



بنك عُمان العربي
OMAN ARAB BANK

ANNUAL REPORT 2024





"We shall march forward on this road so that Oman can maintain its prominent place in which late His Majesty Sultan Qaboos bin Said bin Taimour wished to position it, the goal he worked to realise."

His Majesty Sultan Haitham Bin Tarik
Speech on January 2020

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CHAIRMAN'S REPORT



RASHAD AL ZUBAIR

Chairman of Board of Directors

Dear Shareholders,

It is my privilege to present the financial results of Oman Arab Bank SAOG (OAB) for the year 2024. Significant progress has been made this year as we continue to align our strategies with Oman Vision 2040, contributing to the nation's economic resilience and growth. Through innovation, digital transformation, and an unwavering focus on customer experience, we have strengthened our role as a key enabler of Oman's financial development.

Our achievements in 2024 reflect the dedication of our employees, the trust of our customers, and the support of our stakeholders. From launching innovative products and forming impactful partnerships to nurturing talent and fostering inclusivity, OAB has maintained its commitment to creating value for the communities we serve.

OPERATING ENVIRONMENT



In 2024, Oman's economy continued its trajectory of growth and reform, supported by prudent fiscal management, ongoing diversification efforts, and the broader implementation of Vision 2040 initiatives. These factors have solidified Oman's position as a resilient and forward-looking economy in the region.

Oman's fiscal and external positions have improved significantly, leading to an upgrade of its sovereign credit rating to investment grade. Public sector debt declined, while fiscal and current account balances remained comfortably in surplus. These achievements underscore the government's commitment to sustainable economic management, including the continued implementation of tax reforms, targeted subsidy reductions, and enhanced public financial management.

Oman has benefited from steady oil prices, which averaged around USD 82 per barrel in 2024, supporting fiscal stability. However, the government has proactively expanded its non-oil revenue base, reducing reliance on hydrocarbons. Key sectors such as renewable energy and industrial manufacturing have emerged as pillars of the nation's economic diversification strategy.

The banking sector remains a cornerstone of Oman's economic transformation. With ample liquidity, strong asset quality, and profitability recovering to pre-pandemic levels, the financial sector is poised to support the government's objectives. OAB, in particular, is aligned with national priorities, leveraging its capabilities to foster innovation, enhance customer experiences, and contribute to the nation's growth.

CONSOLIDATED FINANCIAL PERFORMANCE

TOAB recorded a net profit after tax of RO 30.4 million for the year ended 31 December 2024, up 48% compared to RO 20.6 million in 2023, driven by growth in core operations and lower cost of risk along with an increase in debt recoveries.

Net interest income from conventional banking and net income from Islamic financing services increased by 3% to RO 99.5 million for the year ended 31 December 2024 due to an increase in interest and finance income, which was offset by higher cost of funds, attributable to the high interest rate environment.

Operating revenue increased by 5% to RO 126.5 million for the year ended 31 December 2024 compared to RO 120.2 million in 2023. Operating expenses reached RO 72.2 million compared to RO 71.3 million in 2023. This has led to a healthy growth in operating profit, which grew 11% to reach RO 54.3 million in 2024 compared to RO 49.0 million for the last year. Net allowances for expected credit losses decreased by 27% to reach RO 18.1 million in 2024 compared to RO 24.7 million in 2023.

Net loans and advances, including Islamic finance, grew 5% to RO 3,447 million at 31 December 2024 compared to RO 3,275 million at 31 December 2023, while customer deposits reached RO 3,534 million by the end of 2024, up 5% compared to RO 3,357 million at 31 December 2023.

 **OMR 30.4**
million net profit after tax

 **OMR 126.5**
million operating income



PARENT COMPANY PERFORMANCE

The parent company recorded a net profit after tax of RO 30.7 million for the year ended 31 December 2024, up 55% compared to RO 19.8 million in 2023. Interest income grew 11%, driven by growth in loans and advances, which was offset by higher interest expense.

Operating revenue reached RO 101.4 million for the year ended 31 December 2024, up 5% compared to RO 96.9 million in 2023, driven by growth in net fees and other operating income by 7% and an increase in the share of profit from the subsidiary by 28%. Operating expenses declined by 0.6% to reach RO 52.6 million for the year ended 31 December 2024 compared to RO 52.9 million in 2023 and resulted in a healthy growth of operating profit at 11%. Net allowances for expected credit losses decreased by 35% to record RO 14.1 million for the year ended 31 December 2024 compared to RO 21.8 million in 2023, driven by lower impairment charges and higher recoveries.

Net loans and advances grew 3% to RO 2,373 million as of 31 December 2024, compared to

RO 2,306 million for the same period last year. Customer deposits increased by 4% to RO 2,440 million as of 31 December 2024 compared to RO 2,344 million for the same period the previous year.

The Parent Company has adopted the equity method to account for investments in subsidiaries in its separate financial statements. This amendment has been applied retrospectively, and the previous year's figures have been restated accordingly.

ALIZZ ISLAMIC BANK PERFORMANCE

Alizz Islamic Bank's net profit grew by 28% to RO 10.0 million for the year ended 31 December 2024 compared to RO 7.8 million in 2023. Growth has been observed across all the core activities, with operating income and operating profit growing by 12% and 20%, respectively.

Net financing receivables amounted to RO 1,073 million as of 31 December 2024, 11% higher than RO 969 million for the same period last year. Customer deposits reached RO 1,094 million as of 31 December 2024, up 8% compared to RO 1,014 million as of 31 December 2023.

AWARDS AND RECOGNITIONS

In 2024, OAB continued to solidify its position as a leading financial institution through numerous prestigious accolades, reflecting its commitment to excellence, innovation, and customer service.

One of the most notable achievements was OAB's consistent recognition with the 'Straight Through Processing' (STP) Excellence Award, received from both the Bank of New York Mellon (BNY Mellon) and Citibank. This prestigious honour, earned annually since 2018, underscores OAB's dedication to secure, accurate, and efficient transaction processing. Notably, OAB achieved an exceptional 100% accuracy rate for treasury payments and 99.8% for customer payments, driven by its pioneering adoption of automation and advanced banking technologies. These achievements highlight OAB's leadership in streamlining operations to deliver faster and more reliable services.

Further enhancing its reputation, OAB was honoured with two key awards at the 2024 Oman Economic Review "OER" Business Summit Awards, organised by Oman Economic Review. It received the Business Excellence Award in celebration of 50 years of innovative leadership in Oman's banking sector. Additionally, it was awarded the Excellence Award in Human Resources for its contributions to national talent development through initiatives like the 'Ruwad Al Arabi' Programme.

Alizz Islamic Bank additionally received various awards in recognition of its achievements across

multiple milestones, including the award for 'Best Islamic Bank in Shari'a Compliance & Governance in Oman for 2024' by the World Union of Arab Bankers. Ali Al Mani, the CEO of Alizz Islamic Bank, was also honoured with the 'CEO of the Year – Islamic Banking' award at the prestigious CXO Awards 2024.

These accolades reaffirm OAB's strategic commitment to innovation, customer satisfaction, and workforce empowerment, ensuring it remains at the forefront of the financial sector while aligning with the goals of Oman Vision 2040.

PRODUCTS AND SERVICES

In 2024, OAB continued to have a lead in the banking sector by introducing innovative products and services designed to enhance customer experience, support economic growth, and leverage advanced financial technologies.

The year began with the launch of the Corporate Internet Banking platform, a cutting-edge solution providing government and corporate clients with enhanced financial management capabilities. OAB also introduced the Ramadan Auto Loan, enabling customers to secure competitive interest rates and extended financing tenures conveniently via the mobile app.

As part of its ongoing digital transformation, OAB introduced the Direct Debit Service, integrated with the Central Bank of Oman's system, to facilitate secure and instant recurring payments for retail and





corporate clients. OAB also launched the Al Dar Housing Loan, featuring 48-hour approval times for eligible applications, making homeownership more accessible.

In wealth management, OAB collaborated with Ubhar Capital to provide high-net-worth clients with comprehensive financial planning, brokerage services, and personalised investment advisory. Supporting SMEs, OAB launched Tumouhi, a value proposition offering waived fees, competitive loan rates, and workshops on financial literacy and entrepreneurship.

To enhance customer convenience, OAB signed an agreement to upgrade its network of ATMs with state-of-the-art machines that enable secure and fully digital self-service banking, reinforcing OAB's leadership in adopting advanced financial solutions.

Catering to high-net-worth individuals, OAB unveiled the Elite Exclusive Programme, offering premium services such as dedicated relationship managers, wealth management solutions, and exclusive lifestyle privileges through the Visa Elite Exclusive metal card.

Alizz Islamic Bank further expanded its footprint with new branches in the Wilayats of Jalaan Bani Bu Ali, Rustaq, and Ibri, together with its first-ever Smart Branch in Wilayat Bawshar, offering customers a unique way of banking. Alizz Islamic Bank also introduced 'Alizz Connect' and 'Alizz Business'. The former includes many features

that meet corporate business requirements and demands, while the latter offers a value proposition tailored for SMEs. Alizz Islamic Bank also launched innovative initiatives such as 'The Little Entrepreneur', a financial literacy game for children.

Furthermore, Alizz Islamic Bank has made a substantial investment to boost its IT architecture to support and sustain its aggressive growth plans and is planning to introduce new innovative products and services in 2025.

These initiatives underscore OAB and Alizz Islamic Bank's commitment to driving innovation, empowering customers, and contributing to Oman's Vision 2040 through impactful banking solutions.

STRATEGIC COLLABORATIONS & PARTNERSHIPS

In 2024, OAB continued to solidify its role as a key enabler of economic development and innovation through strategic collaborations and impactful partnerships.

In Q1/2024, OAB partnered with TickOne, providing Omani youth with access to career training opportunities aligned with the National Employment Programme and the Ministry of Labour. This was complemented by the sponsorship of the Dawam App, a digital platform connecting job seekers with employers, offering self-employment opportunities and training programmes to catalyse economic growth.

Building on these efforts in Q2/2024, OAB signed a Memorandum of Cooperation (MoC) with the Ministry of Labour, focusing on developing human skills, supporting Omani cadres, and expanding work opportunities. This partnership enabled training programmes, workshops, and knowledge exchanges aimed at equipping Omani employees with cutting-edge skills. Additionally, OAB collaborated with the National Hospitality Institute, providing funding support for students and job seekers in the tourism and hospitality sector, further contributing to the professional development of national talent.

Alizz Islamic Bank also engaged in strategic initiatives, partnering with The Oman Vision 2040 Follow-up Unit to issue the region's first corporate innovation guides, as well as with Abraj Energy Services and Omran Group to finance projects that drive innovation and development.

In Q3/2024, OAB entered into a collaboration with the Badir Fund, managed by the Arab Fund for Economic and Social Development, to enhance support for SMEs in Oman. This partnership aims to strengthen entrepreneurial ventures, expand business opportunities, and contribute to economic diversification in the Sultanate.

Additionally, Alizz Islamic Bank launched the 'Aziz & Aziza' financial education series in partnership with

the Ministry of Finance's National Programme for Financial Sustainability and Oman's first children's magazine, Murshid. This initiative highlights Alizz Islamic Bank's commitment to raising financial awareness among children and instilling sound financial habits from an early age.

Through these strategic partnerships and initiatives, OAB and Alizz Islamic Bank continue to play a pivotal role in supporting national economic growth, empowering communities, and fostering a culture of innovation and collaboration across various sectors.

EVENTS AND PARTICIPATION

In 2024, OAB actively participated in prominent events, showcasing its commitment to innovation, collaboration, and economic growth while reinforcing its leadership in the banking sector.

In Q2/2024, OAB made a significant impact at COMEX 2024, Oman's most prominent technology exhibition held at the Oman Exhibition and Convention Centre (OCEC). Under the patronage of His Highness Sayyid Theyazin bin Haitham Al Said, OAB highlighted its digital banking innovations, presenting advanced technical solutions and electronic services. This participation underscored OAB's role as a pioneer in Oman's digital transformation journey and its alignment with the nation's vision for technological advancement.





During the same quarter, Alizz Islamic Bank organised the first-ever Shari'a Index Forum in collaboration with the Muscat Stock Exchange. The forum emphasised the importance of Shari'a-compliant investments in attracting local and international investors and highlighted the prospects of the Shari'a index within the framework of Oman Vision 2040.

In Q4/2024, OAB hosted the third edition of its annual CEO Summit. The event brought together over 450 business leaders, experts, and decision-makers, fostering knowledge exchange and inspiring discussions aimed at accelerating transformation across various sectors. The summit featured insights from distinguished speakers, including His Excellency Tahir Salim Al Amri, Executive President of the Central Bank of Oman, who discussed trends in monetary policy and the banking sector's role in economic growth. Randa Sadik, CEO of Arab Bank Plc and Deputy Chairman of OAB's Board of Directors, shared valuable insights on adaptability and innovation in the rapidly evolving financial landscape.

The Bank celebrate the Omani Women's Day 2024 by launching the "Women's Leadership Development Program" as a new initiative by OAB to nurture national female leaders and enhance women's participation in the sustainable growth of the Sultanate of Oman, in line with the aspirations of Oman Vision 2040.

The program is being implemented in collaboration with Springboard and Aspire Institute, two prestigious international organizations in the field of training and development, adhering to the highest global standards. The program aims to empower women in senior leadership positions and strengthen their skills in strategic planning, decision-making, and achieving both personal and professional success.

Through its participation in these impactful events, OAB reaffirmed its commitment to driving digital transformation, fostering economic development, and supporting Oman's Vision 2040.

DEVELOPMENT OF HUMAN RESOURCES

In 2024, OAB demonstrated its unwavering commitment to cultivating a skilled and engaged workforce through comprehensive training programmes, leadership initiatives, and employee-centric activities. These efforts reinforce OAB's role as a leader in talent development within Oman's financial sector.

OAB conducted 374 training courses through a blend of in-person and online sessions. Topics ranged from leadership and banking certifications to customer service and technical skills, ensuring employees were equipped to meet evolving industry demands. Leadership initiatives, such as the second cohort of the 'Ruwad Al Arabi' Leadership

Development Programme, engaged 50 employees in partnership with Harvard Business Publishing Corporate Learning, further strengthening OAB's future leadership pipeline.

OAB also provided 160 internships to college students and job seekers, bridging the gap between academic learning and practical experience. The 'Manahil Alizz' Internship Programme and workshops led by senior industry professionals underscored Alizz Islamic Bank's dedication to nurturing young talent and fostering professional development.

Alizz Islamic Bank continued to train and develop its team across various competencies, successfully training 398 employees in 2024. One of its main initiatives was the 'Ruwad Alizz' Leadership Programme, held in coordination with Harvard Management Mentor. The leadership programme saw the successful graduation of more than 90 internal and external candidates since it began. Moreover, Alizz Islamic Bank strives to recruit talented and ambitious Omani nationals and provide them with appropriate training in Islamic Banking and other leadership programmes to prepare them for future roles in line with its vision. This is reflected in its high Omanisation ratio of 90%, which it continues to strive to increase further.

Employee engagement remained central to OAB's strategy. Initiatives such as 'Happy Thursday,' 'Breakfast with the CEO,' and branch visits fostered

a collaborative workplace culture. Regional activities, including treasure hunts and wellness events, created a supportive and inclusive environment.

By investing in its people and leveraging technology to enhance processes, OAB continues to set a benchmark for excellence in human resource development. These efforts ensure a highly skilled, engaged, and empowered workforce, driving OAB's success and contribution to Oman's Vision 2040.

COMMUNITY ENGAGEMENT

OAB continued to demonstrate its commitment to social responsibility in 2024 through a series of impactful community initiatives. These efforts focused on inclusivity, empowerment, education, and fostering entrepreneurial growth, reinforcing OAB's dedication to creating a positive societal impact.

During Ramadan, OAB launched the 'Giving Made Easy' campaign, encouraging donations through its mobile app and ATMs. OAB also hosted a special Qaranqasho celebration under the auspices of Her Highness Sayyida Hujaija Al Said, welcoming over 80 children, including those with disabilities, for an evening of activities and live entertainment. This inclusive event reflected OAB's focus on celebrating diversity and creating a sense of belonging.

OAB extended its community contributions with initiatives such as a blood donation drive, organised



in collaboration with the Ministry of Health, to promote a culture of giving and support for critical healthcare needs. Alizz Islamic Bank complemented these efforts through the 'Tamkeen Programme', renovating a school and equipping it with modern amenities, enhancing educational opportunities for children and job creation in the region.

In line with its mission to empower the next generation, OAB hosted school visits to its Kids Branch at its headquarters, providing students with hands-on exposure to real-world banking. The initiative encouraged financial literacy and introduced young learners to entrepreneurship fundamentals.

Additionally, Alizz Islamic Bank continued its support of a school located in Wilayat Al Awabi through the sponsorship of seven students for the academic year and the training of ten full-time faculty members, supporting them with digital solutions to efficiently meet their educational objectives.

OAB also focused on fostering entrepreneurial growth through the Tumohi Programme, organising workshops for SMEs in Wilayat Sohar. These sessions equipped participants with skills in financial planning, governance, and marketing while providing opportunities to network with larger corporations.

In Q4/2024, OAB opened a disability-friendly branch in Saham, featuring advanced facilities for customers with disabilities, including ramps, Braille signage, and staff trained in sign language. This pioneering initiative exemplified OAB's commitment to accessibility and inclusivity in its services.

Alizz Islamic Bank relocated its Head Office to a new location in Wilayat Bawshar. The new facility houses a Grand Hall and several training rooms that cater to knowledge sharing and collaboration. It has since activated its hall for external partners, hosting more than 50 community events so far.

2024 also saw Alizz Islamic Bank enter into partnerships with organisations that focus on sustainable initiatives under the banner of 'Alizz Cares'. Alizz Islamic Bank also published its first ESG report this year, reflecting its unwavering commitment to enhancing Oman's socioeconomic landscape while ensuring sustainability and community well-being.

Through these initiatives, OAB and Alizz Islamic Bank reinforced their role as socially responsible institutions, empowering individuals and communities while fostering growth and inclusivity across the Sultanate.

As we look ahead, we remain focused on leveraging opportunities presented by Oman's dynamic economic landscape to deliver sustainable growth. I extend my heartfelt gratitude to His Majesty Sultan Haitham bin Tarik, may the Almighty protect and preserve him, for his visionary leadership and to our shareholders, customers, and employees for their continued trust and support. Together, we will achieve new milestones and drive a prosperous future for OAB.

Sincerely,

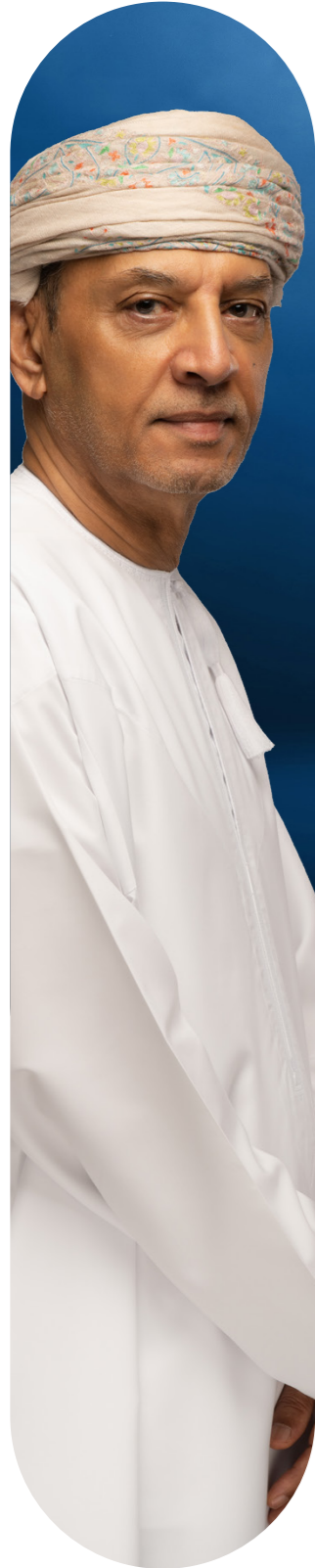
Rashad Al Zubair
Chairman of Board of Directors



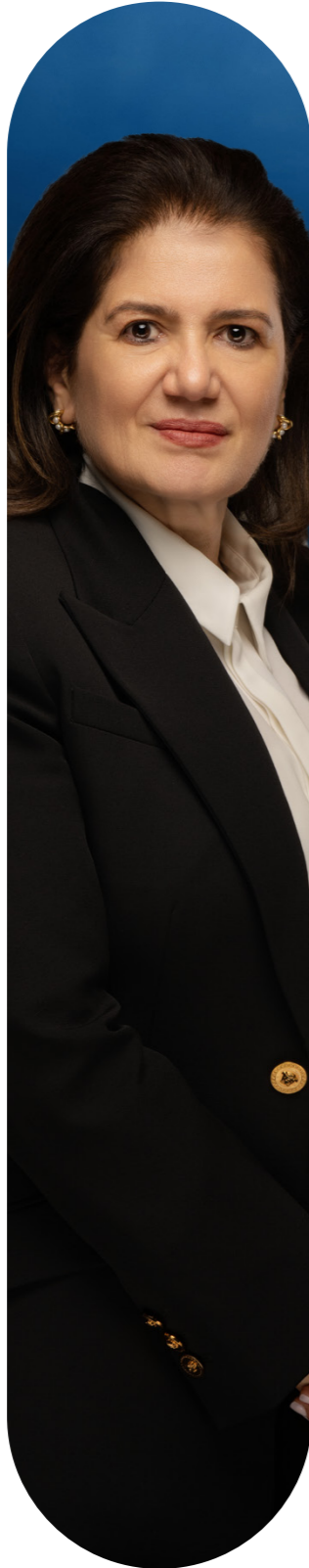


BOARD OF DIRECTORS

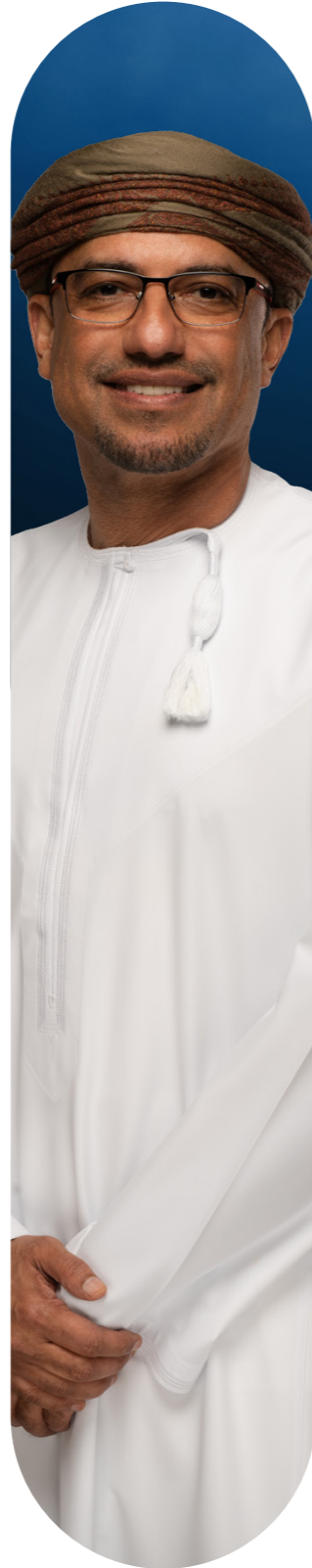
BOARD OF DIRECTORS



Mr. Rashad Al Zubair
Chairman



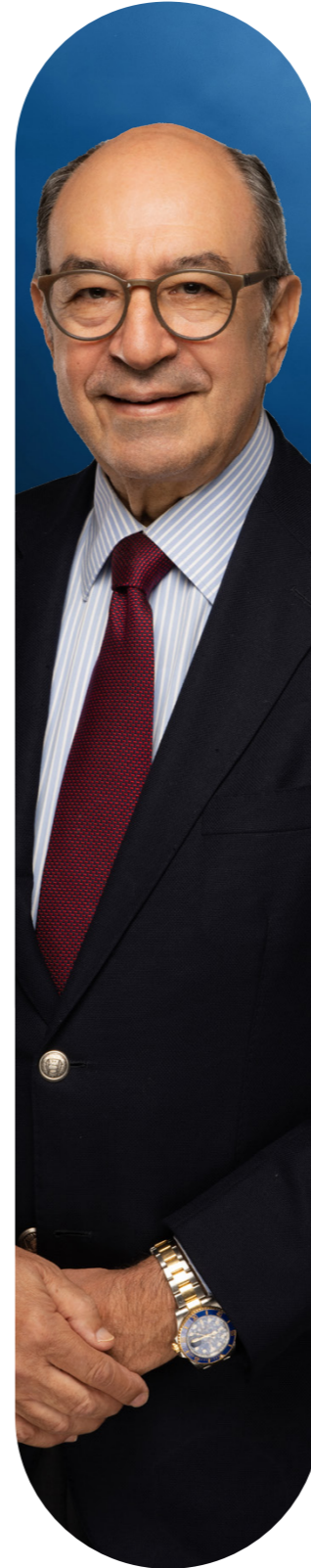
Ms. Randa Sadik
Deputy Chairman



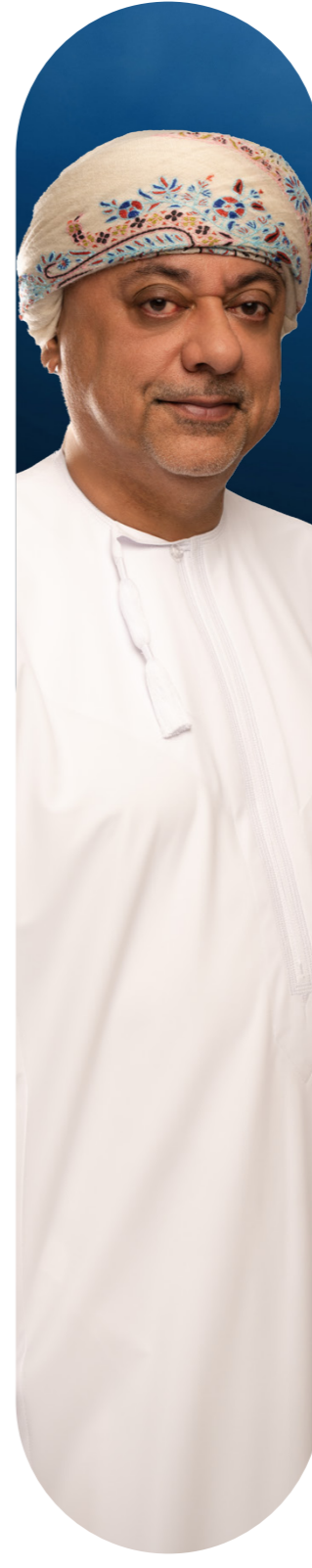
Mr. Abdulaziz Al Balushi
Board Member



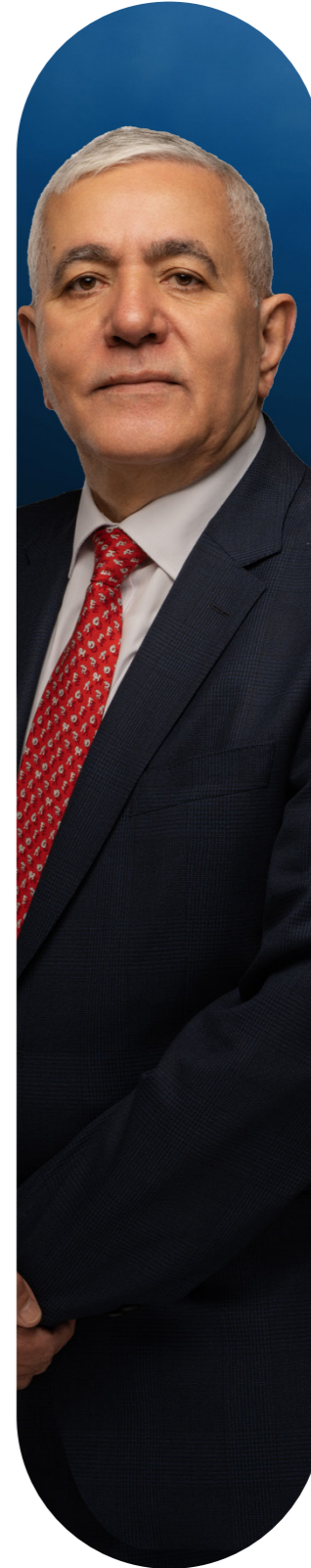
Mr. Waleed Samhouri
Board Member



Dr. Nasri Victor Malhamé
Board Member



Mr. Imad Sultan
Board Member



Mr. Mohammed Al Ghanamah
Board Member



Mr. Yasir Aqil Badri
Board Member



MANAGEMENT TEAM

SENIOR MANAGEMENT



**Sulaiman
Al Harthi**
Chief Executive
Officer



CB Ganesh
Deputy Chief
Executive Officer



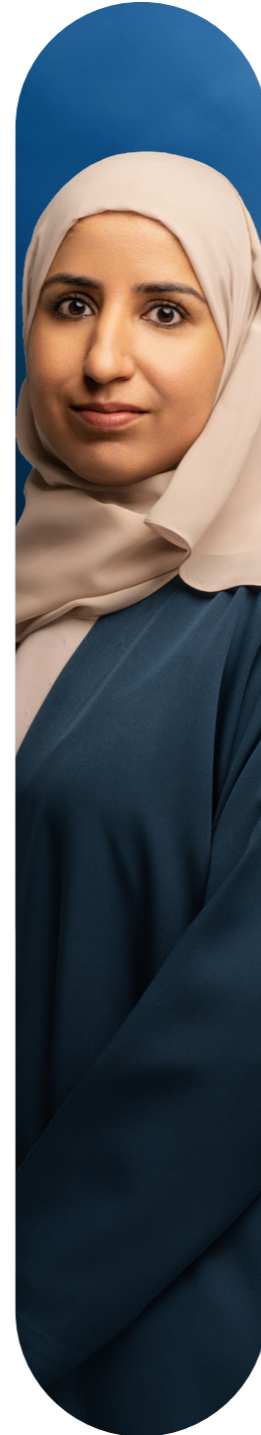
**Sulaiman
Al Hinai**
Chief Wholesale
Banking Officer



**Ahmed
El Damaty**
Chief Financial
Officer



Asma Al Zadjali
Chief Banking
Operations
Officer



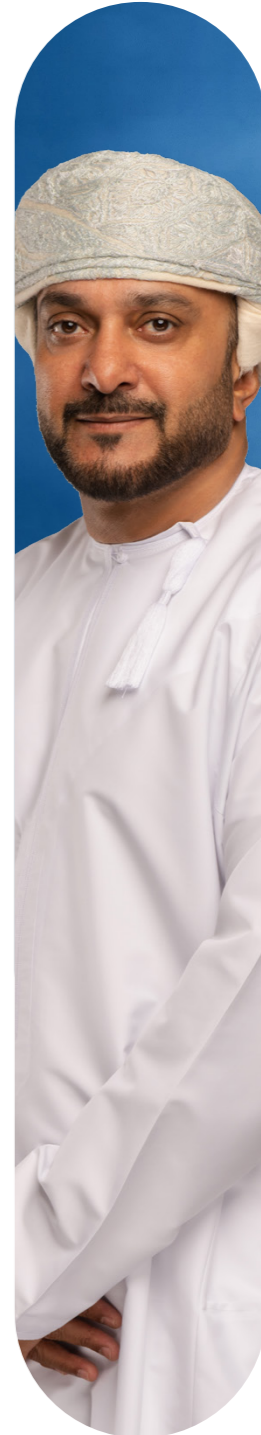
Zahra Abdulamir
Chief Risk Officer



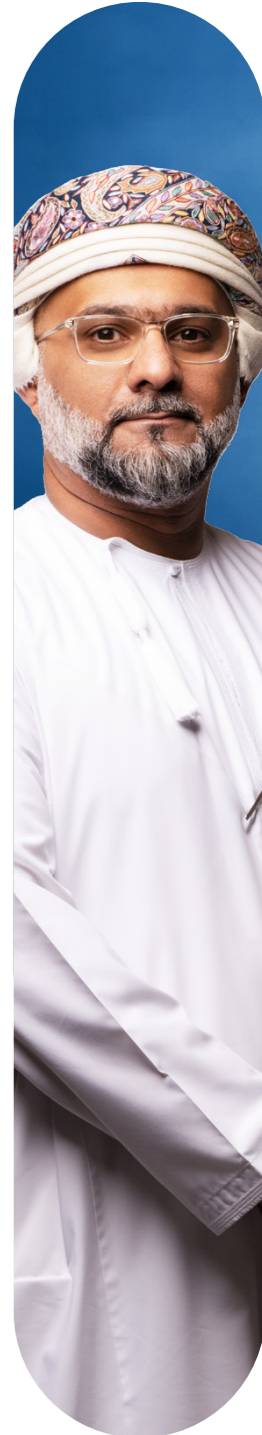
**Essam
Al Busaidi**
Chief Human
Resources &
Administration
Officer



**Mansoor
Al Raisi**
Chief Compliance
Officer



**Tariq
Al Zadjali**
Chief Technology
Officer



**Hamza Moosa
Baqer**
Chief Internal
Audit Executive



Ali Saif Al Mamari
Chief of Legal Affairs
& Recovery



Sadiq Sultan Al Zaabi
Head of Large
Corporate Department



Khalid Khalifa Al Riyami
Head of Mid-Market
Enterprise



**Mahfoudh Sultan
Al Rawahi**
Head of Central
Operation Division



**Omar Abdulaziz
Al Kharusi**
Head of Transformation
& Customer On-Boarding



Hamed Ibrahim Al Zadjali
Head of Information
Security



Jaideep Jacob
Deputy Head of
Corporate Banking





AUDITOR'S REPORT ON
CORPORATE GOVERNANCE



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STRICTLY PRIVATE & CONFIDENTIAL

The Board of Directors
 Oman Arab Bank SAOG
 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 **Oman Arab Bank SAOG** (the "Bank") in determining whether Corporate Governance Report of the Bank is in compliance with the Code of Corporate Governance (the "Code") of the Financial Services Authority of the Sultanate of Oman ("FSA"), 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.

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 have prepared the Corporate Governance Report ("the Report") and remains solely responsible for it and are also responsible for identifying and ensuring that the contents of the Report comply with the Code.

Our Responsibilities

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

This agreed-upon procedure engagement is not an audit or assurance engagement made in accordance with generally accepted auditing or assurance standards, the objective of which would be the expression of assurance on the contents of the Report. Accordingly, we do not express such assurance.

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 IESBA Code.

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 with the Bank in the terms of our engagement letter dated 26 May 2024, on the compliance of the Report with the Code for the year ended 31 December 2024.

Procedures	Findings
We obtained the Corporate Governance Report issued by the Board of Directors and determined if the items listed in Annexure 3 of the Code are included in the corporate governance report.	No findings noted

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose.

This report is based on the information provided to us by the management of the Bank. 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.

This report relates only to the accompanying Corporate Governance Report of the Bank to be included in its annual report for the year ended 31 December 2024 and does not extend to the Bank's financial statements taken as a whole.

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





CORPORATE GOVERNANCE
REPORT FOR THE YEAR
2024



Corporate Governance and Responsibility

The Board of Directors (Board) is committed to the highest standards of corporate governance. It believes that corporate governance involves a set of values and behaviors that govern the day-to-day activities of the Bank, ensuring transparency, fair dealing, and protection of the interests of the Bank's stakeholders, including customers, shareholders, employees, regulators, and the community. The Board sees corporate governance as part of broader corporate responsibility and regulatory oversight.

Governance and responsibility are significant indicators of organizational health. As such, the Bank is dedicated to good governance practices to ensure the sustainability and performance of its business.

In pursuing its ambition of world-class governance, the Board continues to:

- 01**  Review and improve the governance practices.
- 02**  Monitor global developments in corporate governance.
- 03**  Contribute to local debates on what represents the best corporate governance practice.

Our Governance Standards – Principles and Processes

We believe that the best approach for corporate governance is to be guided by the principles and practices that are in our stakeholders' interests. As a minimum, we ensure compliance with legal requirements, to the letter and spirit of the local regulations issued by the Central Bank of Oman (CBO) and the Financial Services Authority (FSA).

This corporate governance report is divided into two Parts. Part 1 discusses the broad principles of corporate governance adopted by the Bank. Part 2 provides specific disclosures.

Date of this Statement

This statement reflects the Bank's corporate governance policies and procedures at 31 December 2024.

Corporate Governance - Part 1

This part provides information on the following subjects as required under the Code of Corporate Governance issued by the FSA:

- 1. The Board**
- 2. Board Committees**
- 3. Audit Governance and Independence**
- 4. Executive Pay and Reward Scheme**

1. The Board

Role of the Board

The Board is accountable to the shareholders. Its specific responsibilities, among other things, include:

- Ensuring the business is conducted ethically and transparently.
- Providing strategic direction and approving corporate strategies.
- Ensuring availability and adequacy of sound policies and procedures that cover the Bank's activities in line with regulations.
- Ensuring adequate risk management controls and reporting mechanisms.
- Monitoring management and financial performance.
- Reviewing and approving the Bank's quarterly and annual financial reports.
- Approving the business plan and budget.
- Selecting and evaluating the Chief Executive Officer (CEO) and senior management.
- Planning for executive succession.
- Ensuring adherence to the regulatory requirements.
- Approving the appointment of the Bank's representative(s) to the board of its subsidiary (Alizz Islamic Bank).

Board Independence and Composition

The Board is the highest governing authority in the Bank. It operates independently and consists of nine non-executive directors, of which four are independent. The composition of the Board and its Committees is set out in Part 2.

Selection and Role of the Chairman

The Chairman is a Non-Executive Director, appointed by the Board. The Chairman's role includes, but not limited to:



Meetings of the Board and their Conduct

The Board meets formally at least four times a year. In addition, it meets whenever necessary to address specific matters between the scheduled meetings. The Chairman sets meeting agendas in consultation with the CEO to ensure adequate coverage of financial, strategic, and major risk areas throughout the year. The agenda and required materials for the meetings are circulated in advance. Details of the meetings held during the past financial year are included in Part 2.

Attendance at the Annual General Meeting

The board members attend and are available to answer questions at the Annual General Meeting.

Avoidance of Conflict of Interest of Directors

In accordance with the Bank's policies, a board member with a personal interest in matters presented to the Board or its Committees must not vote or be present when such matters are considered (further details are included in Related Party Section).

Expertise of the Board

The Board has a broad range of expertise and experience, details of which are provided in Part 2.

Nomination and Appointment of New Directors

The Board is elected by the shareholders during the Annual General Meeting for a three-year term. The Board Remuneration and Selection Committee reviews and assesses the skills of nominees against the Fit and Proper criteria stipulated by the CBO and FSA.

When appointed to the Board, all new Directors receive an induction appropriate to their experience to get familiar with matters related to the Bank's business, strategy and current issues. The current members of the Board of Directors were elected on 28 March 2022 at the Bank's Annual General Meeting by acclamation for a term of three years ending in March 2025.

Review of Board Performance

The Board regularly reviews its overall performance as well as the performance of individual Directors. The review is carried out by an independent consultant appointed by the shareholders.

Board Access to Information

All Directors have unrestricted access to the Bank's records and information and receive regular detailed financial and operational reports from the senior management to enable them to carry out their duties.

Board Committees

The Board of directors has specialized sub-committees to deal effectively with complex and specialized issues and to ensure implementation of appropriate and effective risk management and corporate

governance practices. The sub-committees are as follows:



Each committee is governed by terms of reference that define its roles and responsibilities.

Operation of the Committees

Each committee is entitled to the resources and information it requires, including direct access to employees and advisers. Senior managers and other employees are invited to attend committee meetings as necessary.

Committees Independence and Composition

Committee members are chosen based on skills, experience and other qualities they bring to the committees. All committees are composed of Non-Executive Directors.

The Mechanism of Committees' Reports to the Board

Board meetings are scheduled to take place after meetings of the board committees. The chairperson of each committee submits a brief to the Board that provides decisions and recommendations made by the committee. Minutes of meetings of the Board Committees are included in the agenda of Board meetings.

