بنك عُمان العربي
OMAN ARAB BANK

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

OMAN ARAB BANK SAOG

Consolidated and separate financial statements
For the year ended 31 December 2024

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CHAIRMAN'S REPORT – 2024

Dear Shareholders,

It is my privilege to present the financial results of Oman Arab Bank SAOG (the Bank) 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, the Bank 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. The Bank, 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

The Bank 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 income 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.

- **RO 30.4 million net profit after tax**
- **RO 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 income 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, 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 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.

PRODUCTS AND SERVICES

In 2024, the Bank continued to lead the banking sector by introducing innovative products and services designed to enhance customer experiences, 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. The Bank 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, the Bank 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. The Bank also launched the Al Dar Housing Loan, featuring 48-hour approval times for eligible applications, making homeownership more accessible.

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

To enhance customer convenience, the Bank 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 the Bank's leadership in adopting advanced financial solutions.

Catering to high-net-worth individuals, the Bank unveiled the Elite Exclusive Program, 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 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 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 the Bank's commitment to driving innovation, empowering customers, and contributing to Oman's Vision 2040 through impactful banking solutions.

STRATEGIC COLLABORATIONS & PARTNERSHIPS

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, the Bank 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, the Bank 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, the Bank 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, the Bank 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 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.

Through these strategic partnerships and initiatives, the Bank continues 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, the Bank actively participated in prominent events, showcasing its commitment to innovation, collaboration, and economic growth while reinforcing its leadership in the banking sector.

In Q2, the Bank 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, the Bank highlighted its digital banking innovations, presenting advanced technical solutions and electronic services. This participation underscored the Bank'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, the Bank 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, CEO of the Central Bank of Oman, who discussed trends in monetary policy and the banking sector's role in economic growth. Randa Al Sadek, CEO of Arab Bank Plc and Deputy Chairman of the Bank's Board of Directors, shared valuable insights on adaptability and innovation in the rapidly evolving financial landscape.

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

DEVELOPMENT OF HUMAN RESOURCES

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

The Bank 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 Program, 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 Program and workshops led by senior industry professionals underscored the 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 the vision of the Bank. 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, Oman Arab Bank continues to set a benchmark for excellence in human resource development. These efforts ensure a highly skilled, engaged, and empowered workforce, driving the Bank's success and contribution to Oman's Vision 2040.

COMMUNITY ENGAGEMENT

The Bank 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 the Bank's dedication to creating a positive societal impact.

During Ramadan, the Bank launched the 'Giving Made Easy' campaign, encouraging donations through its mobile app and ATMs. The Bank 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 the Bank's focus on celebrating diversity and creating a sense of belonging.

The Bank 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, the Bank 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.

The Bank 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.

In Q4, the Bank 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 the Bank'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, the Bank reinforced its role as a socially responsible institution, empowering individuals and communities while fostering growth and inclusivity across the Sultanate.

CONCLUDING THOUGHTS

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 the Bank.

Sincerely,

Rashad Al Zubair

Chairman of Board of Directors

Oman Arab Bank SAOG.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

		Consolidated		Parent Company		
		31-Dec-24	31-Dec-23	31-Dec-24	31-Dec-23	1-Jan-23
					Restated	Restated
	Note	RO'000	RO'000	RO'000	RO'000	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 2024	Consolidated 2023	Parent Company 2024	Parent Company 2023 Restated
		RO'000	RO'000	RO'000	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		**29,668**	**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.

Oman Arab Bank SAOG

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

Consolidated	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 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 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**	**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.

Oman Arab Bank SAOG

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

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 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**	**352,361**	**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.

Oman Arab Bank SAOG

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

		Consolidated		Parent Company	
		31-Dec-24	31-Dec-23	31-Dec-24	31-Dec-23 Restated
	Notes	RO'000	RO'000	RO'000	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. BASIS OF PREPARATION

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”).

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.2. Classification and measurement

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.

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.3. Classification and measurement

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.

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.3. Classification and measurement

(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.

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.3. Classification and measurement

(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.

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.6. Derecognition

(a) Financial assets

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.

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.7. Modification of financial assets and financial liabilities

(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. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

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.

3. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

(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:

3. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

(c) The calculation of ECL

- 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.

3. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

(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. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

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.

3. MATERIAL ACCOUNTING POLICIES

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. MATERIAL ACCOUNTING POLICIES

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.

3. MATERIAL ACCOUNTING POLICIES

3.11. Leases

(b) Right-of-use assets

- 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.

3. MATERIAL ACCOUNTING POLICIES

3.11. Leases

(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. MATERIAL ACCOUNTING POLICIES

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. MATERIAL ACCOUNTING POLICIES

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.

3. MATERIAL ACCOUNTING POLICIES

3.23. Revenue and expense recognition

3.23.1. Interest income and expense

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. MATERIAL ACCOUNTING POLICIES

3.23. Revenue and expense recognition

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. Revenue and expense recognition

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1. Impairment losses on financial assets

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**

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

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**
2024	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	**Allowance for credit losses**	**Contractual interest not recognised**	**Total**
2024	RO' 000	RO' 000	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**

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

	Consolidated		Parent Company	
	2024	2023	2024	2023
	RO' 000	RO' 000	RO' 000	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:

	Corporate	Retail	Total
2024	RO'000	RO'000	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	2023	2024	2023
	RO'000	RO'000	RO'000	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**

8. INVESTMENT SECURITIES

Movement in investment securities:

Consolidated	FVOCI Equity Investments	FVOCI Debt Investments	Amortised Cost	FVTPL	Total
2024	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	FVOCI Equity Investments	FVOCI Debt Investments	Amortised Cost	FVTPL	Total
2024	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**

8. INVESTMENT SECURITIES

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

Consolidated	**Level 1**	**Level 2**	**Level 3**	**Total**
2024	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	**Level 1**	**Level 2**	**Level 3**	**Total**
2023	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	**Level 1**	**Level 2**	**Level 3**	**Total**
2024	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	**Level 1**	**Level 2**	**Level 3**	**Total**
2023	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**

8. INVESTMENT SECURITIES

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.

		2024		2023	
Name of Subsidiary	Country of Incorporation	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:

	2024	2023
Statement of financial position items	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

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

	2024	2023
Movement in BS Figures	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
a) By type	RO'000	RO'000	RO'000	RO'000
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	RO'000	RO'000	RO'000	RO'000
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. OTHER LIABILITIES

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**	-	-

17. TAXATION

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. IMPAIREMENT 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.

36. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Letters of credit and guarantees

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.

i) The allowances for credit losses for commitments and financial guarantees is included under note 15.2.
ii) 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	**Risk weighted exposure**	**Notional principal amount**	**Risk weighted exposure**
	RO'000	RO'000	RO'000	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	**Risk weighted exposure**	**Notional principal amount**	**Risk weighted exposure**
	RO'000	RO'000	RO'000	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**

36. CONTINGENT LIABILITIES AND COMMITMENTS

(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	**2023**	**2024**	**2023**
	RO'000	RO'000	RO'000	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.

38. DERIVATIVE FINANCIAL INSTRUMENTS

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 – 12 months	More than 1 year
2024	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
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	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
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	Major shareholders	Others	Total
2024	RO'000	RO'000	**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**

39. RELATED PARTY TRANSACTIONS

(b) Other related party transactions

Parent Company	**Subsidiary**	**Major shareholders**	**Others**	**Total**
2024	RO'000	RO'000	RO'000	**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	**2023**	**2024**	**2023**
	RO'000	RO'000	RO'000	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	**Major shareholders**	**Others**	**Total**
2024	**RO'000**	**RO'000**	**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**

39. RELATED PARTY TRANSACTIONS

(b) Other related party transactions

Parent Company	Subsidiary	Major shareholders	Others	Total
2024	RO'000	RO'000	RO'000	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	**2023**	**2024**	**2023**
	RO'000	RO'000	RO'000	RO'000
Salaries and other short-term benefits	2,426	2,108	1,474	1,325
End of service benefits	133	95	98	69
Total	**2,559**	**2,203**	**1,572**	**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.

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

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.

