone in shaping a dynamic workforce by equipping young professionals with cutting-edge skills in areas like emerging technologies, project management, data, and innovation. A third programme, the Business Programme, was established in 2018, with 153 individuals employed to date. These programmes are pillars of the Bank's strategy to prepare a generation of young Omanis who will build a brighter, more prosperous future for the Sultanate and support the government's economic development vision.

Overall, ahlbank has consistently exceeded its Omanisation targets, creating around 101 jobs and achieving a workforce Omanisation rate of 94.30% as at December 2024 (92.60% in Middle Management). The Bank takes pride in having a 40.38% female workforce.

Learning and Development

This serves as one of the cornerstones of our HR strategy, with our Learning and Development (L&D) team ensuring that employees are equipped with the necessary skills and knowledge to achieve success. We have successfully expanded the range of personalised courses available to our staff, designed to empower them to excel further by building skills applicable to both their current roles and potential future positions within the bank. In 2024, a total of 1,943 employees were trained, including 654 unique participants.

57

employees completed Middle Management Programme

65

employees attended Interviewing Refresher Programme

41

employees attended FCPR-Key Facts Statement

51

employees participated in First Aid Program

36

employees attended Customer Service Programme

22

employees participated in Preparatory Training for CIMA Certification

49

employees participated in Sharia Awareness Training

16

employees participated in Etiquette Program



The bank has extended its learning partnership with one of learning and development digital platform “Udemy” and provided access to all its employees; the platform provides more than 10,000 online courses focus in several areas including banking focused training and Leadership.

34 of the bank staff has obtained Professional Certificates in regard of credit analysis, ACl Operation, Fintech Professional Certification, International Certificate in Wealth & Investment Management (ICWIM)

In addition, the bank has successfully certified 154 staff, empowering them on emerging technologies, data analytics and AI to support the organization’s ongoing digital evolution. By focusing on a culture of innovation, fostering continuous learning, and integrating emerging technologies, the bank not only invests in its workforce but also positions itself as a leader in shaping the future of banking.

Corporate Social Responsibility

ahlibank remains deeply committed to social responsibility, embedding it as a core aspect of its operations to deliver meaningful value to the local community. Through its ‘ahli Cares’ initiative, supported by over 100 dedicated employee volunteers, the bank actively engages in charitable and voluntary efforts, significantly contributing to the development of various societal sectors in the Sultanate.

In alignment with Oman Vision 2040, ahlibank’s CSR initiatives prioritize advancing the nation’s socio-economic growth. These efforts are integral to the bank’s broader strategy, demonstrated through programs designed to uplift communities across the Sultanate. By consistently supporting a range of social, educational, cultural, health, and sports activities, ahlibank underscores its unwavering commitment to its corporate values and to the progress of Oman.

Engaging with the community:

In 2024, ahlibank donated to Oman Charitable Organization to support community services. The bank offered aid to multiple charitable organizations as part of its CSR endeavors.

In a heartfelt collaboration, ahlibank provided ardent support to people with disabilities through programs provided by the Ministry of Social Development. This initiative will set the pace for assisting those with disabilities, building stronger relations between them and the authorities capable of further assistance, all the while raising awareness within the community on partaking in meaningful endeavours that encapsulate all members of society.

During the holy month of Ramadan, ahlibank gave cash donations for charitable organizations through the bank’s vast network of branches. Additionally, the bank made charitable Kaswat Eid donations for charitable organizations through the ahli islamic branches located all around the country.

Moreover, ahlibank held its Ramadan Souq initiative in collaboration with the SMEs Development Authority (Riyada), an event aimed at supporting local SMEs by allowing them to showcase their Omani home-made items.

The Souq was held at ahlibank’s Headquarters in Wattayah and was met with resounding success.

In keeping with its support to SMEs, the bank provided a platform for SMEs to connect, collaborate and showcase their services. The successful B2B event is called ahli Expo 2024, and its aim is to empower SMEs to thrive. The event was met with resounding affirmation from entrepreneurs and industry experts alike.

2024 ahli cares initiatives:

In 2024, ahlibank significantly contributed to various initiatives and sponsorships totaling RO 188,905.952 (including RO 11,000 paid to Oman Charitable Organization)

Under its “ahlicares” wing, ahlibank distributed Iftar meal boxes in collaboration with Oman Food Bank to the students residing in university and college hostels and individuals from different regions during the month of Ramadan. The initiative targeted the Wilaya of Bowshar, and the process was carried out by ahli cares volunteers; ardent supporters of ahlibank’s vision and CSR initiatives.

The ahlicares team conducted a visit to the Social Welfare Home for the elderly in Al Rustaq, participating in a day of community service and engagement with the senior residents of the home, with the aim of providing an avenue for meaningful participation and making a positive difference in the lives of the residents.

The ahlicares team organized a day out for the children residing in the (Child Care Center - Seeb) of the ages 4-14 years. The day out consists of an entertainment day at SNOW OMAN – Mall of Oman, with the children accompanied by their supervisors and ahlicares team.

ahlibank lent its support to the ‘Back to School’ initiative which provided essential school supplies to 2,000 orphaned and low-income students across 30 regions in the Sultanate. The initiative was organized by Al Rahma Charitable Association and fully sponsored and supported by the bank. ahlibank is dedicated to enriching the lives of individuals and families within local communities. The ‘ahli Cares’ team remains unwavering in its support for charitable initiatives, consistently addressing the needs of diverse societal segments. Through these initiatives, the team has significantly impacted countless lives, reflecting the bank’s commitment to enhancing well-being and fostering positive change in the community.

Furthering its efforts in CSR, ahlibank, in accordance with its ‘ahli Cares’ team, hosted a blood donation drive at its headquarters in Wattaya. The event was conducted in collaboration with the Central Blood Bank in Bousher. The mindful campaign comes in line with the bank’s strategic goals to achieve sustainability and raise awareness of the importance of donating blood and helping those in need.

These are the CSR initiatives carried out by ahlibank and the ‘ahli Cares’ team during 2024. The response to such mindful endeavours was praiseworthy, as it helped strangers come together during a time of meaningful cooperation.

FIVE YEAR SUMMARY

	RO' Million				
	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20
Net profit	41.7	36.5	33.1	27.6	24.0
Total assets	3,754.9	3,318.3	3,075.5	3,052.6	2,702.5
Loans & advances and financings, net	3,022.3	2,694.2	2,500.4	2,402.0	2,218.9
Total Deposits	2,762.8	2,475.7	2,296.2	2,181.4	1,924.7
Total liabilities	3,196.9	2,797.0	2,614.5	2,625.6	2,314.1
Total Equity	558.0	521.4	460.9	427.0	388.3
Return on average assets (ROAA)	1.2%	1.1%	1.1%	1.0%	0.9%
Return on average equity (ROAE)	11.1%	10.7%	10.8%	9.7%	9.1%
Adjusted Return on average equity (ROAE)*	7.9%	7.4%	7.7%	6.5%	5.5%
Cost to income ratio	42.8%	43.8%	43.9%	43.2%	42.1%
Capital Adequacy Ratio	15.4%	17.4%	16.3%	16.7%	15.7%
Net Interest Margin	1.7%	2.1%	2.2%	2.2%	2.1%
Basic Earnings per share (Baiza)	12.5	11.8	11.6	8.9	7.2
Diluted Earnings per share (Baiza)	12.0	-	-	-	-
Total Number of branches	49.0	46.0	42.0	37.0	31.0
- Conventional	24.0	24.0	23.0	22.0	19.0
- Islamic	25.0	22.0	19.0	15.0	12.0
ATMs	77.0	70.0	57.0	55.0	41.0
Multi functional Kiosks (MFKs)	17	9	2	-	-
Number of Staff	983	943	864	795	730

*adjusted for AT1 interest

Distribution of Share Ownership Among Shareholders as of 28 February 2025:

Name	Country of incorporation	Number of shares	%
Royal Court Affairs	Oman	411,190,048	17.50
Al Hosn Investment Company SAOC	Oman	357,076,325	15.20
Social Protection Fund	Oman	253,074,746	10.77
Aflag First Investment SPC	Oman	225,443,496	9.59
Al Hosn Business Development LLC	Oman	202,862,546	8.63
Others		900,010,305	38.31
Total		2,349,657,466	100.00



SECTION III **GOVERNANCE & FINANCIAL STATEMENTS**



OUR VALUES



Innovation



Integrity



Responsibility



Sustainability



Excellence

STRICTLY PRIVATE & CONFIDENTIAL

The Chairman
Audit Committee
Ahli Bank SAOG
Head Office, Al Nahdha Street
Muscat
Sultanate of Oman

Agreed Upon Procedures report on Code of Corporate Governance

Purpose of this Agreed-upon Procedures Report

Our report is solely for the purpose of assisting the directors of Ahli Bank SAOG (the "Bank" or the "Engaging Party") in performing agreed procedures on the Corporate Governance Report of the Bank prepared based on the requirements of the Code of Corporate Governance (the "Code") of the Financial Services Authority ("FSA") (erstwhile Capital Market Authority) of the Sultanate of Oman, as prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose.

The report is intended solely for the **Ahli Bank SAOG** (the "Engaging Party" or the "Bank") and should not be used by, or distributed to, any other parties except to CBO. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement. This report relates only to the matters specified below and does not extend to any financial statements of Bank taken as a whole.

Responsibilities of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

The Engaging Party is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed upon procedures engagement in accordance with the International Standard on Related Services 4400 (Revised), *Agreed Upon Procedures Engagements*. An agreed upon procedures engagement involves our performing the procedures that have been agreed with the Engaging Party, and reporting the findings, which are the factual results of the agreed upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and the independence requirements in accordance with [describe the relevant independence requirements].

Our firm applies International Standard on Quality Management ("ISQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Engaging Party in the terms of engagement dated **16 April 2024**:

	Procedures	Findings
1	We obtained the Corporate Governance Report issued by the Board of Directors and checked if the items listed in Annexure 3 of the Code are included in the Corporate Governance Report.	No findings noted
2	We obtained the detailed list of areas of non-compliance with the Code identified by the Bank's Board of Directors for the year ended 31 December 2024, together with the reasons for such non-compliance and agreed this information to the discussions in the Board of Directors minutes.	No findings noted

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

All monetary amounts noted are in **Oman Rial (RO)** unless otherwise stated.

Very truly yours,

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
4 March 2025



CORPORATE GOVERNANCE REPORT 2024

Introduction

Sound and effective corporate governance is the foundation on which any organization or institution rests and operates. The execution of good and best practices—accountability, fairness, responsibility and transparency—are crucial in creating and sustaining shareholder value, and enhancing and retaining investor trust.

The Bank's Corporate Governance Policy provides the framework for the principles of effective Corporate Governance standards across the Bank. The Financial Services Authority (FSA) directives, including the Code of Corporate Governance and the Central Bank of Oman (CBO) circular BM 932 on Corporate Governance in Banks, are the principal codes and drivers of the corporate governance practices in the sultanate. Ahli Bank SAOG fully complies with all of their provisions.

The timely and accurate disclosure of information regarding the financial situation, performance, ownership of the Bank is high on its corporate governance principles, as it improves the public understanding of the structure, activities and policies of the Bank. It also endeavors to enhance long-term shareholder value and respect minority rights in all its business decisions.

Alongside its commitment to protect the interest of its stakeholders is the Bank's goal of respecting and upholding the duty of the Board and senior management to oversee its affairs, ensure accountability, inculcate integrity and promote long-term growth and profitability. Serving as the core of the corporate governance practice, the independent Board ensures that the Management is aligned with the long-term interests of all its stakeholders with the objective of maintaining the highest standards of corporate governance.



Ahli Bank's corporate governance philosophy is based on the following principles:

1 Satisfy the spirit of the law and not just the letter of the law.

2 Be transparent and maintain a high degree of disclosure levels.

3 Communicate externally, in a truthful manner, about how the Bank is running internally.

4 Implement a simple and transparent corporate structure driven solely by business needs.

5 Management is the trustee of the shareholders' capital and not the owner's.

6 Practice fairness and equality to shareholders, employees and related parties.

Corporate Governance Implementation Initiatives at ahlibank SAOG

Good Corporate Governance is critical in supporting the delivery of our strategic objectives. Our Board Committees play an important role in working closely with the Management to ensure that our business is financially strong, and risks are immediately identified and mitigated. Over the years, the Board has developed a corporate governance culture to help fulfill our corporate responsibility to various stakeholders. This guarantees that the Board will maintain the necessary authority and practices in place to properly review and evaluate our operations periodically.

To rightfully comply with regulatory requirements and ensure implementation based on best industry practices, five Board level sub-committees have been set up to ensure effective functioning of the Board.

Ahli Bank SAOG's Corporate Governance Structure

Board of Directors and Sub-Committees of ahlibank SAOG



Board of Directors:

Our collective principal duty is to promote the long-term success of the Bank by creating and delivering sustainable shareholder value. We do this by setting the strategy and ensuring that the Management oversees its implementation by management. We also seek to ensure that there is a balance between delivering on the short-term objectives and focusing on long-term growth.

Size and Terms of the Board

The Board of Directors consists of nine non-executive Directors. The term of office of the Board of Directors is three years, which will expire in March 2026.

Profile of Board Members

Hamdan Ali Nasser Al Hinai, *Chairman*

Holds Master in Development and project management, Bachelors in Business Management & Economics and Diploma in international Development Management; Former Director General, Purchasing and Contracts, Ministry of Defense. Mr. Al Hinai has over 40 years of experience in various senior positions across both government and private sectors.

Anwar Hilal Hamdoon Al Jabri, *First Deputy Chairman*

Certified Public Accountant (CPA), USA, holding a Masters of Business Administration (MBA), University of Hull, UK and a Bachelor's of Science in Accounting (BS.A), University of Akron, Ohio, USA; Mr. Anwar is a Founder/CEO of Jabreen International, Former CEO of Jabreen Capital, a regional private equity asset manager. A Chairman of U-Capital

GCC Fund; A former Chairman of Shamal Plastics SAOC; A Former board member of Liva, one of the largest insurance company in the GCC and also a Former board member of Eastridge Partners, Singapore, a Private Equity Asset Management Co. with a focus of investments in south East Asia. Previous experience as Investment Director of Oman Investment Fund (A Sovereign Wealth Fund) and CEO of OIF's subsidiary National Pioneer Investment & Development Company managing multibillion-dollar portfolio regionally and internationally. He has also worked for several years for the Central Bank of Oman and Oman Refinery. Mr. Al Jabri has accumulated more than 25 years of Investment and finance industry experience holding various leading positions.

Rajeev Gogia, *Second Deputy Chairman*

Member of the Institute of Chartered Accountant, India and Bachelor in Commerce, India; Deputy Group CEO – Finance & Strategy, Ahli United Bank BSC (c), Bahrain; Previously served as a Board Member of Ahli United Bank (Egypt) SAE; Ahli United Bank KSCP (Kuwait), Al Hilal Life (Bahrain) and Al Hilal Takaful (Bahrain). Mr. Rajeev has Over 27 years of industry and advisory experience in the Financial Services Sector.

Abdul Hameed Ahmed Mohamed Al Bulushi, *Director*

Hold High Diploma in Development, United Kingdom; Bachelor degree in Law, Egypt; Former Legal Expert in Civil Service Employees Pension Fund. Chairman, Oman Hospitality Company; Director at Al Nama Poultry Company, Director at Osool Poultry Company, and director of Raysut Cement SAOG Company. He has more than 33 years of experience in Ministry of Civil Service & Civil Service Employees Pension Fund in different senior positions.

Ibrahim Said Badar Al Eisri, Director

Member of the Association of Chartered Certified Accountants (ACCA), Masters in Finance, Oxford Brookes University, UK and Bachelor's Degree in Commerce Major Accounting & Finance, Curtin University of Technology, Perth, Australia; Chief of Investments – Private of Private Market in Oman Investment Authority (OIA); Board Chairman of Nama Water Services and Board Member at Omantel. Having over 21 years of experience in different sectors including, Telecommunication, Oil & Gas and Financial & Investments; Held different leadership roles in Finance & Investment Operations.

Salim Ali Hamed Al Hasni, Director

Holds Master of Science in Commercial Project Management from the University of Manchester – College of Mechanical, Aerospace & Civil Engineering and Bachelor of Science (Commerce & Economics) from Sultan Qaboos University. Director of Contracts - Ministry of Defense. Chairman of the Board of Directors of Reem Batteries & Power Appliances SAOC; Vice Chairman of Sohar Power Company SAOG. Having more than 23 years of experience in Ministry of Defense in different positions.

Wajid Ali Khan, Director

Holds M.P.A (Finance) from Quaid-e-Azam University, Islamabad. Group Head of Corporate Banking, Ahli United Bank, Bahrain. Board Member of Ahli Real Estate Co, Member of Islamic Banking Committee of Bahrain Association of Banks and Board of trustee of the Waqf Fund (for 12 years till 2021). Has diversified banking experience of 31 years.

Qais Abdullah Moosa Al Kharusi, Director

Certified Chartered Financial Analyst (CFA), Financial Risk Manager (FRM) and Chartered Alternative Investment Analyst (CAIA); Holds an MBA degree in Value Investing & Finance from Columbia Business School, New York, USA and a BSE degree in Industrial and Operation Engineering from the University of Michigan, USA; Chief Executive Officer of Al Hosn Investment Company; Board Member of A'Saffa Foods SAOG; He has 16 years of diversified investment experience with over 9 years in senior leadership positions.

Vivek Kastwar, Director

Holds a Master's in Business Administration (MBA) from Prestige Institute of Management and Research in India, Bachelor's degree in commerce (accounting) from University of Delhi, India and GMPE from Indian Institute of Management, Lucknow, India. Chief Executive Officer – Ahli United Bank B.S.C (c). (DIFC Branch - UAE). Former Head of Corporate Banking, AUB B.S.C (c). (DIFC Branch - UAE). Has diversified banking experience of 29 years.

Executive Powers of the Board:

1. Approving financial objectives, business and financial policies of the Bank.
2. Approving internal regulations as well as specifying the powers, responsibilities and authorities of the executive management.
3. Reviewing and monitoring the disclosures and compliance with regulatory requirements.
4. Nominating the members of the sub-committees, CEO and key employees.



Details of the Number of Board meetings held during the year 2024:

Sl. No.	Board Meeting
1.	29-Jan-2024
2.	29-Apr-2024
3.	29-Jul-2024
4.	24-Oct-2024
5.	26-Nov-2024

Directors Attendance Record in the Board Meetings:

Name of Director	Position	Type of Directorship	Board Meetings Attended	# Sub-committees memberships (at year end)	Whether attended last AGM
Hamdan Ali Nasser Al Hinai	Chairman	Independent	5	NRC	Yes
Anwar Hilal Hamdoon Al Jabri	First Deputy Chairman	Independent	5	ECC, NRC	Yes
Rajeev Gogia	Second Deputy Chairman	Non-Independent	4	ERC, NRC	No
Abdul Hameed Ahmed Mohamed Al Bulushi	Director	Independent	5	ACC, ERC, DTC	Yes
Ibrahim Said Badar Al Eisri	Director	Independent	5	ECC, DTC	Yes
Salim Ali Hamed Al Hasni	Director	Independent	5	ERC	Yes
Wajid Ali Khan	Director	Non-Independent	5	ECC, DTC	Yes
Qais Abdullah Moosa Al Kharusi	Director	Independent	5	ACC	Yes
Vivek Kastwar	Director	Non-Independent	4	ACC	Yes

Audit and Compliance Committee - ACC, Executive and Credit Committee - ECC, Executive Risk Committee - ERC, Nomination and Remuneration Committee – NRC and Digital Transformation Committee – DTC.

-Independent directors are defined as per principle Eight of Code of Corporate Governance for Public Listed Companies Updated December, 2016.

Sub-Committees

Ahli Bank has Five Board sub-committees to ensure the smooth functioning of the Bank:



A. Audit and Compliance Committee

The role of the Audit and Compliance Committee includes:

- Reviewing the scope of external and internal audits and oversee the adequacy of the Bank's internal control systems through the reports of the internal and external auditors.
- Reviewing the quarterly and annual financial reports before submission to the Board for approval.
- Assist in discharging Board's oversight responsibilities relating to the Bank's accounting, corporate governance, risk management systems and compliance procedures.

Composition of Audit and Compliance Committee and Details of Meetings and Attendance Record of Members During the Year 2024:

Composition of Audit and Compliance Committee		Meeting Dates			
Director's Name	Position	29-Jan-24	29-Apr-24	29-Jul-24	23-Oct-24
Qais Abdullah Moosa Al Kharusi	Chairman	Yes	Yes	Yes	Yes
Abdul Hameed Ahmed Mohamed Al Bulushi	Member	Yes	Yes	Yes	Yes
Vivek Kastwar	Member	Yes	Yes	-	Yes
Attendance		3	3	2	3

B. Executive and Credit Committee

The role of the Executive and Credit Committee includes:

- Providing the Board with a mechanism for considering in depth, any issue that the Board considers to be that requiring detailed attention.
- Allowing the Management to obtain input for the development of proposals prior to Board submission.
- Approving matters beyond the Management's delegated authority but which do not need full Board approval.
- Focusing on strategic reviews and proposals, investments, treasury and liquidity management, business plans and other such matters.

Composition of Executive and Credit Committee and Details of Meetings and Attendance Record of Members During the Year 2024:

Composition of Executive and Credit Committee		Meeting Dates			
Director's Name	Position	28-Jan-24	28-Apr-24	28-Jul-24	22-Oct-24
Anwar Hilal Hamdoon Al Jabri	Chairman	Yes	Yes	Yes	Yes
Ibrahim Said Badar Al Eisri	Member	Yes	Yes	Yes	Yes
Wajid Ali Khan	Member	Yes	Yes	Yes	Yes
Attendance		3	3	3	3

C. Executive Risk Committee

The role of the Executive Risk Committee includes:

- An integrated approach to managing the risks inherent in various aspects of our business.
- Monitoring risk levels according to various parameters and the Management is responsible for ensuring mitigation measures.
- Focusing on reviewing all policies governing Bank's risk and funding exposure.
- Ensuring the consistent adherence and implementation of the Board-approved policies and treasury strategies in monitoring market and other risks.

Composition of Executive Risk Committee and Details of Meetings and Attendance Record of Members During the Year 2024:

Composition of Executive Risk Committee		Meeting Dates			
Director's Name	Position	28-Jan-24	28-Apr-24	28-Jul-24	22-Oct-24
Rajeev Gogia	Chairman	Yes	-	Yes	Yes
Abdul Hameed Ahmed Mohamed Al Bulushi	Member	Yes	Yes	Yes	Yes
Salim Ali Hamed Al Hasni	Member	Yes	Yes	Yes	Yes
Attendance		3	2	3	3

D. Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee includes:

- Reviewing the performance of all directors and the Management.
- Advising the Bank's Board and Chairman on the remuneration of Board Members, appointment of senior management personnel and remuneration of senior management personnel.
- Helping in the nomination of competent Board members.
- Annual assessment of the Board's/Sub-Committees overall performance

Composition of Nomination and Remuneration Committee and Details of Meetings and Attendance Record of Members During the Year 2024:

Composition of Nomination and Remuneration Committee		Meeting Dates	
Director's Name	Position	28-Jan-24	28-Jul-24
Hamdan Ali Nasser Al Hinai	Chairman	Yes	Yes
Anwar Hilal Hamdoon Al Jabri	Member	Yes	Yes
Rajeev Gogia	Member	Yes	Yes
Attendance		3	3

E. Digital Transformation Committee

The role of the Digital Transformation Committee includes:

- Oversee the implementation of all the digital transformation initiatives and deliverables in a timely and efficient manner within Board-approved parameters. The creation of a dedicated committee provides a framework for an effective and detailed review, assessment, consultation, decision-making and approval process on behalf of the Board.

Composition of Digital Transformation Committee and Details of Meetings and Attendance Record of Members During the Year 2024:

Composition of Digital Transformation Committee		Meeting Dates			
Director's Name	Position	12-Mar-24	22-May-24	26-Aug-24	16-Dec-24
Ibrahim Said Al Eisri	Chairman	Yes	Yes	Yes	Yes
Abdul Hameed Ahmed Mohamed Al Bulushi	Member	Yes	Yes	Yes	Yes
Wajid Ali Khan	Member	Yes	-	Yes	-
Attendance		3	2	3	2

Procedure for Standing as a Candidate for the Board:

Anyone who wishes to stand as a candidate for the Board and is eligible for the same as per the regulations as well as the Articles of Association, is required to submit an application form (as prescribed by the Financial Services Authority) at least five days before the fixed date for the General Meeting for election of the Board members. The application shall be reviewed by the Nomination and Remuneration Committee of the Bank to ensure eligibility of the candidate and further recommendation to the Annual General Meeting. The Bank shall lodge the application form with the Financial Services Authority before the date of the General Meeting.

The director shall be elected through direct secret ballot by the shareholders. Each shareholder is entitled to the number of votes equal to that of his/her shares.

Sharia Supervisory Board of Ahli Islamic Banking Services - ahlibank SAOG

Sharia Supervisory Board:

The Shari'a Supervisory Board (SSB) is an independent body of specialized jurists in fiqh al-muamalat (Islamic commercial jurisprudence), appointed with the responsibilities of giving Shari'a directives, advices and approvals from the formation stage to the operations stage of the Bank, ensuring Shari'a compliance of the Bank by giving decisions on Shari'a Audit reports and producing a statement about Shari'a compliance of the Bank. The SSB complies with the regulatory requirements of the Central Bank of Oman in respect of their competency and supervision and advisory role of the Bank. The Fatawa and rulings of the SSB are binding on the Bank's Islamic Banking Services. The SSB of Ahli Islamic is comprised of three members whose brief profile is given below.

Profile of SSB Members:

Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi, *Chairman*

Sheikh Dr. Ali Al Qaradaghi is a prominent Shari'a Scholar and President of the International Union for Muslim Scholars. Sheikh Ali Al Qaradaghi has a PhD in Contracts and Financial Transactions and Master's degree in Shari'a and Comparative Fiqh from the University of Al-Azhar. He is currently the President of the International Union for Muslim Scholars and Vice President of the European Council for Fatwa and Research. He was a Professor at the University of Qatar and has published over 100 research papers and authored over 30 books. Sheikh Ali Al Qaradaghi is a renowned Shari'a scholar serving several Islamic financial institutions worldwide both as chairperson as well as board member of Shari'a Supervisory Boards.

Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi, *Deputy Chairman*

Sheikh Dr. Ahmed has a PhD in Islamic Banking and Finance from International Islamic University Malaysia and a Master degree in Contracts Managements from UIM. He accomplished a certificate in Sukuk from EAIFE and a certificate of participation from Imam Jaber bin Zaid Institute in Islamic Finance Disputes Settlement. Sheikh Ahmed worked as a Shari'a scholar with Ministry of Endowment and Religious Affairs from 1999 to 2020 and with Sharika Tawafuq as its CEO. Sheikh Ahmed attended several conferences and workshops in Islamic finance.

Sheikh Dr. Abdul Rahman Mubarak Al Nofli, *Member*

Sheikh Dr. Abdul Rahman is working as religious scholar with Ministry of Endowment and Religious Affairs since 2004 and currently working as assistant director Sharia governance and performance of institutions. Sheikh Abdul Rahman holds a PhD in Islamic banking and finance from IIUM, master degree from Nizwa University and a bachelor degree in Sharia from College of Sharia Sciences Oman. Sheikh Abdul Rahman participated in several conferences and programs in Islamic banking and finance.

Composition of SSB and Details of Meetings and Attendance Records of Members During the Year 2024:

Composition of the Sharia Supervisory Board		Meeting Dates			
Member Name	Position	6-Mar-24	26-Nov-24 SSB Meeting	26-Nov-24 SSB meeting with BoD	26-Dec-24
Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi *	Chairman	NA	Yes	Yes	Yes
Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi *	Deputy Chairman	NA	Yes	Yes	Yes
Sheikh Dr. Abdul Rahman Mubarak Al Nofli *	Member	NA	Yes	Yes	Yes
Dr. Mohammed Taher Al-Ibrahim **	Chairman	Yes	NA	NA	NA
Dr. Mustaien Ali Abdulhamid **	Deputy Chairman	Yes	NA	NA	NA
Dr. Abdullaouf Abdullah Hamood Al-Tobi **	Member	Yes	NA	NA	NA
Attendance		3	3	3	3

* Appointed during 2024.

** Completed their tenor in March 2024.

SSB Remuneration and Sitting Fee Expenses:

The shareholders of the Bank in the AGM held on 27 March 2024 have approved the remuneration and sitting fee of the SSB as below:

Designation	Amount
Chairman of SSB	RO 10,000 per annum
Member of SSB	RO 8,000 per annum
Sitting Fees Per Meeting (maximum of five meetings per year per member)	RO 385 per meeting

The table below shows the remuneration and sitting fee expenses of the SSB:

Member Name	Position	Remuneration	Sitting Fees
Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi *	Chairman	7,500	1,155
Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi *	Deputy Chairman	1,093	1,155
Sheikh Dr. Abdul Rahman Mubarak Al Nofli *	Member	1,093	1,155
Dr. Mohammed Taher Al-Ibrahim **	Chairman	2,500	385
Dr. Mustaien Ali Abdulhamid **	Deputy Chairman	2,000	385
Dr. Abdulraouf Abdullah Hamood Al-Tobi **	Member	2,000	385
Total		16,186	4,620

* Appointed during 2024.

** Completed their tenor in March 2024.



Executive Management Committee Members of ahlbank

Said Abdullah Al Hatmi, *Chief Executive Officer*

Mr. Said Abdullah Al Hatmi is a seasoned banking professional with over 24 years of diverse experience in financial sector. As the Chief Executive Officer, he has been instrumental in steering ahlbank towards sustained growth, operational excellence, and innovative customer-centric solutions. Mr. Al Hatmi holds a Bachelor's degree in Finance from Sultan Qaboos University and a Master's degree in Business Administration from the University of Strathclyde in the UK. He is also a Certified Management Accountant, accredited by the Institute of Management Accountants, USA. Mr. Al Hatmi has further refined his leadership skills by completing the Oxford Advanced Management and Leadership Program, as well as executive management programs at Harvard Business School and the University of Virginia. In addition to his executive leadership role, Mr. Al Hatmi serves as the Deputy Chairman of OQ SAOC and chairs the Oman Bank Association (OBA). He is also a Board Member and Chairman of the Audit Committee at the College of Banking and Financial Studies (CBFS) and member of the Advisory Board at the College of Economic and Political Studies at Sultan Qaboos University. Before joining Ahli Bank, he held various senior positions at HSBC Bank Middle East in Oman, gaining extensive experience in corporate banking, retail banking, risk management, finance, and banking operations. Throughout his career, Mr. Al Hatmi has been recognized for his forward-thinking leadership, unwavering commitment to ethical governance, and the successful implementation of transformative initiatives.

Bilal Anwar, *DCEO – Business Group*

Hold Bachelor of Commerce from University of Allahabad, India; Certified Associate of Indian Institute of Bankers (CAIIB) from Indian Institute of Bankers, Mumbai, India; Chartered Financial Analyst (CFA- ICFAI) from Institute of Chartered Financial Analyst of India; Post Graduate Diploma in Business Administration from ICFAI Business School, Hyderabad, India. Having more than 26 years of experience in banking with various banks including, Ahli United Bank BSC, Bahrain; IDBI Bank Limited, Mumbai, India; Abu Dhabi Commercial Bank, Mumbai, India.

Abdullah Salim Al Jabri, *DCEO – Support Services*

Having over 28 years of banking experience in conventional and Islamic Banking with ahlbank. Started his career with National Training Institute and then joined Alliance Housing Bank in 1997, where held various positions including Manager Retail Banking and Head of Central Operations. Lead the operations team in centralization of operations after the conversion to full-fledged commercial bank. With the start of Islamic Banking in Oman in 2013, became General Manager of Ahli Islamic (erstwhile Al Hilal Islamic Banking Services) and contributed in the success of Islamic Banking. Certified Islamic Banker from General Council for Islamic Banks and Financial Institution, Bahrain. Hold National Diploma in Engineering from Business & Technology Education Council, UK. Hold Leadership and Management certificate from Darden School of Business, University of Virginia, USA. Hold advance Leadership and management certificate from University of Cambridge Judge Business School, UK.

Hanaa Mohammed Al Kharusi, *Senior General Manager - Wholesale banking*

Holds a Bachelor's degree in Science from Indiana University, USA and has attended Executive Programs at the London Business School, UK and IMD, Switzerland as well as Said Business School, Oxford, UK. A Graduate member of the National CEO Program (NCP) sponsored by the Diwan of Royal Court and a member of Oman Business Forum. As Sr. GM Wholesale Banking, Hanaa spearheads the growth strategy for Corporate banking, project finance syndication as well as Investment banking and Financial Institutions. Hanaa has over 24 years of banking experience in leading Omani banks and has successfully led high performing teams in Corporate Banking, Project Finance and Syndications and spearheads the digital transformation initiatives for the Wholesale banking. She has successfully led major strategic financial transactions and advisory projects in Oman Bilaterally and on syndicated basis. Hanaa is the founding chairperson of the Talent Management Committee responsible for recruiting, developing and grooming high potential graduates for future leading positions within ahlbank. Hanaa currently holds the position of Chairperson; Ahli Global Equity Fund, Director Omran (SAOC) and Chairperson of their Board Audit and Risk Committee. She is a former Director; Nama Holding (SAOC) and was chairperson of the Board Audit and Risk Committee from 2020-2023.

Taher Al Bakhsh Al Balushi, *Senior General Manager – Strategy, Transformation, Technology & Projects*

Holds Master in Business Administration from University of Strathclyde and Bachelors with Honors in Accounting from the University of Bedfordshire, UK; Certified Fraud Examiners from the Association of Certified Fraud Examiners, USA and Certified Islamic Professional Accountant from AAOIFI, Bahrain. He has successfully completed 'Advanced Leadership Program' at Judge Business School at Cambridge University and 'Senior Executive Program' at London Business School. Taher has over 21 years of banking experience across strategy, finance, risk, operations, technology and transformation functions in leading Omani Banks.

Fahad Fraish Al Shuaili, *General Manager – Chief Risk Officer*

Holds a Bachelor degree in Finance from Sultan Qaboos University, 2005 and Master of Business Administration (MBA) from Strathclyde University, 2012 and Certified Fraud Examiner (CFE), certified credit analyst, and has completed the Cambridge's flagship "Advanced Leadership Program". Member in Chief Risk Officers Committee under Oman Bank Association. Having more than 19 years of Banking experience in the areas of Internal auditing in leading Omani Banks. He has previously worked in Oman International Bank in various senior roles.

Non-Compliance

There has not been any instances of non-compliance of legal requirements nor any penalties or strictures imposed by the regulators on any matters relating to the Financial Services Authority over the last three years.

The Bank has incurred penalties of RO 90,000 by Central Bank of Oman over the last three years based on CBO examination report observations.

2024: RO 90,000 - Related to risk classification, outsourcing, delay in implementation of fraud risk management system, customer verification requirements, prize schemes and calculation of the maturities of assets and liabilities. The Bank has addressed these issues and taken rectification measures.

2023: No penalty imposed by CBO for year 2023.

