BANK DHOFAR SAOG

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2024

Registered and principal place of business:

Bank Dhofar SAOG
Central Business District
P.O. Box 1507, Ruwi
Postal Code 112
Sultanate of Oman

BANK DHOFAR SAOG

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

THE BOARD OF DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present Bank's financial statements for year ended 31 December 2024.

Oman's economic recovery is going strong, and inflation is well under control due to favourable oil prices and ongoing reform momentum. The average oil price during the year 2024 was at US$ 82/b which was 37% higher than budgeted oil price of US$ 60/b. As per preliminary results of 2024, the budget is expected to generate a surplus of RO 519 million against a budgeted deficit of RO 640 million for financial year 2024, this is attributable to the increase in oil prices and continued fiscal prudence.

Oman was upgraded to BB+ Positive outlook by Fitch and Ba1 Positive outlook by Moody's, due to improvement on debt reduction and non-oil growth on hydrocarbon, domestic consumption, and robust foreign investment and tourism.

2024 Financial Overview

The key highlights of Bank's financials are summarized below:

	31 December 2024	31 December 2023	Variance
	RO million	RO million	%
Net interest income and income from Islamic financing	114.17	110.82	3.02%
Net fee and other opereating income	38.67	33.26	16.27%
Operating income	152.84	144.08	6.08%
Operating expenses	78.85	68.65	14.86%
Expected credit losses (net of recovery of bad debts)	23.80	31.66	(24.81)%
Net profit for the year	43.61	38.76	12.52%
Total assets	5,085.05	4,685.80	8.52%
Net loans and Islamic financing	3,933.62	3,765.58	4.46%
Customer deposits	3,762.86	3,299.22	14.05%
Total equity	740.43	732.95	1.02%

The Bank reported net profit of RO 43.61 million for the year ended 31 December 2024 compared to RO 38.76 million for the comparative year which represents an increase of 12.52%.

Bank's interest income on loans and Islamic financing receivables reached RO 279.89 million compared to RO 261.61 million resulting in a year on year (YoY) growth of 6.99%. However, the interest expense YoY was higher by 9.90%. As the growth in interest income was higher than the increase in interest expense in 2024, the net interest and financing income increased to RO 114.17 million for the year ended 31 December 2024 as compared to RO 110.82 million for the year 2023.

Net fee and other operating income grew significantly by 16.27% reaching RO 38.67 million as compared to RO 33.26 million for the year 2023. The Growth in fee and other operating incomef was across all business segments, including Wholesale, Retail and Islamic Business and our new business i.e corporate advisory, asset management etc.

With increase in net fee and other operating income, the total operating income correspondingly improved to RO 152.84 million for the year ended December 2024 as compared to RO 144.08 million during 2023, showing a growth of 6.08%.

Operating expenses increased by 14.86% to RO 78.85 million in 2024 as compared to RO 68.65 million in 2023. As the increase in Operating expenses by 14.86% was higher than the growth in operating income by 6.08%, the same resulted in Bank's cost to income ratio increasing to 51.59% during 2024 as compared to 47.6% for the last year.

Net loans and advances including Islamic financing, recorded YoY growth of 4.46% and reached RO 3.93 billion as at 31 December 2024 from RO 3.77 billion as at 31 December 2023. Customer Deposits including Islamic deposits, also witnessed a a significant growth of 14.05% increasing to RO 3.76 billion as at 31 December 2024 as compared to RO 3.30 billion as at end of previous year.

Net Expected Credit Loss 'ECL' for the year ending 2024 stood at RO 23.80 million after recoveries of RO 19.52 million as compared to RO 31.66 million after recovery of 20.76 million for the year 2023, a reduction of RO 7.86 million. Gross NPL ratio for the Bank improved to 4.67% as at 31 December 2024 from 5.39% as at 31 December 2023. However NPL, net of ECL and interest reserve increased to 2.12% as at 31 December 2024 compared to 2.05% at 31 December 2023.

The earnings per share (EPS) for year ended 31 December 2024 were at RO 0.0110 as compared to RO 0.0093 for the same previous year last year. The Return on Shareholder Equity (RoSE) increased to 7.66% as at 31 December 2024 from 6.90% as at 31 December 2023.

Key Strategic Initiatives in the year 2024

In 2024, Bank achieved significant milestones, showcasing its commitment to growth, innovation, and customer-centricity. The bank expanded its branch network to 130 branches, comprising 105 conventional and 25 Islamic branches, reflecting its focus on accessibility and inclusivity. Across all business segments, the range of products and services were significantly enhanced, catering to the diverse needs of customers in both conventional and Islamic banking. The launch of the Bank Dhofar Money Market Fund marked the bank's foray into fund offerings, while its role as issue manager for the successful OQ Base Industries IPO demonstrated its leadership in financial services.

On the technology front, Bank made substantial investments to enhance customer interactions and support business enablement. It became the first bank to launch tokenization via Dhofar Pay, enabling customers to make payments by simply tapping their mobile phones at POS machines. Additionally, the bank was among the firsts in the country to offer Samsung Pay and Apple Pay. To further support its corporate customers, it introduced bulk cash deposit machines and launched Dhofar EasyBiz, an automated platform for collections and reconciliation. Bank Dhofar also pioneered an end-to-end direct debit process, enabling customers to manage registration, approval, and acceptance through digital banking channels.

Customer-centricity remained a key focus, with the rollout of customer service values across the organization and notable improvements in response and resolution times for customer feedback and complaints. The bank's relentless efforts in customer acquisition resulted in a customer base of over 600,000 across conventional and Islamic banking. Further enhancing its offerings, the bank soft-launched its retail wealth proposition, and is in the process of establishing partnerships with leading global asset managers to provide diverse investment opportunities for individuals, institutions, and corporates.

Driven by its philosophy of simplifying banking, the bank undertook multiple initiatives to streamline processes and deliver a seamless experience to customers. In addition, significant advancements were made in cybersecurity, reinforcing the bank's commitment to safeguarding its customers and operations. These accomplishments underscore Bank Dhofar's dedication to innovation, customer satisfaction, and its leadership in the banking sector.

Dhofar Islamic - Financial Performance Highlights

Dhofar Islamic, the Bank Dhofar (SAOG) Islamic Banking Window has shown a positive growth in key financial performance indicators throughout the year of 2024. Gross financing portfolio has grown to RO 724.19 million at December 2024 from RO 672.09 million at December 2023, an of growth of 7.75% over last year. The total customer deposits of Dhofar Islamic reached to RO 691.04 million at December 2024, registering a significant growth of 23.34% compared to RO 560.25 million at December 2023.

The gross sukuk investment portfolio increased by 38.56% from RO 90.18 million at December 2023 to RO 124.95 million at December 2024 due additional investments in Sukuk and Shares portfolio of about RO 35 million. Dhofar Islamic total assets has shown a growth of 10.24% reaching RO 899.76 million at December 2024 from RO 816.16 million at December 2023.

As at December 2024, Dhofar Islamic registered a profit before tax of RO 8.99 million which is 4.05% higher than the last year profit before tax of RO 8.64 million. Dhofar Islamic profit expense increased by 26.29% to RO 29.69 million as at December 2024 from RO 23.51 million at December 2023. This increase is a factor of both increase in liability portfolio and the rising cost of funds in the banking sector. Dhofar Islamic was able to partially offset the adverse impact of higher cost of funds with increase in gross profit income by 14.40% to RO 47.83 million as at December 2024 from RO 41.81 million at December 2023.

Dhofar Islamic total income for the period ended December 2024 stood at RO 23.29 million compared to RO 22.90 million at December 2023, posting an increase of 1.70%. Cost to income ratio has increased to 50.58% as at December 2024 from 48.91% during the same period last year. The administrative cost has been managed efficiently throughout the year and increase was restricted to mere 5.18% to reach RO 11.78 million compared to RO 11.20M last year. Net expected credit loss 'ECL' charge has reduced by 17.97% to RO 2.51 million as at December 2024 from RO 3.06 million at December 2023 due to prudent lending and effective recoveries efforts during the year.

On a non-financial front, Dhofar Islamic has expanded its branch network to 25 across Sultanate of Oman, from 22 branches in 2023. Dhofar Islamic continued investment in its product and services to cater to customer needs and to enhance customer experience has paved the way for the growth in its customer base and in its financial portfolio during the year 2024.

Capital Adequacy

The Bank continues to hold robust capital position of Core Equity Tier 1 Ratio (CET-1) of 12.43% as at 31 December 2024 (2023: 12.99%), Tier 1 capital ratio of 16.07% (2023: 16.79%) and total capital adequacy ratio of 16.51% (2023: 17.48%), compared to regulatory minimum of 9.5%, 11.5% and 13.5% respectively.

Distributed & Proposed Dividends

The Board of Directors proposed a 6.55% cash dividend and 1.45% stock dividend as distribution for the year ended 31 December 2024, subject to Shareholders approval.

The percentage of dividends distributed to the Shareholders in the last five years is as follows:

Year	2020	2021	2022	2023	2024
Cash Dividend	4%	2%	5%	7.75%	6.55%
Stock Dividend	Nil	Nil	Nil	Nil	1.45%

Awards & Accolades

Being a customer centric and innovation focused organization, the Bank continue to develop and offer retail, corporate and investment banking solutions to enhance customer experience. This was evidenced with the Bank receiving following awards during 2024.

- Best Trade Finance Bank in Oman 2024 by The Asian Banker (TAB).
- Oman's Best Trade Finance Bank by Global Trade Review in 2024.
- Best Customer - Centric Banking Brand by The Global Brands Magazine.
- Innovating Customer Experience with Analytics by Verint.
- Customer Experience Innovation Awards by Qorus- Infosys.
- Best Trade Finance Bank - Oman 2024 by Global Banking and Finance Review.
- Best Trade Finance Bank in Oman Award by GTR.
- Best Banking Service Provider for Women in Oman 2024 by Women's Tabloid Awards.
- Best SME Bank Award - Oman 2024 by Brands Review Magazine.
- Fastest Branch Network Award - Oman 2023 by Global Business and Finance Magazine.
- Straight through Processing STP excellence award by Citi.
- Achievement in enabling Visa Tap to phone in Oman Award by Visa.
- Best Bank for Corporates Award by Euromoney.
- The Digital Transformation in Human Resources Management in the private sector Award by The Omani Society for Human Resource Management (OSHRM).

Year Ahead (2025)

Oman 2025 State Budget envisioned continuation of ongoing economic recovery. The 2025 Budget assumes oil price of US$ 60 per barrel.

The key initiative include development projects in various sectors such as Education, Health, Infrastructure, Tourism, Housing, Sport, and Agriculture. The government also continues to take proactive steps to implement several national programs under the Tenth Five-Year Development Plan to meet the objectives of Oman Vision 2040 which include the National Program for Fiscal Sustainability and Development Financial Sector (Estidamah), National Program for Economic Diversification (Tanwea'a), Government Digital Transformation program, National Program for Investment and Exports Development (Nazdahir), National Employment Program (Tashgheel).

Government led programmes ,aimed at creating wealth through economic diversification and private sector partnership ,building world-class infrastructure ,and preserving environment sustainability.

Acknowledgment

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the Executive Management. I convey my gratitude to the shareholders, Sharia Supervisory Board of Dhofar Islamic, Management and Staff for their relentless efforts and contributions during the year 2024.

The Board of Directors also wishes to thank the Central Bank of Oman and Financial Services Authority for their guidance and support to the financial sector in Oman.

Finally, on behalf of the Board of Directors, employees and the management I would like to express our most sincere gratitude to His Majesty Sultan Haitham Bin Tariq Al Said for his distinguished leadership and pivotal support to the private sector.

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

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Independent auditors' report

To the Shareholders of Bank Dhofar SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank Dhofar SAOG ("the Bank"), which comprise the statement of financial position as at 31 December 2024, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Continued on page 6

Continued from page 5

Key Audit Matters (continued)

Impairment of loans and advances and Islamic financing receivables for customers subject to credit risk

See notes 3.3, 4.1, 7(c) and 32(A) to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Bank recognised allowances for credit losses in the financial statements using expected credit loss ("ECL") models. The Bank exercise significant judgment and make a number of assumptions in developing ECL models determined as a function of the probability of default ("PD"), loss given default ("LGD"), adjusted for the forward looking information, and exposure at default ("EAD") associated with the underlying exposures subject to ECL. Complex disclosure requirements exist regarding credit quality of the portfolio including explanation of key judgments and material inputs used in estimation of ECL. It is necessary to estimate ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weights applied to them. This is considered a key audit matter, as the estimation of ECL involves significant management judgement, estimates, use of complex models and assumptions and has a material impact on the financial statements of the Bank.	Our audit procedures in this area include the following, among others: • Evaluating the appropriateness of the methodology adopted based on the requirements of IFRS 9, and our business understanding. • Obtaining an understanding of the ECL accounting estimate by performing walkthrough on the ECL process including, but not limited to, obtaining information about the Bank's control environment in relation to the estimate, obtaining an understanding of the process by which the estimate is developed, understanding the methods, assumptions and data used to develop the accounting estimate. Assessing the design, implementation and testing the operating effectiveness of selected controls in relation to governance and data migration. • Involving our Financial Risk Management ("FRM") specialists, for a selection of models, to assess the reasonableness and appropriateness of the methodology and assumptions used in various components of ECL modelling and the application of expert credit judgment to determine the ECL. This includes, where applicable, challenging key assumptions / judgments relating to significant increase in credit risk ("SICR"), definition of default, PD, use of macro-economic variables and probability weighted outcomes to check that the ECL amounts recorded are reflective of underlying credit quality and macroeconomic trends. • Testing the completeness and accuracy of the data used within the ECL calculation by sample testing over key data inputs used in estimating the ECL. • Involving our Information Technology ("IT") specialists to test the relevant general IT and application controls over key systems used for data extraction used in the ECL process. • Re-performing key aspects of the Bank's SICR determinations for selected samples of loans, advances and financing to customers to determine whether a SICR event was appropriately identified.

Continued on page 7

Continued from page 6

Key Audit Matters (continued)

Impairment of loans and advances and Islamic financing receivables for customers subject to credit risk	
See notes 3.3, 4.1, 7(c) and 32(A) to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
	• Performing credit assessments for a sample of selected customers, including Stage 3 customers, to test the appropriateness of the credit grades, including staging, assessing the financial performance of the borrower, source of repayment and future cash flows of the borrower, and as necessary, challenging the appropriateness of the ECL calculation by involving FRM specialists to reperform calculation for a sample of borrowers. • Assessing the adequacy of the Bank's disclosures by reference to the requirements of the relevant accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Report, Management Discussion and Analysis Report, Corporate Governance Report, Financial statements of Dhofar Islamic, Basel II and III – Pillar III Report of the Bank and Basel II and III – Pillar III Report of Dhofar Islamic, which we obtained prior to the date of this auditors' report, and the 2024 Annual Report, which is expected to be made available to us after that date.

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

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

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

Continued on page 8

Continued from page 7

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with the relevant requirements of the Financial Services Authority (formerly the Capital Market Authority) and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Continued on page 9

Continued from page 8

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

Further, we report that these financial statements as at and for the year ended 31 December 2024, comply, in all material respects, with the:

- relevant requirements of the Financial Services Authority (formerly the Capital Market Authority); and
- applicable provisions of the Commercial Companies Law of 2019.