2. Board Committees

A. Credit Committee

The Board Credit Committee (BCC) assists the Board in fulfilling its responsibilities related to credit and lending within BCC's delegated authorities, taking into consideration the Bank's credit policies and business plans. The committee performs, inter alia, the following activities:

- Reviews and recommends to the Board on a regular basis, or when needed, the credit delegated authorities of the Management Credit Committee (MCC) and the BCC.
- Reviews the Bank's credit portfolio on a regular basis in coordination with the Board Compliance and Risk Committee.
- Reviews and approves the credit facilities above the MCC's approval limits.
- Reviews the MCC's recommendations with respect to facilities write-off or write-down and takes the appropriate decisions within the BCC's delegated authorities or escalates to the Board for a decision.
- Considers other matters as delegated by the Board.

B. Audit Committee

The Board Audit Committee (BAC) plays an important role to ensure the adequacy, effectiveness and efficiency of the Bank's governance, risk management and internal audit process. The Committee provides

independent oversight of financial reporting, internal controls and underlying environment, the performance of the Internal Audit Division and the Bank's process for monitoring compliance with laws, regulations and the code of conduct. The committee is responsible for the following activities:

- Financial Reporting Oversight: Review the completeness, consistency and reliability of the Bank's financial statements and disclosures. Ensure they are prepared in accordance with International Financial Reporting Standards (IFRS) and other applicable regulations.
- Overseeing Internal Audit Function: Review and approve the structure, plan, budget and performance of the Internal Audit Division to ensure it operates independently, objectively and effectively.
- Interaction with External Auditor: Coordinate and engage with external auditor to align efforts and to ensure comprehensive coverage of key risk areas by reviewing the annual external audit scope of work and audit outcome.
- Monitoring Controls and Compliance: Review findings of regulators, external and internal auditors and ensure compliance with laws, regulations, policies and procedures and implementation of adequate internal controls.
- Reviewing Related Party Transactions: Review proposed related party transactions and provide suitable recommendations to the board.

C. Compliance and Risk Committee

The Board Compliance and Risk Committee (BCRC) assists the Board in fulfilling its responsibilities related to risk management strategy (including credit, liquidity, market, operational and other risks). Moreover, it oversees the compliance function, which identifies and assesses compliance risks, and develops compliance risk framework to manage and mitigate these risks. The committee performs, inter alia, the following activities: The committee performs, inter alia, the below activities:

- Assists the Board in the formulation of the Bank's Risk Appetite Framework.
- Establishes and reviews the risk management framework that covers all risks, including strategic, market, liquidity, credit, operational, reputational, information security, etc.
- Reviews information security and reputational risks on an ongoing basis.
- Ensures that the risk management framework reflects the Bank's strategy, risk appetite, legal and regulatory requirements.
- Promotes and ensures a high level of awareness of risk management across the Bank.
- Reviews the strategy, budget and plan of Risk Management Division.
- Reviews the outcome of the enterprise risk wide assessment to understand the key risks affecting the Bank and recommends to the Board for approval.
- Reviews and recommends the Internal Capital Adequacy Assessment Process (ICAAP) for Board approval.
- Reviews and recommends the Corporate Governance Framework for Board approval.
- Reviews external auditor and regulatory reports on the adequacy of the Bank's Risk Management Framework.
- Reviews the effectiveness of the Bank's Business Continuity Plan.
- Reviews the adequacy of the Bank's general insurance policies established by management and recommends to the Board the approval of Directors' and Officers' (D&O) insurance.
- Reviews and recommends the Bank's policies for Board approval.

- Reviews the effectiveness of the process for monitoring compliance with all applicable laws and regulations.
- Reviews the Bank's compliance arrangements to ensure they are in accordance with the Bank's objectives and strategies as well as any regulatory or legislative requirements.
- Reviews proposed legislative or regulatory changes to assess their impact on the Bank and the required internal policies and controls that should be introduced to address such changes.
- Reviews and approves the Compliance function's plan.

D. Remuneration and Selection Committee

The Board Remuneration and Selection Committee (BRSC) plays a key role in ensuring effective governance through the oversight of Board composition, succession planning and the remuneration framework. The committee operates under the delegated authority of the Board and is guided by regulatory requirements, best practices and the Bank's values. The committee performs, inter alia, the following activities:

- Assists the Board in identifying candidates for Board and Senior Management roles, ensuring a diverse and balanced composition.
- Oversees succession planning to maintain leadership continuity.
- Develops and recommends remuneration policies that align with the Bank's performance, strategy and market standards.
- Reviews and approves the remuneration of board members, senior management and Material Risk Takers, who are at the level of AGM and above.
- Oversees annual performance evaluations of the Board and its Committees.
- Oversees the preparation of disclosures related to nominations and remuneration in the Annual Report.

E. Information Technology Governance Committee:

The Board Information Technology Governance Committee oversees Information Technology (IT) activities to ensure alignment with the Bank's strategic direction. Its primary objective is to ensure the achievement of stakeholder goals, including benefit realization, risk management and resource optimization. The committee performs, inter alia, the following activities:

- Evaluates the effectiveness and performance of stakeholders tasked with enterprise IT governance.
- Oversees IT compliance with regulatory requirements, legislation, contractual obligations, internal policies, standards and professional guidelines.
- Reviews the integration and alignment of IT strategies with the Bank's overall strategic objectives to enhance value delivery.
- Monitors IT operations, projects, resource utilization and the realization of expected returns on investments.
- Approves strategic IT/digital projects and initiatives and recommends related budgets to the Board.
- Ensures the existence of an IT Risk Management Framework that aligns with the Enterprise Risk Management Framework (ERMF).
- Reviews IT strategic goals and its organizational structure to align IT resource management with the Bank's HR planning.

- Oversees frameworks for management, control and monitoring of IT and digital projects and resources.
- Guides the implementation of required mechanism to meet mandatory IT projects and reporting requirements.
- Reviews IT audit reports and ensures the implementation of corrective and preventive actions.

Composition of the Committee and Meetings

Each Board Committee comprises of at least three members. A committee convenes at least four times a year, except the Remuneration and Selection Committee, which convenes at least twice a year. The current committee membership and the dates of the meetings held in 2024 are set out in Part 2.

3. Audit Governance and Independence

The Board is committed to three basic principles:



Engagement of External Auditor

The Bank's independent external auditor for the financial year ended 31 December 2024 is Deloitte. It was appointed by the shareholders at the Annual General Meeting held on 28 March 2024.

Certification and Discussions with Auditors on Independence

The Board Audit Committee (BAC) requires the Bank's external auditor to confirm that they maintained their independence at the commencement and during the audit. The BAC meets with the external auditor to discuss their audit and any concerns they may have.

Rotation of the External Auditor

Subject to applicable regulatory requirements, the Bank requires a rotation of the external auditor every four years. A cooling-off period of two years must be observed before the same auditor is reappointed.

Brief on External Auditors

Deloitte and Touche (M.) & Co. LLC – Oman Office – was established in 2003. It is part of Deloitte & Touche (M.E.) LLP ("DME"), 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 Oman employs 107 people, of which four partners and three directors. Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. The network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies.

External Auditor Fees

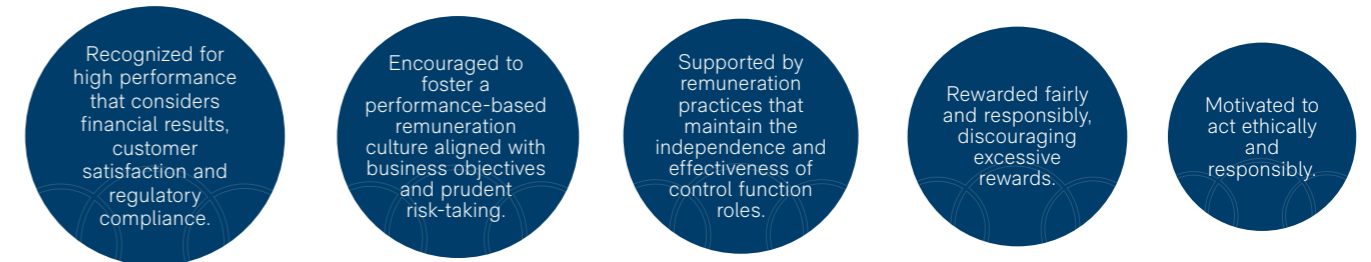
The professional fees paid or payable to Deloitte and Touche (M.) & Co. LLC for the financial year 2024 are RO 94,000 for audit and related services excluding out-of-pocket expense (capped at 5% of fee) and VAT at 5%.

Attendance at Annual General Meeting

The external auditor attends and is available to answer questions at the Annual General Meeting.

4. Executive Pay and Reward Schemes

The Bank's remuneration framework ensures that the CEO, DCEO, Senior Management and Material Risk Takers are:



The remuneration of CEO and DCEO is proposed by the Board Remuneration and Selection Committee (BRSC) and approved by the Board. The CEO proposes the remuneration of senior management (grade AGM and above) and material risk takers for BRSC's approval.

Details of Director fees and key management personnel rewards for the year ended 31 December 2024 are disclosed in Part 2.

Corporate Governance - Part 2

1. Profiles of Members of Board of Directors

Mr. Rashad Al Zubair – Chairman

Mr. Rashad Al Zubair is the Chairman of The Zubair Corporation ("Z-Corp"), a leading business group in the Sultanate of Oman, with business interests extending to Energy and Natural Resources, Real Estate and Hospitality, Mobility and Equipment, Investments, Smart Electrification and Automation, Education, Industrial and Chemical Solutions, Fast Moving Consumer Goods and Digitization and Information Technology. He steers the affairs of the Board and acts as its representative in major matters and significant business relationships. Before taking over his current position in 2010, he has been President of Zubair Automotive, and thereafter, Group President of The Zubair Corporation for several years.

Mr. Al Zubair has been the Chairman of Oman Arab Bank since June 1999. He is also the Chairman of The Zubair Holding SAOC and Oasis Water Company SAOC as well as Vice Chairman of Barr Al Jissah Resort Co SAOC. He is the Vice Chairman and a founder of Muscat University.

Mr. Al Zubair has held directorships (including the office of Chairman), in numerous prominent joint stock companies. He was the Deputy Chairman of the Oman Business Council and member of its founding Directors and was the founding Chairman of Oman German Friendship Association. He also served as Director of the Financial Service Authority, the regulatory body of the Muscat Stock Exchange and was a member of the Oman Center for Governance and Sustainability.

Ms. Randa Sadik - Deputy Chairman

Ms. Randa Sadik assumed her role as the CEO of Arab Bank in February 2022, prior to which she was the Deputy CEO since 2010. Ms. Sadik previously held various leadership roles during her 24 years at National Bank of Kuwait, the last of which was the General Manager of the International Banking Group in London and Kuwait. Ms. Sadik holds several positions within Arab Bank Group, among which are a Board Member

of Oman Arab Bank in Oman, Board Member of Arab National Bank in Saudi Arabia and Chairman of Al Arabia for Finance SAL (Holding Company) in Lebanon.

Ms. Sadik is also the Chairman of Jordan Capital and Investment Fund Company, Board Member of Jordan Capital and Investment Fund Management Company, Board Member of Jordan Payments and Clearing Company, Board Member of the Association of Banks in Jordan and Board Member of Al Hussein Fund for Excellence.

Ms. Sadik holds an MBA degree from the American University of Beirut.

Mr. Abdulaziz Al Balushi - Board Member

Mr. Abdulaziz Mohammed Al Balushi serves as the Group CEO of Oman International Development and Investment Company SAOG (Ominvest). With over 39 years of experience in the financial services sector, he possesses a profound understanding of global market dynamics.

Since joining Ominvest in 2014, Mr. Al Balushi and his management team have successfully implemented a transformative vision articulated by the Board of Directors, reshaping the company's culture, structure and policies. Under his leadership, the team executed the merger between Ominvest and ONIC Holding, establishing Oman's largest publicly listed investment company. His tenure also saw several significant initiatives, including the IPO of the flagship insurance company National Life, the development of the Ominvest Business Center and the merger of National Finance with Orix Leasing Company. Furthermore, he spearheaded capital-raising efforts, including a perpetual bond issuance and played a vital role in the merger of Oman Arab Bank with Alizz Islamic Bank, which facilitated Oman Arab Bank's listing on the Muscat Stock Exchange as an SAOG. He also led NLGIC's acquisition of RSA Middle East, positioning NLGIC among the top ten insurance companies in the region.

Before his role at Ominvest, Mr. Al Balushi served as the CEO of Ahli Bank SAOG from 2007 to 2014, where he was instrumental in transforming a single-product mortgage bank into a comprehensive commercial bank, achieving over US\$ 3 billion in assets and more than US\$ 450

million in equity. In recognition of his achievements, he was named "Second Best CEO in the Arab Banking World" by Forbes Middle East in November 2012 and received the "CEO of the Year" Award at the Oman Banking and Finance Awards in April 2019.

Mr. Al Balushi holds a Master of Science in Finance from the University of Strathclyde (UK) and is a Fellow of the Chartered Institute of Bankers (UK). He has also served on various boards in the Sultanate and was an Advisory Board Member at the College of Agriculture and Marine Services at Sultan Qaboos University and a board member at Financial Service Authority (FSA).

Currently, he holds the position of Chairman of Ubhar Capital, Chairman of Oman Real Estate investment and services LLC, Deputy Chairman of Jabreen International Investment Company SAOC. Additionally, he is a board member of Oman Arab Bank SAOG, National Finance Company SAOG, LIVA Bahrain as well as Injaz Oman.

Mr. Walid Al Samhouri - Board Member

Mr. Walid Al Samhouri is Executive Vice President – Jordan Country Head at Arab Bank. He has a vast banking experience for more than 35 years with Arab Bank where he worked in different geographies and handled various responsibilities in the Corporate and Institutional Banking, Credit, Banking Operations, Commercial and Trade Finance.

Mr. Al Samhouri is the Chairman of Arab Sudanese Bank, Sudan and a board member of Arab Tunisian Bank, Tunisia. He is also a Board member in Jordan Loan Guarantee Corporation, Jordan. He holds a Master's degree in Economics from the University of Jordan.

Mr. Imad Sultan - Board Member

Mr. Imad Sultan joined the family business at W. J. Towell & Co. LLC (a major diversified family-owned corporation since 1866) as a Business Development Manager in 1995 and has been in the Towell Group since then. He is currently the Vice Chairman and Managing Director of W. J. Towell LLC as well as the Chairman of the Executive Committee of the Group. He is a Board Member of Towell International Holding Company KSCC (Kuwait), Chairman of the Nomination and Remuneration Committee and Member of the Executive Committee.

He is also the Vice Chairman and Member of the Executive Committee and Audit Committee at Muscat Stock Exchange. Formerly, he served as a Director on the Boards of National Bank of Oman, Oman International Development and Investment Company SAOG. (Ominvest), National Hospitality Institute, Savannah Resources PLC and Oman Tennis Association among others.

Mr. Imad holds a Bachelor of Science in Business Administration in Marketing from the American University in Washington DC, USA and has been a member of the Young Presidents Organization since 2005.

Dr. Nasri Malhamé - Board Member

Dr. Nasri Malhamé served as the CEO of Arab Bank (Switzerland) from 2009-2017. He is a Board member and Board Audit Committee member of TradeXBank – Zurich, Switzerland, Board member and Chairman of Audit Committee of Ubhar Capital, Oman and a Board member in AB Fund Managers-Guernsey.

Dr. Malhamé has previously worked at B.A.I.I. Paris, an affiliate of BNP, after that he joined BNP Paribas-Geneva as an Executive Director in charge of Private Banking and Trade Finance for Southern Europe and the MENA region and was appointed as a member of the Executive Committee in 2000.

He holds a Ph.D. in Banking and Management from Université Paris Dauphine and has set up his own consultancy firm, NVM Consulting.



Mr. Mohammed Al Ghanamah - Board Member

Mr. Mohammad Al Ghanamah has held the position of Executive Vice President and Head of Credit Division at Arab Bank since 2010. He previously worked in several executive positions at the Bank, where he held the position of Executive Vice President – Global Head of Corporate and Investment Banking from 2007 to 2010.

Mr. Al Ghanamah held several positions between 1976 and 2010 across major regional banks including Saudi American Bank, United Saudi Bank and BanquSaudi Fransi in Saudi Arabia. He also worked at Gulf International Bank in Bahrain and Cairo Amman Bank in Jordan.

Mr. Al Ghanamah has over four decades of experience in the banking and management field. He is a member of several Boards of Directors, including Islamic International Arab Bank, where he holds the position of Deputy Chairman of the Board, Arab National Bank in Saudi Arabia, Arab Bank in Syria and T-Bank in Turkey. He is also the Chairman of the Supervisory Board of Arab National Leasing Company, Jordan and Deputy of Supervisory of AB invest in Jordan. He holds a Bachelor of Science in Mathematics from King Saud University in Riyadh, Saudi Arabia and a Diploma in Computer Programming from London.

Mr. Yasir Badri - Board Member

Mr. Yasir Badri currently serves as Head of Financial Services on the Private Equity Platform at Mubadala Investment Company. He oversees Mubadala's global private equity investment strategy and activities in the financial services space.

Prior to his role with Direct Investments, Mr. Badri was a member of the Mergers and Acquisitions team, responsible for providing transaction execution support to multiple business units at Mubadala. Before that, he worked in the financial risk management department of Mubadala's corporate finance and treasury function. He joined Mubadala in 2009 as an analyst in the healthcare division.

Mr. Badri is a founding member of the financial services' direct investments team. He led several marquee transactions across buyouts and fund investments. Prior to assuming a leadership role in the team, he led the development of Mubadala's insurance investment strategy and deal execution. He also led the expansion of Mubadala's Direct Investments coverage into Asia.

Mr. Badri is also a director on the Boards of Investcorp Holdings and Bermuda-based (re)insurance company (Private). He holds a Bachelor of Science in Finance from the American University of Sharjah (AUS). He is also a certified Chartered Financial Analyst (CFA) since 2013.

2. Board Committees

The responsibilities of board committees are outlined in Part 1. Details of committees' members are provided in the below table.

S. #	Director Name	Independent/ Non-Independent	Committee	Executive in OAB	Representing
1.	Mr. Rashad Al Zubair	Independent	Chairman BCC – Chairman BRSC – Deputy Chairman	No	Self
2.	Ms. Randa Sadik	Non-Independent	BRSC – Chairman BCC- Deputy Chairman BITGC - Member	No	Self
3.	Mr. Abdulaziz Al Balushi	Non-Independent	BRSC – Member BCC - Member BITGC - Member	No	OMINVEST
4.	Mr. Walid Samhour	Non-Independent	BCRC - Chairman BCC – Member BITGC - Member	No	Self
5.	Mr. Imad Sultan	Independent	BCRC -Deputy Chairman BAC - Member BRSC - Member	No	Self
6.	Mr. Mohammed Al Ghanamah	Non-Independent	BAC - Deputy Chairman	No	Self
7.	Dr. Nasri Malhamé	Independent	BAC - Chairman	No	Self
8.	Mr. Yasir Badri	Independent	BCRC – Member	No	Self

The meetings held in 2024 and the attendance by each member are detailed below:

Director	Board		Audit Committee		Credit Committee		Compliance and Risk Committee		Remuneration and Selection Committee		IT Governance Committee	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)	(Note 10)	(Note 11)	(Note 12)
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Rashad Al Zubair	6	6	-	-	5	5	-	-	3	3	-	-
Randa Sadik	6	6	-	-	5	5	-	-	3	3	3	3
Abdul Aziz Al Balushi	6	5	-	-	5	4	-	-	3	3	3	2
Walid Samhouri	6	6	-	-	5	5	8	8	-	-	3	3
Imad Sultan	6	5	4	3	-	-	8	8	3	2	-	-
Dr. Nasri Malhamé	6	5	4	4	-	-	-	-	-	-	-	-
Yasir Badri	6	5	-	-	-	-	8	7	-	-	-	-
Mohammed Al Ghanamah	6	5	4	4	-	-	-	-	-	-	-	-
Wahbe Tamari	6	1	-	-	-	-	-	-	-	-	-	-
Alaa Batayneh	6	1	-	-	-	-	-	-	-	-	-	-

Note:

Directors' Attendance Record (2024)

Board Meetings

30 Jan 7 Feb 28 Mar 12 May 7 Aug 10 Nov

Committee Meetings

Audit Committee

29 Jan 9 May 6 Aug 7 Nov

Credit Committee

22 Feb 23 Apr 28 Aug 23 Sep 26 Nov

Compliance and Risk Committee

24 Mar 16 Apr 5 May 29 Jul 8 Aug 29 Oct 30 Oct 29 Dec

Remuneration & Selection Committee

29 Jan 7 Feb 10 Nov

IT Governance Committee

8 May 31 Jul 10 Nov

Board Resignations

- Mr. Wahbe Tamari: 7 Feb 2024
- Mr. Alaa Batayneh: 2 Oct 2024

3. Remuneration and Sitting Fees

The Directors' remuneration and sitting fees are governed by the Financial Service Authority regulations and the Commercial Companies Law. The proposed Board remuneration for 2024 is RO 240,125 subject to the shareholders' approval at the Annual General Meeting to be held on 26 March 2025. Total sitting fees for the meetings of the Board and its committees held in 2024 is RO 57,500. Details of Board remuneration and sitting fees for the year 2024 are as follows:

Director's Name	Sitting Fees (RO)	Remuneration	Total (RO)
Rashad Al Zubair	7,000.0	56,500.0	63,500.0
Randa Sadik	8,500.0	28,250.0	36,750.0
Abdulaziz Al Balushi	7,000.0	23,541.7	30,541.7
Walid Samhouri	10,000.0	28,250.0	38,250.0
Nasri Malhamé	4,500.0	23,541.7	28,041.7
Imad Sultan	9,000.0	23,541.7	32,541.7
Yasir Aqil Badri	6,000.0	23,541.7	29,541.7
Mohammed Al Ghanamah	4,500.0	23,541.7	28,041.7
Wahbe Tamari	500.0	4,708.3	5,208.3
Alaa Batayneh	500.0	4,708.3	5,208.3
Total	57,500.0	240,125.0	297,625.0

The remuneration paid to the top five Executives for 2024 is RO 1,568,630. No stock options are available to the Directors or the Executives of the Bank. The Executives are required to provide 90 days' notice should they decide to resign. No severance fees are payable to key executives in the event of termination of employment.

The remuneration paid to the 18 Material Risk Takers (MRT) for 2024 is RO 3,200,859. An amount of RO 162,291 has been deferred and will be paid equally over a period of three years subject to certain conditions pertaining to Malus and Claw back.

4. Profile of Senior Management

Mr. Sulaiman Al Harthi - Chief Executive Officer

Mr. Sulaiman Al Harthi joined Oman Arab Bank on 4 January 2023 as Chief Executive Officer. He previously held several leadership positions in leading local banks, including the position of Deputy CEO of Oman Arab Bank and CEO of Alizz Islamic Bank. He currently serves as Chairman of the Board of Directors of Takaful Oman Insurance Company SAOG, a member of the Board of Directors of the College of Banking and Financial Studies and a member of the Board of Directors of the Harvard Business School (HBS) Club.

Mr. Al Harthi graduated from Oman Banking Institute and obtained a Master's degree in Business Administration Finance from the University of Leicester in the United Kingdom. He also completed a program in Executive Management from Harvard Business School as well as from the European Institute of Business Administration (INSEAD).

Mr. CB Ganesh – Deputy Chief Executive Officer

Mr. CB Ganesh joined OAB as Deputy Chief Executive Officer in February 2021 and was appointed Acting Chief Executive Officer from August 2021 until 3 January 2023. Mr. Ganesh is an entrepreneurial and financially astute executive with an exemplary track record of building brands, improving profitability and creating stakeholder value. He has a vast global banking experience of more than 35 years, spanning across India, Hong Kong, UAE and Oman. Mr. Ganesh, an alumnus of MIT-Sloan (USA) and IIM-Calcutta

(India), also holds a Master's degree in Bank Management and a Master's degree in Commerce. He is also a Non-Executive Director Diploma holder from Financial Times (FT-NED). Prior to joining OAB, CB Ganesh was the CEO of Ahli United Bank Ltd., Dubai, UAE from 2016 to 2021 and Dy CEO of Ahli Bank SAOG from 2008 to 2015.

Mr. Sulaiman Al Hinai - Chief Wholesale Banking Officer

Mr. Sulaiman Al Hinai was appointed as Head of Treasury, Investments and Government Relations in July 2017. He is a treasury professional with regional expertise and experience spanning over thirty years in commercial banking and treasury with various local and regional banks including, Doha Bank, (Qatar), Oman International Bank and Ahli Bank SAOG, (Oman). He earned a Banking Diploma in 2001 from Arab Academy for Banking and Financial Sciences in Jordan. He has also been involved in various senior courses and workshops from international training institutions that helped elevate him in his career. He also has an Executive Program in Banking Management from INSEAD, France. He was appointed as Chief Wholesale Banking Officer on 31 May 2023, adding the corporate banking division to his portfolio.

Mr. Khalid Al Amri –Chief Retail Banking Officer

Mr. Khalid Al Amri joined Oman Arab Bank on 14 September 2021 as Head of Branch Banking and progressed to the position of Chief Retail Banking Officer on 1 April 2024. He has over 30 years of work experience, of which 19 years were at managerial level. He worked in the fields of accounting, finance, investment banking, retail banking and corporate banking. He has acquired throughout his career several qualifications such as MBA from University of Bedfordshire (UK), Executive Development Program from Harvard Business School, International Capital Market Qualification (ICMQ) UK.

Mr. Ahmed El Damaty- Chief Financial Officer

Mr. Ahmed El Damaty was appointed as CFO in October 2021. He has more than 24 years of experience in the banking sector. Mr. El Damaty held different senior positions in countries across the Middle East with a leading global financial institution. Most recently, and prior to joining OAB, he served as the CFO of a local Bank in Oman. Mr. El Damaty holds a Bachelor's degree in Accounting. He is a certified Chartered Financial Analyst (CFA) and a member of the CFA Institute.

Ms. Asma Al Zadjali – Chief Banking Operations Officer

Ms. Asma Al Zadjali joined Oman Arab Bank in 2016 and currently she is the Chief Banking Operations Officer. She has over 24 years of experience working in the banking industry. Her portfolio includes Central Operations, Payments, Transformation, Project/Change Management, Customer Onboarding, Operational Governance and Control, Retail and Corporate Credit Administration, Trade Finance and Treasury Back Office. She holds a Banking Diploma from the College of Banking and Financial Studies and a Master's degree in Business Administration from the University of Strathclyde. She also has an Executive Leadership from IMD Switzerland as part of the National CEO Program (NCP) which she graduated in May 2018 as the only candidate from the banking sector in Cohort 3.

Ms. Zahra AbdulAmir –Chief Risk Officer

Ms. Zahra AbdulAmir joined Oman Arab Bank in November 2022 as Head of Credit Review and was appointed as the Chief Risk Officer (CRO) in Nov 2024. She has more than 15 years of banking experience, having worked in local and international banks.

Ms. Zahra holds a BSc. In Mathematics, Operating Research, Statistics and Economics from Warwick University (UK) and Master's in Business Administration from IE Business School (Spain). She received her professional certification of Financial Risk Management (FRM) from the Global Association of Risk Professions (GARP) in 2018 and in 2020 she completed a certification in Data Science and Machine Learning from Massachusetts Institute of Technology (MIT).

Mr. Essam Ali Mohammed Al Busaidi – Chief Human Resources and Administration Officer

Mr. Essam Al Busaidi joined Oman Arab Bank on 24th February 2022 as Chief Human Resources Officer. He is a seasoned HR professional with more than 27 years of working experience in higher education, commercial airline, oil and gas (Upstream and Downstream) and banking sectors. He holds a Master's degree in Public Management with a concentration in (HR) from Carnegie Mellon University, USA.

Mr. Mansoor Al-Raisi - Chief Compliance Officer

Mr. Mansoor Al-Raisi joined the Bank in 2015 as Chief Compliance Officer. He started his career in CBO as a Bank Examiner in 1988. He then went on to become in charge of the Banking Supervision Department in 1996. Mr. Al-Raisi was eventually promoted to Senior Manager, in charge of the Banking Examination Department. In 2008, he joined National Bank of Oman as the Chief Compliance Officer. He earned a B.A. in Business Administration from Rollins College, Florida, USA and a Master's Degree in Development Banking from, the American University, Washington D.C., USA.

Mr. Tariq Al Zadjali – Chief Technology Officer

Mr. Tariq Al Zadjali joined Oman Arab Bank on 30 December 2021 as Chief Technology Officer. He has more than 27 years of banking and IT experience having worked in different banks in Oman. He holds an MSc in Computer Science (Information Management and Security) and other professional qualifications from reputable organizations such as the Wharton School, Queens School of Business and IBM.

Mr. Hamza Moosa Bager – Chief Audit Executive

Mr. Hamza joined Oman Arab Bank in August 2021 as Chief Audit Executive. He has over 23 years of experience in the field of auditing, where he worked in several sectors, including Big Four auditing firms, banking, aviation, oil and gas sectors and electricity and water sectors. He holds a bachelor's degree with honors in Science in Computers and Internet Applications from the University of Luton. He is a qualified internal auditor, holding the Certified Internal Auditor (CIA) qualification and several other professional qualifications related to the field such as CISA and CRISC.

5. Internal Controls Review

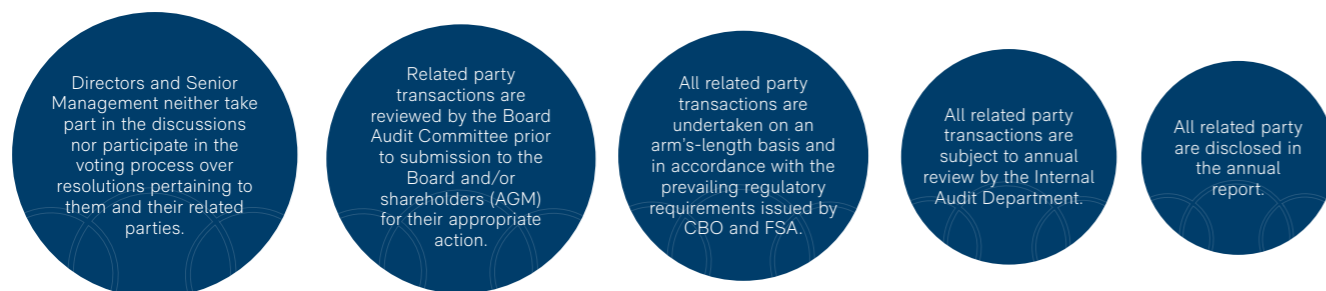
The Board ensures maintaining a strong and effective control environment by developing comprehensive and sound policies, plans and procedures that cover all the activities of the Bank in line with governing regulations and ensure that the same is circulated to the Banks' employees. The Board has also established various sub-committees, such as the Board Audit Committee and the Board Compliance and Risk Committee, to ensure the effectiveness of internal controls systems and the overall management of various potential risks. Under the oversight of these Committees, Internal Audit and other control functions review and evaluate adequacy and effectiveness of the Bank's systems and internal controls on an ongoing basis. Outcomes of such reviews are communicated to all relevant stakeholders and are followed up and monitored to ensure effective and efficient resolution of identified gaps to manage and/or mitigate potential risks.

Internal Audit Charter

The Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Division. It supports positioning the Internal Audit as an independent and objective assurance and advisory activity to improve and add value to the Bank's operations and help achieve its objectives by adopting a systematic and disciplined approach to evaluate and help enhance the effectiveness and efficiency of governance, risk management and internal controls.

6. Related Party Transactions

The Board of Directors in its drive to mitigate the risks of the influence of related parties on the integrity of the Bank's transactions and its financial position, and in order to implement the highest degree of transparency and clarity when dealing with related parties, has established the necessary governance policies and processes including those governing the relationship between the Bank and its Directors and Senior Management. These policies ensure, among other things, the following:



7. Controlling and Managing Risk

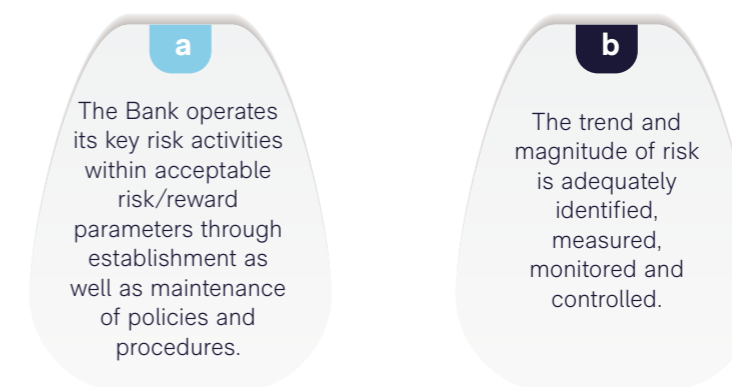
Approach to Risk Management

Managing an organization's risk is an inherent aspect of any business and is a cornerstone to building shareholders' value. Risk Management plays a pivotal role in any business, for financial institutions. The Bank's Risk Management approach is aligned to its vision and values, objectives, strategies, policies, procedures and training. The Bank recognizes four main types of risk:



The Board recognizes that these risk categories are interlinked and therefore it takes an integrated approach to manage them. The Bank has comprehensive risk principles/controls that apply to each category of risk.

The Risk Management function aims at ensuring that:



Overview of Risk Management

The Board is responsible for approving and reviewing the Bank's risk management strategy and policy. Executive management is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in the conduct of business.

To effectively manage various risks in business, the Bank has set up a Risk Management department. The head of this department is responsible for independently evaluating and managing the risks, with a direct reporting line to the Compliance and Risk Committee of the Board.

8. Compliance

The Bank is committed to comply with the laws and regulations issued by the CBO, FSA and other local authorities. The Bank also strives to implement global best practices relating to the operations of banks. In this regard, the Bank maintains a strong and transparent relationship with the regulators, shareholders, customers and other stakeholders. The Bank has developed a governance framework, which includes the governance policy, related party transactions, disclosure policy and the professional code of conduct for both directors and employees. It has also developed various policies and procedures to maintain effective practices for compliance risk management and to build and maintain a strong compliance culture within the Bank.

During 2024, the Bank complied with all regulatory requirements except for a single instance related to delay in submission of a report, for which the Central Bank has imposed RO. 20,000 on the Bank.

In the last three years, the bank paid a total amount of RO 60,000 in penalties to Central Bank of Oman.

9. Financial Consumer Protection

Oman Arab Bank is committed to the highest standards of financial consumer protection, to ensure that customers receive fair, transparent and responsible banking services. By embedding financial consumer protection into its corporate governance framework, the Bank aims to enhance customer confidence, promote informed decision-making and reinforce trust in the banking system.

Since the introduction of the Financial Consumer Protection Regulatory Framework (FCPRF), the Bank has carried out comprehensive reviews of all policies, procedures and processes, in order to ensure full compliance with the FCPRF and all other applicable laws and regulations governing financial consumer protection.

To uphold its commitment, the Bank adheres to the following principles:

A. Transparency and Informed Decision-Making:

The customers have the right to receive clear and accurate information about the Bank's products and services to allow them to make informed decisions. The following is observed to ensure transparency in all financial offerings to customers.

- Product and service details, including terms and conditions, fees, interest rates and associated risks, are communicated in a clear and accessible manner.
- Marketing materials adhere to truthful, responsible and non-misleading communication standards.
- Customers are provided with guidance in selecting financial solutions that best fit their needs.

B. Fair and Responsible Banking:

The Bank is committed to equitable and ethical treatment of all customers. The Bank ensures that fair and inclusive banking services are available to all customers through the following.

- Customers are treated fairly and without discrimination in all financial transactions.
- The Bank does not engage in deceptive marketing or unfair practices.
- The lending practices are designed to be responsible and sustainable, ensuring that customers

C. Data Privacy and Cybersecurity Protection:

The privacy and security of customers' information are very important to the Bank. The Bank is committed to implementing advanced cybersecurity measures to ensure that:

- Strict access controls and encryption are in place to protect customer data.
- The Bank complies with local and international privacy regulations to safeguard financial information.
- Monitoring and risk assessments are carried out on continuous basis to help prevent identity

D. Customer Support and Compliant Resolution:

The Bank is committed to address customers' complaints and concerns promptly. The Bank has established a dedicated department (Customer Experience Department) with a qualified team to ensure satisfactory resolutions of complaints. Customers' complaints and feedback can be submitted via different channels as follows:

 "FIL KHIDMA": 24754444

 contactus@oman-arabbank.com

 @Oman_Arab_Bank

 @Oman_Arab_Bank

E. Financial education and Consumer Awareness:

OAB strives to empower its customers with the financial knowledge needed to enable them to make informed financial decisions. The Bank conducts educational campaigns via social media, workshops and digital platforms that cover various subjects such as fraud prevention, responsible borrowing, investment awareness and digital banking safety. The Bank ensures that customers have access to reliable financial resources to support their financial well-being.

F. Compliance and Regulatory Excellence:

The Bank is committed to comply with all financial consumer protection regulations and industry best practices through the following measures:

- The Bank actively monitors regulatory updates and ensures full compliance with local and international financial consumer protection laws.
- Internal audits and governance reviews are conducted to align with the latest risk management and regulatory requirements.
- The Bank collaborates with industry regulators and financial institutions to stay ahead of evolving financial protection standards.

Commitment to Continuous Improvement

Oman Arab Bank remains committed to continuously improve its consumer protection standards, ensuring fair treatment, transparency and secure banking. By integrating customer-centric practices, the Bank ensures building a culture of trust, accountability and financial empowerment.

Through innovation, compliance and responsible banking, Oman Arab Bank reaffirms its dedication to placing the interests of its customers first and ensuring their financial security.

10. Means of Communication with Shareholders and Investors

The Bank is committed to providing all shareholders with comprehensive and equal access to information about the Bank's activities and to fulfil its continuous disclosure obligations to the CBO and the FSA.

The Bank's website www.oman-arabbank.com includes annual reports, quarterly financial statements, briefings and presentations given by the CEO and other executives, public announcements and economic updates.

We confirm the following:

- Availability and accessibility of quarterly results to the shareholders.
- Quarterly results and the annual report are posted on the Bank's website www.oman-arabbank.com.
- The website displays all official releases.
- The Management Discussion and Analysis (MD&A) is part of the Bank's annual report.
- Shareholders, investors and interested parties are invited to attend Discussion Sessions on a regular basis, in coordination with MSX.

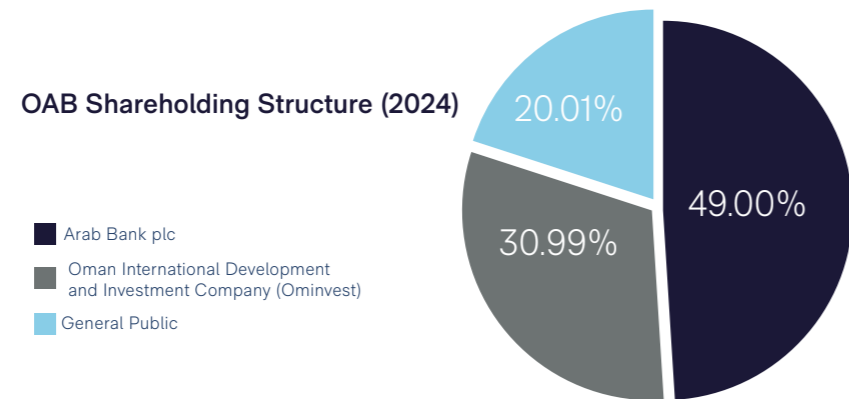
11. Dividend Policy

The Bank's Dividend Policy complies with CBO's guidance and seeks to:

- Establish provisions that support the Bank's financials.
- Pay cash dividends to the shareholders appropriate to their investment.
- Retain sufficient provisions that support the future growth of the Bank operations and strengthen their position in case of any unexpected crisis.
- Strike a balance between the retention of some earnings appropriate to the economic conditions and the understandable desire of shareholders for immediate and high returns.

12. Market Price Data and Shareholding Distribution

The following are the major shareholders who own more than 5% of the Bank on 31 December 2024:



Arab Bank Plc is a publicly held company listed on the Amman Stock Exchange, Jordan. Ominvest, is a public joint stock company listed on the Muscat Stock Exchange (MSX). The General public holds the remaining 20.01%

Details of the monthly share prices of the Bank and the financial index at the Muscat Stock Exchange for the financial year that ended on 31 December 2024 are provided below in line with requirements of the applicable regulations.