2022: No penalty imposed by CBO for year 2022.

Remuneration Matters

An amount of RO 300,000 is proposed as Board Remuneration in addition to the sitting fees paid to the Board members for 2024. The details of sitting fees paid are below:

Name of Director	Sitting Fees Paid (RO)
Hamdan Ali Nasser Al Hinai	4,000
Anwar Hilal Hamdoon Al Jabri	5,100
Rajeev Gogia	4,100
Abdul Hameed Ahmed Mohamed Al Bulushi	6,300
Ibrahim Said Badar Al Eisri	5,700
Salim Ali Hamed Al Hasni	3,700
Wajid Ali Khan	4,300
Qais Abdullah Moosa Al Kharusi	4,500
Vivek Kastwar	2,900
Total	40,600

The total remuneration paid to the top executives (top five) of the Bank amounted to RO 1.745 million during the year 2024, which included salary, benefits, perquisites, bonuses and gratuities.

Incentives and bonuses are based on key performance indicators towards the achievements of the Bank's long-term strategic objectives.

The duration of the standard service contract for expatriate executives is two years. The notice period for executives ranges from one to three months, depending on the executive's contract.

No severance fees are payable to the top executive officers other than compensation for short notice of termination of services.

Communication with Shareholders and Investors

Ahli Bank SAOG publishes quarterly accounts, which are uploaded on the Muscat Stock Exchange (MSX) website. The latest news and information about the Bank is also available on its website, www.ahlibank.om.

All annual reports include a comprehensive management report. The Management makes regular presentations to analysts, the press and investors. These briefings outline the Bank's performance, and strategy on future prospects.

The Management discussion and analysis report is part of the Annual Report.

Market Price Data:

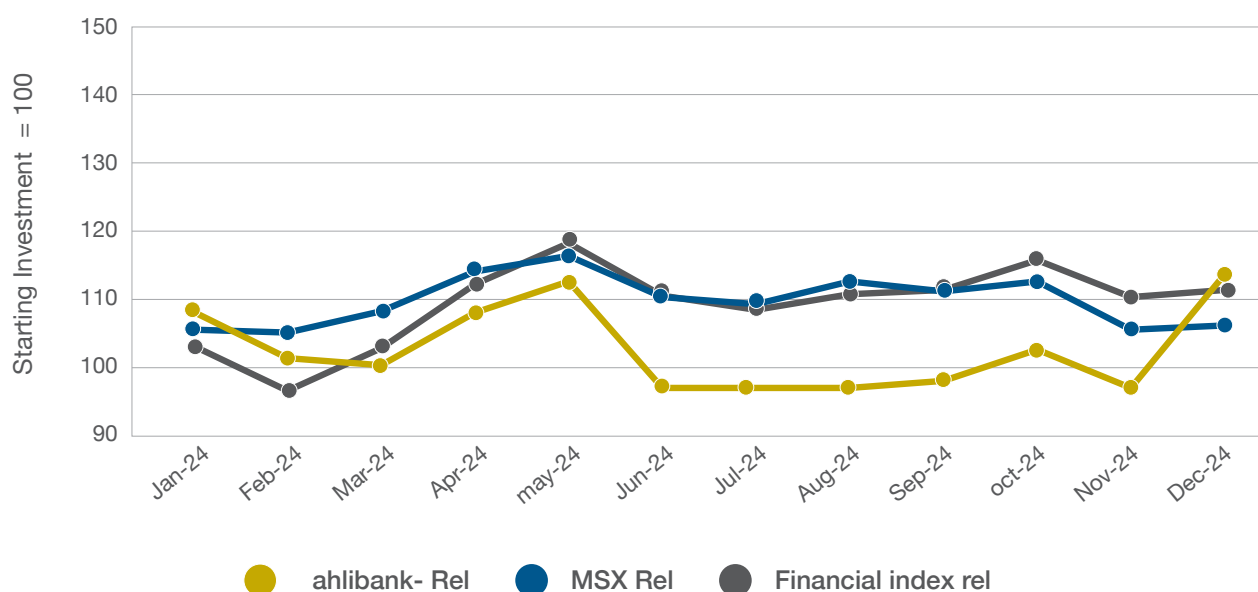
High / Low Share Prices in 2024

The table below shows the high / low prices of the Bank's shares in Rial Omani in 2024.

Month	High	Low
Jan-24	0.167	0.157
Feb-24	0.160	0.154
Mar-24	0.170	0.153
Apr-24	0.165	0.150
May-24	0.165	0.153
Jun-24	0.160	0.150
Jul-24	0.152	0.135
Aug-24	0.163	0.150
Sep-24	0.160	0.150
Oct-24	0.155	0.150
Nov-24	0.164	0.150
Dec-24	0.165	0.150

Performance of Ahli Bank SAOG Vs MSX and Banking Indices

Relative performance of ahlibank Vs. Indices



The Bank has outstanding Tier1 perpetual subordinated bonds (AT1)/Mandatory convertible bonds (MCBs) as follows:

Issue Date	Type	RO	First Recall Option
11 August 2022	AT1	75 million	11 August 2027
25 December 2023	AT1	54 million	25 December 2028
29 April 2024	MCBs	10 million	Convertible in April 2026
27 June 2024	AT1	40 million	27 June 2029

* These bonds/MCBs are listed in the Muscat Stock Exchange (MSX).

Distribution of Share Ownership Among Shareholders as of 31 December 2024:

Name	Country of incorporation	Number of shares	%
Ahli United Bank B.S.C. (c)	Bahrain	822,380,096	35.00
Al Hosn Investment Company SAOC	Oman	357,076,325	15.20
Social Protection Fund	Oman	256,491,550	10.92
Aflag First Investment SPC	Oman	225,443,496	9.59
Al Hosn Business Development LLC	Oman	202,862,546	8.63
Others		485,403,453	20.66
Total		2,349,657,466	100.00

External Auditor's Profile – Deloitte

Deloitte & Touche (M.E.) LLP (“DME”) is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP (“NSE”), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”). Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/about to learn more.

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DME is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926.

DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

Deloitte billed an amount of RO 96,350 towards professional services rendered to the Bank for the year 2024 (RO 89,000 for audit and RO 7,350 for other services).

Other Important Matters:

As required by the Code of Corporate Governance, the Shareholders has appointed an independent third party for appraising the performance of the Board of Directors for the financial year 2024.

Acknowledgment By The Board Of Directors:

- The Board is responsible for the preparation of the financial statements in accordance with the applicable standards and rules.
- The Board has reviewed the efficiency and adequacy of internal control systems of the issuer and it complies with internal rules and regulations.
- There is no material thing that affects the continuation of the Bank and its ability to continue its operations during the next financial year.



Hamdan Ali Nasser Al Hinai
Chairman
Board of Directors



Qais Abdullah Moosa Al Kharusi
Chairman
Audit and Compliance Committee

A photograph of a modern office lobby with a blue tint. The lobby features a patterned carpet, potted plants, and a reception desk in the background. The text "FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024" is overlaid in white.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024



Independent auditor's report to the shareholders of Ahli Bank SAOG

1

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Ahli Bank SAOG** (the "Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the Bank's financial statements in Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Expected credit losses on loans and advances to customers As disclosed in Note 7 to the financial statements, the loans and advances of the Bank amounted to RO 3,022 million as at 31 December 2024 (2023: RO 2,694 million) against which an Expected Credit Loss ("ECL") allowance of RO 102 (2023: RO 107 million) was recorded.	We established an audit approach which includes both testing the design, implementation and operating effectiveness of internal controls around loan origination process, credit risk management process and the estimation process of determining impairment allowances for loans and advances to customers and tested the operating effectiveness of relevant controls within these processes.

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

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Key audit matters	How our audit addressed the key audit matters
The determination of the Banks's allowance for ECL for loans and advances to customers and off-balance sheet exposures measured at amortised cost is a material and complex estimate which requires management to apply significant judgements and make significant estimates in the evaluation of the credit quality and the estimation of inherent losses in the portfolio. Consequently, we considered this area to be a key audit matter. In accordance with the requirements of IFRSs, the Bank measures ECL based on the credit losses expected to arise over the next twelve months ('12-month ECL'), unless there has been a significant increase in credit risk (SICR) since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the loans and advances ('Lifetime ECL'). The Bank has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR. The financial statement risk arises from several aspects requiring significant judgement of management, such as the estimation of probabilities of default (PD) and loss given defaults (LGD) for various stages, the determination of significant increase in SICR and credit-impairment status (default), the use of different modelling techniques and consideration of manual adjustments. In calculating expected credit losses, management considered credit quality indicators for each loan and portfolio, stratified loans and advances by risk grade and estimated losses for each loan based upon their nature and risk profile. Management applied post model adjustments overlays to address the impacts of regulatory relief provided to certain borrowers. Auditing these complex judgements and estimates involved especially challenging auditor judgement due to the nature and extent of audit evidence and effort required to address these matters.	Our procedures over internal controls focused on the governance over the process controls around the expected credit loss (ECL) methodology, completeness and accuracy of loan data used in the expected loss models, management review and approval of outcomes, the assignment of borrower's risk classification, consistency of application of accounting policies and the process for calculating individual allowances. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management committee meetings that form part of the approval process for loan impairment allowances. The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following: - For a risk-based sample of individual loans, we performed a detailed credit review, assessed the information used for evaluating the creditworthiness and staging classification of individual borrowers and challenged the assumptions underlying the expected credit loss allowance calculations, such as estimated future cash flows, collateral valuations and estimates of recovery. We also evaluated the Bank's application of its impairment policy. - We evaluated key assumptions such as criteria used to determine SICR and forward-looking macroeconomic scenarios including the related weighting. - For loans not tested individually, we tested the mathematical accuracy and computation of the allowance for expected credit losses by reperforming or independently calculating elements of the expected credit losses based on relevant source documents with the involvement of our modelling specialists. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. - For the stage 3 portfolio and for a sample of corporate exposures we assessed whether relevant impairment events had been identified in a timely manner and the appropriateness of the provisioning assumptions such as estimated future cash flows, collateral valuations and estimates of recovery.

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

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Key audit matter	How our audit addressed the key audit matter
For further information refer to Note 3.3.5 to the financial statements for the accounting policy and Note 35.1.3 for the credit risk disclosure. Refer to Note 4.1 to the financial statements for the critical accounting estimates and judgements and note 7 for the loans and advances. IT systems and controls over the financial reporting We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of changes to an application or underlying data.	- The Bank performed an external validation of the model risk parameters, used in calculating the ECL during the reporting period. - We evaluated management overlays recorded by the management and held discussions with management to understand the rationale based on which these overlays are recorded. - We assessed the underlying assumptions used by the Bank in the ECL model, including forward looking assumptions. - We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2024. - We involved our modelling specialists to assist us in assessing model calculations, evaluating interrelated inputs (including EAD, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around the macroeconomic variables, forecasted macroeconomic scenarios and probability weights and assumptions used in any manual adjustments made to the output from the ECL model. - We assessed the disclosure in the financial statements relating to this matter against the requirements of IFRSs. Our audit approach relies on automated controls and therefore, the following procedures were designed to test access and control over the relevant IT systems: - We obtained an understanding of the applications relevant to the financial reporting business process and the IT infrastructure supporting those applications. - Program tested the general IT controls relevant to the identified automated controls and the Information Produced by the Entity (IPE) by covering access security, program changes, data centre and network operations. - We performed testing on the relevant automated controls for key IT applications relevant to the financial reporting business processes.

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

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Other information

The Board of Directors (the Board) is responsible for the other information. The other information comprises the Chairman's report, the Corporate Governance report, Chief Executive Officer's message, Management discussion and analysis, Regulatory disclosure under Basel II – Basel III framework and Annual report section of Ahli Islamic (comprising the Shari'ah Supervisory Board report including list of fatwas, Financial Statements and Regulatory disclosure under Basel II – Basel III framework of Ahli Islamic), but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditor's report and the Bank's annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by IASB, and relevant disclosure requirements of the Commercial Companies Law of 2019, and the disclosure requirements issued by Financial Services Authority of the Sultanate of Oman and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



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

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Report on other legal and regulatory requirements

Further, we report that the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 2019 and the disclosure requirements issued by the Financial Services Authority.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
4 March 2025



Signed by
Ahmed Al Qassabi
Partner
ACCA Membership No. 0820917

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

2023	2024			2024	2023
US\$ '000	US\$ '000		Note	RO '000	RO '000
ASSETS					
446,585	505,330	Cash and balances with Central Bank of Oman	5	194,552	171,935
229,190	294,366	Due from banks	6	113,331	88,238
787,805	894,120	Investment securities	8	344,236	303,305
6,997,818	7,850,078	Loans, advances and financing, net	7	3,022,280	2,694,160
106,834	125,808	Property, equipment and intangibles	9	48,436	41,131
50,847	83,358	Other assets	12	32,093	19,576
8,619,079	9,753,060	TOTAL ASSETS		3,754,928	3,318,345
LIABILITIES AND EQUITY					
482,600	893,327	Due to banks	13	343,931	185,801
6,430,301	7,176,019	Customers' deposits	14	2,762,767	2,475,666
100,000	-	Borrowed funds	15	-	38,500
33,352	32,576	Tax Liability	11	12,542	12,840
218,556	201,738	Other liabilities	16	77,669	84,144
7,264,809	8,303,660	TOTAL LIABILITIES		3,196,909	2,796,951
EQUITY					
636,275	636,275	Share capital	17	244,966	244,966
113,917	124,738	Legal reserve	18	48,024	43,858
597	(4,439)	Fair value reserve		(1,709)	230
774	774	Special reserve	7	298	298
28,226	60,041	Impairment reserve	7	23,116	10,867
187,468	166,125	Retained earnings		63,958	72,175
967,257	983,514	TOTAL NET EQUITY ATTRIBUTABLE TO THE OWNERS OF THE BANK		378,653	372,394
387,013	465,886	TIER 1 SUBORDINATED BONDS	20	179,366	149,000
1,354,270	1,449,400	TOTAL EQUITY		558,019	521,394
8,619,079	9,753,060	TOTAL LIABILITIES AND NET EQUITY		3,754,928	3,318,345
41	42	Net assets value per share (US cents/baizas)	21	161	159
570,413	631,482	Contingent liabilities and commitments	22	243,120	219,609

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

2023	2024		2024	2023
US\$ '000	US\$ '000	Note	RO '000	RO '000
371,543	405,804	Interest income	23	156,235
(213,608)	(254,638)	Interest expense	24	(98,036)
157,935	151,166	NET INTEREST INCOME		58,199
85,224	105,701	Income from Islamic financing and investments	23	40,695
(44,987)	(64,915)	Unrestricted investment account holders' share of profit and profit expense	24	(24,992)
		NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		15,703
40,237	40,786			15,491
42,921	51,682	Fees and commission income	26	19,898
(3,310)	(6,023)	Fees and commission expense	26	(2,319)
39,611	45,659	Net fees and commission income		17,579
18,164	43,698	Other operating income	25	16,824
255,947	281,309	OPERATING INCOME		108,305
(34,005)	(34,877)	Net impairment on financial assets	27	(13,428)
221,942	246,432	NET OPERATING INCOME		94,877
(67,912)	(72,125)	Staff expenses	28	(27,768)
(10,125)	(11,244)	Depreciation and amortisation	9	(4,329)
(33,995)	(37,140)	Other operating expenses	29	(14,299)
(112,032)	(120,509)	OPERATING EXPENSES		(46,396)
109,910	125,923	PROFIT BEFORE TAXATION		48,481
(15,232)	(17,713)	Tax expense	11	(6,819)
94,678	108,210	PROFIT FOR THE YEAR		41,662
		OTHER COMPREHENSIVE (LOSS)/INCOME		
		Items that will not be reclassified to profit or loss		
1,558	(6,377)	- Equity investments at FVOCI - net changes in fair value		(2,455)
		Items that will be reclassified to profit or loss		
(79)	-	- Cash flow hedge - net changes in fair value		-
5,597	1,091	- Changes in fair value of FVOCI debt investments		420
7,076	(5,286)	OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(2,035)
101,754	102,924	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39,627
3	3	Basic earnings per share (US cents/baizas)	30	13
-	3	Diluted earnings per share (US cents/baizas)	30	12

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

		Attributable to the owners of the Bank								
		Share capital	Legal reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 subordinated bonds	Total equity
Note		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2024		244,966	43,858	230	298	10,867	72,175	372,394	149,000	521,394
Profit for the year		-	-	-	-	-	41,662	41,662	-	41,662
Other comprehensive income		-	-	(2,035)	-	-	-	(2,035)	-	(2,035)
Transactions within equity										
Transfer to legal reserve	18	-	4,166	-	-	-	(4,166)	-	-	-
Transfer to impairment reserve	7					12,249	(12,249)	-	-	-
Issue of Tier 1 Perpetual bonds		-	-	-	-	-	-	-	40,000	40,000
Redemption of Tier 1 perpetual bonds	20	-	-	-	-	-	-	-	(20,000)	(20,000)
Loss on sale of equity investments at FVOCI	8	-	-	96	-	-	(96)	-	-	-
Interest paid on Tier 1 subordinated bonds	20	-	-	-	-	-	(12,220)	(12,220)	-	(12,220)
		-	4,166	96	-	12,249	(28,731)	(12,220)	20,000	7,780
Transactions with owners recognised directly in equity										
Cash dividends	19	-	-	-	-	-	(10,574)	(10,574)	-	(10,574)
Issuance of Mandatory Convertible Bonds (including share issue expenses)		-	-	-	-	-	(10,574)	(10,574)	10,366	(208)
Total transactions with owners		-	-	-	-	-	(21,148)	(21,148)	10,366	(10,782)
At 31 December 2024		244,966	48,024	(1,709)	298	23,116	63,958	378,653	179,366	558,019
At 31 December 2024 (US\$ '000)		636,275	124,738	(4,439)	774	60,041	166,125	983,514	465,886	1,449,400

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

		Attributable to the owners of the Bank									
		Share capital	Legal reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 subordinated bonds	Total equity	
		Note	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2023			194,966	40,213	(2,463)	998	10,127	68,098	311,939	149,000	460,939
Profit for the year			-	-	-	-	-	36,452	36,452	-	36,452
Other comprehensive income			-	-	2,725	-	-	-	2,725	-	2,725
Transactions within equity											
Transfer to legal reserve	18	-	3,645	-	-	-	(3,645)	-	-	-	-
Transfer to impairment reserve	7	-	-	-	-	740	(740)	-	-	-	-
Transfer from special reserve		-	-	-	(700)	-	700	-	-	-	-
Issue of Tier 1 Perpetual bonds		-	-	-	-	-	-	-	54,000	54,000	
Redemption of Tier 1 perpetual bonds	20	-	-	-	-	-	-	-	(54,000)	(54,000)	
Gain on sale of equity investments at FVOCI	8	-	-	(32)	-	-	32	-	-	-	-
Interest paid on Tier 1 subordinated bonds	20	-	-	-	-	-	(11,175)	(11,175)	-	(11,175)	
		-	3,645	(32)	(700)	740	(14,828)	(11,175)	-	(11,175)	
Transactions with owners recognised directly in equity											
Cash dividends	19	-	-	-	-	-	(17,547)	(17,547)	-	(17,547)	
Rights issue of shares		50,000	-	-	-	-	-	50,000		50,000	
Total transactions with owners		50,000	-	-	-	-	(17,547)	32,453	-	32,453	
At 31 December 2023			244,966	43,858	230	298	10,867	72,175	372,394	149,000	521,394
At 31 December 2023 (US\$ '000)			636,275	113,917	597	774	28,226	187,468	967,257	387,013	1,354,270

The accompanying notes form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2024

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

2 BASIS OF PREPARATION (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

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.

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 FVTPL 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

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

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 designed 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.5 Impairment (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.5 Impairment (continued)

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:

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 ECL's 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

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.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the bank analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Bank accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Bank also compares each of the changes in fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above.

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.11 Derivative financial instruments and hedging activities (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACCOUNTING POLICIES (continued)

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.

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 shareholders.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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
446,585	505,330		194,552	171,935

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)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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)
229,190	294,366		113,331	88,238

7 LOANS, ADVANCES AND FINANCING, NET

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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
		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	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	-	-	-	-	-	-	-
	Subtotal	2,720,226	30,696	-	9,145	21,551	2,689,530	2,711,081
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	274,567	3,098	-	25,091	(21,993)	271,469	249,476
	Stage 3	-	-	-	-	-	-	-
	Subtotal	274,567	3,098	-	25,091	(21,993)	271,469	249,476
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,270	531	35	580	(14)	739	690
	Subtotal	1,270	531	35	580	(14)	739	690
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	33,975	15,358	1,455	15,372	1,441	18,617	18,603
	Subtotal	33,975	15,358	1,455	15,372	1,441	18,617	18,603
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	94,162	65,649	13,449	51,732	27,366	28,513	42,430
	Subtotal	94,162	65,649	13,449	51,732	27,366	28,513	42,430
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
	Subtotal	606,480	-	-	1,604	(1,604)	606,480	604,876
Total	Stage 1	3,079,656	28,538	-	3,932	24,606	3,051,118	3,075,724
	Stage 2	520,565	5,256	-	31,668	(26,412)	515,309	488,897
	Stage 3	130,459	81,538	14,939	67,924	28,553	48,921	62,535
	Total	3,730,680	115,332	14,939	103,524	26,747	3,615,348	3,627,156
Total (US \$'000)		9,690,077	299,564	38,803	268,891	69,475	9,390,513	9,421,186

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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
		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)
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	-	-	-	-	-	-	-
Subtotal		290,664	1,742	-	19,169	(17,427)	288,922	271,495
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,057	3,323	82	3,154	251	734	903
Sub total		4,057	3,323	82	3,154	251	734	903
Total	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	4,057	3,323	82	3,154	251	734	903
	Total	294,721	5,065	82	22,323	(17,176)	289,656	272,398
Total (US \$'000)		765,509	13,155	213	57,983	(44,615)	752,354	707,526

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

7 LOANS, ADVANCES AND FINANCING, NET (continued)

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 between CBO provision required and provision held	Net amount as per CBO norms	Net amount as per IFRS 9
(1)	(2)	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	-	-	-	-	-	-	-
	Subtotal	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	-	-	-	-	-	-	-
	Subtotal	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
	Subtotal	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
	Subtotal	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
	Subtotal	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
	Subtotal	717,006	-	-	1,902	(1,902)	717,006	715,104
Total	Stage 1	2,864,658	24,842	-	6,616	18,226	2,839,816	2,858,042
	Stage 2	543,515	5,511	-	27,561	(22,050)	538,004	515,954
	Stage 3	110,344	75,595	16,092	75,076	16,611	34,749	35,268
	Total	3,518,517	105,948	16,092	109,253	12,787	3,412,569	3,409,264
Total (US \$'000)		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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

7 LOANS, ADVANCES AND FINANCING, NET (continued)

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)	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)
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	-	-	-	-	-	-	-
Subtotal		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
Sub total		5,380	4,495	202	4,530	(35)	885	850
Total	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	5,380	4,495	202	4,530	(35)	885	850
	Total	417,135	4,793	202	27,458	(22,665)	412,342	389,677
	Total (US \$'000)	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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Equity investments:		
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
		Debt investments:		
-	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	Total investment securities	344,236	303,305

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

8 INVESTMENT SECURITIES (continued)

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

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Equity investments:		
		A. Measured at FVTPL		
		Quoted investments - Oman		
4,886	4,904	Banking and investment sector	1,888	1,881
		Quoted investments - Foreign		
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
		Unquoted investments - Oman		
-	6,294	Banking and investment sector	2,423	-
41,244	46,182	Subtotal of equity investments measured at FVTPL	17,780	15,879
		B. Designated at FVOCI		
		Quoted investments - Oman		
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
		Quoted investments - Foreign		
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
		Unquoted investments - Oman		
-	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
		Unquoted investments - Foreign		
-	673	Banking and investment sector	259	-
54,122	146,804	Subtotal of equity investments measured at FVOCI	56,519	54,122
134,013	192,986	Total	74,299	51,595

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

8 INVESTMENT SECURITIES (continued)

2023	2024	Debt investments:	2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		A. Designated at FVTPL		
-	377,808	Government development bonds	145,456	-
-	2,594	Government bonds	999	-
-	157,693	Government sukuku	60,712	-
-	538,095	Subtotal of debt investments measured at FVTPL	207,167	-
		B. Designated at FVOCI		
		Quoted investments - Oman		
370,377	-	Government development bonds	-	142,595
72,608	77,153	Government bonds	29,703	27,954
132,610	2,190	Government sukuku	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
		Quoted investments - Foreign		
16,749	26,972	Banking and investment	10,385	6,448
16,749	26,972		10,385	6,448
653,792	163,039	Subtotal of debt investments measured at FVOCI	62,770	251,710
653,792	701,134	Total Debt investments	269,937	251,710
787,805	894,120		344,236	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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

9 PROPERTY, EQUIPMENT & INTANGIBLES

	Freehold land	Building	Leasehold improvements	Computer and other equipment	Intangibles	Vehicles	Furniture	ROU assets	Capital work in progress	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Cost:										
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)
At 31 December 2024	10,912	14,387	6,610	11,735	14,234	177	1,757	9,443	4,594	73,849
Accumulated depreciation and amortization:										
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)
At 31 December 2024	-	3,217	3,634	5,897	7,691	127	747	4,100	-	25,413
Net book value as at 31 December 2024										
(RO '000)	10,912	11,170	2,976	5,838	6,543	50	1,010	5,343	4,594	48,436
(US\$ '000)	28,341	29,013	7,729	15,163	16,995	131	2,625	13,878	11,933	125,808

	Freehold land	Building	Leasehold improvements	Computer and other equipment	Intangibles	Vehicles	Furniture	ROU assets	Capital work in progress	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	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 value as 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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	2024		2024	2023
US\$'000s	US\$'000s	Particulars	RO'000s	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
755	1,136	Total	437	291

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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	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
15,232	17,713		6,819	5,864

b) Tax liability

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

c) Deferred tax liability

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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)
33,352	32,576	At 31 December	12,542	12,840

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
		Add / (less) tax effects of:		
(960)	(3,877)	Income not taxable	(1,493)	(369)
145	120	Non deductible expense / (income)	46	56
(441)	2,581	Others	994	(170)
15,231	17,713	Tax expense	6,819	5,864

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)
50,847	83,358		32,093	19,576

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
482,600	893,327		343,931	185,801

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

14 CUSTOMERS' DEPOSITS

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

15 BORROWED FUNDS

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

16 OTHER LIABILITIES

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

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

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

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

20 TIER 1 SUBORDINATED BONDS (continued)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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

25 OTHER OPERATING INCOME

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

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	Wholesale banking, treasury and investment banking	Total	Retail banking	Wholesale banking, treasury and investment banking	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Disaggregated income						
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	Wholesale banking, treasury and investment banking	Total	Retail banking	Wholesale banking, treasury and investment banking	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Disaggregated income						
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

27 NET IMPAIRMENT ON FINANCIAL ASSETS

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Net impairment charge		
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

28 STAFF EXPENSES

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

29 OTHER OPERATING EXPENSES

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

30 BASIC AND DILUTED EARNINGS PER SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Directors and senior management		
6,577	5,499	Loans, advances and financing, gross	2,117	2,532
3,557	3,265	- secured	1,257	1,370
2,967	2,234	- unsecured	860	1,142
8,429	7,701	Customers' deposits	2,965	3,245
		Major shareholders, its parent company & its subsidiaries		
3,070	3,055	Due from banks	1,176	1,182
		Other assets		
2,675	997	- Fair value of swaps	384	1,030
3,570	2,184	Due to banks	841	1,375
410		- Customers' deposits	-	158
		Bank's investment fund		
400	688	Investments securities	265	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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Directors and senior management		
143	517	Interest income	199	55
210	309	Interest expense	119	81
779	779	Board remuneration proposed	300	300
149	105	Board sitting fees	41	57
80	80	Shariah Supervisory Board expenses	31	31
		Major shareholders, its parent company & its subsidiaries		
8		- Interest expense	-	3
1,005	1,678	Loss on fair value of interest rate swaps	646	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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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
Financial assets						
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
		-	-	-	-	-
Financial liabilities						
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 cost US\$ '000	FVOCI-debt instruments US\$ '000	FVOCI-equity instruments US\$ '000	FVTPL US\$ '000	Total US\$ '000
Financial assets						
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
		-	-	-	-	-
Financial liabilities						
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
		-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

32 FINANCIAL INSTRUMENTS CLASSIFICATION (Continued)

Particulars	Note	2023				
		Amortised cost	FVOCI-debt instruments	FVOCI-equity instruments	FVTPL	Total
		RO '000	RO '000	RO '000	RO '000	RO '000
Financial assets						
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
Financial liabilities						
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

		2023				
Particulars	Note	Amortised cost	FVOCI-debt instruments	FVOCI-equity instruments	FVTPL	Total
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets						
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
Financial liabilities						
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 payable and matured deposit	16	135,971	-	-	-	135,971
Forward foreign exchange contracts		-	-	-	372	372
Derivatives - negative mark-to-market		-	2,069	-	-	2,069

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Financial assets:								
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
Derivative financial instruments								
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>
Financial liabilities								
Derivative financial instruments								
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>
Financial assets:	US\$ '000	US\$ '000	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
Derivative financial instruments								
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>
Financial liabilities								
Derivative financial instruments								
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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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 counter parts 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.1 Management of credit risk (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

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			
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000
Loans, advances and financing				
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
Corporate Loans, advances and financing				
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
Retail Loans, advances and financing				
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.3 Exposure to credit risk (continued)

	2024			
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total 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
Credit related contingent items				
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
Due from banks (including balances with CBO)				
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
Investment securities				
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
Other assets				
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			
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000
Loans, advances and financing				
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
Corporate Loans, advances and financing				
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.3 Exposure to credit risk (continued)

	2023			
	Stage 1	Stage 2	Stage 3	Total
	RO '000	RO '000	RO '000	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
Retail Loans, advances and financing				
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
Credit related contingent items				
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
Due from banks (including balances with CBO)				
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
Investment securities				
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
Other assets				
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

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 2023 US\$ '000	Gross maximum exposure 2023 US\$ '000	Net maximum exposure 2024 US\$ '000	Gross maximum exposure 2024 US\$ '000		Gross maximum exposure 2024 RO '000	Net maximum exposure 2024 RO '000	Gross maximum exposure 2023 RO '000	Net maximum exposure 2023 RO '000
395,816	395,816	457,530	457,530	Balances with Central Bank of Oman	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
6,997,817	7,276,652	7,850,078	8,114,805	Loans, advances and financing	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
653,594	653,791	162,878	163,039	Investment securities	62,770	62,708	251,710	251,634
37,769	37,769	53,252	53,252	Other assets	20,502	20,502	14,541	14,541
				Derivative financial instruments	3,521	3,521	2,224	2,224
5,776	5,776	9,147	9,147					
8,319,962	8,599,194	8,827,251	9,092,176	Total on balance sheet exposure	3,500,487	3,398,490	3,310,690	3,203,186
148,086	148,086	138,440	138,440	Loan & capital commitments	53,299	53,299	57,013	57,013
422,327	422,327	493,042	493,042	Financial guarantees and letters of credit	189,821	189,821	162,596	162,596
				Total off balance sheet exposure	243,120	243,120	219,609	219,609
570,413	570,413	631,482	631,482					
8,890,375	9,169,607	9,458,733	9,723,658	Grand total	3,743,608	3,641,611	3,530,299	3,422,795

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

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 it the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made it the default occurs over the remaining expected lifetime of the loan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

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 utilized 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Movement in gross carrying amount

	2024				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Loans, advances and financing at Amortised cost					
Balance at 1 January	2,202,738	488,593	110,180	2,801,511	7,276,652
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	95,423	247,851
Financial assets originated during the period	336,457	3,144	-	339,601	882,081
Financial assets matured during the period	(71,325)	(14,885)	(2,192)	(88,402)	(229,615)
Write off	-	-	(23,933)	(23,933)	(62,164)
Balance at 31 December	2,528,941	465,852	129,407	3,124,200	8,114,805

	2024				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Corporate Loans, advances and financing at Amortised cost					
Balance at 1 January	1,461,516	482,592	87,764	2,031,872	5,277,589
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	95,792	248,809
Financial assets originated during the period	221,613	2,488	-	224,101	582,081
Financial assets matured during the period	(42,605)	(14,428)	(1,961)	(58,994)	(153,230)
Write off	-	-	(15,606)	(15,606)	(40,535)
Balance at 31 December	1,704,632	458,098	114,435	2,277,165	5,914,714

Retail Loans, advances and financing at Amortised cost

Balance at 1 January	741,221	6,001	22,417	769,639	1,999,063
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	(369)	(959)
Financial assets originated during the period	114,844	656	-	115,500	300,000
Financial assets matured during the period	(28,720)	(457)	(231)	(29,408)	(76,384)
Write off	-	-	(8,327)	(8,327)	(21,629)
Balance at 31 December	824,309	7,754	14,972	847,035	2,200,091

Debt investment securities at FVOCI

Balance at 1 January	251,710	-	-	251,710	653,792
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)	-	-	(188,940)	(490,753)
Loss from change in fair value	-	-	-	-	-
Balance at 31 December	62,770	-	-	62,770	163,039

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

	2024				Total US\$ '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	
Other financial assets at amortised cost					
Balance at 1 January	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
Balance at 31 December	298,734	6,342	-	305,076	792,404

Off balance sheet items at amortised cost

Balance at 1 January	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)
Balance at 31 December	189,211	48,371	1,052	238,634	619,829

Movement in gross carrying amount

	2023				Total US\$ '000
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	
Loans, advances and financing at Amortised cost					
Balance at 1 January	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)
Balance at 31 December	2,202,738	488,593	110,180	2,801,511	7,276,654

Corporate Loans, advances and financing at Amortised cost

Balance at 1 January	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)
Balance at 31 December	1,461,516	482,592	87,764	2,031,872	5,277,588

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

	2023				
	Stage 1	Stage 2	Stage 3	Total	Total
	RO '000	RO '000	RO '000	RO '000	US\$ '000
Retail Loans, advances and financing at Amortised cost					
Balance at 1 January	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)
Balance at 31 December	<u>741,221</u>	<u>6,001</u>	<u>22,417</u>	<u>769,639</u>	<u>1,999,063</u>
	Stage 1	Stage 2	Stage 3	Total	Total
	RO '000	RO '000	RO '000	RO '000	US\$ '000
Debt investment securities at FVOCI					
Balance at 1 January	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	-	-	-	-	-
Balance at 31 December	<u>251,710</u>	<u>-</u>	<u>-</u>	<u>251,710</u>	<u>653,791</u>
Other financial assets at amortised cost					
Balance at 1 January	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)
	<u>245,965</u>	<u>4,786</u>	<u>-</u>	<u>250,751</u>	<u>651,302</u>
Balance at 31 December					
Off balance sheet items at amortised cost					
Balance at 1 January	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)
Balance at 31 December	<u>164,245</u>	<u>50,136</u>	<u>164</u>	<u>214,545</u>	<u>557,260</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Movement in impairment allowance and provision	2024				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Loans, advances and financing at Amortised cost					
Balance at 1 January	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)
Balance at 31 December	3,665	30,571	67,684	101,920	264,727
Corporate Loans, advances and financing at Amortised cost					
Balance at 1 January	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)
Balance at 31 December	2,011	30,326	56,136	88,473	229,800
Retail Loans, advances and financing at Amortised cost					
Balance at 1 January	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)
Balance at 31 December	1,654	245	11,548	13,447	34,927

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

	2024			
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000
Debt investment securities at FVOCI				
Balance at 1 January	76	-	-	76
Transfer between stages				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Impairment charged to income statement for	(14)	-	-	(14)
- <i>Re-measurement of impairment allowances</i>	(14)	-	-	(14)
- <i>Financial assets originated during the period</i>	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-
Balance at 31 December	62	-	-	62
Other financial assets at amortised cost				
Balance at 1 January	109	12	-	121
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)
- <i>Re-measurement of impairment allowances</i>	(82)	28	-	(54)
- <i>Financial assets originated during the period</i>	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-
Balance at 31 December	24	43	-	67
Off balance sheet items at amortised cost				
Balance at 1 January	309	1,357	39	1,705
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)
- <i>Re-measurement of impairment allowances</i>	(151)	(181)	97	(235)
- <i>Financial assets originated during the period</i>	53	-	-	53
- <i>Financial assets matured during the period</i>	(48)	-	-	(48)
Balance as at 31 December	181	1,054	240	1,475

Movement in impairment allowance and provision

	2023			
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000
Loans, advances and financing at Amortised cost				
Balance at 1 January	7,837	22,027	58,766	88,630
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
- <i>Re-measurement of impairment allowances</i>	(4,317)	6,444	17,680	19,807
- <i>Financial assets originated during the period</i>	557	-	-	557
- <i>Financial assets matured during the period</i>	(306)	(724)	-	(1,030)
Recoveries from impairment for credit losses	-	-	(4,953)	(4,953)
Interest reserve charged to interest income	-	-	5,061	5,061
Recoveries of reserved interest in interest income	-	-	(703)	(703)
Write off of impairment allowances	-	-	(18)	(18)
Balance at 31 December	6,122	26,192	75,037	107,351

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Movement in impairment allowance and provision

Corporate Loans, advances and financing at Amortised cost

Balance at 1 January

Transfer between stages

- Transfer to Stage 1

- Transfer to Stage 2

- Transfer to Stage 3

Impairment charged to income statement for

- *Re-measurement of impairment allowances*

- *Financial assets originated during the period*

- *Financial assets matured during the period*

Recoveries from impairment for credit losses

Interest reserve charged to interest income

Recoveries of reserved interest in interest income

Write off of impairment allowances

Balance at 31 December

Retail Loans, advances and financing at Amortised cost

Balance at 1 January

Transfer between stages

- Transfer to Stage 1

- Transfer to Stage 2

- Transfer to Stage 3

Impairment charged to income statement for

- *Re-measurement of impairment allowances*

- *Financial assets originated during the period*

- *Financial assets matured during the period*

Recoveries from impairment for credit losses

Interest reserve charged to interest income

Recoveries of reserved interest in interest income

Write off of impairment allowances

Balance at 31 December

Movement in impairment allowance and provision (continued)

Debt investment securities at FVOCI

Balance at 1 January

Transfer between stages

- Transfer to Stage 1

- Transfer to Stage 2

- Transfer to Stage 3

Movement in impairment allowance and provision (continued)

Impairment charged to income statement for

- *Re-measurement of impairment allowances*

- *Financial assets originated during the period*

- *Financial assets matured during the period*

Balance at 31 December

	2023				
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Corporate Loans, advances and financing at Amortised cost					
Balance at 1 January	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)
Balance at 31 December	4,403	24,509	58,159	87,071	226,158
Retail Loans, advances and financing at Amortised cost					
Balance at 1 January	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)
Balance at 31 December	1,721	1,682	16,877	20,280	52,675
Movement in impairment allowance and provision (continued)					
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Debt investment securities at FVOCI					
Balance at 1 January	66	-	-	66	171
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Movement in impairment allowance and provision (continued)					
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>	-	-	-	-	-
Balance at 31 December	76	-	-	76	197

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Other financial assets at amortised cost

Balance at 1 January

Transfer between stages

- Transfer to Stage 1

- Transfer to Stage 2

- Transfer to Stage 3

Impairment charged to income statement for

- *Re-measurement of impairment allowances*

- *Financial assets originated during the period*

- *Financial assets matured during the period*

Balance at 31 December

Off balance sheet items at amortised cost

Balance at 1 January

Transfer between stages

- Transfer to Stage 1

- Transfer to Stage 2

- Transfer to Stage 3

Impairment charged to income statement for

- *Re-measurement of impairment allowances*

- *Financial assets originated during the period*

- *Financial assets matured during the period*

Balance as at 31 December

2023				
Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
57	32	-	89	231
17	(17)	-	-	-
-	-	-	-	-
-	-	-	-	-
35	(3)	-	32	83
35	(3)	-	32	83
-	-	-	-	-
-	-	-	-	-
109	12	-	121	314
416	2,013	35	2,464	6,399
139	(139)	-	-	-
(91)	91	-	-	-
-	-	-	-	-
(155)	(608)	4	(759)	(1,973)
(383)	(604)	4	(983)	(2,552)
243	-	-	243	629
(15)	(4)	-	(19)	(49)
309	1,357	39	1,705	4,428

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.
- Deferment/ 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

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.