Kenneth Macfarlane
Date: 5 March 2025

KPMG LLC

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STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	**31-Dec-2024 RO'000**	31-Dec-2023 RO'000
Assets			
Cash and balances with Central Bank of Oman	*5*	**197,174**	125,931
Investment securities	*8*	**648,485**	459,477
Loans, advances, and financing to banks	*6*	**196,479**	227,078
Loans, advances, and financing to customers (conventional)	*7 (a)*	**3,221,225**	3,099,314
Islamic financing receivables	*7 (b)*	**712,390**	666,270
Other assets	*11*	**80,939**	80,578
Deferred tax assets	*24*	**364**	6,209
Property and equipment	*10*	**15,404**	8,600
Intangible assets	*9*	**12,587**	12,340
Total assets		**5,085,047**	4,685,797
Liabilities			
Due to banks	*12*	**438,438**	505,916
Deposits from customers (conventional)	*13*	**3,066,881**	2,735,172
Islamic customers deposits	*13*	**695,980**	564,051
Other liabilities	*14*	**129,924**	130,455
Tax liabilities	*24 (e)*	**11,511**	15,509
Employee benefit obligations	*14 (a)*	**1,882**	1,740
Total liabilities		**4,344,616**	3,952,843
Shareholders' equity			
Share capital	*15*	**299,635**	299,635
Share premium	*17*	**95,656**	95,656
Legal reserve	*18 (a)*	**76,192**	71,831
Special reserve	*18 (c)*	**16,988**	16,988
Special reserve –restructured loans	*18 (d)*	**1,281**	1,281
Special impairment reserve	*18 (e)*	**12,184**	12,184
Special revaluation reserve - investment	*18 (f)*	**(709)**	(709)
Investment revaluation reserve	*18 (b)*	**(2,605)**	(58)
Cash flow hedge reserve	*30*	**645**	-
Retained earnings	*19*	**85,664**	80,646
Total equity attributable to the equity holders of the Bank		**584,931**	577,454
Perpetual Tier 1 Capital Securities	*16*	**155,500**	155,500
Total equity		**740,431**	732,954
Total liabilities and equity		**5,085,047**	4,685,797
Contingent liabilities and commitments	*28 (a)*	**718,428**	675,502
Net assets per share (Rial Omani)	*20*	**0.195**	0.193

The financial statements including notes and other explanatory information on pages 15 to 116 were approved and authorised for issue by the Board of Directors on 26 January 2025 and were signed on their behalf by:

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

K. Gopakumar
Acting Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	31-Dec-2024 RO'000	31-Dec-2023 RO'000
Interest income	*21*	**232,060**	219,801
Interest expense	*22*	**(137,007)**	(129,048)
Net interest income		**95,053**	90,753
Income from Islamic financing / Investments	*21*	**47,827**	41,812
Unrestricted investment account holders' share of profit and profit expense	*22*	**(28,711)**	(21,744)
Net income from Islamic financing and Investment activities		**19,116**	20,068
Fees and commission income	*29*	**38,414**	30,441
Fees and commission expense	*29*	**(9,841)**	(5,749)
Net fees and commission income		**28,573**	24,692
Other operating income	*22 (a)*	**10,100**	8,570
Operating income		**152,842**	144,083
Staff and administrative costs	*23*	**(71,817)**	(62,144)
Depreciation	*9&10*	**(7,034)**	(6,504)
Operating expenses		**(78,851)**	(68,648)
Net Impairment losses on financial assets	*7*	**(27,923)**	(32,510)
Recovery of bad debts written-off		**4,176**	850
Bad debts written-off		**(57)**	-
Profit from operations after provision		**50,187**	43,775
Income tax expense	*24*	**(6,578)**	(5,017)
Profit for the period		**43,609**	38,758
Other comprehensive income:			
Items that will not be reclassified to Profit and Loss:			
Movement in fair value reserve - FVOCI equity instrument		**(832)**	142
Realised loss FVOCI equity instrument		**(383)**	(455)
Items that are or may be reclassified to profit or loss in subsequent periods:			
Movement in fair value reserve - FVOCI debt Instruments		**(1,715)**	3,306
Change in fair value of cashflow hedge		**645**	-
Other comprehensive (loss) / income for the period		**(2,285)**	2,993
Total comprehensive income for the period		**41,324**	41,751
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	25	**0.0110**	0.0083

The notes on pages 15 to 116 are an integral part of these financial statements.

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

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Cash flow hedge reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balances as at 1 January 2024		**299,635**	**95,656**	**71,831**	**16,988**	**1,281**	**12,184**	**(709)**	**-**	**(58)**	**80,646**	**577,454**	**155,500**	**732,954**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43,609**	**43,609**	**-**	**43,609**
Other comprehensive income for the period:														
Net changes of fair value reserve														
FVOCI equity instruments	*18 (c)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**645**	**(832)**	**(383)**	**(570)**	**-**	**(570)**
FVOCI debt instruments	*18 (c)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,715)**	**-**	**(1,715)**	**-**	**(1,715)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**645**	**(2,547)**	**43,226**	**41,324**	**-**	**41,324**
Transfer to legal reserve	*18 (a)*	**-**	**-**	**4,361**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,361)**	**-**	**-**	**-**
Transfer to Subordinated reserve	*18 (b)*								**-**		**-**			
Transfer to retained earnings	*18(d)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Perpetual Tier 1 capital securities:												**-**	**-**	**-**
Payment towards perpetual additional Tier 1 coupon		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,625)**	**(10,625)**	**-**	**(10,625)**
Dividend Paid	*35*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,222)**	**(23,222)**	**-**	**(23,222)**
Balances as at 31 December 2024		**299,635**	**95,656**	**76,192**	**16,988**	**1,281**	**12,184**	**(709)**	**645**	**(2,605)**	**85,664**	**584,931**	**155,500**	**740,431**

The notes on pages 15 to 116 are an integral part of these financial statements.

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

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Cash flow hedge reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balances as at 1 January 2023		299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,506)	72,093	561,577	155,500	717,077
Profit for the period		-	-	-	-	-	-	-	-	-	38,758	38,758	-	38,758
Other comprehensive income for the period:														
Net changes of fair value reserve														
FVOCI equity instruments	*18 (c)*	-	-	-	-	-	-	-	-	142	(455)	(313)	-	(313)
FVOCI debt instruments	*18 (c)*	-	-	-	-	-	-	-	-	3,306	-	3,306	-	3,306
Total comprehensive income for the period		-	-	-	-	-	-	-	-	3,448	38,303	41,751	-	41,751
Transfer to legal reserve	*18 (a)*	-	-	3,876	-	-	-	-	-	-	(3,876)	-	-	-
Transfer to Subordinated reserve	*18 (b)*								-		-			
Transfer to retained earnings	*18(d)*	-	-	-	-	-	-	-	-	-	-	-	-	-
Perpetual Tier 1 capital securities:												-	-	-
Repayment of Tier 1 capital securities	*16*	-	-	-	-	-	-	-	-	-	-	-	(40,000)	(40,000)
Issuance of Tier 1 capital securities	*16*	-	-	-	-	-	-	-	-	-	-	-	40,000	40,000
Payment towards perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	(10,797)	(10,797)	-	(10,797)
AT 1Issuance Cost		-	-	-	-	-	-	-	-	-	(94)	(94)		(94)
Dividend Paid	*35*	-	-	-	-	-	-	-	-	-	(14,983)	(14,983)	-	(14,983)
Balances as at 31 December 2023		299,635	95,656	71,831	16,988	1,281	12,184	(709)	-	(58)	80,646	577,454	155,500	732,954

The notes on pages 15 to 116 are an integral part of these financial statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	31-Dec-2024 RO'000	31-Dec-2023 RO'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		**50,187**	43,775
Adjustment for:			
Depreciation, amortisation and impairment	*9&10*	**7,034**	6,504
Net Impairment on financial asset and recovery of bad debts written-off	*7*	**27,866**	33,270
Dividend income	*22 (b)*	**(4,034)**	(1,712)
End of Service provision for the year		**350**	351
Revaluation loss		**-**	(38)
Gain on Sale of property and equipment		**(62)**	-
Gain on sale of investments		**(32)**	(39)
Operating profit before operating assets and liabilities changes		**81,309**	82,111
Net increase/(decrease) in:			
Due to banks		**(67,478)**	(66,926)
Loans, advances, and financing to banks		**19,196**	(38,739)
Loans, advances and financing to customers		**(199,928)**	(366,545)
Other assets		**(767)**	(13,114)
Customer deposits		**463,638**	407,404
Other liabilities		**2,726**	8,145
Cash generated from operations before tax and end of service benefits		**298,697**	12,336
Taxes paid	*24*	**(4,731)**	(3,140)
End of service benefits paid	*14 (a)*	**(258)**	(126)
Net cash generated from operating activities		**293,708**	9,070
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets		**(14,118)**	(8,297)
Dividends received from investment securities		**4,034**	1,712
Purchase of investments		**(291,104)**	(66,576)
Proceeds from sale/maturities of investments		**100,733**	79,605
Proceeds from sale of property and equipment		**83**	-
Net cash (used in) / generated from investing activities		**(200,372)**	6,444
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(23,222)**	(14,983)
Issuance of AT 1 securities (OMR)		**-**	40,000
Payment of AT 1 securities (USD)		**-**	(40,000)
Interest on Tier 1 perpetual bond		**(10,625)**	(10,797)
AT 1 issuance cost		**-**	(94)
Net cash (used in) financing activities		**(33,847)**	(25,874)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**59,489**	(10,360)
Cash and cash equivalents at beginning of the year		**265,319**	275,679
Cash and cash equivalents at end of the year		**324,808**	265,319
Cash and cash equivalent comprise of:			
Cash and balances with Central Bank of Oman		**197,174**	125,931
Capital deposit with Central Bank of Oman		**(500)**	(500)
Due from banks with a short term maturity of 3 months or less		**128,134**	139,888
		324,808	265,319

Interest received was RO 238.04 million (2023: RO 256.23 million) and interest paid was RO 138.76 million (2023: RO143.73 million). These are part of the operating cash flows of the Bank.

There are no significant non-cash changes to be disclosed for 2024 and 2023.

The notes on pages 15 to 116 are an integral part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Dhofar SAOG (the "Bank") is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in corporate, retail and investment banking activities. The Bank's Islamic Banking Window, "Dhofar Islamic" (formerly Maisarah Islamic Banking services) has an allocated capital of RO 70 million (2023: RO 70 million) from the core paid up capital of the shareholders. The Bank has a primary listing of its ordinary shares on the Muscat Stock Exchange ("MSX"), and the Bank's Additional Tier I Perpetual Bonds are listed on the Muscat Stock Exchange ("MSX"). The Bank's principal place of business is its Head Office located at Central Business District ("CBD"), Muscat, Sultanate of Oman.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The Bank also prepares a separate set of financial statements for its Islamic Banking Window (IBW) in accordance with the requirements of Section 1.2 of Title 3 of the Islamic Banking Regulatory Framework ("IBRF") issued by the CBO. The separate set of financial statements of its IBW are prepared in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the CBO, the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Islamic Window (the "SSB") and other applicable requirements of the CBO. The IBW's financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these financial statements. All balances and transactions between the Bank and the IBW are eliminated in these financial statements. The accounting policies used in the preparation of these financial statements are consistent with those of the audited annual financial statements for the year ended 31 December 2023 expect for those disclosed in Note 3.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for derivative financial instruments measured at fair value, financial instruments at fair value through profit or loss (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI).

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) and presentation currency, rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgements

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 period in which the estimate is revised and in any future periods 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 BASIS OF PREPARATION *(continued)*

2.5 Standards, amendments and interpretations to IFRS effective in 2024 and relevant for the Bank's operations:

The Bank has applied the following amendments for the first time for their annual reporting periods:

- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a sale and Lease back – Amendments to IFRS 16
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

The amendments listed above did not have any impact on the amounts recognised in prior and current periods and are not expected to significantly affect the future periods.

2.6 The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2024:

- Lack of Exchangeability (Amendments to IAS 21) [effective from 1 January 2025]
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 [effective from 1 January 2026]
- IFRS 18 Presentation and Disclosures in Financial Statements [effective from 1 January 2027]
- IFRS 19 Subsidiaries without Public Accountability [effective from 1 January 2027]
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Bank has not early adopted these amendments listed above which are not expected to have any significant impact on the bank's financial statements of future periods.

3 MATERIAL ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated in to the functional currency using the rate of exchange at the date the fair value was determined. Any exchange component of a gain or loss on a non-monetary item is recognised either in other comprehensive income or in the income statement depending where the gain or loss on the underlying non-monetary item is recognised.

3.2 Financial assets and liabilities

3.2.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.2.2 Classification

(a) Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

Financial assets measured at amortised cost

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

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

It is initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost less allowance for expected credit losses.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.2 Classification *(continued)*

Financial assets measured at fair value through other comprehensive income

i) Debt Instruments

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

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

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

ii) Equity Instruments

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

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss comprises of investments held for trading and designated as FVTPL on initial recognition. They are initially recognised at fair value with transaction costs recognised in the statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the statement of comprehensive income.

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.

- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.

- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

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. In particular, 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

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.2 Classification *(continued)*

(a) Financial assets *(continued)*

Business model assessment *(continued)*

- 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.

Financial assets that are held for trading or managed and 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.

Assessment whether contractual cash flows are solely payments of principal and interest

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 of time 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.

Financial guarantee contracts and loan commitments:

For financial guarantee contracts and loan commitments, the loss allowance is recognised as provision for expected credit losses as described in note 3.3. The Bank has issued no loan commitment that are measured at FVTPL. Allowance for expected credit losses arising from financial guarantee and loan commitments are included within allowance for expected credit losses under other liabilities in statement of financial position.

Loans & advances and financing receivables

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

(b) Financial liabilities

Financial liabilities are classified as subsequently measured at Amortised Cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.3 De-recognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of comprehensive income.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of comprehensive income on de-recognition of such securities. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or 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 new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of comprehensive income.

3.2.4 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognized. Where a modification does not result in de-recognition, the date of origination continues to be used to determine significant increase in credit risk (SICR). Where a modification results in de-recognition, the new financial asset is recognized at its fair value on the modification date. The modification date is also the date of origination for this new asset.

The Bank may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

For all financial assets modifications of the contractual terms may result in de-recognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include interest rate, authorized amount, term, or type of underlying collateral. The original loan is derecognized and the new loan is recognized at its fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized in the statement of comprehensive income.

For all loans, performing and credit-impaired, where the modification of terms did not result in the de-recognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the provision for credit losses line in the statement of comprehensive income.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.4 Modifications of financial assets and financial liabilities *(continued)*

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in statement of comprehensive income. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as de-recognition, 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 statement of comprehensive income. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. 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.

3.2.5 Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

3.2.6 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 allowance for expected credit losses.

3.2.7 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 specific to that asset or liability. Details are set out in note 31.

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.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.7 Fair value measurement *(continued)*

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.

3.2.8 Designation at fair value through profit or loss

Financial assets

At initial recognition, the Bank designates certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial liabilities

The Bank designates certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.3 Allowance for expected credit losses

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Balances with banks
- Loans, advances & financings to banks
- Debt investment securities
- Loans, advances & financings to customer
- Other assets
- Financial guarantees
- Unutilized limits
- Other assets (acceptances and interest receivables)

No allowance for expected credit losses is recognised on equity investments.

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

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

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 Allowance for expected credit losses *(continued)*

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Allowance for expected credit losses is measured using a three-stage approach based on the extent of credit deterioration since origination:

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

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

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

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

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood that the borrower of a loan or debt will not be able to make the necessary scheduled repayments and defaults over a given time horizon. Bank has developed PD models for various portfolios reflecting the existing state of the environment in which the bank operates and in line with a forward-looking view. The PD models are built to capture the changing risk of default of clients over a long period of time and Bank has used its own internal data to develop such models. PD is assessed for pool of borrowers falling under each rating grade using statistical tools, which represents the average expected default probability within future 12 months horizons. While the ratings itself incorporate forward looking parameters to a certain extent, the models are structured in a way to produce average PD estimates in line with historical long-run averages including forward looking information.

- EAD – The exposure at default computed is the expected amount owed to the bank, expressed as an amount, at the time the client defaults, or is expected to default. The exposure can be distinguished between those amounts forming part of (i) revolving (ii) non-revolving and (iii) off-balance sheet exposures to the bank, as special considerations have been taken in treating each case. For all non-revolving exposures, the amount outstanding as on reporting date has been treated as EAD. For all revolving exposure, EAD shall be the sum of the amount outstanding and likely amount that will be utilised by the borrower from the unavailed limit before the default. The off-balance sheet items are converted into credit exposure equivalent through credit conversion factor (or CCF) and accordingly, EAD is estimated.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. The Bank has adopted different approaches for estimation of LGD depending on the portfolio. The Bank has used internal data reflecting Bank's own loss experience for development of model, however wherever the Bank lacked internal loss experience, external loss benchmarks are adopted.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 Allowance for expected credit losses *(continued)*

(a) Measurement of ECL

Expected credit losses are a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument. 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. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the Bank measures the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

However, for unfunded exposures, ECL is measured as follows:

- undrawn loan commitments: a credit loss is the present value of the difference between (a) the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down the loan; and (b) the cash flows that the Bank expects to receive if the loan is drawn down; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover. For a financial guarantee contract, the Bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee. The guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

(b) Restructured financial assets

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

- If the expected restructuring will not result in de-recognition 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 de-recognition 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 de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 Allowance for expected credit losses *(continued)*

(c) Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities carried at FVOCI 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. Credit impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data regarding the following events:

- 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; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of credit worthiness;
- The country's ability to access the capital markets for new debt issuance; and
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (refer note 3.3 (g)) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

(d) Forward-looking information

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

(e) Macroeconomic factors

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

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 Allowance for expected credit losses *(continued)*

(f) Assessment of significant increase in credit risk

The Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers counterparty quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR on financial assets include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the counterparty and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of counterparties; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

(g) Definition of default

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

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

Overdrafts are considered as being in default if the outstanding balance remains continuously in excess of 10% of the sanctioned / authorized limit or in cases where there are not enough credits in the account to cover the interest charged or unauthorized drawings have frequently been allowed.