OAB Stock Price (RO)				
Date	Open	High	Low	Last
Jan-2024	0.130	0.130	0.120	0.120
Feb-2024	0.120	0.120	0.110	0.110
Mar-2024	0.113	0.122	0.110	0.120
Apr-2024	0.119	0.138	0.119	0.130
May-2024	0.130	0.157	0.125	0.156
Jun-2024	0.155	0.157	0.141	0.148
Jul-2024	0.146	0.148	0.135	0.148
Aug-2024	0.148	0.150	0.141	0.146
Sep-2024	0.148	0.150	0.144	0.145
Oct-2024	0.145	0.151	0.145	0.148
Nov-2024	0.149	0.150	0.144	0.145
Dec-2024	0.146	0.154	0.144	0.154

Date	Financial Index			
	Open	High	Low	Last
Jan-2024	7392.673	7564.239	7364.948	7369.919
Feb-2024	7369.919	7387.079	7059.406	7094.121
Mar-2024	7094.121	7551.398	7094.121	7358.579
Apr-2024	7366.029	7785.737	7366.029	7763.074
May-2024	7783.437	8015.015	7678.630	8015.015
Jun-2024	8015.015	8022.890	7550.851	7684.899
Jul-2024	7696.455	7708.842	7497.868	7597.604
Aug-2024	7597.604	7701.437	7491.950	7695.314
Sep-2024	7689.536	7825.773	7689.536	7726.179
Oct-2024	7726.179	8033.399	7690.451	7914.239
Nov-2024	7911.580	7928.520	7582.486	7681.529
Dec-2023	7681.529	7725.853	7490.642	7725.853

13. Other Matters

The last Annual General Meeting was held on 28 March 2024. The meeting was conducted as per the statutory requirements and attended by the Chairman, Mr. Rashad Muhammed Al Zubair and all other members of the Board of Directors.

14. Acknowledgment by the Board

The Board of Directors acknowledges its responsibilities and confirms that:

- The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 2019, the disclosure requirements of the Financial Services Authority (FSA) of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman (CBO).
- The Bank has adequate internal controls and procedures that are regularly reviewed through internal audits and overseen by the Audit Committee of the Board.
- There are no material matters that could potentially affect the Bank's ability to continue its operations over the next twelve months.



Rashad Al Zubair
Chairman



Sulaiman Al Harthi
Chief Executive Officer



MANAGEMENT DISCUSSION AND ANALYSIS REPORT



OAB AT A GLANCE

Oman Arab Bank takes great pride in over 50 years of excellence, serving as a pillar of trust and financial strength in Oman. We were one of the first banks established in the country, which goes back to the incorporation of Arab Bank branches in 1973. Through a series of merger and acquisitions, latest of which the acquisition of Alizz Islamic Bank in 2020, Oman Arab Bank emerged as a leading bank in Oman, with its shares listed on the Muscat Stock Exchange. Operating 68 branches nationwide, of which 50 are conventional, Oman Arab Bank provides a comprehensive suite of banking services tailored to meet the needs of individuals, businesses and institutions. The Bank's major shareholders are Arab Bank Plc, which holds a 49% stake and Oman International Development and Investment Company SAOG, which holds 30.99%.

In 2021, the Board of Directors endorsed a comprehensive strategy designed to ensure the continued growth and long-term success of the Bank. This strategy is anchored in four key pillars: growing our core business, developing our people, accelerating our digital transformation, and enhancing our operational efficiencies to deliver a consistently superior customer experience. We are pleased with the progress we have achieved against our strategy in 2024. The Bank's financial results reflect solid business growth with notable improvements in core business activities.

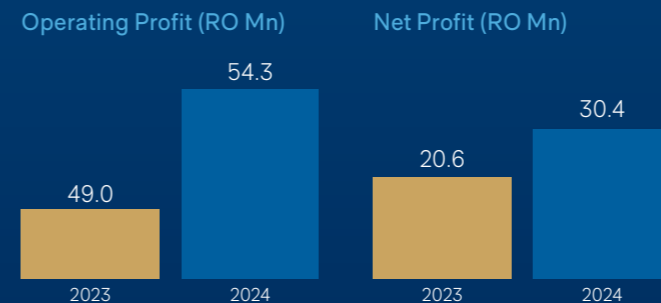
OPERATING ENVIRONMENT

In 2024, Oman's economy has demonstrated significant resilience and steady growth, continuing its path towards diversification and sustainable development as outlined in Oman Vision 2040. Oman's fiscal discipline was evident as the public debt declined to OMR 14Bn, or 34% debt to GDP, which has been instrumental in enhancing fiscal stability and investor confidence. This was reflected further in Oman regaining investment-grade status as Standard & Poor's (S&P) upgraded Oman's credit rating to 'BBB-' from 'BB+', reflecting remarkable improvements in the country's fiscal health and prudent financial management.

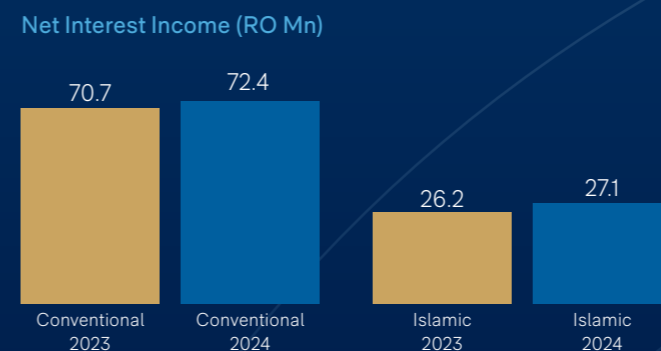
The banking sector in Oman remained resilient throughout 2024, with good liquidity levels and robust capital positions. Total assets grew 6.1% (October 2024 vs. December 2023), while credit growth was steady at 4.8% for the same period, supported by increased lending to small and medium-sized enterprises (SMEs) and the housing sector.

FINANCIAL REVIEW

Oman Arab Bank delivered a net profit of OMR 30.4 million in 2024, an increase of OMR 9.9 million or 48% over 2023, largely driven by growth in core operations and lower net impairment losses on financial assets. Operating profit was up 11% (OMR 5.3 million) to reach OMR 54 million compared to OMR 49 million in 2023.



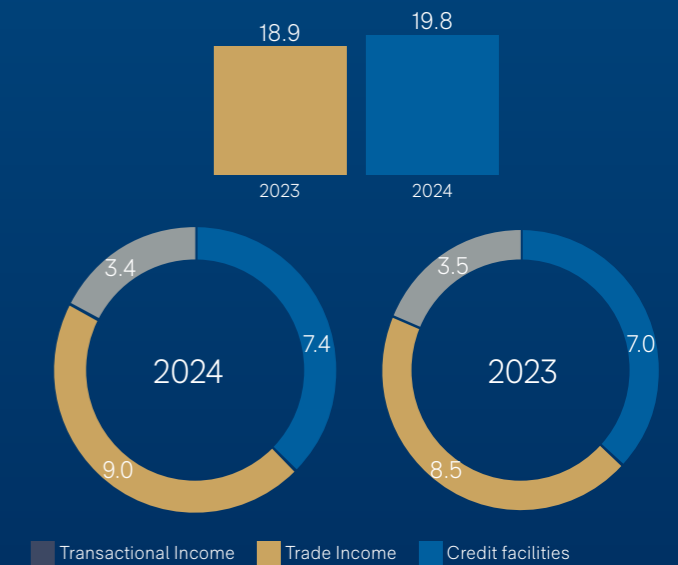
Total operating income of OMR 126.5 million for the year 2024 increased by OMR 6.2 million from OMR 120.2 million in 2023. The increase was primarily driven by higher interest and financing income.



Net interest income from conventional activities was at OMR 72.4 million in 2024 against OMR 70.7 million in 2023, up by OMR 1.7 million or 2%, supported by strong business volumes.

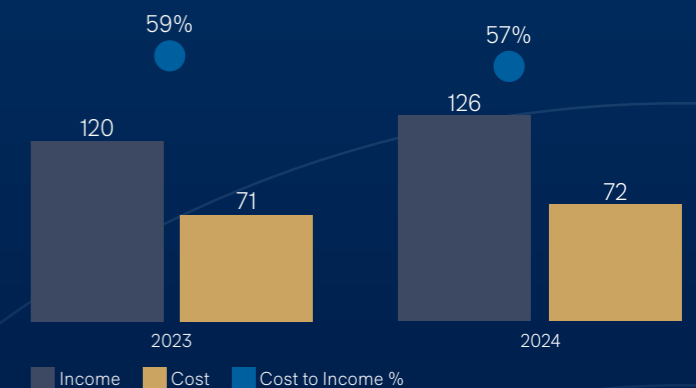
Net income from Islamic financing increased marginally by OMR 0.9 million to OMR 27.1 million in 2024.

Fee and Commission (RO Mn)



Net fee and commission income increased by OMR 0.9 million or 4.6% to reach OMR 19.8 million in 2024 against OMR 18.9 million in 2023, primarily attributable to the growth of the card business and credit facilities.

Cost / Income



Total operating expenses for the year ended 31 December 2024 amounted to OMR 72.2 million compared to OMR 71.3 million for the corresponding period in 2023, reflecting an increase of OMR 0.9 million or 1.3%. This increase is primarily due to higher staff costs, reflecting the Bank's continued investment in people.

The cost-to-income ratio decreased from 59% in 2023 to 57% in 2024.

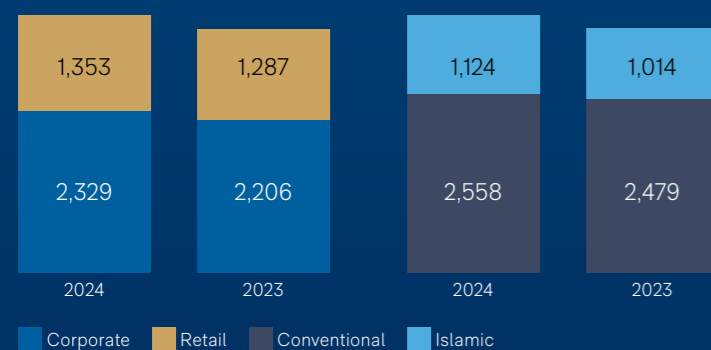
Net allowances for credit losses amounted to OMR 18.1 million in 2024 compared to OMR 24.7 million in 2023, in which the decrease has been noted mainly in corporate.

Break up of net allowances for credit losses (OMR Mn)	2023	2024
- Impairment on loans and advances to customers	24,660	18,147
- Impairment on investment securities	41	(107)
- Impairment on loan commitments, financial guarantees and acceptances	(51)	182
- Impairment on due from banks, central bank balances and other financial assets	79	(78)
Net allowances for credit losses	24,729	18,144

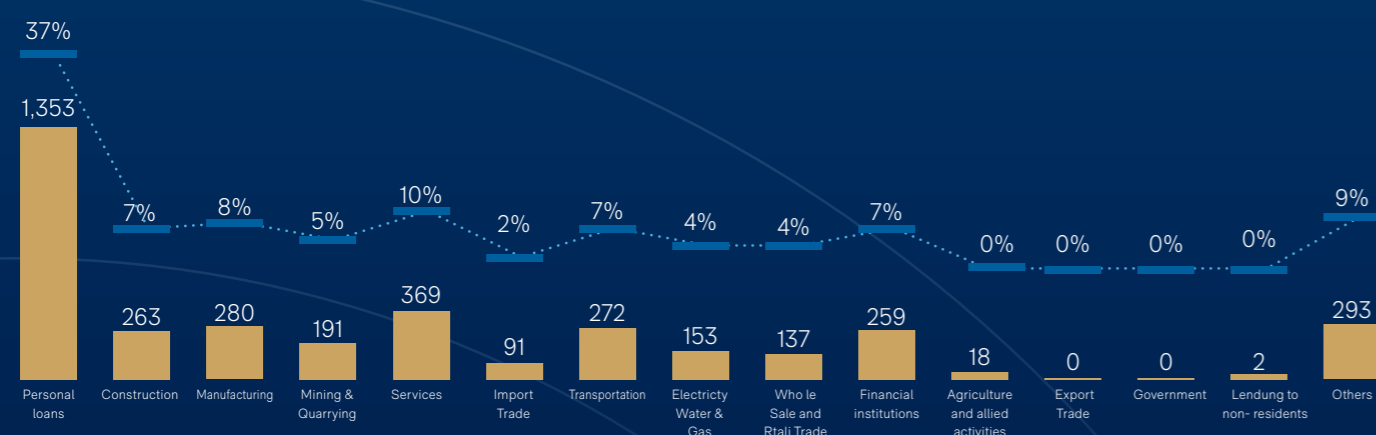
Net loans and financing to customers increased by OMR 172 million or 5% and amounted to OMR 3,447 million at 31 December 2024 compared to OMR 3,275 million at 31 December 2023.

Gross loans increased by OMR 189 million or 5%, of which corporate and retail loans increased by OMR 123 million and OMR 66 million, respectively.

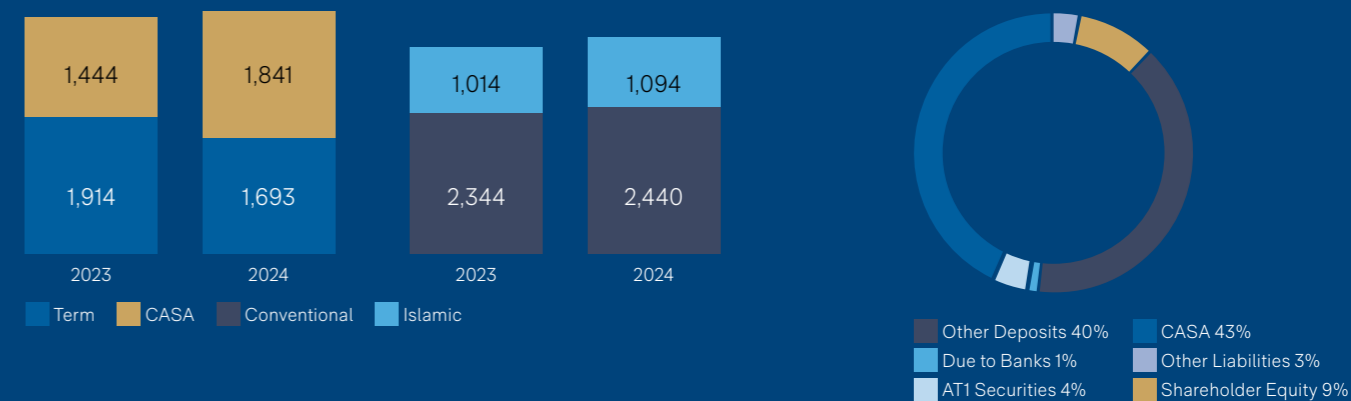
Gross Loans (RO Mn)



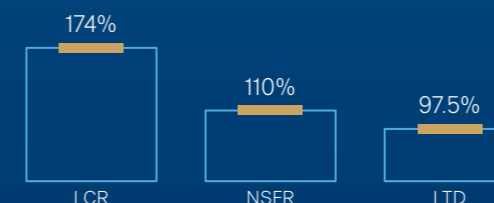
Gross Loans by Sector (RO Mn)



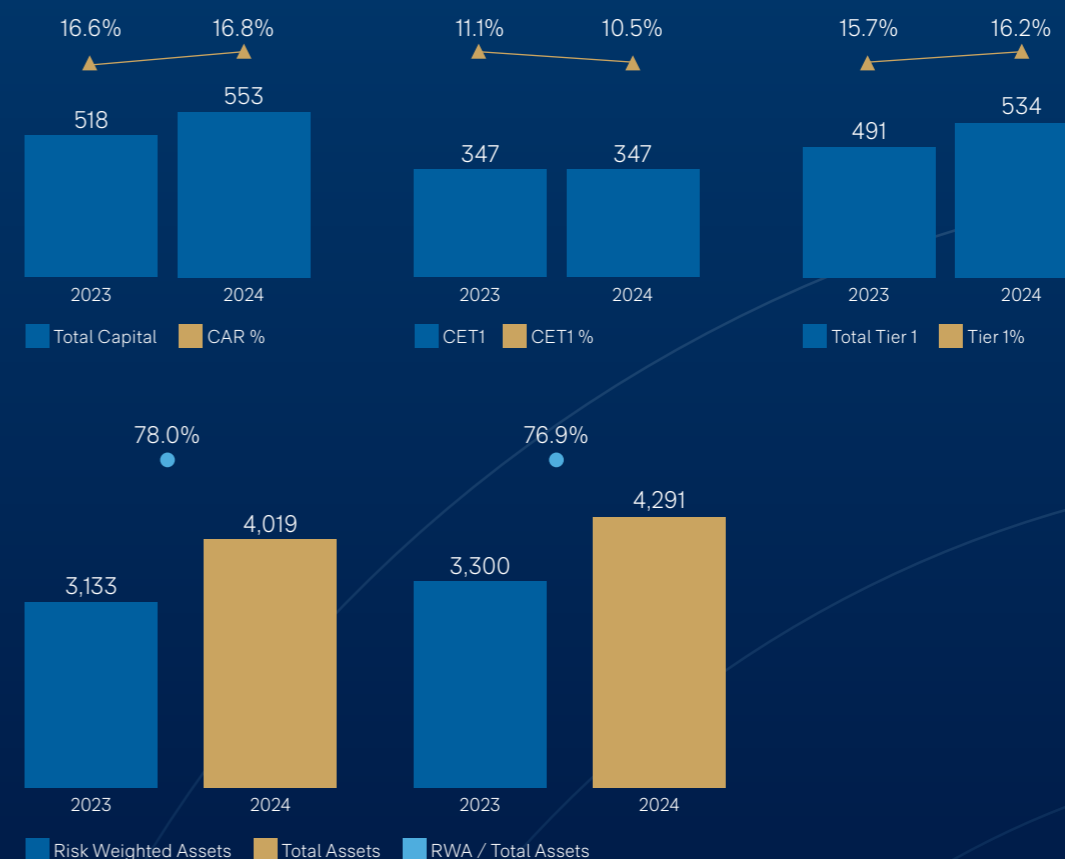
The Bank's primary source of funding continues to be customer deposits, which increased to 3,534 million or 5% at 31 December 2024 compared to OMR 3,357 million at 31 December 2023, primarily driven by strong growth in CASA, highlighting the success of the Bank's strategic efforts to enhance stable and long-term funding. Total CASA increased by 28% or OMR 397 million and accounted for 52% of total deposits.



We upheld a solid capital, funding, and liquidity stance well beyond regulatory benchmarks.



The Bank maintained a strong and comfortable total capital (CAR) position at 16.8%, well above the regulatory requirement of 13.5%, demonstrating its financial resilience and commitment to sustainable growth. Through our active monitoring of risk-weighted assets, the Bank managed to strategically grow its loan portfolio while closely managing risk exposure, which was translated to a decrease in RWA/ total assets ratio by 1.1%.



RISK MANAGEMENT

The Bank is inherently exposed to various types of risks; as such, the Risk Management Division (RMD) identifies potential risks and has a plan for addressing them. RMD is set up as an independent function, wherein the Chief Risk Officer has direct functional reporting to the Board Compliance & Risk Committee. The Division runs in coordination to achieve the Bank's strategy cohesively with other stakeholders in the Bank.

The RMD serves as a link between the Executive Management and the Board of Directors with regards to defining the level of risk the Bank is willing to accept through its Risk Appetite Framework and effectively monitors compliance against the framework. In this regard, the risk appetite framework sets the 'Tone at the Top' and is periodically reported to the Management Risk Committee, Board Compliance and Risk Committee and the Board of Directors per the Corporate Governance Framework of the Bank.

In addition, the Board is responsible for reviewing and approving the Bank's risk management strategy and policy. The Management Risk Committee is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in the conduct of business.

Risk Management operates in conformance with leading international practices and regulatory guidelines through a comprehensive framework, approved policies and procedures and a specialised team dedicated to the below core areas to control and mitigate various risks incurred by the Bank;

- I. Credit risk, being the risk of financial loss from the failure of customers to honour fully/partially the terms of their contract;
- II. Market risk, being the risk to earnings from changes in market factors such as interest and foreign exchange rates or liquidity and funding profiles;
- III. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition encompasses legal risk but excludes strategic, reputational risk;
- IV. Information security risk is the probable frequency of financial, reputational or other damage to information assets arising from a cyber-attack or breach within the Bank's systems/network.
- V. Fraud Risk identifies fraudulent conduct which has been executed internally or externally and takes appropriate action.

The Bank will continue to take proactive steps to maintain asset quality and strengthen its liquidity position. In order to enhance its overall Risk Management framework, the Bank will continue to invest in new technologies to improve its resilience, enhance its capability to respond to emerging risks and utilise its effective monitoring system to detect, report and advise corrective actions to be taken to mitigate the risk.

BUSINESS CONTINUITY MANAGEMENT

The Bank has a dedicated Business Continuity Management (BCM) team under the umbrella of the Risk Management Division (RMD) that has the primary responsibility of business continuity assurance by conducting various assessments, testing and spreading BCM Awareness.

From a Governance point of view, the Bank has a dedicated working group comprising key stakeholders from the Executive Management that provide their inputs and direction to the team to ensure critical operations are efficiently running or recovered in the event of a disaster. A Crisis Management Committee (CMC) also exists at the Executive Management Level to immediately act upon and respond to critical incidents. The Management Risk Committee (MRC) oversees the Bank's risk management. An approved BCM Policy and Framework is in place to guide staff on all matters pertaining to BCM. This multi-tiered

governance ensures a cohesive and comprehensive approach to managing risks.

Our proactive approach now includes comprehensive risk assessments encompassing vendor risks, geopolitical instabilities, and upcoming ESG factors. Additionally, our BCP and DR testing calendar has been diversified with Call Tree tests, Table Top Exercises, BCP Simulations, and IT DR Full Interruption Testing. These rigorous testing protocols ensure that our response mechanisms are practical and effective.

The commitment to upholding the highest standards in business continuity management serves as a testament to our dedication to customers and stakeholders, ensuring minimal disruption and maintaining trust in our operational capabilities.

DEVELOPING TALENT

At Oman Arab Bank, talent development is at the heart of our strategy, enabling us to build an adaptable organization that thrives in a constantly evolving environment. We are dedicated to cultivating a culture that fosters creativity, innovation, and continuous growth.

Our employees are our most valuable asset, and we prioritize upskilling initiatives that provide long-term learning opportunities and clear pathways for career advancement within the Bank. In line with Oman Vision 2040, we actively recruit talented and ambitious Omani nationals, offering them specialized training for them to excel in their current roles, as well as, to prepare them for future leadership roles. With an Omanization rate of 95%, we remain committed to further enhancing this proportion.

In 2024, the Bank facilitated 374 training courses, blending in-person and online sessions across a variety of subjects, including leadership development,



banking certifications, customer service, and technical skills. These programs ensure that our employees are well-equipped to meet the evolving demands of the industry. A standout initiative, the 'Ruwad Al Arabi' Leadership Development Program, engaged 50 employees in its second cohort, in partnership with Harvard Business Publishing Corporate Learning. This program strengthens our leadership pipeline, preparing the next generation of leaders for future challenges.

We also took time to honor the invaluable contributions of our long-serving employees through a special event, acknowledging their role in the Bank's continued success. Additionally, the 'Friends of Our Branches' initiative, which saw middle management visiting branches across the country to mentor and support staff, exemplifies our ongoing commitment to talent development.

Recognizing excellence is a cornerstone of our approach. In 2024, 17 employees were honored as "Employees of the Year" (Mutamayizoon) for their exceptional performance, contributions, and behavior. These individuals inspire excellence across the organization, setting a high standard for others to follow.

To further enhance employee well-being and engagement, the Happiness Team launched a week-long health and well-being awareness campaign, underscoring the importance of mental, physical, and financial health in driving overall performance. This initiative included expert-led sessions on mental health and its impact on productivity, a live cooking demonstration on healthy eating, and workshops on financial health. Participation from various fitness and well-being companies provided additional resources to support employee wellness. In addition, events like Happy Thursday, which invited local small businesses, and CEO-led breakfasts outside the Bank, promoted open communication and collaboration. The Treasure Hunt Initiative in the Al Dhakalia Region offered an engaging and fun opportunity for team-building, further strengthening our sense of community.

As part of our ongoing commitment to developing young talent, the Bank has enhanced its graduate program by recruiting 25 talented individuals. These individuals are currently undergoing an intensive, nine-month blended training program in partnership with a leading international institution and in collaboration with the Ministry of Labor. This program underscores our dedication to nurturing future leaders and ensuring a pipeline of skilled professionals ready to contribute to the Bank's long-term success.

These initiatives reflect our leadership's unwavering commitment to creating a supportive, empowering, and engaging workplace where employees feel valued, motivated, and empowered to excel.

RETAIL ACHIEVEMENTS

In 2024, the Bank reaffirmed its commitment to innovation and providing customer-centric solutions. Through market leadership and a series of impactful initiatives, the Bank was able to enhance its accessibility by introducing seamless IBAN and account number sharing, ensuring smoother transactions for customers.

Additionally, the call centre underwent significant renovation, reinforcing customer support with enhanced service efficiency.

Supporting the growing segment of micro-businesses and freelancers, the Bank facilitated their onboarding through Soft POS, enabling effortless payment acceptance. Moreover, to boost engagement with customers, the Bank launched a credit card sales contest, rewarding top-performing customers with coveted Apple gadgets, including iPhones, tablets, and watches.

Strengthening its rewards portfolio, the Bank introduced an exciting summer spending initiative, where customers spending OMR 500 qualified for a lucky draw to win OMR 500 cashback. To elevate lifestyle benefits, credit card holders enjoyed an upgraded cinema experience, adding more value to their entertainment spend. Furthermore, the Bank partnered with Aramex to streamline the delivery of retail credit cards, ensuring faster and more efficient service across Oman.



Setting a benchmark in premium banking, the Bank proudly became the first in Oman to launch the Infinite Visa Elite Exclusive Premium card, reinforcing its commitment to high-net-worth clientele. Beyond banking, the Bank contributed to education and career development by signing an agreement with NHI to provide education loans for around 150 hospitality students, empowering the next generation of professionals.

These initiatives reflect the Bank's dedication to innovation, customer satisfaction, and socioeconomic progress, laying a strong foundation for continued success in the years ahead.

CORPORATE SUSTAINABILITY

In 2024, the Bank continued to solidify its role as a key enabler of economic development and innovation through strategic collaborations and impactful partnerships.

In Q1/2024, OAB partnered with TickOne, providing Omani youth with access to career training opportunities aligned with the National Employment Program and the Ministry of Labour. This was complemented by the sponsorship of the Dawam App, a digital platform connecting job seekers with employers, offering self-employment opportunities and training programs to catalyse economic growth.

Building on these efforts in Q2/2024, OAB signed a Memorandum of Cooperation (MoC) with the Ministry of Labour, focusing on developing human skills, supporting Omani cadres, and expanding work opportunities. This partnership enabled training programs, workshops, and knowledge exchanges aimed at equipping Omani employees with cutting-edge skills. Additionally, OAB collaborated with the National Hospitality Institute, providing funding support for students and job seekers in the tourism and hospitality sector, further contributing to the professional development of national talent.

Alizz Islamic Bank also engaged in strategic initiatives, partnering with The Oman Vision 2040 Follow-up Unit to issue the region's first corporate innovation guides, as well as with Abraj Energy Services and Omran Group to finance projects that drive innovation and development.

In Q3/2024, OAB entered into a collaboration with the Badir Fund, managed by the Arab Fund for Economic and Social Development, to enhance support for SMEs in Oman. This partnership aims to strengthen entrepreneurial ventures, expand business opportunities, and contribute to economic diversification in the Sultanate.

OAB also focused on fostering entrepreneurial growth through the Tumohi Program, organising workshops for SMEs in Wilayat Sohar. These sessions equipped participants with skills in financial planning, governance, and marketing while providing opportunities to network with larger corporations.

Additionally, Alizz Islamic Bank launched the 'Aziz & Aziza' financial education series in partnership with the Ministry of Finance's National Program for Financial Sustainability and Oman's first children's magazine, Murshid. This initiative highlights Alizz's commitment to raising financial awareness among children and instilling sound financial habits from an early age.

Alizz Islamic Bank further complemented these efforts through the 'Tamkeen Programme', renovating a school and equipping it with modern amenities, enhancing educational opportunities for children and job creation in the region.

Additionally, Alizz Islamic Bank continued its support of a school located in Wilayat Al Awabi through the sponsorship of seven students for the academic year and the training of ten full-time faculty members, supporting them with digital solutions to efficiently meet their educational objectives.

2024 also saw Alizz Islamic Bank enter into partnerships with organisations that focus on sustainable initiatives under the banner of 'Alizz Cares'. Alizz Islamic Bank also published its first ESG report this year, reflecting its unwavering commitment to enhancing Oman's socioeconomic landscape while ensuring sustainability and community well-being.

Alizz Islamic Bank also relocated its Head Office to a new location in Wilayat Bawshar. The new facility houses a Grand Hall and several training rooms that cater to knowledge sharing and collaboration. It has since activated its hall for external partners, hosting more than 50 community events so far.

Through these initiatives, OAB and Alizz reinforced their role as socially responsible institutions, empowering individuals and communities while fostering growth and inclusivity across the Sultanate.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2024, OAB reaffirmed its commitment to social responsibility through a series of impactful initiatives designed to foster inclusivity, empower individuals, and drive community progress. By focusing on

education, entrepreneurship, and accessibility, OAB continued to create meaningful change across the Sultanate.

During Ramadan, OAB introduced the 'Giving Made Easy' campaign, making charitable donations seamless through its mobile app and ATMs. The Bank also hosted a special Qaranqasho celebration under the auspices of Her Highness Sayyida Hujaija Al Said, bringing together over 80 children – including those with disabilities – for an evening of entertainment and activities. This event underscored OAB's dedication to diversity and creating a sense of belonging for all.

OAB further strengthened its social impact through initiatives such as a blood donation drive in collaboration with the Ministry of Health, reinforcing the importance of giving back and supporting critical healthcare needs.



Aligned with its mission to empower future generations, OAB welcomed students to its Kids Branch at headquarters, offering hands-on learning experiences in banking and financial literacy. These visits also introduced young learners to entrepreneurship fundamentals, equipping them with skills for the future.

Entrepreneurial development remained a key focus, with the Tumohi Programme delivering workshops for SMEs in Wilayat Sohar. These sessions provided valuable insights into financial planning, governance, and marketing while also facilitating networking opportunities with larger corporations.

Enhancing accessibility, OAB inaugurated a disability-friendly branch in Saham, featuring ramps, Braille signage, and staff trained in sign language. This initiative set a new standard for inclusive banking, ensuring that all customers receive seamless and dignified service.

Through these strategic initiatives, OAB strengthened its role as a socially responsible institution—empowering communities, fostering sustainable growth, and championing inclusivity across Oman.

AWARDS AND RECOGNITIONS

In 2024, the Bank continued to solidify its position as a leading financial institution through numerous prestigious accolades, reflecting its commitment to excellence, innovation, and customer service.

One of the most notable achievements was the Bank's consistent recognition with the 'Straight Through Processing' (STP) Excellence Award, received from both the Bank of New York Mellon (BNY Mellon) and Citibank. This prestigious honour, earned annually since 2018, underscores the Bank's dedication to secure, accurate, and efficient transaction processing. Notably, the Bank achieved an exceptional 100% accuracy rate for treasury payments and 99.8% for customer payments, driven by its pioneering adoption of automation and advanced banking technologies. These achievements highlight the Bank's leadership in streamlining operations to deliver faster and more reliable services.

Further enhancing its reputation, the Bank was honoured with two key awards at the 2024 Oman Economic Review "OER" Business Summit Awards, organised by Oman Economic Review. The Bank received the Business Excellence Award in celebration of 50 years of innovative leadership in Oman's banking sector. Additionally, it was awarded the Excellence Award in Human Resources for its contributions to national talent development through initiatives like the 'Ruwad Al Arabi' Programme.

Alizz Islamic Bank additionally received various awards in recognition of its achievements across multiple milestones, including the award for 'Best Islamic Bank in Shari'a Compliance & Governance in Oman for 2024' by the World Union of Arab Bankers. Ali Al Mani, the CEO of Alizz Islamic Bank, was also honoured with the 'CEO of the Year – Islamic Banking' award at the prestigious CXO Awards 2024.

These accolades reaffirm the Bank's strategic commitment to innovation, customer satisfaction, and workforce empowerment, ensuring the Bank remains at the forefront of the financial sector while aligning with the goals of Oman Vision 2040.



IN CONCLUSION

None of the successes we achieved this year could have taken place without the dedicated effort of colleagues across the organisation, as FY24 saw the Bank continuing strong performance against our ongoing strategic agenda.





AUDITOR'S REPORT ON BASEL II - PILLAR III AND BASEL III FRAMEWORK

Report of factual findings to the Board of Directors of Oman Arab 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 Oman Arab 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, 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 Oman Arab 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 26 May 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
9 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: <ol style="list-style-type: none"> 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 <p>Further, checked that the following items have been deducted from the Tier 1 capital:</p> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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.

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 <ol style="list-style-type: none"> 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.



DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2024

1. PURPOSE AND BASIS OF PREPARATION

The following disclosures are presented in accordance with the revised capital adequacy rules under Basel II & Basel III framework issued by the Central Bank of Oman (CBO) for the implementation of the Basel II accord. Basel II Accord consists of three mutually reinforcing Pillars, Pillar I - Minimum Capital Requirements, Pillar II - Supervisory Review Process and Pillar III - Market Discipline. Pillar III complements Pillar I and II. The disclosures aim to provide market participants information on the bank's application of Basel framework, capital position, risk exposure, risk management processes and the capital adequacy.

2. SCOPE OF APPLICATION

Oman Arab Bank SAOG (the Parent Company) owns 100% of Alizz Islamic Bank (AIB) (the Subsidiary). The disclosures provide information on the Parent Company and the consolidated position of both entities. The qualitative and quantitative disclosures have been prepared to meet the minimum disclosure requirements as per the CBO Basel II framework (BM 1009) and Basel III framework issued by the CBO.

3. CAPITAL STRUCTURE

The capital base for complying with capital standards is quite distinct from accounting capital. The regulatory capital is broadly classified into two categories – Tier I and Tier II. Bank's capital structure also consists of Tier I capital and Tier II capital.

A. Tier 1 Capital

Tier I capital includes paid up capital, share premium, Additional Tier I capital instruments, legal and general reserves and other disclosed free reserves, including retained earnings (available on a long-term basis) less regulatory adjustments like cumulative losses of financial instruments classified as Fair Value through Other Comprehensive income (FVOCI), goodwill & other intangibles.

The Bank's authorized share capital is RO 200,000,000 and issued share capital comprises 1,669,410,000 fully paid shares of RO 0.100 each. In accordance with Article 132 of the Omani Commercial Companies Law of 2019, the Bank is required to transfer 10% of its profit after tax for the year to the legal reserve until the accumulated balance of the reserve equals at least one third of the Bank's paid up share capital. General reserves have been created out of the Bank's retained earnings to meet any unforeseen contingency.

The Tier 1 bonds and sukuk constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. Exercising the call option for any of the perpetual bonds is subject to obtaining the required regulatory approval.

B. Tier 2 Capital

Tier 2 Capital consists of eligible Expected Credit Loss (ECL) on loans, advances and financing to customers as required by the CBO and the cumulative fair value gains on eligible investments securities as allowed under the guidelines for Basel II by the CBO.

The eligible ECL is made for the loan impairment on the performing portion of the loans, advances and financing to customers against the losses incurred but not identified.

The Bank's capital structure is as follows:

	Consolidated 2024 RO' 000	Parent Company 2024 RO' 000
Paid up share capital	166,941	166,941
Share premium	36,565	36,565
Legal reserve	53,626	53,614
General reserve	25,560	25,560
Other disclosed reserves	(4,958)	(4,958)
Other intangibles	(2,048)	-
Retained earnings	77,876	78,275
Intangibles	(6,280)	-
Perpetual Bonds	186,266	156,266
Less allocated to Subsidiary	-	(135,095)
Tier 1 Capital	533,548	377,168
Eligible expected credit loss on loans & advances and financing to customers	19,497	15,959
Investment revaluation reserve (45% only)	353	274
Tier 2 Capital	19,850	16,233
Total Capital	553,398	393,401

4. CAPITAL ADEQUACY

A. Qualitative Disclosures

Basel II provides a range of options for determining the regulatory capital requirements for credit, market and operational risks. It allows the banks and the supervisors to select approaches that seem most appropriate for the level of sophistication of the banks' activities, financial market infrastructure and risk management practices.

The Bank has chosen the following approaches for determining the regulatory capital with the approval of Central Bank of Oman:

- Standardized Approach for the credit/market risk with a simplified approach for the risk weighting of collaterals under the credit risk mitigation.
- Basic Indicator approach for the operational risk.

The Bank's Board of Directors reviews the capital requirements based on the strategic plan of the Bank. This is reviewed periodically based on the market and economic conditions. While formulating the Bank's strategic plans, the Bank's management takes into account forward-looking factors such as changes in the economic, market and liquidity conditions. The Bank's current and future capital requirements are calculated in relation to its strategic business objectives. The strategic plan delineates the Bank's short-term and long-term capital needs, capital expenditures required for the foreseeable future, target capital levels, and capital sources. The Bank prepares its capital planning and operational budgeting on an annual basis.

Management considers that the Bank has adequate systems for monitoring and reporting risk exposures.

The capital needs are assessed based on changes in the Bank's risk profile. The Board of Directors and the senior management receive regular reports or updates on the Bank's risk profile and capital needs through the Assets and Liabilities Committee (ALCO), Management Credit Committee (MCC), Management Risk Committee (MRC) and directly from the Risk Management Division. This information is used to:

- Evaluate the level and trend of material risks and their effect on capital requirements,
- Evaluate the sensitivity and reasonableness of the main assumptions used in the capital measurement system,
- Determine that the Bank holds sufficient capital against various risks,
- Determine that the Bank meets its internal capital adequacy goals; and
- Assess its future capital requirements based on the Bank's reported risk profile and in turn make necessary adjustments to the Bank's strategic plan.

B. Quantitative Disclosures

Risk weighted Assets and details of Capital Adequacy as at end of 2024:

S No.	Details	Consolidated			Parent Company		
		Gross Balance RO'000	Net Balance RO'000	Risk Weighted Assets RO'000	Gross Balance RO'000	Net Balance RO'000	Risk Weighted Assets RO'000
1	On -Balance sheet Item	4,464,595	4,106,258	2,877,046	3,164,658	2,811,551	2,017,708
2	Off -Balance sheet Item	355,368	196,239	132,155	289,951	146,689	82,604
3	Derivatives	138,931	12,966	11,882	138,931	12,966	11,882
	Operational risk	-	-	230,785			170,625
	Market risk	-	-	47,700			32,813
4	Total	4,958,894	4,315,463	3,299,568	3,593,540	2,971,206	2,315,632
5	Tier 1 Capital	-	-	533,548	-	-	377,168
6	Tier 2 Capital	-	-	19,850	-	-	16,233
7	Tier 3 Capital	-	-	-	-	-	-
8	Total Regulatory Capital	-	-	553,398	-	-	393,401
8.1	Capital requirement for credit risk	-	-	407,846	-	-	285,146
8.2	Capital requirement for market risk	-	-	6,440	-	-	4,430
8.3	Capital requirement for operational risk	-	-	31,156	-	-	23,034
9	Total required capital	-	-	445,442	-	-	312,610
10	Tier 1 Ratio	-	-	16.17%	-	-	16.29%
11	Total Capital Ratio	-	-	16.77%	-	-	16.99%

5. BASEL III REGULATORY CAPITAL DISCLOSURE

The Basel III regulations adopted by the CBO aims at strengthening the capital and liquidity standards of the banks in Oman. The elements of the Basel III regulations consist of:

- Enhancing the definition of capital and strengthening the eligibility criteria for inclusion of capital instruments
- Raising the minimum capital requirements and introducing capital buffers for conservation and dealing with systemic risks in the form of Capital Conservation Buffer and Countercyclical Buffer
- Enhancing coverage of risk arising from derivatives, repos and securities financing
- Implementing the leverage ratio to control the build-up of leverage and mitigating the impact of

excessive deleveraging

- Higher capital requirements for large and systemically important banks
- Implementing the Liquidity Coverage Ratio to ensure that the banks hold higher quality of liquid assets
- Implementing Net Stable Funding Ratio to ensure financing of activities with more stable source of funding

The requirements of Basel III were gradually implemented from 2013 and the higher capital requirements were implemented by 2015. The banks in Oman have to comply with the related disclosure requirements issued by CBO in the circular BM-1114 dated 17 November 2013.