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 circumstances.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

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 ie., 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.8 Concentration risk (continued)

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
Concentration by type						
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	-
	3,124,200	113,345	344,236	2,801,511	88,315	303,305
Concentration by location						
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
	3,124,200	113,345	344,236	2,801,511	88,315	303,305
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Concentration by type						
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	-
	8,114,805	294,402	894,120	7,276,652	229,390	787,805
Concentration by location						
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
	8,114,805	294,402	894,120	7,276,652	229,389	787,805

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

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
	Lending ratio	Lending ratio
Year end	84.58%	82.37%
Maximum for the year	89.77%	90.77%
Minimum for the year	78.35%	81.49%
Average for the year	84.10%	86.01%

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

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
31 DECEMBER 2024	RO '000	RO '000	RO '000	RO '000	RO '000
Assets					
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
Total assets	1,177,752	316,923	667,958	1,592,295	3,754,928
Liabilities and equity					
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
Total liabilities and equity	1,006,206	1,037,178	547,592	1,163,952	3,754,928
Net liquidity gap	171,546	(720,255)	120,366	428,343	-
Off balance sheet items					
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
Total off balance sheet assets	284,423	131,657	103,254	5,650	524,984
Future Interest Cash Flows					
- Inflows	23,611	24,692	52,777	43,632	144,712
- Outflows	9,763	31,728	46,963	13,624	102,078
Net Cash Flows	13,848	(7,035)	5,814	30,008	42,634
Assets	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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
Total assets	3,059,098	823,177	1,734,955	4,135,830	9,753,060
Liabilities and equity					
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
Total liabilities and equity	2,613,522	2,693,970	1,422,316	3,023,252	9,753,060
Net liquidity gap	445,576	(1,870,793)	312,639	1,112,578	-
Off balance sheet items					
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
Total off balance sheet assets	738,760	341,966	268,192	14,676	1,363,594
Future Interest Cash Flows					
- Inflows	61,328	64,136	137,084	113,329	375,877
- Outflows	25,359	82,410	121,982	35,387	265,138
Net Cash Flows	35,969	(18,274)	15,102	77,942	110,739

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

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
	RO '000	RO '000	RO '000	RO '000	RO '000
<i>31 December 2023</i>					
Assets					
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
Total assets	1,038,552	226,676	410,161	1,642,956	3,318,345
Liabilities and equity					
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
Total liabilities and equity	617,102	981,420	632,357	1,087,466	3,318,345
Net liquidity gap	421,450	(754,744)	(222,196)	555,490	-
Off balance sheet items					
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
Total off balance sheet assets	392,414	164,918	209,665	1,449	768,446
Future Interest Cash Flows					
- Inflows	10,633	5,782	67,673	81,896	165,983
- Outflows	4,107	26,380	40,691	11,554	82,732
Net Cash Flows	6,526	(20,599)	26,983	70,342	83,251
Assets	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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
Total assets	2,697,540	588,767	1,065,353	4,267,419	8,619,079
Liabilities and equity					
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
Total liabilities and equity	1,602,864	2,549,144	1,642,486	2,824,585	8,619,079
Net liquidity gap	1,094,676	(1,960,377)	(577,133)	1,442,834	-
Off balance sheet items					
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
Total off balance sheet assets	1,019,256	428,360	544,584	3,764	1,995,964
Future Interest Cash Flows					
- Inflows	27,619	15,017	175,775	212,717	431,128
- Outflows	10,667	68,520	105,691	30,009	214,888
Net Cash Flows	16,952	(53,502)	70,083	182,708	216,240

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

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.

31 DECEMBER 2024	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
Due to banks	343,931	-	-	-	343,931
Customers' deposits	625,412	1,026,326	547,592	563,437	2,762,767
Total liabilities	969,343	1,026,326	547,592	563,437	3,106,698
Credit related commitments	18,874	29,939	-	-	48,813
	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
Total liabilities	2,517,774	2,665,783	1,422,316	1,463,472	8,069,345
Credit related commitments	49,023	77,764	-	-	126,787
31 December 2023	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
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
Total liabilities	572,430	969,892	632,357	525,288	2,699,967
Credit related commitments	23,350	28,600	-	-	51,950
	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
Total liabilities	1,486,831	2,519,201	1,642,486	1,364,383	7,012,901
Credit related commitments	60,648	74,286	-	-	134,934

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

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.

	Effective annual interest rate	Upto three months RO '000	Above three months to twelve months RO '000	Above one year to five years RO '000	More than five years RO '000	Non - Sensitive to interest rate RO '000	Total RO '000
31 DECEMBER 2024							
Assets							
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
Total assets		1,624,060	528,933	628,643	713,401	259,891	3,754,928
Liabilities and equity							
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
Total liabilities and equity		822,232	994,050	1,108,581	10,082	819,983	3,754,928
Total interest rate sensitivity gap		801,828	(465,117)	(479,938)	703,319	(560,092)	-
Cumulative interest rate sensitivity gap		801,828	336,711	(143,227)	560,092	-	-
31 DECEMBER 2024							
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets							
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
Total assets		4,218,338	1,373,851	1,632,839	1,852,989	675,043	9,753,060
Liabilities and equity							
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
Total liabilities and equity		2,135,668	2,581,948	2,879,432	26,186	2,129,826	9,753,060
Total interest rate sensitivity gap		2,082,670	(1,208,097)	(1,246,593)	1,826,803	(1,454,783)	-
Cumulative interest rate sensitivity gap		2,082,670	874,573	(372,020)	1,454,783	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

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
31 December 2023		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Assets							
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
Total assets		735,891	144,657	808,232	1,360,970	268,595	3,318,345
Liabilities and equity							
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
Total liabilities and equity		420,050	920,323	1,150,053	10,342	817,577	3,318,345
Total interest rate sensitivity gap		315,841	(775,666)	(341,821)	1,350,628	(548,982)	-
Cumulative interest rate sensitivity gap		315,841	(459,825)	(801,646)	548,982	-	-
31 December 2023		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets							
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
Total assets		1,911,404	375,733	2,099,305	3,534,988	697,649	8,619,079
Liabilities and equity							
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
Total liabilities and equity		1,091,038	2,390,451	2,987,149	26,862	2,123,579	8,619,079
Total interest rate sensitivity gap		820,366	(2,014,718)	(887,844)	3,508,126	(1,425,930)	-
Cumulative interest rate sensitivity gap		820,366	(1,194,352)	(2,082,196)	1,425,930	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	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.

Nominal cash flows by term to maturity						
	Assets	Liabilities	Notional	Within	3 to 12	Over
	RO '000	RO '000	cash flows	3 months	months	1 year
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
At 31 December 2024						
Derivatives for hedging:						
Interest rate swaps						
- Fair value hedge	1,947	117	50,204	25,025	-	25,179
Derivatives:						
Forward purchase contracts	1,459	17	118,073	97,796	20,277	-
Forward sales contracts	116	46	118,073	97,796	20,277	-
	3,522	180	286,350	220,617	40,554	25,179
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Derivatives for hedging:						
Interest rate swaps						
- Fair value hedge	5,058	304	130,400	65,000	-	65,400
Derivatives:						
Forward purchase contracts	3,790	44	306,684	254,016	52,668	-
Forward sales contracts	301	120	306,684	254,016	52,668	-
	9,149	468	743,768	573,032	105,336	65,400
At 31 December 2023	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Derivatives for hedging:						
Interest rate swaps						
- Fair value hedge	1,762	607	69,878	-	-	69,878
- Cash flow hedge	250	190	38,500	-	-	38,500
Derivatives:						
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
	2,224	940	553,900	318,964	89,050	145,886
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 31 December 2023						
Derivatives for hedging:						
Interest rate swaps						
-Fair value hedge	4,578	1,576	181,501	-	-	181,501
-Cash flow hedge	650	493	100,000	-	-	100,000
Derivatives:						
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
	5,778	2,441	1,438,701	828,478	231,298	378,925

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

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	2024	Security as per country	2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
3,818	6,311	MSM - Oman +5% impact	2,430	1,470
(3,818)	(6,311)	MSM - Oman -5% impact	(2,430)	(1,470)
2,883	3,027	Other countries +5% impact	1,165	1,110
(2,883)	(3,027)	Other countries -5% impact	(1,165)	(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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
81,719	360,278	US Dollar	138,707	31,462
764	2,703	Euro	1,041	294
14,855	3,488	UAE Dirham	1,343	5,719
144	207	GBP Sterling	80	56
9,146	7,108	Others	2,736	3,521
106,628	373,784		143,907	41,052

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.4 OPERATIONAL RISK (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 FINANCIAL RISK MANAGEMENT (continued)

35.5 CAPITAL MANAGEMENT (continued)

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	Total regulatory capital	521,208	504,462
		Risk weighted assets		
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	Total risk weighted assets	3,388,955	2,905,946
		Capital adequacy ratio		
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%	Total regulatory capital expressed as a percentage of total risk-weighted assets	15.38%	17.36%

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

36 SEGMENT INFORMATION (continued)

Segment information is as follows:

	2024			2023		
	Retail banking	Wholesale banking, Treasury & Investment	Total	Retail banking	Wholesale banking, Treasury & Investment	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	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
Net interest income and income from islamic financing and investments	33,430	40,472	73,902	29,592	46,704	76,296
Fee and commission income, net & Other operating income	3,576	30,827	34,403	3,879	18,365	22,244
Net operating income	37,006	71,299	108,305	33,471	65,069	98,540
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)
Profit before taxation	9,153	39,328	48,481	7,000	35,316	42,316
Tax expense	(1,291)	(5,528)	(6,819)	(999)	(4,865)	(5,864)
Segment profit for the year	7,862	33,800	41,662	6,001	30,451	36,452
Segment assets	844,515	2,910,413	3,754,928	758,513	2,559,833	3,318,345
Segment liabilities	1,266,182	1,930,727	3,196,909	1,053,354	1,743,597	2,796,951
	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
Net interest income and income from islamic financing and investments	86,832	105,120	191,952	76,864	121,308	198,172
Fee and commission income, net & Other operating income	9,288	80,069	89,357	10,074	47,699	57,773
Net operating income	96,120	185,189	281,309	86,938	169,007	255,945
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)
Profit before taxation	23,776	102,147	125,923	18,182	91,726	109,908
Tax expense	(3,353)	(14,360)	(17,713)	(2,595)	(12,637)	(15,232)
Segment profit for the year	20,423	87,787	108,210	15,587	79,089	94,676
Segment assets	2,193,546	7,559,514	9,753,060	1,970,163	6,648,916	8,619,079
Segment liabilities	3,288,784	5,014,876	8,303,660	2,735,983	4,528,826	7,264,809

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.

A modern lounge interior with large windows overlooking a city and a mountain. The room features two leather armchairs, a low wooden coffee table, and a floor lamp. The view outside shows a cityscape with buildings and a prominent mountain in the background. The entire image is overlaid with a blue tint and white geometric lines.

BASEL II PILLAR III AND BASEL III

DISCLOSURES

31 DECEMBER 2024



Report of factual findings to the Board of Directors of Ahli Bank SAOG (the ‘Bank’ or the “Engaging Party”) in respect of Basel II - Pillar III Disclosures and Basel III related disclosures

Purpose of the Agreed Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting **Ahli Bank SAOG** (the Bank) in reporting factual findings to the Board of Directors of the Bank in respect of the disclosure requirements set out by the Central Bank of Oman via Circular No. BM 1009 dated 13 September 2006 and BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and Basel II - Pillar III Disclosures and Basel III related disclosures and may not be suitable for another purpose.

The report is intended solely for the **Ahli Bank SAOG** (the “Engaging Party”) and Board of Directors of the Bank and should not be used by, or distributed to, any other parties except to CBO. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement. This report relates only to the matters specified below and does not extend to any financial statements of the Bank taken as a whole.

Responsibility of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement. The Bank is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner’s Responsibilities

We have conducted the agreed upon procedures engagement in accordance with the International Standard on Related Services 4400 (Revised), Agreed Upon Procedures Engagements. An agreed upon procedures engagement involves performing the procedures that have been agreed with the Engaging Party, and reporting the findings, which are the factual results of the agreed upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“*IESBA Code*”) and the independence requirements in accordance with local laws.

Our firm applies International Standard on Quality Management (“ISQM”) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Procedures and Findings

We have performed the procedures enumerated in Appendix I which are included in BM 1027 dated 4 December 2007 issued by Central Bank of Oman ("CBO") and which were agreed upon with the Engaging Party in terms of the engagement dated 16 April 2024.

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
4 March 2025



Appendix I

S. no.	Procedures	Findings
1	Checked that the Disclosure includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2024 (the "Summary"). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Report.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2024. Checked that the following items are separately disclosed in the calculation: - paid-up share capital/common stock - reserves - minority interests in the equity of subsidiaries (if any) - innovative instruments - other capital instruments - regulatory calculation differences deducted from Tier 1 capital - other items Further, checked that the following items have been deducted from the Tier 1 capital: - goodwill; - deferred taxation; - investments	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached	No exceptions noted.
4	Agreed to the bank's audited financial statements as of and for the year ended 31 December 2024 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: - on balance sheet items; - off-balance sheet items; - derivative financial instruments.	No exceptions noted.
5	Checked that the risk weights assigned by management to Claims on Banks, Sovereigns, domestic Public Sector Entities; and Claims on Securities firms etc. are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Bank.	No exceptions noted.
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.



Appendix I (continued)

S. no.	Procedures	Findings
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and bank records.	No exceptions noted.
9	Checked whether any content of the Disclosures are - internally inconsistent with other parts of the Disclosures - in respect of narrative items, inconsistent with numerical data in the Disclosures - inconsistent with the audited financial statements of the bank	No exceptions noted.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

1. INTRODUCTION

This report represents the Basel II Pillar III and Basel III qualitative and quantitative disclosures, highlighting the capital adequacy, risk profile and control process of ahlbank SAOG ("the Bank") as per the requirements of CBO. The disclosures are intended to complement the Pillar I, minimum capital requirements and Pillar II, supervisory review process of the framework. They should be read in conjunction with the financial statements as of 31st December 2024.

The Bank has a formal "Disclosure Policy" for disclosure of information that it makes available to the general public as well as to the regulatory bodies. This policy is framed to enhance transparency about its activities and promote good governance. The Bank makes information publicly available in accordance with its policy on disclosure of information and applicable regulations.

2. SCOPE

The Bank prepares this report in accordance with the Basel Accord in conjunction with and as per the directive of the Central Bank of Oman (CBO).

The Scope of application covers the Bank only and is not part of any group either as a member or as top corporate entity in the group. The figures presented in this report are included with the Islamic window of the Bank and results of the Islamic window are prepared separately.

3. CAPITAL STRUCTURE

The capital base for complying with regulatory purposes differs from accounting capital. The Bank's regulatory capital is classified into two categories- Tier I and Tier II capital.

Tier 1 capital is composed of core capital and is further classified into Common Equity Tier 1 capital ('CET1') and Additional Tier 1 capital ('AT1'). CET1 includes paid up capital, legal reserves and retained earnings reduced by cumulative unrealized losses on FVOCI investments and any other applicable deduction specified in the Basel III Capital Accord. AT1 capital consists of subordinated capital instruments.

Tier II capital consists of revaluation reserves/ cumulative fair value gain or losses on Fair value through other comprehensive income (FVOCI) instruments, Stage 1 and Stage 2 expected credit loss allowance as allowed by CBO.

There is no innovative or complex capital instrument in the capital structure of the Bank.

CAPITAL MANAGEMENT

The primary objective of the Bank's Capital management framework is to ensure stability by maintaining adequate amount of high-quality capital to commensurate its risk profile. Healthy levels of capital, support the Bank in attaining strong credit rating and maximizing shareholders value. The framework ensures compliance with regulatory capital requirements set by CBO.

The Bank has following credit ratings at present:

Capital Intelligence

Foreign currency Long Term Rating: **BB+**

Foreign currency Short term; **B**

Outlook: **Positive**

Fitch Rating

Long term foreign currency and local currency IDRs; **BB**

Short term foreign currency and local currency IDRs; **B**

Viability rating; **bb-**

Outlook: **Positive**

The process of assessing the capital requirements of the Bank commences with the compilation of the annual business plan by individual business units, which are then consolidated into the annual budget plan of the Bank. The annual budget plan provides an estimate of the overall growth in assets, its impact on capital and targeted profitability.

Strategic business objectives and future capital needs are assessed within this framework. Normally, the Bank employs capital rationing techniques to allocate capital for each of the Bank's business risk departments in order to optimize returns.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

3. CAPITAL STRUCTURE (continued)

Sources of future capital are identified and plans put in place to raise and retain capital, under the terms of the framework. The Bank also manages its capital structure and adjusts 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 or issue capital to shareholders or issue capital securities.

The Bank's Finance department monitors and reports the planned versus actual position, to ensure that the Bank is always adequately capitalized. Risk weighted assets and capital are monitored by the Risk Management department also periodically to assess the quantum of capital available to support assets growth and optimally deploy capital to achieve targeted returns.

The Bank's capital structure as at 31 December 2024, based on the CBO guidelines is as follows:

Sl.No	Elements of Capital	Amount (RO'000)
Tier I Capital		
1	Share capital*	244,966
2	Legal reserves	48,024
3	Retained earnings*	52,210
	Common Equity Tier I before deductions	345,200
Deductions:		
4	Cumulative unrealized losses and intangibles recognized directly in equity	(11,110)
	Common Equity Tier 1	334,090
Additional Tier I Capital		
	Tier 1 perpetual subordinated bonds	179,366
	Tier I capital after all deductions	513,456
Tier II Capital		
5	Revaluation reserves / cumulative fair value gains on FVOCI Instruments	640
6	Stage 1 & Stage 2 expected credit losses	7,112
	Total Tier II Capital	7,752
	Total Regulatory Capital	521,208

*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) which is subject to approval of the shareholders at the ensuing Annual General Meeting and the regulatory authorities

CAPITAL ADEQUACY

Qualitative disclosures

The Bank's capital management framework sets out to define, measure, raise and deploy capital in a coordinated and consistent manner. Its objective is to maximize its return on capital and, at the same time, provide an adequate cushion to cover any unexpected losses. The Bank manages its capital in an integrated manner with the aim of maintaining strong capital ratios and high ratings. This calls for a balanced approach: maintaining capital levels that are sufficient to provide a high return to shareholders; meeting the requirements of regulators, rating agencies and other stakeholders (including deposit holders and senior creditors), and supporting future business growth. The cost of capital and its composition in terms of its quality and stability is also considered.

The capital management process of Islamic window is aligned with the strategic planning process of the Bank. Capital planning is carried out in conjunction with the strategic business and financial planning exercise. Bank maintains a five-year rolling strategic plan which is updated and reviewed by the Board of Directors on an annual basis. Capital requirements are assessed based on projected business plans and budget. The Bank uses a prudential building-block approach as the measurement technique to assess capital adequacy for current and future activities, which is compared with the consolidated eligible capital.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

3. CAPITAL STRUCTURE (continued)

The Bank's total capital adequacy ratio is 15.38% as against the CBO prescribed minimum requirement of 13.5% (including capital conservation buffer of 2.50%) as at 31 December 2024. The Bank follows a capital adequacy framework to link the Bank's annual budget projections and the capital required to achieve business objectives. It is determined by the Bank's strategic planning objectives and capital planning framework. Capital requirements are assessed for credit, operational and market, risks. In order to calculate the capital adequacy ratio, the Bank follows the standardized approach forming part of the Pillar 1 requirements of Basel II Norms and adopts rating from CBO's recognized four External Credit Assessment Institutions (ECAI), namely Moody's, S&P Global, Fitch Ratings and Capital Intelligence, for calculating the risk on its sovereign and bank exposures. In order to equip the requirements of the advanced approaches, the Bank has already implemented obligor rating models and the ratings are being tracked regularly.

In order to meet with Pillar 2 requirements of Basel II Norms, the Bank has in place Internal Capital Adequacy Assessment Process (ICAAP) for assessing the Bank's capital adequacy in relation to various risks such as interest rate risk, liquidity risk, concentration risk etc., as well as a strategy for maintaining the capital adequacy level. Based on the guidelines issued by Central Bank of Oman, assessment under ICAAP has been completed for the years from 2024-2027 and it has been determined that the Bank is adequately capitalized to undertake its planned business activities.

ICAAP process is divided into a base case and stressed scenarios. The Bank has assumed three different kinds of stress scenarios, namely Mild, Medium and Severe. These stress scenarios differ in terms of stress event impact level (Mild being the lowest and Severe being the highest).

The following stress scenarios are applied:

- Rise in impairment provision as a % of loans and advances
- Portion of SME sector performing loans become NPLs
- Decline in prices of the Bank's portfolio of FVOCI investments
- Appreciation / depreciation of local currency against all other currencies
- Withdrawal of customer deposits
- Decline in liquid assets
- Shift in yield curve
- Increase in cost of funding due to reputational risk
- Branch generated less than expected profitability
- Consolidated impact of different scenarios

Quantitative disclosures

i) Position of various risk weighted assets is presented as under (RO '000):

As on 31 December 2024

Sl. No	Details	Gross balances (book value)	Net balances (book value)	Risk weighted assets
1	On-balance sheet items	3,565,314	3,382,829	2,917,294
2	Off-balance sheet items	110,238	110,238	105,416
3	Derivatives	3,772	3,772	1,698
4	Market risk	-	-	189,824
5	Operational Risk	-	-	174,724
	Total			3,388,956
6	Tier 1 capital			513,456
7	Tier 2 capital			7,752
8	Total Regulatory Capital			521,208
8.1	Capital requirement for credit risk			408,295
8.2	Capital requirement for market risk			25,626
8.3	Capital requirement for operational risk			23,588
	Total required capital			457,509
9	CET 1 ratio			9.86%
10	Tier 1 ratio			15.15%
11	Total capital ratio			15.38%

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

3. CAPITAL STRUCTURE (continued)

ii) Capital adequacy

As on 31 December 2024

Sl. No	Details	Simple Approach
		Amount in RO 000's
1	Tier I capital (after supervisory deductions)	513,456
2	Tier II capital (after supervisory deductions and up to eligible limits)	7,752
3	Risk weighted assets – banking book	3,024,407
4	Risk weighted assets – operational risk	174,724
5	Total Risk Weighted Assets – Banking Book + Operational Risk	3,199,131
6	Minimum required capital to support RWAs of banking book and operational risk	431,883
	i) Minimum required Tier I capital for banking book and operational risk	367,900
	ii) Tier II capital required for banking book and operational risk	63,983
7	Tier I capital available for supporting trading book	89,326
8	Tier II capital available for supporting trading book	-
9	Risk Weighted Assets – trading book	189,824
10	Total capital required to support trading book	25,626
11	Minimum Tier I capital required for supporting trading book	7,303
12	Total Regulatory Capital	521,208
13	Total Risk Weighted Assets – Whole bank	3,388,956
14	BIS Capital Adequacy Ratio	15.38%

In order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the banks, CBO has 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 compared to December 31, 2019 will be added back to regulatory capital while these provisions will be gradually phased-out during a five-year period ending 31 December 2024.

Besides, the bank has also applied in its capital adequacy calculations the “Prudential filter” under interim adjustment arrangement for Stage-1 and Stage-2 ECL, as mentioned above. The impact of above filter on the bank’s regulatory capital is 10 bps. As at the reporting date the capital position of the Bank remains strong and is well placed to absorb the impact of any economic environment.

4. Risk Exposure and Assessment

Risk Management Principles

Risk is an inherent part of the Bank’s business activities. The primary goal of risk management is to ensure that the Bank’s asset and liability profile, its trading positions, and its credit and operational activities do not expose it to losses that could threaten its survival. Risk Management assists in ensuring that risk exposures do not become excessive, relative to the Bank’s capital and financial positions. The Bank has already in place a risk appetite statement set by the Board.

The Bank manages the risks effectively and efficiently by making risk management an integral part of commercial banking business. This emphasizes a clear understanding of business requirements in terms of products, clients, delivery capabilities, competition, regulatory environment, shareholder values and the global economic environment leading the Bank to identifying the various associated risks.

Having identified the risks, the Risk Management Department formulate policies and procedures taking into account regulatory requirements and best international practices, so as to monitor and control the risks within pre-determined acceptable limits.

Primary responsibility for the management of risk lies with the business and operational areas responsible for the generation of risk exposure. Risk management provides an in-depth check against risk decisions and an ongoing platform to evaluate, monitor and sanction risk at the individual transaction and overall portfolio level.

Risk Management Structure

The Bank’s risk management department reports directly to the Executive Risk Committee (a Board Committee).

BASEL II PILLAR III AND BASEL III Disclosures

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4. Risk Exposure and Assessment (continued)

The Bank's Risk Management includes the following four elements:



Risk framework

The Bank has set up policies and measures to assess capital adequacy in terms of CBO regulations, which have been approved by the Board of Directors. Under these, the Bank assesses its capital against its risk profile, to ensure its capital is sufficient to support all material risks to which it is exposed.

The Board of Directors ensures that the senior management establishes a framework that identifies, measures, monitors and reports all relevant significant risks. The risk management department has identified material risks that the Bank is exposed to, and has defined the framework necessary to measure, monitor, and report these risks on a timely basis.

The following Board and Management committees manage and control material risks to the Bank:

Board Committees:

- Audit and Compliance Committee
- Executive and Credit Committee
- Executive Risk Committee
- Nomination and Remuneration Committee
- Digital Transformation Committee

Management Committees:

- Executive Management Committee
- Credit and Investment Committee
- Credit Risk Management Committee
- Special Assets Committee
- Assets and Liabilities Committee
- Operational Risk Committee
- Products and Consumer Protection Committee
- Technology and Digital Transformation Committee
- Technology Delivery Committee

The Bank's risk management is based on a 'Three Lines of Defense' model and is also supported by the fourth line of defense, to shield the Bank against risks that might threaten the achievement of its goals. This structure allows for a coordination of control responsibilities in an effective and efficient manner. To reach this objective, roles and responsibilities are clearly communicated to all the functions so that everyone understand his/ her role and how it relates to the activities of other functions. Roles and responsibilities are communicated to the employees through policies and procedures and also through job descriptions. The following line of defenses are explained below:

First line of Defense

The business operations side which is the first line of defense is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, self-assessment of the business side is of a sufficiently high standard, there is adequate awareness of risk and sufficient priority/capacity is allocated to risk themes. The departments included in this line of defense are:

- Corporate Banking
- SME & Retail Banking
- Islamic Banking
- Treasury
- Information Technology
- Operations

BASEL II PILLAR III AND BASEL III Disclosures

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4. Risk Exposure and Assessment (continued)

Second Line of Defense

The Risk, Compliance, Finance and Legal Departments falls under the second line of defense. Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting the Bank. In this way, they provide an adequate degree of certainty that the first-line control function is keeping these risks under control, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. The risk function has a veto right to ensure that it is respected.

The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the Bank, and supervise how they are applied. Compliance is an independent function that aims to prevent the Bank from being exposed to compliance risk or suffering harm through non-compliance with the prevailing laws, regulations or internal rules.

Third Line of Defense

As the independent third-line of control, Internal Audit Department is responsible for the quality control of the existing business processes. It performs risk-based and general audits to ensure that the internal control and risk management system, including Risk Policy, are effective and efficient, and to ensure that policy measures and processes are in place and consistently applied within the Bank to guarantee the continuity of operations.

Fourth Line of Defense

Finally, there are additional external levels of controls that compliment three existing internal layers of control such as assurances from external independent bodies. External auditors are the common bodies under this line of defense. External auditors may not have the existing familiarity of the Bank that an internal audit department has, however, they can bring a new and valuable perspective. Accordingly they are important in the Bank's overall governance and control structure even though they are outsiders of the Bank.

Policies and Procedures:

The Board of Directors approve the Bank's risk appetite, risk management strategies, policies and the framework for their effective implementation and control, including delegated authorities to the Executive Committee and Management to approve all risk exposures. In this context, the Board of Directors has approved the following policies:

- | | |
|---|---|
| 1 Anti-Money Laundering and Sanctions Policy | 24 Fraud Risk Management Policy |
| 2 Asset Management Policy | 25 Human Resources Policy |
| 3 Board Remuneration Policy | 26 Information Security Policy |
| 4 Brokerage Policy | 27 Liquidity and Funding Policy |
| 5 Business Continuity Management | 28 Market Risk Policy |
| 6 Capital Management Policy | 29 Operational Risk Management Framework |
| 7 Charity Policy | 30 Operational Risk Management Policy |
| 8 Classification and Measurement Financial Assets and Liabilities | 31 Outsourcing Management Policy |
| 9 Cloud Policy | 32 Personal Account Dealing Policy |
| 10 Code of Business Conduct | 33 Product and Consumer Protection Policy |
| 11 Compliance Policy | 34 Profit Distribution Policy |
| 12 Corporate Communication, Marketing and Branding Policy | 35 Risk Management - Approach and Framework |
| 13 Corporate Governance Policy | 36 Security and Safety Policy and Procedures |
| 14 Corporate Social Responsibility Policy | 37 Segregation of Funds Policy |
| 15 Cost Sharing Policy | 38 Shari'a Governance Manual |
| 16 Credit and Investment Policy | 39 Social and Environment Management System Policy and Procedures |
| 17 Customer Complaints Redressal Policy | 40 Social Media Policy |
| 18 Disclosure Policy | 41 Treasury & Investment Policy |
| 19 Dividend Policy | 42 Voice Recording Policy |
| 20 Electronic Banking Policy | 43 Wealth Management Policy |
| 21 Expense Policy | 44 Whistle Blowing Policy |
| 22 Financial Institutions Policy | 45 Zakah Policy |
| 23 Fraud Risk Management Framework | |

BASEL II PILLAR III AND BASEL III Disclosures

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4. Risk Exposure and Assessment (continued)

All policies are subject to periodical reviews. Any change in law or regulation is deemed to be automatically adopted and implemented immediately upon its issuance (i.e. prior to the final amendment of the underlying policy or procedure).