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

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

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

The definition of default largely aligns with that applied for regulatory capital purposes.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 Allowance for expected credit losses *(continued)*

(h) 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 amortized cost: as a reduction from the gross carrying amount of the financial assets;
- Debt instruments measured at FVOCI: An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss. No loss allowance is recognised in the statement of financial position because the carrying amount to these assets is their fair value.
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as an allowance for expected credit losses on off-balance sheet items on other liabilities.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- Loan to value (LTV) ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity; and
- industry.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

(i) Write-off

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

The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3.4 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balance with CBO, with custodian, balances with banks, treasury bills, Nostro balances, money market placements and deposits with original maturity of less than three months. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.5 Due from banks

These are stated at amortised cost, less any amounts written off and provisions for allowance for expected credit losses. Due from banks includes placements and loans to banks.

3.6 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment loss. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings	7 – 25
Furniture and fixtures	3 – 7
Motor vehicles	3 – 5
Computer equipment	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income .

Repairs and renewals are charged to the statement of comprehensive income 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 statement of comprehensive income as an expense as incurred.

3.7 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 realisable 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 comprehensive income .

3.8 Intangible assets

Computer software costs that are directly associated with identifiable and unique software products controlled by the Bank and have probable economic benefit exceeding the costs beyond one year are recognised as an intangible asset. Computer software costs recognised as an asset are amortised using the straight-line method over the estimated useful life of 5-10 years.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.9 Deposits

Deposits from banks and customers, debt securities and subordinated liabilities are the Bank's sources of funding. These are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest rate (EIR) method.

3.10 Income tax

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 comprehensive income 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.

3.11 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.

3.12 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

3.13 Sale and repurchase 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 amounts due to other banks, deposits from banks, other deposits or deposits due to 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.

3.14 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date derivative contracts are 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:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.14 Derivative financial instruments and hedging activities *(continued)*

Derivatives are initially recognised at fair value on the date derivative contracts are 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:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

On initial designation of the derivative as hedging instrument, the Bank formally documents the relationship between the hedging instrument and hedged item, including risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the method to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedging relationship as well as ongoing basis, of whether the hedging instrument are expected to be highly effective in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedge risk.

In relation to cash flow hedges, the gain or loss on hedging instruments is recognised initially in other comprehensive income to the extent that the hedge is effective and is transferred to the statement of comprehensive income in the period in which the hedged transaction impacts the comprehensive income . If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to statement of comprehensive income.
The Bank does not have any derivatives designated as hedging instruments.

3.15 Leases

The Banks accounting policy for leases is described in note 36.

3.16 Employee benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave and leave passage are recognised 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.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 and its subsequent amendments are recognised as an expense in the statement of comprehensive income as incurred.

The Bank's obligation in respect of non-Omani end of service 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 current and prior periods.

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

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.17 Financial guarantees contracts

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary for a loss incurred because the debtor fails to make payments when due, in accordance with the terms of the debt. Such guarantees are given to Banks, financial institutions or other entities on behalf of the customers.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was issued. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on the straight line basis over the life of the guarantee and the amount of loss allowance for the guaranteed exposure determined based on the expected loss model. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income.

3.18 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 proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate 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. 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, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3.19 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the regulators and 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.

3.20 Directors' remuneration

The Board of Directors' remuneration is accrued within the limits specified by the Financial Services Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman. This is recognised in the statement of comprehensive income.

3.21 Revenue and expense recognition

I. Interest income and expense

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

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

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

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.21 Revenue and expense recognition *(continued)*

I. Interest income and expense (continued)

Interest income and expense presented in the statement of comprehensive income include:

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their Amortised Cost (AC), net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in profit or loss due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

II. Fees and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income is recognised over time on a straight-line basis as the services are rendered in cases when the customer simultaneously receives and consumes the benefits provided by the Bank's performance or at a point in time when the Bank satisfies performance obligation, usually upon execution of the underlying transaction. Other fees and commission income include account servicing fees, credit related fees, administration fees and other management fees, sales commission, placement fees, advisory fees and syndication fees.

Fees and commission income is measured based on the consideration specified in the contract with the customers. The 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:

Transaction services

The services include opening, closing and maintenance of deposit accounts, cheque issuance, clearing, deposit and payments transactions, remittances, safe deposit lockers. It also include card and 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.

The Bank recognises revenue on completion of service or proportionate completion basis or at a point in time 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.

Income is recognised on service completion basis or time proportionate basis over the period of contract.

3 MATERIAL ACCOUNTING POLICIES *(continued)*

3.21 Revenue and expense recognition *(continued)*

II. Fees and commission income (continued)

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.

The Bank recognises revenue on completion of service basis or on time proportion basis.

Advisory and asset management services

Advisory services include advising for fund raising (rights issue, IPOs, bond issues 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.

3.22 Dividends

Dividend income is recognised in the statement of comprehensive income in 'Other income', when the Bank's right to receive income is established.

3.23 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.

3.24 Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The Bank currently operates only in the Sultanate of Oman. The Bank's segments are corporate, retail banking, Treasury and Investment and Islamic Banking.

3.25 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 period. 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, which comprises convertible notes.

3.26 Perpetual Tier 1 capital securities

Perpetual Tier 1 Capital Securities of the Bank are recognised under equity and the corresponding distribution on those instruments are accounted as a debit to retained earnings. The Tier 1 securities constitute direct, unconditional, subordinated and unsecured instruments issued by the Bank that are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 securities do not have a fixed redemption or final maturity date and is redeemable by the Bank at its sole discretion on the first call date or thereafter on any interest payment date.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2023.

4.1 Allowance for expected credit losses of Loans, Advances and financing to customers and Islamic financing receivables

The Bank uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The following are key estimations that have been used in the process of applying the Bank's accounting policies:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

In addition to these, the Bank used supportable forward-looking information for measurement of ECL. The forward-looking assumptions that correlate with ECL level and their assigned weights and sensitivity to assumptions are disclosed in note 32.

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 probable 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.

Refer to note 24 for disclosures related to income taxes.

4.3 Modification of financial assets

When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in de-recognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognized and whether the new recognized loans should be considered as credit impaired on initial recognition. The de-recognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognized nor reclassified out of the credit-impaired stage.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.4 Classification of the Equity Tier 1 instrument under IAS 32

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

- no fixed date of maturity.
- payment of interest and/or capital is solely at the discretion of the Bank
- the instruments are deeply subordinated and rank just above the ordinary shareholders
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman.

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

4.5 Determination of lease term under IFRS 16

In determining the lease term, the Bank considers all facts and circumstances. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Bank considers the nature and enforceability of extension clause in the lease agreement, the value of leasehold improvements, penalties on termination, costs and business disruption required to replace the leased premises as factors to determine the lease term. Lease agreements for premises occupied by the Bank may contain an extension option, where the Bank has not considered extension options after analysing the above factors.

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

5. Cash and balances with the Central Bank of Oman

	2024	2023
	RO'000	RO'000
Cash in hand	**46,628**	30,278
Balances with the Central Bank of Oman	**133,219**	64,837
Placements with Central Bank of Oman	**17,325**	30,816
Cash held by a custodian	**2**	-
	197,174	125,931

Balances with CBO includes capital deposit of RO 0.5 million (2023: RO 0.5 million). This is not available for day-to-day operations of the Bank and cannot be withdrawn without the Central Bank of Oman's approval. During the year, the average minimum balance to be kept with Central Banks as statutory reserves was RO 105.34 million (2023: RO 90.95 million).

6. Loans, advances and financing to banks (at amortised cost)

	2024 RO'000	2023 RO'000
Syndicated loans to other banks	**29,579**	-
Placements with other banks	**141,800**	185,404
Current clearing accounts	**25,193**	42,118
	196,572	227,522
Less: impairment allowance	**(93)**	(444)
	196,479	227,078

Movement of the allowance for expected credit losses is analysed below:

	2024 RO'000	2023 RO'000
Opening balance as on 1 January	**444**	104
(Write Back) / Charge for the year	**(351)**	340
Closing balance as on 31 December	**93**	444

7. Loans, advances and financing to customers (Conventional and Islamic)

(a) Conventional Banking

	2024 RO'000	2023 RO'000
Loans	**3,054,196**	2,946,503
Overdraft	**140,489**	139,050
Loans against trust receipts	**140,504**	123,088
Bills discounted	**29,869**	64,800
Advances against credit cards	**14,379**	10,758
Gross Loans, advances and financing to customers	**3,379,437**	3,284,199
Less: Impairment allowance including reserved interest	**(158,212)**	(184,885)
	3,221,225	3,099,314

(b) Islamic Banking Window Financing

	2024 RO'000	2023 RO'000
Housing finance	**232,180**	205,682
Corporate finance	**479,226**	459,379
Consumer finance	**23,788**	20,535
	735,194	685,596
Less: Impairment allowance	**(22,804)**	(19,326)
	712,390	666,270

Allowance for expected credit losses includes the amount of interest reserve and profit reserve amounting to RO 22.35 million and RO 2.86 million respectively (2023: RO 33.33 million and RO 1.70 million).

7. Loans, advances and financing to customers (*continued*)

(c) The movement in the allowance for expected credit losses is analysed below:

	2024	2023
	RO'000	RO'000
i. Allowance for loan for expected credit losses (conventional and Islamic)		
1 January	**169,188**	175,801
Reclassification of ECL related to off balance sheet / interest accrued	**(1,441)**	1,252
Allowance made during the year	**47,180**	50,786
Released to the profit or loss during the year	**(15,340)**	(19,910)
Written off during the year	**(43,782)**	(38,741)
Balance at the end of the year	**155,805**	169,188
ii. Reserved interest		
1 January	**35,023**	40,366
Reserved during the year	**22,784**	21,333
Recoveries to profit or loss during the year	**(15,514)**	(11,758)
Written-off during the year	**(17,082)**	(14,918)
Balance at the end of the year	**25,211**	35,023
Total impairment allowance	**181,016**	204,211

The reserved interest disclosed above is the amount of interest accrued which is not recognised in the statement of comprehensive income as per CBO norms. As of 31 December 2024, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 244.49 million (2023: RO 257.04 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

Proposals for waivers / write-offs are not formula driven and are decided on a case by case basis after weighing all pros and cons. The rationale is invariably documented. In all cases, the Bank aims to recover the maximum value through enforcement of collaterals / guarantees of guarantors. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. In 2024, the Bank has written off RO 60.86 million (2023- RO 53.66 million) of provisions which includes RO 43.78 million (2023 - RO 38.74 million) of principal amount and RO 17.09 million (2023 – RO 14.92 million) of reserved interest as technical write off which are still subject to enforcement activity.

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

7. Loans, advances and financing to customers (*continued*)

(c) The movement in the allowance for expected credit losses is analysed below: (*continued*)

iii. Comparison of provision held as per IFRS 9 and required as per CBO norms

Disclosure requirements containing the risk classification –wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognized as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

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

At 31 December 2024

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	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
	Stage 1	3,155,963	43,336	8,910	34,426	3,112,627	3,147,053	-	-
Standard	Stage 2	293,017	2,688	16,183	(13,495)	290,329	276,834	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,448,980	46,024	25,093	20,931	3,402,956	3,423,887	-	-
	Stage 1	66	1	1	-	65	65	-	-
Special Mention	Stage 2	473,597	4,489	46,836	(42,347)	464,832	426,761	-	4,276
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		473,663	4,490	46,837	(42,347)	464,897	426,826	-	4,276
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	8,376	2,100	2,830	(730)	6,091	5,546	-	185
Subtotal		8,376	2,100	2,830	(730)	6,091	5,546	-	185
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	32,907	10,109	10,788	(679)	21,365	22,119	-	1,433
Subtotal		32,907	10,109	10,788	(679)	21,365	22,119	-	1,433
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	150,705	105,777	70,257	35,520	25,611	80,448	-	19,317
Subtotal		150,705	105,777	70,257	35,520	25,611	80,448	-	19,317
Total loans and advances		4,114,631	168,500	155,805	12,695	3,920,920	3,958,826	-	25,211
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,996,316	147	2,410	(2,263)	1,996,169	1,993,906	-	-
	Stage 2	306,717	-	2,222	(2,222)	306,717	304,495	-	-
	Stage 3	3,209	-	1,485	(1,485)	3,209	1,724	-	-
Subtotal		2,306,242	147	6,117	(5,970)	2,306,095	2,300,125	-	-
	Stage 1	5,152,345	43,484	11,321	32,163	5,108,861	5,141,024	-	-
Total (31 December 2024)	Stage 2	1,073,331	7,177	65,241	(58,064)	1,061,878	1,008,090	-	4,276
	Stage 3	195,197	117,986	85,360	32,626	56,276	109,837	-	20,935
	Total	6,420,873	168,647	161,922	6,725	6,227,015	6,258,951	-	25,211

* Net of provision and reserve interest as per CBO norms

7. Loans, advances and financing to customers *(continued)*

(c) The movement in the allowance for expected credit losses is analysed below *(continued)***:**

iii. Comparison of provision held as per IFRS 9 and required as per CBO norms *(continued)*

At 31 December 2023

O'000

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	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
	Stage 1	2,916,274	36,897	12,985	23,912	2,879,377	2,903,289	-	-
Standard	Stage 2	502,559	5,495	19,492	(13,997)	497,064	483,067	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,418,833	42,392	32,477	9,915	3,376,441	3,386,356	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	336,949	3,827	36,550	(32,723)	331,857	300,399	-	1,265
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		336,949	3,827	36,550	(32,723)	331,857	300,399	-	1,265
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	27,849	6,830	9,373	(2,543)	20,107	18,476	-	912
Subtotal		27,849	6,830	9,373	(2,543)	20,107	18,476	-	912
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,960	3,300	2,775	525	4,191	5,185	-	469
Subtotal		7,960	3,300	2,775	525	4,191	5,185	-	469
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	178,204	127,015	86,572	40,443	18,812	91,632	-	32,377
Subtotal		178,204	127,015	86,572	40,443	18,812	91,632	-	32,377
Total loans and advances		3,969,795	183,364	167,747	15,617	3,751,408	3,802,048	-	35,023
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,915,846	179	3,383	(3,204)	1,915,667	1,912,463	-	-
	Stage 2	274,002	-	5,210	(5,210)	274,002	268,792	-	-
	Stage 3	3,282	-	1,441	(1,441)	3,282	1,841	-	-
Subtotal		2,193,130	179	10,034	(9,855)	2,192,951	2,183,096	-	-
	Stage 1	4,832,120	37,076	16,368	20,708	4,795,044	4,815,752	-	-
Total (31 December 2023)	Stage 2	1,113,510	9,322	61,252	(51,930)	1,102,923	1,052,258	-	1,265
	Stage 3	217,295	137,145	100,161	36,984	46,392	117,134	-	33,758
	Total	6,162,925	183,543	177,781	5,762	5,944,359	5,985,144	-	35,023

* Net of provision and reserve interest as per CBO norms.