A. Common Disclosure Template as at 31 December 2024

Table 1		Consolidated	Parent Company
		RO '000	RO '000
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	166,941	166,941
2	Retained earnings	77,876	78,275
3	Accumulated other comprehensive income (and other reserves)	115,751	115,739
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-
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	360,568	360,955
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(2,584)	(2,584)
8	Intangibles (net of related tax liability)	(6,280)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(2,048)	-
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	(2,374)	(2,374)
13	Securitisation 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 10% of 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)	-	(135,095)
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 Additional Tier 1 and Tier 2 to cover deduction	-	-

28	Total regulatory adjustments to Common equity Tier 1	(13,286)	(140,053)
29	Common Equity Tier 1 capital (CET1)	347,282	220,902
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	186,266	156,266
31	- of which: classified as equity under applicable accounting standards	186,266	156,266
32	- of which: classified as liabilities under applicable accounting standards	-	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
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	- of which: instruments issued by subsidiaries subject to phase out	-	-
36	Additional Tier 1 capital before regulatory adjustments	186,266	156,266
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, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	-
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)	186,266	156,266
45	Tier 1 capital (T1 = CET1 + AT1)	533,548	377,168
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
47	Directly issued capital instruments subject to phase out from Tier 2	-	-
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	- of which: instruments issued by subsidiaries subject to phase out	-	-
50	Eligible expected credit loss and revaluation reserve	19,850	16,233
50a	- of which: Eligible expected credit loss	19,497	15,959
50b	- of which: Revaluation reserve	353	274
51	Tier 2 capital before regulatory adjustments	19,850	16,233
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, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	-
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	19,850	16,233
59	Total capital (TC = T1 + T2)	553,398	393,401
Risk Weighted Assets			

	Risk weighted assets in respect of amounts subject to pre-Basel III treatment	3,299,568	2,315,632
60	Total risk weighted assets (60a+60b+60c)	3,299,568	2,315,632
60a	- of which: Credit risk weighted assets	3,021,083	2,112,194
60b	- of which: Market risk weighted assets	47,700	32,813
60c	- of which: Operational risk weighted assets	230,785	170,625
Capital Ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.53%	9.54%
62	Tier 1 (as a percentage of risk weighted assets)	16.17%	16.29%
63	Total capital (as a percentage of risk weighted assets)	16.77%	16.99%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.50%	9.50%
65	- of which: capital conservation buffer requirement	2.50%	2.50%
66	- of which: bank specific countercyclical buffer requirement	0%	0%
67	- of which: D-SIB/G-SIB buffer requirement	0%	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	1.03%	0.04%
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	9.50%	9.50%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.50%	11.50%
71	National total capital minimum ratio (if different from Basel 3 minimum)	13.50%	13.50%
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	-	-
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)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
76	Expected credit loss eligible for inclusion in Tier 2 in respect of exposures subject to standard approach (prior to application of cap)	19,497	15,959
77	Cap on inclusion of Expected credit loss in Tier 2 under standardised approach	37,764	26,402
78	Expected credit loss 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 Expected credit loss 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)	-	-

B. Reconciliation between published financial statements and regulatory capital adequacy workings

A reconciliation of the Bank's Statement of Financial Position with the regulatory capital elements is provided below using the three-step approach outlined by the Basel Committee:

Step 1: Disclosure of the reported statement of financial position under the regulatory scope of consolidation

This step involves disclosing how the balance sheet in the published financial statements changes when the regulatory scope of consolidation is applied.

Table 2. A	Consolidated		Parent Company		Reference
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	
	As at 31 Dec 2024	As at 31 Dec 2024	As at 31 Dec 2024	As at 31 Dec 2024	
Reconciliation	RO'000	RO'000	RO'000	RO'000	
Cash and balances with central bank	180,450	180,450	117,845	117,845	
Due from banks	67,222	67,222	65,876	65,876	
Loans and advances	3,446,694	3,446,694	2,373,253	2,373,253	
Investment securities	450,320	450,320	328,419	328,419	
Investment in subsidiary	-	-	135,095	135,095	
Intangibles	6,280	6,280	-	-	
Other assets	100,816	100,816	63,512	63,512	
Property and equipment	39,586	39,586	34,254	34,254	
Total assets	4,291,368	4,291,368	3,118,254	3,118,254	
Due to banks	54,599	54,599	31,293	31,293	
Customer deposits	3,534,336	3,534,336	2,440,157	2,440,157	
Other liabilities	116,899	116,899	92,115	92,115	
Borrowed funds	9,625	9,625	9,625	9,625	
Taxation	10,145	10,145	9,181	9,181	
Total liabilities	3,725,604	3,725,604	2,582,371	2,582,371	
Paid-up share capital	166,941	166,941	166,941	166,941	
Share Premium	36,565	36,565	36,565	36,565	
Special Reserve	3,837	3,837	3,837	3,837	
Legal reserve	53,626	53,626	53,614	53,614	
General reserve	25,560	25,560	25,560	25,560	
Retained earnings	77,876	77,876	78,275	78,275	
Cumulative changes in fair value of investments	(1,707)	(1,707)	(1,975)	(1,975)	
Impairment reserve	16,800	16,800	16,800	16,800	
Total shareholders' equity	379,498	379,498	379,617	379,617	
Perpetual Tier 1 Capital Bonds	186,266	186,266	156,266	156,266	
Total liability and shareholders' funds	4,291,368	4,291,368	3,118,254	3,118,254	

Step 2: Expanding the lines of the regulatory statement of financial position to display all of the components used in the definition of capital disclosure template

Table 2. B	Consolidated		Parent Company		Reference
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	
	As at 31 Dec 2024	As at 31 Dec 2024	As at 31 Dec 2024	As at 31 Dec 2024	
Assets Reconciliation	RO'000	RO'000	RO'000	RO'000	
Cash and balances with central bank	180,450	180,450	117,845	117,845	
Due from banks	67,222	67,222	65,876	65,876	
Loans and advances, of which:	3,446,694	3,446,694	2,373,253	2,373,253	
- To domestic banks	-	-	-	-	
- To non-resident banks	-	-	-	-	
- To domestic customers	2,440,676	2,440,676	2,440,676	2,440,676	
- To non-resident customers for domestic operations	-	-	-	-	
- To non-resident customers for operations abroad	-	-	-	-	
- Loans and advances to SMEs	116,871	116,871	116,871	116,871	
- Financing from Islamic banking	1,123,942	1,123,942	-	-	
- Allowances for the credit losses, of which:	(234,795)	(234,795)	(184,294)	(184,294)	
ECL allowance not qualifying for Tier 2	-	(215,298)	-	(168,335)	
ECL allowance eligible for Tier 2	-	(19,497)	-	(15,959)	A1
Investment securities, of which	450,320	450,320	328,419	328,419	
- Fair value through Profit & Loss	471	471	471	471	
- Fair value through other comprehensive income	201,893	201,893	79,992	79,992	
- Held to collect	247,956	247,956	247,956	247,956	
Investment in subsidiary	-	-	135,095	135,095	A2
Intangibles	6,280	6,280	-	-	A3
Other assets	100,816	100,816	63,512	63,512	
Property and equipment, of which:	39,586	39,586	34,254	34,254	
- Property and equipment	37,538	37,538	34,254	34,254	
- Other intangibles with CET1 Adjustments	2,048	2,048	-	-	A4
Total assets	4,291,368	4,291,368	3,118,254	3,118,254	

Table 2. B	Consolidated		Parent Company		Reference		
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation			
						As at	As at
						31 Dec 2024	31 Dec 2024
RO'000	RO'000	RO'000	RO'000				
Capital and Liabilities Reconciliation							
Paid-up share capital	166,941	166,941	166,941	166,941	C1		
AT1 – Perpetual bonds and sukuk	186,266	186,266	156,266	156,266	C2		
Reserves & Surplus, of which:	212,557	212,557	212,676	212,676			
- Share premium	36,565	36,565	36,565	36,565	C3		
- Legal reserve	53,626	53,626	53,614	53,614	C4		
- General reserve	25,560	25,560	25,560	25,560	C5		
- Retained earnings	77,876	77,876	78,275	78,275	C6		
- Proposed dividends	-	-	-	-			
- Cumulative changes in fair value of investments, of which	(1,707)	(1,707)	(1,975)	(1,975)			
Amount deductible from CET1 capital	-	(4,958)	-	(4,958)	C7		
Amount eligible for Tier 2 capital	-	353	-	274	C8		
Amount not eligible for Tier 2 capital	-	2,898	-	1,641			
- Impairment reserve, of which:	16,800	16,800	16,800	16,800			
Not eligible for Basel	-	16,800	-	16,800			
- Special reserve, of which	3,837	3,837	3,837	3,837			
Not eligible for Basel	-	3,837	-	3,837			
Total capital	565,764	565,764	535,883	535,883			
Deposits, of which:	3,534,336	3,534,336	2,440,157	2,440,157			
- Deposits from banks	-	-	-	-			
- Deposits from customers	2,440,157	2,440,157	2,440,157	2,440,157			
- Deposits of Islamic Banking window	1,094,179	1,094,179	-	-			
Borrowings, of which:	64,224	64,224	40,918	40,918			
- From CBO	-	-	-	-			
- From banks	54,599	54,599	31,293	31,293			
- From other institutions & agencies	9,625	9,625	9,625	9,625			
- Borrowings in the form of bonds, debentures and sukus	-	-	-	-			
Other liabilities	116,899	116,899	92,115	92,115			
Taxation	10,145	10,145	9,181	9,181			
Total capital and liabilities	4,291,368	4,291,368	3,118,254	3,118,254			

Step 3: Extract of Basel III common disclosure template

	Under regulatory scope of consolidation		Reference
	Consolidated	Parent Company	
	As at 31 Dec 2024	As at 31 Dec 2024	
	RO'000	RO'000	
Common Equity Tier 1 capital: instruments and reserves			
1 - Directly issued qualifying common share capital	166,941	166,941	C1
2 - Retained earnings	77,876	78,275	C6
3 - Accumulated other comprehensive income (and other reserves)	115,751	115,739	C3 + C4 + C5
4 - Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
5 - Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			
6 - Total regulatory adjustments to Common equity Tier 1	(13,286))	(140,053)	C7 - A2 - A3 - A4
7 Common Equity Tier 1 capital (CET1)	347,282	220,902	
8 Additional Tier 1 capital (AT1)	186,266	156,266	C2
9 Tier 1 capital (T1 = CET1 + AT1)	533,548	377,168	
Tier 2 capital: instruments and provisions			
10 Directly issued qualifying Tier 2 instruments	-	-	
11 Eligible expected credit loss	19,497	15,959	A1
12 Cumulative changes in fair value of investments eligible for Tier 2 capital	353	274	C8
13 Tier 2 capital (T2)	19,850	16,233	
Total capital (TC = T1 + T2)	553,398	393,401	

C. Main features template for capital instruments

1	ISSUER	OMAN ARAB BANK	OMAN ARAB BANK	OMAN ARAB BANK	OMAN ARAB BANK	ALIZZ ISLAMIC BANK (ALIZZ SUKUK SPC)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	OM0000005260	OM0000009106	XS2346530244	OM0000009817	OM0000009924 (OMR)& OM0000009940 (USD)
3	Governing law(s) of the instrument Regulatory treatment	Oman Banking law	Oman Banking law	English law	Oman Banking law	Oman Banking law
4	Transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
5	Post-transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
6	Eligible at solo/group/group & solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo	Group
7	Instrument type (types to be specified by each jurisdiction)	Paid up share capital	Perpetual Tier I Securities	Perpetual Tier I Securities	Perpetual Tier I Securities	Perpetual Tier I Securities
8	Amount recognized in regulatory capital	OMR 166.9 Million	OMR 50 Million	USD 250 Million	OMR 10 Million	OMR 30 Million
9	Par value of instrument	OMR 0.1	OMR 1	USD 1000	OMR 1	OMR 1 or equivalent
10	Accounting classification	Shareholder's equity	Equity	Equity	Equity	Equity
11	Original date of issuance	Various	16/10/2023	07/06/2021	09/10/2024	09/12/2024
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	-	-	-	-	-
14	Issuer call subject to prior supervisory approval	-	Yes	Yes	-	Yes
15	Optional call date, contingent call dates and redemption amount	-	First call date on 16 Oct 2028 at bank's sole discretion	First call date on 4 Jun 2026 at bank's sole discretion	-	First call date on 9 Dec 2029 at bank's sole discretion
16	Subsequent call dates, if applicable	-	Any interest reset date after the first call date	Any interest payment date after the first call date	-	Any periodic distribution date after the first call date
Coupons / dividends						
17	Fixed or floating dividend/coupon	No coupon	Fixed coupon	Fixed coupon	Fixed coupon	Fixed coupon
18	Coupon rate and any related index	-	7.0%	7.625%	6.0%	6.5%
19	Existence of a dividend stopper	Yes	Yes	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	-	-	-	-	-
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	Convertible

24	If convertible, conversion triggers	-	-	-	-	earlier of 9 October 2026 or the Accelerated Mandatory Conversion Date	Non-Viability Event
25	If convertible, fully or partially	-	-	-	-	Fully	Fully or partially
26	If convertible, conversion rate	-	-	-	-	8 Ordinary Shares to be issued against each Bond at the Conversion Date, at an underlying price of 125 baiza per share	Conversion ratio of fair value of certificate by fair value of each ordinary share.
27	If convertible, mandatory or optional conversion	-	-	-	-	Mandatory	Mandatory
28	If convertible, specify instrument type convertible into	-	-	-	-	Ordinary shares	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	-	-	-	-	Oman Arab Bank	Alizz Islamic Bank
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	No
31	If write-down, write-down trigger(s)	Non-viability event	Non-viability event	Non-viability event	Non-viability event	Non-viability event	-
32	If write-down, full or partial	Full	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	-	-	-	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all instruments and claims	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors
36	Non-compliant transitioned features	-	-	-	-	-	-
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

6. LEVERAGE RATIO

The Basel III framework introduced a non-risk-based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The regulatory minimum set by the CBO is 4.5%.

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure

(Please refer to paragraph 52 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

Item	Consolidated	Parent Company
1 Total consolidated assets as per published financial statements	4,291,368	3,118,254
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4 Adjustments for derivative financial instruments	180,737	81,391
5 Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-
6 Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	160,678	95,261
7 Other adjustments	(8,328)	-
8 Leverage ratio exposure	4,624,455	3,294,906

Table 2: Leverage ratio common disclosure template

(Please refer to paragraph 53 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

Item	Consolidated	Parent Company
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,291,368	3,118,254
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(8,328)	-
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	4,283,040	3,118,254
Derivative Exposures		
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	180,737	81,391
5 Add-on amounts for PFE associated with all derivatives transactions	-	-
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8 (Exempted CCP leg of client-cleared trade exposures)	-	-
9 Adjusted effective notional amount of written credit derivatives	-	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11 Total derivative exposures (sum of lines 4 to 10)	180,737	81,391
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14 CCR exposure for SFT assets	-	-
15 Agent transaction exposures	-	-
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	426,497	238,523
18 (Adjustments for conversion to credit equivalent amounts)	(265,819)	(143,262)
19 Off-balance sheet items (sum of lines 17 and 18)	160,678	95,261

Capital and total exposures

20 Tier 1 capital	533,548	377,168
21 Total exposures (sum of lines 3, 11, 16 and 19)	4,624,455	3,294,906
Leverage Ratio		
22 Basel III leverage ratio (%)	11.5	11.4

7. CREDIT RISK EXPOSURE AND ASSESSMENT

A. Qualitative Disclosures

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending activities, investment activities and other assets in the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management and credit review teams which is divided into corporate, SME, financial institutions and retail groups. The credit risk in corporate, SME and financial institutions portfolio is primarily managed by the Credit Review Department while the Retail Banking Department manages the credit risk with predefined programs. The Credit Risk Department reviews the portfolio credit risk independently and directly reports to the Compliance and Risk Management Committee of the Board of Directors. The risk management framework also includes policies with respect to problem recognition, early warning indicators, watch lists, classification parameters and risk rating.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in default as defined by the CBO circular number BM 977 dated 25 September 2004. Past dues and impaired exposures are defined in accordance with the relevant CBO regulations. Bank has adopted the International Financial Reporting Standards (IFRS) 9 guidelines for estimation of Expected Credit Loss as per International Accounting Standards Board (IASB) and CBO guidelines on International Financial Reporting Standards (IFRS) 9 on Financial Instruments, effective from 1st January 2018.

In addition, the Bank assesses the adequacy of the security and financial performance of the borrowers in further downgrading the classification.

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 liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

Given the nature of the bank's exposures and availability of historical statistically reliable information, the bank derives the Through the Cycle (TTC) probability of default (PD) using internal historical experience. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration forward looking economic forecasts under three scenarios (base case, bad case, and good case), historical economic data and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

Credit Risk Management and Control

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the creditworthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, medium-term, foreign currency credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The Bank manages, limits and controls concentrations of credit risk – in particular, to individual counterparties and groups, and to industries, sectors and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee, Compliance and Risk Management committee of the Board of Directors and the Executive Committee of the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined under the credit risk mitigation section.

Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD assessments are estimates at a certain date, and are calculated using the banks internal default data.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12-month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis,

the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario.

B. Quantitative Disclosures

Table 1: Gross credit risk exposures

S No.	Type of credit exposure	Consolidated		Parent Company	
		Average Gross Exposure RO'000	Total Gross Exposure RO'000	Average Gross Exposure RO'000	Total Gross Exposure RO'000
1	Overdrafts	131,685	128,674	125,359	122,702
2	Personal Loans	1,318,077	1,352,826	863,718	872,517
3	Loans against Trust Receipts	89,213	102,062	89,213	102,062
4	Other Loans	2,079,404	2,083,546	1,471,347	1,445,885
5	Bills Purchased Discounted	15,124	14,381	15,124	14,381
	Total	3,633,503	3,681,489	2,564,761	2,557,547

Table 2: Geographic distribution of exposures

S No.	Type of credit exposure	Consolidated						Total RO'000
		Oman RO'000	Other GCC countries RO'000	OECD countries RO'000	India RO'000	Pakistan RO'000	Others RO'000	
1	Overdrafts	128,674	-	-	-	-	-	128,674
2	Personal Loans	1,352,826	-	-	-	-	-	1,352,826
3	Loans against Trust Receipts	102,062	-	-	-	-	-	102,062
4	Other Loans	2,083,546	-	-	-	-	-	2,083,546
5	Bills Purchased Discounted	14,381	-	-	-	-	-	14,381
	Total	3,681,489	-	-	-	-	-	3,681,489

S No.	Type of credit exposure	Parent Company						Total RO'000
		Oman RO'000	Other GCC countries RO'000	OECD countries RO'000	India RO'000	Pakistan RO'000	Others RO'000	
1	Overdrafts	122,702	-	-	-	-	-	122,702
2	Personal Loans	872,517	-	-	-	-	-	872,517
3	Loans against Trust Receipts	102,062	-	-	-	-	-	102,062
4	Other Loans	1,445,885	-	-	-	-	-	1,445,885
5	Bills Purchased Discounted	14,381	-	-	-	-	-	14,381
	Total	2,557,547	-	-	-	-	-	2,557,547

Table 3: Industry or counterparty type distribution of exposures

S No.	Economic Sector	Consolidated				Total	Off-balance sheet exposure
		Overdraft	Loans	Bills Purchased/ discounted	Others		
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	6,074	79,976	14	4,619	90,683	5,906
2	Export Trade	1	25	-	-	26	-
3	Wholesale & Retail Trade	10,794	116,893	402	9,164	137,253	13,742
4	Mining & Quarrying	24,226	158,490	-	8,544	191,260	12,688
5	Construction	24,702	192,215	10,638	35,020	262,575	59,015
6	Manufacturing	14,709	233,160	1,536	30,581	279,986	20,568
7	Electricity, gas & water	133	135,145	-	17,807	153,085	1,059
8	Transport & communication	1,089	254,520	174	16,417	272,200	1,826
9	Financial Institutions	1,927	256,936	-	-	258,863	113,281
10	Services	26,575	332,958	1,240	8,574	369,347	70,516
11	Personal Loans	-	948,747	-	404,079	1,352,826	-
12	Agriculture & Allied Activities	104	18,076	95	-	18,275	-
13	Government	-	12	-	-	12	78,438
14	Non-Resident Lending	-	2,084	-	-	2,084	-
15	All Others	18,340	171,535	282	102,857	293,014	-
	Total	128,674	2,900,772	14,381	637,662	3,681,489	377,039

S No.	Economic Sector	Parent Company				Total	Off-balance sheet exposure
		Overdraft	Loans	Bills Purchased/ discounted	Others		
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	5,217	62,664	14	-	67,895	5,906
2	Export Trade	1	25	-	-	26	-
3	Wholesale & Retail Trade	7,510	86,403	402	-	94,315	9,563
4	Mining & Quarrying	24,226	137,406	-	-	161,632	4,760
5	Construction	24,702	185,374	10,638	-	220,714	48,155
6	Manufacturing	14,709	199,697	1,536	-	215,942	17,990
7	Electricity, gas & water	133	98,782	-	-	98,915	1,059
8	Transport & communication	1,089	242,967	174	-	244,230	1,287
9	Financial Institutions	1,927	212,265	-	-	214,192	113,271
10	Services	24,744	156,689	1,240	-	182,673	31,035
11	Personal Loans	-	872,517	-	-	872,517	-
12	Agriculture & Allied Activities	104	5,653	95	-	5,852	-
13	Government	-	12	-	-	12	5,497
14	Non-Resident Lending	-	197	-	-	197	-
15	All Others	18,340	159,813	282	-	178,435	-
	Total	122,702	2,420,464	14,381	-	2,557,547	238,523

Table 4: Residual contractual maturity of credit exposure

S No.	Economic Sector	Consolidated				Total	Off-balance sheet exposure
		Overdraft	Loans	Bills purchased / discounted	Others		
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Up to 1 month	10,115	214,563	12,257	27,399	264,334	15,140
2	1-3 months	10,115	125,781	1,834	27,735	165,465	134,654
3	3-6 months	10,115	102,643	290	30,181	143,229	24,818
4	6-9 months	10,115	69,614	-	20,629	100,358	34,107
5	9-12 months	10,115	101,078	-	23,072	134,265	69,099
6	1-3 years	26,033	435,928	-	109,678	571,639	46,483
7	3-5 years	26,033	338,599	-	96,583	461,215	8,590
8	Over 5 years	26,033	1,512,567	-	302,384	1,840,984	44,148
	Total	128,674	2,900,773	14,381	637,661	3,681,489	377,039

S No.	Economic Sector	Parent Company				Total	Off-balance sheet exposure
		Overdraft	Loans	Bills Purchased/ discounted	Others		
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Up to 1 month	9,816	193,925	12,257	-	215,998	3,879
2	1-3 months	9,816	104,890	1,834	-	116,540	117,762
3	3-6 months	9,816	79,909	290	-	90,015	2,296
4	6-9 months	9,816	54,075	-	-	63,891	324
5	9-12 months	9,816	83,699	-	-	93,515	40,946
6	1-3 years	24,540	353,314	-	-	377,854	29,168
7	3-5 years	24,540	265,849	-	-	290,389	-
8	Over 5 years	24,542	1,284,803	-	-	1,309,345	44,148
	Total	122,702	2,420,464	14,381	-	2,557,547	238,523

Table 5: Loans and provisions by major industry or counterparty type

S No.	Economic Sector	Consolidated					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Stage 3 ECL Provided during the year ^{##}	Advances written off during the year
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	90,683	11,546	2,623	10,148	945	2,062
2	Export Trade	26	-	1	-	-	-
3	Wholesale & Retail Trade	137,253	10,564	2,751	6,650	1,773	12,348
4	Mining & Quarrying	191,260	15,849	32,481	8,241	191	-
5	Construction	262,575	80,069	20,692	60,969	13,672	1,972
6	Manufacturing	279,986	18,858	4,173	12,005	2,204	16
7	Electricity, gas & water	153,085	8,763	638	6,178	88	-
8	Transport & communication	272,200	866	554	748	84	-
9	Financial Institutions	258,863	959	544	730	58	-
10	Services	369,347	14,897	12,493	9,237	2,032	83
11	Personal Loans	1,352,826	25,582	5,327	14,389	7,513	531
12	Agriculture & Allied Activities	18,275	481	85	393	173	542
13	Government	12	1,887	-	1,887	-	-
14	Non-Resident Lending	2,084	3,276	2,112	1,216	-	-
15	All Others	293,014	16,277	7,585	9,945	4,570	1,835
	Total	3,681,489	209,874	92,059	142,736	33,303	19,389

S No.	Economic Sector	Parent Company					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Stage 3 ECL Provided during the year ^{##}	Advances written off during the year
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	67,895	11,546	1,865	10,148	945	2,062
2	Export Trade	26	-	1	-	-	-
3	Wholesale & Retail Trade	94,315	10,564	1,978	6,650	1,773	12,348
4	Mining & Quarrying	161,632	2,588	28,262	713	8	-
5	Construction	220,714	78,988	13,451	60,345	12,970	1,972
6	Manufacturing	215,942	13,294	2,476	6,441	2,068	16
7	Electricity, gas & water	98,915	1,262	402	816	88	-
8	Transport & communication	244,230	866	366	748	84	-
9	Financial Institutions	214,192	959	446	730	58	-
10	Services	182,673	8,409	12,006	4,863	1,221	83
11	Personal Loans	872,517	17,217	4,607	10,807	7,343	531
12	Agriculture & Allied Activities	5,852	481	85	393	173	542
13	Government	12	-	-	-	-	-
14	Non-Resident Lending	197	-	-	-	-	-
15	All Others	178,435	14,384	6,647	9,048	4,570	1,835
	Total	2,557,547	160,558	72,592	111,702	31,301	19,389

* ECL held includes management overlays and reserve interest.

^{##} Stage 3 ECL provided during the year does not include net recovery / release of RO 15.3 million for Consolidated and RO 13.1 million for Parent Company.

Table 6: Geographic distribution of impaired loans

S No.	Country	Consolidated					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2	ECL held for Stage 3	Stage 3 ECL Provided during the year ¹	Advances written off during the year
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	3,681,489	209,874	92,059	142,736	33,303	19,389
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
	Total	3,681,489	209,874	92,059	142,736	33,303	19,389

S No.	Country	Parent Company					
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2	ECL held for Stage 3	Stage 3 ECL Provided during the year ¹	Advances written off during the year
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	2,557,547	160,558	72,592	111,702	31,301	19,389
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
	Total	2,557,547	160,558	72,592	111,702	31,301	19,389

Table 7: Movement in gross loans

	Consolidated				
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000	
1	Opening Balance	2,737,268	549,171	206,547	3,492,986
2	Migration / changes (+/-)	(66,821)	49,966	16,855	-
3	New Loans	770,947	210,596	15,325	996,868
4	Repayment of Loans	(629,109)	(150,403)	(9,464)	(788,976)
5	Loans written off	-	-	(19,389)	(19,389)
6	Closing Balance	2,812,285	659,330	209,874	3,681,489
7	Expected credit loss held	8,090	83,969	142,736	234,795

	Parent Company				
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000	
1	Opening Balance	1,919,616	400,238	159,592	2,479,446
2	Migration / changes (+/-)	(54,465)	45,915	8,550	-
3	New Loans	664,531	200,665	15,325	880,521
4	Repayment of Loans	(639,224)	(140,287)	(3,520)	(783,031)
5	Loans written off	-	-	(19,389)	(19,389)
6	Closing Balance	1,890,458	506,531	160,558	2,557,547
7	Expected credit loss held	4,831	67,761	111,702	184,294

8. DISCLOSURE FOR PORTFOLIO SUBJECT TO STANDARDISED APPROACH

A. Qualitative Disclosures

The Bank uses the ratings by Moody's Investor Services for the credit ratings for the purpose of determining the risk weight to be assigned to the exposure for on-balance sheet inter-bank exposure as well as off-balance sheet items such as Letters of Credit, Guarantees and forward contracts. In the absence of a rating by the Moody's' Investor Service, the Bank uses the ratings, if any, from other rating agencies which are recognized by the Central Bank of Oman.

The claims on corporate are assigned 100% risk weight except for the claims with eligible financial collaterals/d the Bank uses the simple approach for recognizing the collaterals in banking book with the approval of Central Bank of Oman. The Bank's retail loan portfolio is assigned a 100% risk weight except the loans secured by residential mortgage and short-term retail loans, which meet the conditions of CBO, for which risk weight assigned is 35% and 75% respectively.

B. Quantitative Disclosure

Table 1: Net exposure after risk mitigation subject to Standardized Approach

S No.	Risk Bucket	Consolidated							
		0%	20%	35%	50%	75%	100%	150%	Total
1	Sovereigns (Rated)	530,115	-	-	-	-	-	-	530,115
2	Banks (Rated)	-	51,655	-	32,002	-	6,331	-	89,988
3	Corporate	125,272	-	-	-	92,249	1,420,549	-	1,638,070
4	Retail	-	-	-	-	22,173	596,188	-	618,361
5	Secured by residential property	-	-	662,932	-	-	46,262	-	709,194
6	Secured by commercial property	-	-	-	-	-	263,105	-	263,105
7	Past due loans	-	-	-	-	-	60,774	2,711	63,485
8	Other assets	85,367	-	-	-	-	181,512	3,001	269,880
9	Un-drawn exposure	-	16,296	58,640	14,586	-	43,743	-	133,265
	Total	740,754	67,951	721,572	46,588	114,422	2,618,464	5,712	4,315,463

S No.	Risk Bucket	Parent Company							
		0%	20%	35%	50%	75%	100%	150%	Total
1	Sovereigns (Rated)	376,680	-	-	-	-	-	-	376,680
2	Banks (Rated)	-	48,530	-	17,376	-	2,434	-	68,340
3	Corporate	125,272	-	-	-	92,249	896,804	-	1,114,325
4	Retail	-	-	-	-	22,173	445,971	-	468,144
5	Secured by residential property	-	-	340,895	-	-	46,262	-	387,157
6	Secured by commercial property	-	-	-	-	-	263,105	-	263,105
7	Past due loans	-	-	-	-	-	42,490	2,711	45,201
8	Other assets	22,762	-	-	-	-	138,773	3,001	164,536
9	Un-drawn exposure	-	16,296	52,836	14,586	-	-	-	83,718
	Total	524,714	64,826	393,731	31,962	114,422	1,835,839	5,712	2,971,206

9. CREDIT RISK MITIGATION UNDER STANDARDISED APPROACH

A. Qualitative Disclosures

The following provides some of the specific credit risk mitigation measures employed by the Bank:

i. Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory and accounts receivable;
- Lien on fixed deposits;
- Cash margins;
- Mortgages over residential and commercial properties and
- Pledge of marketable shares and securities;

The housing loans are secured by mortgage over the residential property. Credit cards and similar revolving credit facilities are unsecured. Additionally, in order to minimize the credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

ii. Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Credit Review Department.

iii. Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

B. Quantitative Disclosures

	Consolidated			Parent Company		
	Loans against shares	Loans with cash margin	Total	Loans against shares	Loans with cash margin	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Exposure covered by eligible financial collateral	241,808	514,745	756,553	241,808	441,303	683,111
Value of the eligible collateral	167,877	128,817	296,694	167,877	125,574	293,451

10. MARKET RISK IN TRADING BOOK

A. Qualitative Disclosures

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are managed by the Treasury Division and monitored by the Risk Management Department. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

The Bank manages its market risk in the trading book using tools such as position limits and stop loss limits.

Currency risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and entering into forward contracts based on the underlying commercial transactions with the customers. Additionally, appropriate segregation of duties exists between the front and back-office functions while compliance with the net open position is independently monitored on an ongoing basis by the management and the Assets and Liabilities Committee (ALCO).

Equity Position risk occurs due to change in the market value of the Bank's portfolio as a result of diminution in the market value of the equity securities. The responsibility of management of equity position risk rests with the Treasury Division of the Bank. The Bank does not hold trading position in equities. The Bank's portfolio is marked to market on regular basis and the difference in the book value and market value are adjusted against revaluation reserve. The Bank also conducts regular stress test on equity position risk and assesses its impact on profitability and capital adequacy.

Commodity Risk occurs due to volatility in the prices of the commodities. Presently the Bank has no exposure to the commodity market.

Capital charge for the entire market risk exposure is computed as per the standardized approach in accordance with the guidelines issued by CBO in its circular BM 1009. The Bank adopts duration method in measuring interest rate risk in respect of debt securities held in trading book. The Bank does not hold any trading position in equities, debt securities and in commodities necessitating capital charge to cover the market risk. Foreign exchange risk capital charge is computed on the three-month average of the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.

B. Quantitative Disclosures

Bank's investments include equity securities which are publicly traded on the Muscat Stock Exchange (MSX). The Bank's equity and total comprehensive income at 31 December 2024 may decrease by 0.15% Consolidated and 0.11% Parent due to decrease by 10% in the MSX - 30 Index and the GCC market indices, with all the other variables held constant.

11. INTEREST RATE RISK IN BANKING BOOK

A. Qualitative Disclosures

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest-based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as substantial portion of its assets and liabilities are re-priced frequently. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the Bank's profitability.

For managing its interest rate risk in the banking book, the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its Net Interest Income (NII) from 100bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the year.

B. Quantitative Disclosures

The EAR as at 31 December 2024 is 3%.

The table below summarises the Bank's exposure to the interest rate risks. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

Consolidated 2024	Average effective interest rate %	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.5%	18,480	-	-	-	500	161,470	180,450
Due from banks	5.29%	43,815	-	-	-	-	23,407	67,222
Loans and advances	5.64%	696,402	1,347,354	432,358	844,375	126,205	-	3,446,694
Investment securities	5.35%	105,877	6,980	10,225	87,122	229,710	10,406	450,320
Intangible assets		-	-	-	-	-	6,280	6,280
Other assets		20,236	2,054	6	-	-	78,520	100,816
Property and equipment		-	-	-	-	-	39,586	39,586
Total assets		884,810	1,356,388	442,589	931,497	356,415	319,669	4,291,368
Due to banks	4.38%	40,453	-	-	-	-	14,146	54,599
Customer Deposits	3.65%	1,322,518	263,184	634,611	244,276	129,284	940,463	3,534,336
Borrowed funds		-	-	-	-	9,625	-	9,625
Other liabilities		27,917	7	13	123	-	88,839	116,899
Taxation		-	-	-	-	-	10,145	10,145
Total liabilities		1,390,888	263,191	634,624	244,399	138,909	1,053,593	3,725,604
Total interest sensitivity gap		(506,078)	1,093,197	(192,035)	687,098	217,506	(733,924)	565,764
Cumulative interest sensitivity gap		(506,078)	587,119	395,084	1,082,182	1,299,688	565,764	-

Parent Company 2024	Average effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 to 12 months RO'000	> 1 to 5 years RO'000	Over 5 years RO'000	Non- interest bearing RO'000	Total RO'000
Cash and balances with central bank	1.5%	-	-	-	-	500	117,345	117,845
Due from banks	5.25%	42,469	-	-	-	-	23,407	65,876
Loans and advances	5.58%	340,557	1,032,492	205,802	756,427	37,975	-	2,373,253
Investment securities	5.35%	84,529	6,980	1,844	53,680	173,485	7,901	328,419
Investment in subsidiary		-	-	-	-	-	135,095	135,095
Other assets		20,236	2,054	6	-	-	41,216	63,512
Property and equipment		-	-	-	-	-	34,254	34,254
Total assets		487,791	1,041,526	207,652	810,107	211,960	359,218	3,118,254
Due to banks	4.69%	17,147	-	-	-	-	14,146	31,293
Customer Deposits	3.64%	1,303,053	217,592	473,165	111,646	12,316	322,385	2,440,157
Borrowed funds	4.83%	-	-	-	-	9,625	-	9,625
Other liabilities		27,917	7	13	5	-	64,173	92,115
Taxation		-	-	-	-	-	9,181	9,181
Total liabilities		1,348,117	217,599	473,178	111,651	21,941	409,885	2,582,371
Total interest sensitivity gap		(860,326)	823,927	(265,526)	698,456	190,019	(50,667)	535,883
Cumulative interest sensitivity gap		(860,326)	(36,399)	(301,925)	396,531	586,550	535,883	-

12. OPERATIONAL RISK

A. Qualitative Disclosures

Basel Committee on Banking Supervision has defined operational risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, punitive damages resulting from supervisory actions, as well as private settlements.

Basel II has provided three different approaches viz., Basic Indicator approach (BIA), The standardized approach (TSA) and Advanced measurement approach to compute the capital charge of Operational Risk. The Bank has adopted the BIA for computing the capital charge for Operational Risk as per CBO guidelines. The approach requires the Bank to provide 15% of the average gross income for the last three years as capital charge for operational risk.

The Bank has systems for collecting the data relating to operational risk incidents. The measurement of the operational risk requires historical data for at least 3 years in order to perform the calculations.

Bank undertakes Risk Control and Self-Assessment exercise by which the inherent risk in various processes of each business unit is identified and control against these risks are assessed for their design and effectiveness. The residual risk (i.e., inherent risk after controls) provides the potential loss amount and based on residual risk, the controls are improved further.

Bank is also identifying and monitoring the Key Risk Indicators (KRIs) for each business unit. Each KRI has a defined threshold limit, and an escalation criterion is also attached to it. A breach in threshold of the KRI escalates the risk to the higher authority. All the Operational Risk Management tools are configured in Operational Risk Management System.

As a part of Business Continuity Management initiatives, the Bank has taken necessary actions to ensure effective measures in case of a crisis situation, e.g., evacuation drills, testing of critical systems and applications from the Disaster Recovery site. The Bank has the capability to ensure that critical banking processes are tested to ascertain availability during such situations.

B. Quantitative Disclosures

The risk weighted assets for the operational risk using the Basic Indicator Approach as at 31 December 2024 is RO 231 million for Consolidated and RO 171 million for Parent Company.

13. LIQUIDITY RISK

A. Qualitative Disclosures

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy.

B. Quantitative Disclosures

The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the CBO for the estimates. The table below represents the cash flows receivable to and payable by the Bank under derivative and non-derivative assets and liabilities by estimated remaining maturities at the balance sheet date.

	Consolidated				Total RO'000
	On demand or within 3 months RO'000	> 3 to 12 months RO'000	> 1 to 5 years RO'000	> 5 years RO'000	
Cash and balances with central bank	143,704	16,446	10,475	9,825	180,450
Due from banks	67,222	-	-	-	67,222
Loans and advances	425,341	343,586	1,015,428	1,662,339	3,446,694
Investment securities	107,525	16,821	233,285	92,689	450,320
Intangibles	-	-	-	6,280	6,280
Other assets	78,865	20,610	1,341	-	100,816
Property and equipment	-	-	-	39,586	39,586
Total assets	822,657	397,463	1,260,529	1,810,719	4,291,368
Due to banks	54,599	-	-	-	54,599
Customer deposits	456,046	1,236,476	983,647	858,167	3,534,336
Borrowed funds	-	-	-	9,625	9,625
Other liabilities	78,895	12,506	25,498	-	116,899
Taxation	10,145	-	-	-	10,145
Total liabilities	599,685	1,248,982	1,009,145	867,792	3,725,604
Liquidity gap	222,972	(851,519)	251,384	942,927	565,764

	Parent Company				
	On demand or within 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	81,099	16,446	10,475	9,825	117,845
Due from banks	65,876	-	-	-	65,876
Loans and advances	332,537	219,224	668,243	1,153,249	2,373,253
Investment securities	85,000	8,824	198,940	35,655	328,419
Investment in subsidiary	-	-	-	135,095	135,095
Other assets	55,451	6,720	1,341	-	63,512
Property and equipment	-	-	-	34,254	34,254
Total assets	619,963	251,214	878,999	1,368,078	3,118,254
Due to banks	31,293	-	-	-	31,293
Deposits from customers	358,781	926,064	503,077	652,235	2,440,157
Borrowed funds	-	-	-	9,625	9,625
Other liabilities	78,777	12,506	832	-	92,115
Taxation	9,181	-	-	-	9,181
Total liabilities	478,032	938,570	503,909	661,860	2,582,371
Liquidity gap	141,931	(687,356)	375,090	706,218	535,883

13.1 Basel III Ratios

Liquidity Coverage Ratio (LCR): The LCR measures the stock of High-Quality Liquid Assets (HQLA) against net short-term obligations (30 days).