The bank has exposure to the following risks:

5. Credit Risk

Qualitative Disclosure

Credit risk arises from the potential financial loss resulting from customers / counterparties failing to honor the terms of their contracts. It also includes the risk of loss in portfolio value as a result of migration from lower risk to higher risk categories. The Bank evaluates both settlement and pre-settlement credit risk at the customer level, across all products of the Bank.

Credit risk is the most significant risk incurred by the Bank, and proactive management is critical to the Bank's long-term success.

The Bank has a comprehensive due diligence system for approving credit facilities, and well defined policies on controlling credit risk at the counter-party, group, economic sector, and country levels.

All corporate, bank and sovereign credit requires independent credit risk review to be approved by authorities, from Level II to the Board, depending on their delegated credit approval authority (CAA). All credit approvals are strictly in accordance with the regulatory guidelines issued from time to time by the CBO. Exceptions in retail credit exposure are escalated to Risk Management Department for necessary approvals.

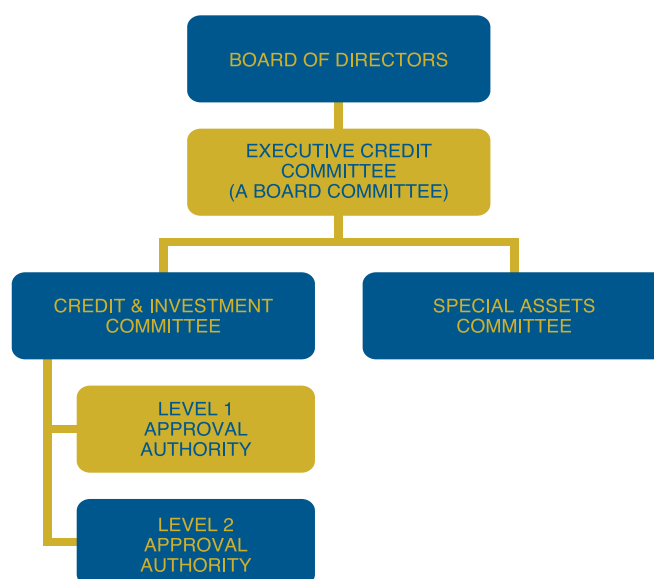
Risk Management quantifies the Bank's credit risk appetite in line with the Bank's strategic direction. A well-established process exists to ensuring the allocation of capital for the total credit risk to be assumed by the Bank; and measuring the actual use of capital at portfolio level.

With regard to credit culture, Risk Management ensures that the appropriate policies, guidelines, processes and procedures exist to cover all business areas of credit risk. It also ensures the consistent application of credit standards through a diligent Credit Review function and post approval review of loans through a Loan Review Mechanism (LRM) function and the periodic review and updating of credit policies, guidelines and procedures.

The Bank also has a robust system of borrowers' risk ratings that assesses the risk of corporate borrowers and monitors ratings changes periodically. In case of financial institutions, ratings by credit rating agencies are considered.

Structure and policies of credit risk management

The credit risk management policies are governed through Credit Risk Management Committee, Executive Risk Committee of the Board and the Board of Directors. The following is the structure of credit risk approval:-



The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board based on the product category like Commercial Banking Lending, Country Limits or Limits for lending to Banks / FIs or Sovereigns and also lending related to the Bank's brokerage activities, the legal nature of the borrowers and their credit risk rating.

BASEL II PILLAR III AND BASEL III Disclosures

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5. Credit Risk (continued)

In regards to transaction risk, Risk Management ensures that credit is underwritten according to approved standards and that all risks are highlighted in the credit risk review, including policy exceptions. It includes analyzing and reporting on the nature of on- and off-balance sheet counter-party exposure (size, tenor, complexity and liquidity), including secured and unsecured credit facilities. To safeguard against concentration risk, sectoral limits have been set for ensuring that the Islamic window is having a well-diversified portfolio, the same is being reviewed by the Bank on a regular basis.

The Credit Risk Management Committee (CRMC) oversees, adherence to the limits, exceptions and makes recommendations to the Board in respect of policy related matters pertaining to credit risk management.

Past due credit exposures and Impairment policy

As a matter of policy, the Bank creates allowance for impairment of financing contracts promptly and in a consistent manner. The Bank has adopted IFRS 9" Financial Instruments" accounting standard in 2018 based on which impairment is assessed on a forward-looking expected credit loss (ECL) basis, as required by CBO.

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.

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 Loans and advances & financing are first recognized, the Bank recognizes 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 Loans and advances & 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:

Loans and advances & financing exposure considered credit impaired. The Bank records an allowance for lifetime ECLs.

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 realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.
- in case of Treasury and interbank balances, when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Quantitative Disclosure:

i) Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure: (RO '000)

Type of credit exposure	Average gross exposure		Total gross exposure	
	31-Dec-24	31-Dec-23	31-Dec-24	31-Dec-23
1 Overdrafts	91,192	90,108	79,700	95,699
2 Personal loans	792,552	739,361	847,035	769,639
3 Loans and against trust receipts	77,960	80,727	83,370	79,929
4 Other loans	1,983,609	1,818,471	2,101,093	1,843,143
5 Bills purchased/ discounted	11,517	11,581	13,002	13,101
Total	2,956,830	2,740,248	3,124,200	2,801,511

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5. Credit Risk (continued)

ii) Geographic distribution of exposures by major type of credit exposure: (RO '000)

Type of Credit Exposure	Oman	Other GCC countries	Total
1 Overdrafts	79,700	-	79,700
2 Personal loans	847,034	1	847,035
3 Loans against trust receipts	83,370	-	83,370
4 Other loans	2,075,345	25,748	2,101,093
5 Bills Purchased/discounted	13,002	-	13,002
Total	3,098,451	25,749	3,124,200

iii) Industry or counter party type distribution of exposures, broken down by major types of credit exposure: (RO '000)

Economic sector	Overdrafts	Loans	Bills purchased/ discounted	Total	Off Balance Sheet Exposure
1 Wholesale and retail trade	20,605	233,182	6,023	259,810	34,561
2 Mining and quarrying	1,919	286,934	984	289,837	1,538
3 Construction	13,069	327,475	1,221	341,765	45,841
4 Manufacturing	11,549	135,560	1,611	148,720	41,414
5 Transport and communication	1,022	286,820	-	287,842	1,255
6 Electricity, gas and water	456	108,565	-	109,021	13,095
7 Financial institutions	699	343,118	1,378	345,195	4,355
8 Services	8,352	396,618	1,785	406,755	27,987
9 Personal loans	11,644	835,391	-	847,035	14
10 Government	1	17,349	-	17,350	17,307
11 All others	10,384	60,486	-	70,870	2,454
Total	79,700	3,031,498	13,002	3,124,200	189,821

iv) Residual contractual maturity of the whole portfolio, broken down by major types of credit exposure:(RO'000)

Time Band	Overdraft	Loans	Bills purchased/ discounted	Total	Off Balance Sheet Exposure
1 Upto 1 Month	3,869	508,668	4,135	516,672	23,705
2 1-3 Months	3,869	203,687	6,023	213,579	21,227
3 3-6 Months	3,869	120,563	2,163	126,595	24,824
4 6-9 Months	3,869	47,653	681	52,203	9,124
5 9-12 Months	3,869	48,511	-	52,380	27,216
6 1-3 Years	20,119	308,861	-	328,980	53,855
7 3-5 Years	20,119	307,236	-	327,355	24,219
8 Over 5 Years	20,117	1,486,319	-	1,506,436	5,651
Total	79,700	3,031,498	13,002	3,124,200	189,821

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

5. Credit Risk (continued)

v) Major industry or counterparty type :(RO'000)

The Bank has set aside an additional amount of RO 0.298 million as a non-distributable special reserve on restructured loans based on CBO circular as at 31 December 2024.

			Of which Stage 3 exposure	Stage 1 & Stage 2 allowance	Stage 3 allowance*	Impairment allowance made during the year	Advances written off, net during the year
Economic sector	Gross loans						
1 Wholesale & retail trade	259,810		15,777	4,036	10,016	(2,836)	595
2 Mining & quarrying	289,837		3,002	124	2,049	136	-
3 Construction	341,765		34,445	6,960	15,873	12,493	1,003
4 Manufacturing	148,720		12,295	3,392	5,853	(128)	1,291
5 Electricity, gas & water	109,021		-	66	-	(108)	-
6 Transport & communication	287,842		1,341	266	827	(1,354)	533
7 Financial institutions	345,195		-	704	-	(214)	-
8 Services	406,755		13,376	7,699	4,481	(3,143)	2,966
9 Personal loans	847,035		14,972	1,899	9,914	(8,467)	8,330
10 Government	17,350		-	54	-	50	-
11 All others	70,870		34,199	9,036	18,671	(1,860)	9,195
TotalTotal	<u>3,124,200</u>		<u>129,407</u>	<u>34,236</u>	<u>67,684</u>	<u>(5,431)</u>	<u>23,933</u>

*- Stage 3 allowance includes reserve interest amounting to RO 14.939 million.

vi) Amount of impaired loans broken down by significant geographical areas including, with the amounts of impairment allowances related to each geographical area:(RO'000)

			Of which Stage 3 exposure	Stage 1 & Stage 2 allowance	Stage 3 allowance *	Impairment allowance made during the year	Advances written off, net during the year
Countries	Gross loans						
1 Oman	3,098,451		129,407	34,176	67,684	(5,025)	23,381
2 Other GCC countries	25,749		-	60	-	43	-
3 India	-		-	-	-	(448)	552
Total	<u>3,124,200</u>		<u>129,407</u>	<u>34,236</u>	<u>67,684</u>	<u>(5,430)</u>	<u>23,933</u>

*- Stage 3 allowance includes reserve interest amounting to RO 14.939 million.

vii) Movement of gross loans during the year: (RO '000)

Details	Stage 1	Stage 2	Stage 3	Total
1 Opening balance	2,202,737	488,593	110,181	2,801,511
2 Mitigation/ changes (+/-)	(30,744)	(6,566)	37,310	-
3 New loans	439,728	5,649	8,041	453,418
4 Recovery of loans	82,780	21,824	2,192	106,796
5 Loans written off	-	-	23,933	23,933
6 Closing balance	2,528,941	465,852	129,407	3,124,200
7 Impairment allowance held	3,665	30,571	67,684	101,920
8 Reserve interest	-	-	14,939	14,939

Credit risk - Disclosures for portfolios subject to the standardized approach.

As part of the standardized approach, the Bank follows the simplified approach for credit risk capital charge calculation. Accordingly, keeping in view the CBO guidelines, the Bank has used the financial collaterals such as cash, acceptable bank guarantees and shares listed on the MSM main index as part of the credit risk mitigation for arriving at the capital adequacy.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

5. Credit Risk (continued)

Qualitative Disclosures:

The Bank is following Moody's, S&P and Fitch rating for both sovereign and interbank exposures and the balance is treated as unrated at 100% risk. As per the guidelines, the ratings corresponding to the two lowest risk weights are considered and the higher of the two risk weights is applied. There has been no change in the approach compared to previous year.

The bank uses the discretion to treat loans and advances as unrated at risk weight of 100%, except housing loans and SME which are risk weighted at 35% and 75% based on the requirements as stipulated in the guidelines issued by CBO.

Similarly, the bank uses the discretion of the simple approach for recognizing collaterals.

Quantitative Disclosures:

Gross exposure amount as at 31 December 2024, subject to the standardized approach is as below:

		Capital Charge						RO '000's
Sr. No.	Product / Rating	0%	20%	35%	50%	75%	Above 100%	Total
Rated								
1	Sovereign	301,329	-	-	-	-	-	301,329
2	Banks	-	26,033	-	89,400	-	490	115,923
3	Corporate	-	-	-	-	131,859	-	131,859
Unrated								
1	Corporate	-	-	-	-	-	1,840,201	1,840,201
2	Banks	-	835	-	4	-	-	839
3	Retail	-	-	-	-	-	452,114	452,114
4	Claims secured by residential property	-	-	279,840	-	-	97,822	377,662
5	Claims secured by commercial property	-	-	-	-	-	170,797	170,797
6	Past due loans	-	-	-	-	-	47,834	47,834
7	Other assets	18,403	-	-	-	-	222,363	240,766
Total Banking Book		319,732	26,868	279,840	89,404	131,859	2,831,621	3,679,324

Credit Risk Mitigation - Disclosures for standardized approaches

Qualitative disclosure

Credit risk mitigation (CRM) encompasses collateral management and credit guarantee arrangements. The policies and processes for on- and off-balance sheet netting (and the extent to which the Bank makes use of them); policies and processes for collateral valuation and management; and a description of the main types of collateral taken are described below.

In respect of real estate collateral, two valuations are obtained if the value of collateral exceeds a particular level: the lowest valuation is used. The Bank also has a mandatory requirement to obtain an insurance policy on real estate collateral (other than land) where the policy is assigned in the Bank's favor. Real estate collateral is valued on regular intervals and also on need basis based on the assessment of risk and economic scenario prevailing.

The Bank normally accepts the following types of collateral:

- Cash margins and fixed deposits
- Real estate comprising income-producing and non-income-producing assets.
- Shares listed on recognized stock exchanges located in GCC
- Irrevocable and unconditional guarantees / standby LC issued by acceptable Banks
- Debt securities subject to meeting approved criteria.
- Funds subject to meeting approved criteria

The Bank also accepts guarantees of individuals and corporates to mitigate risks, wherever applicable and has a system of assessment of their creditworthiness.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

5. Credit Risk (continued)

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 fair value of collateral that the bank held as at 31 December 2024 towards loans & advances not impaired amounted to RO 1,826.750 million.

Quantitative disclosure

As per Basel & CBO guidelines the Bank stands in possession of the following eligible collateral:

1) Cash 2) Shares 3) Sovereign Guarantee.

Exposure covered by cash collateral – RO 73.585 million; after application of haircut (0%) exposure stands at Nil.

Exposure covered by Shares collateral – RO 175.414 million; after application of haircut (50%) exposure stands at RO 87.707 million.

Exposure covered by Sovereign guarantee – RO 100.000 million; after application of haircut (0%) exposure stands at Nil.

Particulars	RO 'Mn
Gross Exposure - banking book	3,679
Credit risk mitigation	(164)
Risk weight impact - for banking book	(491)
Risk weighted assets - banking book	3,024
Capital charge for credit risk	408

Counterparty Credit Risk:

Counterparty Credit Risk (CCR) is the risk that the customer or trading counterparty of the Bank, usually an OTC derivative contract, may fail to fulfill its obligation which may result in replacement or termination of transaction at a loss to the Bank.

Bank has implemented Current Exposure Method (CEM) for the measurement of Risk Weighted Assets under CCR. Exposure under CEM method is defined as sum of Potential Future Exposure (PFE) and Current Credit Exposure (CCE). The PFE is the estimate of amount of exposure that may occur over a one year time horizon while CCE is the sum of positive MTM (Mark to Market) values. Bank has total exposure (CEM) on account of OTC derivatives (FX forwards, Interest Rate Swaps etc.) and RWA of RO 3.772 million as at 31 December 2024.

6. Market Risk

Qualitative disclosure

Substantially all of the Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Bank. Market risk arises from fluctuations in interest rates, foreign exchange rates, commodity and equity prices. Market risk has been categorized into interest rate risk, equity position risk and foreign exchange risk. The Bank does not take any trading positions in commodities

The Bank has a robust Market Risk Management framework which comprises of risk identification, setting up of limits, monitoring, reporting, escalation matrix and resolution. The policy and procedure ensures that all limits are within risk appetite of the Bank and approved by the Board.

Details of various market risks are as below:

Interest Rate Risk Principles and Framework

Interest rate risk arises from the possibility that changes in interest rates will affect the value of underlying financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect the Bank's net interest income. Interest rate risk is measured as the potential volatility in net interest income caused by changes in market interest rates. The Bank manages this risk by matching or hedging the re-pricing profile of assets and liabilities through various risk management strategies.

Interest Rate Risk in Trading Book

Interest rate risk in the trading book is the risk of losses in the market value of underlying financial instruments and arises from the sensitivity of interest bearing instruments to interest rate volatility. Interest rate risk in the trading book is monitored through notional exposure limits, stop loss limits, and maximum maturity limits, and is marked to market.

As of 31 December 2024, there were no significant trading book position sensitive to interest rate changes.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

6. Market Risk (continued)

Equity Position Risk

Equity position risk occurs due to change in market value of the Bank's equity portfolio due to change in general market or security specific conditions. The ALCO monitors all equity investment on periodic basis. The Market Risk and Mid Office is responsible to ensure appropriate risk limits are in place and reports the same to appropriate authorities.

As of 31 December 2024, equity investments classified as FVTPL amounted to OMR 17.780 million.

Foreign Exchange Risk

Foreign exchange risk is the risk that the foreign currency positions taken by the Bank may be adversely affected due to volatility in foreign exchange rates. Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions. Treasury takes every possible measure to cover open positions created by customer transactions.

Instruments used to mitigate this risk are foreign exchange spot, forwards, deposits, etc. These instruments help to insulate the Bank against losses that may arise due to significant movements in foreign exchange rates. All foreign exchange exposures are centrally managed by the Bank's Treasury and are daily marked to market. Limits have been assigned with respect to overnight open exposures, stop loss and authorized currencies to monitor and control foreign exchange exposures.

The Bank treats its entire Foreign Exchange Exposure under Basel II Standardized method for capital calculation. The Net open position in all foreign currencies stands at RO 143.907 million (including RO 138.707 million open position which is pegged to USD) as on 31 December 2024.

Quantitative Disclosure:

Capital Charge:

The exposure under the trading book of the Bank includes relatively small foreign exchange exposure primarily arising from the holding of day-end positions in currencies overnight, and exposure towards interest rate related instruments. Positions are monitored on daily basis to ensure open currency position is maintained within the regulatory limit. For the purpose of capital charge, the three month average of the sum of the net short positions or net long positions, whichever is higher, is taken. The average is worked out on the basis of the actual positions as obtained on all the working days during the three month period immediately preceding the reporting date. The exposures are daily monitored by the Middle Office as per the approved stop loss and exposure limits.

Table showing capital charge for interest rate, equity and FX risk as on 31 December 2024 is shown below:

Type of risk	2024	2023
	RO '000	RO '000
Interest rate risk	-	-
Equity position risk	2,845	2,541
Foreign exchange risk	7,834	3,893
Percentage of NOP to regulatory capital	27.61%	8.39%
Regulatory ceiling (% to total network)	40%	40%

Total risk weighted assets for trading book is RO 188.95 million with capital charge of RO 25.508 million.

Investments in the banking book

The Bank's investments will have to be within the overall limits and restrictions as CBO may prescribe from time to time.

However, the Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board of Directors based on the product category like Repo, CBO CD or Equity / Bonds, as a percentage of the Capital Base of the Bank. All investment proposals are routed through the ALCO to the relevant approval authority.

In addition to the CBO restrictions on investments by banks, and such internal limits as described above, the following restrictions will apply:

The Bank's appetite for private subscriptions and unlisted / unquoted equity is low, and any such proposals should be adequately justified on a case by case basis, and has to be approved at least by the Executive & Credit Committee and by the Board if it exceeds limits structured as a proportion of the Bank's capital base.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

6. Market Risk (continued)

All investments of the Bank should be in either USD or USD pegged GCC currencies or any investments in other currencies should be approved at least by the Executive & Credit Committee if it exceeds limits structured as a proportion of the Bank's capital base, after review and recommendation of the ALCO. Aggregate investments in all such currencies should not exceed a limit based on the Bank's capital base unless approved by the Board of Directors. This should include all investments through any Fund Manager, or proprietary investments made through the Bank's Asset Management Department.

Any investments of the Bank outside the GCC countries or US will have to be specifically approved by at least the Executive & Credit Committee if it exceeds limits structured as a proportion of the Bank's capital base. This should include all investments through any Fund Manager, or proprietary investments made through the Bank's Asset Management Department.

The Bank will try to achieve reasonable diversification of its equity investment portfolio among the economic sectors, and will not exceed a certain limit of its investment portfolio in any particular industry / sector groups listed below:

- a) Trading and retailing
- b) Real estate development, management and rental income
- c) Construction / contracting and building materials
- d) Travel / tourism, hotels, restaurants, entertainment, health services and education
- e) Warehousing / storage, logistics, supply management and transportation, utilities and telecom
- f) Oil and gas
- g) Banking and financial services
- h) Conglomerates or holding companies investing in any of the above business lines
- i) Information Technology
- j) Pharmaceuticals
- k) Manufacturing and Industrials

This should include all proprietary investments made through the Bank's Asset Management Department.

Any proposal that leads to contravention of the above or any proposal for investment in any sector or industry not listed above will need approval of the Executive Credit Committee.

All investment approval requests for specific transactions or trading limits must be made by the relevant Business Line, approved by the Credit and Investment Committee and submitted to the Executive & Credit Committee as delegated. Any approval above those delegated limits is to be elevated to the Board level for approval. Any restrictions on investments as per effective CBO regulations shall apply. The details of investments are provided in Note 8 of the financial statements.

Investment exits/ Stop loss (does not cover Asset Management Division operations)

Exit strategies is clearly outlined in all investment proposals. In case of a change in the exit strategy, approval from the same approving body is obtained. Sale of FVOCI investments to book profit is approved/ ratified by the ALCO.

The tolerance level of a decrease in the value of an FVTPL investment is a maximum of 15% (in a particular financial year). Investments exceeding this threshold are exited. Any holding with loss equivalent or greater than 10% (in a particular financial year) are notified to ALCO members. In case an investment is witnessing a material change (downgrading or expected downgrade, etc.), the Business Unit outlines the action/remedial plan for ALCO's review. Based on its review, ALCO decides the most appropriate strategy and notify the Credit and Investment Committee.

Interest Rate Risk in Banking Book (IRRBB)

The Bank monitors its interest rate risk in the banking book through performing repricing gap analysis of interest rate sensitive assets and liabilities. Under repricing gap analysis, the Bank distributes interest rate sensitive assets and liabilities into time bands according to their maturity (if fixed rate) or time remaining to their next repricing (if floating rate). The size of the gap for a given time period – that is assets minus liabilities that reprice or mature within that time band – gives an indication of the Bank's repricing risk exposure. The Bank evaluates the effect of a parallel shift in yield curve on its economic value by applying a proxy for modified duration multiplied by the assumed parallel change in interest rates to the gap under each time band.

The nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement, are given below.

Interest rate risk is mainly related to retail banking book as they are re-priced with any change in the CBO's interest rate and for corporate customer re-priced in line with the market conditions.

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31 December 2024

6. Market Risk (continued)

Deposits are re-priced based on their final maturity, or if linked to a floating rate index, on the re-pricing date. Deposits that are insensitive to interest rate movements are categorized separately. The earnings at risk are calculated based on interest rate re-pricing gaps. The Bank is confident of sourcing the cheaper source of funds by way of customers' deposits. ALCO along with the risk management department identifies interest rate risk and these are monitored and reported periodically. Rate sensitive exposures are quantified using re-pricing gaps.

Quantitative Disclosure:

Exposure and sensitivity analysis

The sensitivity of interest rate risk is determined by applying 200 bps interest rate shock on net interest income and assessing the impact on Capital. The impact of a 200 basis points parallel shift in interest rate is provided below:

	2024	2023
	RO '000	RO '000
Impact of +200 bps interest rate increase	13,909	18,112
Impact of -200 bps interest rate decrease	(13,909)	(18,112)
Impact of +200 bps interest rate increase as % of Capital	+2.65%	+3.07%
Impact of -200 bps interest rate decrease as % of Capital	-2.65%	-3.07%

The bank's interest sensitivity position, in line with guidelines issued by Central Bank of Oman, based on contractual re-pricing arrangements at 31 December 2024 is highlighted in Note 35.3.2 of the financial statements.

7. Liquidity risk

Qualitative Disclosure

The Bank defines liquidity risk as its ability to meet all present and future financial obligations in a timely manner and without undue effort and cost through unconstrained access to funding at reasonable market rates and without affecting asset growth and business operations.

The following key factors are taken into consideration while assessing and managing the liquidity risk of the Bank:

- The need to have a well-diversified base for funding sources, comprising a portfolio of retail customers, large corporates and institutions, small & medium enterprises, high net worth individuals, without significant concentrations or correlations, thereby diversifying the funding base and mitigating concentration risks.
- Based upon the past behavioral pattern analysis of our main liabilities, management expects large portion of customer deposits to be rolled over at contractual maturity.
- As per the CBO directives, the Bank keeps at least 5% of its Demand & time deposit liabilities with CBO in the form of clearing balances
- Commitments for loans and advances are approved after taking into account the Bank's overall liquidity position.

The Bank's projected liquidity needs are analyzed, and optimum alternatives to manage the liquidity risk are discussed and approved in ALCO. The Risk Management department also independently reviews and evaluates the Bank's ability to access liquidity from different sources.

The Treasury and Risk management Departments identify liquidity at risk, which is monitored daily and reported periodically to ALCO. Liquidity and Funding Policy and a liquidity contingency plan have been established by the Bank.

Liquidity and Funding Policy

The Liquidity and Funding policy of the Bank is intended to ensure that liquidity requirements are prudently and effectively managed such that anticipated and unanticipated funding needs are met on an ongoing basis in a controlled manner at the least possible cost.

The Bank's ALCO reviews the Liquidity Policy annually and submits recommendations for changes, if any, to the Bank's Chief Executive Officer (CEO) for review and submission to the Executive Committee and Board as applicable.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

7. Liquidity risk (continued)

There are a number of techniques which the Bank uses to manage its Liquidity position. The key ones are:

- Placing limits on maturity mismatches
- Maintaining a stock of liquid assets
- Diversification of liabilities
- Access to wholesale markets
- Multi-currency liquidity management

The Bank also maintains significant investments in liquid instruments issued by Government & 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.

Stock of Liquid Assets

An adequate stock of high-quality liquid assets provides the Bank with the capacity to meet its obligations while any underlying problems affecting liquidity are addressed.

Such assets are clearly identified, their role defined and minimum holding levels are established and agreed by the ALCO. The degree of diversification of the liquid assets portfolio is reviewed by the ALCO on a monthly basis.

As per the guidelines of CBO, the Bank is required to maintain Liquidity Coverage Ratio (LCR) of at least 100%. Further, Net Stable Funding Ratio (NSFR) is also prescribed at a minimum of 100%. Internally, the Bank has implemented a more stringent requirement for these ratios which is reviewed by ALCO on a monthly basis. A detailed disclosure on the position of the Bank in regards to these ratios is contained later in this report.

Diversification of liabilities

The Bank seeks to maintain a diversified funding base and monitors the degree of diversification in its liability base on a monthly basis. Depositor concentration is reviewed by the ALCO on a monthly basis.

The liquidity policy recognizes the inherent value of the Bank's longer-term depositors. The Bank seeks to establish strong and lasting relationships with depositors and other liability holders so as to foster a stable funding base. Trends in liability balances by category are reviewed by the ALCO on a monthly basis.

The Bank also recognizes that an over reliance on short dated inter-bank deposits can lead to difficulties in extreme market conditions. The Bank's exposure to such deposits is reviewed by the ALCO on a monthly basis.

Multi-currency liquidity

Where positions in specific foreign currencies are significant to its business, the Bank addresses the measurement and management of liquidity in these individual currencies. It is considered appropriate to consolidate several (usually minor) currencies and monitor the aggregate exposure expressed in base currency.

When monitoring exposure in aggregate, the Bank assesses the convertibility of individual currencies, the timing of access to funds, the impact of potential disruptions to foreign exchange markets and exchange risks before presuming that surplus liquidity in one currency can be used to meet a shortfall in another currency.

Performance against limits is monitored daily by Treasury with any exceptions being immediately reported to ALCO members. Review of all liquidity positions against limits is performed by Head of Risk Management and Treasury based on figures produced by the Treasury Middle Office / Finance Department.

The Treasurer along with the Head of Risk Management derives and documents the Maturity Profile behavioral adjustments, based on redemptions and withdrawal requests. These are communicated to the ALCO for discussion and acceptance.

Liquidity Contingency Plan:

It is imperative for the Bank to maintain an adequate amount of liquid assets as a protection against a possible loss in the event of emergency situation. The Bank's Liquidity Contingency Plan (LCP) is approved by Board and addresses the institution's strategy for handling any liquidity crisis. LCP will serve as the blueprint for meeting its funding needs under stress environment in a timely manner and at a reasonable cost. It describes policies and procedures for managing or making up cash flow shortfalls in such situations at both solo and consolidated level.

The Bank has adopted quantitative and qualitative key warning indicators which is monitored by Market Risk team and presented to ALCO. The members of the Liquidity Crisis Management Team (LCMT) and ALCO are notified immediately should any of the early warning criteria be breached.

In the event of the plan being invoked, ALCO delegates the responsibility for the management of the Bank's liquidity to the LCMT. The LCMT is comprised of CEO (Chairman), DCEO Business Group, DCEO – Support Services, Head of Finance, Head of Treasury and Head of Risk.

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

8. Liquidity risk (continued)

Quantitative disclosure

The maturity gaps are measured and reported as per CBO circular BM 955 dated May 7, 2003 and subsequent amendments including the CBO circular dated March 20, 2018 on Maturity of Assets and Liabilities. Disclosure pertaining to the maturity profile of assets and liabilities as at 31 December 2024 are provided in note 35.2.2 of financial statements. Following is the position of currency-wise cumulative gaps as % of cumulative liabilities as monitored against CBO prescribed maximum limits:

as of 31 December, 2024

Currency	Upto 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
Aggregate	45.23%	12.84%	-8.59%	-19.64%	-27.64%
OMR	38.12%	8.51%	-7.54%	-20.63%	-29.42%
USD	68.38%	26.92%	-17.18%	-20.61%	-24.61%
Others	74.46%	36.75%	23.99%	18.23%	10.52%

as of 31 December, 2023

Currency	Upto 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months
Aggregate	99.35%	47.44%	20.08%	-2.89%	-21.85%
OMR	78.47%	42.29%	22.49%	-6.35%	-26.83%
USD	131.83%	48.74%	5.36%	-1.87%	-9.06%
Others	375.39%	217.44%	178.52%	153.68%	9.65%
CBO prescribed Limits	-15%	-15%	-20%	-30%	-35%

8. Operational risk

Operational Risk Framework

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Losses from external events such as a natural disaster that has a potential to damage the Bank's physical assets or electrical or telecommunication failures that disrupt business are relatively easier to define than losses from internal problems such as employee fraud and product flaws. The risks from internal problems are more closely tied to the Bank's specific products and business lines, they are more specific to the Bank's operations than the risks due to external events. Operational risks faced by the Bank include IT security, telecom failure, frauds, and operational errors.

Operational risk is controlled through a series of strong internal controls and audits, well-defined segregation of duties and reporting lines, operational manuals and standards. Internal audit independently reviews the effectiveness of the Bank's internal controls and its ability to minimize the impact of operational risks. The Bank has an Operational Risk Management Framework elucidating the processes involved in the operational risk management. There is an Operational Risk Committee that is the owner of this Framework and holds responsibility.

The Bank identifies and assesses the operational risk inherent in its key material products, activities, processes and systems. It also ensures that before any new products or services, activities, processes or systems are introduced; the associated operational risks are properly assessed and mitigated.

Risk identification is vital to the development of operational risk monitoring and control systems. Risk identification considers internal factors such as the Bank's structure, the nature of its activities, the quality of its human resources, organizational changes, and employee turnover. It also examines external factors such as changes in the industry, major political and economic changes, and technological advances.

The Bank has identified the following operational risks and has been implementing an effective framework to manage them:

- Fraud Risk
- Process Risk
- Legal Risk
- People Risk
- Compliance Risk
- IT Risk
- Physical Security Risk

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

8. Operational risk (continued)

In order to effectively manage the risks arising from frauds, in line with the CBO Circular on Fraud Risk Management, the Bank has introduced separate Fraud Risk Management (FRM) Policy and FRM Process. The FRM unit forms part of the Operational risk management division of Risk Management functions and is independent of other departments.

Control and Mitigation of Operational Risk

The Bank has established policies, processes and procedures to control and mitigate material operational risks. It periodically reviews risk limitation and control strategies and adjusts the operational risk profile accordingly, using appropriate strategies in light of its overall risk appetite and profile.

Towards this, the Bank has implemented Operation Risk Self-Assessment (ORSA) procedure for each of its business segments, where operating risk related to each business area is identified; documented and corresponding control processes are defined and documented. The action points arising from ORSA are reviewed and reported at the Operational Risk Committee on a regular basis. The Bank also has Key Risk Indicators (KRIs) in place and monitors these on a regular basis.

The Bank ensures that there is appropriate segregation of duties and personnel are not assigned responsibilities that may create a conflict of interest or enable them to conceal losses, errors or inappropriate actions.

The Bank ensures adequate internal audit coverage to verify that operating policies and procedures have been implemented effectively.

The Bank takes insurance cover to mitigate operational risk, wherever applicable.

It also ensures that internal practices exist to control operational risk such as:

- Maintaining safeguards for access to, and use of, the Bank's assets and records;
- Ensuring staff have appropriate expertise and training; and
- Regularly verifying and reconciling transactions and accounts.

Reputation Risk

Reputation Risk is negative public opinion/reaction which could cause damage to the Bank's profitability or image. Reputation risk is one of the most complex risks to manage in view of unpredictability, constant change in the operating environment, personnel turnover and multi-cultural environment that the Bank operates in. The Bank identifies, measures, monitors and controls reputation risk arising in the following areas:

- Customer service
- Perception of stakeholders regarding Bank's commitment to their interests
- Quality of products, services and sales practices
- Reporting to stakeholders and external agencies
- Accuracy of information in communications to the public

There are policies and procedures in place to manage and monitor reputation risk.

Social Media risk is an important element of Reputation risk that has emerged with the popularity of social media and digital technologies. The Bank recognizes the importance of effectively managing the interests of the Bank and its customers from this dynamic and unregulated category of risk. The Corporate Communication Department (CCD) is responsible for managing the Bank's social media activities within the guidelines of 'Social Media Policy'.

Business Continuity Risk

The Bank has documented the Business Continuity Management Policy (BCP) which outlines the business continuity process to be followed in a disaster scenario, and undertakes comprehensive testing of all its critical systems and processes. The BCP aims to minimize the severity and impact of a disaster while continuing to serve both the business and customers with a lowest achievable detriment in service. The plan considers the following:

- Disaster scenarios and magnitude
- Various steps to mitigate the risk
- Impact on the Bank's business and operations
- The resources required for resuming the operations at the earliest possible time following the disaster
- Operating processes and available systems at the Disaster Recover (DR) site

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8. Operational risk (continued)

Business Continuity Test

During the year 2024, the Bank has carried out a comprehensive BCP test and an IT Control test on a working day in order to test the resilience of the Bank's business systems at the DR site. The scope of the test was arrived at based on the Business Impact Analysis (BIA) carried by the Bank and the results of the BCP/ volume tests were submitted to the Board. The Bank has in place a crisis management team, and the processes to be followed during a disaster scenario has been detailed out in the BCP documents of the Bank.

Fraud Risk Management

The Bank takes effective prevention and detection of fraudulent activities extremely serious and cooperate with the judicial and regulatory authorities and support national, regional and international initiatives to combat fraud. It endeavors to develop a culture of fraud awareness and prevention across all areas of its operations to limit possible financial losses and safeguard the brand and financial reputation of the Bank.