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(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. FINANCIAL RISK MANAGEMENT

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	**Due from banks**	**Investment securities**	**Loans and advances including interest receivable**	**Credit related contingent items including acceptances**
2024	RO'000	RO'000	RO'000	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. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(v) Credit risk profile

Consolidated	**Due from banks**	**Investment securities**	**Loans and advances including interest receivable**	**Credit related contingent items including acceptances**
2023	RO'000	RO'000	RO'000	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**

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(v) Credit risk profile

Parent Company	**Due from banks**	**Investment securities**	**Loans and advances including interest receivable**	**Credit related contingent items including acceptances**
2024	RO'000	RO'000	RO'000	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. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(v) Credit risk profile

Parent Company	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
2023	RO'000	RO'000	RO'000	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. FINANCIAL RISK MANAGEMENT

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.

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.1 Risk mitigation policies

(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) RO’000	Loans Past due and not impaired RO’000	Non-performing loans RO’000	Total 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%**

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.1 Risk mitigation policies

(c) Credit-related commitments

2023	Performing loans (neither past due nor impaired) RO'000	Loans Past due and not impaired RO'000	Non-performing loans RO'000	Total 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%

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**

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(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. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(c) Exposure at default and movement in the expected credit losses:

	Consolidated							
	2024				2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure at default	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	**RO'000**
- 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	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
- 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	**-**	**-**	**(11,902)**	**(11,902)**	**-**	**-**	**(25)**	**(25)**
- 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. FINANCIAL RISK MANAGEMENT

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			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Exposure at default	RO'000	RO'000	RO'000	**RO'000**	RO'000	RO'000	RO'000	**RO'000**
- 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	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
- 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	**-**	**-**	**(11,902)**	**(11,902)**	**-**	**-**	**(25)**	**(25)**
- 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. FINANCIAL RISK MANAGEMENT

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. FINANCIAL RISK MANAGEMENT

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	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2024		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)
Standard	Stage 1	2,857,570	33,990	8,090	25,900	-	2,823,580	2,849,480
	Stage 2	290,396	2,891	9,208	(6,317)	-	287,505	281,188
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**3,147,966**	**36,881**	**17,298**	**19,583**	**-**	**3,111,085**	**3,130,668**
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	368,934	37,722	63,205	(25,483)	11,556	319,656	294,173
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**368,934**	**37,722**	**63,205**	**(25,483)**	**11,556**	**319,656**	**294,173**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,594	1,151	1,464	(313)	73	3,370	3,057
	Sub-total	**4,594**	**1,151**	**1,464**	**(313)**	**73**	**3,370**	**3,057**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	10,880	3,138	2,591	547	422	7,320	7,867
	Sub-total	**10,880**	**3,138**	**2,591**	**547**	**422**	**7,320**	**7,867**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	194,400	122,498	96,034	26,464	42,152	29,750	56,214
	Sub-total	**194,400**	**122,498**	**96,034**	**26,464**	**42,152**	**29,750**	**56,214**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,299,703	-	880	(880)	-	1,299,703	1,298,823
	Stage 2	70,389	-	387	(387)	-	70,389	70,002
	Stage 3	3,746	15	2,761	(2,746)	-	3,731	985
	Sub-total	**1,373,838**	**15**	**4,028**	**(4,013)**	**-**	**1,373,823**	**1,369,810**
Total	**Stage 1**	**4,157,273**	**33,990**	**8,970**	**25,020**	**-**	**4,123,283**	**4,148,303**
	Stage 2	**729,719**	**40,613**	**72,800**	**(32,187)**	**11,556**	**677,550**	**645,363**
	Stage 3	**213,620**	**126,802**	**102,850**	**23,952**	**42,647**	**44,171**	**68,123**
	Total	**5,100,612**	**201,405**	**184,620**	**16,785**	**54,203**	**4,845,004**	**4,861,789**

40. FINANCIAL RISK MANAGEMENT

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	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2023		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)
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. FINANCIAL RISK MANAGEMENT

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	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2024		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)
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. FINANCIAL RISK MANAGEMENT