Net Stable Funding Ratio (NSFR): NSFR ensures that the Bank diversify its funding sources and reduce their dependency on short-term wholesale markets. The ratio compares the stock of Stable Funding against Required Funding.

The summary of the Basel III liquidity ratios is as follows:

	Consolidated As at 31 December 2024	Parent Company As at 31 December 2024	Regulatory Minimum
LCR	174%	208%	100%
NSFR	110%	111%	100%

The above disclosed values for LCR are based on average of three-monthly data points. The year-end LCR position for 2024 is 200% for Consolidated and 279% for Parent company.

The detailed LCR disclosures are provided below:

	Consolidated	
	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets		
1 Total High-Quality Liquid Assets (HQLA)	-	517,261
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	1,058,177	72,606
3 - Stable deposits	278,635	9,278
4 - Less stable deposits	779,542	63,328
5 Unsecured wholesale funding, of which:	1,067,319	424,678
6 - Operational deposits (all counterparties) and deposits in networks of cooperative banks	363,888	90,972
7 - Non-operational deposits (all counterparties)	677,550	307,825
8 - Unsecured debt	25,881	25,881
9 - Secured wholesale funding	-	-
10 Additional requirements, of which	45,755	4,027
11 - Outflows related to derivative exposures and other collateral requirements	-	-
12 - Outflows related to loss of funding on debt products	-	-
13 - Credit and liquidity facilities	45,755	4,027
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	364,038	18,202
16 TOTAL CASH OUTFLOWS	-	519,513
Cash Inflows		
17 Secured lending (e.g., reverse repos)	-	-
18 Inflows from fully performing exposures	220,770	134,380
19 Other cash inflows	234,019	88,054
20 TOTAL CASH INFLOWS	454,789	222,434
		Total Adjusted Value
21 TOTAL HQLA	-	517,261
22 TOTAL NET CASH OUTFLOWS	-	297,079
23 LIQUIDITY COVERAGE RATIO (%)	-	174

		Parent Company	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)	-	387,001
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	622,400	43,655
3	- Stable deposits	278,635	9,278
4	- Less stable deposits	343,765	34,377
5	Unsecured wholesale funding, of which:	753,055	284,324
6	- Operational deposits (all counterparties) and deposits in networks of cooperative banks	360,819	90,205
7	- Non-operational deposits (all counterparties)	392,236	194,119
8	- Unsecured debt	-	-
9	- Secured wholesale funding	-	-
10	Additional requirements, of which	-	-
11	- Outflows related to derivative exposures and other collateral requirements	-	-
12	- Outflows related to loss of funding on debt products	-	-
13	- Credit and liquidity facilities	-	-
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	227,525	11,376
16	TOTAL CASH OUTFLOWS	-	339,355
Cash Inflows			
17	Secured lending (e.g., reverse repos)	-	-
18	Inflows from fully performing exposures	132,714	66,357
19	Other cash inflows	230,624	87,355
20	TOTAL CASH INFLOWS	363,338	153,712
		Total Adjusted Value	
21	TOTAL HQLA	-	387,001
22	TOTAL NET CASH OUTFLOWS	-	185,643
23	LIQUIDITY COVERAGE RATIO (%)	-	208

The detailed NSFR disclosures are provided below:

		Consolidated				
		Unweighted value by residual maturity				Weighted Value
ASF Item	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		
1	Capital:	553,398	-	-	-	553,398
2	Regulatory capital	553,398	-	-	-	553,398
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	865,330	97,535	131,366	70,615	1,060,533
5	Stable deposits	273,947	6,382	4,715	-	261,651
6	Less stable deposits	591,383	91,152	126,651	70,615	798,882
7	Wholesale funding:	1,065,734	383,104	456,356	148,656	1,101,253
8	Operational deposits	422,306	-	-	-	211,153
9	Other wholesale funding	643,428	383,104	456,356	148,656	890,100
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:					
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included above	-	-	-	476,547	338,072
14	Total ASF	-	-	-	-	3,053,257
RSF Item	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value	
15	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	85,982	-	-	-	11,689
17	Performing loans and securities:	127,312	476,742	251,813	2,740,662	2,467,374
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	88,435	4,422
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	80,503	7,629	-	15,890
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	127,312	396,239	244,184	1,827,132	1,910,750
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	71,000	46,150
22	Performing residential mortgages, of which:	-	-	-	358,271	232,876
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	825,095	536,312
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	466,824	303,436
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other Assets:	410,199	-	138,789	-	273,799
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	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	410,199	-	138,789	-	273,799
32	Off-balance sheet items	-	-	-	187,974	21,500
33	Total RSF	-	-	-	-	2,774,362
34	Net Stable Funding Ratio (%)	-	-	-	-	110

ASF Item	Parent Company Unweighted value by residual maturity				Weighted Value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital:	528,496	-	-	-	528,496
2 Regulatory capital	528,496	-	-	-	528,496
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers	589,081	69,085	75,215	-	665,154
5 Stable deposits	273,947	6,382	4,715	-	261,651
6 Less stable deposits	315,134	62,703	70,500	-	403,503
7 Wholesale funding:	652,992	331,962	404,715	-	694,834
8 Operational deposits	419,450	-	-	-	209,725
9 Other wholesale funding	233,542	331,962	404,715	-	485,109
10 Liabilities with matching interdependent assets	-	-	-	-	-
11 Other liabilities:					
12 NSFR derivative liabilities	-	-	-	-	-
13 All other liabilities and equity not included above	-	-	-	476,547	338,072
14 Total ASF	-	-	-	-	2,226,556
RSF Item	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
15 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	-
16 Deposits held at other financial institutions for operational purposes	23,377	-	-	-	11,689
17 Performing loans and securities:	124,034	442,516	109,107	1,756,296	1,709,139
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	-	80,503	7,629	-	15,890
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	124,034	362,013	101,478	1,289,471	1,389,813
21 -With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	-	-
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	-	-	-	466,824	303,436
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	466,824	303,436
25 Assets with matching interdependent liabilities	-	-	-	-	-
26 Other Assets:	545,294	-	-	-	270,105
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	-	-	-	-	-
30 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31 All other assets not included in the above categories	545,294	-	-	-	270,105
32 Off-balance sheet items	-	-	-	-	12,101
33 Total RSF	-	-	-	-	2,003,034
34 Net Stable Funding Ratio (%)	-	-	-	-	111

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.

Sulaiman Hamad Al-Harhi
Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS ON FINANCIAL STATEMENTS



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Independent auditor’s report to the shareholders of Oman Arab Bank SAOG

9

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **Oman Arab Bank SAOG** (the “Bank”) and its subsidiary (together referred to as “the Group”), which comprise the consolidated and separate statement of financial position as at 31 December 2024, and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2024, and its consolidated and separate financial performance and its consolidated and separate 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 consolidated and separate financial statements section of our report. We are independent of the Group and 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 Group and the Bank’s consolidated and separate financial statements in the 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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
<p>Expected credit losses on loans and advances to customers</p> <p>As at 31 December 2024, the loans and advances of the Group amounted to RO 3,681 million (2023: RO 3,493 million) against which an Expected Credit Loss (“ECL”) allowance of RO 235 million (2023: RO 218 million) was recorded.</p>	<p>We updated our understanding of management’s assessment of the ECL allowance against loans and advances to customers, including the Group and the Bank’s internal rating model, accounting policy, and model methodology, including any key changes made during the year.</p>



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

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Key audit matters	How our audit addressed the key audit matters
<p>The determination of the Group and the Bank’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.</p> <p>In accordance with the requirements of IFRSs, the Group and the Bank measure 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 Group and the Bank have applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR.</p> <p>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 SICR and credit-impairment status (default), the use of different modelling techniques and consideration of manual adjustments.</p> <p>In calculating ECL, 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.</p>	<p>We assessed the Group and the Bank’s accounting policy for ECL allowance and the ECL methodology against the requirements of IFRSs.</p> <p>We gained an understanding of the 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.</p> <p>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. Our procedures over internal controls focused on the governance over the process around the 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.</p> <p>The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> - 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 Group and 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.



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

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Key audit matter	How our audit addressed the key audit matter
<p>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.</p> <p>For further information refer to note 3.2 to the consolidated and separate financial statements for the accounting policy and note 40.1 for the credit risk disclosure.</p>	<ul style="list-style-type: none"> - 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 three 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. - 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 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 Group and 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 assessed the disclosure in the consolidated and separate financial statements relating to this matter against the requirements of IFRSs.



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

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Key audit matter	How our audit addressed the key audit matter
<p>IT systems and controls over the financial reporting</p> <p>We identified IT systems and controls over the Group and 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 Group and 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.</p>	<p>Our audit approach relies on automated controls and therefore, the following procedures were designed to test access and control over the relevant IT systems:</p> <ul style="list-style-type: none"> - 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. <p>We performed testing on the relevant automated controls for key IT applications relevant to the financial reporting business processes.</p>

Other matter

The consolidated and separate financial statements of the Group and the Bank for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 10 March 2024.

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, and Regulatory disclosure under Basel II – Basel III framework, but does not include the consolidated and separate financial statements and our auditors' report thereon, which we obtained prior to the date of this auditor's report and the Group and Bank's annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the IASB and their preparation in compliance with applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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Key audit matter	How our audit addressed the key audit matter
IT systems and controls over the financial reporting We identified IT systems and controls over the Group and 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 Group and 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.	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.

Other matter

The consolidated and separate financial statements of the Group and the Bank for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 10 March 2024.

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, and Regulatory disclosure under Basel II – Basel III framework, but does not include the consolidated and separate financial statements and our auditors' report thereon, which we obtained prior to the date of this auditor's report and the Group and Bank's annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the IASB and their preparation in compliance with applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 consolidated and separate 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.

Report on other legal and regulatory requirements

Further, we report that the consolidated and separate 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
9 March 2025



Signed by
Ahmed Al Qassabi
Partner
ACCA Membership No. 0820917



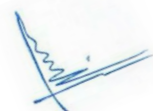
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	Consolidated		Parent Company		
		31-Dec-24	31-Dec-23	31-Dec-24	31-Dec-23	1-Jan-23
		RO'000	RO'000	RO'000	Restated RO'000	Restated RO'000
Cash and balances with Central Bank of Oman	5	180,450	151,581	117,845	84,685	31,034
Due from banks	6	67,222	130,125	65,876	124,068	48,161
Loans, advances and financing to customers	7	3,446,694	3,274,724	2,373,253	2,306,160	2,164,984
Investment securities	8	450,320	326,561	328,419	253,644	268,426
Investment in subsidiary	9	-	-	135,095	125,291	117,316
Property and equipment	10	39,586	43,096	34,254	37,394	35,659
Intangible assets	11	6,280	6,590	-	-	-
Other assets	12	100,816	86,326	63,512	53,696	55,454
Total assets		4,291,368	4,019,003	3,118,254	2,984,938	2,721,034
Due to banks	13	54,599	32,228	31,293	32,228	59,101
Customer deposits	14	3,534,336	3,357,417	2,440,157	2,343,619	2,089,284
Borrowed funds	15	9,625	-	9,625	-	-
Other liabilities	16	116,899	107,146	92,115	87,097	71,114
Taxation	17	10,145	5,236	9,181	5,236	3,412
Total liabilities		3,725,604	3,502,027	2,582,371	2,468,180	2,222,911
Share capital	18	166,941	166,941	166,941	166,941	166,941
Share premium	20	36,565	36,565	36,565	36,565	36,565
Legal reserve	21	53,626	50,551	53,614	50,539	48,557
General reserve	22	25,560	25,560	25,560	25,560	25,560
Special reserve	23	3,837	3,837	3,837	3,837	3,837
Fair value reserve	24	(1,707)	(1,075)	(1,975)	(1,343)	(3,428)
Impairment reserve	25	16,800	9,130	16,800	9,130	9,130
Retained earnings		77,876	79,217	78,275	79,279	72,158
Shareholders' equity		379,498	370,726	379,617	370,508	359,320
Perpetual Tier 1 capital bonds and sukuk	26	186,266	146,250	156,266	146,250	138,803
Total equity		565,764	516,976	535,883	516,758	498,123
Total equity and liabilities		4,291,368	4,019,003	3,118,254	2,984,938	2,721,034
Net assets value per share (RO)	35	0.227	0.222	0.227	0.222	0.215
Contingent liabilities and commitments	36	377,039	437,849	238,523	302,171	272,193

The financial statements were authorised on 27 January 2025 for issue in accordance with a resolution of the Board of Directors and signed by:



Chairman



Director



Chief Executive Officer

The accompanying notes from 1 to 45 form an integral part of these consolidated and separate financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Consolidated		Parent Company	
		2024	2023	2024	2023
		RO'000	RO'000	RO'000	Restated RO'000
Interest income	27	162,482	145,730	162,191	146,086
Interest expense	28	(90,112)	(75,033)	(90,112)	(75,033)
Net interest income		72,370	70,697	72,079	71,053
Income from Islamic financing and investing activities	29	69,651	61,194	-	-
Profit paid on participatory deposits and banks	29	(42,514)	(35,000)	-	-
Net income from Islamic financing and investing activities		27,137	26,194	-	-
Net fee and commission income	30	19,803	18,937	15,181	14,357
Net income from investment securities	31	577	285	422	224
Other operating income	32	6,578	4,128	3,751	3,432
Share of profit from subsidiary	9	-	-	10,011	7,802
Total income		126,465	120,241	101,444	96,868
Operating expenses	33	(72,182)	(71,279)	(52,559)	(52,880)
Net allowances for credit losses	40	(18,144)	(24,729)	(14,139)	(21,803)
Profit before tax		36,139	24,233	34,746	22,185
Income tax expense	17	(5,700)	(3,678)	(3,997)	(2,370)
Net Profit for the year		30,439	20,555	30,749	19,815
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss in the subsequent years					
- Equity investment at FVOCI – net change in fair value		(670)	182	(379)	51
Items that are or may be reclassified to profit or loss in the subsequent years					
- Debt investment at FVOCI – net change in fair value		(81)	1,903	(139)	1,861
Share of OCI from subsidiary		-	-	(206)	173
Other comprehensive income / (loss) for the year		(751)	2,085	(724)	2,085
Total comprehensive income for the year – net of tax		29,688	22,640	30,025	21,900
Earnings per share:					
Basic and Diluted earnings per share (RO)	34	0.011	0.006	0.011	0.005

The accompanying notes from 1 to 45 form an integral part of these consolidated and separate financial statements.

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

Consolidated	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds and sukuk	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2023		166,941	36,565	48,570	25,560	3,837	(3,160)	9,130	71,355	358,798	138,803	497,601
Net Profit for the year		-	-	-	-	-	-	-	20,555	20,555	-	20,555
Unrealised loss on FVOCI investments		-	-	-	-	-	2,094	-	-	2,094	-	2,094
Realised loss on FVOCI investments		-	-	-	-	-	(9)	-	-	(9)	-	(9)
Total comprehensive income		-	-	-	-	-	2,085	-	20,555	22,640	-	22,640
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	21	-	-	1,981	-	-	-	-	(1,981)	-	-	-
Redemption of Tier 1 capital bonds	26	-	-	-	-	-	-	-	-	-	(42,553)	(42,553)
Additional Tier 1 capital bonds	26	-	-	-	-	-	-	-	-	-	50,000	50,000
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(181)	(181)	-	(181)
Interest on Perpetual Tier 1 capital bonds	26	-	-	-	-	-	-	-	(10,531)	(10,531)	-	(10,531)
At 31 December 2023		166,941	36,565	50,551	25,560	3,837	(1,075)	9,130	79,217	370,726	146,250	516,976

Consolidated	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds and sukuk	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2024		166,941	36,565	50,551	25,560	3,837	(1,075)	9,130	79,217	370,726	146,250	516,976
Net Profit for the year		-	-	-	-	-	-	-	30,439	30,439	-	30,439
Unrealised gain on FVOCI investments		-	-	-	-	-	(751)	-	-	(751)	-	(751)
Realised loss on FVOCI investments		-	-	-	-	-	119	-	(119)	-	-	-
Total comprehensive income		-	-	-	-	-	(632)	-	30,320	29,688	-	29,688
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	21	-	-	3,075	-	-	-	-	(3,075)	-	-	-
Redemption of Tier 1 capital bonds	26	-	-	-	-	-	-	-	-	-	-	-
Additional Tier 1 capital bonds and sukuk	26	-	-	-	-	-	-	-	(10,016)	(10,016)	40,016	30,000
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(51)	(51)	-	(51)
Interest on Perpetual Tier 1 capital bonds	26	-	-	-	-	-	-	-	(10,849)	(10,849)	-	(10,849)
Transfer to impairment reserve		-	-	-	-	-	-	7,670	(7,670)	-	-	-
At 31 December 2024		166,941	36,565	53,626	25,560	3,837	(1,707)	16,800	77,876	379,498	186,266	565,764

The accompanying notes from 1 to 45 form an integral part of these consolidated and separate financial statements.

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

Parent Company	Notes	Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds and sukuk	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2023		166,941	36,565	47,506	25,560	3,837	(3,110)	9,130	62,719	349,148	138,803	487,951
Impact of change in accounting policy		-	-	1,051	-	-	(318)	-	9,439	10,172	-	10,172
Restated balance at 1 January 2023		166,941	36,565	48,557	25,560	3,837	(3,428)	9,130	72,158	359,320	138,803	498,123
Net Profit for the year		-	-	-	-	-	-	-	19,815	19,815	-	19,815
Unrealised loss on FVOCI investments		-	-	-	-	-	2,085	-	-	2,085	-	2,085
Realised loss on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	2,085	-	19,815	21,900	-	21,900
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	21	-	-	1,982	-	-	-	-	(1,982)	-	-	-
Redemption of Tier 1 capital bonds	26	-	-	-	-	-	-	-	-	-	(42,553)	(42,553)
Additional Tier 1 capital bonds	26	-	-	-	-	-	-	-	-	-	50,000	50,000
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(181)	(181)	-	(181)
Interest on Perpetual Tier 1 capital bonds	26	-	-	-	-	-	-	-	(10,531)	(10,531)	-	(10,531)
At 31 December 2023		166,941	36,565	50,539	25,560	3,837	(1,343)	9,130	79,279	370,508	146,250	516,758

Parent Company	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Special reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Retained earnings RO'000	Sub total RO'000	Perpetual Tier 1 capital bonds and sukuk RO'000	Total RO'000
Balance at 1 January 2024		166,941	36,565	48,707	25,560	3,837	(1,198)	9,130	62,819	352,561	146,250	498,611
Impact of change in accounting policy		-	-	1,832	-	-	(145)	-	16,460	18,147	-	18,147
Restated balance at 1 January 2024		166,941	36,565	50,539	25,560	3,837	(1,343)	9,130	79,279	370,508	146,250	516,758
Net Profit for the year		-	-	-	-	-	-	-	30,749	30,749	-	30,749
Unrealised loss on FVOCI investments		-	-	-	-	-	(724)	-	-	(724)	-	(724)
Realised gain on FVOCI investments		-	-	-	-	-	92	-	(92)	-	-	-
Total comprehensive income		-	-	-	-	-	(632)	-	30,657	30,025	-	30,025
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	21	-	-	3,075	-	-	-	-	(3,075)	-	-	-
Redemption of Tier 1 capital bonds	26	-	-	-	-	-	-	-	-	-	-	-
Additional Tier 1 capital bonds	26	-	-	-	-	-	-	-	(10,016)	(10,016)	10,016	-
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(51)	(51)	-	(51)
Interest on Perpetual Tier 1 capital bonds	26	-	-	-	-	-	-	-	(10,849)	(10,849)	-	(10,849)
Transfer to impairment reserve		-	-	-	-	-	-	7,670	(7,670)	-	-	-
At 31 December 2024		166,941	36,565	53,614	25,560	3,837	(1,975)	16,800	78,275	379,617	156,266	535,883

The accompanying notes from 1 to 45 form an integral part of these consolidated and separate financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Consolidated		Parent Company	
		31-Dec-24	31-Dec-23	31-Dec-24	31-Dec-23
		RO'000	RO'000	RO'000	Restated RO'000
Operating activities:					
Profit before tax		36,139	24,233	34,746	22,185
Adjustments:					
Share of profit from Subsidiary		-	-	(10,011)	(7,802)
Depreciation	33	9,878	9,527	7,458	7,720
Amortization	33	310	310	-	-
Net impairment for credit losses		18,144	24,729	14,139	21,803
Dividend income	31	(556)	(268)	(409)	(207)
Loss on sale of property and equipment	10	-	5	-	5
Changes in fair value of financial assets at FVTPL	31	(13)	(17)	(13)	(17)
Operating cashflow before working capital changes		63,902	58,519	45,910	43,687
Loans, advances and financing to customers		(190,096)	(232,411)	(81,231)	(162,775)
Due from banks		15,400	10,000	15,400	(5,400)
Due to banks		6,971	(61,913)	(935)	(26,873)
Other assets		(14,614)	176	(9,160)	5,174
Customer deposits		176,919	365,237	96,538	254,335
Other liabilities		9,029	3,677	4,293	7,011
Cash generated from operation activities		67,511	143,285	70,815	115,159
Tax paid		-	(632)	-	(632)
Net cash from operating activities		67,511	142,653	70,815	114,527
Investing activities:					
Purchase of investments		(107,028)	(12,848)	(28,241)	(3,020)
Proceeds from sale/maturities of investments		62,007	19,781	32,429	19,487
Purchase of property and equipment		(5,158)	(8,394)	(3,108)	(3,722)
Proceeds from sale of property and equipment		-	6	-	6
Dividend Income		556	268	409	207
Net cash (used in) / from investing activities		(49,623)	(1,187)	1,489	12,958
Financing activities:					
Proceeds from issuance of Perpetual Tier 1 capital bonds and sukuk		30,000	50,000	-	50,000
Perpetual Tier 1 capital bonds repayment		-	(42,553)	-	(42,553)
Borrowed funds		9,625	-	9,625	-
Interest on Perpetual Tier 1 capital bonds		(10,849)	(10,531)	(10,849)	(10,531)
Additional Tier 1 issuance cost		(51)	(181)	(51)	(181)
Net cash (used in) / from financing activities		28,725	(3,265)	(1,275)	(3,265)
Net increase / (decrease) in cash and cash equivalents		46,613	138,201	71,029	124,220
Cash and cash equivalents at the beginning of the year		280,796	142,595	192,947	68,727
Cash and cash equivalents at the end of the year	37	327,409	280,796	263,976	192,947
Operational cash flows from interest					
Interest and financing income received		194,813	164,784	160,260	146,742
Interest and profit paid		(111,434)	(97,648)	(91,472)	(69,176)

The accompanying notes from 1 to 45 form an integral part of these consolidated and separate financial statements.

1. Legal status and principal activities

Oman Arab Bank SAOG (the Parent Company or the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company (SAOC). On 6 July 2020, Oman Arab Bank SAOC acquired Al Izz Islamic Bank SAOC (AIB) and become a public joint stock company (SAOG) and was listed on the Muscat Stock Exchange (MSX). The Parent Company is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the Bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Sultanate of Oman. The Parent Company was a subsidiary of Oman International Development and Investment Company SAOG up to 29 June 2020. On 30 June 2020, Oman Arab Bank SAOG became a subsidiary of Arab Bank PLC, an entity listed in Jordan.

The consolidated financial statements as at and for the year ended 31 December 2024 comprises the results of the Parent Company and Al Izz Islamic Bank (AIB) (the Subsidiary). The details of the subsidiary are provided in note 9.

The Subsidiary prepares its own separate set of financial statements 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 (the "SSB") and other applicable requirements of the CBO. The Subsidiary's financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these consolidated financial statements.

The Parent Company and the Subsidiary together are referred to as 'the Group' or 'the Bank'.

2. Accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards), in compliance with the requirements of the Commercial Companies Law of 2019, the disclosure requirements of the Capital Market Authority of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman (CBO).

The FSA requires that all Public Joint Stock Companies disclose the financial statements of the Parent Company in a separate column in the consolidated financial statements (via circular E/2/2007 from 21 January 2007).

The Bank presents its statement of financial position in descending order of liquidity, as this presentation is more appropriate to the Bank's operations.

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 (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Rial Omani ("RO"), which is the Bank's functional (currency of primary economic environment in which the Bank operates), rounded to the nearest thousand unless otherwise stated.

2. Basis of preparation

2.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

2.5 New and amended standards and interpretations to IFRS relevant to the Bank

For the year ended 31 December 2024, the Bank has adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2024. The adoption of the following amendments have not had any material impact on the disclosures or on the amounts reported in these financial statements and are listed below:

- Amendments to IFRS 16 – Lease Liability in a Sale and Lease back
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangement

The application of above revised standards has no impact on the amount reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

2.6 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IAS 21 - Lack of Exchangeability	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

2.7 Consolidation

The consolidated financial statements comprise the financial statements of Oman Arab Bank SAOG ("Parent Company") and its fully owned subsidiary as at 31 December 2024. The Bank owns 100% of the equity in AIB and has control of the subsidiary. IFRS 10 introduces a control model that focuses on whether the Bank has power over the investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect those returns.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

A. Business combinations

The Group accounts for business combination using the acquisition method, when the acquired set of activities meet the definition of a business and control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the statement of profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

B. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date when control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group acquires control until the date when the Group ceases to control the subsidiary.

C. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

D. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

E. Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3. Material accounting policies

The accounting policies set out below have been applied consistently to all the years presented in these financial statements. The material accounting policies adopted in preparation of these financial statements are as follows:

3.1. Financial Instruments

3.1.1. Recognition

All financial instruments are recognised initially at fair value plus or minus, for instruments not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issuance. For FVTPL instruments, the transaction costs are expensed into profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability (transaction price) in an orderly transaction between market participants at the measurement date. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Loans and advances, deposits, debt securities issued and subordinated liabilities are initially recognised on the date on which they originated. All regular way purchases and sales of financial assets are recognised on the settlement date, i.e., the date the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2. Classification and measurement

Financial assets are classified into one of the following categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

A. Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions. Example of these assets are most of loans & advances, due from banks and some debt securities.

- The asset is held within a 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 Payment of Principal and Interest ("SPPI").

These instruments are initially measured at fair value plus direct transaction cost and subsequently at amortised cost using the effective interest rate method.

B. Debt securities measured at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions. This category comprises primary debt securities.

- The asset is held within a 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 SPPI.

Gains and losses for these securities are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- Expected credit loss (ECL) and reversals; and
- Foreign exchange gains and losses.

When debt securities measured at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.

- How the performance of the portfolio is evaluated and reported to the Bank's management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- How managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed where whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Cash Flow Characteristic Test – SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features.
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

The Bank holds a portfolio of loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. 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 in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

C. Equity investments at FVTPL

All equity investments are measured at fair value through profit or loss, except for those investments for which the bank has elected to present value changes in other comprehensive income at initial recognition (*see point d below*). Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

D. Equity instruments at FVOCI

At initial recognition, the bank may elect to classify some equity instruments, which are not held for trading, as equity instruments measured at FVOCI. This election is made on an instrument by instrument basis, available only at initial recognition and is irrevocable. Gains and losses on these equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

E. Financial instruments designated at FVTPL

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by the bank upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. The bank can only designate an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis, available only at initial recognition and is irrevocable.

- The designation removes or significantly reduces an accounting mismatch;
- When a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- Where the financial liability contains one or more non-closely related embedded derivatives.

F. Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognised in the financial statements at fair value (with provisions), being the premium received. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, under IFRS 9 – an ECL provision.

The premium received is recognised in the income statement in fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

3. MATERIAL Accounting Policies

3.1. Financial Instruments

3.1.3. Classification and measurement

G. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising 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 recognised assets or liabilities or a firm commitment (fair value hedge);
- ii. Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- iii. Hedges of a net investment in a foreign operation (net investment hedge).

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit 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 recognised immediately in profit or loss within 'Other operating income'.

Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the profit or loss in other operating income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the profit or loss in other operating income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the profit or loss.

Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in other operating income in the profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised 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 profit or loss.

H. Financial liabilities

Financial liabilities, other than loan commitments and financial guarantees, are initially recognised at fair value and subsequently measured at amortised cost or at FVTPL when they are held for trading.

3.1.4. Reclassifications

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

3.1.5. Derecognition

A. 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 when:

- The rights to receive cash flows from the financial asset have expired; or
- The bank has transferred its contractual 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; and either:
 - The bank has transferred substantially all the risks and rewards of the asset; or
 - The bank 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 or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the bank's continuing involvement in the asset. In such case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to repay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Pass-through arrangements are transactions whereby the bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The bank must remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

De-recognition due to substantial modification of terms and conditions

If the terms of a financial asset are modified, the bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In such case, the original financial asset is derecognised and a new financial asset is recognised at fair value. An example to that would be a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a

new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be purchased or originated credit impaired ("POCI").

When assessing whether to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss (see point 3.1.5 below), to the extent that an impairment loss has not already been recorded.

B. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired. 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 a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.1.7. Modifications of financial assets and financial liabilities

A. 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 of the financial asset. In this case, the bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset are modified because of financial difficulties of the borrower and the asset is not derecognised, then impairment of the asset is measured using the pre-modification interest rate.

B. Financial liabilities

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.1.8. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.1.9. 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 principal repayments, plus or minus the cumulative amortisation using the EIR of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.1.10. Fair value measurement

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 to the financial statements specific to that asset or liability.

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 the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a 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.

A fair value measurement of a 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.1.11. Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured. 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 the changes in the 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 risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.2. Impairment

Loss allowances are recognised for ECL on the following financial instruments where they are not measured at FVTPL:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Loan commitments when there is a present obligation to extend credit; and
- Financial guarantee contracts issued.

A. Measurement of ECL

ECL are a probability-weighted present value 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 bank 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: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Unutilized 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; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

B. General approach

ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss - LTECL), unless there has been no significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit loss (12-month ECL).

The 12-month ECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Reasonable and supportable information, that is relevant and available without undue cost or effort, is considered when assessing whether a financial instrument's credit risk has increased significantly since initial recognition. This includes both quantitative and qualitative information and analysis, based on the historical experience and expert credit assessment and including forward-looking information.

All financial assets are classified into Stage 1, Stage 2, and Stage 3, as described below:

i. Stage 1:

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

ii. Stage 2:

Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure.

iii. Stage 3:

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

C. The calculation of ECL

ECL is calculated based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the bank in accordance with the contract and the cash flows that the bank expects to receive. The key elements for the ECL calculations are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- 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, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- 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 Bank would expect to receive, including from the realisation of any collateral, if any. It is usually expressed as a percentage of the EAD.

ECL is then calculated based on the below:

- 12 month ECL = 12 month PD X LGD X EAD
- Lifetime ECL = Lifetime PD X LGD X EAD

D. 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 derecognized 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 asset 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. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

E. Credit-impaired financial assets

At each reporting date, financial assets carried at amortised cost and debt financial assets carried at FVOCI are assessed if they are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's 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.

F. Presentation of allowance for ECL in the statement of financial position

Loss allowances 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 assets.
- Loan commitments and financial guarantee contracts: generally, as a provision; where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision and included in other liabilities.

G. Experienced credit judgement

The Bank's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting years.

H. Write off

Loans 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, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

3.2.1 Impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDB levels and collateral values, and the effect on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD)
-
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The bank reviews its loan portfolios to assess impairment at least on a monthly basis.

3.2.2 Impairment of non-financial assets

The bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

3.3. Renegotiated loans and modification of loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. Modification of loans is accounted according to IFRS 9. IFRS 9 contains guidance on non-substantial modifications and the accounting in such cases. It states that costs or fees incurred are adjusted against the instruments are amortised over the remaining term. Adjustments to amortised cost in such cases should be recognised in profit or loss, according to which the liability should be restated to its revised future cash flows discounted by the original EIR. For substantial modification, the initial liability has to be extinguished and a new liability recognised at its fair value as of the date of the modification, using the effective market interest rate. The difference between this initial fair value of the new liability and the carrying amount of the liability derecognised is recognised as a gain or loss upon extinguishment. All fees incurred are immediately expensed.

3.4. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and other financial institutions, treasury bills and money market placements, deposits and certificates of deposit maturing within three months of the date of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Restricted bank balances and deposits which are not available to meet Bank's short-term commitments are excluded from cash and cash equivalents.

3.5. Due from banks

These are stated at amortised cost, less any amounts written off and provisions for impairment. Due from banks include Nostro balances, placements and loans to banks.

3.6. Investment in subsidiary

In Parent Company financial statements, investment in subsidiary is stated based on equity method. Under this method, the parent recognizes its share of subsidiary's profits and losses in its own financial statements, rather than recording only dividends received. The investment is initially recorded at cost and subsequently adjusted for the parent's share of the subsidiary's net income, dividends received, and other comprehensive income.

3.7. Repurchase and resale agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

3.8. Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the net carrying value of the related loans and advances before de-recognition 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.

3.9. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 11. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.10. Property and equipment

Property and equipment are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on the assets except land is calculated using the straight-line basis to allocate their cost over the estimated useful lives, as follows:

Item	Years
Building	25
Leasehold improvements	Lease period or 5 years whichever is less
Equipment, furniture and fixtures	3-10
Computer equipment and Software	5
Motor vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the 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 and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred.

3.11. Leases

The bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

A. Bank 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.

B. Right-of-use 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 re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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. Leases are recorded as liabilities, at the present value of the future lease payments, along with an asset reflecting the right of use asset (ROU) over the lease term.

- Lease terms, lease payments to be made over time and incremental borrowing rate will be identified from lease agreements.
- The right of use asset will be depreciated to zero based on the useful life of the leased asset. This may or may not be the same date as the accounting lease end date.
- The right-of-use assets are subject to impairment in line with the Bank's policy as described in Impairment of non-financial assets.

- Lease term: The lease term is within the range between the non-cancellable period and the enforceable period. It is typically for 1 to 5 years. The lease term is the non-cancellable period of the lease together with:
 - Optional renewable periods if the bank is reasonably certain to extend; and
 - Periods after an optional termination date if the lessee is reasonably certain not to terminate early.
- Lease payments: A lessee includes the following payments relating to the use of the underlying asset in the measurement of the lease liability:
 - Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
 - Variable lease payments that depend on an index or a rate;
 - Amounts expected to be payable by the lessee under residual value guarantees;
 - The exercise price of a purchase option that the lessee is reasonably certain to exercise; and
 - Payments for terminating the lease if the lease term reflects early termination.
- Any fixed payments by the bank for property taxes and insurance are considered part of overall contract consideration to be allocated among the lease and non-lease components.
- Banks allocate the contract consideration to each lease and non-lease component based on its relative standalone price. Any variable payments that are not based on a rate or an index are excluded from the calculation of the overall contract consideration.
- The impact of property taxes and insurance paid by the lessee depends on whether they are fixed or variable. If a lessee pays the actual amount of property taxes and insurance that are not in substance fixed and the payments are not based on an index or a rate, they are accounted for similar to other variable lease payments i.e., excluded from contract consideration and excluded from lease payments used for classification and initial measurement by both the lessee and the lessor. On the other hand, if a lessee pays a fixed amount of property taxes and insurance as part of rent payments, such payments are included in contract consideration and allocated to the lease and non-lease components by the lessee and lessor.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When calculating the incremental borrowing rate, a lessee should consider the following:

- The rate calculated should be the rate at which the entity could borrow. The rate should not reflect the cost of equity finance and, as such, it would be inappropriate to use a WACC (or any other rate including a component 'cost of capital' alongside the cost of debt). Similarly, it would be inappropriate to use a transfer pricing rate (used for tax transfer pricing adjustments) because these are typically 'risk-free'. However, there might be scenarios in which these rates can be used as a starting point, provided that appropriate adjustments are made.
- The rate should reflect the amount that the entity could borrow over the term of the lease. It should be the rate at which an entity would borrow to acquire an asset of similar value to the right-of-use asset, rather than to acquire the entire underlying asset. An exception would be where the lease term is for substantially all of the life of the underlying asset.
- The rate should reflect that of a secured borrowing for a similar asset (being the right-of-use asset, not the underlying asset), rather than an unsecured borrowing or general line of credit.
- The rate should reflect the credit standing of the entity and the rate at which it would borrow in a similar economic environment.

If bank assess that the lease agreement will go on for longer period, than in the lease agreement i.e., the lease agreement will be extended then bank uses reasonably certain lease term to record ROU asset and lease Liability.

C. Lease modification

A lease modification is a change in the scope of a lease, or the consideration for a lease that was not part of its original terms and conditions. From a lease liability perspective, the key inputs that can be modified are:

- Lease payments
- Lease term

Lease Modification identified will be accounted for separately by using the deferral amount or term so that the lease in essence produce the same result as it would have if such modification was there from start of the lease period.

D. Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the year in which the event or condition that triggers the payment occurs.

E. Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

As of 31 December 2024, and 2023, the Bank is not a lessor in any of the lease arrangements.

3.12. Acceptances

Acceptances are disclosed on 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.

3.13. Deposits

Deposits from banks and customers and subordinated liabilities are the Bank's sources of funding. All money market and customer deposits are carried at amortised cost using EIR.

3.14. Employee benefits

3.14.1. Terminal benefits

Contribution to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, is recognised as an expense in statement of profit or loss when incurred.

The Bank's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service

in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

3.14.2. Short term benefits

Employee entitlements to annual leave and leave passage are recognized when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

3.14.3. Voluntary end of service benefits

Voluntary end of service benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if it is probable that the offer made by the Bank will be accepted, and the number of acceptances can be estimated reliably.

3.15. Provisions

A provision is recognised if, as a result of past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligations. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

3.16. Taxation

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with Omani fiscal regulations.

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 adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets / liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

3.17. Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the year of the facility to which it relates.

3.18. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

3.19. 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 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 the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20. Directors' remuneration

The Board of Directors' remuneration is governed by the Commercial Companies Law of the Sultanate of Oman and the regulations issued by the Capital Market Authority. The Annual General Meeting determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees within the limits specified in the aforementioned regulations.

3.21. Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank currently operates only in the Sultanate of Oman. The Bank's primary format for reporting segmental information is business segments, based upon management and internal reporting structure which are regularly reviewed by the Bank's chief operating decision maker (CODM). The Bank's main business segments are corporate, retail banking and Islamic financing.

3.22. Foreign currencies translation

Transactions in foreign currencies are translated into the respective functional currency using 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 income' in the statement of comprehensive 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 recognised in the profit or loss, except for non-monetary financial assets, such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as FVOCI, 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 exchange rate at the date of the transaction.

3.23. Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria should be met before revenue is recognised.

3.23.1 Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received.

That are an integral part of the 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 'amortised cost' of a financial asset or a financial liability is the amount at which the financial asset or the financial liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance or impairment 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.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

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

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Other interest income presented in the statement of profit or loss and OCI includes interest income on lease receivables. Interest expense presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;

- Interest expense on lease liabilities.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL. Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

3.23.2 Fee and commission income

Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided to the customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. The standard introduces a five-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The products and services of the bank covered under IFRS 15 along with its nature, timing of satisfaction of performance obligations and significant payment terms are as follows:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms	Revenue Recognition
Transaction based services	Services provided include opening, closing and maintenance of accounts, cheque issuance, clearing, deposit and payments transactions, provision of overdraft facilities, foreign currency transactions, remittances, safe deposit lockers, cards, e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue is recognized on completion of service or proportionate completion basis on satisfaction of performance obligation as per the terms of contract.
Trade services	The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Revenue is recognised on service completion basis or time proportionate basis over the period of contract.
Syndication and other loan related services	The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Revenue is recognised on completion of service basis or on time proportion basis.
Advisory services	Advisory services include advising for debt syndications, financial structuring etc. Advisory fees are charged to the customer's account on milestone completion basis or over the period of contract in line with the terms and conditions of contract.	Revenue is recognized on satisfaction of performance obligation at a point in time or over a period of time or on achievement of agreed milestones as per contract.