Concentration Risk

Concentration risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from large exposure to counterparty, a sector or country. Concentration risk can be mitigated by formulating limits, by a thorough check on counterparty's quality or adequate collateral support etc.

As part of ICAAP, thresholds for exposure concentrations has been set up, this will trigger additional capital requirements based on concentration in terms of large exposures to counterparties, sector exposure concentration (excluding retail lending) and geographical exposure concentration (other than to Oman).

Information Security Risk

The bank has adopted an Information Security Management System (ISMS) /process and a framework by which the Bank ensures, protects and secures information resources that process and maintain information which are vital to its operations. The main component of this framework is the Information Security Policy that provides direction for formulation, implementation, and management of Information Security Management System. Since protection of customer information is the top-most priority, the Bank strives to safeguard the confidentiality, availability and integrity of the data of its customers and business partners at all times. The bank has maintained ISO 27001 certification since 2012 and PCI DSS certification since 2015.

Compliance Risk (including risk of Shari'a Non-Compliance)

Compliance risk is the potential for financial losses, legal penalties, regulatory sanctions and loss to Bank's reputation that result from non-compliance with laws and regulations that are applicable on the Bank. The Board of Directors have direct responsibility for overseeing the management of the Bank's compliance risk. Senior management are thereafter responsible for ensuring effective management of this risk. They are supported by the Compliance function of the Bank which is an independent function that reports, and has direct access to Board Audit & Compliance Committee. The Bank's 'Compliance Policy' sets the guidelines to manage this important risk type.

Shari'a Governance framework ensures Shari'a compliance at all times and at all levels. Shari'a compliance unit facilitates the senior management in ensuring compliance with Shari'a and Islamic banking stipulations of the Central Bank in all its business activities, operations and transactions. Shari'a compliance unit is extensively involved before a new product or transaction is approved and monitors the implementation of guidelines issued by Shari'a Supervisory Board (SSB). No new product class or transaction type is executed without consulting the Shari'a compliance unit and getting a formal approval from the SSB.

Model Risk

Model risk is the potential for ineffective decision making or regulatory non-compliance resulting from the use of insufficiently accurate models, particularly in the areas such as measuring, pricing and managing risks. These models include, but are not limited to, capital calculation model, facility and obligor risk rating models, models to calculate expected credit losses and provisioning, pricing models for investments and hedges etc. The Bank manages this risk by following best-practices in regards to governance, data management, model validation and back-testing of its key models.

Other Risks

The Bank is also exposed to other risks such as, strategic risk, business cycle risk, legal risk, residual risk, settlement risk, Shariah non-compliance risk (Pertaining to Islamic Banking) etc. However, currently these risks are not significant to the Bank. The Bank follows standard methodologies for arriving at the capital adequacy requirements of these risks. These risks are assessed and such assessments form part of the Bank's ICAAP process.

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8. Operational risk (continued)

Operational risk capital charge and risk weighted amount

The Bank follows basic indicator approach for determining operational risk. The Capital charge for operational risk under Basic Indicator approach is calculated by taking the average of gross income multiplied by 15%, for each of the last three financial years, excluding years of negative or zero gross income. The gross income is Net interest income (+) Non-interest income (+) Provisions for unpaid interest (-/+) gain/ loss on sale of investments (-) extraordinary / irregular items of income.

Item (RO '000)	2024	2023	2022
Net interest income	73,902	76,296	73,845
Non-interest income	34,403	22,243	17,853
Provision for unpaid interest	(1,153)	4,358	3,515
Gain on sale of investment	121	(741)	(177)
Insurance and other irregular items	45	(4)	(12)
Gross income	107,318	102,152	95,024
Average Income	101,498		
Gross Income times of Alpha (15%)	15,225		
Operational risk based on Basic Indicator Approach	190,309		

Capital Charge for Operational Risk under Basic Indicator Approach as per Basel II is RO 13.978 million as of 31 December 2024.

The Risk weighted assets for operational risk as per Basel II is RO 174.724 million with the capital charge of RO 23.587 million.

9. Compensation Policy

In line with the CBO guidelines on remuneration disclosures as part of Pillar III, the Bank is committed to fair, balanced, performance-oriented compensation practices that align long-term employee and shareholder interests. The policy is endeavored to attract, retain and motivate the best people in the industry. The Bank has a Board appointed Nomination and Remuneration Committee whose primary objective is to advise the Bank's Board Chairman on the remuneration of Board members, appointment and remuneration of senior management personnel.

Performance awards are based on the achievement of both financial and non-financial objectives. The Performance Management System is aimed at achieving the Bank's business plans and objective through continuous and focused performance of the employees. The objective of Performance Review process is to assess the employee on his/her performance against assigned key Performance Indicators and objectives. At senior management levels, the overall Bank's performance is the overriding criteria while awarding performance awards. The payout is based on consideration of all aspects governing performance including the stage of business, market conditions, and time horizon of risks, sustainable returns and the cyclical nature of certain businesses. The Bank is committed to responsible compensation practices which balance reward based on performance and promoting principled behavior and actions. The compensation is designed to contribute to the Bank's objectives and encourages prudent risk taking and adherence to applicable laws, guidelines and regulations.

The compensation policy and arrangement for Senior Management, Material Risk takers and Control functions in regulated roles of the Bank are based on their responsibilities and authority levels and are governed by the instructions from CBO on the principles and standards of the Financial Stability Board and relevant CMA regulations.

The list of Senior Management and Material Risk Takers in regulated roles of the Bank is reviewed annually by the Board Nomination and Remuneration Committee (NRC) and takes into account changes in terms of internal organization and compensation levels.

The NRC review and approves all fixed and variable compensation including all benefits for the designated Senior Management and Material Risk Takers in regulated roles of the Bank to ensure that payments made are fair to the individual and the Bank, that failure is not rewarded and that the duty to maximize performance and mitigate loss is fully recognized.

In cases whereby, the variable compensation for Senior Management and Material Risk Takers exceeds threshold, the balance is being deferred and paid equally over the period of 3 years, subject to certain conditions relating to Malus and Claw-back criterion.

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: RO 1.628 million)

The total amount of remuneration paid for the 24 Material risk takers (MRT) was RO 3.561 million. An amount of RO 0.393 million was deferred being above the threshold (31 December, 2023 - 23 Material risk takers, total amount paid RO 3.396 million, RO 0.311 million deferred)

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

10. Subsidiaries and significant investments

The Bank does not have any subsidiary or other significant equity investments as on 31 December 2024.

11. Basel III Capital Disclosures

The below capital disclosures are prepared in accordance with the requirements of the CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013.

11.1 The 3 step approach to reconciliation

Below disclosures are prepared using three step reconciliation approach as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114.

BASEL III COMMON DISCLOSURE TEMPLATE

Common Equity Tier 1 capital: instruments and reserves		RO (000's)
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus/premium	244,966
2	Retained earnings (net of proposed cash dividend of 5.0%)	52,210
3	Accumulated other comprehensive income (and other reserves)	48,024
4	Proposed Stock Dividend	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	345,200
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	4,566
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	6,544
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale (as set out in paragraph 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	11,110

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

11. Basel III Capital Disclosures (continued)

29	Common Equity Tier 1 capital (CET1)	334,090
Additional Tier 1 capital: Instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	179,366
31	of which: classified as equity under applicable accounting standards	179,366
32	of which: classified as liabilities under applicable accounting standards	-
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
36	Additional Tier 1 capital before regulatory adjustments	179,366
Additional Tier 1 capital : regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH:	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	179,366
45	Tier 1 capital (T1 = CET1 + AT1)	513,456
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
50	Provisions (including gain on investments)	7,752
51	Tier 2 capital before regulatory adjustments	7,752
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	Total National specific regulatory adjustments	-
	Of which: Investments in Tier 2 capital of unconsolidated banking and financial subsidiary companies, associates or affiliates etc.,	-
	Of which: shortfall in the Tier 2 regulatory capital in the unconsolidated entities	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	7,752

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

11. Basel III Capital Disclosures (continued)

59	Total capital (TC = T1 + T2)	521,208
60	Total risk weighted assets	3,388,956
60a	<i>Credit risk weighted assets</i>	3,024,408
60b	<i>Market risk weighted assets</i>	189,824
60c	<i>Operational risk weighted assets</i>	174,724
Capital Ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.86%
62	Tier 1 (as a percentage of risk weighted assets)	15.15%
63	Total capital (as a percentage of risk weighted assets)	15.38%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.500%
65	<i>of which: capital conservation buffer requirement</i>	2.500%
66	<i>of which: bank specific countercyclical buffer requirement</i>	-
67	<i>of which: G-SIB buffer requirement</i>	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.21%
National Minima (if difference from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	9.500%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.500%
71	National total capital minimum ratio (if different from Basel 3 minimum)	13.500%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	35,334
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	7,112
77	Cap on inclusion of provisions in Tier 2 under standardised approach	37,812
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

11. Basel III Capital Disclosures (continued)

Step 1: Balance sheet under Regulatory scope of consolidation

Table 2a- Balance sheet under Regulatory Scope of Consolidation (RO '000)

Year ended 31 December 2024	Published financial statements	Under regulatory scope of consolidation
Assets		
Cash and balances with Central Bank of Oman	194,552	194,552
Certificates of deposit	-	-
Due from banks	113,331	113,331
Loans and advances	3,022,280	3,022,280
Investments in securities	344,236	344,236
Loans and advances to banks	-	-
Property and equipment	48,436	48,436
Deferred tax assets	-	-
Other assets	32,093	32,093
Total assets	3,754,928	3,754,928
Liabilities		
Due to banks	343,931	343,931
Customer deposits	2,762,767	2,762,767
Borrowings	-	-
Deferred tax liabilities	1,158	1,158
Other liabilities	89,053	89,053
Subordinated bonds	-	-
Total liabilities	3,196,909	3,196,909
Shareholders' Equity		
Paid-up share capital	244,966	244,966
Share premium	-	-
Legal reserve	48,024	48,024
Retained earnings	63,958	63,958
Special reserve	298	298
Impairment reserve	23,116	23,116
Cumulative changes in fair value of investments	(1,709)	(1,709)
Total shareholders' equity	378,653	378,653
Tier 1 Perpetual subordinated bonds	179,366	179,366
Total equity	558,019	558,019
Total liability and shareholders' funds	3,754,928	3,754,928

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

11. Basel III Capital Disclosures (continued)

Step 2: Expansion of Balance sheet under Regulatory scope of consolidation

Table 2b – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (RO '000)

For the period ended 31 December 2024	Published financial statements	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	194,552	194,552	
Balance with banks and money at call & short notice	113,331	113,331	
Balance with banks and money at call & short notice, of which	-	113,345	
- Stage 1 / 2 impairment allowance, of which	-	(14)	
- amount eligible for T2		14	e
Investments, of which:	344,236	344,236	
Fair Value Through Other Comprehensive income (FVOCI)	-	119,289	
Fair Value Through Profit & Loss (FVTPL)	-	224,947	
- Stage 1 / 2 impairment allowance, of which		-	
- amount eligible for T2		-	
Loans and advances – Net, of which:	3,022,280	3,022,280	
- Loans and advances to domestic banks	-	-	
- Loans and advances to non-resident banks	-	-	
- Loans and advances to domestic customers	-	2,278,187	
- Loans and advances to non-resident for operations abroad	-	25,749	
- Loans and advances to SMEs	-	150,397	
- Financing from Islamic banking window	-	669,867	
- Expected credit loss allowance, of which	-	(101,920)	
- Stage 3 Impairment allowance and Reserve interest & profit	-	(67,684)	
- Stage 1 / 2 impairment allowance, of which	-	(34,236)	
- amount eligible for T2	-	6,860	e
- amount ineligible for T2	-	27,376	
Fixed assets	48,436	48,436	
- Intangibles (CET1 adjustment)	-	(6,544)	d
- Other fixed Asset	-	(41,892)	
Other assets	32,093	32,093	
Other assets, of which	-	32,145	
- Stage 1 / 2 impairment allowance, of which	-	(17)	
- amount eligible for T2	-	17	e
- amount ineligible for T2	-	-	
Total Assets	3,754,928	3,754,928	
Capital & Liabilities			
Paid-up Capital, of which:	244,966	244,966	
- Amount eligible for CET1	244,966	244,966	a
Reserves & Surplus; of which	313,053	313,053	
- Amount eligible for CET1 (Legal reserve)	-	48,024	c
- Amount eligible for CET1 (Subordinated debt reserve)	-	-	
- Amount eligible for CET1 (Retained earnings)	-	52,210	b
- Proposed cash dividend (removed from retained earnings)	-	11,748	
- Amount ineligible for CET1 (Special Reserve)	-	298	
- Amount eligible for AT1 (Tier 1 perpetual bonds)	-	179,366	
- Amount ineligible for T2 (Impairment reserve)	-	23,116	
- Amount eligible for T2 (Investments Fair value gains)	-	640	f

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

11. Basel III Capital Disclosures (continued)

For the period ended 31 December 2024	Published financial statements	Under Regulatory scope of consolidation	Reference
- AFS investments fair value loss (CET1 adjustment)	-	(4,566)	d
- AFS investments fair value gain unutilized	-	2,217	
Total Capital	558,019	558,019	
Deposits from banks	343,931	343,931	
Customer deposits, of which	2,762,767	2,762,767	
- Deposits for customers	-	2,064,621	
- Deposits of Islamic Banking window	-	698,146	
Borrowings, of which:	-	-	
- From banks	-	-	
Borrowings in form of bonds, Debentures & sukuks, of which	-	-	
- Amount eligible for T2	-	-	
- Amount ineligible for T2	-	-	
Other liabilities & provisions	90,211	90,211	
Other liabilities & provisions , of which	-	91,686	
- Stage 3 provision	-	(240)	
- Stage 1 / 2 provision, of which	-	(1,235)	
- amount eligible for T2	-	221	e
- amount ineligible for T2	-	1,014	
TOTAL	3,754,928	3,754,928	

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (RO' 000)			
	For the year ended 31 December 2024	Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	244,966	a
2	Retained earnings	52,210	b
3	Accumulated other comprehensive income (and other reserves)	48,024	c
4	Common Equity Tier 1 capital before regulatory adjustments	345,200	
5	Prudential valuation adjustments	(11,110)	d
6	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
7	Total regulatory adjustments to Common equity Tier 1	(11,110)	
8	Common Equity Tier 1 capital (CET1)	334,090	
9	Additional Tier 1 capital (AT1)	179,366	
	Tier 1 capital (T1 = CET1 + AT1)	513,456	
10	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
11	Expected credit loss allowance / Provisions	7,112	e
12	Fair value reserve of FVOCI investments	640	f
	Tier 2 capital before regulatory adjustments	7,752	
	Tier 2 capital: regulatory adjustments	-	
	Tier 2 capital (T2)	7,752	
	Total capital (TC = T1 + T2)	521,208	

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

11. Basel III Capital Disclosures (continued)

11.2 Main Features of regulatory capital

Table below discloses the key features of all the regulatory capital issued by the Bank;

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA	NA
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier I	Additional Tier I	Additional Tier I	Additional Tier I
5	Post-transitional Basel III rules	Common Equity Tier 1	Eligible	Eligible	Eligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital	Rights issue of Perpetual subordinated bonds	Rights issue of Perpetual subordinated bonds	Mandatory Convertible bonds	Rights issue of Perpetual subordinated bonds
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	RO 244.966 million	RO 75 million	RO 54 million	RO 10.366 million	RO 40 million
9	Par value of instrument	RO 244.966 million	RO 75 million	RO 54 million	RO 10.366 million	RO 40 million
10	Accounting classification	Shareholders' Equity	Equity	Equity	Equity	Equity
11	Original date of issuance	Bank started operations in 1997	11-Aug-22	25-Dec-23	29-Apr-24	27-Jun-24
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Convertible into equity shares after 2 years	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	Convertible into equity shares after 2 years	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	No	Yes
15	Optional call date, contingent call dates and redemption amount	NA	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	NA	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.

BASEL II PILLAR III AND BASEL III Disclosures

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11. Basel III Capital Disclosures (continued)

16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA
	Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	7.50%	7.50%	6.00%	7.25%
19	Existence of a dividend stopper	NA	NA	NA	NA	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatorily convertible	Fully discretionary
21	Existence of step up or other incentive to redeem	No	NA	NA	No	NA
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	Second anniversary of the issue date	NA
25	If convertible, fully or partially	NA	NA	NA	Fully	NA
26	If convertible, conversion rate	NA	NA	NA	Every 100 bonds will be converted to 69 shares	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	Mandatorily convertible	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	Bank's equity shares	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	Bank's equity shares	NA
30	Write-down feature	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Statutory approach	Statutory approach	Statutory approach	Statutory approach	Statutory approach
32	If write-down, full or partial	Write down fully	Full or partial	Full or partial	Full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA	NA

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

12. Basel III LIQUIDITY DISCLOSURES

LIQUIDITY COVERAGE RATIO (LCR)

Common Disclosure Template

The below liquidity disclosure is prepared in accordance with the requirements of the CBO Circular BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014. The disclosure is based on average of three-monthly data points.

(RO '000)

		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)	365,343	365,343
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	1,225,980	61,035
3	Stable deposits	27,489	825
4	Less stable deposits	1,198,491	60,210
5	Unsecured wholesale funding, of which:	981,569	556,437
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	6,372	1,593
7	Non-operational deposits (all counterparties)	662,316	241,962
8	Unsecured debt	312,882	312,882
9	Secured wholesale funding	-	-
10	Additional requirements, of which		
11	Outflows related to derivative exposures and other collateral requirements	104,732	104,732
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	16,943	1,694
14	Other contractual funding obligations		
15	Other contingent funding obligations	39,665	1,983
16	TOTAL CASH OUTFLOWS	2,368,890	725,882
Cash Inflows			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	510,058	379,798
19	Other cash inflows	203,889	104,732
20	TOTAL CASH INFLOWS	713,947	484,531
21	TOTAL HQLA		365,343
22	TOTAL NET CASH OUTFLOWS		241,351
23	LIQUIDITY COVERAGE RATIO (%)		151.37%

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

12. Basel III LIQUIDITY DISCLOSURES (continued)

NET STABLE FUNDING RATIO (NSFR)

Common Disclosure Template

The below Net Stable Funding Ratio (NSFR) disclosure is prepared in accordance with the requirements of the CBO letter vide circular reference 1147 issued on October 26, 2016.

NSFR disclosure is presented below based on positions as on 31 December 2024.

Bank has maintained NSFR levels of 101%-110% during the year.

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>=1 Year	Weighted Value
ASF ITEM						
1	Capital	521,408	-	-	-	521,408
2	Regulatory Capital	521,408	-	-	-	521,408
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and Deposits from small Business Customers	663,258	306,313	207,831	113,767	1,181,878
5	Stable Deposit	163,381	2,915	2,688	2,076	162,610
6	Less Stable Deposit	499,877	303,398	205,143	111,692	1,019,268
7	Wholesale Funding	676,108	330,122	185,598	260,105	856,020
8	Operational	5,463	-	-	-	2,732
9	Other Wholesale Funding	670,645	330,122	185,598	260,105	853,288
10	Liabilities with matching interdependent Assets					
11	Other Liabilities	-	-	-	-	-
12	NSFR Derivative Liability	-	-	-	-	-
13	All other liabilities and equities not included in above categories	479,660	-	-	-	-
14	Total ASF	-				2,559,306
RSF ITEM						
15	Total NSFR high-quality liquid assets (HQLA)	-				11,468
16	Deposits held at other financial institutions for operational purposes	13,330	-	-	-	6,665
17	Performing Loans and Securities	-				
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	284,719	7,902	-	46,659
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	-	-	-	1,752,789	1,489,871

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

12. Basel III LIQUIDITY DISCLOSURES (continued)

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>=1 Year	Weighted Value
21	With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	76,885	490,773	79,019	-	323,338
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	279,840	181,896
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	114,868	97,638
25	Assets with matching interdependent liabilities					
26	Other Assets:					
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	1,480	32	-	1,512
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	-	152,564	152,564
32	Off-balance sheet items	-	133,991	36,810	83,941	12,737
33	Total RSF	-	-	-	-	2,324,347
34	NET STABLE FUNDING RATIO	-	-	-	-	110.11%

LEVERAGE RATIO (LR)

Common Disclosure Template

The below Leverage Ratio disclosure is prepared in accordance with the requirements of the CBO letter BSD/2017/ BKUP/Leverage/564 – Implementation of Basel III Leverage Ratio issued on 27 August 2017.

(All amounts in OMR'000)

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure			
	Item	Current Quarter	Previous Quarter
1	Total consolidated assets as per published financial statements	3,755,956	3,468,369
2	Adjustments for derivative financial instruments	3,772	2,879
3	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-
4	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	98,451	94,619
5	Other adjustments	-	-
6	Leverage ratio exposure	3,858,179	3,565,867

BASEL II PILLAR III AND BASEL III Disclosures

31 December 2024

12. Basel III LIQUIDITY DISCLOSURES (continued)

Table 2: Leverage ratio common disclosure template			
	Item	Current Quarter	Previous Quarter
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,755,956	3,468,369
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	3,755,956	3,468,369
	Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	2,762	778
5	Add-on amounts for PFE associated with all derivatives transactions	1,010	2,101
11	Total derivative exposures (sum of lines 4 to 10)	3,772	2,879
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
14	CCR exposure for SFT assets	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
	Other Off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	189,820	177,395
18	(Adjustments for conversion to credit equivalent amounts)	(89,344)	(82,776)
19	Off-balance sheet items (sum of lines 17 and 18)	100,476	94,619
	Capital and total exposures		
20	Tier 1 capital	513,456	511,946
21	Total exposures (sum of lines 3, 11, 16 and 19)	3,858,179	3,565,867
	Leverage Ratio		
22	Basel III leverage ratio (%)	13.31%	14.36%

The financial statements and other related disclosures are also available on the Bank's website, to view it on the website refer the link <https://ahlibank.om/investor-relations/financial-highlights/annual-reports/>.

The Basel II, Pillar III report is prepared in accordance with the requirements of Basel II, Pillar III disclosures as set out in the CBO circulars BM1009 and BM1027.

Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated March 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated 26 October 2016. The Bank's disclosure on leverage was prepared as per CBO circular on leverage ratio, issued on 27 August 2017 and CBO circular No. BM 1157 on Implementation of Basel III Leverage Ratio Standard dated 30 December 2018.

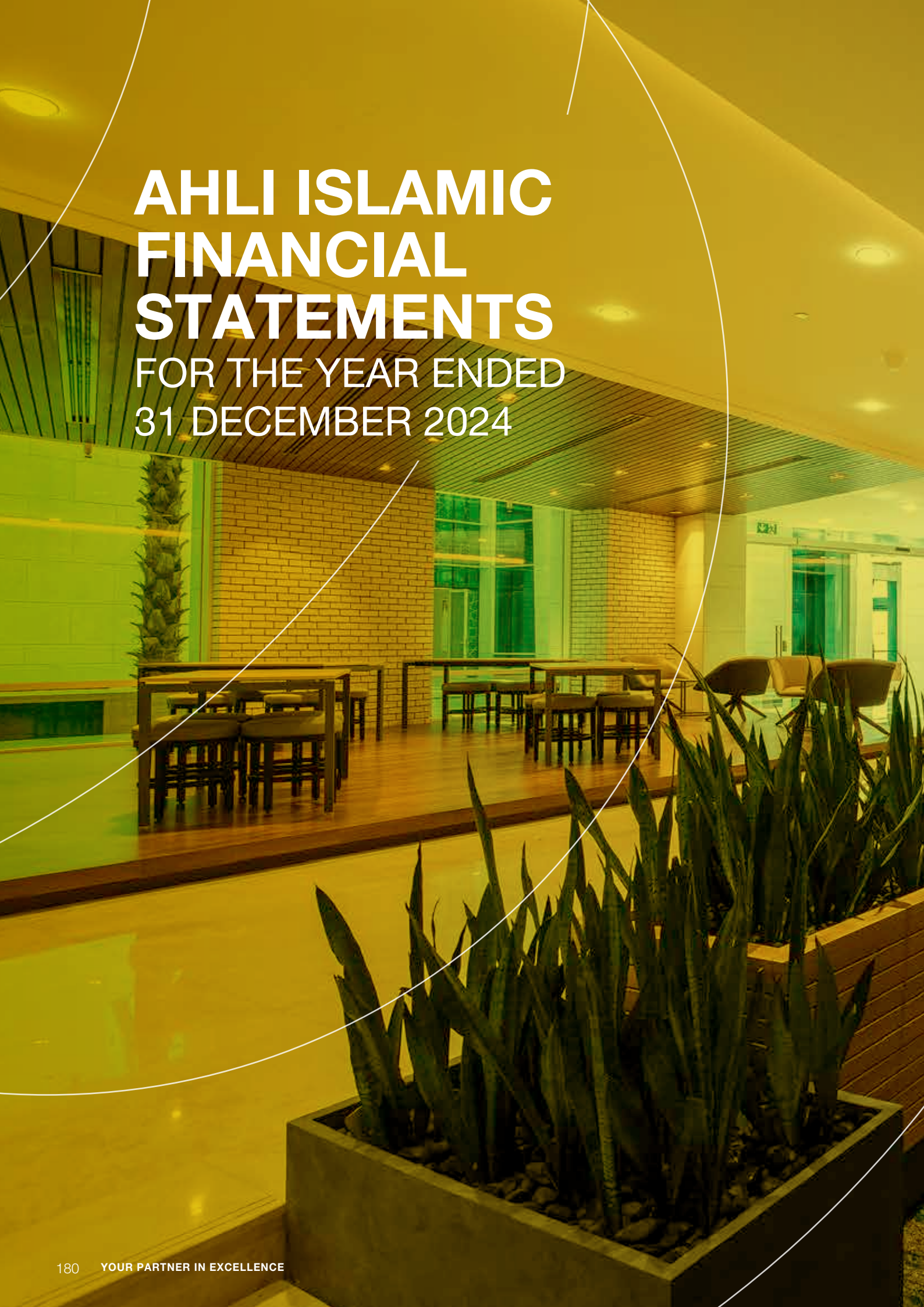
For ahlibank SAOG



Hamdan Ali Nasser Al Hinai

Chairman

Date: 29 January 2025

A photograph of a modern interior space, likely a lounge or meeting area. In the foreground, there is a large, rectangular planter box filled with dark, pointed-leaf plants. Behind it, several wooden tables and chairs are arranged in a row. The walls are made of light-colored brick, and there are large windows in the background. The ceiling is a grid of recessed lights. The entire image has a warm, yellowish tint and is overlaid with thin white curved lines.

AHLI ISLAMIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024



In the name of Allah, The Beneficent, The Merciful

Ahli Islamic, Ahli Bank SAOG

Shari'a Supervisory Board Report

All praise to Allah, and peace be upon His messenger, his family, his companions and those who followed them with until the Day of Judgment.

To the Shareholders of Ahli Bank SAOG

Assalam Alikum wa Ramat Allah wa Barakatuh

In compliance with the letter of appointment, the Shari'a Supervisory Board has reviewed the products and the contracts relating to the transactions which were made by Ahli Islamic, Ahli Bank SAOG (the "Bank") during the period (01.01.2024 to 31.12-2024) ended 2024 to ensure that they comply with the *Fatawa* issued by the Board as per Sharia rules and principles.

The Bank's management is responsible for ensuring implementation of resolutions of the Shari'a Supervisory Board and to inform the Board with regard to the operations and the developments, which require issuance of resolutions from the Shari'a Supervisory Board and directing the Bank towards compliance with the provisions and principles of Islamic Shari'a

The Shari'a Supervisory Board responsibility is to issuing *Fatawa* and monitoring their implementation based on the Shari'a audit reports for the Bank.

In opinion of the Board:

1. The contracts, transactions and dealings entered into by the Bank, which we reviewed, during the year ended 2024 are in compliance with Shari'a rules and principles.
2. The distribution of profit and charging of losses relating to investment accounts conform to the base that had been approved by the Shari'a Supervisory Board of the Bank in accordance with rules and principles of Islamic Shari'a.
3. All earning that has been realized from sources or by means prohibited by rules and principles of Islamic Shari'a have been disposed of by the management of the Bank to the accredited charity organization,
4. The Bank's management is not authorized to pay Zakat on behalf of the shareholders and the responsibility for payment of the Zakat lies with the shareholders.

We beg Allah the Almighty to grant us all the success.

Sharia Supervisory Board



- 1. Sheikh Dr. Ali Mohieldin Al Qaradaghi (Chairman of the SSB)**



- 2. Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi (Deputy Chairman of the SSB)**



- 3. Sheikh Dr. Abdul Rahman Bin Mubarak Al Nofli (Member of the SSB)**

Rajab 29, 1446 AH/January 29, 2025

SSB Resolutions Year 2024

SSB Meeting	Resolution No.	Subject of the Resolution	Brief of the SSB Resolution
SSB 47th Meeting (SSB-47-2024)	1 (SSB-47-2024)	Minutes of SSB 46th Meeting	The SSB signed the Minutes of the 46 number Meeting.
	2 (SSB-47-2024)	Product and Consumer Protection Policy	The SSB reviewed the Product and Consumer Protection Policy and approved it.
	3 (SSB-47-2024)	Treasury Back Office Procedure Manual	The SSB reviewed the Treasury Back Office Procedure Manual and approved it.
	4 (SSB-47-2024)	Shari'a Audit Reports of: 1. Corporate and SME Islamic for Q.3. 2023 2. Retail Islamic Banking for Q.3. 2023 3. Treasury and Trade Finance for Q.3. 2023 4. Corporate and SME Islamic for Q.4. 2023 5. Treasury and Trade Finance for Q.4. 2023	The SSB reviewed the Sharia Audit Reports of Quarter 3 and 4 for the year 2023 and gave its opinion on the issues noted.
	5 (SSB-47-2024)	Shari'a Training Plan for 2024	The SSB reviewed the Shari'a Training Plan for the year 2024 and approved it.
	6 (SSB-47-2024)	Shari'a Audit Plan for 2024	The SSB reviewed the Shari'a Audit Plan for the year 2024 and approved it.
SSB 48th Meeting (SSB-48-2024)	1 (SSB-48-2024)	Selection of Shari'a Supervisory Board Chairman and Deputy Chairman	The member of the Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG (SSB) selected Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi as Chairman and Sheikh Dr. Ahmed Muzaffar Al Rawahi as Deputy Chairman of the SSB
	2 (SSB-48-2024)	Approval of the Wakala Bil Bai' Product	The SSB reviewed Wakala Bil Bai' and approved it.
	3 (SSB-48-2024)	Proposal to Reduce the Performance Incentive of Wakil under Services Ijara cum Wakala based Financing Product	After reviewing the proposal, the SSB decided that the Bank should complain to the company because the company must exert its full efforts as the bank's agent to collect this money and pay it to the Bank. This Wakala money (the amount of the sale of services) is the Bank's right. If the Bank does not leave any amounts to the customer as a performance incentive and the Customer also leaves a part of the performance incentive in favour of the Bank, there is no objection to it according to Sharia law, and this is permissible
	4 (SSB-48-2024)	Shari'a Audit Reports of 2nd Q. 2024 I. Sharia Audit Report of Retail Banking II. Sharia Audit Report of Corporate Banking III. Sharia Audit Report of Treasury IV. Sharia Audit Report of Trade	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG (SSB) reviewed the subject reports and expressed detailed opinion on each observation in the audit reports. The Board has emphasized that it is responsibility of the Bank's management in rectifying mistakes and recurring errors in operations

SSB Meeting	Resolution No.	Subject of the Resolution	Brief of the SSB Resolution
SSB 48th Meeting (SSB-48-2024)	5 (SSB-48-2024)	Shari'a Structure of Islamic Commercial Papers	The SSB reviewed the Shari'a structure of Islamic Commercial Papers and opined as follows: - There is a contradiction in the following contents of the proposal, as the first clause states that losses are proportionate to the investment, but the later clause assures profits. - In case of any losses, it will be shared between the Company and the Financiers in proportion to their contribution in the Musharakah Capital, and - At the end of the Musharakah Term, the Company will return the ICP Musharakah Capital to the Financiers along with their share of profit / losses / Hiba as per above - The following clause needs correction: - In case the Company generates profit on the Musharakah Capital which is lower than the Expected Musharakah Profit Rate, the Company agrees to give Hiba to the Financiers to compensate for any shortfall should be amended. The gift should be made as a promise from the company so that it is independent of the Musharaka agreement. The gift amount should be from the company's profits and not from the original capital. - Musharaka structure contains risks in terms of achieving the expected profits and satisfying the customers, and if there is any element indicating losses, investors do not trust on it. However, the structure of the Wakala Bil Murabaha is better in terms of risks, as the Bank buys the products from the company and appoints the company as an agent to sell the products with Murabaha (cost plus profit) to prospective buyers. In this way, the risks are less comparing to Musharaka based structure and investors trust on their investments. - Both Musharaka and Wakala bil Murabaha are fine from Sharia perspective and the Bank may decide to use any method suitable to the bank. If the bank decides structure of Islamic commercial papers based on the Sharikat ul Aqd, then proposal must be modified based on the recommendations mentioned above under point 1 and 2 and should be submitted to the Sharia Supervisory Board for review and approval.
	6 (SSB-48-2024)	Proposal to Finance Clients: - To Purchase Shares and Sukuk on the basis of Murabaha and - To Invest in Shares, Sukuk, Islamic Mutual Funds and Islamic Real Estate Exchange-Traded Funds (REITs)	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG (SSB) reviewed the subject proposal and approved it with following recommendations to be incorporate in the proposal: - It is necessary to ensure that the shares and Sukuk are registered in the name of the bank before their sale to the clients through Murabaha and in the case of initial public offerings (IPOs), the shares can be registered in the name of the client through the agency agreement. - Under the agency, when the client buys the shares or Sukuk as the bank's representative, he must inform the bank about the purchase of the shares and this condition must be part of the agency agreement. - Before financing the shares, it is necessary to ensure that the shares comply with the provisions of Islamic Sharia

SSB Meeting	Resolution No.	Subject of the Resolution	Brief of the SSB Resolution
SSB 49th Meeting (SSB-49-2024)	The SSB conducted its meeting with the Board of Directors and discussed progress and development of Ahli Islamic.		
SSB 50th Meeting (SSB-50-2024)	1 (SSB-50-2024)	Ratification of Minutes of SSB 48 and 49th Meeting	The SSB signed the Minutes of the 48 and 49th Meeting.
	2 (SSB-50-2024)	Shari'a Fatwa for Islamic Commercial Papers of Oman Flour Mills Company SAOG	The SSB issued Shari'a Fatwa for Islamic Commercial Papers of Oman Flour Mills Company SAOG
	3 (SSB-50-2024)	Proposal for Disbursement of Charity Collection for Year 2024	The SSB approved the proposal for charity amount disbursement to the following charitable organization: 1. Sumail Zakat Fund Waqf 2. Bousher Charity Foundation 3. Hidayah Waqf Foundation
	4 (SSB-50-2024)	Shari'a Audit Reports of 3rd Q. 2024 I. Sharia Audit Report of Retail Banking II. Sharia Audit Report of Corporate Banking III. Sharia Audit Report of Treasury	The SSB reviewed the Sharia Audit Reports of Quarter 3 and 4 for the year 2024 and gave its opinion on the issues noted.
	5 (SSB-50-2024)	Inquiry: If the Bank pays tax on the asset which is subject of Musharaka, is it possible to make such cost part of Musharaka unit price and can the Bank change the rentals element accordingly.	The Bank may make tax costs part of the Musharaka units price. Also it is allowed to amend the rentals of the future period with mutual consent of the parties.
	6 (SSB-50-2024)	Proposal to Increase the Charity Rate from 0.5% to 1% in the event of late payments under the financings	After reviewing the proposal the SSB approved the increase in the charity rate applied in the event of late payment of installments.