(d) Restructured Loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of the Directors, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

7. Loans, advances and financing to customers *(continued)*

(d) Restructured Loans *(continued)*

At 31 December 2024

RO'000

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	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	**Stage 1**	**83,794**	**864**	**860**	**4**	**82,930**	**82,934**	**-**	**-**
	Stage 2	**379,872**	**3,704**	**41,934**	**(38,230)**	**376,168**	**337,938**	**-**	**-**
Subtotal		**463,666**	**4,568**	**42,794**	**(38,226)**	**459,098**	**420,872**	**-**	**-**
Classified as non-performing	**Stage 3**	**25,458**	**13,104**	**6,573**	**6,531**	**10,439**	**18,885**	**-**	**1,915**
Sub total		**25,458**	**13,104**	**6,573**	**6,531**	**10,439**	**18,885**	**-**	**1,915**
Total (31 December 2024)	**Stage 1**	**83,794**	**864**	**860**	**4**	**82,930**	**82,934**	**-**	**-**
	Stage 2	**379,872**	**3,704**	**41,934**	**(38,230)**	**376,168**	**337,938**	**-**	**-**
	Stage 3	**25,458**	**13,104**	**6,573**	**6,531**	**10,439**	**18,885**	**-**	**1,915**
	Total	**489,124**	**17,672**	**49,367**	**(31,695)**	**469,537**	**439,757**	**-**	**1,915**

* Net of provision and reserve interest as per CBO norms

At 31 December 2023

RO'000

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	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	92,368	927	1,585	(658)	91,441	90,783	-	-
	Stage 2	378,069	3,732	42,405	(38,673)	373,072	335,664	-	1,265
Subtotal		470,437	4,659	43,990	(39,331)	464,513	426,447	-	1,265
Classified as non-performing	Stage 3	19,003	6,955	7,700	(745)	10,640	11,303	-	1,408
Sub total		19,003	6,955	7,700	(745)	10,640	11,303	-	1,408
Total (31 December 2023)	Stage 1	92,368	927	1,585	(658)	91,441	90,783	-	-
	Stage 2	378,069	3,732	42,405	(38,673)	373,072	335,664	-	1,265
	Stage 3	19,003	6,955	7,700	(745)	10,640	11,303	-	1,408
	Total	489,440	11,614	51,690	(40,076)	475,153	437,750	-	2,673

* Net of provision and reserve interest as per CBO norms

7. Loans, advances and financing to customers *(continued)*

(e) Comparison of allowance for expected credit losses charges as per IFRS 9 and as per CBO norms

i. Allowance for expected credit losses charge and provisions held

At 31 December 2024

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	**168,647**	**161,922**	**6,725**
Gross NPL ratio	**4.67%**	**4.67%**	**0.00%**
Net NPL ratio	**1.29%**	**2.12%**	**(0.83)%**

Gross NPL (Non-performing Loans) are 4.67% and Net NPL is 2.12% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 20.94 million.

At 31 December 2023

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	183,543	177,781	5,762
Gross NPL ratio	5.39%	5.39%	0.00%
Net NPL ratio	1.09%	2.05%	(0.97)%

Gross NPL (Non-performing Loans) are 5.39% and Net NPL is 2.05% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 33.76 million.

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the allowance for expected credit losses as per IFRS. The allowance for expected credit losses reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

However, as per circular BSD/CB/&FLCs/2021/002 dated 18 March 2021, CBO has suspended two-track approach / parallel run for the computation of additional provisions as per CBO norms for the financial year 2023 to 2024. During the period no reserve has been transferred to 'Impairment Reserve' as there is no additional provision required as per CBO guidelines.

ii. Special impairment reserve

During 2024, no amount (2023 – Nil) of special reserves was transferred from retained earnings to the special impairment reserve because CBO has suspended the two-track approach for the financial year 2023 and 2024.

7. Loans, advances and financing to customers *(continued)*

(e) Comparison of allowance for expected credit losses charges as per IFRS 9 and as per CBO norms

iii. Special impairment reserve *(continued)*

Movement of provisions under IFRS 9 and CBO norms for the year ended 31 December 2024

	As per CBO Norms RO'000	**As per IFRS 9 RO'000**	**Difference RO'000**
Opening Balance – 1 January 2024	**183,543**	**177,781**	**5,762**
Allowance for expected credit losses charge for the year	**44,226**	**43,263**	**963**
Less: write-back during the year	**(15,340)**	**(15,340)**	**-**
Less: written off during the year	**(43,782)**	**(43,782)**	**-**
Closing balance – 31 December 2024	**168,647**	**161,922**	**6,725**
Total after tax (Net)			**5,716**

Movement of IFRS 9 Special Impairment Reserve for the year ended 31 December 2024

	RO'000
At 1 January 2024 and 31 December 2024	**12,184**

There is no additional impact on the net profits if additional provisions as per the Central Bank of Oman requirements had been made.

Movement of provisions under IFRS 9 and CBO norms for the year ended 31 December 2023

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Opening Balance – 1 January 2023	185,912	184,011	1,901
Allowance for expected credit losses charge for the year	56,282	52,421	3,861
Less: write-back during the year	(19,910)	(19,910)	-
Less: written off during the year	(38,741)	(38,741)	-
Closing balance – 31 December 2023	183,543	177,781	5,762
Total after tax (Net)			4,898

Movement of IFRS 9 Special Impairment Reserve for the year ended 31 December 2023

	RO'000
At 1 January 2023 and 31 December 2023	12,184

There is no additional impact on the net profits if additional provisions as per the Central Bank of Oman requirements had been made.

7. Loans, advances and financing to customers *(continued)*

(f) Stage wise exposure, allowance for expected credit losses and net exposures

The following table discloses the stage-wise gross exposure, allowance for expected credit losses and net exposure of only those financial assets that are tested for allowance for expected credit losses under IFRS 9 as at 31 December 2024:

RO'000

Gross exposure	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Central Bank balances	**150,544**			**150,544**
Cash held by a custodian	**2**	**-**	**-**	**2**
Due from Banks	**196,572**	**-**	**-**	**196,572**
Sovereign	**480,313**	**-**	**-**	**480,313**
Investment Securities at amortized cost	**35,802**	**-**	**-**	**35,802**
Investment Securities at FVOCI	**47,761**	**-**	**-**	**47,761**
Loans and advances	**3,156,029**	**766,614**	**191,988**	**4,114,631**
Acceptance	**40,514**	**5,872**	**-**	**46,386**
Total funded gross exposure	**4,107,537**	**772,486**	**191,988**	**5,072,011**
Letters of credit/guarantee	**626,456**	**88,763**	**3,209**	**718,428**
Loan commitment / unutilized limits	**418,352**	**212,082**	**-**	**630,434**
Total non-funded gross exposure	**1,044,808**	**300,845**	**3,209**	**1,348,862**
Total gross exposure	**5,152,345**	**1,073,331**	**195,197**	**6,420,873**
Allowance for expected credit losses				
Central Bank balances	**-**	**-**	**-**	**-**
Cash held by a custodian	**-**	**-**	**-**	**-**
Due from Banks	**93**	**-**	**-**	**93**
Sovereign	**-**	**-**	**-**	**-**
Investment Securities at amortized cost	**-**	**-**	**-**	**-**
Investment Securities at FVOCI	**240**	**-**	**-**	**240**
Loans and advances	**8,911**	**63,019**	**83,875**	**155,805**
Acceptance	**439**	**2**	**-**	**441**
Total funded impairment	**9,683**	**63,021**	**83,875**	**156,579**
Letters of credit/guarantee	**838**	**1,352**	**1,485**	**3,675**
Loan commitment/unutilized limits	**800**	**868**	**-**	**1,668**
Total non-funded impairment	**1,638**	**2,220**	**1,485**	**5,343**
Total impairment	**11,321**	**65,241**	**85,360**	**161,922**
Net exposure				
Central Bank balances	**150,544**	**-**	**-**	**150,544**
Cash held by a custodian	**2**	**-**	**-**	**2**
Due from Banks	**196,479**	**-**	**-**	**196,479**
Sovereign	**480,313**	**-**	**-**	**480,313**
Investment Securities at amortized Cost	**35,802**	**-**	**-**	**35,802**
Investment Securities at FVOCI	**47,521**	**-**	**-**	**47,521**
Loans and advances	**3,147,118**	**703,595**	**108,113**	**3,958,826**
Acceptance	**40,075**	**5,870**	**-**	**45,945**
Total funded net exposure	**4,097,854**	**709,465**	**108,113**	**4,915,432**
Letter of credit/guarantee	**625,618**	**87,411**	**1,724**	**714,753**
Loan commitment/unutilized limits	**417,552**	**211,214**	**-**	**628,766**
Total net non-funded exposure	**1,043,170**	**298,625**	**1,724**	**1,343,519**
Total net exposure	**5,141,024**	**1,008,090**	**109,837**	**6,258,951**

Gross exposure of loans and advances of RO 191.99 million under stage 3 includes reserved interest of RO 20.94 million.

7. Loans, advances and financing to customers *(continued)*

(f) Stage wise exposure, allowance for expected credit losses and net exposures *(continued)*

The following table discloses the stage-wise gross exposure, allowance for expected credit losses and net exposure of only those financial assets that are tested for allowance for expected credit losses under IFRS 9 as at 31 December 2023:

				RO'000
Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	95,653			95,653
Cash held by a custodian	-	-	-	-
Due from Banks	227,522	-	-	227,522
Sovereign	384,142	-	-	384,142
Investment Securities at amortized cost	9,989	-	-	9,989
Investment Securities at FVOCI	19,474	-	-	19,474
Loans and advances	2,916,274	839,508	214,013	3,969,795
Acceptance	52,084	7,026	-	59,110
Total funded gross exposure	3,705,138	846,534	214,013	4,765,685
Letters of credit/guarantee	562,259	109,961	3,282	675,502
Loan commitment / unutilized limits	564,723	157,015	-	721,738
Total non-funded gross exposure	1,126,982	266,976	3,282	1,397,240
Total gross exposure	4,832,120	1,113,510	217,295	6,162,925
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Cash held by a custodian	-	-	-	-
Due from Banks	444	-	-	444
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	45	-	-	45
Loans and advances	12,985	56,042	98,720	167,747
Acceptance	23	12	-	35
Total funded impairment	13,497	56,054	98,720	168,271
Letters of credit/guarantee	1,422	4,360	1,441	7,223
Loan commitment/unutilized limits	1,449	838	-	2,287
Total non-funded impairment	2,871	5,198	1,441	9,510
Total impairment	16,368	61,252	100,161	177,781
Net exposure				
Central Bank balances	95,653	-	-	95,653
Cash held by a custodian	-	-	-	-
Due from Banks	227,078	-	-	227,078
Sovereign	384,142	-	-	384,142
Investment Securities at amortized Cost	9,989	-	-	9,989
Investment Securities at FVOCI	19,429	-	-	19,429
Loans and advances	2,903,289	783,466	115,293	3,802,048
Acceptance	52,061	7,014	-	59,075
Total funded net exposure	3,691,641	790,480	115,293	4,597,414
Letter of credit/guarantee	560,837	105,601	1,841	668,279
Loan commitment/unutilized limits	563,274	156,177	-	719,451
Total net non-funded exposure	1,124,111	261,778	1,841	1,387,730
Total net exposure	4,815,752	1,052,258	117,134	5,985,144

Gross exposure of loans and advances of RO 214.01 million under stage 3 includes reserved interest of RO 33.76 million.

7. Loans, advances and financing to customers *(continued)*

(f) Stage wise exposure, allowance for expected credit losses and net exposures *(continued)*

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as of 1 January 2024				
Due from banks	444	-	-	444
Loans and advances to customers	12,986	56,042	98,719	167,747
Investment securities at FVOCI (Debt)	45	-	-	45
Loan commitments and financial guarantees	1,422	4,360	1,441	7,223
Acceptances	23	12	-	35
Unutilised	1,448	838	1	2,287
Total	16,368	61,252	100,161	177,781
Net transfer between stages				
Loans and advances to customers	2,533	(4,098)	1,565	-
Loan commitments and financial guarantees	1,207	(1,209)	2	-
Unutilised	18	(18)	-	-
Total	3,758	(5,325)	1,567	-
Charge for the Year (net of recoveries)				
Due from banks	(351)	-	-	(351)
Loans and advances to customers	(6,812)	11,279	27,373	31,840
Investment securities at FVOCI (Debt)	195	-	-	195
Loan commitments and financial guarantees	(1,584)	(2,005)	41	(3,548)
Acceptances	416	(10)	-	406
Unutilised	(669)	50	-	(619)
Total net of recovery	(8,805)	9,314	27,414	27,923
Written-off			(43,782)	(43,782)
Closing Balance – as at 31 December 2024				
- Due from banks	93	-	-	93
- Loans and advances to customers	8,707	63,223	83,875	155,805
- Investment securities at FVOCI (Debt)	240	-	-	240
- Loan commitments and financial guarantees	1,045	1,146	1,484	3,675
- Acceptances	439	2	-	441
- Unutilised	797	870	1	1,668
Total expected credit loss	11,321	65,241	85,360	161,922

The most significant changes in the ECL of the Bank arise from the loans and advances to customers. The changes in the ECL on other financial assets at amortised cost and unfunded exposures including loan commitments are not significant.

As to loan and advances to customers, the ECL changes primarily related to the corporate & retail portfolio due to improvement in overall portfolio which was partially offset due to the downward movement of exposures to non-performing and un-satisfactory grades. The subsequent remeasurement of these exposures post stage transfer is reflected in the charge for the year.

7. Loans, advances and financing to customers *(continued)*

(f) Stage wise exposure, allowance for expected credit losses and net exposures *(continued)*

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as of 1 January 2023				
Due from banks	104	-	-	104
Loans and advances to customers	12,711	62,163	100,927	175,801
Investment securities at FVOCI (Debt)	64	-	-	64
Loan commitments and financial guarantees	1,670	3,266	1,252	6,188
Acceptances	13	6	-	19
Unutilised	1,162	673	-	1,835
Total	15,724	66,108	102,179	184,011
Net transfer between stages				
Loans and advances to customers	(1,819)	(15,657)	17,476	-
Loan commitments and financial guarantees	(11)	11	-	-
Unutilised	(55)	55	-	-
Total	(1,885)	(15,591)	17,476	-
Charge for the Year (net of recoveries)				
Due from banks	340	-	-	340
Loans and advances to customers	2,094	9,536	19,057	30,687
Investment securities at FVOCI (Debt)	(19)	-	-	(19)
Loan commitments and financial guarantees	(237)	1,083	189	1,035
Acceptances	10	6	-	16
Unutilised	341	110	-	451
Total net of recovery	2,529	10,735	19,246	32,510
Written-off			(38,741)	(38,741)
Closing Balance – as at 31 December 2023				
- Due from banks	444	-	-	444
- Loans and advances to customers	12,986	56,042	98,719	167,747
- Investment securities at FVOCI (Debt)	45	-	-	45
- Loan commitments and financial guarantees	1,422	4,360	1,441	7,223
- Acceptances	23	12	-	35
- Unutilised	1,448	838	1	2,287
Total expected credit loss	16,368	61,252	100,161	177,781

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL

2024:

Due from Bank
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	**444**	**-**	**-**	**444**
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	**-**	**-**	**-**	**-**
Net Movements during the year	**(351)**	**-**	**-**	**(351)**
Net Movement	**(351)**	**-**	**-**	**(351)**
Closing balance – 31 December 2024	**93**	**-**	**-**	**93**

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	**227,522**	**-**	**-**	**227,522**
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	**-**	**-**	**-**	**-**
Net Movements during the year	**(30,950)**	**-**	**-**	**(30,950)**
Net Movement	**(30,950)**	**-**	**-**	**(30,950)**
Closing balance – 31 December 2024	**196,572**	**-**	**-**	**196,572**

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Loans and Advances
ECL Movement

				RO'000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening Balance – 1 January 2024	**12,986**	**56,042**	**98,719**	**167,747**
	-	**-**	**-**	**-**
Transfer between stages				
From Stage 1 to Stage 2	**(1,006)**	**1,006**	**-**	**-**
From Stage 2 to Stage 1	**2,325**	**(2,325)**	**-**	**-**
From Stage 1 and Stage 2 to Stage 3	**1,214**	**(2,779)**	**1,565**	**-**
Net Changes in Stage	**2,533**	**(4,098)**	**1,565**	**-**
Net Movement during the year	**(6,608)**	**11,075**	**27,373**	**31,840**
Net Movement	**(6,608)**	**11,075**	**27,373**	**31,840**
Write off	**-**	**-**	**(43,782)**	**(43,782)**
Closing balance – 31 December 2024	**8,911**	**63,019**	**83,875**	**155,805**

Exposure Movement

				RO'000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening Balance – 1 January 2024	**2,916,274**	**839,508**	**214,013**	**3,969,795**
Transfer between stages				
From Stage 1 to Stage 2	**(72,633)**	**72,633**	**-**	**-**
From Stage 2 to Stage 1	**5,502**	**(5,502)**	**-**	**-**
From Stage 1 and Stage 2 to Stage 3	**(485)**	**(4,885)**	**5,370**	**-**
Net Changes in Stage	**(67,616)**	**62,246**	**5,370**	**-**
Net Movement during the year	**307,371**	**(135,140)**	**(27,395)**	**144,836**
Net Movement	**307,371**	**(135,140)**	**(27,395)**	**144,836**
Closing balance – 31 December 2024	**3,156,029**	**766,614**	**191,988**	**4,114,631**