Fees integral to the effective interest rate (EIR) are included in the EIR calculation, and are recognised over the life of the financial instrument. This include fees integral to the origination of a financial instrument (fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability) and commitment fees (if it is probable that the bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination). The bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

3. Material accounting policies

3.23.2. Fee and commission income

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Fees and commissions arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis or based on a right to receive. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Wealth management fees, financial planning and custody services are recorded reliably over the period that the service is provided.

3.23.3. Dividend income

Dividend income is recognized when the right to receive payment is established.

3.24. Perpetual bonds and sukuk

Perpetual Tier 1 Capital Securities of the Bank are recognised under equity and the corresponding distribution on those instruments are accounted for in the 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. The Tier 1 securities do not have a fixed redemption or final maturity date and are redeemable by the Bank at its sole discretion on the first call date or thereafter on interest payment or reset date, as mentioned in the contract.

3.25. Fiduciary assets

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

4. Critical accounting estimates and judgments

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. The Bank's critical accounting estimates were on:

4.1. Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows from collateral when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit rating model
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis.

4.2. Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. 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 Bank and the relevant tax authority.

4.3. Going concern

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

4.4. Fair value of financial instruments

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

4. Critical accounting estimates and judgments

4.5. Determination of lease term

The Group considers all facts and circumstances when determining the lease term. Extension options (or years that fall after the termination options) are included in the lease term only if there is reasonable certainty that the lease will be extended (or not terminated). The Bank considers the enforceability and nature of the extension clause in the lease agreement, the value of leasehold improvements, penalties levied, costs and business disruptions that would occur, should a change of location occur as factors to determine the lease term.

Lease term is reassessed if an option is exercised or not exercised or the Bank becomes obliged to exercise or not exercise. The assessment is only revisited if a significant event or a significant change in circumstances arises which affects this assessment and that is within the control of the Bank. During the year, the Bank has not revised its assessment of lease term as no significant changes or events occurred.

5. Cash and balances with central bank of oman

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Cash in hand	28,780	26,850	22,762	21,085
Balances with the Central Bank of Oman:				
- Clearing account	79,715	105,611	42,133	63,100
- Placements	70,930	18,095	52,450	-
- Capital deposit	1,025	1,025	500	500
Total	180,450	151,581	117,845	84,685

i. The capital deposit cannot be withdrawn without the approval of the Central Bank of Oman. The capital deposit earns an annual interest at 1.5% p.a. (2023:1.5%) for the Parent Company. The CBO does not pay any interest to the Islamic Banks in Oman; therefore, no such interest was earned by the Subsidiary during the year.

ii. During the year, average minimum balance to be kept with Central Bank of Oman as statutory reserves was RO 103 million (Consolidated), RO 69 million (Parent Company); [2023: RO 95 million (Consolidated), RO 65 million (Parent Company)].

iii. Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, there are no expected credit losses and hence no provision has been recognised.

6. Due from banks

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Placements	40,575	102,168	42,499	98,718
Current accounts	26,684	28,072	23,407	25,444
Due from banks and other money market placements	67,259	130,240	65,906	124,162
Less: allowance for credit losses	(37)	(115)	(30)	(94)
Total	67,222	130,125	65,876	124,068

Movement in allowance for the credit losses is set out below:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Balance at the beginning of the year	115	36	94	32
Charge / (release) during the year	(78)	79	(64)	62
Balance at the end of the year	37	115	30	94

At 31 December 2024, 88% (2023: 56%) of the Bank's placements were with banks rated in the range of Aa1 to Ba3.

The credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and the year-end staging classification is disclosed in note 40 to the financial statements.

7. Loans, advances and financing to customers

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Term loans	1,547,947	1,487,851	1,547,947	1,487,851
Overdrafts	122,702	117,947	122,702	117,947
Bills discounted	14,381	15,482	14,381	15,482
Islamic finance	643,633	585,132	-	-
Corporate loans	2,328,663	2,206,412	1,685,030	1,621,280
Consumer loans	464,088	452,531	464,088	452,531
Mortgage loans	388,749	390,423	388,749	390,423
Overdrafts	6,493	4,141	6,493	4,141
Credit cards	13,187	11,071	13,187	11,071
Islamic finance	480,309	428,408	-	-
Retail loans	1,352,826	1,286,574	872,517	858,166
Gross loans, advances and financing to customers	3,681,489	3,492,986	2,557,547	2,479,446
Allowance for credit losses	180,592	174,347	135,788	133,552
Contractual interest not recognised	54,203	43,915	48,506	39,734
Less: allowance for credit losses and suspended interest	(234,795)	(218,262)	(184,294)	(173,286)
Net loans, advances and financing to customers	3,446,694	3,274,724	2,373,253	2,306,160

The movements in the allowance for the credit losses and contractual interest not recognised on loans, advances and financing to customers were as follows:

Consolidated	Allowance for credit losses	Contractual interest not recognised	Total
	RO' 000	RO' 000	RO' 000
Balance at 1 January 2024	174,347	43,915	218,262
Provided during the year	29,977	21,295	51,272
Amounts written off and net transfer from / (to) memorandum portfolio	(11,902)	(7,487)	(19,389)
Amounts released / recovered during the year	(11,830)	(3,520)	(15,350)
Balance at 31 December 2024	180,592	54,203	234,795
2023	RO' 000	RO' 000	RO' 000
Balance at 1 January 2023	149,712	29,924	179,636
Provided during the year	34,958	19,456	54,414
Amounts written off and net transfer from / (to) memorandum portfolio	(25)	(2,033)	(2,058)
Amounts released / recovered during the year	(10,298)	(3,432)	(13,730)
Balance at 31 December 2023	174,347	43,915	218,262

Parent Company 2024	Allowance for credit losses RO' 000	Contractual interest not recognised RO' 000	Total RO' 000
Balance at 1 January 2024	133,552	39,734	173,286
Provided during the year	23,737	19,779	43,516
Amounts written off and net transfer from / (to) memorandum portfolio	(11,902)	(7,487)	(19,389)
Amounts released / recovered during the year	(9,599)	(3,520)	(13,119)
Balance at 31 December 2024	135,788	48,506	184,294
2023	RO' 000	RO' 000	RO' 000
Balance at 1 January 2023	111,978	25,833	137,811
Provided during the year	29,934	18,194	48,128
Amounts written off and net transfer from / (to) memorandum portfolio	(25)	(2,033)	(2,058)
Amounts released / recovered during the year	(8,335)	(2,260)	(10,595)
Balance at 31 December 2023	133,552	39,734	173,286

	Consolidated		Parent Company	
	2024 RO' 000	2023 RO' 000	2024 RO' 000	2023 RO' 000
Performing loans, advances and financings	3,471,615	3,286,439	2,396,989	2,319,854
Allowance for the credit losses on performing loans	92,059	75,319	72,592	60,637
Non-performing loans, advances and financings on which interest was not accrued	209,874	206,547	160,558	159,592
Allowance for the credit losses on non-performing loans	142,736	142,943	111,702	112,649

The analysis of the Islamic financing activities is as follows:

2024	Corporate RO' 000	Retail RO' 000	Total RO' 000
Musharaka	344,290	304,948	649,238
Murabaha	71,593	72,957	144,550
Ijarah Muntahia Bittamleek	46,914	97,576	144,490
Wakala	180,750	2,000	182,750
Others	86	2,828	2,914
Balance at 31 December 2024	643,633	480,309	1,123,942
2023	RO' 000	RO' 000	RO' 000
Musharaka	282,466	252,957	535,423
Murabaha	58,578	63,330	121,908
Ijarah Muntahia Bittamleek	55,842	107,280	163,122
Wakala	188,149	2,000	190,149
Others	97	2,841	2,938
Balance at 31 December 2023	585,132	428,408	1,013,540

8. Investment securities

	Consolidated		Parent Company	
	2024 RO'000	2023 RO'000	2024 RO'000	2023 RO'000
- Banking and investment sector	261	266	261	266
Quoted investments – Oman	261	266	261	266
- Banking and investment sector	210	192	210	192
Quoted investments – Foreign	210	192	210	192
Investments measured at FVTPL	471	458	471	458
- Banking and investment sector	2,081	2,400	2,081	2,400
- Manufacturing sector	1,126	224	1,126	224
Oil and gas	4,305	-	3,433	-
- Service sector	2,227	1,823	594	599
Quoted investments – Oman	9,739	4,447	7,234	3,223
- Service sector	-	75	-	-
Quoted investments – Foreign	-	75	-	-
- Service sector	194	194	194	194
Unquoted investments – Oman	194	194	194	194
Equity investments measured at FVOCI	9,933	4,716	7,428	3,417
- Government Sukuk	96,435	69,818	8,000	-
- Government Development Bonds (GDBs)	38,238	14,644	38,238	36,125
- Corporate Bonds	57,442	29,346	26,442	24,138
Debt investments measured at FVOCI	192,115	113,808	72,680	60,263
Investments measured at FVOCI	202,048	118,524	80,108	63,680
- Government Development Bonds (GDBs)	133,147	155,616	133,147	155,616
- Government Sukuk	21,475	39,576	21,475	21,481
- Treasury bills	80,725	-	80,725	-
Quoted investments – Oman	235,347	195,192	235,347	177,097
- Corporate Bonds	12,627	12,667	12,627	12,667
Quoted investments – Foreign	12,627	12,667	12,627	12,667
Investments measured at amortized cost	247,974	207,859	247,974	189,764
Total financial investments	450,493	326,841	328,553	253,902
Less: allowance for credit losses	(173)	(280)	(134)	(258)
Net financial investments	450,320	326,561	328,419	253,644

Movement in investment securities:

Consolidated 2024	FVOCI Equity Investments	FVOCI Debt Investments	Amortised Cost	FVTPL	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2024	4,716	113,808	207,859	458	326,840
Additions	8,323	90,705	324,632	-	423,660
Disposals and redemption	(2,466)	(11,422)	(284,863)	-	(298,751)
Gain / (Loss) from change in fair value	(640)	(975)	346	13	(1,256)
Gross financial investments	9,933	192,115	247,974	471	450,493
Less: allowance for credit losses	-	(155)	(18)	-	(173)
At 31 December 2024	9,933	191,960	247,956	471	450,320
2023	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2023	3,854	100,800	226,800	441	331,895
Additions	680	11,288	880	-	12,848
Disposals and redemption	-	(294)	(19,487)	-	(19,781)
Gain / (Loss) from change in fair value	182	2,014	(334)	17	1,879
Gross financial investments	4,716	113,808	207,859	458	326,841
Less: allowance for credit losses	-	(202)	(78)	-	(280)
At 31 December 2023	4,716	113,606	207,781	458	326,561

Parent Company 2024	FVOCI Equity Investments	FVOCI Debt Investments	Amortised Cost	FVTPL	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2024	3,417	60,263	189,764	458	253,902
Additions	6,792	13,449	324,632	-	344,873
Disposals and redemption	(2,405)	-	(266,768)	-	(269,173)
Gain / (Loss) from change in fair value	(376)	(1,032)	346	13	(1,049)
Gross financial investments	7,428	72,680	247,974	471	328,553
Less: allowance for credit losses	-	(116)	(18)	-	(134)
At 31 December 2024	7,428	72,564	247,956	471	328,419
2023	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2023	3,366	56,151	208,705	441	268,663
Additions	-	2,140	880	-	3,020
Disposals and redemption	-	-	(19,487)	-	(19,487)
Gain / (Loss) from change in fair value	51	1,972	(334)	17	1,706
Gross financial investments	3,417	60,263	189,764	458	253,902
Less: allowance for credit losses	-	(180)	(78)	-	(258)
At 31 December 2023	3,417	60,083	189,686	458	253,644

The fair value hierarchy of the financial investments is as follows:

Consolidated 2024	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	471	-	-	471
Investment measured at FVTPL	471	-	-	471
- Quoted investments	9,739	-	-	9,739
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	9,739	-	194	9,933
- Quoted investments	109,104	83,011	-	192,115
Debt investments measured at FVOCI	109,104	83,011	-	192,115

Consolidated 2023	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	458	-	-	458
Investment measured at FVTPL	458	-	-	458
- Quoted investments	4,522	-	-	4,522
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	4,522	-	194	4,716
- Quoted investments	60,263	53,545	-	113,808
Debt investments measured at FVOCI	60,263	53,545	-	113,808

Parent Company 2024	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	471	-	-	471
Investment measured at FVTPL	471	-	-	471
- Quoted investments	7,234	-	-	7,234
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	7,234	-	194	7,428
- Quoted investments	72,680	-	-	72,680
Debt investments measured at FVOCI	72,680	-	-	72,680

Parent Company 2023	Level 1	Level 2	Level 2	Total
	RO'000	RO'000	RO'000	RO'000
- Quoted investments	458	-	-	458
Investment measured at FVTPL	458	-	-	458
- Quoted investments	3,223	-	-	3,223
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	3,223	-	194	3,417
- Quoted investments	60,263	-	-	60,263
Debt investments measured at FVOCI	60,263	-	-	60,263

Movement in allowances for the credit losses for debt securities:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Beginning of the year	280	239	258	237
(Release) / charge during the year	(107)	41	(124)	21
Balance at the end of the year	173	280	134	258

All debt securities at amortized cost outstanding as of 31 December 2024 are classified under stage 1 (2023: stage 1). The Group has assumed LGD of 0% on GDBs amounting to RO 200,860 thousand (2023: RO 213,222 thousand) and Government Sukuks amounting to RO 88,435 thousand (2023: RO 66,432 thousand).

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

	2024		2023	
	Carrying value	Bank's portfolio	Carrying value	Bank's portfolio
	RO'000	%	RO'000	%
Consolidated				
Government Development Bonds and sukuks	289,295	64%	279,654	86%
Treasury bills	80,725	18%	-	-
Parent Company				
Government Development Bonds and sukuks	200,860	61%	213,222	84%
Treasury bills	80,725	25%	-	-

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

9. Investment in subsidiary

The Bank has the following investment in a subsidiary.

Name of Subsidiary	Country of Incorporation	2024		2023	
		RO'000	%	RO'000	%
Alizz Islamic Bank SAOC	Sultanate of Oman	135,095	100%	125,291	100%

The key balance sheet and income statement items of the subsidiary are as follows:

Statement of financial position items	2024	2023
	RO'000	RO'000
Total assets	1,317,329	1,168,166
Total liabilities	1,158,633	1,049,248
Total equity	158,696	118,918

Income statement items	2024	2023
	RO'000	RO'000
Operating income	35,032	31,175
Operating expenses	19,313	18,089
Profit after tax	10,011	7,802

Movement in BS Figures	2024	2023
	RO'000	RO'000
Opening Balance at 1 January	125,291	117,316
Share of results of subsidiary	10,011	7,802
Others	(207)	173
Closing Balance at 31 December	135,095	125,291

10. Property and equipment

Consolidated	Land & buildings	Computer equipment	Furniture & fixtures	Motor vehicles	Work in progress	Right of use	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost							
At 1 January 2023	26,426	41,899	19,127	243	1,395	10,370	99,460
Additions	-	407	82	-	5,122	11,131	16,742
Transfers	(27)	(2,455)	6,514	53	(4,085)	-	-
Disposals / termination	-	-	-	(140)	-	(10,651)	(10,791)
At 31 December 2023	26,399	39,851	25,723	156	2,432	10,850	105,411
Additions	-	425	569	-	3,194	2,596	6,784
Transfers	-	2,315	1,178	10	(3,503)	-	-
Disposals / termination	-	(478)	(198)	-	-	-	(676)
Adjustments	-	-	-	-	(416)	(11)	(427)
At 31 December 2024	26,399	42,113	27,272	166	1,707	13,435	111,092
Depreciation							
At 1 January 2023	6,207	29,453	16,751	232	-	8,321	60,964
Charge for the year	782	4,306	1,864	6	-	2,569	9,527
Disposals / termination	-	-	-	(128)	-	(8,011)	(8,139)
Adjustments	(11)	(3,903)	3,877	-	-	-	(37)
At 31 December 2023	6,978	29,856	22,492	110	-	2,879	62,315
Charge for the year	783	4,278	1,563	18	-	3,236	9,878
Disposals / termination	-	(478)	(194)	-	-	(15)	(687)
Adjustments	-	-	-	-	-	-	-
At 31 December 2024	7,761	33,656	23,861	128	-	6,100	71,506
Net book value							
At 31 December 2023	19,421	9,995	3,231	46	2,432	7,971	43,096
At 31 December 2024	18,638	8,457	3,411	38	1,707	7,335	39,586

Parent Company	Land & buildings	Computer equipment	Furniture & fixtures	Motor vehicles	Work in progress	Right of use	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost							
At 1 January 2023	26,426	33,368	13,908	243	1,313	9,152	84,410
Additions	-	-	-	-	3,722	8,348	12,070
Transfers	(27)	(2,537)	6,514	53	(4,003)	-	-
Disposals / termination	-	-	-	(140)	-	(10,651)	(10,791)
At 31 December 2023	26,399	30,831	20,422	156	1,032	6,849	85,689
Additions	-	-	-	-	3,108	1,199	4,307
Transfers	-	2,149	360	10	(2,519)	-	-
Disposals / termination	-	(478)	(198)	-	-	-	(676)
Adjustments	-	-	-	-	-	-	-
At 31 December 2024	26,399	32,502	20,584	166	1,621	8,048	89,320
Depreciation							
At 1 January 2023	6,207	22,672	12,325	232	-	7,315	48,751
Charge for the year	782	3,730	1,525	6	-	1,677	7,720
Disposals / termination	-	-	-	(128)	-	(8,011)	(8,139)
Adjustments	(11)	(3,903)	3,877	-	-	-	(37)
At 31 December 2023	6,978	22,499	17,727	110	-	981	48,295
Charge for the year	783	3,827	1,179	18	-	1,651	7,458
Disposals / termination	-	(478)	(194)	-	-	(15)	(687)
Adjustments	-	-	-	-	-	-	-
At 31 December 2024	7,761	25,848	18,712	128	-	2,617	55,066
Net book value							
At 31 December 2023	19,421	8,332	2,695	46	1,032	5,868	37,394
At 31 December 2024	18,638	6,654	1,872	38	1,621	5,431	34,254

Significant portion of right of use includes the Bank's leases of branch and office premises.

11. Intangible assets

On 30 June 2020, Oman Arab Bank acquired 100% of AIB and AIB became a wholly owned subsidiary. Following the finalisation of the PPA, the following assets were recognised in 2021.

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Core deposits	3,102	3,102	-	-
Banking license	3,573	3,573	-	-
Brand	1,000	1,000	-	-
Total	7,675	7,675	-	-
Less: accumulated amortization	(1,395)	(1,085)	-	-
Net intangible assets	6,280	6,590	-	-

The core deposits intangible (CDI) is estimated to have a useful life of 10 years and is amortised based on a straight line method.

12. Other assets

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Customers' indebtedness against acceptances	15,604	11,883	15,604	11,883
Fees receivable	1,722	1,465	1,722	1,465
Interest receivable	48,441	47,530	20,575	18,644
Prepayments	3,533	2,404	2,511	1,352
Repossessed collateral	4,822	3,141	3,825	3,141
Positive fair value of derivatives	6,016	5,360	6,016	5,360
Deferred tax asset	-	739	-	-
Others	20,678	13,804	13,259	11,851
Total	100,816	86,326	63,512	53,696

13. Due to banks

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Current accounts	14,207	3,300	14,146	3,300
Borrowings	40,392	28,928	17,147	28,928
Total	54,599	32,228	31,293	32,228

14. Customer deposits

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
a) By type				
Term deposits	1,693,412	1,913,732	1,217,346	1,355,637
Demand and call accounts	1,255,221	918,772	817,101	645,256
Saving accounts	585,703	524,913	405,710	342,726
Total	3,534,336	3,357,417	2,440,157	2,343,619
b) By sector				
Private	2,320,728	2,232,218	1,651,845	1,690,722
Government	1,213,608	1,125,199	788,312	652,897
Total	3,534,336	3,357,417	2,440,157	2,343,619

15. Borrowed funds

During the year 2024, Oman Arab Bank signed a loan agreement with the Arab Fund for Economic and Social Development (Badir Fund) worth USD 50 million for a period of 6 years, including a two-year grace period and a variable interest rate based on the interest rate of the US Treasury bonds for 10 years + 0.25%, and the loan is repaid in semi-annual installments in both July and January of each year and starting from 2026, and the loan balance reached USD 25 million (OMR 9.625 million) as at 31 December 2024. The purpose of the loan is exclusively to utilize the proceeds to contribute to the financing and development of small and medium-sized private sector enterprises, either directly or through intermediary financing institutions.

16. Other liabilities

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Liabilities against acceptances	15,604	11,883	15,604	11,883
Interest payable	37,747	38,676	27,473	28,833
Accrued expenses and other payables	29,183	25,159	25,600	22,433
Cheques and trade settlement payable	4,854	3,801	2,945	3,025
Staff end of service benefits	1,304	1,002	825	706
Interest and commission received in advance	4,785	4,319	4,785	4,319
Negative fair value of derivatives	5,987	5,895	5,987	5,895
Deferred tax liability	283	112	165	112
Provision for loan commitments, financial guarantees and acceptances	3,818	3,636	3,528	3,339
Others	6,157	5,107	-	1,136
Lease liabilities	7,177	7,556	5,203	5,416
Total	116,899	107,146	92,115	87,097

16.1 Staff end of service benefits

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
At 1 January	1,002	965	706	674
Charge for the year	475	361	216	289
Payment to employees during the year	(173)	(324)	(97)	(257)
At 31 December	1,304	1,002	825	706

16.2 Movement in provision for loan commitments, financial guarantees and acceptances

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Beginning of the year	3,636	3,687	3,339	3,218
(Release) / charge during the year	182	(51)	189	121
Balance at the end of the year	3,818	3,636	3,528	3,339

17. Taxation

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Statement of profit or loss:				
Current tax:				
- Current year charge	5,006	2,257	3,924	2,257
- Prior years charge	22	199	22	199
Deferred tax:				
- Current year	51	(86)	51	(86)
- Prior years (income) / charge	621	1,308	-	-
Tax expense for the year	5,700	3,678	3,997	2,370
Statement of financial position:				
Taxation - Provision	10,145	5,236	9,181	5,236
Deferred tax liability	283	112	165	114
Deferred tax asset	-	739	-	-
Deferred tax liability:				
At 1 January	112	198	112	198
Movement during the year	171	(86)	53	(86)
At 31 December	283	112	165	112
Deferred tax asset:				
At 1 January	739	2,047	-	-
Movement during the year	(739)	(1,308)	-	-
At 31 December	-	739	-	-

Consolidated	At 1 January 2024	Charge for the year	At 31 December 2024
Property, plant and equipment	71	(324)	(253)
Unrealised loss on FVTPL investments	-	2	2
Right-of-use assets and lease liabilities	(66)	34	(32)
Carried forward taxable losses	(858)	858	-
Deferred tax liability	(853)	570	(283)

Parent Company	At 1 January 2024	Charge for the year	At 31 December 2024
Property, plant and equipment	(48)	(87)	(135)
Unrealised loss on FVTPL investments	-	2	2
Right-of-use assets and lease liabilities	(66)	34	(32)
Deferred tax liability	(114)	(51)	(165)

Details of taxable losses available recognised by the subsidiary are as below:

	2024	2023
	RO'000	RO'000
Available until 31 December 2024 (declared)	-	5,966
Available until 31 December 2025 (declared)	-	4,137
Available until 31 December 2026 (declared)	-	-

The Bank is liable for income tax in accordance with the income tax laws of the Sultanate of Oman. The tax rate applicable to the Bank is 15% (2023: 15%). For determining the tax expense for the year, the accounting profit for the year has been adjusted for tax purposes.

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Profit before tax	36,139	24,233	34,746	22,185
Tax at the applicable rate of 15%	5,421	3,635	5,212	3,328
Tax effect of income that is not taxable and expenses that are not deductible in determining taxable profit	257	(65)	(1,237)	(1,071)
Prior year	22	108	22	113
Tax expense for the year	5,700	3,678	3,997	2,370

Status of tax assessments (Parent Company)

The tax returns of the Bank for the years 2018 to 2020 have assessed by the Tax Authority. Bank submitted an objection on the disallowance of AT1 interest paid which was rejected by the Tax Authority. The Bank has filed an appeal against the same to the Tax grievances committee which is pending. The hearing of the appeal was on 11 December 2024 and the matter has been postponed to March 2025.

Status of tax assessments (Subsidiary)

The tax assessment up to and including 2020 has been completed by the Tax Authority. The tax returns for 2021 to 2023 have not yet been assessed by the Tax Authority.

18. Share capital

The authorised share capital of the Bank is 2,000,000,000 shares of 100 baisa each (2023: 2,000,000,000). The issued share capital of the Bank is 1,669,410,000 shares (2023: 1,669,410,000). The paid up share capital of the Bank is RO 166.941 million. The Bank's shares are listed in Muscat Stock Exchange.

The following shareholders of the Bank own 10% or more of the Bank's share capital:

31 December 2024	Shareholding %	Number of shares	RO'000
Arab Bank PLC	49.00%	818,010,900	81,801
Oman International Development & Investment Co. SAOG	30.99%	517,382,480	51,738
Various parties, including Trusts	20.01%	334,016,620	33,402
Total	100.00%	1,669,410,000	166,941

19. Proposed dividend

Dividend is not accounted for until approved at the Annual General Meeting (AGM). The Board of Directors has not recommended any dividend for the upcoming AGM (2023: dividend of 6 baiza per share in the form of mandatory convertible bonds amounting to RO 10 million was issued to shareholder). The dividend is subject to the approval of the regulatory authorities and shareholders of the Bank at the upcoming AGM.

20. Share premium

Share premium represents the premium collected on issuance of shares through public offer, rights issue, and conversion of mandatory convertible bonds during the prior years. The balance in share premium is not available for distribution.

21. Legal reserve

In accordance with Article 132 of the Commercial Companies Law of 2019, annual appropriations of 10% of net profit are made to the legal reserve until the accumulated balance of the reserve is equal to one-third of the Bank's paid up share capital. This reserve is not available for distribution.

22. General reserve

The Bank has established the general reserve to meet any unforeseen contingencies. No transfers were made from / to general reserve during the 2024 and 2023.

23. Special reserve

In 2015, the Parent Company sold its old head office (HO) premises at Ruwi, following its move to the new HO at Al Ghoubra. The profit on sale amounting to RO 2.4 million was set aside as a special reserve and was not available for distribution without prior approval of the CBO. In 2022, this amount has been utilised as special reserve for restructured cases assigned for ECL based on the approval from CBO. As at 31 December 2024, the Bank has special reserve of RO 3.8 million for restructured accounts in accordance with the CBO guidelines. The reserve created is not available for distribution or the inclusion in the calculation of the regulatory capital.

24. Fair value reserve

The fair value represents the cumulative net change in the fair value of investment securities designated as FVOCI, net of applicable income tax, until such time as the investment is derecognized, sold, or impaired.

25. Impairment reserve

In line with CBO circular BM 1149, upon the adoption of IFRS 9, if the IFRS 9-based provision for impairment is lower than the impairment provision required under regulatory guidelines, the excess shall be appropriated from the profit for the year and transferred to a regulatory reserve titled "impairment reserve" under shareholder's equity. In subsequent years, if the IFRS 9-based provision for impairment remains lower than the provision required by regulatory guidelines, the excess shall continue to be appropriated from the profit for the year and transferred to the impairment reserve.

26. Perpetual Tier 1 Capital Bonds and Sukuk

On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to RO 96.25 million. The bonds are listed on the International Security Market (ISM) of the London Stock Exchange. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and the CBO regulations.

On 16 October 2023, the Bank issued unsecured perpetual Tier 1 bonds of RO 50 million (50,000,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

On 9 October 2024, the Bank issued unsecured mandatory convertible bonds qualifying as additional Tier 1 capital of RO 10 million (10,016,460 units of RO 1 each) as dividend to its shareholders. The bonds carry a fixed interest rate of 6 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. These bonds would be mandatorily converted in to equity shares after 2 years (9 October 2026) by means of issuing 8 ordinary shares against each bond at an underlying price of 125 baiza per share. The bonds are in pari-passu with other Tier 1 bonds.

On 9 December 2024, the subsidiary of the Bank through its SPC issued its first unsecured perpetual Mudaraba additional tier 1 Sukuk with an aggregated face amount of the OMR Certificates and USD

Certificates not exceeding OMR 30,000,000 listed in MSX being issued in dual currency with Omani Rial tranche of OMR 26 million and US Dollar tranche of USD 10 million equivalent to approx. OMR 4 million. The Sukuk pays an indicative profit rate of 6.5% p.a payable semi-annually. The Bank has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. Event of non-payment is not considered as an event of default. Alizz Sukuk SPC was established as a sole proprietor company, in accordance with Article 239 of the Commercial Companies Law. Alizz Sukuk SPC (in its separate capacities as the Issuer and Trustee) is licensed by the FSA as a special purpose vehicle for the purpose of issuing the Sukuk.

The Tier 1 bonds and sukuk constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The bond issued in 2021 has First Call date on 4 June 2026 or on any interest payment date thereafter subject to the prior consent of the regulatory authority. The bond issued in 2023 has First Call date on 16 October 2028 or on any interest reset date thereafter subject to the prior consent of the regulatory authority. The sukuk issued in 2024 has First Call date on 9 December 2029 or on any period distribution date thereafter subject to the prior consent of the regulatory authority.

On 17 October 2023 the bank has fully redeemed the previously issued unsecured perpetual Tier 1 bonds amounting to RO 42.5 million.

27. Interest income

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Loans and advances	142,861	128,750	142,861	128,750
Investment securities	14,276	13,857	14,276	13,857
Placements with banks	5,345	3,123	5,054	3,479
Total	162,482	145,730	162,191	146,086

28. Interest expense

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Customer deposits	86,884	70,291	86,884	70,291
Bank borrowings	2,996	4,570	2,996	4,570
Interest cost on lease liabilities	232	172	232	172
Total	90,112	75,033	90,112	75,033

29. Net income from Islamic financing

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Income from Islamic financing and investing activities				
Islamic financing receivables	63,587	56,311	-	-
Islamic due from banks	1,959	1,670	-	-
Islamic investment	4,105	3,213	-	-
Total income from Islamic financing	69,651	61,194	-	-
Profit paid on participatory deposits and banks			-	-
Islamic customers' deposits	41,400	35,000	-	-
Islamic bank borrowings	1,114	-	-	-
Total expense from Islamic financing	42,514	35,000	-	-
Net Income from Islamic financing	27,137	26,194	-	-

30. Net fee and commission income

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Fee and commission income	31,689	29,053	26,230	23,757
Fee and commission expense	(11,886)	(10,116)	(11,049)	(9,400)
Total	19,803	18,937	15,181	14,357

30.1 Net fees and commission income comprises of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Transactional income	9,035	8,489	7,874	7,049
Trade income	3,355	3,458	2,531	2,809
Loans related income	7,413	6,990	4,776	4,499
Total	19,803	18,937	15,181	14,357

31. Net income from investment securities

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Fair value changes	13	17	13	17
Gain/(loss) on sale of amortized cost investments	8	-	-	-
Dividend income	556	268	409	207
Total	577	285	422	224

32. Other operating income

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Exchange income	4,841	4,024	3,721	3,328
Other income	1,737	104	30	104
Total	6,578	4,128	3,751	3,432

33. Operating expenses

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Staff costs (refer 33.1)	43,415	42,230	29,764	29,792
Other operating expenses	18,181	18,814	15,039	15,070
Depreciation	9,878	9,527	7,458	7,720
Amortization	310	310	-	-
Directors' remuneration	398	398	298	298
Total	72,182	71,279	52,559	52,880

33.1 Staff costs

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Salaries	26,937	26,431	20,226	20,100
Allowances	10,461	10,041	5,158	5,201
Social security costs	3,246	3,078	2,312	2,186
End of service benefits	395	361	216	289
Other costs	2,376	2,319	1,852	2,016
Total	43,415	42,230	29,764	29,792
Headcount (number of FTE)	1,456	1,461	1,048	1,069

34. Earnings per share

The basic earnings per share (EPS) is the outcome of dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of shares outstanding.

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Profit for the year	30,439	20,555	30,749	19,815
Less: Interest distribution of Perpetual Tier 1 capital bonds	(10,849)	(10,531)	(10,849)	(10,531)
Less: Additional Tier 1 bonds issuance cost	(51)	(181)	(51)	(181)
Profit for the year attributable to shareholders	19,539	9,843	19,849	9,103
Weighted average number of shares outstanding during the year	1,749,541,680	1,669,410,000	1,749,541,680	1,669,410,000
Basic/Diluted earnings per share (RO)	0.011	0.006	0.011	0.005

Weighted average number of shares outstanding	
1 January 2024 to 31 December 2024	1,749,541,680
Weighted average as at 31 December 2024	1,749,541,680

The diluted EPS was equal to the basic EPS for both periods as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.

35. Net assets per share

The calculation of net assets per share is based on net assets as at 31 December 2024 attributable to ordinary shareholders of RO 166,941 million (2023: RO 166,941 million) and on 1,669,410,000 ordinary shares (2023 – 1,669,410,000 ordinary shares) being the number of shares outstanding as at 31 December 2024.

	Consolidated		Parent Company	
	2024	2023	2024	2023
Shareholders' equity (RO'000)	379,498	370,726	379,617	370,508
Number of shares (in thousands)	1,669,410,000	1,669,410,000	1,669,410,000	1,669,410,000
Net assets value per share (RO)	0.227	0.222	0.227	0.222

36. Contingent liabilities and commitments

A. Letters of credit and guarantees

The Bank is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances.

The outstanding contract value or the notional amounts of these instruments were as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Letters of credit	195,730	207,602	100,496	105,457
Guarantees	181,309	230,247	138,027	196,714
Total	377,039	437,849	238,523	302,171

As at 31 December 2024, the unutilised commitment of facilities of RO 473,847 thousand (Consolidated), RO 424,395 thousand (Parent Company); [(2023 RO 419,340 thousand (Consolidated), RO 399,537 thousand (Parent Company))].

Letters of credit and guarantees amounting to RO 108,746 thousand (2023: 168,028 thousand) were counter guaranteed by other banks in the Parent Company. As of reporting date the subsidiary has no material letters of credit and guarantees that were counter guaranteed by other banks.

- The allowances for credit losses for commitments and financial guarantees is included under note 15.2.
- Contingent liabilities include RO 3,746 thousand (Consolidated), RO 3,709 thousand (Parent Company); [2023 RO 5,734 thousand (Consolidated), RO 5,629 thousand (Parent Company)] relating to non-performing loans.

Credit-related financial instruments include unutilised commitments to extend credit, standby letters of credit and guarantees which are designed to meet the financing requirements of customers. The credit risk on these transactions is generally less than the contractual amount. The notional principal amounts of outstanding credit-related contingent items and the risk-weighted exposures calculated were as follows:

	Consolidated			
	2024		2023	
	Notional principal amount RO'000	Risk weighted exposure RO'000	Notional principal amount RO'000	Risk weighted exposure RO'000
Guarantees	181,309	95,626	230,247	117,111
Letters of credit	195,730	27,669	207,602	29,253
Total	377,039	123,295	437,849	146,364

	Parent Company			
	2024		2023	
	Notional principal amount RO'000	Risk weighted exposure RO'000	Notional principal amount RO'000	Risk weighted exposure RO'000
Guarantees	138,027	73,982	196,714	100,344
Letters of credit	100,496	8,622	105,457	8,824
Total	238,523	82,604	302,171	109,168

B. Capital commitments

As at 31 December 2024, outstanding capital commitments in respect of premises, equipment and software purchases were RO 1.5 million (2023: RO 1.5 million).

C. Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Bank had certain unresolved legal claims which are not expected to have any significant implication on the Bank's financial statements (2023: Nil).

37. Cash and cash equivalents

	Consolidated		Parent Company	
	2024 RO'000	2023 RO'000	2024 RO'000	2023 RO'000
Cash and balances with the Central Bank of Oman (CBO) (note 5)	180,450	151,581	117,845	84,685
Due from banks (note 6)	67,259	130,240	65,906	108,762
Treasury bills	80,725	-	80,725	-
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
Total	327,409	280,796	263,976	192,947

38. Derivative financial instruments

At the reporting date, there were outstanding forward foreign exchange contracts, all maturing within one year, entered into on behalf of customers for the sale and purchase of foreign currencies. These financial instruments have been recognised at prices in active markets for identical assets or liabilities.

Also, the Bank has entered into IRS (Interest Rate Swaps) on behalf of its clients and has fully covered the position on back-to-back basis, leaving no open position on the Bank's books. An IRS is an agreement between two counterparties to exchange a stream of fixed interest payments for floating (variable) interest payments on a specified notional amount. A floating rate borrower can fix his floating liabilities payment by entering into payer swap, in which he pays the fixed rate.

The Bank is not exposed to entire notional amount of IRS, rather, its risk is limited only to the amount of differential interest payment which the client may not honour at the time of settlement.

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' in the statement of financial position. Fair value gains or loss on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in the operating income.

The carrying amount of the hedged items are included in investments on the statement of financial position with the notional amount totalling to RO 34.525 million (2023: RO 34.525 million). These hedged items comprise of debt instruments which are held as FVOCI and AC.

These fair values and the notional contracted amounts related to the Parent Company are summarised below. As of reporting date, Subsidiary has no derivative instruments.

	Positive fair value	Negative fair value	Notional amount RO'000	Within 3 months RO'000	3 – 12 months RO'000	More than 1 year RO'000
	RO'000	RO'000				
2024						
Purchase contracts	336	-	81,391	23,167	58,224	-
Sale contracts	-	(302)	(81,356)	(23,158)	(58,198)	-
Interest rate swaps	5,680	(5,685)	57,567	-	9,750	47,817
Total	6,016	(5,987)	57,602	9	9,776	47,817
2023						
Purchase contracts	181	-	125,009	111,951	13,058	-
Sale contracts	-	(133)	(124,961)	(111,913)	(13,048)	-
Interest rate swaps	5,179	(5,762)	56,535	-	-	56,535
Total	5,360	(5,895)	56,583	38	10	56,535

Derivative financial instruments are classified as level 2 in the fair value hierarchy.

39. Related party transactions

A. Technical and administrative services with major shareholders

During the year ended 31 December 2024, the cost of technical and administrative services provided to Arab Bank Plc amounted to RO 91,317 (2023: RO 61,665).

B. Other related party transactions

In the ordinary course of business, the Bank conducts transactions with its major shareholders and other related parties comprising of Directors, senior management and companies with which they have significant interest, on arm's length basis with the approval of Board of Directors. The aggregate amounts of balances with such related parties are as follows:

Consolidated 2024	Major shareholders RO'000	Others RO'000	Total RO'000
Loans and advances	22,000	174,301	196,301
Customers' deposits	2,572	38,562	41,134
Due from banks	1,976	18	1,994
Other assets	-	-	-
Due to banks	23,478	-	23,478
Stand by line of credit	57,750	-	57,750
Letters of credit, guarantees and acceptances	28,891	6,746	35,637
2023	RO'000	RO'000	RO'000
Loans and advances	28,667	155,187	183,854
Customers' deposits	2,512	32,334	34,846
Due from banks	41,155	22	41,177
Other assets	-	345	345
Due to banks	7,032	-	7,032
Stand by line of credit	57,750	-	57,750
Letters of credit, guarantees and acceptances	76,049	2,425	78,474

B. Other related party transactions

Parent Company 2024	Subsidiary RO'000	Major shareholders RO'000	Others RO'000	Total RO'000
Loans and advances	-	22,000	142,067	164,067
Customers' deposits	-	2,572	34,244	36,816
Due from banks	15,400	1,976	-	17,376
Other asset	-	-	-	-
Due to banks	-	8,078	-	8,078
Stand by line of credit	-	57,750	-	57,750
Letters of credit, guarantees and acceptances	-	28,891	6,746	35,637
2023	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	28,667	123,335	152,002
Customers' deposits	-	2,512	27,309	29,821
Due from banks	15,400	41,155	-	56,555
Other asset	-	-	-	-
Due to banks	-	7,032	-	7,032
Stand by line of credit	-	57,750	-	57,750
Letters of credit, guarantees and acceptances	-	76,049	2,425	78,474

The movement analysis of loans and advances with related parties is as follows:

	Consolidated		Parent Company	
	2024 RO'000	2023 RO'000	2024 RO'000	2023 RO'000
At 1 January	183,854	157,457	152,002	125,738
Disbursed during the year	196,301	152,135	164,067	152,002
Paid during the year	(183,854)	(125,738)	(152,002)	(125,738)
At 31 December	196,301	183,854	164,067	152,002

None of the loans and advances given to related parties were identified as credit impaired. In accordance with IFRS 9, ECL held against these exposures amounted to RO 2.435 million (Consolidated), RO 1.901 million (Parent Company) [2023: RO 1.957 million (Consolidated), RO 1.801 million (Parent Company)]. Major shareholders includes parties holding more than 10% of bank's share capital as disclosed in note 17.