In the Name of Allah, the Merciful, the Compassionate

Shari'a Fatwa

For Wakala Bil Bai' Product (Financing Product with the Name Al Tijjara)

All praise to Allah, Lord of the worlds, and peace and blessings be upon the most honorable of messengers, our Prophet Muhammad, and upon his family, companions, and those who follow them with excellence until the Day of Judgment.

On Tuesday the 24th of Jamadi Al Awal 1446 Hijri that corresponds to November 26, 2024 – meeting # (SSB – 48 – 2024) –the Shari'a Supervisory Board (the "SSB") the Shari'a Supervisory Board of Ahli Islamic, Ahli Bank SAOG ("Ahli Islamic/the Bank") issued a fatwa regarding Wakala Bil Bai' as follows:

Shari'a Opinion

After studying and reviewing the submitted documents of the Wakala Bil Bai' financing product, which state that the structure of Wakala Bil Bai's is based on the principles of buying, selling, and agency, which are based on the principles of Islamic Shari'a. The proposed product was approved in accordance with the Shari'a principles on which the product was built.

And Allah knows the best.

Shari'a Supervisory Board

Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi

(Chairman)



Sheikh Dr. Ahmed Muzaffar Al Rawahi

(Deputy Chairman)



Sheikh Dr. Abdul Rahman Mubarak Al Nofli

(Member)

In the Name of Allah, the Most Gracious, the Most Merciful

Shari'a Fatwa

for Islamic Commercial Papers of Oman Flour Mills Company SAOG

All praise to Allah, Lord of the worlds, and peace and blessings be upon the most honorable of messengers, our Prophet Muhammad, and upon his family, companions, and those who follow them with excellence until the Day of Judgment.

On Thursday the 25th of Jamadi Al Thani 1446 Hijri that corresponds to December 26, 2024 – meeting # (SSB – 48 – 2024) –the Sharia Supervisory Board (the "SSB") the Shari'a Supervisory Board of Ahli Islamic, Ahli Bank SAOG ("Ahli Islamic/the Bank") issued a Shari'a opinion regarding the Islamic Commercial Papers of for Oman Flour Mills Company SAOG (the "Company") as follows:

Shari'a Opinion

After reviewing and studying the documents submitted for the Islamic Commercial Papers of Oman Flour Mills Company SAOG ("the Company"), it has been determined that the investment structure is based on the principles of Sharikat ul Aqd in accordance with the provisions of Islamic Shari'a.

Returns for investors will be derived from the profits generated by the business's activities of the Company, while losses will be borne by investors in proportion to their contributions to the partnership, except for losses arising due to misconduct, negligence, or breaches of the terms of the partnership agreement by the Company.

The SSB has approved the appointment of the Bank as the financial advisor for the issuance of the Islamic Commercial Papers by the Company.

The proposed Islamic Commercial Paper, defined in the structure paper, is approved based on the Shari'a principles.

And Allah knows best.

Sharia Supervisory Board



Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi

(Chairman)



Sheikh Dr. Ahmed Muzaffar Al Rawahi

(Deputy Chairman)



Sheikh Dr. Abdul Rahman Mubarak Al Nofli

(Member)

Independent auditor's report to the shareholders of Ahli Bank SAOG

Opinion

We have audited the accompanying financial statements of **Ahli Islamic** (the 'Islamic Window'), Islamic window of Ahli Bank SAOG (the 'Bank'), which comprise the statement of financial position as at 31 December 2024, and the statement of income and other comprehensive income, statement of changes in owners' equity, statement of income and attribution to quasi-equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Islamic Window as at 31 December 2024, and the results of the operations, its cash flows, changes in owners' equity, changes in income and attribution related to quasi-equity for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by Central Bank of Oman (CBO) and other applicable requirements of CBO

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFI") issued by AAOIFI. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Islamic Window in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Annual Report Section of Islamic Window, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Shari'ah Supervisory Board Report including List of Fatwas and Regulatory disclosure under Basel II and Basel III framework of the Islamic Window which form part of the annual report section of Islamic Window. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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



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

Responsibilities of management and those charged with governance for the financial statements

These financial statements and the Islamic Window's undertaking to operate in accordance with Islamic Shari'ah's Rules and Principles, as determined by the Shari'ah Supervisory Board, are the responsibility of the Bank's Board of Directors.

The Banks' Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Financial Accounting Standards issued by the AAOIFI as modified by CBO, and for such internal control as the Bank's Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank's Board of Directors is responsible for assessing the Islamic Window's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank's Board of Directors either intends to liquidate the Window or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
4 March 2025



Signed by
Ahmed Al Qassabi
Partner
ACCA Membership No. 0820917

A large, stylized handwritten signature in black ink, appearing to be "A. Qassabi".

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

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

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

2023	2024		2024	2023
US\$ '000	US\$ '000	Note	RO '000	RO '000
Operating Income				
75,762	94,740	Income from financing activities	36,475	29,168
9,462	10,961	Income from investing activities	4,220	3,643
8,055	17,138	Other operating income	6,598	3,101
93,279	122,839		47,293	35,912
Operating expenses				
(12,556)	(14,950)	Staff expenses	(5,756)	(4,834)
(2,535)	(2,964)	Depreciation	(1,141)	(976)
(5,833)	(10,927)	Other operating expenses	(4,207)	(2,245)
(20,924)	(28,841)		(11,104)	(8,055)
Net Operating Income - before impairment and expected credit losses				
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	Net Operating Income	34,551	26,158
(46,358)	(64,917)	Profit attributable to quasi - equity	(24,993)	(17,848)
Net income before tax				
21,584	24,826		9,558	8,310
(3,239)	(3,725)	Taxation	(1,434)	(1,247)
18,345	21,101	Net income for the year	8,124	7,063
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss				
161	(1,185)	Changes in fair value of securities measured through equity	(456)	62
Items that will be reclassified to profit or loss				
1,275	795	Changes in fair value of debts measured through equity	306	491
1,436	(390)	Other comprehensive (loss)/income for the year	(150)	553
19,781	20,711	Total comprehensive income for the year	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	Investment fair value reserve	Impairment reserve	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	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
At 31 December 2024	50,000	(303)	3,370	38,894	91,961
At 31 December 2024 (US\$ '000)	129,870	(787)	8,753	101,023	238,859

	Share capital	Investment fair value reserve	Impairment reserve	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	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
At 31 December 2023	45,000	(153)	3,383	30,757	78,987
At 31 December 2023 (US\$ '000)	116,883	(397)	8,787	79,888	205,161

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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
93,279	122,839	Operating income before profit attributable to quasi - equity	47,293	35,912
(17,517)	(28,099)	Less: Income not attributable to quasi - equity	(10,818)	(6,744)
75,762	94,740	Net operating income attributable to quasi - equity	36,475	29,168
		Profit equalization reserve - net movement		
57	262	Add: Opening	101	22
262	509	Less: Closing	196	101
319	247	Net movement in reserve	(95)	(79)
76,081	94,987	Total income attributable to quasi - equity - reserve adjusted	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	Total income attributable to quasi-equity	24,993	17,848

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

2023	2024		2024	2023
US\$ '000	US\$ '000	Note	RO '000	RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
21,584	24,826	Net income before tax	9,558	8,310
		<i>Adjustments for:</i>		
2,535	2,964	Depreciation - property and equipment	1,141	976
4,413	4,255	Net impairment on financial assets	1,638	1,699
(621)	(16)	Gain on sale of investment	(6)	(239)
27,911	32,029	Operating profit before change in operating assets and liabilities	12,331	10,746
(7,592)	(37,125)	Increase in murabaha receivables	(14,293)	(2,923)
33,151	(121,758)	(Increase)/decrease in musharaka receivables	(46,877)	12,763
(3,036)	(8,164)	Increase in service ijarah receivables	(3,143)	(1,169)
(686)	(1,249)	Increase in credit card receivables	(481)	(264)
(91,083)	(205,083)	Increase in wakala bil Istithmar	(78,957)	(35,067)
(13,117)	13,117	Decrease/(increase) in istisna receivable	5,050	(5,050)
(192)	104	Decrease/(increase) in qard hassan financing	40	(74)
(99,000)	99,000	Decrease/(increase) in wakala placements	38,115	(38,115)
(1,626)	(13,403)	Increase in other assets	(5,160)	(626)
(2,242)	39	Increase/(decrease) in due to banks	15	(863)
(8,699)	14,478	Increase/(decrease) in customers' current accounts	5,574	(3,349)
8,195	11,983	Increase in other liabilities	4,613	3,155
318,013	293,171	Increase in quasi - equity	112,871	122,435
159,997	77,139	Cash generated from operations	29,698	61,599
CASH FLOWS FROM INVESTING ACTIVITIES				
5,218	5,532	Decrease in investment in ijarah assets - ijarah muntahia bittamleek	2,130	2,009
(31,919)	(260)	Purchase of investments	(100)	(12,289)
2,119	4,249	Proceeds from sale/maturity of investments	1,636	816
(7,156)	(11,584)	Purchase of property, equipment and intangibles	(4,460)	(2,755)
(31,738)	(2,063)	Net cash used in investing activities	(794)	(12,219)
CASH FLOWS FROM FINANCING ACTIVITIES				
25,974	12,987	Proceeds from allocation of capital	5,000	10,000
(1,345)	(2,065)	Repayment of principal of lease liabilities	(795)	(518)
24,629	10,922	Net cash generated from financing activities	4,205	9,482
152,888	85,998	NET CHANGE IN CASH AND CASH EQUIVALENTS	33,109	58,862
52,683	205,571	Cash and cash equivalents at 1 January	79,145	20,283
205,571	291,569	CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Refer below)	112,254	79,145
2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
203,740	127,229	Cash and current balances with Central Bank of Oman	48,983	78,440
1,831	164,340	Due from banks	63,271	705
205,571	291,569	Cash and cash equivalents	112,254	79,145

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

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

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 Quasi 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.

3.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Wakala bil Istithmar (continued)

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:

- 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

	Years
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 accountholders (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 accountholder authorizes the Islamic Window to invest the accountholder'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 accountholders. 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 accountholders 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 accountholder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Islamic Window does not acts 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accountholders.

4.16 Investment risk reserve

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

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 ijarah 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 tax rate would amount to RO 1.434 million (2023: 1.247 million).

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).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Impairment of Financial Contracts (continued)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 De-recognition of financial assets and liabilities (continued)

- 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 investments 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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.

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
203,740	127,229		48,983	78,440

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)
100,678	164,338		63,270	38,761

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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)
106,768	152,296		58,634	41,106

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

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
(14,647)	(21,197)	Deferred profit at the end of the year	(8,161)	(5,639)

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)
166,169	371,452		143,009	63,975

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
		Less: Impairment loss allowance		
(5,000)	(7,369)	Stage 1 and 2 (Note 33)	(2,837)	(1,925)
(14,414)	(14,203)	Stage 3 (Note 33)	(5,468)	(5,549)
802,570	922,171		355,036	308,990

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

11 INVESTMENT SECURITIES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Debt type instrument at fair value through other comprehensive income		
127,771	11,125	Sukuks	4,283	49,192
		Debt type instrument at fair value through income statement		
-	116,995	Sukuks	45,043	-
-	688	Open end mutual fund and equity	265	-
		Equity type instrument at fair value through other comprehensive income		
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
161,174	160,561		61,816	62,052

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	292,888	Cost	112,762	128,604
(105,997)	(70,382)	Accumulated depreciation	(27,097)	(40,809)
228,039	222,506	Book value	85,665	87,795
		Less: Impairment loss allowance		
(3,215)	(13,964)	Stage 1 and 2 (Note 33)	(5,376)	(1,238)
(923)	(841)	Stage 3 (Note 33)	(324)	(355)
223,901	207,701	Net book value	79,965	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	4,057	Islamic Credit Card	1,562	1,081
		Less: Impairment loss allowance		
(11)	(8)	Stage 1,2 & 3 (Note 33)	(3)	(4)
2,797	4,049	Net book value	1,559	1,077

14 SERVICE IJARAH

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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	- Net book value		-	5,044

16 QARD HASSAN FINANCING

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
192	88 Qard Hassan Financing		34	74
	Less: Impairment loss allowance			
-	- Stage 1 & 2 (Note 33)		-	-
192	88 Net book value		34	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 CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9
		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	-	-	-	-	-	-	-
Subtotal		618,607	6,419	-	741	5,678	612,188	617,866
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	21,169	243	-	7,612	(7,369)	20,926	13,557
	Stage 3	-	-	-	-	-	-	-
Subtotal		21,169	243	-	7,612	(7,369)	20,926	13,557
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	228	57	9	70	(13)	171	158
Subtotal		228	57	9	70	(13)	171	158
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122	31	1	51	(20)	91	71
Subtotal		122	31	1	51	(20)	91	71
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	18,312	12,146	1,623	7,546	4,600	6,166	10,766
Subtotal		18,312	12,146	1,623	7,546	4,600	6,166	10,766
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	-
Subtotal		162,713	-	-	1,077	(1,077)	162,713	161,636
		744,662	6,229	-	344	5,885	738,433	744,318
		57,607	433	-	8,866	(8,433)	57,174	48,741
		18,882	12,234	1,633	7,887	4,347	6,648	10,995
Total		821,151	18,896	1,633	17,097	1,799	802,255	804,054

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16.1 FINANCING ACTIVITIES (Continued)

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
		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)
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	-	-	-	-	-	-	-
Subtotal		23,831	119	-	1,417	(1,298)	23,712	22,414
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122	30	-	50	(20)	92	72
Sub total		122	30	-	50	(20)	92	72
Total	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	122	30	-	50	(20)	92	72
	Total	23,953	149	-	1,467	(1,318)	23,804	22,486

*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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16.1 FINANCING ACTIVITIES (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 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 CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9
(1)	(2)	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	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	-	-	-	-	-	-	-
Subtotal		482,887	5,040	-	2,024	3,016	477,847	480,863
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	20,135	210	-	1,299	(1,089)	19,925	18,836
	Stage 3	-	-	-	-	-	-	-
Subtotal		20,135	210	-	1,299	(1,089)	19,925	18,836
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,382	346	2	172	176	1,036	1,210
Subtotal		1,382	346	2	172	176	1,036	1,210
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	360	126	8	125	9	234	235
Subtotal		360	126	8	125	9	234	235
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	17,143	12,085	2,662	11,818	2,929	5,058	5,325
Subtotal		17,143	12,085	2,662	11,818	2,929	5,058	5,325
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	-
Subtotal		221,310	-	-	1,061	(1,061)	221,310	220,249
Total		667,349	4,786	-	1,470	3,316	662,563	665,879
		56,841	464	-	2,772	(2,308)	56,377	54,069
		19,027	12,557	2,672	12,257	2,972	6,470	6,770
		743,217	17,807	2,672	16,499	3,980	725,410	726,718

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16.1 FINANCING ACTIVITIES (Continued)

16.1.5 Restructured Loans

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount RO '000	Provision required as per CBO Norms RO '000	Suspended profit as per CBO norms RO '000	Provision held as per IFRS 9 RO '000	Difference between CBO provision required and provision held RO '000	Net Carrying Amount as per CBO norms* RO '000	Net Carrying Amount as per IFRS 9 RO '000
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(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	-	-	-	-	-	-	-
Subtotal		73,990	370	-	2,411	(2,041)	73,620	71,579
Classified as non- performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	65	16	-	23	(7)	49	42
Sub total		65	16	-	23	(7)	49	42
Total	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	65	16	-	23	(7)	49	42
	Total	74,055	386	-	2,434	(2,048)	73,669	71,621

*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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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
Cost:								
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)
At 31 December 2024	1,762	2,266	2,234	1,635	336	4,773	107	13,113
Accumulated depreciation:								
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)
At 31 December 2024	293	974	783	974	109	1,333	-	4,466
Net book value as at								
At 31 December 2024	1,469	1,292	1,451	661	227	3,440	107	8,647
At 31 December 2024 (US\$ '000)	3,816	3,356	3,769	1,717	589	8,935	278	22,460
Cost:								
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)
At 31 December 2023	1,762	1,899	1,060	1,162	279	3,233	-	9,395
Accumulated depreciation:								
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)
At 31 December 2023	222	906	562	891	90	1,149	-	3,820
Net book value as at								
At 31 December 2023	1,540	993	498	271	189	2,084	-	5,575
At 31 December 2023 (US\$ '000)	4,000	2,579	1,294	704	491	5,413	-	14,481

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

18 OTHER ASSETS

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
10,595	24,870	Profit receivable on financing	9,575	4,079
499	481	Profit receivable on sukus	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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
21	60	Vostro account balances	23	8
21	60		23	8

20 OTHER LIABILITIES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	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	2024		2024	2023
US\$ '000	US\$ '000		RO '000	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 accountholders during the year was 3.37% (2023: 3.10%). Profit sharing ratio of mudarib as at 31 December 2024 was 25% (2023: 25%)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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

24 INCOME FROM FINANCING ACTIVITIES

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

25 INCOME FROM INVESTING ACTIVITIES

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

26 OTHER OPERATING INCOME

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

27 PROFIT ATTRIBUTABLE TO QUASI - EQUITY

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

28 STAFF EXPENSES

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

29 OTHER OPERATING EXPENSES

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

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
		Directors, Shariah Supervisory Board and senior management		
52	88	Financing assets	34	20
2,919	3,714	Customers' deposits	1,430	1,124
		Major shareholders and its subsidiaries		
138	356	Nostro account balances	137	53
400	688	Investment securities	265	154
17,500	12,987	Due to banks - Wakala acceptances	5,000	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
		Directors, Shariah Supervisory Board and senior management		
3	-	Profit earned	-	1
68	42	Shariah Supervisory Board remuneration	16	26
12	12	Shariah Supervisory Board sitting fee	5	5

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

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	2024	2024	2023	2023	2023
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
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
	<u>4,625</u>	<u>57,191</u>	<u>61,816</u>	<u>62,052</u>	<u>-</u>	<u>62,052</u>
Financial assets	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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
	<u>12,013</u>	<u>148,548</u>	<u>160,561</u>	<u>161,174</u>	<u>-</u>	<u>161,174</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

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	Stage 2	Stage 3	Total	Total
	RO '000	RO '000	RO '000	RO '000	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
Gross carrying amount	744,662	57,607	18,882	821,151	743,217
Impairment loss allowance	344	8,866	7,887	17,097	16,499
Carrying amount	744,318	48,741	10,995	804,054	726,718

	2024				2023
	Stage 1	Stage 2	Stage 3	Total	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	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
Gross carrying amount	1,934,188	149,628	49,044	2,132,860	1,930,434
Impairment loss allowance	894	23,028	20,486	44,408	42,855
Carrying amount	1,933,294	126,600	28,558	2,088,452	1,887,579

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

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
Opening balance as at 1 January 2024				
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
Net transfer between stages				
Financings	298	(230)	(68)	-
Financing commitments and financial guarantees	(4)	4	-	-
Charge for the Year (net)				
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
Closing balance as at 31 December 2024				
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.
- Deferment / 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

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: ≥ 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.

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%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

33.1.12 Definition of default (continued)

Sensitivity analysis - ECL (continued)

2024			2024		
Impact on ECL	ECL		ECL	Impact on ECL	
US\$'000	US\$'000		RO'000	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	

2023			2023		
Impact on ECL	ECL		ECL	Impact on ECL	
US\$'000	US\$'000		RO'000	RO'000	
	11,018	ECL on non impaired financial contracts	4,242		
(600)	10,418	Good scenario - 100% weighted	4,011	(231)	
(25)	10,992	Base scenario - 100% weighted	4,232	(9)	
649	11,668	Bad scenario - 100% weighted	4,492	250	

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

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
31 December 2024	RO '000	RO '000	RO '000	RO '000	RO '000
Assets					
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
Total assets	248,040	74,427	112,227	402,114	836,808
Liabilities, Quasi - equity and owners' equity					
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
Total liabilities, Quasi - equity and owners' equity	200,169	237,550	78,867	320,222	836,808
Net liquidity gap	47,871	(163,123)	33,360	81,892	-
Cummulative liquidity gap	47,871	(115,252)	(81,892)	-	-

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2024	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets					
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
Total assets	644,261	193,318	291,495	1,044,453	2,173,527
Liabilities, Quasi - equity and owners' equity					
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
Total liabilities, Quasi - equity and owners' equity	519,920	617,013	204,849	831,745	2,173,527
Net liquidity gap	124,341	(423,695)	86,646	212,708	-
Cummulative liquidity gap	124,341	(299,354)	(212,708)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.2 LIQUIDITY RISK (continued)

	Upto three months 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
31 December 2023					
Assets					
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
Total assets	178,077	99,695	79,696	341,460	698,928
Liabilities, Quasi - equity and owners' equity					
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
Total liabilities, Quasi - equity and owners' equity	122,393	176,030	120,448	280,057	698,928
Net liquidity gap	55,684	(76,335)	(40,752)	61,403	-
Cummulative liquidity gap	55,684	(20,651)	(61,403)	-	-

	Upto three months US\$ '000	Above three months to twelve months US\$ '000	Above one year to five years US\$ '000	More than five years US\$ '000	Total US\$ '000
31 December 2023					
Assets					
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
Total assets	462,537	258,948	207,003	886,907	1,815,395
Liabilities, Quasi - equity and owners' equity					
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
Total liabilities, Quasi - equity and owners' equity	317,904	457,221	312,852	727,418	1,815,395
Net liquidity gap	144,633	(198,273)	(105,849)	159,489	-
Cummulative liquidity gap	144,633	(53,640)	(159,489)	-	-

FOR THE YEAR ENDED 31 DECEMBER 2024

33.3 MARKET RISK

33.3.1 PROFIT RATE RISK

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

33.3.2 FOREIGN EXCHANGE RISK

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
65,931	5,213	US Dollar	2,007	25,384
133	931	Euro	358	51
2,649	776	UAE Dirham	299	1,020
87	152	GBP Sterling	58	34
132	530	Others	204	51

Changes in the non-parity foreign currency prices as at 31 December 2024 on net assets is considered negligible.

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.5 CONCENTRATION RISK (continued)

2024							
	Murabaha, gross	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities
<i>Concentration by industry</i>	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	-

2023							
<i>Concentration by industry</i>	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
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	-

2024							
	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities	Investment securities
<i>Concentration by location</i>	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '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	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.5 CONCENTRATION RISK (continued)

	2023						
	Murabaha, gross RO '000	Wakala bil Istithmar gross RO '000	Musharaka, gross RO '000	Ijarah Muntahia Bittamleek RO '000	Other financings, gross RO '000	Due from banks RO '000	Investment securities RO '000
Concentration by location							
Oman	44,701	64,067	316,464	87,795	8,880	38,115	62,052
Other GCC countries	-	-	-	-	-	165	-
Unites States of America	-	-	-	-	-	479	-
OECD countries	-	-	-	-	-	61	-
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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

34 CAPITAL MANAGEMENT (continued)

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
194,777	228,065	Common Equity Tier 1 (CET1)	87,805	74,989
194,777	228,065	Tier 1	87,805	74,989
5,406	4,636	Tier 2	1,785	2,081
200,183	232,701	Total regulatory capital	89,590	77,070
		Risk weighted assets		
1,437,829	1,779,963	Credit risk	685,286	553,564
11,135	32,182	Market risk	12,390	4,287
58,312	74,236	Operational risk	28,581	22,450
1,507,276	1,886,381	Total risk weighted assets	726,257	580,301
		Capital adequacy ratio		
12.92%	12.09%	CET1 capital expressed as a percentage of total risk weighted assets	12.09%	12.92%
12.92%	12.09%	Total tier I capital expressed as a percentage of total risk weighted assets	12.09%	12.92%
0.37%	0.26%	Tier II capital expressed as a percentage of total risk weighted assets	0.26%	0.37%
13.28%	12.34%	Total regulatory capital expressed as a percentage of total risk weighted assets	12.34%	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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 SOURCES AND APPLICATION OF CHARITY FUND

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
5	7	Undistributed charity fund at the beginning of the year	3	2
3	3	Penalties to customers for late payment	1	1
5	8	Sharia non-compliant income	3	2
13	18	Total source of charity fund	7	5
Uses of charity fund				
5	10	Donations during the year	4	2
8	8	Undistributed charity fund at the end of the year	3	3

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.



AHLI ISLAMIC BASEL II PILLAR III AND BASEL III FOR THE YEAR ENDED 31 DECEMBER 2024





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Report of factual findings to the Board of Directors of Ahli Bank SAOG (the ‘Bank’) or the ‘Engaging Party’) in respect of Basel II - Pillar III Disclosures and Basel III related disclosures

Purpose of the Agreed Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting **Ahli Islamic** (the ‘Islamic Window’), Islamic window of **Ahli Bank SAOG** (the ‘Bank’) in reporting factual findings to the Board of Directors of the Bank in respect of the disclosure requirements set out by the Central Bank of Oman via Circular No. BM 1009 dated 13 September 2006 and BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and **Basel II - Pillar III Disclosures and Basel III related disclosures** and may not be suitable for another purpose.

The report is intended solely for the **Ahli Islamic** (the “Engaging Party”) and Board of Directors of the Bank and should not be used by, or distributed to, any other parties except to CBO. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement. This report relates only to the matters specified below and does not extend to any financial statements of the Islamic Window taken as a whole.

Responsibility of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement. The Bank is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner’s Responsibilities

We have conducted the agreed upon procedures engagement in accordance with the International Standard on Related Services 4400 (Revised), Agreed Upon Procedures Engagements. An agreed upon procedures engagement involves performing the procedures that have been agreed with the Engaging Party, and reporting the findings, which are the factual results of the agreed upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“*IESBA Code*”) and the independence requirements in accordance with local laws.



Professional Ethics and Quality Control (continued)

Our firm applies International Standard on Quality Management (“ISQM”) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures enumerated in Appendix I which are included in BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and which were agreed upon with the Engaging Party in terms of the engagement dated 16 April 2024.

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
4 March 2025



S. no.	Procedures	Findings
1	Checked that the Disclosure includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2024 (the "Summary"). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Report.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2024. Checked that the following items are separately disclosed in the calculation: a. paid-up share capital/common stock b. reserves c. minority interests in the equity of subsidiaries (if any) d. innovative instruments e. other capital instruments f. regulatory calculation differences deducted from Tier 1 capital g. other items Further, checked that the following items have been deducted from the Tier 1 capital: a. goodwill; b. deferred taxation; c. investments	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached	No exceptions noted.
4	Agreed to the Islamic Window's audited financial statements as of and for the year ended 31 December 2024 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: a. on balance sheet items; b. off-balance sheet items; c. derivative financial instruments.	No exceptions noted.
5	Checked that the risk weights assigned by management to Claims on Banks, Sovereigns, domestic Public Sector Entities; and Claims on Securities firms etc. are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Islamic Window.	No exceptions noted.



Appendix I (continued)

S. no.	Procedures	Findings
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and Islamic Window records.	No exceptions noted.
9	Checked whether any content of the Disclosures are - internally inconsistent with other parts of the Disclosures - in respect of narrative items, inconsistent with numerical data in the Disclosures - inconsistent with the audited financial statements of the Islamic Window	No exceptions noted.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

1. INTRODUCTION

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) to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations.

The following report presents the qualitative and quantitative disclosures related to capital adequacy, risk profile and control process of the Islamic window on a standalone basis as per the requirements of CBO. These disclosures are intended to complement the minimum capital requirements and supervisory review process of Basel framework. They should be read in conjunction with the financial statements as of 31st December 2024.

2. SCOPE

The scope of application of this report is the Islamic window operations of Ahlibank SAOG only. There are no restrictions on the transfer of funds from the Bank to Islamic window, however, under the Islamic Banking regulatory framework (IBRF), title 9, section 1.10.2, Islamic window cannot place funds with the Bank. The Islamic window does not hold controlling interest in any other entity.

3. CAPITAL STRUCTURE

Qualitative Disclosure

The primary objective of the Bank's Capital management framework is to ensure stability by maintaining adequate amount of high-quality capital to commensurate its risk profile. Healthy levels of capital, support the Bank in attaining strong credit rating and maximizing shareholders value. The framework ensures compliance with regulatory capital requirements set by CBO.

The regulatory capital of the Islamic window is calculated as per the guidelines of CBO and is broadly classified in two categories, Tier I and Tier II capital. Tier 1 capital is composed of core capital and is further classified into Common Equity Tier 1 capital ('CET1') and Additional Tier 1 capital ('AT1'). CET1 includes assigned capital, and retained earnings reduced by cumulative unrealized losses on FVOCI investments and intangibles recognized directly in equity. AT1 capital consists of perpetual capital instruments as specified under Basel III framework, however, Islamic window does not have any such instruments outstanding as of the report date. Tier II capital, which includes stage 1 and stage 2 provision as calculated under IFRS 9 subject to ceilings as per CBO guidelines and investment fair value reserve with regulatory haircut. Equity of unrestricted investment account holders (URIA) is not considered as part of regulatory capital. The Islamic window does not hold any funds from restricted investment account holders (RIA).

There are no amounts in capital adequacy calculation of the Islamic Window which are subject to a different pre-Basel III treatment.

Quantitative Disclosure

The Islamic window's capital structure as at 31 December 2024, based on the CBO guidelines is as follows:

Elements of Capital – RO '000	2024	2023
Tier I Capital		
Assigned capital / Share capital	50,000	45,000
Retained earnings	38,894	30,757
Less: cumulative unrealized losses and intangibles recognized directly in equity	(1,089)	(768)
Tier I capital	87,805	74,989
Tier II Capital		
Revaluation reserves / cumulative fair value gains on FVOCI Instruments	-	155
Stage 1 & Stage 2 expected credit losses	1,785	1,926
Total Tier II Capital	1,785	2,081
Total Regulatory Capital	89,590	77,070
Total equity of investment account holders (Quasi - equity)	692,077	579,206

CBO has 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 compared to December 31, 2019 will be added back to regulatory capital while these provisions will be gradually phased-out during a five-year period ending 31 December 2024. Besides, the bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL, as mentioned above. The impact of above filter on the bank's regulatory capital is 20 bps.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

3. CAPITAL STRUCTURE (continued)

CAPITAL ADEQUACY

Qualitative disclosures

The Islamic window's capital management framework sets out to define, measure, raise and deploy capital in a coordinated and consistent manner. Its objective is to maximize its return on capital and, at the same time, provide an adequate cushion to cover any unexpected losses. The Islamic window manages its capital in an integrated manner with the aim of maintaining strong capital ratios. This calls for a balanced approach, maintaining capital levels that are sufficient to provide a high return to shareholders, meeting the requirements of regulators, rating agencies and other stakeholders (including deposit holders and senior creditors) and supporting future business growth. The cost of capital and its composition in terms of its quality and stability is also considered.

The capital management process of Islamic window is aligned with the strategic planning process of the Bank. Capital planning is carried out in conjunction with the strategic business and financial planning exercise. The Bank maintains a five-year rolling strategic plan which is updated and reviewed by the Board of Directors on an annual basis. Capital requirements are assessed based on projected business plans and budget. The Islamic window uses a prudential building-block approach as the measurement technique to assess capital adequacy for current and future activities, which is compared with the eligible capital.

Risk weights are assigned to assets as per the regulatory guidelines from the CBO. Assets funded by investment accounts are also assigned same risk weights as the assets funded by own equity.

The Islamic window's total capital adequacy ratios are 12.34% and Tier 1 capital adequacy ratios is 12.09% as against the CBO requirement of 11% and 9%, respectively, as at 31st December 2024.

The summary of capital adequacy ratio of the Islamic Window is as below:

Particulars	<i>Risk weighted assets 31 December 2024 – RO 000's</i>	<i>Risk weighted assets 31 December 2023 – RO 000's</i>
On-balances sheet items	670,959	539,722
Off-balance sheet items	14,327	13,842
Total Credit Risk	685,286	553,564
Market risk	12,390	4,287
Operational Risk	28,581	22,450
Total risk weighted assets	726,257	580,301
CET1 capital	87,805	74,989
Tier 1 capital	87,805	74,989
Tier 2 capital	1,785	2,081
Total Regulatory Capital	89,590	77,070
Capital requirement for credit risk	75,381	60,892
Capital requirement for market risk	1,363	472
Capital requirement for operational risk	3,144	2,470
Total required capital	79,888	63,834
CET 1 ratio	12.09%	12.92%
Tier 1 ratio	12.09%	12.92%
Total capital ratio	12.34%	13.28%

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

3. CAPITAL STRUCTURE (continued)

i) Computation of Capital adequacy ratio – RO '000

S.No	Simple Approach	2024	2023
1	Tier I capital (after supervisory deductions)	87,805	74,989
2	Tier II capital (after supervisory deductions and up to eligible limits)	1,785	2,081
3	Risk weighted assets – banking book	685,286	553,564
4	Risk weighted assets – operational risk	28,581	22,450
5	Total Risk Weighted Assets – Banking Book + Operational Risk	713,867	576,014
6	Minimum required capital to support RWAs of banking book and operational risk	78,525	63,362
6.1	i) Minimum required Tier I capital for banking book and operational risk	64,248	51,841
6.2	ii) Tier II capital required for banking book and operational risk	14,277	11,520
7	Tier I capital available for supporting trading book	11,065	13,703
8	Tier II capital available for supporting trading book	-	-
9	Risk Weighted Assets – trading book	12,390	4,287
10	Total capital required to support trading book	1,363	472
11	Minimum Tier I capital required for supporting trading book	388	135
12	Total Regulatory Capital	89,590	77,070
13	Total Risk Weighted Assets – Whole bank	726,257	580,301
14	BIS Capital Adequacy Ratio	12.34%	13.28%

ii) Capital adequacy ratio (RO '000)

Particulars	2024	2023
Total risk weighted assets	726,257	580,301
Total eligible capital	89,590	77,070
Capital adequacy ratio	12.34%	13.28%

iii) Ratio of total capital to total assets (RO '000)

Particulars	2024	2023
Total capital	89,590	77,070
Total assets	836,808	698,928
Total capital to total assets	10.71%	11.03%

iv) Capital requirements according to different risk categories for each Shariah compliant financing contract (RO '000)

	2024	2023
Balances with Central Bank of Oman	-	-
Sovereign	-	-
Due from Banks	3,415	4,232
Murabaha receivables	6,441	4,853
Musharaka receivables	33,622	30,807
Ijarah assets – Ijarah Muntahia Bittamleek	7,938	9,079
Service Ijarah	640	294
Wakala bil istithmar	19,585	7,714
Istisna receivable	-	556
Qard hasan	4	8
Credit card receivables	172	119
Other Assets & off-balance sheet items	3,564	3,230
Total	75,381	60,892

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

4. Risk Management of the Bank

The Islamic window's risk management is centralized at Bank. It is a process whereby the Bank identifies key risks, applies consistent risk measurement techniques, and recommends which risks to accept or reject or mitigate, by what means and establishes procedures to monitor and report the resulting risk position for necessary action. The objective of risk management is to ensure that the Islamic window operates within the risk appetite levels set by the Bank's Board of Directors while pursuing its objective of maximizing the risk adjusted returns.