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Investment securities
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	45	-	-	45
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	195	-	-	195
Net Movement	195	-	-	195
Closing balance – 31 December 2024	240	-	-	240

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	29,463	-	-	29,463
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	54,100	-	-	54,100
Net Movement	54,100	-	-	54,100
Closing balance – 31 December 2024	83,563	-	-	83,563

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Acceptance
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	23	12	-	35
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	416	(10)	-	406
Net Movement	416	(10)	-	406
Closing balance – 31 December 2024	439	2	-	441

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	52,084	7,026	-	59,110
Transfer between stages				
From Stage 1 to Stage 2	(1,896)	1,896	-	-
From Stage 2 to Stage 1	861	(861)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(1,035)	1,035	-	-
Net Movement during the year	(10,535)	(2,189)	-	(12,724)
Net Movement	(10,535)	(2,189)	-	(12,724)
Closing balance – 31 December 2024	40,514	5,872	-	46,386

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Letter of Credit/Guarantee
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	**1,422**	**4,360**	**1,441**	**7,223**
Transfer between stages				
From Stage 1 to Stage 2	**(14)**	**14**	**-**	**-**
From Stage 2 to Stage 1	**1,221**	**(1,221)**	**-**	**-**
From Stage 2 to Stage 3	**-**	**(2)**	**2**	**-**
Net Changes in Stage	**1,207**	**(1,209)**	**2**	**-**
Net Movement during the year	**(1,584)**	**(2,005)**	**41**	**(3,548)**
Net Movement	**(1,584)**	**(2,005)**	**41**	**(3,548)**
Closing balance – 31 December 2024	**1,045**	**1,146**	**1,484**	**3,675**

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	**562,259**	**109,961**	**3,282**	**675,502**
Transfer between stages				
From Stage 1 to Stage 2	**(4,031)**	**4,031**	**-**	**-**
From Stage 2 to Stage 1	**18,691**	**(18,691)**	**-**	**-**
From Stage 2 to Stage 3	**-**	**-**	**-**	**-**
Net Changes in Stage	**14,660**	**(14,660)**	**-**	**-**
Net Movement during the year	**49,537**	**(6,538)**	**(73)**	**42,926**
Net Movement	**49,537**	**(6,538)**	**(73)**	**42,926**
Closing balance – 31 December 2024	**626,456**	**88,763**	**3,209**	**718,428**

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Loan commitment / unutilised limits
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	**1,448**	**838**	**1**	**2,287**
Transfer between stages				
From Stage 1 to Stage 2	**(18)**	**18**	**-**	**-**
From Stage 2 to Stage 1	**36**	**(36)**	**-**	**-**
From Stage 2 to Stage 3	**-**	**-**	**-**	**-**
Net Changes in Stage	**18**	**(18)**	**-**	**-**
Net Movement during the year	**(669)**	**50**	**-**	**(619)**
Net Movement	**(669)**	**50**	**-**	**(619)**
Closing balance – 31 December 2024	**797**	**870**	**1**	**1,668**

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	**564,723**	**157,015**	**-**	**721,738**
Transfer between stages				
From Stage 1 to Stage 2	**(20,571)**	**20,571**	**-**	**-**
From Stage 2 to Stage 1	**7,484**	**(7,484)**	**-**	**-**
From Stage 2 to Stage 3	**-**	**-**	**-**	**-**
Net Changes in Stage	**(13,087)**	**13,087**	**-**	**-**
Net Movement during the year	**(133,284)**	**41,980**	**-**	**(91,304)**
Net Movement	**(133,284)**	**41,980**	**-**	**(91,304)**
Closing balance – 31 December 2024	**418,352**	**212,082**	**-**	**630,434**

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Sovereign
Exposure Movement

				RO'000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening Balance – 1 January 2024	**384,142**	**-**	**-**	**384,142**
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	**-**	**-**	**-**	**-**
Net Movement during the year	**96,171**	**-**	**-**	**96,171**
Net Movement	**96,171**	**-**	**-**	**96,171**
Closing balance – 31 December 2024	**480,313**	**-**	**-**	**480,313**

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

2023:

Due from Bank
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	104	-	-	104
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movements during the year	340	-	-	340
Net Movement	340	-	-	340
Closing balance – 31 December 2023	444	-	-	444

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	148,457	-	-	148,457
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movements during the year	79,065	-	-	79,065
Net Movement	79,065	-	-	79,065
Closing balance – 31 December 2023	227,522	-	-	227,552

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Loans and Advances
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	12,711	62,163	100,927	175,801
Transfer between stages				
From Stage 1 to Stage 2	(6,295)	1,523	(4)	(4,776)
From Stage 2 to Stage 1	4,548	(4,548)	-	-
From Stage 1 and Stage 2 to Stage 3	(72)	(12,632)	17,480	4,776
Net Changes in Stage	(1,819)	(15,657)	17,476	-
Net Movement during the year	2,094	9,536	19,057	30,687
Net Movement	2,094	9,536	19,057	30,687
Write off			(38,741)	(38,741)
Closing balance – 31 December 2023	12,986	56,042	98,719	167,747

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	2,657,029	775,544	214,079	3,646,652
Transfer between stages				
From Stage 1 to Stage 2	(52,770)	52,782	(12)	-
From Stage 2 to Stage 1	36,358	(36,358)	-	-
From Stage 1 and Stage 2 to Stage 3	(4,249)	(6,273)	10,522	-
Net Changes in Stage	(20,661)	10,151	10,510	-
Net Movement during the year	279,906	53,813	(10,576)	323,143
Net Movement	279,906	53,813	(10,576)	323,143
Closing balance – 31 December 2023	2,916,274	839,508	214,013	3,969,795

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Investment securities
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	64	-	-	64
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	(19)	-	-	(19)
Net Movement	(19)	-	-	(19)
Closing balance – 31 December 2023	45	-	-	45

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	56,349	-	-	56,349
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	(26,886)	-	-	(26,886)
Net Movement	(26,886)	-	-	(26,886)
Closing balance – 31 December 2023	29,463	-	-	29,463

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Acceptance
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	13	6	-	19
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	10	6	-	16
Net Movement	10	6	-	16
Closing balance – 31 December 2023	23	12	-	35

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	34,225	5,771	-	39,996
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	17,859	1,255	-	19,114
Net Movement	17,859	1,255	-	19,114
Closing balance – 31 December 2023	52,084	7,026	-	59,110

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Letter of Credit/Guarantee
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	1,670	3,266	1,252	6,188
Transfer between stages				
From Stage 1 to Stage 2	(38)	38	-	-
From Stage 2 to Stage 1	27	(27)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(11)	11	-	-
Net Movement during the year	(237)	1,083	189	1,035
Net Movement	(237)	1,083	189	1,035
Closing balance – 31 December 2023	1,422	4,360	1,441	7,223

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	559,104	100,588	3,056	662,748
Transfer between stages				
From Stage 1 to Stage 2	(27,488)	27,488	-	-
From Stage 2 to Stage 1	1,129	(1,129)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(26,359)	26,359	-	-
Net Movement during the year	29,514	(16,986)	226	12,754
Net Movement	29,514	(16,986)	226	12,754
Closing balance – 31 December 2023	562,259	109,961	3,282	675,502

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Loan commitment / unutilised limits
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	1,162	673	-	1,835
Transfer between stages				
From Stage 1 to Stage 2	(66)	66	-	-
From Stage 2 to Stage 1	11	(11)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(55)	55	-	-
Net Movement during the year	341	110	-	451
Net Movement	341	110	-	451
Closing balance – 31 December 2023	1,448	838	-	2,286

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	416,116	198,823	-	614,939
Transfer between stages				
From Stage 1 to Stage 2	(30,933)	30,933	-	-
From Stage 2 to Stage 1	4,351	(4,351)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(26,582)	26,582	-	-
Net Movement during the year	175,189	(68,390)	-	106,799
Net Movement	175,189	(68,390)	-	106,799
Closing balance – 31 December 2023	564,723	157,015	-	721,738

7. Loans, advances and financing to customers *(continued)*

(g) Analysis of changes in the gross exposure and ECL *(continued)*

Sovereign
Exposure Movement

				RO'000
	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	398,445	-	-	398,445
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	(14,303)	-	-	(14,303)
Net Movement	(14,303)	-	-	(14,303)
Closing balance – 31 December 2023	384,142	-	-	384,142

7. Loans, advances and financing to customers *(continued)*

(h). Reconciliation of financial assets and liabilities

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

31 December 24	**Notes**	**Designated as at FVTPL**	**FVOCI – equity instruments**	**FVOCI – debt instruments**	**Amortised cost**	**Total carrying amount**
Cash and balances with CBO	*5*	**-**	**-**	**-**	**197,174**	**197,174**
Loans and advances to banks	*6*	**-**	**-**	**-**	**196,479**	**196,479**
Loans and advances to customers	*7*	**-**	**-**	**-**	**3,933,615**	**3,933,615**
Investment securities	*8*	**2,370**	**82,479**	**143,587**	**420,049**	**648,485**
Other assets	*11*	**6,095**	**-**	**-**	**69,742**	**75,837**
		8,465	**82,479**	**143,587**	**4,817,059**	**5,051,590**
Due to banks	*12*	**-**	**-**	**-**	**438,438**	**438,438**
Deposits from customers	*13*	**-**	**-**	**-**	**3,762,861**	**3,762,861**
Other liabilities	*14*	**4,469**	**-**	**-**	**127,337**	**131,806**
		4,469	**-**	**-**	**4,328,636**	**4,333,105**

Other assets include RO 6.10 million of positive fair value of derivatives financial instruments mandatorily measured at FVPTL and other liabilities includes negative fair value of derivatives financial instruments of RO 4.47 million.

31 December 23	Notes	Designated as at FVTPL	FVOCI – equity instruments	FVOCI – debt instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	*5*	-	-	-	125,931	125,931
Loans and advances to banks	*6*	-	-	-	227,078	227,078
Loans and advances to customers	*7*	-	-	-	3,765,584	3,765,584
Investment securities	*8*	755	45,162	123,401	290,159	459,477
Other assets	*11*	3,623	-	-	73,054	76,677
		4,378	45,162	123,401	4,481,806	4,654,747
Due to banks	*12*	-	-	-	505,916	505,916
Deposits from customers	*13*	-	-	-	3,299,223	3,299,223
Other liabilities	*14*	3,386	-	-	128,809	132,195
		3,386	-	-	3,933,948	3,937,334

Other assets include RO 3.62 million of positive fair value of derivatives financial instruments mandatorily measured at FVPTL and other liabilities includes negative fair value of derivatives financial instruments of RO 3.39 million.

8. Investment securities

	2024	2023
	RO'000	RO'000
Equity investments:		
Measured at FVTPL	**2,370**	755
Measured at FVOCI	**82,479**	45,162
Gross equity investments	**84,849**	45,917
Debt investments:		
Measured at FVOCI	**143,827**	123,446
Measured at amortized cost	**420,049**	290,159
Gross debt investments	**563,876**	413,605
Total investment securities	**648,725**	459,522
Less: Impairment loss allowance	**(240)**	(45)
Total investment securities	**648,485**	459,477

Investment securities measured as at FVTPL	**2,370**	755
Investment securities measured at FVOCI	**226,066**	168,563
Debt investments measured at amortised cost	**420,049**	290,159
	648,485	459,477

The Bank has designated some investments in equity instruments at FVOCI as these are investments that the Bank plans to hold in the long-term for strategic reasons. The movement of investment securities is summarised in the following pages.

8. Investment securities *(continued)*

8. 1 Categories of investments by measurement

31 December 2024	**Designated at FVTPL RO'000**	**FVOCI RO'000**	**Amortized cost RO'000**	**Total RO'000**
Quoted Equities:				
Foreign securities	-	33,337	-	33,337
Services sector	-	2,070	-	2,070
Unit funds	1,602	-	-	1,602
Financial services sector	-	13,098	-	13,098
Industrial sector	-	29,263	-	29,263
	1,602	77,768	-	79,370
Unquoted Equities:				
Local securities	768	4,711	-	5,479
	768	4,711	-	5,479
Gross Equity investments	2,370	82,479	-	84,849
Quoted Debt:				
Government Bonds and Sukuk	-	96,066	335,907	431,973
Foreign Bonds	-	-	5,334	5,334
Local Bonds and Sukuks	-	29,229	30,468	59,697
	-	125,295	371,709	497,004
Unquoted Debt:				
Treasury Bills	-	-	48,340	48,340
Foreign Bonds	-	18,532	-	18,532
	-	18,532	48,340	66,872
Gross debt investments	-	143,827	420,049	563,876
Total Investment Securities	2,370	226,306	420,049	648,725
Less: Impairment losses on investments	-	(240)	-	(240)
	2,370	226,066	420,049	648,485

Government Bonds and Sukuks represents Oman Government Bonds and Oman Sovereign Sukuk having face value of RO 426.35 million (2023: RO 358.28 million) at average coupon rate of 4% to 6% maturing between 2025 and 2030.

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	**FVOCI Equity investment RO 000's**	**Amortised cost RO 000's**	**FVTPL RO 000's**	**Total RO 000's**
At 1 January 2024	123,420	45,143	290,159	755	459,477
Additions	48,539	40,011	203,305	1,601	293,456
Disposals and redemption	(24,383)	(2,483)	(73,869)	(18)	(100,753)
Loss from change in fair value	(1,715)	(832)	-	32	(2,515)
Amortisation of discount and premium	(6,742)	57	333	-	(6,352)
Movement in Interest Accrued	4,708	583	121	-	5,412
Total	143,827	82,479	420,049	2,370	648,725
Less: Impairment losses on investments*	(218)	(22)	-	-	(240)
At 31 December 2024	143,609	82,457	420,049	2,370	648,485

* the amount of ECL is adjusted in the carrying value of FVOCI debt instruments and not recognised in other comprehensive income.

8. Investment's securities *(continued)*

8. 1 Categories of investments by measurement *(continued)*

31 December 2023	Designated at FVTPL	FVOCI	Amortized cost	Total
	RO'000	RO'000	RO'000	RO'000
Quoted Equities:				
Services sector	-	2,334	-	2,334
Unit funds	-	22,220	-	22,220
Financial services sector	-	8,485	-	8,485
Industrial sector	-	11,432	-	11,432
	-	44,471	-	44,471
Unquoted Equities:				
Local securities	755	691	-	1,446
	755	691	-	1,446
Gross Equity investments	755	45,162	-	45,917
Quoted Debt:				
Government Bonds and Sukuk	-	103,972	261,045	365,017
Foreign Bonds	-	-	5,125	5,125
Local Bonds and Sukuks	-	19,474	9,989	29,463
Treasury Bills	-	-	14,000	14,000
Gross debt investments	-	123,446	290,159	413,605
Total Investment Securities	755	168,608	290,159	459,522
Less: Impairment losses on investments	-	(45)	-	(45)
	755	168,563	290,159	459,477

The Bank has designated certain investments in equity instruments at FVOCI as these are investments that the bank plans to hold for long-term for strategic reasons.

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments	FVOCI Equity investment	Amortised cost	FVTPL	Total
	RO 000's	RO 000's	RO 000's	RO 000's	RO 000's
At 1 January 2023	141,464	13,963	313,278	717	469,422
Additions	10,001	31,713	24,881	-	66,595
Disposals and redemption	(34,763)	(1,251)	(48,000)		(84,014)
Gain from change in fair value	2,893	142	-	38	3,073
Amortisation of discount and premium	(51)	41	-	-	(10)
Movement in Interest Accrued	3,902	554	-	-	4,456
Total	123,446	45,162	290,159	755	459,522
Less: Impairment losses on investments*	(26)	(19)	-	-	(45)
At 31 December 2023	123,420	45,143	290,159	755	459,477

* The amount of ECL is adjusted in the carrying value of FVOCI debt instruments and not recognised in other comprehensive income.