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

Consolidated 2024	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	2,441	9,673	12,114
Interest expense	988	1,212	2,200
2023	RO'000	RO'000	RO'000
Interest and commission income	2,252	9,728	11,980
Interest expense	1,221	765	1,986

B. Other related party transactions

Parent Company 2024	Subsidiary RO'000	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	291	2,441	8,716	11,448
Interest expense	-	988	1,096	2,084
2023	RO'000	RO'000	RO'000	RO'000
Interest and commission income	356	2,252	7,355	9,936
Interest expense	-	1,221	1,138	2,359

C. Key management compensation

Key management comprises of 5 personnel (2023: 5) of the executive committee in the year 2024. The Bank considers the personnel of executive committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures'. The Directors' remuneration is set out in Note 30 and the remuneration of key management during the year was as follows:

	Consolidated		Parent Company	
	2024 RO'000	2023 RO'000	2024 RO'000	2023 RO'000
Salaries and other short-term benefits	2,491	2,108	1,539	1,325
End of service benefits	65	95	30	69
Total	2,556	2,203	1,569	1,394

40. Financial risk management

Effective risk management is of primary importance for the Bank. The Bank's risk management process evaluates, monitors and manages the risks associated with the businesses the Bank conducts in line with the defined risk appetite. The principal types of risks that the Bank faces are credit risk, liquidity risk, market risk and operational risk. The Board of Directors defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk in both the trading and the banking book of the Bank. Risk Management is carried out by the Risk Management Department in accordance with documented policies approved by the Board of Directors.

The Bank's Management Risk Committee (MRC), comprising the Bank's most senior risk professionals provides oversight to the Risk Management Division, review & oversee the Bank's risk profile and determines the actions required to maintain the risk profile within the approved appetite. It also monitor's and report's the progress of any action plans taken as and when required to maintain the objective. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks.

40.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending, investment activities and other assets in the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures.

Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management team which is divided into corporate, financial institutions and retail groups. The credit risk in corporate, retail and financial institutions portfolio is primarily managed by the Credit Review Department.

The Risk Management Department reviews the portfolio credit risk independently and directly reports to the Board Compliance and Risk Committee. The risk management framework also includes policies with respect to problem recognition, watch lists, classification parameters and risk rating adjustments.

i. Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. The Bank also, in limited circumstances and with proper justifications and specific approval from the Chief Risk Officer, does not treat certain events as significant increases in credit risk to continue classifying a financing exposure under Stage 1 (this is in line with CBO circular BM 1149). Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in overdue as defined by the CBO circular number BM 977 dated 25 September 2004. In addition, the Bank assesses the operational performance and financial position of the borrowers to consider downgrading the classification.

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

ii. Definition of default

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 liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

iii. Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Given the nature of the bank's exposures and availability of historical statistically reliable information, the bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data assessed based on historical default experience. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration recent and forward looking economic forecasts under three scenarios (base case, bad case, and good case), historical economic data, and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates has been developed using internal historical data and relevant external market data.

iv. Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD estimates are estimates at a certain date and are calculated using the banks internal default data.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs.

LGD is the likely loss, if there is a default. The bank estimates LGD parameters based on the Basel guidelines for corporate exposures and the history of recovery rates of claims against defaulted retail exposures, based on historical data. The Bank has applied a LGD of 0% on Government Development Bonds (GDB) & Treasury Bills (T-Bills) issued by Government of Oman which are classified as investments under Held to Collect & Held to Collect and Sale business model. The Bank has also applied a LGD of 0% on loans, advances and financing to customers aggregating to RO 274,393 thousand (Consolidated), RO 191,350 thousand (Parent); [(2023: RO 247,428 thousand (Consolidated), RO 164,508 thousand (Parent))] as of 31 December 2024 which are guaranteed by the Government of Oman or collateralized by way of bank deposits / cash margin.

EAD represents the expected exposure at the time of default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual year over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31 December 2024, the probabilities assigned to the base case, bad case and good case scenarios were in the ratio of 55%:20%:25% (2023: 55%:20%:25%) respectively.

v. Credit risk profile

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the creditworthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

40.1 Credit risk

v. Credit risk profile

The internal ratings map as follows:

Internal rating grade	Internal classification
Performing portfolio	
Rating grade 1 to 5	Standard
Rating grade 6 to 9	Satisfactory
Rating grade 10	High risk
Non-performing portfolio	
SS	Sub-standard
DD	Doubtful
LS	Loss

The credit risk profile, based on internal credit ratings, was as follows:

Consolidated 2024	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL):				
Standard	55,708	440,089	1,413,797	435,696
Satisfactory	11,551	-	1,276,654	183,763
High risk	-	-	167,119	172,896
Gross carrying amount	67,259	440,089	2,857,570	792,355
Stage 2 (Lifetime ECL but not credit-impaired):				
Standard	-	-	134,601	14,698
Satisfactory	-	-	151,872	34,775
High risk	-	-	372,858	20,916
Gross carrying amount	-	-	659,331	70,389
Stage 3 (Lifetime ECL and credit-impaired):				
Sub-Standard	-	-	4,593	10
Doubtful	-	-	10,880	5
Loss	-	-	194,401	3,731
Gross carrying amount	-	-	209,874	3,746
Provisions for impairment:				
Stage 1	37	173	8,090	670
Stage 2	-	-	83,969	387
Stage 3	-	-	142,736	2,761
Total	37	173	234,795	3,818

40.1 Credit risk

v. Credit risk profile

Consolidated 2023	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL)				
Standard	119,885	71,640	1,625,499	311,378
Satisfactory	25,755	250,027	775,902	373,849
High risk	-	-	380,203	89,416
Gross carrying amount	145,640	321,667	2,781,604	774,643
Stage 2 (Lifetime ECL but not credit-impaired)				
Standard	-	-	86,562	16,326
Satisfactory	-	-	71,254	21,738
High risk	-	-	391,355	50,631
Gross carrying amount	-	-	549,171	88,695
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	7,658	18
Doubtful	-	-	17,559	2,240
Loss	-	-	181,330	3,476
Gross carrying amount	-	-	206,547	5,734
Provisions for impairment:				
Stage 1	115	280	9,641	482
Stage 2	-	-	65,677	72
Stage 3	-	-	142,944	3,082
Total	115	280	218,262	3,636

Parent Company 2024	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL)				
Standard	54,355	320,654	595,837	269,281
Satisfactory	11,551	-	1,179,341	176,305
High risk	-	-	132,705	160,104
Gross carrying amount	65,906	320,654	1,907,883	605,690
Stage 2 (Lifetime ECL but not credit-impaired)				
Standard	-	-	43,943	14,117
Satisfactory	-	-	142,255	34,248
High risk	-	-	320,333	20,758
Gross carrying amount	-	-	506,531	69,123
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	2,755	-
Doubtful	-	-	6,886	5
Loss	-	-	150,917	3,704
Gross Carrying amount	-	-	160,558	3,709
Provisions for impairment:				
Stage 1	30	134	4,831	440
Stage 2	-	-	67,761	347
Stage 3	-	-	111,702	2,741
Total	30	134	184,294	3,528

40.1 Credit risk

v. Credit risk profile

Parent Company 2023	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL)				
Standard	98,407	-	899,594	187,064
Satisfactory	25,755	250,027	674,565	345,103
High risk	-	-	360,907	89,389
Gross carrying amount	124,162	250,027	1,935,066	621,556
Stage 2 (Lifetime ECL but not credit-impaired)				
Standard	-	-	10,495	14,721
Satisfactory	-	-	56,005	21,620
High risk	-	-	333,738	50,065
Gross carrying amount	-	-	400,238	86,406
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	1,302	-
Doubtful	-	-	14,243	2,240
Loss	-	-	144,047	3,389
Gross carrying amount	-	-	159,592	5,629
Provisions for impairment:				
Stage 1	94	258	6,886	305
Stage 2	-	-	53,751	33
Stage 3	-	-	112,649	3,001
Total	94	258	173,286	3,339

vi Economic variable assumptions

The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2024.

2024	ECL scenario and assigned weightage	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth (% change)	Base (55%)	5.19%	4.04%	4.09%	4.15%	4.12%
	Good (25%)	5.19%	6.28%	6.28%	6.28%	6.28%
	Bad (20%)	5.19%	2.98%	3.04%	3.07%	3.07%
Investment (% of GDP)	Base (55%)	23.50%	23.80%	22.30%	22.51%	22.72%
	Good (25%)	23.50%	23.80%	30.44%	30.44%	30.44%
	Bad (20%)	23.50%	23.80%	18.49%	18.70%	18.80%
2023	ECL scenario and assigned weightage	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth (% change)	Base (55%)	1.66%	5.19%	2.28%	2.49%	2.59%
	Good (25%)	4.69%	8.23%	5.57%	3.94%	4.08%
	Bad (20%)	(4.40%)	(0.91%)	(4.30%)	(0.42%)	(0.40%)
Investment (% of GDP)	Base (55%)	23.20%	23.50%	23.80%	24.00%	24.10%
	Good (25%)	23.20%	31.11%	28.97%	28.69%	25.35%
	Bad (20%)	23.20%	19.69%	21.21%	21.65%	23.48%

40.1 Credit risk

vi. Economic variable assumptions

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

40.1.1 Risk mitigation policies

The Bank manages limits and controls concentrations of credit risk – in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Risk Committee and Risk Management committee of the Board of Directors and the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

A. Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as premises, inventory and accounts receivable
- lien on fixed deposits
- cash margins
- mortgages over residential and commercial properties
- pledge of marketable shares and securities

Longer-term finance and lending to corporate entities are generally secured. The housing loans are secured by mortgage over the residential property. Additionally, in order to minimise the credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

B. Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The relationship managers remain in close contact with the borrowers. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Credit Review Division.

C. Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The concentration of credit related commitments by industry sector at the year-end is set out in Note 40.1.2(g).

An analysis of the loans and advances for which collaterals or other credit enhancements are held is as follows:

2024	Performing loans (neither past due nor impaired)	Loans Past due and not impaired	Non-performing loans	Total
	RO'000	RO'000	RO'000	RO'000
Consolidated				
Value of collateral available against loans and advances	1,096,843	228,428	56,404	1,381,675
Percentage of exposure with collateral and guarantees	36%	49%	27%	38%
Parent Company	RO'000	RO'000	RO'000	RO'000
Value of collateral available against loans and advances	857,212	166,525	36,170	1,059,907
Percentage of exposure with collateral and guarantees	42%	49%	23%	41%

2023	Performing loans (neither past due nor impaired)	Loans Past due and not impaired	Non-performing loans	Total
	RO'000	RO'000	RO'000	RO'000
Consolidated				
Value of collateral available against loans and advances	1,061,685	168,784	60,218	1,290,687
Percentage of exposure with collateral and guarantees	37%	42%	29%	37%
Parent Company				
Value of collateral available against loans and advances	740,086	141,872	41,369	923,327
Percentage of exposure with collateral and guarantees	36%	51%	26%	37%

40.1 Credit risk

40.1.2 Credit Risk Analysis

The analysis of gross exposure to credit risk before collateral held or other credit enhancements is as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Cash and balances with central bank	180,450	151,581	117,845	84,685
Due from banks	67,259	130,240	65,906	124,162
- Corporate loans	2,328,663	2,206,412	1,685,030	1,621,280
- Personal loans	1,352,826	1,286,574	872,517	858,166
Loans and advances	3,681,489	3,492,986	2,557,547	2,479,446
Other assets	94,480	81,349	57,176	48,719
GDBs and Government Sukuk	289,295	279,654	200,860	213,222
Corporate bonds	70,069	42,035	39,069	36,805
Other investments	91,129	5,152	88,624	3,875
Items on the statement of financial position	4,474,171	4,182,997	3,127,027	2,990,914
Letters of credit	195,730	207,602	100,496	105,457
Guarantees	181,309	230,247	138,027	196,714
Off-Balance sheet items	377,039	437,849	238,523	302,171

A. The analysis of due from banks is as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Neither past due nor impaired	67,259	130,240	65,906	124,162
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross due from banks	67,259	130,240	65,906	124,162
Less: expected credit loss	(37)	(115)	(30)	(94)
Due from banks (net)	67,222	130,125	65,876	124,068

B. The analysis of loans, advances and financing to customers is as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Neither past due nor impaired	3,005,183	2,880,979	2,056,906	2,040,851
Past due but not impaired	466,432	405,460	340,083	279,003
Impaired	209,874	206,547	160,558	159,592
Gross loans, advances and financing to customers	3,681,489	3,492,986	2,557,547	2,479,446
Less: allowances for credit losses and suspended interest	(234,795)	(218,262)	(184,294)	(173,286)
Loans, advances and financing to customers (net)	3,446,694	3,274,724	2,373,253	2,306,160

C. Age analysis of loans and advances past due but not impaired is as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Past due up to 30 days	374,307	274,878	295,834	181,078
Past due 30-60 days	29,998	67,454	13,493	34,797
Past due 60-90 days	62,127	63,128	30,756	63,128
Total past due but not impaired	466,432	405,460	340,083	279,003

40.1 Credit risk

40.1.2 Credit Risk Analysis

C. Exposure at default and movement in the expected credit losses:

	Consolidated							
	2024			2023			Total	
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000		
Exposure at default								
- Loans and Advances to Customers including interest receivables	2,857,570	659,330	209,874	3,726,774	2,781,604	549,171	206,547	3,537,322
- Investment Securities (Debt)	440,089	-	-	440,089	321,667	-	-	321,667
- Loan Commitments, financial guarantees and acceptances	792,355	70,389	3,746	866,490	774,643	88,695	5,734	869,072
- Due from Banks, Central Banks and Other Financial Assets	67,259	-	-	67,259	145,640	-	-	145,640
Exposure subject to ECL	4,157,273	729,719	213,620	5,100,612	4,023,554	637,866	212,281	4,873,701
Movement of ECL								
- Loans and Advances to Customers including interest receivables	9,641	59,745	104,961	174,347	9,768	55,212	84,732	149,712
- Investment Securities (Debt)	280	-	-	280	239	-	-	239
- Loan Commitments, financial guarantees and acceptances	482	72	3,082	3,636	426	101	3,160	3,687
- Due from Banks, Central Banks and Other Financial Assets	115	-	-	115	36	-	-	36
Opening balance as at 1 January	10,518	59,817	108,043	178,378	10,469	55,313	87,892	153,674
- Loans and Advances to Customers including interest receivables	(3,561)	(3,102)	6,663	-	(4,002)	(4,779)	8,781	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(36)	36	-	-	(5)	5	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	(3,597)	(3,066)	6,663	-	(4,007)	(4,774)	8,781	-
- Loans and Advances to Customers including interest receivables	2,010	15,770	367	18,147	3,875	9,312	11,473	24,660
- Investment Securities (Debt)	(107)	-	-	(107)	41	-	-	41
- Loan Commitments, financial guarantees and acceptances	224	279	(321)	182	61	(34)	(78)	(51)
- Due from Banks, Central Banks and Other Financial Assets	(78)	-	-	(78)	79	-	-	79
Charge for the year (net)	2,049	16,049	46	18,144	4,056	9,278	11,395	24,729
Write Off								
- Loans and Advances to Customers including interest receivables	8,090	72,413	100,089	180,592	9,641	59,745	104,961	174,347
- Investment Securities (Debt)	173	-	-	173	280	-	-	280
- Loan Commitments, financial guarantees and acceptances	670	387	2,761	3,818	482	72	3,082	3,636
- Due from Banks, Central Banks and Other Financial Assets	37	-	-	37	115	-	-	115
Closing balance as at 31 December	8,970	72,800	102,850	184,620	10,518	59,817	108,043	178,378

40.1 Credit risk

40.1.2 Credit Risk Analysis

C. Exposure at default and movement in the expected credit losses:

	Parent Company							
	2024			2023			Total	
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000		
Exposure at default								
- Loans and Advances to Customers including interest receivables	1,907,883	506,531	160,558	2,574,972	1,935,066	400,238	159,592	2,494,896
- Investment Securities (Debt)	320,654	-	-	320,654	250,027	-	-	250,027
- Loan Commitments, financial guarantees and acceptances	605,690	69,123	3,709	678,522	621,556	86,406	5,629	713,591
- Due from Banks, Central Banks and Other Financial Assets	65,906	-	-	65,906	124,162	-	-	124,162
Exposure subject to ECL	2,900,133	575,654	164,267	3,640,054	2,930,811	486,644	165,221	3,582,676
Movement of ECL								
- Loans and Advances to Customers including interest receivables	6,886	47,966	78,700	133,552	6,324	45,522	60,132	111,978
- Investment Securities (Debt)	258	-	-	258	237	-	-	237
- Loan Commitments, financial guarantees and acceptances	305	33	3,001	3,339	201	67	2,950	3,218
- Due from Banks, Central Banks and Other Financial Assets	94	-	-	94	32	-	-	32
Opening balance as at 1 January	7,543	47,999	81,701	137,243	6,794	45,589	63,082	115,465
- Loans and Advances to Customers including interest receivables	(2,452)	(2,594)	5,046	-	(723)	(5,587)	6,310	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(38)	38	-	-	(9)	9	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	(2,490)	(2,556)	5,046	-	(732)	(5,578)	6,310	-
- Loans and Advances to Customers including interest receivables	397	12,150	1,591	14,138	1,285	8,031	12,283	21,599
- Investment Securities (Debt)	(124)	-	-	(124)	21	-	-	21
- Loan Commitments, financial guarantees and acceptances	173	276	(260)	189	113	(43)	51	121
- Due from Banks, Central Banks and Other Financial Assets	(64)	-	-	(64)	62	-	-	62
Charge for the year (net)	382	12,426	1,331	14,139	1,481	7,988	12,334	21,803
Write Off								
- Loans and Advances to Customers including interest receivables	4,831	57,522	73,435	135,788	6,886	47,966	78,700	133,552
- Investment Securities (Debt)	134	-	-	134	258	-	-	258
- Loan Commitments, financial guarantees and acceptances	440	347	2,741	3,528	305	33	3,001	3,339
- Due from Banks, Central Banks and Other Financial Assets	30	-	-	30	94	-	-	94
Closing balance as at 31 December	5,435	57,869	76,176	139,480	7,543	47,999	81,701	137,243

40.1 Credit risk

40.1.2 Credit Risk Analysis

D. Impairment charge and provisions held:

	Consolidated					
	2024			2023		
	As per CBO Norms	As per IFRS 9	Difference	As per CBO Norms	As per IFRS 9	Difference
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Impairment loss charged to profit or loss account	18,144	18,144	-	24,729	24,729	-
Provisions required as per CBO norms/held as per IFRS 9	201,405	184,620	(16,785)	184,679	178,378	(6,301)
Gross NPL ratio ¹		5.70%			5.91%	
Net NPL ratio ¹		1.90%			1.94%	

	Parent Company					
	2024			2023		
	As per CBO Norms	As per IFRS 9	Difference	As per CBO Norms	As per IFRS 9	Difference
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Impairment loss charged to profit or loss account	14,139	14,139	-	21,803	21,803	-
Provisions required as per CBO norms/held as per IFRS 9	156,279	139,480	(16,799)	145,512	137,243	(8,269)
Gross NPL ratio ¹		6.28%			6.44%	
Net NPL ratio ¹		2.00%			2.04%	

1. NPL ratios are calculated on the basis of funded non-performing loans and funded exposures.

40.1 Credit risk

40.1.2 Credit Risk Analysis

E. Comparison of provision held as per IFRS 9 and required as per CBO guidelines :

Asset Classification as per CBO Norms 2024	Consolidated									
	Asset classification as per IFRS 9	Gross Amount RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms ¹ RO'000	Net Amount as per IFRS 9 RO'000	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard		2,857,570	33,990	8,090	25,900	-	2,823,580	2,849,480	-	281,188
		290,396	2,891	9,208	(6,317)	-	287,505	-	-	-
		-	-	-	-	-	-	-	-	-
Sub-total		3,147,966	36,881	17,298	19,583	-	3,111,085	3,130,668	-	3,130,668
Special Mention		-	-	-	-	-	-	-	-	-
		368,934	37,722	63,205	(25,483)	11,556	319,656	294,173	-	294,173
		-	-	-	-	-	-	-	-	-
Sub-total		368,934	37,722	63,205	(25,483)	11,556	319,656	319,656	-	294,173
Substandard		-	-	-	-	-	-	-	-	-
		4,594	1,151	1,464	(313)	73	3,370	3,057	-	3,057
		4,594	1,151	1,464	(313)	73	3,370	3,057	-	3,057
Sub-total		4,594	1,151	1,464	(313)	73	3,370	3,057	-	3,057
Doubtful		-	-	-	-	-	-	-	-	-
		10,880	3,138	2,591	547	422	7,320	7,867	-	7,867
		10,880	3,138	2,591	547	422	7,320	7,867	-	7,867
Sub-total		10,880	3,138	2,591	547	422	7,320	7,867	-	7,867
Loss		-	-	-	-	-	-	-	-	-
		194,400	122,498	96,034	26,464	42,152	29,750	56,214	-	56,214
		194,400	122,498	96,034	26,464	42,152	29,750	56,214	-	56,214
Sub-total		194,400	122,498	96,034	26,464	42,152	29,750	56,214	-	56,214
Other items not covered under CBO circular BM 977 and related instructions		1,299,703	-	880	(880)	-	1,299,703	1,298,823	-	1,298,823
		70,389	-	387	(387)	-	70,389	70,002	-	70,002
		3,746	15	2,761	(2,746)	-	3,731	985	-	985
Sub-total		1,373,838	15	4,028	(4,013)	-	1,373,823	1,369,810	-	1,369,810
Stage 1		4,157,273	33,990	8,970	25,020	-	4,123,283	4,148,303	-	4,148,303
Stage 2		729,719	40,613	72,800	(32,187)	11,556	677,550	645,363	-	645,363
Stage 3		213,620	126,802	102,850	23,952	42,647	44,171	68,123	-	68,123
Total		5,100,612	201,405	184,620	16,785	54,203	4,845,004	4,861,789	-	4,861,789

40.1 Credit risk

40.1.2 Credit Risk Analysis

E. Comparison of provision held as per IFRS 9 and required as per CBO guidelines :

Consolidated									
Asset Classification as per CBO Norms 2023	Asset classification as per IFRS 9	Gross Amount RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms' RO'000	Net Amount as per IFRS 9 RO'000	(9) = (1)-(3)-(7)
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)	
Standard	Stage 1	2,759,648	10,499	9,289	1,210	-	2,749,149	2,750,359	
	Stage 2	221,053	25,141	8,483	16,658	-	195,912	212,570	
	Stage 3	-	-	-	-	-	-	-	
	Sub-total	2,980,701	35,640	17,772	17,868	-	2,945,061	2,962,929	
Special Mention	Stage 1	21,956	2,234	351	1,883	-	19,722	21,605	
	Stage 2	328,118	27,099	51,264	(24,165)	5,932	295,087	270,922	
	Stage 3	-	-	-	-	-	-	-	
	Sub-total	350,074	29,333	51,615	(22,282)	5,932	314,809	292,527	
Substandard	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	7,658	1,877	2,429	(552)	201	5,580	5,028	
	Sub-total	7,658	1,877	2,429	(552)	201	5,580	5,028	
Doubtful	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	17,559	7,740	7,060	680	1,836	7,983	8,663	
	Sub-total	17,559	7,740	7,060	680	1,836	7,983	8,663	
Loss	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	181,330	109,998	95,471	14,527	35,946	35,386	49,913	
	Sub-total	181,330	109,998	95,471	14,527	35,946	35,386	49,913	
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,241,950	-	878	(878)	-	1,241,950	1,241,072	
	Stage 2	88,695	-	70	(70)	-	88,695	88,625	
	Stage 3	5,734	91	3,083	(2,992)	-	5,643	2,651	
	Sub-total	1,336,379	91	4,031	(3,940)	-	1,336,288	1,332,348	
Total	Stage 1	4,023,554	12,733	10,518	2,215	-	4,010,821	4,013,036	
	Stage 2	637,866	52,240	59,817	(7,577)	5,932	579,694	572,117	
	Stage 3	212,281	119,706	108,043	11,663	37,983	54,592	66,255	
	Total	4,873,701	184,679	178,378	6,301	43,915	4,645,107	4,651,408	

40.1 Credit risk

40.1.2 Credit Risk Analysis

E. Comparison of provision held as per IFRS 9 and required as per CBO guidelines :

Parent Company									
Asset Classification as per CBO Norms 2024	Asset classification as per IFRS 9	Gross Amount RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms' RO'000	Net Amount as per IFRS 9 RO'000	(9) = (1)-(3)-(7)
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)	
Standard	Stage 1	1,907,883	24,523	4,831	19,692	-	1,883,360	1,903,052	
	Stage 2	237,834	2,353	5,425	(3,072)	-	235,481	232,409	
	Stage 3	-	-	-	-	-	-	-	
	Sub-total	2,145,717	26,876	10,256	16,620	-	2,118,841	2,135,461	
Special Mention	Stage 1	-	-	-	-	-	-	-	
	Stage 2	268,697	36,707	52,097	(15,390)	10,239	221,751	206,361	
	Stage 3	-	-	-	-	-	-	-	
	Sub-total	268,697	36,707	52,097	(15,390)	10,239	221,751	206,361	
Substandard	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	2,755	673	1,101	(428)	65	2,017	1,589	
	Sub-total	2,755	673	1,101	(428)	65	2,017	1,589	
Doubtful	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	6,886	2,428	1,917	511	421	4,037	4,548	
	Sub-total	6,886	2,428	1,917	511	421	4,037	4,548	
Loss	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	150,917	89,595	70,417	19,178	37,781	23,541	42,719	
	Sub-total	150,917	89,595	70,417	19,178	37,781	23,541	42,719	
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	992,250	-	604	(604)	-	992,250	991,646	
	Stage 2	69,123	-	347	(347)	-	69,123	68,776	
	Stage 3	3,709	-	2,741	(2,741)	-	3,709	968	
	Sub-total	1,065,082	-	3,692	(3,692)	-	1,065,082	1,061,390	
Total	Stage 1	2,900,133	24,523	5,435	19,088	-	2,875,610	2,894,698	
	Stage 2	575,654	39,060	57,869	(18,809)	10,239	526,355	507,546	
	Stage 3	164,267	92,696	76,176	16,520	38,267	33,304	49,824	
	Total	3,640,054	156,279	139,480	16,799	48,506	3,435,269	3,452,068	

40.1.2 Credit Risk Analysis

E. Comparison of provision held as per IFRS 9 and required as per CBO guidelines :

Asset Classification as per CBO Norms 2023	Parent Company							
	Asset classification as per IFRS 9	Gross Amount RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms RO'000	Net Amount as per IFRS 9 RO'000
	(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)	
Standard	1,913,110	1,592	6,535	(4,943)	-	1,911,518	1,906,575	
	158,761	24,500	4,524	19,976	-	134,261	154,237	
	-	-	-	-	-	-	-	-
Sub-total	2,071,871	26,092	11,059	15,033	-	2,045,779	2,060,812	
Special Mention	21,956	2,234	351	1,883	-	19,722	21,605	
	241,477	26,231	43,442	(17,211)	5,785	209,461	192,250	
	-	-	-	-	-	-	-	-
Sub-total	263,433	28,465	43,793	(15,328)	5,785	229,183	213,855	
Substandard	-	-	-	-	-	-	-	-
	1,302	317	503	(186)	38	947	761	
	1,302	317	503	(186)	38	947	761	
Doubtful	-	-	-	-	-	-	-	-
	14,243	6,512	6,113	399	1,714	6,017	6,416	
	14,243	6,512	6,113	399	1,714	6,017	6,416	
Loss	-	-	-	-	-	-	-	-
	144,047	84,126	72,084	12,042	32,197	27,724	39,766	
	144,047	84,126	72,084	12,042	32,197	27,724	39,766	
Other items not covered under CBO circular BM 977 and related instructions	995,745	-	657	(657)	-	995,745	995,088	
	86,406	-	33	(33)	-	86,406	86,373	
	5,629	-	3,001	(3,001)	-	5,629	2,628	
	1,087,780	-	3,691	(3,691)	-	1,087,780	1,084,089	
Stage 1	2,930,811	3,826	7,543	(3,717)	-	2,926,985	2,923,268	
Stage 2	486,644	50,731	47,999	2,732	5,785	430,128	432,860	
Stage 3	165,221	90,955	81,701	9,254	33,949	40,317	49,571	
Total	3,582,676	145,512	137,243	8,269	39,734	3,397,430	3,405,699	

1. The CBO regulations require that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirements as per the CBO guidelines are higher than IFRS 9, the difference, net of tax, needs to be transferred to the 'Impairment Reserve' as an appropriation from net profit after tax. As at 31 December 2024 the allowance for credit losses as per CBO provision requirement after considering the impairment reserve held is above the allowance for credit losses held as per IFRS 9 and thus additional impairment reserve of RO 7.67 million was created during the year 2024 (2023: nil). Further, the provision/ECL amount held above is excluding the special reserve for restructured cases.

40.1 Credit risk

40.1.2 Credit Risk Analysis

F. Restructured loans :

Asset Classification as per CBO Norms 2024	Consolidated							
	Asset Classification as per IFRS 9	Gross Carrying Amount RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms RO'000	Net Amount as per IFRS 9 RO'000
	(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)	
Classified as performing	39,988	409	643	(234)	-	39,579	39,345	
	352,889	29,222	54,938	(25,716)	9,506	314,161	288,445	
	-	-	-	-	-	-	-	-
Sub-total	392,877	29,631	55,581	(25,950)	9,506	353,740	327,790	
Classified as non-performing	-	-	-	-	-	-	-	-
	81,724	54,380	42,476	11,904	13,656	13,688	25,592	
	81,724	54,380	42,476	11,904	13,656	13,688	25,592	
Stage 1	39,988	409	643	(234)	-	39,579	39,345	
Stage 2	352,889	29,222	54,938	(25,716)	9,506	314,161	288,445	
Stage 3	81,724	54,380	42,476	11,904	13,656	13,688	25,592	
Total	474,601	84,011	98,057	(14,046)	23,162	367,428	353,382	
2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)	
Classified as performing	77,983	759	1,148	(389)	-	77,224	76,835	
	382,395	24,604	46,388	(21,784)	5,092	352,699	330,915	
	-	-	-	-	-	-	-	-
Sub-total	460,378	25,363	47,536	(22,173)	5,092	429,923	407,750	
Classified as non-performing	-	-	-	-	-	-	-	-
	77,370	47,373	42,850	4,523	11,607	18,390	22,913	
	77,370	47,373	42,850	4,523	11,607	18,390	22,913	
Stage 1	77,983	759	1,148	(389)	-	77,224	76,835	
Stage 2	382,395	24,604	46,388	(21,784)	5,092	352,699	330,915	
Stage 3	-	-	-	-	-	-	-	-
Sub-total	460,378	25,363	47,536	(22,173)	5,092	429,923	407,750	
Total	382,395	24,604	46,388	(21,784)	5,092	352,699	330,915	
	77,370	47,373	42,850	4,523	11,607	18,390	22,913	
	537,748	72,736	90,386	(17,650)	16,699	448,313	430,663	

40.1 Credit risk

40.1.2 Credit Risk Analysis

F. Restructured loans :

Asset Classification as per CBO Norms 2024	Asset Classification as per IFRS 9	Gross Carrying Amount RO'000	Parent Company		Difference between CBO provision required and provision held RO'000	Reserve interest as per CBO norms RO'000	Net Amount as per CBO norms RO'000	Net Amount as per IFRS 9 RO'000
			Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000				
	Stage 1	6	0	0	0	-	6	6
	Stage 2	239,554	28,073	43,106	(15,033)	8,189	203,292	188,259
	Stage 3	-	-	-	-	-	-	-
	Sub-total	239,560	28,073	43,106	(15,033)	8,189	203,298	188,259
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	60,833	41,723	34,131	7,592	12,335	6,775	14,367
	Sub-total	60,833	41,723	34,131	7,592	12,335	6,775	14,367
Total	Stage 1	6	-	-	-	-	6	6
	Stage 2	239,554	28,073	43,106	(15,033)	8,189	203,292	188,259
	Stage 3	60,833	41,723	34,131	7,592	12,335	6,775	14,367
	Total	300,393	69,796	77,237	(7,441)	20,524	210,073	202,632
2023		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	Stage 1	(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
	Stage 2	23,485	205	342	(137)	-	23,280	23,143
	Stage 3	260,287	23,374	35,604	(12,230)	4,945	231,968	219,738
	Sub-total	283,772	23,579	35,946	(12,367)	4,945	255,248	242,881
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	62,517	40,337	36,041	4,296	10,686	11,494	15,790
	Sub-total	62,517	40,337	36,041	4,296	10,686	11,494	15,790
Total	Stage 1	23,485	205	342	(137)	-	23,280	23,143
	Stage 2	260,287	23,374	35,604	(12,230)	4,945	231,968	219,738
	Stage 3	62,517	40,337	36,041	4,296	10,686	11,494	15,790
	Total	346,289	63,916	71,987	(8,071)	15,631	266,742	258,671

40.1 Credit risk

40.1.2 Credit Risk Analysis

G. Concentration of risk

Concentrations risk is the potential loss in value when a number of counterparties or exposures move together in unfavourable direction. They may have comparable economic characteristics, or are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The Bank uses a number of controls and measures to minimise undue concentration of exposure across industries, countries and business.

The concentration of gross exposures by sector is as follows:

By sector	Consolidated							
	2024				2023			
	Due from banks RO'000	Loans and advances RO'000	Investment securities RO'000	Contingent liabilities RO'000	Due from banks RO'000	Loans and advances RO'000	Investment securities RO'000	Contingent liabilities RO'000
Personal	-	1,352,826	-	-	-	1,286,574	-	-
Corporate	67,222	2,257,651	80,299	298,601	130,125	2,133,222	46,906	353,644
Government	-	71,012	370,021	78,438	-	73,190	279,655	84,205
Total	67,222	3,681,489	450,320	377,039	130,125	3,492,986	326,561	437,849

By sector	Parent Company							
	2024				2023			
	Due from banks RO'000	Loans and advances RO'000	Investment securities RO'000	Contingent liabilities RO'000	Due from banks RO'000	Loans and advances RO'000	Investment securities RO'000	Contingent liabilities RO'000
Personal	-	872,517	-	-	-	858,166	-	-
Corporate	65,876	1,685,018	46,834	233,026	124,068	1,619,090	40,422	290,907
Government	-	12	281,585	5,497	-	2,190	213,222	11,264
Total	65,876	2,557,547	328,419	238,523	124,068	2,479,446	253,644	302,171

The concentration of gross exposures by location is as follows:

Consolidated 2024	Sultanate of Oman RO'000	Other GCC countries RO'000	Europe RO'000	United States of America RO'000	Others RO'000	Total RO'000
	Cash and balances with central bank	180,450	-	-	-	-
Due from banks	-	32,543	13,712	15,465	5,502	67,222
Loans and advances	3,446,694	-	-	-	-	3,446,694
Investment securities	420,111	10,748	-	-	19,461	450,320
Intangible assets	6,280	-	-	-	-	6,280
Other assets	100,816	-	-	-	-	100,816
Property and equipment	39,586	-	-	-	-	39,586
Total assets	4,193,937	43,291	13,712	15,465	24,963	4,291,368
Due to banks	17,882	25,080	556	-	11,081	54,599
Customer deposits	3,534,336	-	-	-	-	3,534,336
Borrowed funds	-	9,625	-	-	-	9,625
Other liabilities	116,899	-	-	-	-	116,899
Taxation	10,145	-	-	-	-	10,145
Total liabilities	3,679,262	34,705	556	-	11,081	3,725,604

40.1 Credit risk

40.1.2 Credit Risk Analysis

Consolidated 2023	Sultanate of Oman RO'000	Other GCC countries RO'000	Europe RO'000	United States of America RO'000	Others RO'000	Total RO'000
Cash and balances with central bank	151,581	-	-	-	-	151,581
Due from banks	63,390	30,707	6,148	18,148	11,732	130,125
Loans and advances	3,274,724	-	-	-	-	3,274,724
Investment securities	322,701	3,668	-	-	192	326,561
Intangible assets	6,590	-	-	-	-	6,590
Other assets	86,326	-	-	-	-	86,326
Property and equipment	43,096	-	-	-	-	43,096
Total assets	3,948,408	34,375	6,148	18,148	11,924	4,019,003
Due to banks	68	7,683	14,234	-	10,243	32,228
Customer deposits	3,357,417	-	-	-	-	3,357,417
Other liabilities	107,146	-	-	-	-	107,146
Taxation	5,236	-	-	-	-	5,236
Total liabilities	3,469,867	7,683	14,234	-	10,243	3,502,027

Parent Company 2024	Sultanate of Oman RO'000	Other GCC countries RO'000	Europe RO'000	United States of America RO'000	Others RO'000	Total RO'000
Cash and balances with central bank	117,845	-	-	-	-	117,845
Due from banks	15,400	18,864	13,424	12,686	5,502	65,876
Loans and advances	2,373,253	-	-	-	-	2,373,253
Investment securities	328,209	-	-	-	210	328,419
Investment in subsidiary	135,095	-	-	-	-	135,095
Other assets	63,512	-	-	-	-	63,512
Property and equipment	34,254	-	-	-	-	34,254
Total assets	3,067,568	18,864	13,424	12,686	5,712	3,118,254
Due to banks	8,821	10,835	556	-	11,081	31,293
Customer deposits	2,440,157	-	-	-	-	2,440,157
Borrowed funds	-	9,625	-	-	-	9,625
Other liabilities	92,115	-	-	-	-	92,115
Taxation	9,181	-	-	-	-	9,181
Total liabilities	2,550,274	20,460	556	-	11,081	2,582,371

Parent Company 2023	Sultanate of Oman RO'000	Other GCC countries RO'000	Europe RO'000	United States of America RO'000	Others RO'000	Total RO'000
Cash and balances with central bank	84,685	-	-	-	-	84,685
Due from banks	63,805	26,668	5,883	15,980	11,732	124,068
Loans and advances	2,306,160	-	-	-	-	2,306,160
Investment securities	253,452	-	-	-	192	253,644
Investment in subsidiary	107,144	-	-	-	-	107,144
Other assets	53,696	-	-	-	-	53,696
Property and equipment	37,394	-	-	-	-	37,394
Total assets	2,906,336	26,668	5,883	15,980	11,924	2,966,791
Due to banks	68	7,683	14,234	-	10,243	32,228
Customer deposits	2,343,619	-	-	-	-	2,343,619
Other liabilities	87,097	-	-	-	-	87,097
Taxation	5,236	-	-	-	-	5,236
Total liabilities	2,436,020	7,683	14,234	-	10,243	2,468,180

40.1 Credit risk

40.1.2 Credit Risk Analysis

G. Concentration of risk

The concentration of the gross loans, advances and financings by economic sector is as follows:

	Consolidated				Parent Company			
	2024 RO' 000	%	2023 RO' 000	%	2024 RO' 000	%	2023 RO' 000	%
Personal loans	1,352,826	37%	1,286,574	37%	872,517	34%	858,166	35%
Construction	262,575	7%	270,098	8%	220,714	9%	222,771	9%
Manufacturing	279,986	8%	267,615	8%	215,942	8%	206,802	8%
Mining and quarrying	191,260	5%	140,324	4%	161,632	6%	124,534	5%
Services	369,347	10%	327,409	9%	182,673	7%	139,031	6%
Import trade	90,683	2%	95,732	3%	67,895	3%	78,539	3%
Transportation	272,200	7%	194,884	6%	244,230	10%	180,077	7%
Electricity, water & gas	153,085	4%	171,573	5%	98,915	4%	142,558	6%
Wholesale and retail trade	137,253	4%	115,990	3%	94,315	4%	68,034	3%
Financial institutions	258,863	7%	233,498	7%	214,192	8%	189,328	8%
Agriculture and allied activities	18,275	0%	20,272	1%	5,852	0%	6,345	0%
Export trade	26	0%	30	0%	26	0%	30	0%
Government	12	0%	2,190	0%	12	0%	2,190	0%
Lending to non-residents	2,084	0%	2,083	0%	197	0%	165	0%
Others	293,014	9%	364,714	9%	178,435	7%	260,876	10%
Total	3,681,489	100%	3,492,986	100%	2,557,547	100%	2,479,446	100%

The concentration of contingent liabilities by economic sector is as follows:

	Consolidated				Parent Company			
	2024 RO' 000	%	2023 RO' 000	%	2024 RO' 000	%	2023 RO' 000	%
Construction	59,015	16%	65,670	15%	48,155	20%	47,558	16%
Utilities	1,059	0%	1,218	0%	1,059	0%	1,218	0%
Financial Institutions	113,281	30%	168,044	39%	113,271	48%	168,044	56%
Government	78,438	21%	84,205	19%	5,497	2%	11,264	4%
Import trade	5,906	2%	5,965	1%	5,906	3%	5,965	2%
Transportation	1,826	0%	1,504	0%	1,287	1%	967	0%
Wholesale and retail trade	13,742	4%	17,449	4%	9,563	4%	14,319	5%
Services	70,516	19%	56,082	13%	31,035	12%	29,442	10%
Manufacturing	20,568	5%	19,395	5%	17,990	8%	16,386	5%
Mining & Quarrying	12,688	3%	18,317	4%	4,760	2%	7,008	2%
Total	377,039	100%	437,849	100%	238,523	100%	302,171	100%

40.1 Credit risk

40.1.2 Credit Risk Analysis

H. Stage wise movement of loans portfolio:

Consolidated 2024	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	2,737,268	549,171	206,547	3,492,986
Additions (new accounts)	770,947	210,596	15,325	996,868
Repaid / derecognized facilities	(629,109)	(150,403)	(9,464)	(788,976)
Transfer to Stage 1	31,287	(30,945)	(342)	-
Transfer to Stage 2	(94,133)	102,991	(8,858)	-
Transfer to Stage 3	(3,975)	(22,080)	26,055	-
Written off including transfer to memorandum accounts	-	-	(19,389)	(19,389)
Balance at the end of the year	2,812,285	659,330	209,874	3,681,489

Consolidated 2023	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	2,454,290	626,626	165,783	3,246,699
Additions (new accounts)	784,818	130,200	18,473	933,491
Repaid / derecognized facilities	(480,443)	(199,668)	(5,035)	(685,146)
Transfer to Stage 1	63,465	(63,029)	(436)	-
Transfer to Stage 2	(77,794)	87,208	(9,414)	-
Transfer to Stage 3	(7,068)	(32,166)	39,234	-
Written off including transfer to memorandum accounts	-	-	(2,058)	(2,058)
Balance at the end of the year	2,737,268	549,171	206,547	3,492,986

Parent 2024	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	1,919,616	400,238	159,592	2,479,446
Additions (new accounts)	664,531	200,665	15,325	880,521
Repaid / derecognized facilities	(639,224)	(140,287)	(3,520)	(783,031)
Transfer to Stage 1	15,858	(15,858)	-	-
Transfer to Stage 2	(67,201)	75,760	(8,559)	-
Transfer to Stage 3	(3,122)	(13,987)	17,109	-
Written off including transfer to memorandum accounts	-	-	(19,389)	(19,389)
Balance at the end of the year	1,890,458	506,531	160,558	2,557,547

Parent 2023	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at the beginning of the year	1,653,337	526,045	123,413	2,302,795
Additions (new accounts)	714,457	127,780	18,194	860,431
Repaid / derecognized facilities	(470,327)	(209,135)	(2,260)	(681,722)
Transfer to Stage 1	61,256	(61,256)	-	-
Transfer to Stage 2	(34,898)	44,237	(9,339)	-
Transfer to Stage 3	(4,209)	(27,433)	31,642	-
Written off including transfer to memorandum accounts	-	-	(2,058)	(2,058)
Balance at the end of the year	1,919,616	400,238	159,592	2,479,446

40.1. Credit risk

40.1.3 COVID related disclosures

A. Impact of COVID-19 on the Bank:

Corporate and SME Portfolio:

In line with the CBO guidelines vide letter ref. BSD/ CB&FLCs/ 2021/004 dated November 18, 2021, the Bank has considered restructuring of all eligible accounts whose cash flows have been impacted by the COVID-19 situation and has backed by specific requests from the respective customers. For such cases, every review includes an assessment on whether the strain on cash flows observed are on account of the COVID impact or otherwise and in case these are identified to be otherwise, the accounts are suitably staged. Moreover, the Bank is maintaining the requisite ECL and special reserve based on CBO guidelines.