Being a window operation, the Islamic window risk management is the overall responsibility of the Bank's Board of Directors. The detailed risk management approach of the Bank, which is also applicable to the Islamic window, is explained in the main Pillar III document. The Bank's risk management processes have proven effective for the Islamic window throughout the current year. The Bank's Board of Directors and various management risk committees have remained closely involved with key risk management initiatives, in ensuring the Islamic window's risks are effectively managed and adequate capital is held in line with the requirements.

Detailed risk governance structure of the Bank, which is also applicable to the Islamic Window is disclosed in the main Pillar III document of the Bank. In addition, a dedicated Shari'a Supervisory Board (SSB) has been established which reports to the Board of Directors of the Bank and ensures Shari'a compliance in the operations of the Islamic Window.

Specifically, the Islamic window has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Rate of return risk
- Displaced commercial risk
- Sharia non-compliance risk

5. Credit Risk

Credit risk arises from the potential financial loss resulting from customers / counterparties failing to honor the terms of their contracts. It also includes the risk of loss in portfolio value as a result of migration from lower risk to higher risk categories. The Islamic window evaluates both settlement and pre-settlement credit risk at the customer level, across all products of the Bank.

Credit risk is the most significant risk incurred by the Islamic window, and proactive management is critical to the Islamic window's long-term success.

The Islamic window has a comprehensive due diligence system for approving credit facilities, and well-defined policies on controlling credit risk at the counter-party, group, economic sector, and country levels.

All corporate, bank and sovereign credit requires independent credit risk review to be approved by authorities, from Level II to the BOD, depending on their delegated credit approval authority (CAA). All credit approvals are strictly in accordance with the regulatory guidelines issued from time to time by the Central Bank of Oman. Exceptions in retail credit exposure are escalated to Risk Management Department for necessary approvals.

Risk Management ensures that the appropriate policies, guidelines, processes and procedures exist to cover all business areas of credit risk. It also ensures the consistent application of credit standards through a diligent Credit Review function and post approval review of financing and investment assets through a financing review mechanism (LRM) function and the periodic review and updating of credit policies, guidelines and procedures.

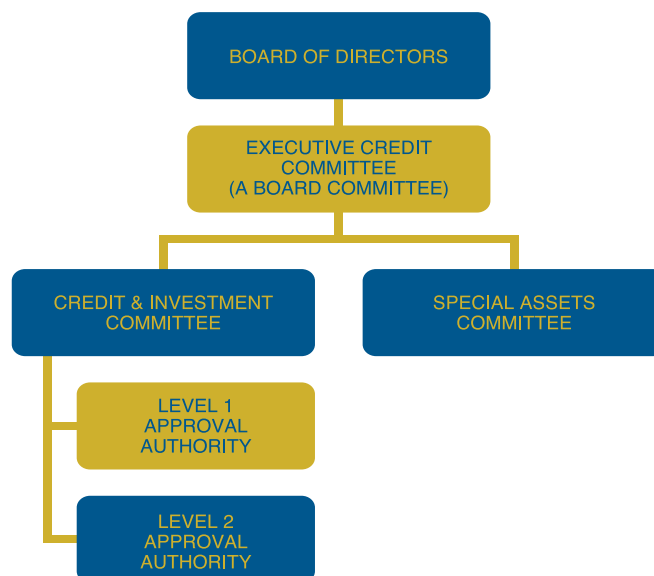
The Bank also has a robust system of borrowers' risk ratings that assesses the default risk of corporate borrowers and monitors ratings changes periodically. Ratings by the major credit rating agencies are also used whenever available.

The credit risk management policies are governed through Credit Risk Management Committee, Executive Risk Committee of the Board and the BOD. The following is the structure of credit risk approval: -

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)



The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full BOD based on the product category like Commercial Banking Lending, Country Limits or Limits for lending to Banks / Fls or Sovereigns, the legal nature of the borrowers and their credit risk rating.

Transaction risk is concerned with the credit risk of a single counter-party. Risk Management ensures that credit is underwritten according to approved standards and that all risks are highlighted in the credit risk review, including policy exceptions. It includes analyzing and reporting on the nature of on- and off-balance sheet counter-party exposure (size, tenor, complexity and liquidity), including secured and unsecured credit facilities.

Concentration risk arises when the Bank disburses a significant amount of credit to a few borrowers or borrowers located in the same geographical location or those exposed to similar economical/political/other risks. To safeguard against concentration risk, sectoral limits have been set for ensuring that the Islamic window is having a well-diversified portfolio, the same is being reviewed by the Bank on a regular basis.

Impairment policy

As a matter of policy, Islamic window creates allowance for impairment of financing contracts promptly and in a consistent manner. The Islamic window has implemented FAS 30 "Impairment credit losses and onerous commitments" accounting norm, based on which impairment is assessed on a forward-looking expected credit loss (ECL) basis, as required by CBO.

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.

All financing assets are classified into one of five risk classification categories, Standard, Special Mention (past due between 60 - 90 days), Substandard (past due between 90 - 180 days), Doubtful (past due between 180 - 365 days) and loss (past due for 365 days or more), as prescribed by CBO.

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. 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 is first recognized, the bank recognizes 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.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

Stage 3

Financing exposure considered credit impaired. The Bank records an allowance for lifetime ECLs. 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 realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.

in case of Treasury and interbank balances, when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Quantitative Disclosure:

i) Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure: (RO '000)

Type of credit exposure	Average Gross Exposure			Total Gross Exposure		
	31-Dec-24	31-Dec-23	% of total exposure	31-Dec-24	31-Dec-23	% of total exposure
Balances with Central Bank of Oman	56,798	42,886	7.37%	42,245	71,350	5.16%
Sovereign	23,337	43,914	3.03%	843	45,831	0.10%
Banks	51,046	19,984	6.62%	63,271	38,820	7.73%
Musharaka receivables	339,903	322,845	44.11%	363,341	316,464	44.39%
Ijarah assets - Ijarah Muntahia Bittamleek	86,730	88,799	11.26%	85,665	87,795	10.47%
Murabaha receivables	51,848	43,240	6.73%	58,994	44,701	7.21%
Credit Card Receivable	1,322	949	0.17%	1,562	1,081	0.19%
Service Ijarah	4,247	2,091	0.55%	5,818	2,675	0.71%
Wakala bil istithmar	103,546	46,533	13.44%	143,024	64,067	17.47%
Istisna receivable	2,525	2,525	0.33%	-	5,050	-
Qard Hasan	54	37	0.01%	34	74	-
Other assets & off-balance sheet items	49,186	35,367	6.38%	53,743	44,628	6.57%
Total	770,542	649,170	100%	818,540	722,536	100%

ii) Credit exposure by risk weighted assets: (RO '000)

As of 31 December 2024

Type of credit exposure	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman	42,245	-
Sovereign	843	-
Banks	63,271	31,048
Musharaka receivables	363,341	305,654
Ijarah assets - Ijarah Muntahia Bittamleek	85,665	72,165
Murabaha receivables	58,994	58,553
Credit Card Receivable	1,562	1,562
Service Ijarah	5,818	5,818
Wakala bil istithmar	143,024	178,048
Qard hasan	34	34
Other Assets & off-balance sheet items	53,743	32,404
Total	818,540	685,286

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Type of credit exposure	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman	71,350	-
Sovereign	45,831	-
Banks	38,820	38,476
Musharaka receivables	316,464	280,059
Ijarah assets – Ijarah Muntahia Bittamleek	87,795	82,539
Murabaha receivables	44,701	44,115
Credit Card Receivable	1,081	1,081
Service Ijarah	2,675	2,675
Wakala Bil Istithmar	64,067	70,134
Istisna receivable	5,050	5,050
Qard hasan	74	74
Other Assets & off-balance sheet items	44,628	29,361
Total	722,536	553,564

iii) Credit exposure by business unit: (RO '000)

As of 31 December 2024

Credit exposure	Business Unit	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman		42,245	-
Sovereign		843	-
Banks		63,271	31,048
Musharaka receivables	SME	15,687	11,833
	Corporate	264,528	264,528
	Retail	83,126	29,293
Murabaha receivables	SME	2,331	1,890
	Corporate	9,415	9,415
	Retail	47,248	47,248
Ijarah assets – Ijarah Muntahia Bittamleek	SME	1,999	1,526
	Corporate	29,301	29,301
	Retail	54,365	41,338
Credit Card Receivable	Retail	1,562	1,562
Service Ijarah	Retail	3,952	3,952
	Corporate	1,866	1,866
Wakala bil istithmar	Corporate	143,024	178,048
Qard Hassan	Retail	34	34
Other Assets & off-balance sheet items		53,743	32,404
Total		818,540	685,286

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Credit exposure	Business Unit	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman		71,350	-
Sovereign		45,831	-
Banks		38,820	38,476
	SME	12,701	9,526
Musharaka receivables	Corporate	237,752	237,752
	Retail	66,011	32,781
	SME	2,344	1,758
Ijarah assets – Ijarah Muntahia Bittamleek	Corporate	7,507	7,507
	Retail	34,850	34,850
	SME	2,009	1,506
Murabaha receivables	Corporate	26,538	26,538
	Retail	59,248	54,495
Credit Card Receivable	Retail	1,081	1,081
Service Ijarah	Retail	2,675	2,675
Wakala Bil Istithmar	Corporate	64,067	70,134
Istisna receivable	Corporate	5,050	5,050
Qard Hassan	Retail	74	74
Other Assets & off-balance sheet items		44,628	29,361
Total		722,536	553,564

iv) Geographic distribution of exposures by major types of credit exposure: (RO '000)

As of 31 December 2024

Type of Credit Exposure	Oman	Other GCC Countries	OECD countries	India	Pakistan	Others	Total
Balances with Central Bank of Oman	42,245	-	-	-	-	-	42,245
Sovereign	843	-	-	-	-	-	843
Banks	60,738	362	437	-	-	1,734	63,271
Murabaha receivables	58,994	-	-	-	-	-	58,994
Musharaka receivables	363,341	-	-	-	-	-	363,341
Ijarah assets - Ijarah Muntahia Bittamleek	85,665	-	-	-	-	-	85,665
Service Ijarah	5,818	-	-	-	-	-	5,818
Credit card receivables	1,562	-	-	-	-	-	1,562
Istisna receivable	-	-	-	-	-	-	-
Qard / Qard-e-Hasna	34	-	-	-	-	-	34
Wakala Bil Istithmar	143,024	-	-	-	-	-	143,024
Other Assets & off-balance sheet items	53,743	-	-	-	-	-	53,743
Total	816,007	362	437	-	-	1,734	818,540

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Type of Credit Exposure	Oman	Other GCC Countries	OECD countries	India	Pakistan	Others	Total
Balances with Central Bank of Oman	71,350	-	-	-	-	-	71,350
Sovereign	45,831	-	-	-	-	-	45,831
Banks	38,115	165	61	-	-	479	38,820
Murabaha receivables	44,701	-	-	-	-	-	44,701
Musharaka receivables	316,464	-	-	-	-	-	316,464
Ijarah assets - Ijarah Muntahia Bittamleek	87,795	-	-	-	-	-	87,795
Service Ijarah	2,675	-	-	-	-	-	2,675
Credit card receivables	1,081	-	-	-	-	-	1,081
Istisna receivable	5,050	-	-	-	-	-	5,050
Qard / Qard-e-Hasna	74	-	-	-	-	-	74
Wakala Bil Istithmar	64,067	-	-	-	-	-	64,067
Other Assets & off-balance sheet items	44,628	-	-	-	-	-	44,628
Total	721,831	165	61	-	-	479	722,536

v) Industry or counter party type distribution of financing exposures, broken down by major types of credit exposure: (RO '000)

As of 31 December 2024

Economic Sector	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service Ijarah	Wakala Bil Istithmar	Istisna receivable	Qard Hasan	Total	Off Balance Sheet Exposure
Wholesale & Retail Trade	7,364	-	4,396	-	-	-	-	-	11,760	1846
Mining & Quarrying	-	-	78	-	-	26,900	-	-	26,978	43
Construction	59,604	17,405	47	-	-	725	-	-	77,781	5,688
Manufacturing	14,780	11,863	6,205	-	-	-	-	-	32,848	3,146
Transport & Communication	38,958	-	-	-	-	84,000	-	-	122,958	20
Electricity, gas and water	-	526	-	-	-	31,000	-	-	31,526	-
Services	149,195	1,399	243	-	1,866	399	-	-	153,102	15,955
Personal Financings	83,126	54,365	47,248	1,562	3,952	-	-	34	190,287	8
All Others	10,314	107	777	-	-	-	-	-	11,198	388
Total	363,341	85,665	58,994	1,562	5,818	143,024	-	34	658,438	27,094

As of 31 December 2023

Economic Sector	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service Ijarah	Wakala Bil Istithmar	Istisna receivable	Qard Hasan	Total	Off Balance Sheet Exposure
Wholesale & Retail Trade	5,141	864	1,910	-	-	309	-	-	8,224	1,875
Mining & Quarrying	137	-	-	-	-	2,264	-	-	2,401	-
Construction	70,755	21,375	128	-	-	-	-	-	92,258	3,900
Manufacturing	14,563	5,849	6,932	-	-	-	5,050	-	32,394	6,082
Transport & Communication	32,317	6	830	-	-	29,500	-	-	62,653	20
Electricity, gas and water	-	-	-	-	-	31,000	-	-	31,000	-
Services	127,541	453	51	-	-	994	-	-	129,039	12,403
Personal Financings	66,010	59,248	34,850	1,081	2,675	-	-	74	163,938	-
All Others	-	-	-	-	-	-	-	-	-	-
Total	316,464	87,795	44,701	1,081	2,675	64,067	5,050	74	521,907	24,280

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

vi) Residual contractual maturity of the financing portfolio, broken down by major types of credit exposure: (RO '000)

As of 31 December 2024										
Time Band	Musharaka receivables	ljarah assets – ljarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service ljarah	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	Off Balance Sheet Exposure
Up to 1 month	6,281	208	5,155	1,562	203	-	1	84,853	98,263	4,056
1-3 Months	2,694	868	7,596	-	576	-	8	-	11,742	2,400
3-6 Months	2,643	617	2,651	-	1,334	-	6	31,770	39,021	319
6-9 Months	3,528	894	2,250	-	145	-	10	454	7,281	219
9-12 Months	4,951	1,534	2,950	-	184	-	9	499	10,127	2
1-3 Years	38,459	10,077	14,943	-	1,076	-	-	2,041	66,596	17,049
3-5 Years	55,390	16,161	10,140	-	898	-	-	1,949	84,538	295
Over 5 Years	249,395	55,306	13,309	-	1,402	-	-	21,458	340,870	2,754
Total	363,341	85,665	58,994	1,562	5,818	-	34	143,024	658,438	27,094

As of 31 December 2023

Time Band	Musharaka receivables	ljarah assets – ljarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service ljarah	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	Off Balance Sheet Exposure
Up to 1 month	4,744	167	7,002	1,081	-	-	-	29,050	42,044	110
1-3 Months	3,579	1,227	2,962	-	93	5,050	16	30	12,957	2,384
3-6 Months	2,573	1,005	2,632	-	63	-	16	1,523	7,812	484
6-9 Months	2,956	959	1,931	-	94	-	24	-	5,964	474
9-12 Months	3,525	974	1,984	-	93	-	18	31,417	38,011	79
1-3 Years	35,151	8,159	12,204	-	716	-	-	434	56,664	7,875
3-5 Years	43,276	11,914	7,380	-	627	-	-	441	63,638	12,410
Over 5 Years	220,660	63,390	8,606	-	989	-	-	1,172	294,817	464
Total	316,464	87,795	44,701	1,081	2,675	5,050	74	64,067	521,907	24,280

vii) Total Financing broken down by major industry or counterparty type: (RO '000)

As of 31 December 2024						
Economic Sector	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge/ (reversed) during the Year	Financings written off during the year
Wholesale & Retail Trade	11,760	-	3	-	(25)	-
Mining & Quarrying	26,978	-	3	-	(72)	-
Construction	77,781	-	1,313	-	(858)	-
Manufacturing	32,848	7,851	12	3,835	(1,898)	-
Transport & Communication	122,958	-	13	-	(453)	1
Electricity, gas and water	31,526	-	9	-	(39)	-
Services	153,102	6,040	578	916	(1,728)	-
Personal Financings	190,287	660	70	378	45	-
All others	11,198	4,111	6,352	2,538	5,610	-
Total	658,438	18,662	8,353	7,667	582	1

* Stage 3 allowance includes suspended profit of RO 1.633 million

* above ECL includes overlays of RO 6.350 million.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Economic Sector	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge/ (reversed) during the Year	Financings written off during the year
Wholesale & Retail Trade	8,224	7	20	8	(4)	-
Mining & Quarrying	2,401	137	9	66	68	-
Construction	92,258	1,268	1,947	224	466	-
Manufacturing	32,394	9,956	54	5,691	746	-
Transport & Communication	62,653	623	131	335	90	-
Electricity, gas and water	31,000	-	48	-	48	-
Services	129,039	6,037	1,018	2,204	(2,562)	-
Personal Financings	163,938	857	96	307	(157)	-
All others	-	-	-	3,280	3,280	-
Total	521,907	18,885	3,323	12,115	1,975	-

* Stage 3 ECL include suspended profit of RO 2.672 million

* above ECL includes additional overlays of RO 3.280 million

viii) Amount of impaired Financing broken down by significant geographical areas including, with the amounts of expected credit loss/specific and general allowances related to each geographical area: (RO '000)

As of 31 December 2024

Countries	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge during the Year	Financings written off during the year
Oman	658,438	18,662	8,353	7,667	582	1
Other GCC Countries	-	-	-	-	-	-
OECD Countries	-	-	-	-	-	-
India	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	658,438	18,662	8,353	7,667	582	1

* Stage 3 allowance includes suspended profit of RO 1.633 million.

*above ECL includes additional overlays of 6.350 Million

As of 31 December 2023

Countries	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge during the Year	Financings written off during the year
Oman	521,907	18,885	3,323	12,115	1,975	-
Other GCC Countries	-	-	-	-	-	-
OECD Countries	-	-	-	-	-	-
India	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	521,907	18,885	3,323	12,115	1,975	-

* Stage 3 ECL include suspended profit of RO 2.672 million

* above ECL includes additional overlays of 3.280 million

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

ix) Movement of gross financing during the year: (RO '000)

As of 31 December 2024				
Details	Stage 1	Stage 2	Stage 3	Total
Opening Balance	458,568	44,454	18,885	521,907
Migration / changes (+ / -)	(10,091)	10,172	(81)	-
New financings	176,017	83	10	176,110
Recovery of financings	(23,719)	(15,708)	(151)	(39,578)
Financing Written Off	-	-	(1)	(1)
Closing Balance	600,775	39,001	18,662	658,438

As of 31 December 2023

Details	Stage 1	Stage 2	Stage 3	Total
Opening Balance	410,110	64,618	17,404	492,132
Migration / changes (+ / -)	(25,652)	24,009	1,643	-
New financings	85,208	2	4	85,214
Recovery of financings	(11,098)	(44,175)	(166)	(55,439)
Financing Written Off	-	-	-	-
Closing Balance	458,568	44,454	18,885	521,907

x) Past due and impaired financing: (RO '000)

As of 31 December 2024

	Murabaha receivables	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Service Ijarah	Credit Card	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	Off Balance Sheet Exposure *
Neither past due not impaired	53,347	331,969	69,347	5,726	1,451	-	33	143,024	604,897	27,094
Past due but not impaired	920	18,056	15,705	92	105	-	1	-	34,879	-
Past due and impaired	4,725	13,316	613	-	6	-	-	-	18,660	-
Impaired but not past due	2	-	-	-	-	-	-	-	2	-
Total	58,994	363,341	85,665	5,818	1,562	-	34	143,024	658,438	27,094

As of 31 December 2023

	Murabaha receivables	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Service Ijarah	Credit Card	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	Off Balance Sheet Exposure *
Neither past due not impaired	38,695	271,451	69,217	2,532	955	5,050	74	64,067	452,040	24,280
Past due but not impaired	1,261	31,661	17,799	143	117	-	-	-	50,981	-
Past due and impaired	4,697	13,352	779	-	8	-	-	-	18,836	-
Impaired but not past due	48	-	-	-	1	-	-	-	49	-
Total	44,701	316,464	87,795	2,675	1,081	5,050	74	64,067	521,907	24,280

Credit risk - Disclosures for portfolios subject to the standardized approach.

Qualitative disclosure

The Islamic window classifies its financial assets in one of the following categories:

- Financing receivables;
- Ijara assets – Ijarah Muntahia Bittamleek;
- Equity & debt – type instruments; and
- Credit Card receivable

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as at 31 December 2024

5. Credit Risk (continued)

Financing receivables are principally divided into following Islamic products:

Murabaha	An agreement whereby the Islamic Window sells to a customer a commodity or a property which the Islamic Window has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises of the cost of the commodity and an agreed profit margin.
Financing Ijarah	An agreement whereby the Islamic Window (lessor) leases an asset or services to a customer (lessee), for a specific period against certain rent installments. Ijarah could end in transferring the ownership of the asset to the lessee at the end of the lease period.
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 agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.
Wakala bil Istithmar	An agreement whereby the principal provides a certain sum of money (Wakala Capital) to an agent, who invests it according to specific conditions in return for a certain fee. The arrangement may also include agreement on an expected profit rate for principal and incentive fee for Wakeel for performance beyond the agreed expected profit.
Istisna	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.
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.

Credit Risk Mitigation (CRM)

Credit Risk Mitigation (CRM) encompasses collateral management and credit guarantee arrangements. The policies and processes for on- and off-balance sheet netting (and the extent to which the Islamic Window makes use of them); policies and processes for collateral valuation and management; and a description of the main types of collateral taken are described below.

The Islamic window normally accepts the following types of collateral:

- Hamish Jiddiyyah, Urbun, Profit sharing investment accounts.
- Real estate comprising income-producing and non-income-producing assets.
- Shares listed on recognized stock exchanges located in GCC
- Irrevocable and unconditional guarantees / standby LC issued by acceptable Banks
- Funds subject to meeting approval criteria
- assignment of receivables
- Inventories

The Islamic window also accepts guarantees of individuals and corporates to mitigate risks, wherever applicable, based on adequate assessment of their creditworthiness. In respect of real estate collateral, two valuations are obtained if the value of collateral exceeds a particular level: the lowest valuation is used. The Islamic window also has a mandatory requirement to obtain an insurance policy on real estate collateral (other than land) where the insurance policy is assigned in the Islamic window's favor. Real estate collateral is valued on regular intervals on need basis based on the assessment of risk and economic scenario prevailing.

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 management also periodically reviews the collateral cover for determining the adequacy of the allowance for impairment losses. A strong credit administration process ensures effective compliance with terms of approval and documentation.

The Simplified approach for collateral recognition under the standardized approach is applied where 0% risk weight is assigned for the exposure covered by Cash collateral. All other financing exposures to corporates and retail are assigned 100% risk weight (except retail mortgage financings, which are assigned 35% risk weight). The Islamic window stands in possession of cash collateral of RO 0.193 Mn; after application of haircut (0%) to the collateral the exposure stands at RO NIL. The Islamic window has not considered any financial guarantee under credit risk mitigation as of 31 December 2024.

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as at 31 December 2024

5. Credit Risk (continued)

Particulars	RO'000
Gross Exposure - banking book	818,540
Credit risk mitigation	(9,347)
Risk weight impact - for banking book	(123,907)
Risk weighted assets - banking book	685,286
Capital charge for credit risk	75,381

Quantitative Disclosures:

As of 31 December 2024;

Rating	Impairment allowance as at year end	Financings written off during the year	CBO Classification	IFRS 9 Classification
1 – 6	741	-	Standard	Stage 1 & 2
7	7,612	-	Special mention	
8 – 10	7,667	1	Non-performing	Stage 3
Total	16,020	1		

As of 31 December 2023;

Rating	Impairment allowance as at year end	Financings written off during the year	CBO Classification	IFRS 9 Classification
1 – 6	2,025	-	Standard	Stage 1 & 2
7	1,298	-	Special mention	
8 – 10	12,115	-	Non-performing	Stage 3
Total	15,438	-		

6. Market Risk

Qualitative disclosure

Market Risk is the risk of loss resulting from fluctuations in profit rates, asset prices, foreign exchange rates or commodity prices. Substantially all of the Islamic window businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Islamic window. The objective of market risk management is to control risks within acceptable parameters, while optimizing the returns. The Bank has a Market Risk Policy that provides detailed guidelines for management of market risks. The Islamic window uses a combination of risk sensitivities, stress testing, etc. to manage market risks and establish limits. The Islamic window does not take any positions in commodities. All relevant risks and mitigation strategies are discussed below

Rate of Return risk in banking book (RRRBB)

Rate of return risk arises from the possibility that changes in rates of return will adversely affect the economic value of equity or the net income. The Islamic window is exposed to this risk as a result of mismatches or gaps in the rate of return profile of balance sheet assets and funds provided by investment account holders and wakala depositors. While the return on profit sharing agreements is not guaranteed, in case the Islamic window does not distribute profit in line with market rates, it is exposed to Displaced Commercial risk.

The Islamic window's overall goal is to manage rate of return sensitivity so that movements in rates of return do not adversely affect the Islamic window's net income and market value of equity. The Islamic window manages this risk by matching the re-pricing profile of assets and liabilities through various risk management strategies, utilizing tools such as gap analysis and duration. ALCO reviews the risk profile and sensitivities on a monthly basis within the risk appetite approved by the Board of Directors. Profit bearing assets (net of provision) and liabilities according to repricing bucket are as follows:

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

6. Market Risk (continued)

As of 31 December 2024;

Particular RO'000	Effective profit rate	within 3 months RO'000	4 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000	Non-sensitive to profit rate RO'000	Total RO'000
ASSETS							
Cash and balances with Central Bank of Oman		-	-	-	-	48,983	48,983
Due from banks		63,270	-	-	-	-	63,270
Financing Assets	5.85%	106,134	44,107	101,187	392,624	-	644,052
Investments	4.74%	-	-	53,958	2,968	4,890	61,816
Property and equipment		-	-	-	-	8,647	8,647
Other assets		-	-	-	-	10,040	10,040
Total profit bearing assets		169,404	44,107	155,145	395,592	72,560	836,808
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS							
Due to banks	4.64%	28,643	-	-	-	-	28,643
Equity of investment accountholders and other liabilities	3.50%	153,469	237,550	78,867	191,431	54,887	716,204
Shareholders fund		-	-	-	-	91,961	91,961
Total		182,112	237,550	78,867	191,431	146,848	836,808
Net gap		(12,708)	(193,443)	76,278	204,161	(74,288)	-
Cumulative net gap		(12,708)	(206,151)	(129,873)	74,288	-	-

As of 31 December 2023;

Particular RO'000	Effective profit rate	within 3 months RO'000	4 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000	Non-sensitive to profit rate RO'000	Total RO'000
ASSETS							
Cash and balances with Central Bank of Oman		-	-	-	-	78,440	78,440
Due from banks		646	38,115	-	-	-	38,761
Financing Assets	5.82%	53,620	49,704	121,608	284,210	-	509,142
Investments	4.52%	-	1,627	36,223	18,919	5,283	62,052
Property and equipment		-	-	-	-	5,575	5,575
Other assets		-	-	-	-	4,958	4,958
Total profit bearing assets		54,266	89,446	157,831	303,129	94,256	698,928
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS							
Due to banks	5.30%	8	-	-	-	-	8
Equity of investment accountholders and other liabilities	3.19%	112,948	186,799	277,115	-	43,071	619,933
Shareholders fund		-	-	-	-	78,987	78,987
Total		112,956	186,799	277,115	-	122,058	698,928
Net gap		(58,690)	(97,353)	(119,284)	303,129	(27,802)	-
Cumulative net gap		(58,690)	(156,043)	(275,327)	27,802	-	-

Foreign Exchange Risk

Foreign exchange risk is the risk that the foreign currency positions taken by the Islamic window may be adversely affected due to volatility in foreign exchange rates. Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions within regulatory and internal limits. All foreign exchange exposures are centrally managed by the Treasury and are daily marked to market. Internal Limits have been assigned with respect to overnight open exposures, stop loss limits and authorized currencies to monitor and control foreign exchange exposures.

The foreign exchange transactions carried out by the Bank are on behalf of customers and are on a back-to-back basis. No proprietary foreign exchange positions are assumed by the Islamic window.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

6. Market Risk (continued)

The Net open position in all foreign currencies stands at OMR 2.926 mn (OMR 2.007 mn position is in effectively pegged currencies) as on 31 December 2024.

Investment Price Risk

Price risk is the risk of losses from decrease in the market value of individual investments. Each investment is approved after rigorous due diligence and exposures are monitored against prudent exposure limits. The Islamic window does not maintain any trading positions in its portfolio as of 31 December 2024.

The Islamic window's investments in non-trading instruments are monitored within the overall limits and restrictions prescribed by CBO from time to time, and only in Sharia compliant product categories. The fair value of equity and income statement investments as of 31 December 2024 is RO 12.225 mn with cost amounts to RO 12.636 mn. The Islamic window also has invested in sukuks carried at fair value through comprehensive income and fair value through income statement. The fair value of investments through other comprehensive income as of 31 December 2024 is RO 4.283 mn with a cost amount to RO 4.181 mn. The fair value of investments through income statement as of 31 December 2024 is RO 45.043 mn with a cost amount to RO 43.564

The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board of Directors, as a percentage of the Capital Base of the Bank, which apply to the Islamic window as well. All investment proposals are routed through the ALCO to the relevant approval authority. The Islamic window's appetite for private subscriptions and unlisted / unquoted equity is low, and such proposals are adequately justified on a case by case basis, and has to be approved at least by the Executive Credit Committee and by the Board if it exceeds limits structured as a proportion of the Bank's Capital Base.

The Bank tries to achieve reasonable diversification of its investment portfolio among the economic sectors, and does not exceed a certain limit of its investment portfolio in any particular industry / sector groups listed below:

- Trading and retailing
- Real Estate development, management and rental income
- Construction / contracting and building materials
- Travel / tourism, hotels, restaurants, entertainment, health services and education
- Warehousing / storage, logistics, supply management and transportation, utilities and Telecom
- Oil and Gas
- Banking and Financial Services
- Conglomerates or Holding Companies investing in any of the above business lines

Capital Charge:

The Capital Charge for market risk exposures is measured based on Standardized approach in accordance with the guidelines issued by CBO under Circular BM1009. The Islamic window has implemented standardized duration-based approach to arrive at capital requirement for bonds and debt securities. The capital charge for foreign exchange is computed based on three-month daily average of sum of net long or short positions held by the Bank.

Table showing capital charge for profit Rate, Equity and foreign exchange risk as on 31 December 2024 is given below:

Type of risk (RO '000)	2024	2023
Profit rate risk	949	-
Equity position risk	42	-
Foreign exchange risk	-	343
Percentage of NOP to regulatory capital	3.3%	34.4%
Regulatory ceiling (% to total net worth)	40%	40%

Total risk weighted assets for trading book is RO 11.312 Mn.

Price Risk

Impact of 10% change in price

Investment type	Change in price	Effect on equity ('000)
		2024
Regional listed Sukuk	10%	+/- 4,933
Foreign listed Sukuk	10%	-
Listed equities	10%	+/- 1,223
Unquoted equities	10%	+/- 26

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7. Liquidity risk

Qualitative Disclosure

The Islamic window defines liquidity risk as its ability to meet all present and future financial obligations in a timely manner and without undue effort and cost through unconstrained access to funding at reasonable market rates and without affecting asset growth and business operations.

The following key factors are taken into consideration while assessing and managing the liquidity risk of the Islamic Window:

- The need to have a well-diversified base for funding sources, comprising a portfolio of retail customers, large corporates and institutions, small & medium enterprises, high net worth individuals, without significant concentrations or correlations, thereby diversifying the funding base and mitigating concentration risks.
- Based upon the past behavioral pattern analysis of our main liabilities, management expects large portion of customer deposits to be rolled over at contractual maturity.
- As per the CBO directives, the Bank keeps at least 5% of its demand and time deposits with CBO in the form of clearing balances.
- Commitments for loans and advances are approved after considering the Bank's overall liquidity position.

The Islamic window's projected liquidity needs are analyzed, and optimum alternatives to manage the liquidity risk are discussed and approved in ALCO. The risk management department also independently reviews and evaluates the Bank's ability to access liquidity from different sources.

The Treasury and Risk management departments identify liquidity at risk, which is monitored daily and reported periodically to ALCO. Liquidity and funding policy and a contingency liquidity plan have been established by the Bank, which applies to its Islamic window as well.

Liquidity and Funding Policy

The liquidity and funding policy of the Bank, which applies for its Islamic window as well, is intended to ensure that liquidity requirements are prudently and effectively managed such that anticipated and unanticipated funding needs are met on an ongoing basis in a controlled manner at the least possible cost.

The Bank's Asset Liability Committee (ALCO) reviews the Liquidity and funding Policy annually and submits recommendations for changes, if any, to the Bank's Chief Executive Officer (CEO) for review and submission to the Executive Committee and Board as applicable.

There are a number of techniques which the Bank uses to manage its Liquidity position and that of its Islamic Window. The key ones are:

- Placing limits on maturity mismatches
- Maintaining a stock of liquid assets
- Diversification of liabilities
- Access to wholesale markets
- Multi-currency liquidity management

The financing ratio, which is the ratio of the financing to deposits and capital, is monitored on a daily basis in line with the regulatory guidelines. Internally the lending ratio is set at a more conservative basis than required by regulation. The Islamic window 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 Islamic window also maintains significant investments in liquid instruments issued by Governments and banks principally for maintaining liquidity.

The maturity profile of the assets and funding side at the year-end are based on contractual repayment arrangements. The details of the same are provided in note 33.2 of Islamic window financial statements.

The CBO also restricts the limits on lending by the commercial banks. The maximum lending ratio permissible as at 31 December 2024 was 87.5%.

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7. Liquidity risk (continued)

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

Ratios	2024	2023
Financing ratio	%	%
Year end	85.1	66.8
Maximum for the year	86.2	89.0
Minimum for the year	60.0	63.3
Average for the year	76.0	79.4
Other Ratios		
Financing to customers to total assets	77.0	72.8
Equity to total assets	11.0	11.3
Liquid assets to total assets	18.8	15.4
Liquid assets to short term liabilities	36.0	37.9
Prime assets to volatile liabilities	72.7	80.7
Liquidity Coverage Ratio	215.5	453.5
Net Stable Funding Ratio	130.5	139.6

Stock of Liquid Assets

An adequate stock of high-quality liquid assets provides the Islamic window with the capacity to meet its obligations while any underlying problems affecting liquidity are addressed.