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	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms[1]	Net Amount as per IFRS 9
2023		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)
Standard	Stage 1	1,913,110	1,592	6,535	(4,943)	-	1,911,518	1,906,575
	Stage 2	158,761	24,500	4,524	19,976	-	134,261	154,237
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**2,071,871**	**26,092**	**11,059**	**15,033**	**-**	**2,045,779**	**2,060,812**
Special Mention	Stage 1	21,956	2,234	351	1,883	-	19,722	21,605
	Stage 2	241,477	26,231	43,442	(17,211)	5,785	209,461	192,250
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**263,433**	**28,465**	**43,793**	**(15,328)**	**5,785**	**229,183**	**213,855**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,302	317	503	(186)	38	947	761
	Sub-total	**1,302**	**317**	**503**	**(186)**	**38**	**947**	**761**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	14,243	6,512	6,113	399	1,714	6,017	6,416
	Sub-total	**14,243**	**6,512**	**6,113**	**399**	**1,714**	**6,017**	**6,416**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	144,047	84,126	72,084	12,042	32,197	27,724	39,766
	Sub-total	**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	Stage 1	995,745	-	657	(657)	-	995,745	995,088
	Stage 2	86,406	-	33	(33)	-	86,406	86,373
	Stage 3	5,629	-	3,001	(3,001)	-	5,629	2,628
	Sub-total	**1,087,780**	**-**	**3,691**	**(3,691)**	**-**	**1,087,780**	**1,084,089**
Total	**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. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(f) Restructured loans

Consolidated									
Asset Classification as per CBO Norms	**Asset Classification as per IFRS 9**	**Gross Carrying Amount**	**Provision required as per CBO Norms**	**Provision held as per IFRS 9**	**Difference between CBO provision required and provision held**	**Reserve interest as per CBO norms**	**Net Amount as per CBO norms**	**Net Amount as per IFRS 9**
2024		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	Stage 1	39,988	409	643	(234)	-	39,579	39,345
	Stage 2	352,889	29,222	54,921	(25,699)	9,506	314,161	288,462
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**392,877**	**29,631**	**55,564**	**(25,933)**	**9,506**	**353,740**	**327,807**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	81,724	54,380	42,476	11,904	13,656	13,688	25,592
	Sub-total	**81,724**	**54,380**	**42,476**	**11,904**	**13,656**	**13,688**	**25,592**
Total	**Stage 1**	**39,988**	**409**	**643**	**(234)**	**-**	**39,579**	**39,345**
	Stage 2	**352,889**	**29,222**	**54,921**	**(25,699)**	**9,506**	**314,161**	**288,462**
	Stage 3	**81,724**	**54,380**	**42,476**	**11,904**	**13,656**	**13,688**	**25,592**
	Total	**474,601**	**84,011**	**98,040**	**(14,029)**	**23,162**	**367,428**	**353,399**
2023		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	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**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	77,370	47,373	42,850	4,523	11,607	18,390	22,913
	Sub-total	**77,370**	**47,373**	**42,850**	**4,523**	**11,607**	**18,390**	**22,913**
Total	**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	**77,370**	**47,373**	**42,850**	**4,523**	**11,607**	**18,390**	**22,913**
	Total	**537,748**	**72,736**	**90,386**	**(17,650)**	**16,699**	**448,313**	**430,663**

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(f) Restructured loans

Parent Company

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms	Net Amount as per IFRS 9
2024		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	Stage 1	6	0	0	0	-	6	6
	Stage 2	239,554	28,073	43,089	(15,016)	8,189	203,292	188,276
	Stage 3	-	-	-	-	-	-	-
	Sub-total	**239,560**	**28,073**	**43,089**	**(15,016)**	**8,189**	**203,298**	**188,282**
Classified as non-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**	**43,089**	**(15,016)**	**8,189**	**203,292**	**188,276**
	Stage 3	**60,833**	**41,723**	**34,131**	**7,592**	**12,335**	**6,775**	**14,367**
	Total	**300,393**	**69,796**	**77,220**	**(7,424)**	**20,524**	**210,073**	**202,649**
2023		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	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	-	-	-	-	-	-	-
	Sub-total	**283,772**	**23,579**	**35,946**	**(12,367)**	**4,945**	**255,248**	**242,881**
Classified as non-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. FINANCIAL RISK MANAGEMENT

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:

	Consolidated							
	2024				2023			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	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**

	Parent Company							
	2024				2023			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	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**

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(g) Concentration of risk

The concentration of gross exposures by location is as follows:

Consolidated	**Sultanate of Oman**	**Other GCC countries**	**Europe**	**United States of America**	**Others**	**Total**
2024	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	180,450	-	-	-	-	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**

Consolidated	**Sultanate of Oman**	**Other GCC countries**	**Europe**	**United States of America**	**Others**	**Total**
2023	RO'000	RO'000	RO'000	RO'000	RO'000	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**

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(g) Concentration of risk

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. FINANCIAL RISK MANAGEMENT

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		2023		2024		2023	
	RO' 000	%	RO' 000	%	RO' 000	%	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		2023		2024		2023	
	RO' 000	%	RO' 000	%	RO' 000	%	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. FINANCIAL RISK MANAGEMENT

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. FINANCIAL RISK MANAGEMENT

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.

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.3 COVID related disclosures

(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. FINANCIAL RISK MANAGEMENT

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:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2024	RO' 000	RO' 000	RO' 000	**RO' 000**
Loans and financing receivables restructured under CBO window	37,026	212,789	-	**249,815**
ECL as per IFRS 9	540	20,346	-	**20,886**
ECL required as per CBO Circular under restructuring window	319	12,764	-	**13,083**

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2024	RO' 000	RO' 000	RO' 000	**RO' 000**
Loans and advances restructured under CBO window	3,128	131,205	-	**134,333**
ECL as per IFRS 9	10	10,195	-	**10,205**
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. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

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%.

	Consolidated		Parent Company	
	2024		2024	
	Required ECL	Impact on ECL	Required ECL	Impact on ECL
Sensitivity of impairment estimates	RO' 000	RO' 000	RO' 000	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. FINANCIAL RISK MANAGEMENT

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:

	Less than 3 months	3 to 12 months	Sub total	1 to 5 years	Over 5 years	Total
Consolidated	RO'000	RO'000	RO'000	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. FINANCIAL RISK MANAGEMENT

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):						
- 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. FINANCIAL RISK MANAGEMENT

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. FINANCIAL RISK MANAGEMENT

40.2 Liquidity risk

(a) Maturity profile

Consolidated 2024	Less than 3 months RO'000	3 to 12 months RO'000	1 to 5 years RO'000	Over 5 years RO'000	Total 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 RO'000	3 to 12 months RO'000	1 to 5 years RO'000	Over 5 years RO'000	Total 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 RO'000	3 to 12 months RO'000	1 to 5 years RO'000	Over 5 years RO'000	Total 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 RO'000	3 to 12 months RO'000	1 to 5 years RO'000	Over 5 years RO'000	Total 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. FINANCIAL RISK MANAGEMENT

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:

	Parent Company	
	2024	**2023**
Year end	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. FINANCIAL RISK MANAGEMENT

40.3 Market risk

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	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
2024	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	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. FINANCIAL RISK MANAGEMENT

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. FINANCIAL RISK MANAGEMENT

40.3 Market risk

40.3.2 Interest rate risk

Parent Company 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	-	-	-	-	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%).

37.3.3 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. FINANCIAL RISK MANAGEMENT

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. FINANCIAL RISK MANAGEMENT

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. FINANCIAL RISK MANAGEMENT

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	Fair value through profit or loss (FVTPL)	Amortized costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
2024	RO'000	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	Fair value through profit or loss (FVTPL)	Amortized costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
2024	RO'000	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)	349,656	347,289	223,276	231,231
Additional Tier 1	186,266	143,850	156,266	143,850
Tier 1 capital	535,922	491,139	379,542	375,081
Tier 2 capital	19,850	27,358	16,233	23,320
Total capital base	**555,772**	**518,497**	**395,775**	**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 %	16.84%	16.55%	17.09%	17.40%
CET 1 ratio	10.60%	11.08%	9.64%	10.10%
Tier 1 Capital ratio	16.24%	15.67%	16.39%	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	**Retail**	**Corporate**	**Treasury**	**Others**	**Islamic Banking**	**Total**
2024	RO'000	RO'000	RO'000	RO'000	RO'000	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	Effect of prior years' adjustments	As Restated
	RO' 000	RO' 000	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	Effect of prior years' adjustments	As Restated
	RO' 000	RO' 000	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	Effect of prior years' adjustments	As Restated
	RO' 000	RO' 000	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.