Retail Portfolio:

A considerable portion of Bank's retail portfolio comprises of Omani nationals employed in government sector. This retail segment is expected to largely remain shielded from job cuts and salary reductions. However, retail lending to private sector employees is expected be impact from such risk. The Bank had extended the deferment of payments for terminated retail borrowers in 2024, which is being extended to 2025 based on the CBO requirement to extend the deferment. Moreover, the Bank is maintaining the requisite ECL and special reserve based on CBO guidelines.

B. PMAs and management adjustments:

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Bank expects that post-model adjustments will be applied for the foreseeable future.

As at 31 December 2024, ECL held over and above the model by the Bank through management overlays amounts to RO 48,803 thousand (consolidated), RO 40,503 thousand (Parent Company) [2023: RO 40,942 thousand (consolidated), RO 32,230 thousand (Parent Company)] which are specifically allocated to certain stressed parties.

In determining above, the management has considered Investments as per percentage of GDP and Real GDP growth rate as the macroeconomic factors.

C. Accounting for modification gain/loss:

In case of corporate customers, the Bank post the restructuring of the deferred exposures has computed the modification gain/loss by comparing the net present value of the restructured cash flows, which are discounted at the pre restructuring interest rates to the gross carrying value of the exposures. The Bank has determined that the modifications due to deferment of instalment and waiver of interest/profit allowed in line with CBO relaxation measures did not result in derecognition of financial assets. Further, the impact of day one modification gain/loss was accounted as part of impairment allowance.

40.1. Credit risk

40.1.3 Covid related disclosures

D. Stage- wise analysis of customers restructured under CBO window :

The restructured/ rescheduled loans implemented as per CBO circular BSD/CB & FLCs/2021/004 dated 18 November 2021 - window for restructuring/ rescheduling of credit facilities for affected customers are also disclosed in the following table:

2024	Consolidated			Total RO' 000
	Stage 1 RO' 000	Stage 2 RO' 000	Stage 3 RO' 000	
Loans and financing receivables restructured under CBO window	37,026	212,789	-	249,815
ECL as per IFRS 9	540	21,110	-	21,650
ECL required as per CBO Circular under restructuring window	319	12,764	-	13,083

2024	Parent Company			Total RO' 000
	Stage 1 RO' 000	Stage 2 RO' 000	Stage 3 RO' 000	
Loans and advances restructured under CBO window	3,128	131,205	-	134,333
ECL as per IFRS 9	10	10,959	-	10,969
ECL required as per CBO Circular under restructuring window	31	8,238	-	8,269

In addition to the ECL held above, the bank has utilised special reserve amounting to RO 2.4 million for restructured cases under CBO window.

E. Impact on the Capital Adequacy :

The Bank has applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of the above filter on the Bank's regulatory capital is 32 bps [Parent Company: 46 bps]. The adjustment under this "Prudential filter" is not be available from 2025 onwards.

40.1.4 Loans and advances renegotiated

These arrangements include extended payment arrangements, deferral of payments and modification of interest rates. Following restructuring, a previously deferred loan account is reclassified as a normal loan and managed with other similar loans which are neither past due nor impaired. The restructuring arrangements are based on the criteria and indicators which in the judgement of the management will indicate that the payment will most likely continue.

The total restructured loans at 31 December 2024 amounted to RO 474,601 thousand (consolidated), RO 300,393 thousand (Parent Company); [2023: RO 537,748 thousand (consolidated), RO 346,289 thousand (Parent Company)].

40.1.5 Debt securities

The Bank's investments in debt securities are mainly in Government Development Bonds / Sukuks or treasury bills denominated in Rial Omani issued by the Government of Oman. The Bank also invests in debt securities issued by foreign sovereigns / Omani public sector enterprises based on their individual external credit rating. These investments are made to deploy the surplus liquid funds with maximum return.

40.1.6 Sensitivity of ECL to future economic conditions

Following are the scenario weightage considered by the Bank at Group level:

- Scenario weightings of 55.00%, 20.00%, 25.00% for Base, Bad and Good scenarios (31 December 2023:

55.00%, 20.00%, 25.00%);

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) excluding management overlays under IFRS 9 as at 31 December 2024 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

Sensitivity of impairment estimates	Consolidated 2024		Parent Company 2024	
	Required ECL RO' 000	Impact on ECL RO' 000	Required ECL RO' 000	Impact on ECL RO' 000
ECL on non-impaired loans under IFRS9	40,847	-	22,378	-
Simulations				
Good case - 100% weighted	31,444	9,403	15,925	6,453
Base case - 100% weighted	40,197	650	21,824	554
Bad case - 100% weighted	55,181	(14,334)	31,950	(9,573)

40.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced.

A. Maturity profile

The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy. The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the Central Bank of Oman. The deposits with no contractual maturity amounting to RO 1,841 million (2023: RO 1,444 million) for Consolidated and RO 1,223 million (2023: RO 988 million) for Parent Company are included in the maturity profile schedule based on behavioural maturity. These fit into on-demand classification for the requirements of IFRS Accounting Standards. An analysis of the maturity profile of deposits based on contractual maturities is as follows:

Consolidated	Less than 3 months	3 to 12 months	Sub total RO'000	1 to 5 years RO'000	Over 5 years RO'000	Total RO'000
	RO'000	RO'000				
2024	2,047,357	869,736	2,917,093	506,263	110,980	3,534,336
2023	1,600,491	649,827	2,250,318	897,997	209,102	3,357,417
Parent	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2024	1,406,171	636,306	2,042,477	286,700	110,980	2,440,157
2023	1,110,174	676,487	1,786,661	420,932	136,026	2,343,619

For financial liabilities apart from on-demand customers deposits the behavioural maturities and contractual maturities are approximately the same. An analysis of the maturity profile based on the estimated behavioural maturities is as follows:

40.2 Liquidity risk

A. Maturity profile

Consolidated 2024	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with central bank	143,704	16,446	160,150	10,475	9,825	180,450
Due from banks	67,222	-	67,222	-	-	67,222
Loans and advances	425,341	343,586	768,927	1,015,428	1,662,339	3,446,694
Investment securities	107,525	16,821	124,346	233,285	92,689	450,320
Intangible assets	-	-	-	-	6,280	6,280
Other assets	78,865	20,610	99,475	1,341	-	100,816
Property and equipment	-	-	-	-	39,586	39,586
Total assets	822,657	397,463	1,220,120	1,260,529	1,810,719	4,291,368
Due to banks	54,599	-	54,599	-	-	54,599
Customer deposits	456,046	1,236,476	1,692,522	983,647	858,167	3,534,336
Borrowed funds	-	-	-	-	9,625	9,625
Other liabilities	78,895	12,506	91,401	25,498	-	116,899
Taxation	10,145	-	10,145	-	-	10,145
Total liabilities	599,685	1,248,982	1,848,667	1,009,145	867,792	3,725,604
Liquidity gap	222,972	(851,519)	(628,547)	251,384	942,927	565,764
Forward exchange contracts at notional amounts (note 40):						
- Purchase contracts	23,167	58,224	81,391	-	-	81,391
- Sale contracts	(23,158)	(58,198)	(81,356)	-	-	(81,356)
	9	26	35	-	-	35

Consolidated 2023	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with central bank	65,715	34,142	99,857	30,628	21,096	151,581
Due from banks	130,125	-	130,125	-	-	130,125
Loans and advances	400,657	305,359	706,016	915,928	1,652,780	3,274,724
Investment securities	9,454	49,771	59,225	189,707	77,629	326,561
Intangible assets	-	-	-	-	6,590	6,590
Other assets	49,600	32,936	82,536	3,790	-	86,326
Property and equipment	-	-	-	-	43,096	43,096
Total assets	655,551	422,208	1,077,759	1,140,053	1,801,191	4,019,003
Due to banks	32,228	-	32,228	-	-	32,228
Customer deposits	362,674	1,135,168	1,497,842	897,997	961,578	3,357,417
Other liabilities	59,637	22,966	82,603	24,543	-	107,146
Taxation	5,236	-	5,236	-	-	5,236
Total liabilities	459,775	1,158,134	1,617,909	922,540	961,578	3,502,027
Liquidity gap	195,776	(735,926)	(540,150)	217,513	839,613	516,976
Forward exchange contracts at notional amounts (note 40):						
- Purchase contracts	111,951	13,058	125,009	-	-	125,009
- Sale contracts	(111,913)	(13,048)	(124,961)	-	-	(124,961)
	38	10	48	-	-	48

40.2 Liquidity risk

A. Maturity profile

Parent Company 2024	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with central bank	81,099	16,446	97,545	10,475	9,825	117,845
Due from banks	65,876	-	65,876	-	-	65,876
Loans and advances	332,537	219,224	551,761	668,243	1,153,249	2,373,253
Investment securities	85,000	8,824	93,824	198,940	35,655	328,419
Investment in subsidiary	-	-	-	-	135,095	135,095
Other assets	55,451	6,720	62,171	1,341	-	63,512
Property and equipment	-	-	-	-	34,254	34,254
Total assets	619,963	251,214	871,177	878,999	1,368,078	3,118,254
Due to banks	31,293	-	31,293	-	-	31,293
Customer deposits	358,781	926,064	1,284,845	503,077	652,235	2,440,157
Borrowed funds	-	-	-	-	9,625	9,625
Other liabilities	78,777	12,506	91,283	832	-	92,115
Taxation	9,181	-	9,181	-	-	9,181
Total liabilities	478,032	938,570	1,416,602	503,909	661,860	2,582,371
Liquidity gap	141,931	(687,356)	(545,425)	375,090	706,218	535,883
Forward exchange contracts at notional amounts (note 40):						
- Purchase contracts	23,167	58,224	81,391	-	-	81,391
- Sale contracts	(23,158)	(58,198)	(81,356)	-	-	(81,356)
	9	26	35	-	-	35

Parent Company 2023	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with central bank	26,375	26,819	53,194	16,470	15,021	84,685
Due from banks	108,668	15,400	124,068	-	-	124,068
Loans and advances	334,703	176,788	511,491	598,603	1,196,066	2,306,160
Investment securities	9,454	21,192	30,646	154,891	68,107	253,644
Investment in subsidiary	-	-	-	-	107,144	107,144
Other assets	41,931	9,928	51,859	1,837	-	53,696
Property and equipment	-	-	-	-	37,394	37,394
Total assets	521,131	250,127	771,258	771,801	1,423,732	2,966,791
Due to banks	32,228	-	32,228	-	-	32,228
Customer deposits	259,705	888,406	1,148,111	420,932	774,576	2,343,619
Other liabilities	59,638	22,966	82,604	4,493	-	87,097
Taxation	5,236	-	5,236	-	-	5,236
Total liabilities	356,807	911,372	1,268,179	425,425	774,576	2,468,180
Liquidity gap	164,324	(661,245)	(496,921)	346,376	649,156	498,611
Forward exchange contracts at notional amounts (note 40):						
- Purchase contracts	111,951	13,058	125,009	-	-	125,009
- Sale contracts	(111,913)	(13,048)	(124,961)	-	-	(124,961)
	38	10	48	-	-	48

40.2 Liquidity risk

A. Maturity profile

Consolidated 2024	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	16,695	31,295	31,541	80,888	160,419
Future interest inflow	44,800	97,057	356,369	256,055	754,281
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	11,443	58,906	83,569	10,537	164,455
Future interest inflow	35,491	114,451	475,613	395,278	1,020,833

Parent Company 2024	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	14,286	28,067	22,528	67,672	132,553
Future interest inflow	43,887	94,142	351,857	254,121	744,007
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Future interest outflow	4,716	51,109	65,535	10,537	131,897
Future interest inflow	21,785	77,952	286,289	240,818	626,844

The following table below shows the contractual expiry of the Bank's contingent liabilities and commitments:

Consolidated 2024	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	37,763	46,724	52,680	44,148	181,315
Letters of credit	182,678	12,237	809	-	195,724
Total commitments and contingencies	220,441	58,961	53,489	44,148	377,039
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	22,757	75,137	35,604	96,749	230,247
Letters of credit	116,915	88,366	2,321	-	207,602
Total commitments and contingencies	139,672	163,503	37,925	96,749	437,849

Parent Company 2024	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	28,844	36,676	28,359	44,148	138,027
Letters of credit	92,797	6,890	809	-	100,496
Total commitments and contingencies	121,641	43,566	29,168	44,148	238,523
2023	RO'000	RO'000	RO'000	RO'000	RO'000
Letters of guarantee	16,347	65,078	22,833	92,456	196,714
Letters of credit	96,574	6,562	2,321	-	105,457
Total commitments and contingencies	112,921	71,640	25,154	92,456	302,171

Due to the nature of the issued guarantee contracts, these instruments could be called earlier than the bucket under which reported.

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The details of Bank's capital commitments and unutilised loan commitments are disclosed in note 36.

40.2 Liquidity risk

B. Lending ratio:

The lending ratio is a regulatory ratio which considers total loans and advances to customer deposits and capital. This ratio is monitored on daily basis and reported on monthly basis as per CBO guidelines. The Bank has internally set a conservative lending ratio benchmark which is lower than CBO lending ratio.

The maximum permissible lending ratio as at 31 December 2024 was 87.5% (2023: 92.5%). The Bank has reported following lending ratio for the year:

Year end	Parent Company	
	2024	2023
	84.57%	87.07%

C. Basel III liquidity and funding ratios:

An overview of the Basel III liquidity and funding ratios is provided in BASEL II - PILLAR III and BASEL III related disclosures. The LCR and NSFR ratios for the year ended 31 December 2024 are as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
LCR	174%	235%	208%	242%
NSFR	110%	114%	111%	113%

The above disclosed values for LCR are based on average of three-monthly data points.

40.3 Market risk

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are monitored by the Treasury Division and the Risk Management Department. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

40.3.1 Price risk

The Bank holds listed securities classified as held-for-trading and held to collect and sale to take advantage of short-term capital market movements and manage liquidity. All investment securities present a risk of loss of capital. The Bank controls this risk through a careful selection of securities in accordance with Investment Management Policy approved by the Board. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Bank's market positions are reviewed periodically by the management.

Bank's investments include equity securities which are publicly traded on the Muscat Stock Exchange (MSX). The Bank's equity and total comprehensive income at 31 December 2024 may decrease by 0.15% Consolidated and 0.11% Parent (2023 Consolidated – 0.05%, Parent – 0.03%) due to decrease by 10% in the MSX - 30 Index and the GCC market indices, with all the other variables held constant.

40.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest-based assets and liabilities that mature or re-price in a given year. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as its assets and liabilities are aligned for re-pricing in line with the risk appetite. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate with the objective of limiting the potential adverse effects on the Bank's profitability. The Bank's exposure to the interest rate risks is summarised below. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

Consolidated 2024	Average effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 to 12 months RO'000	> 1 to 5 years RO'000	Over 5 years RO'000	Non-interest bearing RO'000	Total RO'000
Cash and balances with central bank	1.50	18,480	-	-	-	500	161,470	180,450
Due from banks	5.29	43,815	-	-	-	-	23,407	67,222
Loans and advances	5.64	696,402	1,347,354	432,358	844,375	126,205	-	3,446,694
Investment securities	5.35	105,877	6,980	10,225	87,122	229,710	10,406	450,320
Intangible assets							6,280	6,280
Other assets		20,236	2,054	6	-	-	78,520	100,816
Property and equipment		-	-	-	-	-	39,586	39,586
Total assets		884,810	1,356,388	442,589	931,497	356,415	319,669	4,291,368
Due to banks	4.38	40,453	-	-	-	-	14,146	54,599
Customer deposits	3.65	1,322,518	263,184	634,611	244,276	129,284	940,463	3,534,336
Borrowed funds	4.83	-	-	-	-	9,625	-	9,625
Other liabilities		27,917	7	13	123	-	88,839	116,899
Taxation		-	-	-	-	-	10,145	10,145
Total liabilities		1,390,888	263,191	634,624	244,399	138,909	1,053,593	3,725,604
Total interest sensitivity gap		(506,078)	1,093,197	(192,035)	687,098	217,506	(733,924)	565,764
Cumulative interest sensitivity gap		(506,078)	587,119	395,084	1,082,182	1,299,688	565,764	

40.3 Market risk

40.3.2 Interest rate risk

Consolidated 2023	Average effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 to 12 months RO'000	> 1 to 5 years RO'000	Over 5 years RO'000	Non-interest bearing RO'000	Total RO'000
Cash and balances with central bank	1.50	18,095	-	-	-	1,025	132,461	151,581
Due from banks	4.75	104,681	-	-	-	-	25,444	130,125
Loans and advances	5.18	1,477,333	380,522	419,221	890,358	107,290	-	3,274,724
Investment securities		8,996	18,699	31,072	189,707	75,314	2,773	326,561
Intangible assets		-	-	-	-	-	6,590	6,590
Other assets		11,206	5,582	1,485	1,836	-	66,217	86,326
Property and equipment		-	-	-	-	-	43,096	43,096
Total assets		1,620,311	404,803	451,778	1,081,901	183,629	276,581	4,019,003
Due to banks	5.20	31,563	-	-	-	-	665	32,228
Customer deposits	2.76	1,363,322	468,788	728,558	367,194	55,101	374,454	3,357,417
Other liabilities		4,116	6,675	9,019	9,023	-	78,313	107,146
Taxation		-	-	-	-	-	5,236	5,236
Total liabilities		1,399,001	475,463	737,577	376,217	55,101	458,668	3,502,027
Total interest sensitivity gap		221,310	(70,660)	(285,799)	705,684	128,528	(182,087)	516,976
Cumulative interest sensitivity gap		221,310	150,650	(135,149)	570,535	699,063	516,976	

Parent Company 2024	Average effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 to 12 months RO'000	> 1 to 5 years RO'000	Over 5 years RO'000	Non-interest bearing RO'000	Total RO'000
Cash and balances with central bank	1.50	-	-	-	-	500	117,345	117,845
Due from banks	5.25	42,469	-	-	-	-	23,407	65,876
Loans and advances	5.58	340,557	1,032,492	205,802	756,427	37,975	-	2,373,253
Investment securities	5.35	84,529	6,980	1,844	53,680	173,485	7,901	328,419
Investment in subsidiary		-	-	-	-	-	135,095	135,095
Other assets		20,236	2,054	6	-	-	41,216	63,512
Property and equipment		-	-	-	-	-	34,254	34,254
Total assets		487,791	1,041,526	207,652	810,107	211,960	359,218	3,118,254
Due to banks	4.69	17,147	-	-	-	-	14,146	31,293
Customer deposits	3.64	1,303,053	217,592	473,165	111,646	12,316	322,385	2,440,157
Borrowed funds	4.83	-	-	-	-	9,625	-	9,625
Other liabilities		27,917	7	13	5	-	64,173	92,115
Taxation		-	-	-	-	-	9,181	9,181
Total liabilities		1,348,117	217,599	473,178	111,651	21,941	409,885	2,582,371
Total interest sensitivity gap		(860,326)	823,927	(265,526)	698,456	190,019	(50,667)	535,883
Cumulative interest sensitivity gap		(860,326)	(36,399)	(301,925)	396,531	586,550	535,883	

40.3 Market risk

40.3.2 Interest rate risk

Parent Company 2023	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.50	-	-	-	-	500	84,185	84,685
Due from banks	4.75	83,224	15,400	-	-	-	25,444	124,068
Loans and advances	5.30	1,168,948	119,026	193,602	778,402	46,182	-	2,306,160
Investment securities		8,996	-	21,192	154,891	67,091	1,474	253,644
Investment in subsidiary		-	-	-	-	-	107,144	107,144
Other assets		11,206	5,582	1,485	1,836	-	33,587	53,696
Property and equipment		-	-	-	-	-	37,394	37,394
Total assets		1,272,374	140,008	216,279	935,129	113,773	289,228	2,966,791
Due to banks	5.20	31,563	-	-	-	-	665	32,228
Customer deposits	3.13	1,062,699	207,292	502,939	255,238	-	315,451	2,343,619
Other liabilities		4,117	6,675	9,019	9,023	-	58,263	87,097
Taxation		-	-	-	-	-	5,236	5,236
Total liabilities		1,098,379	213,967	511,958	264,261	-	379,615	2,468,180
Total interest sensitivity gap		173,995	(73,959)	(295,679)	670,868	113,773	(90,387)	498,611
Cumulative interest sensitivity gap		173,995	100,036	(195,643)	475,225	588,998	498,611	

For managing its interest rate risk in the banking book, the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its projected Net Interest Income (NII) from 50/100/200bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the current year. The EaR at 31 December 2024 is 3.0% (2023 – 3.3%).

40.3.3 Currency risk

Currency risk arises when the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and approved by the Executive Committee of the Board and entering into forward contracts based on the underlying commercial transactions with the customers.

Net foreign currency exposure

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
USD	31,902	37,843	25,227	29,305
EUR	409	1,394	1	846
GBP	364	26	3	26
Others	2,104	2,517	1,776	1,966
Total	34,779	41,780	27,007	32,143

Oman operates with a fixed exchange rate, and the Omani Rial is pegged to the USD at \$2.5975 per Omani Rial.

40.4 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. The risk is associated with human error, systems failure, inadequate procedures or controls and external causes. Losses from external events, such as a natural disaster that has the 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, fraud, and operational errors.

Operational risk governance is set through policies, processes, procedures and oversight of the executive committee. The Bank cannot eliminate all operational risks; however, the operational risk framework is set to identify, assess, monitor and control the risks through the three lines of defences. It periodically conducts various assessments to review risk exposures and implements controls to mitigate the operational risk profile, in accordance with the overall risk appetite. To ensure effective controls and building risk culture, operational risk awareness is scheduled annually across the Bank. Insurance is another tool used as an operational risk mitigant. Insurance coverage such as Bankers' Blanket Bond (BBB), Professional Indemnity, cyber security, etc aim to protect the bank from high-severity risks by reducing the financial impact.

A. Management risk committee:

The Management Risk committee is the main committee for Bank's major risk including operational risk. The committee is composed of main business and control functions. The objectives of the committee is to review and oversee the Bank's risk profile and to put in place actions required to maintain the risk profile within the approved appetite.

B. Business Continuity Management (BCM):

Business Continuity Plan addresses the inherent risks, which may lead to unexpected business interruptions. The goal of BCM is to provide the ability to effectively respond to threats to protect the business interests and continue to operate following a significant unplanned event or major operational disruption. As a part of Crisis Communication and Business Continuity Management processes, OAB has taken initiatives and proactive measures in meeting the contingency requirements always and especially during COVID-19. The Bank has taken proactive steps considering the pandemic scenario in its BCP. The bank has ensured the resilience to run the business-critical processes during such contingency situation with the effective process in place and the management support. The Bank has a Disaster Recovery Site and remote working set up to meet any unforeseen disaster and maintain operational continuation in such event. The Bank has conducted various BCP requirement like Business Impact assessments, evacuation drills, tests (announced and unannounced) call tree, and spread awareness.

C. Information Security:

Information Security is an essential component of risk management. The Bank seeks to avoid risk and uncertainty for its critical information assets and systems affecting operations and reputation of the bank. Information security governance set up is in place through security policies & procedures. The Bank has invested to implement robust security infrastructure and is conducting yearly vulnerability assessments to ensure the security of the systems.

40.5 Fair value estimation

The estimate of fair values of the financial instruments is based on information available to management as at 31 December 2024. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted in deriving the fair values are as follows:

40.5.1 Current account balances due to and from banks

The carrying amount of current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short-term nature.

40.5.2 Loans, advances and financings to customers

The fair value of non-performing loans approximates to the book value adjusted for allowance for loan impairment. For the performing loans, the fair value is taken as being equivalent to its carrying amount as the prevailing interest rates offered on similar loans are not materially different from the actual loan rates and loan rates are reset at frequent intervals to align the rate with market conditions.

40.5.3 Investments at fair value through profit or loss

Quoted market prices, when available, are used as the measure for fair value. However, when the quoted market prices do not exist, fair value presented is estimated using discounted cash flow models or other valuation techniques. Changes in fair value resulting from these calculations are not material to the financial statements. Details are set out in note 8.

40.5.4 Customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

40.5.5 Derivatives

The Bank usually enters into short term forward foreign exchange contracts, on behalf of its customers for the sale and purchase of foreign currencies. For forward foreign exchange contracts, it uses a valuation model with readily available market observable inputs. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

40.6 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

A. Financial assets as per statement of financial position

Consolidated 2024	Fair value through profit or loss (FVTPL)	Amortized costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
	RO'000	RO'000	RO'000	
Bank balances and cash	-	180,450	-	180,450
Due from banks	-	67,222	-	67,222
Loans, advances & financing activities	-	3,446,694	-	3,446,694
Investment securities	471	247,956	201,893	450,320
Other assets	-	94,480	-	94,480
Total	471	4,036,802	201,893	4,239,166
2023	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	151,581	-	151,581
Due from banks	-	130,125	-	130,125
Loans, advances & Financing activities	-	3,274,724	-	3,274,724
Investment securities	458	207,781	118,322	326,561
Other assets	-	81,349	-	81,349
Total	458	3,845,560	118,322	3,964,340

Parent Company 2024	Fair value through profit or loss (FVTPL)	Amortized costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
	RO'000	RO'000	RO'000	
Bank balances and cash	-	117,845	-	117,845
Due from banks	-	65,876	-	65,876
Loans, advances & financing activities	-	2,373,253	-	2,373,253
Investment securities	471	247,956	79,992	328,419
Other assets	-	57,176	-	57,176
Total	471	2,862,106	79,992	2,942,569
2023	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	84,685	-	84,685
Due from banks	-	124,068	-	124,068
Loans, advances & Financing activities	-	2,306,160	-	2,306,160
Investment securities	458	189,686	63,500	253,644
Other assets	-	48,719	-	48,719
Total	458	2,753,318	63,500	2,817,276

B. Financial liabilities as per statement of financial position

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	RO' 000
Due to banks	54,599	32,228	31,293	32,228
Deposits from customers	3,534,336	3,357,417	2,440,157	2,343,619
Other liabilities	111,831	102,715	87,165	82,666
Total	3,700,766	3,492,360	2,558,615	2,458,513

41. Capital management

The Bank's objectives of capital management are:

- To comply with the capital requirements set by the regulator i.e. the Central Bank of Oman;
- To safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- To maintain a strong capital base to support the development of its business.

The principal objective of the CBO capital adequacy requirements is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a Bank's statement of financial position, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS). The CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy (CAR) of 13.5%.

The Bank's regulatory capital as per Basel III regulations is grouped into:

- Tier 1 capital, which includes ordinary share capital, share premium, reserves, retained earnings (net of proposed dividend) after deductions for goodwill, intangibles including deferred tax asset and 50% of carrying value of the investment in associates as per the regulatory adjustments that are included in equity but are treated differently for capital adequacy purposes and additional tier1 capital.
- Tier 2 capital, which includes qualifying subordinated liabilities, general loan loss impairment / ECL provision (Stage 1 and 2) and the element of the fair value reserve relating to unrealised gains on equity instruments classified as FVOCI after deductions for 50% of carrying value of investments in associates.

The qualifying Tier II cannot exceed 2% of risk weighted assets. The amount of impairment allowances that may be included as part of Tier II capital is limited to 1.25% of the total credit risk-weighted assets. Additional incremental Stage 2 ECL as on December 31, 2024, over Stage 2 ECL as on December 31, 2019, qualifies as Tier II capital with a gradual phase-out by 2024.

The capital adequacy of the Bank is as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO'000	RO'000	RO'000	RO'000
Common Equity Tier 1 (CET 1)	347,282	347,289	220,902	231,231
Additional Tier 1	186,266	143,850	156,266	143,850
Tier 1 capital	533,548	491,139	377,168	375,081
Tier 2 capital	19,850	27,358	16,233	23,320
Total capital base	553,398	518,497	393,401	398,401
Credit risk	3,021,083	2,872,616	2,112,194	2,092,426
Market risk	47,700	39,138	32,813	29,500
Operational risk	230,785	221,734	170,625	167,175
Total risk weighted assets	3,299,568	3,133,488	2,315,632	2,289,101
Capital adequacy ratio %	16.77%	16.55%	16.99%	17.40%
CET 1 ratio	10.53%	11.08%	9.54%	10.10%
Tier 1 Capital ratio	16.17%	15.67%	16.29%	16.39%

42. Segment information

The Bank mainly operates in only one geographical location, the Sultanate of Oman. The Bank has, however, earned interest income and incurred interest expenses on account of money market placements and borrowings with banks outside the Sultanate of Oman as of 31 December 2024. The information regarding the Bank's due from banks and due to banks based on the geographical locations for 2024 and 2023 is set out in note 40.1.2(g).

For management purposes, the conventional operations of the Bank are organised into four operating segments based on products and services. In addition, Islamic banking services are offered through Alizz Islamic Bank. The operating segments are as follows:

Retail banking	Individual personal loan, overdraft, credit card and funds transfer facilities.
Corporate banking	Loans and other credit facilities for corporate and institutional customers.
Treasury	Bonds, placements, bank borrowings, foreign exchange.
Others	Other central functions and Head office.
Islamic Banking	Sharia' compliant Islamic banking products and services including Ijarah, Murabaha, Mudarbah and Diminishing Musharakah.

Management 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 operating profit or loss, which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

Cash and balances with the Central Bank of Oman, Certificate of Deposits, due from banks, property and equipment and other assets are unallocated assets. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2024 or 2023.

Consolidated 2024	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	25,828	43,255	3,287	-	-	72,370
Net income from Islamic financing	-	-	-	-	27,137	27,137
Net fees, commission and other operating income	8,083	8,807	2,173	-	7,895	26,958
Share of Profit from Subsidiary	-	-	-	-	-	-
Total operating income	33,911	52,062	5,460	-	35,032	126,465
Operating expenses	(31,145)	(19,737)	(1,677)	(310)	(19,313)	(72,182)
Net allowances for credit losses	(144)	(14,183)	188	-	(4,005)	(18,144)
Tax expenses	(424)	(2,931)	(642)	-	(1,703)	(5,700)
Profit / (Loss) for the year	2,198	15,211	3,329	(310)	10,011	30,439
Assets	850,635	1,522,619	502,756	98,029	1,317,329	4,291,368
Liabilities	711,191	1,728,964	21,880	104,936	1,158,633	3,725,604

42. Segment information

Consolidated 2023	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	28,044	43,265	(612)	-	-	70,697
Net income from Islamic financing	-	-	-	-	26,194	26,194
Net fees, commission and other operating income	7,591	8,346	2,077	-	5,336	23,350
Share of Profit from Subsidiary	-	-	-	-	-	-
Total operating income	35,635	51,611	1,465	-	31,530	120,241
Operating expenses	(31,322)	(19,741)	(1,817)	(310)	(18,089)	(71,279)
Net allowances for credit losses	350	(21,020)	(83)	-	(3,976)	(24,729)
Tax expenses	(734)	(1,655)	18	-	(1,307)	(3,678)
Profit / (Loss) for the year	3,929	9,195	(417)	(310)	8,158	20,555
Assets	837,732	1,468,428	462,397	82,280	1,168,166	4,019,003
Liabilities	684,556	1,659,063	32,229	76,931	1,049,248	3,502,027

Parent Company 2024	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	25,828	43,255	2,996	-	-	72,079
Net fees, commission and other operating income	8,083	8,807	2,464	-	-	19,354
Share of Profit from Subsidiary	-	-	-	10,011	-	10,011
Total operating income	33,911	52,062	5,460	10,011	-	101,444
Operating expenses	(31,145)	(19,737)	(1,677)	-	-	(52,559)
Net allowances for credit losses	(144)	(14,183)	188	-	-	(14,139)
Tax expenses	(424)	(2,931)	(642)	-	-	(3,997)
Profit / (Loss) for the year	2,198	15,211	3,329	10,011	-	30,749
Assets	850,635	1,522,618	518,156	226,845	-	3,118,254
Liabilities	711,191	1,728,966	37,280	104,934	-	2,582,371

Parent Company 2023	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	28,044	43,265	(256)	-	-	71,053
Net fees, commission and other operating income	7,591	8,346	2,076	-	-	18,013
Share of Profit from Subsidiary	-	-	-	7,802	-	7,802
Total operating income	35,635	51,611	1,820	7,802	-	96,868
Operating expenses	(31,322)	(19,741)	(1,817)	-	-	(52,880)
Net allowances for credit losses	350	(22,070)	(83)	-	-	(21,803)
Tax expenses	(734)	(1,654)	18	-	-	(2,370)
Profit / (Loss) for the year	3,929	8,146	(62)	7,802	-	19,815
Assets	837,732	1,468,428	587,688	91,090	-	2,984,938
Liabilities	684,556	1,659,063	32,229	92,332	-	2,468,180

43. Prior years adjustments

The Bank has voluntarily changed its accounting policy regarding the investment in its subsidiary in the parent company financial statements. Specifically, the Bank has shifted from the cost method to the equity method of accounting. This change only affects the separate financial statements of the Bank. The Bank believes that this new accounting policy will provide a more complete and accurate representation of its performance and the economic interest that the Parent has in its subsidiary

Statement of financial position At 1 January 2023	Originally reported RO' 000	Effect of prior years' adjustments RO' 000	As Restated RO' 000
Assets			
Investment in subsidiary	107,144	10,172	117,316
Total assets	2,710,862	10,172	2,721,034
Equity			
Fair value reserve	(3,110)	(318)	(3,428)
Legal reserve	47,506	1,051	48,557
Retained earnings	62,719	9,439	72,158
Total equity	349,148	10,172	359,320
Total equity and liabilities	2,710,862	10,172	2,721,034

Statement of financial position At 31 December 2023	Originally reported RO' 000	Effect of prior years' adjustments RO' 000	As Restated RO' 000
Assets			
Investment in subsidiary	107,144	18,147	125,291
Total assets	2,966,791	18,147	2,984,938
Equity			
Fair value reserve	(1,198)	(145)	(1,343)
Legal reserve	48,707	1,832	50,539
Retained earnings	62,819	16,460	79,279
Total equity	352,361	18,147	370,508
Total equity and liabilities	2,966,791	18,147	2,984,938

Statement of comprehensive income For the year ended 2023	Originally reported RO' 000	Effect of prior years' adjustments RO' 000	As Restated RO' 000
Share of results of subsidiary	-	7,802	7,802
Profit before income tax	14,383	7,802	22,185
Profit for the year	12,013	7,802	19,815
Share of OCI from subsidiary	-	173	173
Other comprehensive income / (expense) for the year	1,912	173	2,085
Total comprehensive income for the year	13,925	7,975	21,900

44. Comparative figures

Certain comparative figures for 2023 have been restated/reclassified to conform to the presentation for the current period. Please refer note 43 for more details on the restated figures.

45. Subsequent events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.



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