Such assets are clearly identified, their role defined and minimum holding levels are established and agreed by the ALCO. The degree of diversification of the Liquid Assets portfolio is reviewed by the ALCO on a monthly basis.

As per the guidelines of CBO, the bank is required to maintain a Liquidity Coverage Ratio (LCR) of at least 100%. Further, the Net Stable Funding Ratio (NSFR) prescribed at a minimum of 100%. The Islamic window has implemented a more stringent internal requirement for these ratios which are reviewed by ALCO each month. A detailed disclosure on the position of the Bank in regards to these ratios is contained later in this report.

Diversification of liabilities

The Bank and Islamic window seek to maintain a diversified funding base, and monitor the degree of diversification in its liability base on a monthly basis. Depositor concentration is reviewed by the ALCO on a monthly basis.

The liquidity and funding policy recognize the inherent value of the Bank's term depositors. The Islamic window seeks to establish strong and lasting relationships with depositors and other liability holders so as to foster a stable funding base. Trends in liability balances by category are reviewed by the ALCO on a monthly basis.

The Islamic window also recognizes that an over reliance on short dated inter-bank deposits can lead to difficulties in extreme market conditions. The exposure to such deposits is reviewed by the ALCO on a monthly basis.

Multi-currency liquidity

Where positions in specific foreign currencies are significant to its business, the Islamic window addresses the measurement and management of liquidity in these individual currencies. It is considered appropriate to consolidate several (usually minor) currencies and monitor the aggregate exposure expressed in base currency.

When monitoring exposure in aggregate, the Islamic window assesses the convertibility of individual currencies, the timing of access to funds, the impact of potential disruptions to foreign exchange markets, and exchange risks before presuming that surplus liquidity in one currency can be used to meet a shortfall in another currency.

Performance against limits is monitored daily by Treasury with any exceptions being immediately reported to ALCO members. Review of all liquidity positions against limits is performed by Head of Risk Management and Treasury based on figures produced by the Treasury Middle Office / Finance Department.

The Treasurer along with the Head of Risk Management derives and documents the Maturity Profile behavioral adjustments, based on redemptions and withdrawal requests. These are communicated to the ALCO for discussion and acceptance.

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7. Liquidity risk (continued)

Limit Breaches

All liquidity limit (internal) breaches are notified to the Treasurer, the Head of Finance, Head of Risk Management and ALCO members at the earliest possible opportunity. The notification includes:

- The cause of the breach
- The remedial action taken
- The expected duration of the breach if still current.

Immediate action is taken to remedy the breach. Should such action not be possible, the ALCO and the CEO are notified.

Liquidity Contingency Plan:

It is imperative for the Islamic window to maintain an adequate amount of liquid assets as a protection against a possible loss in the event of emergency situation. Bank's Liquidity Contingency Plan (LCP) is approved by Board and addresses the institution's strategy for handling any liquidity crisis. LCP serves as the blueprint for meeting its funding needs under stress environment in a timely manner and at a reasonable cost. It describes policies and procedures for managing or making up cash flow shortfalls in such situations.

Islamic window has adopted quantitative and qualitative key warning indicators which is monitored by Market & Liquidity Risk team and presented to ALCO. The members of the Liquidity Crisis Management Team (LCMT) and ALCO are notified immediately should any of the early warning criteria be breached.

In the event of the plan being invoked, ALCO delegates the responsibility for the management of the Bank's liquidity to the LCMT. The LCMT is comprised of CEO (Chairman), DCEO Wholesale Banking, DCEO – Support Services, Head of Finance, Head of Treasury and Head of Risk.

8. Operational risk

Operational Risk Framework

Reputation Risk

Reputation Risk is negative public opinion/reaction which could cause damage to the Islamic window's profitability or image. Reputational risk is one of the most complex risks to manage in view of unpredictability, constant change in the operating environment, personnel turnover and multi-cultural environment that the Bank operates in. The Islamic window identifies, measures, monitors and controls reputation risk arising in the following areas:

- Customer service
- Perception of stakeholders regarding Islamic window's commitment to their interests
- Quality of products, services and sales practices
- Reporting to stakeholders and external agencies
- Accuracy of information in communications to the public

There are policies and procedures in place to manage and monitor reputation risk.

Social Media risk is an important element of Reputation risk that has emerged with the popularity of social media and digital technologies. The Bank recognizes the importance of effectively managing the interests of the Bank and its customers from this dynamic and unregulated category of risk. The Corporate Communication Department (CCD) is responsible for managing the Bank's social media activities within the guidelines of 'Social Media Policy'.

Business Continuity Risk

The Bank has a documented Business Continuity Policy (BCP) and plan which outlines the Business Continuity process to be followed in a disaster scenario, and undertakes comprehensive testing of all its critical systems and processes; this BCP also applies to the processes and systems pertaining to the Islamic window. The BCP aims to minimize the severity and impact of a disaster while continuing to serve both the business and customers with a lowest achievable detriment in service. The plan considers the following:

- Disaster scenarios and magnitude
- Various steps to mitigate the risk
- Impact on the Bank's business and operations
- The resources required for resuming the operations at the earliest possible time following the disaster
- Operating processes and available systems at the Disaster Recover (DR) site

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8. Operational risk (continued)

Business Continuity Test

During the year 2024, the Bank has carried out a comprehensive BCP test including a volume test on a working day in order to test the resilience of the bank's business systems at the DR site. The scope of the test was arrived at based on the Business Impact Analysis (BIA) carried by the Bank and the volume test results were submitted to the Board. The Bank has in place a Crisis Management Team (CMT), and the processes to be followed during a disaster scenario has been detailed out in the BCP documents of the Bank.

Concentration Risk

Concentration risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from large exposure to counterparty, a sector or country. Concentration risk can be mitigated by formulating limits, by a thorough check on counterparty's quality or adequate collateral support etc.

As part of ICAAP, thresholds for exposure concentrations has been set up, this will trigger additional capital requirements based on concentration in terms of large exposures to counterparties, sector exposure concentration (excluding retail lending) and geographical exposure concentration (other than to Oman).

Information Security Risk

The Islamic window has adopted an Information Security Management System (ISMS) /process and a framework by which the bank ensures, protects and secures information resources that process and maintain information which are vital to its operations. The main component of this framework is the Information Security Policy that provides direction for formulation, implementation, and management of Information Security Management System. Since protection of customer information is the top-most priority, the Bank strives to safeguard the confidentiality, availability and integrity of the data of its customers and business partners at all times.

Compliance Risk (including risk of Shari'a Non-Compliance)

Compliance risk is the potential for financial losses, legal penalties, regulatory sanctions and loss to Bank's reputation that result from non-compliance with laws and regulations that are applicable on the Bank. The Board of Directors have direct responsibility for overseeing the management of the Bank's compliance risk. Senior management are thereafter responsible for ensuring effective management of this risk. They are supported by the Compliance function of the Bank which is an independent function that reports, and has direct access to Board Audit & Compliance Committee. The Bank's 'Compliance Policy' sets the guidelines to manage this important risk type.

Shari'a Governance framework ensures Shari'a compliance at all times and at all levels. Shari'a compliance unit facilitates the senior management in ensuring compliance with Shari'a and Islamic banking stipulations of the Central Bank in all its business activities, operations and transactions. Shari'a compliance unit is extensively involved before a new product or transaction is approved and monitors the implementation of guidelines issued by Shari'a Supervisory Board (SSB). No new product class or transaction type is executed without consulting the Shari'a compliance unit and getting a formal approval from the SSB.

Operational risk capital charge and risk weighted amount

The Islamic window follows basic indicator approach for determining operational risk. The Capital charge for operational risk under Basic Indicator approach is calculated by taking the average of gross income multiplied by 15%, for each of the last three financial years, excluding years of negative or zero gross income. The gross income includes Net income from financing activities gross of any provisions and depreciation expense on ijarah assets (+) Net income from investment activities (+) fee income (-) investment account holders share of income.

Item (RO '000)	2024	2023	2022
Net Income from financing and investing activities	40,695	32,811	24,687
Other income – net	6,598	3,101	2654
Gross Income	47,293	35,912	27,341
Return to investment account holders	(24,993)	(17,848)	(13,530)
Net Operating Income	22,300	18,064	13,811
Average Income	18,058		
Gross Income times of Alpha (15%)	2,709		
Operational risk based on Basic Indicator Approach	33,859		

Capital Charge for Operational Risk under Basic Indicator Approach as per Basel II is RO 2,286 million as of 31 December 2024. The Risk weighted assets for operational risk as per Basel II is RO 28.581 million.

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9. DISPLACED COMMERCIAL RISK

Displaced commercial risk (DCR) refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared to competitor's rates.

The Islamic window has in place a Profit Distribution Policy which specifies detailed guidelines for creation of PER and IRR to mitigate the DCR. The Islamic window may forgo its fee in case DCR arises. Rates of returns are benchmarked with other Banks in the market and reviewed on periodic basis.

An analysis of distribution during the year to IAH's (Modaraba Deposits Only) by Islamic window is as follows:

	2024	2023	2022	2021	2020
Total Profits available for distribution	13,693	11,176	10,752	9,321	7,596
Profit Sharing:					
- Profit to Shareholders	11,567	9,087	8,531	7,498	5,501
- Share of IAH	1,638	1,669	1,866	1,272	1,377
- Mudarib Share	488	420	355	551	718

During the year ended 31 December 2024, Islamic Window has appropriated RO 0.196 mn towards Profit equalization reserve.

10. INVESTMENT ACCOUNT HOLDERS

The Islamic window receives deposits by Investment Account Holders (IAH) under Mudaraba contract and Wakala bil Istithmar contract. The Islamic window has Unrestricted Account Holders only.

Equity of investment account holders

Equity of investment account holders are funds held by the Islamic Window in unrestricted investment accounts, which it can invest at its own discretion. The investment account holder authorizes the Islamic Window to invest the account holders' funds in a manner which the Islamic Window deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. The Islamic Window charges management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to customers is allocated to investment accounts after setting aside provisions, reserves (Profit equalization reserve and Investment risk reserve, if any) and deducting the Islamic Window's share of income as a Mudarib. The allocation of income is determined by the management of the Islamic Window within the allowed profit-sharing limits as per the terms and conditions of the investment accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the Islamic Window and are not charged separately to investment accounts. Investment accounts are carried at their book values and include amounts retained towards profit equalization and investment risk reserves, if any. Profit equalization reserve is the amount appropriated by the Islamic Window out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the Islamic Window out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders. Creation of any of these reserves results in an increase in the liability towards the pool of unrestricted investment accounts.

Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment accountholders is 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 accountholder'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.

Profit Distribution Mechanism between Shareholders & Depositors under the Common Pool

Participation factor, Weights or profit-sharing ratios are pre-decided by the management of the Bank. In case of any change, after approval by the Shariah Supervisory Board these are intimated to the investors before start of the month. Weighted average balance is calculated at the end of the period by multiplying the participation factor with average balance for the period.

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10. INVESTMENT ACCOUNT HOLDERS

The Islamic window has a single pool of comingled assets where the funds of investment accountholders are invested. The Investment Profits are distributed between Mudarib and IAH in the following percentages:

	2024	2023
Unrestricted Investment Accounts Share	75%	75%
Mudarib Share	25%	25%

The Islamic window does not charge Investment accountholders for operating expenses incurred.

Mudaraba fee

Mudaraba fee will be deducted from allocated profit as per the pre-agreed ratio as approved by SSB which will be advised to customers through website or by posting in branches. Islamic window can create reserves as allowed by SSB and CBO for smoothing of returns to investors and risk management purposes. Two types of reserves allowed are Profit Equalization reserve (PER) and Investment Risk reserve (IRR).

Investment Risk Reserve (IRR)

This reserve is created out of the depositors' share of profit out of the Net Profit from the Common Pool. Purpose of the reserve is to offset the effect of future losses. The available balance in the reserve account shall be invested in the Common Pool and the profit earned by investing such balance will be added to the reserve account. The basis for computing the amounts to be appropriated are applied in accordance with SSB directions. This is to secure suitable and competitive return to the depositors in case there are certain extra ordinary circumstances, depressing the return, which were anticipated by the depositors. The disposition of the reserve amount will take place with the prior approval of the SSB. In case the balance in the reserve account is not sufficient to face the competition, the shareholders may grant part of their share of profit to the depositors with the approval of SSB.

Transfer to or from Profit Equalization reserve (PER)

Percentage to be approved by Bank management subject to internal sharia approval that should be appropriated by Islamic window out of the total common pool profit as per the policy before any distribution takes place, in order to ensure certain level of cushion for the Investment portfolio. Any provisions that are required against the Islamic financing assets or investments will be provided in the books as per the policy which will be in adherence to the central bank revised provisioning policy. The balance of the PER shall also be maintained as a current account.

Transfer to or from (IRR)

In case the rate of return to the depositors in a certain profit distribution period is substantially higher than the market rates, Bank's management may decide to deduct, after taking permission from the SSB, a portion of depositors' share of profit and transfer the same to the IRR.

In case the rate of return to the depositors in a certain profit distribution period is lower than the market, Banks's management may decide to compensate the depositors by transferring the required amount from the said reserve account to increase depositors' return.

No IRR has been created and no transfer has been made during the year ended December 2024.

Assignment of a portion of shareholders' profit to depositors

If required, the Islamic window may decide to allocate some portion from their own profit to a specific deposit category(s). This could be either due to increase in the rate of profit announced by other Islamic Financial Institutions/competitors or to encourage a specific category of depositors.

No assignment of shareholder profit to depositors has been made during the year ended December 2024.

I. Equity of Investment Accountholders – by type (RO '000)

	Equity of IAH	
Type (Mudaraba Contracts)	2024	2023
Saving & Call accounts	179,793	146,012

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10. INVESTMENT ACCOUNT HOLDERS (continued)

II. Equity of Investment Accountholders – Ratios

RO in '000	2024	2023	2022	2021	2020
Ratios and Returns					
Amount of total net income	9,703	8,312	2,773	5,293	2,841
Average amount of assets	767,868	629,431	517,650	435,155	400,150
ROA (Net income before IA's distribution / total assets)	1.26%	1.32%	0.54%	1.22%	0.71%
Amount of total net income	8,124	7,063	1,261	4,021	1,463
Average amount of shareholder's equity	85,474	70,179	61,060	53,673	45,954
ROE (Net income after IA's distribution / Shareholders equity)	9.50%	10.06%	2.07%	7.49%	3.19%
PSR - Average Profit Paid					
Profit sharing ratio (Mudarib: Investment Accountholders)	25:75	25:75	25:75	30:70	30:70
Average Profit paid to investment accountholders	0.97%	0.90%	1.06%	2.86%	1.42%
Average Profit distributed per type of IAH					
Savings (RO 100 – RO 999.999)	0.15%	0.14%	0.15%	0.23%	0.26%
Savings (RO 1,000 – RO 9,999.999)	0.41%	0.39%	0.39%	0.43%	0.44%
Savings (above RO 10,000)	0.55%	0.53%	0.53%	0.57%	0.58%
Call Account (RO 100 - RO 999.999)	0.150%	0.00%	0.00%	0.16%	0.03%
Call Account (RO 1,000 - RO 9,999.999)	0.00%	0.00%	0.04%	-	-
Al Nama Smart Saving (RO 100 – RO 2,499.99)	-	-	-	0.48%	0.58%
Al Nama Smart Saving (RO 2,500 – RO 49,999.99)	-	-	-	1.99%	2.08%
Al Nama Smart Saving (RO 50,000 – RO 499,999.99)	-	-	-	2.59%	2.64%
Al Nama Smart Saving (500,000 - 999,999.999)	-	-	-	2.89%	3.19%
Al Nama (Above 1,000,000)	-	-	-	3.52%	3.57%
URIAH call Retail (Balances Above 10K)	-	0.22%	-	-	-
URIA Saving Awqaf	0.41%	0.39%	0.17%	0.41%	0.43%
Qitaf Saving Account	0.15%	0.15%	0.39%	0.16%	0.25%
Children Saving (Balances from 100 To 999.999)	0.27%	0.02%	-	-	-
Children Saving (Balances from 1,000 To 3,999.999)	0.53%	0.04%	-	-	-
Children Saving (Balances from 4,000 To 9,999.999)	0.78%	0.06%	-	-	-
Children Saving (Balances from Above 10K)	1.59%	0.13%	-	-	-
Youth Saving (Balances from 0 To 99.999)	-	-	-	-	-
Youth Saving (Balances from 100 To 999.999)	0.27%	-	-	-	-
Youth Saving (Balances from 1,000 To 3,999.999)	0.530%	-	-	-	-
Youth Saving (Balances from 4,000 To 9,999.999)	-	-	-	-	-
Youth Saving (Balances from Above 10K)	-	-	-	-	-
Al Nama (0 - 999)	0.05%	0.05%	0.15%	-	-
Al Nama (1,000 - 4,999)	0.16%	0.15%	0.04%	-	-
Al Nama (5,000 - 9,999)	0.53%	0.51%	0.16%	-	-
Al Nama (10,000-19,999)	1.1%	1.02%	0.71%	-	-
Al Nama (20,000 - 34,999)	1.41%	1.36%	1.14%	-	-
Al Nama (35,000 - 49,999)	1.59%	1.52%	1.42%	-	-
Al Nama (50,000-99,999)	1.768%	1.69%	1.57%	-	-
Al Nama (100,000 - 149,999)	2.12%	2.03%	1.71%	-	-
Al Nama (150,000 - 249,999)	2.30%	2.20%	2.26%	-	-
Al Nama (250,000 - 349,999)	2.65%	2.54%	2.54%	-	-
Al Nama (350,000 - 499,999)	2.92%	2.80%	2.75%	-	-
Al Nama (500,000 - 749,999)	3.45%	3.30%	2.43%	-	-
Al Nama (750,000 - 999,999)	3.50%	1.11%	2.20%	-	-
Al Nama (1,000,000+)	3.54%	3.39%	3.41%	-	-

The Islamic window has no off-balance sheet exposures arising from investment decisions. Further, the Islamic window had no limits imposed on the amount that can be invested in any one type of asset.

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10. INVESTMENT ACCOUNT HOLDERS (continued)

III. Computation of pool income for the year ended 31 December 2024 (RO '000)

	2024	2023
Income generated		
Income from financing	36,475	29,168
Income from placements	4,220	3,643
Total	40,695	32,811
Distribution of Income (Mudaraba Deposits)	2024	2023
Profit equalization reserve	196	102
Mudarib share	488	420
Investment risk reserve	-	-
Distributable Profit	13,009	10,654
Share of Profit for IAH and shareholders	13,693	11,176

IV. Investment account holders under Wakala (RO '000)

	2024	2023
Average Wakala deposits	455,209	371,033
Average Profit paid to investment accountholders %	5.12	4.29

11. Contract Specific risk

The Bank closely monitors the total risk exposures in each type of financing asset including the relative risk of carried. Following is the total Risk Weighted Assets classified by type of financing as of 31 December 2024

Type of Credit Exposure	RWAs	
	2024	2023
	RO'000	RO'000
Sovereign	-	-
Banks	31,048	38,476
Musharaka receivables	305,654	280,059
Ijarah assets – Ijarah Muntahia Bittamleek	72,165	82,539
Murabaha receivables	58,553	44,115
Credit card receivables	1,562	1,081
Service Ijarah	5,818	2,675
wakala bil istithmar	178,048	70,134
Istisna receivable	-	5,050
Qard hasan	34	74
Other Assets & off-balance sheet items	32,404	29,361
Total	685,286	553,564

12. ZAKAH

Zakah is calculated in accordance with FAS 9 Zakah issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) 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, if any. Payment of Zakah on the Investment Accounts and other Accounts is the responsibility of Investments Account Holders.

13. EARNINGS PROHIBITED BY SHARIAH AND THE CHARITY PAYMENTS BY CUSTOMERS IN SITUATION OF LATE PAYMENT

The Islamic window is committed to avoid recognizing 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. During the year ended 2024, income amounting to RO 0.003 Mn has been credited to charity account being prohibited by Sharia. And the amount OMR 0.001 Mn has been received in the charity account for late payments. Sources and use of charity by fund have been disclosed in statement of sources and uses of charity fund in Financial Statements. With regard to undistributed funds under charity account as of year ended 2024, Islamic window has taken approval from SSB for deferment of disbursement to next year.

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14. COMPENSATION POLICY AND REMUNERATION OF SHARIA Supervisory BOARD (SSB)

In line with the CBO guidelines on remuneration disclosure as part of pillar III, the relevant qualitative and quantitative disclosure are presented in the banks Basel II Pillar III.

Following remuneration of Sharia Board has been approved by the general assembly;

Chairman: RO 10,000 per annum (US\$ 25,974 per annum).

Member: RO 8,000 per annum (US\$ 20,779 per annum).

Sitting fee: RO 385 (US\$ 1,000) per meeting per member, maximum of 5 sitting per year.

Details of Sharia Supervisory Board and meetings attended during the year has been disclosed in corporate governance report.

15. GENERAL DISCLOSURES

Shari'a governance

Shari'a governance is the most important feature of the Islamic window. Shari'a governance is defined as a system whereby the Bank attempts and abides by the Shari'a principles in all its activities. The main objective of Shari'a governance framework is to ensure Shari'a compliance at all the times and at all levels and that is to enable the Islamic Window to be perceived as fully Shari'a compliant by all aspects. The key elements of Shari'a governance framework of the Islamic window are as follows:

- i. Shari'a Supervisory Board (SSB)
- ii. Head Shari'a Audit and Compliance/Internal Shari'a Reviewer (Head SAC)
- iii. Shari'a Audit Unit (SAU)
- iv. Shari'a Compliance Unit (SCU)
- v. Shari'a Risk Control Unit (SRCU)

Shari'a audit and compliance department

As per the Shari'a governance structure of the Window, Shari'a Audit and Compliance Unit (SACU) is a full-fledged department of the Bank. The Shari'a Audit and Compliance includes SAU, SCU and SRCU and is led by Head Shari'a Audit and Compliance / Internal Shari'a Reviewer. SACU main function is to objectively examine and evaluate the extent of compliance of the Bank in view of the pronouncements issued by the SSB or its Chairman and in adherence to the regulations issued by CBO

SACU has direct and regular communication with all levels of management, the SSB, and external auditors and it is provided with full and continuous support of management and the SSB to perform its duties. Shari'a Audit and Compliance works under supervision of the SSB to ensure independence and objectivity in performance of department's tasks.

Trainings

The Shari'a Audit and Compliance Department (SACD) prepared a comprehensive training plan for year 2024 and got that approved by the SSB. In accordance with the training plan, Shari'a Audit and Compliance prepared material on Ahli Islamic Products and their Shari'a Principles by including essential features of Islamic banking, Shari'a governance, Shari'a structures of Islamic banking products and their process flows, list of legal documentation and Shari'a principles underlying to each product. The training material was made in line with SSB directives, Islamic banking guidelines issued by CBO and AAOIFI Shari'a Standards. The trainings were made as mandatory for the related staff of Ahli Islamic and Ahli Bank.

The trainings were conducted by Head SAC, Manager Shari'a Audit, Manager Shari'a Compliance and Shari'a Risk Controller as per SSB approved Training Plan for 2024 for staff of the Bank. Additionally, online training and learning arrangement was made by Shari'a Department in coordination with the Bank T&D. The training was made mandatory for entire bank staff (Ahli Bank as well as Ahli Islamic) with requirement of passing a test at end of the training. Also, Head SAC taught 22 senior staff of Ahli Islamic CIMA book on Islamic Banking and Takaful Products. The Shari'a Risk Controller accomplished CIBAFI Certificate in Islamic Banking and Shari'a Auditor was facilitated to accomplish Diploma in Islamic Finance with CIMA and CIBAFI'S certificate in Islamic Banking which were successfully accomplished by the staff during the year 2024. The Head SAC attended the training offered by CBFS on Train the Trainer in 2024.

For 2025, annual training budget is in place for employees as part of the bank's overall training and development budget. The continued development, qualification and certification of all Islamic Banking personnel is an ongoing process.

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as at 31 December 2024

15. GENERAL DISCLOSURES (continued)

Complaints

Ahli Bank has devised “Code of Ethics and Fair Practices - Customer Complaints Redressal Policy & Procedure” and same is implemented for the Islamic window with regard to professional ethics as well as procedure to resolve customers’ queries and complaints. According to the policy, any Islamic Banking related enquiries and complaints are sent to related department of Islamic banking to address and advice and there is proper mechanism in place and a responsible person is identified who collects complains and send the same to the relevant staff.

The Islamic window has trained customer services representative in all the branches who provide appropriate guidance to customers in selection of relevant products suitable to the individual investors. Further, complete product booklet is available at the branches and on the Bank’s website which can be referred in case of any further clarification is required. Customers call center (can contact number 24577177) or walk in any of the branches to register their complaints.

Awareness

The Bank has trained customer services representatives in all business units who provide appropriate guidance to customers with regard to Islamic Banking products and services. Furthermore, products’ brochures are made available at all the branches for customers information and knowledge. Products’ feature and related SSB Fatwa and glossary of Islamic banking are also available on the website for public information. Additionally, during 2024 Sharia Audit and Compliance team has regularly been meeting with customers and clients and explaining them about Islamic banking products and their conditions.

Related Party

Disclosures related to related party and transactions during 2024 are disclosed in note 30 of Islamic window financial statements.

16. SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

The Islamic Window does not have any subsidiary or other significant equity investments as on 31 December 2024.

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as at 31 December 2024

17. BASEL III REGULATORY CAPITAL DISCLOSURES

Below disclosures are prepared using three step reconciliation approach as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114.

BASEL III common disclosure template (RO '000)			
		2024	2023
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	50,000	45,000
2	Retained earnings	38,894	30,757
6	Common Equity Tier 1 capital before regulatory adjustments	88,894	75,757
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(1,089)	(768)
28	Total regulatory adjustments to Common equity Tier 1	(1,089)	(768)
29	Common Equity Tier 1 capital (CET1)	87,805	74,989
Additional Tier 1 capital: instruments			
36	Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital before regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	Additional Tier 1 capital (AT1)	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	87,805	74,989
Tier 2 capital: instruments and provisions			
50	Provisions (provision and fair value reserve)	1,785	2,081
51	Tier 2 capital before regulatory adjustments	1,785	2,081
Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	1,785	2,081
59	Total capital (TC = T1 + T2)	89,590	77,070
60	Total risk weighted assets	726,257	580,301
60a	<i>Of which: Credit risk weighted assets</i>	685,286	553,564
60b	<i>Of which: Market risk weighted assets</i>	12,390	4,287
60c	<i>Of which: Operational risk weighted assets</i>	28,581	22,450
Capital Ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.09%	12.92%
62	Tier 1 (as a percentage of risk weighted assets)	12.09%	12.92%
63	Total capital (as a percentage of risk weighted assets)	12.34%	13.28%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.000%	7.000%
65	<i>of which: capital conservation buffer requirement</i>	-	-
66	<i>of which: bank specific countercyclical buffer requirement</i>	-	-
67	<i>of which: G-SIB buffer requirement</i>	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	1.35%	2.28%
National minima (if different from Basel 3)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.000%	7.000%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	9.000%	9.000%
71	National total capital minimum ratio (if different from Basel 3 minimum)	11.000%	11.000%
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	265	154
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1,785	1,926
77	Cap on inclusion of provisions in Tier 2 under standardized approach	9,078	7,254

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17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Step 1: Balance sheet under Regulatory scope of consolidation

(RO'000)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	31 DEC 2024	31 DEC 2024
Assets		
Cash and balances with Central Bank of Oman	48,983	48,983
Due from banks	63,270	63,270
Loans and advances	644,052	644,052
Investments in securities	61,816	61,816
Loans and advances to banks	-	-
Property and equipment	8,647	8,647
Deferred tax assets	-	-
Other assets	10,040	10,040
Total assets	836,808	836,808
Liabilities		
Due to banks	28,643	28,643
Customer deposits	698,147	698,147
Current and deferred tax liabilities	-	-
Other liabilities	18,057	18,057
Subordinated bonds	-	-
Total liabilities	744,847	744,847
Shareholders' Equity		
Paid-up share capital	50,000	50,000
Share premium	-	-
Legal reserve	-	-
General reserve	-	-
Retained earnings	38,894	38,894
Cumulative changes in fair value of investments	(303)	(303)
Subordinated debt reserve	-	-
Other Reserves	3,370	3,370
Total shareholders' equity	91,961	91,961
Total liability and shareholders' funds	836,808	836,808

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Step 2: Expansion of Balance sheet under Regulatory scope of consolidation

Table 2b – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (RO '000)

Step 2: Expansion of Balance Sheet under Regulatory Scope of Consolidation

Year ended 31 December 2024	Balance sheet as In published financial statements	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	48,983	48,983	
Due from banks	63,270	63,270	
Financings - Net, of which:	644,052	644,052	
- Financings to domestic customers		658,438	
- Provision against financings, of which:		(14,386)	
- Stage 3 Impairment allowance		(6,033)	
- Stage 1 / 2 impairment allowance, of which		(8,353)	
- Amount eligible for T2		1,785	a
- Amount ineligible for T2		6,568	
Investments, of which:	61,816	61,816	
- fair value through income statement		45,308	
- fair value through other comprehensive income		16,508	
- Stage 1 / 2 impairment allowance, of which		-	
- amount eligible for T2		-	
- amount ineligible for T2		-	
Fixed assets	8,647	8,647	
- Intangibles (CET1 adjustment)		(660)	e
- Other fixed Asset		(7,987)	
Other assets	10,040	10,040	
Total Assets	836,808	836,808	
Capital & Liabilities			
Paid-up Capital, of which:	50,000	50,000	
- Amount eligible for CET1		50,000	b
Reserves & Surplus; of which	41,961	41,961	
- Amount eligible for CET1		38,894	c
- Amount eligible for T2 (Investments Fair value gains)		-	d
- Investments fair value loss (CET1 adjustment)		(429)	e
- Investments fair value gains unutilized		126	
- Other reserves (not eligible for CET1)		3,370	
Total Capital	91,961	91,961	
Deposits	698,147	698,147	
Due to banks	28,643	28,643	
Other liabilities and provisions	18,057	18,057	
Other liabilities & provisions, of which		18,907	
‘- Stage 1 / 2 impairment allowance, of which		(850)	
- amount eligible for T2		-	
- amount ineligible for T2		(850)	
TOTAL	836,808	836,808	

BASEL II PILLAR III AND BASEL III Disclosures

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17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (RO' 000)		
Year ended 31 December 2024	Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1 Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	50,000	b
2 Retained earnings	38,894	c
3 Common Equity Tier 1 capital before regulatory adjustments	88,894	
4 Prudential valuation adjustments	(1,089)	e
5 Total regulatory adjustments to Common equity Tier 1	(1,089)	
6 Common Equity Tier 1 capital (CET1)	87,805	
Additional Tier 1 capital: instruments		
7 Additional Tier 1 capital (AT1)	-	
Tier 1 capital (T1 = CET1 + AT1)	87,805	
Tier 2 capital: instruments and provisions		
8 Provisions	1,785	a
9 Fair value reserve of AFS investments	-	d
Tier 2 capital before regulatory adjustments	1,785	
Tier 2 capital: regulatory adjustments	-	
Tier 2 capital (T2)	1,785	
Total capital (TC = T1 + T2)	89,590	

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17.1 MAIN FEATURES OF REGULATORY CAPITAL

Year ended 31 December 2024

		Common Equity Share Capital
1	Ahli Islamic	
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	50 million
9	Par value of instrument	-
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	RO 25 Million allocated in 2013 and RO 10 Million allocated in 2021. 10 Million allocated in 2023. 5 Million allocated in 2024.
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Statutory approach
32	If write-down, full or partial	Write down fully
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

18. Basel III LIQUIDITY DISCLOSURE

The below liquidity disclosure is prepared in accordance with the requirements of the CBO Circular BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014. The disclosure is based on average of three-monthly data points.

Year ended 31 December 2024		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)	87,278	87,278
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	602,936	31,471
3	Stable deposits	10,048	301
4	Less stable deposits	592,888	31,170
6	Unsecured wholesale funding, of which:	95,259	43,256
7	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
8	Non-operational deposits (all counterparties)	79,008	27,005
9	Unsecured debt	16,251	16,251
10	Secured wholesale funding	-	-
11	Additional requirements, of which		
12	Outflows related to derivative exposures and other collateral requirements	86,814	86,814
13	Outflows related to loss of funding on debt products		
14	Credit and liquidity facilities	3,000	300
15	Other contractual funding obligations	-	-
16	Other contingent funding obligations	3,788	189
17	TOTAL CASH OUTFLOWS	791,797	162,030
Cash Inflows			
18	Secured lending (e.g. reverse repos)		
19	Inflows from fully performing exposures	108,530	59,908
20	Other cash inflows	165,528	86,814
21	TOTAL CASH INFLOWS	274,058	146,722
22	TOTAL HQLA		87,278
23	TOTAL NET CASH OUTFLOWS		40,508
24	LIQUIDITY COVERAGE RATIO (%)		215.46%

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

19. NET STABLE FUNDING RATIO (NSFR): Common Disclosure Template

The below Net Stable Funding Ratio (NSFR) disclosure is presented for year ended 31 December 2024 and prepared in accordance with the requirements of the CBO letter vide circular reference 1147 issued on October 26, 2016.

31 December 2024

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>= 1 Year	Weighted Value
ASF ITEM						
1	Capital	89,590	-	-	-	89,590
2	Regulatory Capital	89,590				89,590
3	Retail Deposits and Deposits from small Business Customers	321,599	125,805	119,535	39,998	554,673
4	Stable Deposit	83,533	2,587	2,453	1,553	85,697
5	Less Stable Deposit	238,067	123,219	117,082	38,445	468,976
6	Wholesale Funding	69,389	3,088	12,893	7,194	49,879
7	Operational	-				-
7	Other Wholesale Funding	69,389	3,088	12,893	7,194	49,879
8	All other liabilities and equities not included in above categories	47,661	-	-	-	-
9	Total ASF					694,142
RSF ITEMS						
10	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	2,294
11	Deposits held at other financial institutions for operational purposes	63,271	-	-	-	31,635
12	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
13	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	-	-	-	404,168	343,543
13	With a risk weight of less than or equal to 35% under the Basel II Standardized approach for credit risk	-	124,157	18,129	-	71,143
14	Performing residential mortgages, of which: With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	102,862	66,861
15	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	15,930	13,540
16	All other assets not included in the above categories	-	-	-	805	805
17	Off-balance sheet items	-	19,775	5,221	20,098	2,255
18	Total RSF					532,076
19	NET STABLE FUNDING RATIO					130.46%

BASEL II PILLAR III AND BASEL III Disclosures

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The financial statements and other related disclosures are also available on the ahlibank's website, to view it on the website refer the link <https://ahlibank.om/investor-relations/financial-highlights/annual-reports/>.

The Basel II Pillar III disclosures are prepared in accordance with the requirements of Basel II Pillar III disclosures as set out in the CBO circular BM1009 and BM1027.

Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated march 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated October 26, 2016.

For ahli islamic



Hamdan Ali Nasser Al Hinai

Chairman

Date: 29 January 2025