9. Intangible assets

	31-Dec-2024 RO’000	31-Dec-2023 RO’000
Cost		
1 January	**39,003**	36,248
Additions	**3,484**	2,755
Disposals	**(24)**	-
	42,463	39,003
Depreciation		
1 January	**26,663**	23,679
Charge for the year	**3,220**	2,984
Disposals	**(7)**	-
	29,876	26,663
Carrying value	**12,587**	12,340

Intangible assets represents computer software acquired by the Bank over the period. The estimated useful life of these intangible assets ranges between four to ten years.

10. Property and equipment

31 December 2024	**Freehold Land**	**Buildings**	**Furniture and Fixtures**	**Motor Vehicles**	**Computer Equipment**	**Capital work-in-progress**	**Right use of Asset**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Cost								
1 January 2024	**140**	**1,463**	**20,530**	**998**	**21,912**	**79**	**3,434**	**48,556**
Additions	**6,530**	**-**	**1,612**	**42**	**1,591**	**186**	**687**	**10,648**
Disposals	**-**	**-**	**(1,333)**	**(354)**	**(45)**	**-**	**-**	**(1,732)**
31 December 2024	**6,670**	**1,463**	**20,809**	**686**	**23,458**	**265**	**4,121**	**57,472**
Depreciation								
1 January 2024	**-**	**1,463**	**17,406**	**976**	**17,262**	**-**	**2,849**	**39,956**
Charge for the year	**-**	**-**	**1,281**	**24**	**2,031**	**-**	**478**	**3,814**
Disposals	**-**	**-**	**(1,328)**	**(353)**	**(21)**	**-**	**-**	**(1,702)**
31 December 2024	**-**	**1,463**	**17,359**	**647**	**19,272**	**-**	**3,327**	**42,068**
Carrying value 31 December 2024	**6,670**	**-**	**3,450**	**39**	**4,186**	**265**	**794**	**15,404**

10. Property and equipment *(continued)*

31 December 2023	Freehold Land	Buildings	Furniture and Fixtures	Motor Vehicles	Computer Equipment	Capital work-in-progress	Right use of Asset	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost								
1 January 2023	140	1,463	19,545	995	18,683	11	3,008	43,845
Additions	-	-	1,816	3	3,229	68	426	5,542
Disposals	-	-	(831)	-	-	-	-	(831)
31 December 2023	140	1,463	20,530	998	21,912	79	3,434	48,556
Depreciation								
1 January 2023	-	1,463	16,856	949	15,432	-	2,567	37,267
Charge for the year	-	-	1,381	27	1,830	-	282	3,520
Disposals	-	-	(831)	-	-	-	-	(831)
31 December 2023	-	1,463	17,406	976	17,262	-	2,849	39,956
Carrying value 31 December 2023	140	-	3,124	22	4,650	79	585	8,600

11. Other assets

	2024 RO'000	2023 RO'000
Acceptances	**46,386**	59,110
Prepaid expenses	**5,543**	3,936
Positive fair value of derivatives (note 30)	**6,095**	3,623
Other receivables	**23,356**	13,944
Less: allowance for expected credit losses	**(441)**	(35)
	80,939	80,578

Credit quality of acceptances and interest receivables is presented in note 32.

12. Due to banks

	2024 RO'000	2023 RO'000
Syndicated Inter bank borrowings	**122,842**	308,005
Interbank borrowings	**313,965**	196,675
Payable on demand	**1,631**	1,236
	438,438	505,916

At 31 December 2024, inter bank borrowings includes Islamic Banking Window's inter bank borrowings with other banks of RO 33.86 million (2023: RO 23.5 million). The Bank has complied with the financial covenants of its borrowing facilities during the year 2024 and 2023.

At 31 December 2024, no interbank borrowing exceeding 20% individually of the due to bank outstanding balance (2023: two bank : 20%). The Bank did not have any defaults of principal, interest, or other breaches during the year on its borrowed funds.

13. Deposits from customers

Conventional Banking

	2024 RO'000	2023 RO'000
Current accounts	**995,920**	825,264
Savings accounts	**486,194**	414,476
Time and certificate deposits	**1,570,276**	1,468,433
Margin accounts	**14,491**	26,999
	3,066,881	2,735,172

Islamic Banking

	2024 RO'000	2023 RO'000
Current accounts	**229,022**	138,551
Savings accounts	**99,548**	79,745
Time deposits	**360,120**	340,607
Margin accounts	**7,290**	5,148
	695,980	564,051

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,494 million as at 31 December 2024 (2023: RO 1,385.53 million).

14. Other liabilities

	2024 RO'000	2023 RO'000
Acceptances	**46,386**	59,110
Creditors and accruals	**72,949**	59,361
Negative Fair Value of Derivative (note 30)	**4,469**	3,386
Lease liabilities	**777**	529
Allowance for expected credit losses on off-balance sheet items (note 7)	**5,343**	8,069
	129,924	130,455

Allowance for expected credit losses on off-balance sheet items consists of Loan commitments and financial guarantees, and Unutilised credit limit. Refer note 7.

14 (a) Employee benefit obligations

The Bank's net liability and the movement in the employee terminal benefits during the year are as follows:

	2024 RO'000	2023 RO'000
1 January	**1,740**	1,138
Charge for the year	**349**	351
Payments made during the year	**(258)**	(126)
Adjustments	**51**	377
	1,882	1,740

15. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2023: 5,000,000,000 ordinary shares of RO 0.100 each).

At 31 December 2024, the issued and paid up share capital comprise 2,996,351,436 (2023: 2,996,351,436 ordinary shares of RO 0.100 each).

Shareholders:

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

	2024		2023	
	No. of shares	**%**	No. of shares	%
Dhofar International Development and Investment Company SAOG	**720,445,388**	**24.04%**	722,013,458	24.10%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	**748,937,859**	**24.99%**	741,609,646	24.75%
Social Protection Fund	**299,912,988**	**10.01%**	-	-
Civil Service Employees Pension Fund	**-**	**0.00%**	315,528,426	10.53%
Others	**1,227,055,201**	**40.95%**	1,217,199,906	40.62%
Total	**2,996,351,436**	**100.00%**	2,996,351,436	100.00%

The Bank's Islamic Banking Window, "Dhofar Islamic" (formerly Maisarah Islamic Banking services) has an allocated capital of RO 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 31 December 2024 (2023 : RO 70 million)

*Social Protection Fund was established through Royal Decree No. 50/2023, which combined civilian pension funds into single entity. Hence, the shares held by Civil Service Employees Pension Fund and Public Authority for Social Insurance as of 31 December 2024, are reported under the holding of Social Protection Fund, excluding their other indirect holdings, as of 31 December 2024.

16. Perpetual Tier 1 Capital Securities

	2024	2023
	RO'000	RO'000
Tier 1 RO Securities	**155,500**	155,500
	155,500	155,500

16 (b) Perpetual Tier 1 Capital Securities *(continued)*

Tier 1 RO Securities

(a) In October 2022, the Bank issued Perpetual Tier 1 RO Capital Securities (the "Tier 1 RO Securities"), amounting to OMR 115,500,000, denominated in Riyal Omani. This Tier 1 RO Securities is listed on Muscat Stock Exchange.

The Tier 1 RO Securities 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 RO Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion in October 2027 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 RO Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 6.75%. Thereafter the interest rate will be reset at five-year intervals. Interest will be payable semi-annually in arrears and treated as deduction from equity.

(b) In December 2023, the Bank issued Perpetual Tier 1 RO Capital Securities (the "Tier 1 RO Securities"), amounting to OMR 40,000,000, denominated in Riyal Omani. This Tier 1 RO Securities is listed on Muscat Stock Exchange.

The Tier 1 RO Securities 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 RO Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion in December 2028 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 RO Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.00%. Thereafter the interest rate will be reset at five-year intervals. Interest will be payable semi-annually in arrears and treated as deduction from equity.

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 RO Securities, on a scheduled interest payment date (for whatever reason), then the Bank must not make any other distribution or payment on or with respect to its ordinary shares or any of its other Common Equity Tier 1 Instruments or securities, ranking junior to or pari passu with the Tier 1 RO Securities unless and until it has paid one interest payment in full on the Tier 1 RO Securities. The Tier 1 RO Securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders of the Securities in certain circumstances.

These securities form part of Tier 1 Capital of the Bank and comply with Basel III and Central Bank of Oman Regulations (BM-1114).

17. Share premium

i. In 2018, the Bank issued 361,842,105 ordinary shares by way of rights issue, a share premium of RO 0.050 per share, resulting in an increase of share capital and share premium by RO 36.18 million and RO 18.09 million, respectively.

ii. In 2017, the Bank issued 216,216,216 shares by way of rights issue at a premium of RO 0.083 resulting in increase of share capital and share premium by RO 21.62 million and RO 17.95 million, respectively.

iii. In 2016, the Bank issued 200,000,000 shares by way of rights issue at a premium of RO. 0.098 resulting in increase of share capital and share premium by RO 20 million and RO 19.60 million, respectively.

iv. In 2011, the shareholders of the Bank in the annual general meeting approved the issuance of 20.2% bonus shares amounting to RO 18.49 million (184,878,143 shares of par value RO 0.100 each) from the share premium account.

v. In 2008, the Bank issued 176,921,306 shares by way of rights issue at a premium of RO 0.300 resulting in increase of share capital and share premium by RO 17.69 million and RO 53.08 million, respectively.

vi. In 2003, pursuant to the "merger agreement", the Bank has issued 6,681,818 shares of RO 1 each to erstwhile shareholders of Majan International Bank at a premium of RO 5.43 million. This is available for distribution.

18. Reserves

(a) Legal reserve

	2024 RO'000	2023 RO'000
1 January	**71,831**	67,955
Appropriation for the year	**4,361**	3,876
31 December	**76,192**	71,831

In accordance with 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 legal reserve may be used for covering the Bank's losses and the increase of its share capital by way of issuing shares and it is not available for distribution to the shareholders as dividends except where the Bank reduces its share capital, provided that the legal reserve shall not be less than one third of the share capital after the reduction.

(b) Investment revaluation reserve

The investment revaluation reserve comprises of the cumulative net change in the fair value of equity securities measured at FVOCI and the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified.

The movement in the investment revaluation reserve is analysed below:

	2024 RO'000	2023 RO'000
1 January	**(58)**	(3,506)
Change in fair value of debt instruments	**(1,715)**	3,306
Change in fair value of equity instruments	**(832)**	142
31 December	**(2,605)**	(58)

(c) Special reserve

During 2021, CBO has approved to distribute RO 500K from the special reserve to retained earnings for utilization of corporate social responsibility donation in relation to Cyclone Shaheen.

During 2020, CBO has approved to distribute RO 1 million from the special reserve to retained earnings for utilization of corporate social responsibility donation in relation to COVID-19.

During 2013, the Bank recognised in statement of comprehensive income, recovery from a legal case of RO 26.1 million, out of which, the Bank allocated RO 18.49 million (equivalent amount that was used from share premium account for issuance of bonus shares, and which was approved by the Shareholders in the annual general meeting held on 28 March 2012) to a special reserve to strengthen its capital. Prior approval of CBO is required for any distribution from this 'special reserve account'.

18. Reserves *(continued)*

(d) Special reserve for restructured loans

In accordance with Central Bank of Oman circular BSD/2018/BKUP/Bank and FLC's/467 dated 20 June 2018, the banks are required to create a special reserve of 15% for all restructured financing after the date of circular. The amount is computed as an appropriation from net profit and is not eligible to be considered for the purpose of regulatory capital and dividend distribution. This requirement to create the special reserve at 15% on restructured financing has been dispensed on immediate effect based on Central Bank of Oman circular BSD/CB/FLC/2019/15 dated 18 November 2018.

(e) Special Impairment reserve – net of tax

CBO circular BM 1149 requires the Bank to create a reserve for the difference between provisions under CBO norms and IFRS 9 when provisions, under CBO norms are higher than IFRS 9 provisions. There is no transfer made during the year due to suspension of two track approach by CBO.

(f) Special investment revaluation reserve

From 1 January 2018, the Bank classified its portfolio of equity investments as FVOCI (elected). Certain investments were previously impaired, with the allowance for expected credit losses of RO 0.71 million charged to statement of comprehensive income . A one off adjustment was recorded on 1 January 2018 to retained earnings to account this as part of transition adjustments of the Bank under IFRS 9. This reserve will be released to retained earnings on disposal of investments.

19. Retained earnings

Retained earnings represent the undistributed profits generated by the Bank since incorporation.

20. Net assets per share

Net assets per share are calculated by dividing net assets attributable to equity holders of the Bank at the year-end by the number of shares outstanding at 31 December as follows:

	2024 **RO'000**	2023 RO'000
Net assets (RO)	**584,931,437**	577,454,577
Number of shares outstanding at the end of the year	**2,996,351,436**	2,996,351,436
Net assets per share (RO)	**0.195**	0.193

21. Interest income / Income from Islamic financing and Investments

	2024	2023
Conventional Banking	**RO'000**	RO'000
Loans and advances	**191,789**	180,712
Due from banks	**19,187**	20,327
Investments	**21,084**	18,762
Total	**232,060**	219,801

	2024	2023
Islamic Banking	**RO'000**	RO'000
Islamic financing receivables	**42,406**	37,488
Islamic due from banks	**503**	61
Investments	**4,918**	4,263
Total	**47,827**	41,812

22. Interest expense / Unrestricted investment account holders' share of profit and profit expense

	2024	2023
Conventional Banking	**RO'000**	RO'000
Customers' deposits	**(108,715)**	(86,358)
Bank borrowings	**(28,292)**	(42,690)
Total	**(137,007)**	(129,048)

	2024	2023
Islamic Banking	**RO'000**	RO'000
Customer Deposits	**(26,815)**	(19,329)
Islamic bank borrowings	**(1,896)**	(2,415)
Total	**(28,711)**	(21,744)

(a) Other operating income

	2024	2023
	RO'000	RO'000
Foreign exchange	**4,753**	4,546
Investment income *22 (b)*	**4,066**	1,751
Miscellaneous income	**1,281**	2,273
	10,100	8,570

(b) Investment income by measurement category

	2024	2023
	RO'000	RO'000
Dividend income	**1,513**	667
Income from perpetual securities	**2,521**	1,045
Gain on disposals of investments – FVTPL	**32**	39
	4,066	1,751

23. Staff and administrative costs

(a) Staff costs

	2024	2023
	RO'000	RO'000
Salaries and allowances	**(41,038)**	(36,959)
Other personnel costs	**(8,230)**	(6,784)
Social insurance contribution	**(3,282)**	(2,438)
Non-Omani employees' terminal benefit	**(350)**	(351)
	(52,900)	(46,532)

On 31 December 2024, the Bank had 1,720 employees (2023: 1,689 employees).

(b) Administrative costs

	2024	2023
	RO'000	RO'000
Occupancy costs	**(4,169)**	(3,286)
Operating and administration cost	**(14,018)**	(11,242)
Others	**(730)**	(1,084)
	(18,917)	(15,612)
Total staff and administrative cost	**(71,817)**	(62,144)

24. Income tax

(a) Income tax expense:

	2024	2023
	RO'000	RO'000
Current tax		
Current year charge	**7,078**	7,048
Prior years	**(6,345)**	(1,949)
	733	5,099
Deferred tax		
Current year	**(114)**	-
Prior years	**5,959**	(82)
	5,845	(82)
Tax expense for the year	**6,578**	5,017

Interest on Additional Tier 1 Securities is reflected in the statement of changes in equity for the years ended 31 December 2015 to 31 December 2024. The Tax Authority ("TA") has completed the assessment for the years 2015 to 2020 wherein the TA has disallowed interest on Additional Tier 1 Securities. The Bank would pursue the matter further by filing an Objection with the TA. However, on a conservative basis, the Bank has created a current tax provision against the disallowance of the interest on Additional Tier 1 Securities.

The tax rate applicable to the Bank is 15% (2023: 15%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 13.11% (2023: 15.74%).

24. Income tax *(continued)*

(a) The reconciliation of taxation on the accounting profit before tax for the year at RO 50.19 million (2023: RO 43.78 million) and the taxation charge in the financial statements is as follows:

	2024 **RO'000**	2023 RO'000
Profit before tax	**50,187**	43,775
Income tax as per rates mentioned above	**7,528**	6,566
Tax exempt revenue	**(227)**	(3)
Non-deductible expenses	**(223)**	485
Current tax Prior years	**(6,345)**	(1,949)
Deferred tax - current years	**(114)**	-
Deferred tax - prior years	**5,959**	(82)
Tax expense for the year	**6,578**	5,017

The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

(b) The deferred tax asset/liability has been recognised at the effective tax rate of 15% (2023 - 15%) Deferred tax asset / (liability) in the statement of financial position and the deferred tax credit / (charge) in the statement of comprehensive income relates to the tax effect of provisions, allowance for expected credit losses on financial instruments, change in fair value of FVOCI investment and derivatives, accelerated depreciation and expenses disallowed which give rise to deferred tax asset are as follows:

	Opening *RO '000*	**Recognised in SCI**	**2024** *RO '000*	**Recognised in SOCE**
Particulars				
Property and equipment	**(930)**	**134**	**(796)**	**-**
Provision for legal claim	**240**	**27**	**267**	**-**
Right of Use Asset and lease liability	**(9)**	**(5)**	**(14)**	**-**
Allowance for expected credit losses on financial instruments	**6,874**	**(6,304)**	**570**	**-**
Investment revaluation (Non listed)	**121**	**-**	**121**	
Fair value derivatives	**(96)**	**(34)**	**(130)**	**-**
Cash flow hedge reserve	**-**	**(114)**	**(114)**	
Investment carried at fair value through profit and loss account	**9**	**451**	**460**	
Net deferred tax asset	**6,209**	**(5,845)**	**364**	**-**

	Opening *RO '000*	Recognised in SCI	2023 *RO '000*	Recognised in SOCE
Particulars				
Property and equipment	(717)	(213)	(930)	-
Provision for legal claim	462	(222)	240	-
Right of Use Asset and lease liability	(13)	4	(9)	-
Allowance for expected credit losses on financial instruments	6,364	510	6,874	-
Investment revaluation (Non listed)	121	-	121	-
Fair value derivatives	(96)	-	(96)	-
Investment carried at fair value through profit and loss account	6	3	9	-
Net deferred tax asset	6,127	82	6,209	-

24. Income tax *(continued)*

(c) **Status of previous year returns:**

The tax assessments of the Bank up to and including the Tax Year 2020 has been assessed and finalized by the TA. The Bank has filed a grievance with tax grievance committee for disallowance of Interest on Additional Tier 1 Securities for the Tax Years 2015 to 2020. The tax assessment of the Bank for the Tax Year 2021 to 2023 is yet to be taken up by the TA.

(d) **Tax liabilities**

The movement in the current income tax liability is summarised as follows:

	2024	2023
	RO'000	RO'000
At 1 January	**15,509**	13,632
Charge for the year	**733**	5,017
Payments during the year	**(4,731)**	(3,140)
At 31 December	**11,511**	15,509

25. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the year attributable to ordinary shareholders as follows:

	2024	2023
Profit for the period (RO)	**43,608,974**	38,758,150
Less: Additional Tier 1 Coupon	**(10,625,281)**	(10,796,750)
Profit for the period attributable to equity holders of the Bank	**32,983,719**	27,961,400
Weighted average number of shares outstanding during the period	**2,996,351,436**	2,996,351,436
Earnings per share basic and diluted (RO)	**0.0110**	0.009

Earnings per share (basic and diluted) have been derived by dividing the profit for the year attributable to the shareholders by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

26. Related parties' transactions

In the ordinary course of business, the Bank conducts certain transactions on mutually agreed terms with its Directors, shareholders and companies over which they are able to exert significant influence. The aggregate amounts of balances with such related parties are as follows:

	2024	2023
	RO'000	RO'000
Loans, advances and financing		
Shareholders holding 20% or more interest in the Bank and their related entities	**111,844**	57,316
Other related parties	**86,883**	81,052
	198,727	138,368
Deposits and other accounts		
Shareholders holding 20% or more interest in the Bank and their related entities	**145,712**	105,292
Other related parties	**439,375**	454,395
	585,087	559,687
Contingent liabilities and commitments		
Shareholders holding 20% or more interest in the Bank and their related entities	**4,901**	6,853
Other related parties	**11,037**	5,041
	15,938	11,894

26 Related parties' transactions (continued)

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Interest Income earned from Loans and advances to Related Parties amounts to RO 7.84 million (2023: RO 4.62 million) of which RO 4.61 million (2023: RO 1.97 million) pertains to Directors, shareholders (holding 20% or more interest in the Bank).

Interest Expense incurred on Deposits from Related parties amounts to RO 20.85 million (2023: RO 18.79 million) of which RO 20.15 million (2023: RO 3.83 million) pertains to Directors, shareholders (holding 20% or more interest in the Bank).

Majority of the loans and advances given to related parties are classified as Stage 1 and attract an ECL consistent with the methodology and assumptions for all stage 1 exposures as explained in note 7.

Balances and transactions with other related parties in the table above substantially represent the transactions and balances with shareholders holding less than 20% share capital of the Bank and their related entities, transaction and balances with entities where directors have control or common directors. These are considered related parties under regulatory requirements.

	2024	2023
	RO'000	RO'000
Remuneration paid to Directors		
Chairman		
– remuneration paid	**36**	36
– sitting fees paid	**7**	10
Other Directors		
– remuneration paid	**264**	264
– sitting fees paid	**69**	72
	376	382
Other transactions		
Rental payment to related parties	**564**	635
Insurance	**4,997**	5,408
Other transactions	**771**	2,758
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	**53**	44
Key management compensation		
Salaries and other short-term benefits	**4,350**	4,643
Staff terminal benefit	**68**	64

Loans to related parties carry interest at rates ranging between 2% and 7.51% (2023: 2% and 7.25%). Deposits from related parties attract interest at rates ranging between 0.50% and 6.25% (2023: 0.25% and 6.25%).

Key management comprises of 22 personnel (2023: 23) of the management executive committee in the year 2024. The Bank considers the personnel of Management Executive Committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures.

Single borrower and senior members

Single borrowers are connected counterparties with credit exposure in excess of 15% of the Bank's capital. Senior members include senior positions directly related to the top management of the Bank, a holding company owning 25% of more of the net worth of the Bank and their related business interests/affiliates.

(a) Single borrower

	2024	2023
	RO'000	RO'000
Single borrower		
Total direct exposure	**442,315**	446,616
Number of members	**2**	2

26. Related parties (continued)

Single borrower and senior members (continued)

(b) Senior members

The information in the below table is also included in the exposure with related parties disclosed in note 26.

	2024 RO'000	2023 RO'000
Total exposure:		
Direct	**198,727**	142,722
Indirect	**15,938**	11,898
	214,665	154,620
Number of members	**41**	41

27. Fiduciary Activities

The Bank's fiduciary activities consist of investment management activities conducted as trustee and manager as a part of the Discretionary Portfolio Management portfolio. The aggregate of the funds managed which are not included in the Bank's statement of financial position were RO 44.56 million which is equivalent (2023: RO 0.42 Million).

28. Contingent liabilities and commitments

(a) Credit related contingent items

Letters of credit and guarantees provided by the Bank to the customers are as follows:

	2024 RO'000	2023 RO'000
Letters of credit	**76,811**	87,730
Guarantees and performance bonds	**641,617**	587,772
	718,428	675,502

At 31 December 2024, letters of credit, guarantees and other commitments amounting to RO 226.08 million (2023: RO 341.57 million) are counter guaranteed by other banks.

At 31 December 2024, the Irrevocable unutilised limits towards the loans, advances and financing to customers amount to RO 630.43 million (2023: 721.74 million).

Refer to note 7 and note 32 for the details on credit loss allowances and credit quality of financial assets.

(b) Capital and investment commitments

	2024 RO'000	2023 RO'000
Contractual commitments for property and equipment/computer software	**3,864**	4,164

28. Contingent liabilities and commitments (continued)

(c) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2024. Directors have made an assessment of these cases and made appropriate provisions. The recognised provision reflects the directors' best estimate of the most likely outcome. In cases where no provisions have been made, professional advice indicates that it is unlikely that any significant loss will arise.

29. Disaggregation of net fees and commission income

	Retail banking	**Corporate banking**	**Treasury and investment banking**	**Sub Total**	**Islamic Banking**	**Total**
31 December 2024	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Fee Income						
Transactional services	**14,891**	**535**	**319**	**15,745**	**1,029**	**16,774**
Trade services	**14**	**4,484**	**2,524**	**7,022**	**752**	**7,774**
Syndication and other financing related services	**1,240**	**6,920**	**3,420**	**11,580**	**1,234**	**12,814**
Advisory and asset management services	**-**	**227**	**-**	**227**	**825**	**1,052**
	16,145	**12,166**	**6,263**	**34,574**	**3,840**	**38,414**
Fee Expense						
Transactional Services	**(8,025)**	**(93)**	**(282)**	**(8,400)**	**(81)**	**(8,481)**
Syndication and Other Financing related services	**-**	**-**	**(1,151)**	**(1,151)**	**(209)**	**(1,360)**
Fee Expense	**(8,025)**	**(93)**	**(1,433)**	**(9,551)**	**(290)**	**(9,841)**
Net fee and commission income	**8,120**	**12,073**	**4,830**	**25,023**	**3,550**	**28,573**

	Retail banking	Corporate banking	Treasury and investment banking	Sub Total	Islamic Banking	Total
31 December 2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Fee Income						
Transactional services	9,416	915	255	10,586	556	11,142
Trade services	-	4,045	2,689	6,734	226	6,960
Syndication and other financing related services	768	5,942	2,145	8,855	2,008	10,863
Advisory and asset management services	-	141	99	240	1,236	1,476
	10,184	11,043	5,188	26,415	4,026	30,441
Fee Expense						
Transactional Services	(3,473)	(282)	(1,793)	(5,548)	(28)	(5,576)
Syndication and Other Financing related services	-	-	-	-	(173)	(173)
Fee Expense	(3,473)	(282)	(1,793)	(5,548)	(201)	(5,749)
Net fee and commission income	6,711	10,761	3,395	20,867	3,825	24,692

30. Derivative financial instruments

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

The Bank uses the following derivative instruments for non-hedging purposes:

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. No exchange of principal takes place, except for certain currency swaps. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities shown within other assets and other liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

The table on the following page shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

						RO 000's
	Positive	Negative	Notional	Notional amounts by term to maturity		
31 December 2024	**fair value**	**Fair Value**	**amount total**	**within 3 months**	**4-12 months**	**> 12 months**
Derivatives:						
Cash flow hedge	759	-	153,018	-	-	153,018
Commodities purchase contracts	305	-	15,788	8,657	7,131	-
Commodities sale contracts	-	228	15,711	8,625	7,086	-
Interest rate swaps	-	3,919	94,129	-	-	94,129
IRS with customer	3,919	-	94,129	-	-	94,129
Forward purchase contracts	-	322	1,028,567	458,167	290,743	279,657
Forward sales contracts	1,112	-	1,027,522	457,918	290,126	279,478
Total	**6,095**	**4,469**	**2,428,864**	**933,367**	**595,086**	**900,411**

30. Derivative financial instruments *(continued)*

RO 000's

31 December 2023	Positive fair value	Negative Fair Value	Notional amount total	Notional amounts by term to maturity within 3 months	4-12 months	> 12 months
Derivatives:						
Interest rate swaps	-	3,300	52,301	-	-	52,301
IRS customer	3,300	-	52,301	-	-	52,301
Forward purchase contracts	-	86	678,144	323,563	205,314	149,267
Forward sales contracts	323	-	677,915	323,976	205,370	148,569
Total	3,623	3,386	1,460,661	647,539	410,684	402,438

Interest rate swaps entered by the Bank are back-to-back arrangements and therefore the amount of positive and negative fair value is equal.

The following table indicates the positive fair values of derivatives (net) associated with derivatives that are recognised in the statement of comprehensive income.

	Assets		**Liabilities**	
	31-Dec-2024 RO'000	31-Dec-2023 RO'000	**31-Dec-2024 RO'000**	31-Dec-2023 RO'000
Expected cash flows	**1,626**	408	**1,626**	408

Derivatives held for hedging purposes

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

The Bank had entered into interest rate swaps that are designated as cash flow hedges for hedging the cash flow volatility risk on certain foreign currency denominated liabilities. The cumulative change in the fair value of the hedged liabilities attributable to the risk hedged is recorded as part of their respective carrying values and are accordingly presented in statement of financial position.

Cash flow hedge

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

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments net of tax. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

30. Derivative financial instruments *(continued)*

Cashflow hedge reserve

In 2024, the Bank has entered into an Interest Rate Swap (IRS) agreement to hedge pool of bank borrowings amounting to USD 407 million at market competitive swap rates. Details of the hedge are under:

Hedged instrument	SOFR linked pool of Bank borrowing portfolio
Hedging instrument	Pay floating receive fixed Interest rate swaps
Hedge risk	Interest rate risk fluctuations of SOFR

There is an economic relationship between the hedged item and the hedging instrument.

Accordingly, the movement in the cash flow hedge reserve during the year is as follows:

The following amounts were recognised in the statement of other comprehensive income during the year

	2024	2023
	RO'000	RO'000
At 1 January	**-**	-
Change in fair value during the year	**759**	-
Less: related deferred tax liabilities	**(114)**	-
At 31 December	**645**	-

	2024	2023
	RO'000	RO'000
Effective portion of hedge recognized during the year	**1,300**	-
Less: Gains on hedge recycled to profit or loss	**(541)**	-
Change in fair value of cash flow hedge during the year	**759**	-

31. Fair value information

The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position (Level 3).

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31. Fair value information *(Continued)*

At 31 December 2024	**Level 1 RO'000**	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**	**Cost RO'000**
Financial assets					
Investments at FVOCI	**192,347**	**10,716**	**23,243**	**226,306**	**228,062**
Investments at FVTPL	**1,602**	**-**	**768**	**2,370**	**2,589**
Derivative financial instruments					
Cash flow hedge	**-**	**759**	**-**	**759**	**-**
Commodities purchase contracts	**-**	**305**	**-**	**305**	**-**
Forward foreign exchange contracts	**-**	**1,112**	**-**	**1,112**	**-**
IRS customer	**-**	**3,919**	**-**	**3,919**	**-**
Total	**193,949**	**16,811**	**24,011**	**234,771**	**230,651**
Financial liabilities					
Derivative financial instruments					
Commodities sale contracts	**-**	**228**	**-**	**228**	**-**
Forward foreign exchange contracts	**-**	**322**	**-**	**322**	**-**
Interest rate swaps	**-**	**3,919**	**-**	**3,919**	**-**
Total	**-**	**4,469**	**-**	**4,469**	**-**

At 31 December 2023	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	167,007	910	691	168,608	167,823
Investments at FVTPL	-	-	755	755	1,008
Derivative financial instruments					
Forward foreign exchange contracts	-	323	-	323	-
IRS customer	-	3,300	-	3,300	-
Total	167,007	4,533	1,446	172,986	168,831
Financial liabilities					
Derivative financial instruments					
Forward foreign exchange contracts	-	86	-	86	-
Interest rate swaps	-	3,300	-	3,300	-
Total	-	3,386	-	3,386	-

The impact of change in estimates used in measurement of fair value of level 3 securities is not material to the financial statements. The following table demonstrates the movement of the Bank's level 3 investments:

Level 3 movement – 31 December 2024

	FVTPL RO 000's	**FVOCI RO 000's**	**Total RO 000's**
At 1 January	**755**	**691**	**1,446**
Total gains	**13**	**61**	**74**
Purchases	**-**	**22,491**	**22,491**
At 31 December	**768**	**23,243**	**24,011**

31. Fair value information *(Continued)*

Level 3 movement – 31 December 2023

	FVTPL RO 000's	FVOCI RO 000's	Total RO 000's
At 1 January	717	691	1,408
Total gains	38	-	38
At 31 December	755	691	1,446

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index process and expected price volatilities and correlations.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Transfer between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value hierarchy during the year.

32. Financial risk management

The important types of financial risks to which the Bank is exposed are credit risk, liquidity risk and market risk. The Risk Management Division of the Bank is an independent and dedicated unit reporting directly to the Board Risk Committee ("BRC"). The division's primary responsibility is to assess, monitor and recommend strategies for control of credit, market and operational risk. The absence of any direct or indirect reporting lines and permanent membership in all the Bank's committees are among the factors which reflect the independence of the Risk Management Divisions (RMD) working and the key role it plays within the Bank.

The risk management framework is pivoted on a host of committees involving the executive management and the Board of Directors ("the Board") for approval and reporting purposes. The Board has the overall authority for approval of strategies and policies, which it exercises through its various sub-committees. The Board Risk Committee is responsible for reviewing and recommending to the full Board for approval of all risk policies and procedures. BRC also reviews the risk profile of the Bank as presented to it by the RMD and appraises the full Board in its periodic meeting.

A. Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations arising principally from the loans, advances and Islamic financing, amounts due from banks and investment in debt securities. The Bank has an independent credit risk management function which identifies, assesses and manages the credit risk at an individual or entity level. All the Corporate credit proposals are assessed independently by RMD before they are considered by the appropriate approving authorities. The Bank has defined various levels of authorities for credit approval with Board Executive Committee being the final credit approving authority of the Bank and mainly responsible for approving all credit proposals beyond the authority level set for the management. This committee is also the final authority for approving investments beyond the set authority of the management. The Management Credit Committee ("MCC") is the credit decision making body at the management level which is empowered to consider all credit related issues up to certain limit.

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

The Bank has established robust credit risk management policies and procedures and a risk grading system for analysing the risk associated with credit. This facilitates the approving authorities in making their credit decision. In addition, RMD assists/ reviews grading of obligors, conducts regular macro analysis of the credit portfolio and monitors credit concentration limits.

Maximum counterparty/Bank exposures are limited to 15% of the Bank's capital base as stipulated by CBO and where a higher limit is required for projects of national importance, prior CBO approval is obtained. Individual country limits using internal ratings have also been set up to ensure portfolio diversification in terms of sovereign risk ratings and geographical exposure. These limits are approved by the Board Risk Committee. Retail lending is strictly in accordance with the CBO.

As at 31 December 2024, the Bank has restructured loans amounting to OMR 391.73 million, constituting 9.52% of the Gross loans and Advances. The Bank has also considered ECL to address significant increase in credit risk in certain accounts based on its judgment and experience.

The Bank estimates its expected credit losses (ECLs) considering the macroeconomic indicators and ECLs were estimated based on a range of forecasts for economic conditions as at that date and considering that the situation is fast evolving, the Bank has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. The macro-economic variables for estimation of forward-looking factor in ECL were identified based on their level and direction of association with asset quality ratio of Oman Banking sector. The forward-looking factor (called as Cyclicality Index) used is determined from the observed historical macro-economic factors. The cyclicality index is used to forecast expected point-in-time probability of defaults for all the portfolio for which ECL is estimated and correlation is observed between the Cyclicality index and macro-economic factors. The forward-looking macro-economic model for Oman has been redeveloped in second half of year 2024 with macro-economic factors Real GDP growth and Oil Price. Also, a new world macro-economic model has been developed for the non-resident externally rated exposures (Banks and Sovereign). The macro-economic factors have been projected, in line with IMF. The macro-economic indicators for both models have been provided as under:

	Oman macro model			World macro model
	GDP growth (annual %) Lag 2	**Oil Price**		**GDP growth (annual %)**
Present	4.31%	58.96		3.18%
Year 1	1.30%	55.26		3.23%
Year 2	1.20%	52.92		3.16%
Year 3	3.10%	51.52		3.14%

The ECL has been calculated as probability weighted figure for three scenarios i.e. Base case, Upside and Downside with 50%, 25% and 25% weightings respectively. No change has been considered in the weightage. Real GDP growth projections have improved, as considered in Oman budget 2025 for 2024 and for the next three years projection is provided by IMF.

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its usual model refinement exercise. Other than changes in the macro-economic indicators, Bank has not considered any other change in ECL model. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. In order to meet any additional challenge, Bank has also considered additional customer specific overlays, based on the management experience and close monitoring of the customers with significant increase in credit risk.

The total expected credit loss as at 31 December 2024 stood at OMR 161.92 million as compared to OMR 177.78 million as at 31 December 2023. The total ECL has decreased by OMR 15.86 million, which is 8.9% less than the last year position. Out of OMR 161.92 million, Bank is maintaining ECL of OMR 114.02 million (2023: OMR 121.04 million) in Corporate portfolio, OMR 12.17 million (2023: OMR 4.71 million) in SME portfolio and OMR 29.62 million (2023: 43.44 million) in Retail portfolio. Since, the models may not always capture all the stressed events, it is therefore prudent to incur additional ECL based on the management experience and current uncertain situation in the economy. Accordingly, Bank has considered account specific post model adjustments of OMR 5.52 million (31 December 2023- RO 1.72 million).

Other receivables of the Bank are generally short term in nature and with history of insignificant default and hence ECL impact from this balance considered to be immaterial.

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

Sensitivity of ECL to future economic conditions

The Bank is currently using three scenarios viz., Base case, Upside and Downside and weightage of 50%, 25% and 25% respectively is applied to estimation the ECL. The below table provides the impact on ECL on major assets, if weight of 100% is applied to Base case and Downside scenarios.

2024

Amount RO 000's

Scenarios	ECL for				Total
	Loans and advances (RO 000's)	Islamic financing receivables (RO 000's)	Investment securities carried at amortised cost (RO 000's)	Other Portfolio (RO 000's)	(RO 000's)
Scenarios currently used by Bank	**135,864**	**19,941**	**240**	**5,877**	**161,922**
100% Base case scenario	**135,901**	**19,968**	**231**	**5,787**	**161,887**
100% Downside scenario	**149,540**	**23,608**	**417**	**9,283**	**182,848**

2023

Amount RO 000's

Scenarios	ECL for				Total
	Loans and advances (RO 000's)	Islamic financing receivables (RO 000's)	Investment securities carried at amortised cost (RO 000's)	Other Portfolio (RO 000's)	(RO 000's)
Scenarios currently used by Bank	150,128	17,619	45	9,989	177,781
100% Base case scenario	148,651	17,345	41	811	166,848
100% Downside scenario	166,612	20,305	76	1,479	188,472

The above table reveals that in case of 100% downside scenario, the ECL may increase by OMR 20.93 million (2023: 10.69 million) from the current position.

Accounting for modification loss

The Bank have done an extensive exercise on determining the modification loss/gain and has determined that the re-structuring done are in line with CBO guidelines which did not result in de-recognition of financial assets and the modification loss arising from the restructured loan was accounted for within ECL.

As of 31st December 2024, the restructured loans, advances and financing amounts to RO 489.12 million and the stagewise details are as follows:

Classification/Stage As per IFRS-9	2024		2023	
	Restructured (RO 000's)	ECL (RO 000's)	Restructured (RO 000's)	ECL (RO 000's)
Stage 1	**83,794**	**860**	92,368	1,585
Stage 2	**379,872**	**41,934**	378,069	42,405
Stage 3	**25,458**	**6,573**	19,003	7,700
Total	**489,124**	**49,367**	489,440	51,690

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

Impact on the Capital Adequacy

Besides, the Bank has also applied in its capital adequacy calculations the “Prudential filter” under interim adjustment arrangement for Stage-1 and Stage-2 ECL. As per the Prudential filter, the Tier II capital of the Bank will comprise of Stage 1 ECL plus portion of Stage 2 ECL. Such portion shall be estimated as under:

- The Stage 2 ECL amount as on 31 December 2019 is considered “Base Year Amount” and the incremental ECL (i.e. Stage 2 ECL at a respective reporting date minus stage 2 ECL as at 31 December 2019) may be considered for Tier 2 capital subject to incremental reduction of 20% ECL every year (80% in 2021, 60% in 2022, 40% in 2023 etc).

The Tier II capital has improved by 0.41% (2023: 0.66%) due to application of above prudential filter.

1. Credit Exposure

The following table sets out the Credit Exposure to customers of the Bank:

(i) Geographical concentrations

	Assets			Liabilities		
	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
31 December 2024						
Sultanate of Oman	**82,459**	**4,114,056**	**591,665**	**3,761,609**	**116,536**	**444,008**
Other GCC countries	**38,733**	**-**	**57,060**	**329**	**199,065**	**90,050**
Europe and North America	**53,594**	**575**	**-**	**753**	**44,984**	**168,258**
Africa and Asia	**21,786**	**-**	**-**	**170**	**77,853**	**16,112**
	196,572	**4,114,631**	**648,725**	**3,762,861**	**438,438**	**718,428**
31 December 2023						
Sultanate of Oman	48,510	3,969,247	434,438	3,298,560	105,645	447,705
Other GCC countries	52,932	-	25,084	356	351,651	100,445
Europe and North America	62,911	548	-	236	29,370	65,608
Africa and Asia	63,169	-	-	71	19,250	61,744
	227,522	3,969,795	459,522	3,299,223	505,916	675,502

Loan commitment of RO 630.43 million as at 31 December 2024 (31 December 2023: RO 721.74 million) arises from the customers in the Sultanate of Oman.

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

(ii) Customer concentrations

	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024						
Personal	**-**	**1,550,440**	**-**	**995,105**	**-**	**239**
Corporate	**196,572**	**1,998,284**	**168,412**	**783,019**	**438,438**	**279,397**
Government	**-**	**565,907**	**480,313**	**1,984,737**	**-**	**438,792**
	196,572	**4,114,631**	**648,725**	**3,762,861**	**438,438**	**718,428**
31 December 2023						
Personal	-	1,458,267	-	940,676	-	-
Corporate	227,522	1,868,493	80,505	962,803	505,916	675,257
Government	-	643,035	379,017	1,395,744	-	245
	227,522	3,969,795	459,522	3,299,223	505,916	675,502

Loan commitment of RO 630.43 million as at 31 December 2024 (31 December 2023: RO 721.74 million) substantially arises from the corporate customers.

(iii) Economic sector concentrations

	Gross loans, advances and financing to customers	Deposits from customers	Contingent Liabilities	Loan Commitment
	RO'000	RO'000	RO'000	RO'000
31 December 2024				
Personal	**1,550,440**	**1,408,770**	**6,976**	**26,590**
International trade	**195,713**	**93,287**	**44,299**	**48,529**
Construction	**514,363**	**102,690**	**205,760**	**125,331**
Manufacturing	**300,987**	**132,216**	**28,898**	**63,587**
Wholesale and retail trade	**106,002**	**29,746**	**18,147**	**22,992**
Communication and utilities	**117,892**	**24,578**	**5,433**	**23,297**
Financial services	**230,887**	**49,801**	**219,730**	**86,851**
Government	**106,325**	**1,284,042**	**108,155**	**43,074**
Other services	**484,221**	**172,424**	**26,641**	**88,971**
Others	**507,801**	**465,307**	**54,389**	**101,212**
	4,114,631	**3,762,861**	**718,428**	**630,434**

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

(iii) Economic sector concentrations (continued)

	Gross loans, advances and financing to customers	Deposits from customers	Contingent Liabilities	Loan Commitment
	RO'000	RO'000	RO'000	RO'000
31 December 2023				
Personal	1,458,267	940,676	-	265,185
International trade	169,097	47,680	29,564	30,747
Construction	565,681	72,177	172,285	102,585
Manufacturing	228,524	126,880	37,842	41,553
Wholesale and retail trade	129,314	23,269	16,930	23,421
Communication and utilities	200,777	40,410	15,382	36,507
Financial services	246,702	40,044	266,326	44,858
Government	15,209	1,097,240	53,570	2,765
Other services	447,400	154,400	39,551	81,351
Others	508,824	756,447	44,052	92,766
	3,969,795	3,299,223	675,502	721,738

(iv) Gross credit exposure

	Total gross exposure	
	2024	2023
	RO'000	RO'000
Overdrafts	**140,489**	139,050
Loans	**3,054,196**	2,946,503
Loans against trust receipts	**140,504**	123,088
Bills discounted	**29,869**	64,800
Advance against credit cards	**14,379**	10,758
Islamic Banking Window financing	**735,194**	685,596
Total	**4,114,631**	3,969,795

(v) Geographical distribution of funded exposures:

	Sultanate of Oman	**Other countries**	**Total**
	RO'000	**RO'000**	**RO'000**
31 December 2024			
Overdrafts	**140,489**	-	**140,489**
Loans	**3,054,196**	-	**3,054,196**
Loans against trust receipts	**140,374**	**130**	**140,504**
Advance against credit cards	**14,379**	-	**14,379**
Bills discounted and advances against receivables	**29,424**	**445**	**29,869**
Islamic Banking Window financing	**735,194**	-	**735,194**
	4,114,056	**575**	**4,114,631**

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

	Sultanate of Oman	Other countries	Total
	RO'000	RO'000	RO'000
31 December 2023			
Overdrafts	139,050	-	139,050
Loans	2,946,503	-	2,946,503
Loans against trust receipts	122,847	241	123,088
Advance against credit cards	10,758	-	10,758
Bills discounted and advances against receivables	64,493	307	64,800
Islamic Banking Window financing	685,596	-	685,596
	3,969,247	548	3,969,795

(vi) Industry type distribution of exposures by major types of credit exposures:

	Overdrafts	Loans including Islamic financing	Bills discounted	Others	Total	Contingent liabilities	Loan commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024							
Import trade	**20,282**	**135,973**	**-**	**33,369**	**189,624**	**41,431**	**46,727**
Export trade	**1,070**	**5,009**	**-**	**10**	**6,089**	**2,868**	**1,802**
Wholesale/retail trade	**4,934**	**94,826**	**-**	**6,242**	**106,002**	**18,147**	**22,992**
Mining and quarrying	**1,865**	**137,290**	**-**	**167**	**139,322**	**40,388**	**34,648**
Construction	**39,438**	**425,893**	**-**	**49,032**	**514,363**	**205,760**	**125,331**
Manufacturing	**23,815**	**240,589**	**4,427**	**32,156**	**300,987**	**28,898**	**63,587**
Electricity, gas and water	**1,154**	**188,254**	**-**	**1,805**	**191,213**	**8,443**	**36,850**
Transport and Communication	**1,460**	**116,127**	**-**	**305**	**117,892**	**5,305**	**26,501**
Financial institutions	**4,739**	**224,741**	**986**	**421**	**230,887**	**219,730**	**86,851**
Services	**30,902**	**368,781**	**380**	**8,448**	**408,511**	**26,641**	**73,773**
Personal loans	**4,330**	**1,533,216**	**-**	**12,894**	**1,550,440**	**6,976**	**26,590**
Agriculture and allied Activities	**1,018**	**19,543**	**-**	**9,070**	**29,631**	**676**	**4,427**
Government	**-**	**106,325**	**-**	**-**	**106,325**	**108,155**	**43,074**
Non-resident lending	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Others	**5,482**	**192,823**	**24,076**	**964**	**223,345**	**5,010**	**37,281**
	140,489	**3,789,390**	**29,869**	**154,883**	**4,114,631**	**718,428**	**630,434**

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

(vi) Industry type distribution of exposures by major types of credit exposures: (continued)

	Overdrafts	Loans including Islamic financing	Bills discounted	Others	Total	Contingent liabilities	Loan commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2023							
Import trade	18,220	74,864	127	4,129	97,340	23,183	29,529
Export trade	1,944	4,604	-	146	6,694	2,748	1,218
Wholesale/retail trade	6,954	99,728	-	6,530	113,212	16,601	23,421
Mining and quarrying	2,035	161,293	-	16	163,344	22,135	31,058
Construction	45,183	280,549	-	39,972	303,704	160,441	102,858
Manufacturing	19,176	138,648	6,561	17,384	181,769	37,337	41,553
Electricity, gas and water	1,003	185,733	-	1,968	188,704	15,382	36,507
Transport and Communication	8,315	173,462	-	556	182,333	1,492	33,705
Financial institutions	4,040	209,668	365	17,147	231,220	266,318	44,858
Services	20,535	338,602	125	15,960	375,222	38,093	81,351
Personal loans	3,640	1,213,350	-	11,834	1,228,824	2,199	265,185
Agriculture and allied Activities	3,657	635	-	6,245	10,537	922	3,907
Government	-	10	-	11,683	11,693	53,570	2,765
Non-resident lending	-	242	306	-	548	-	100
Others	4,348	812,711	57,316	276	874,651	35,081	23,723
	139,050	3,632,099	64,800	133,846	3,969,795	675,502	721,738

(vii) Maximum exposure to credit risk (net of impairment) without consideration of collateral held:

	2024	2023
	RO'000	RO'000
Cash held by custodian and Central Bank balances	**150,546**	125,931
Due from Banks	**196,479**	227,078
Sovereign	**480,313**	384,142
Investment Securities at amortized Cost	**35,802**	9,989
Investment Securities at FVOCI	**47,521**	19,429
Loans and advances	**3,958,826**	3,802,048
Other receivables	**23,356**	13,944
Acceptances	**45,945**	59,110
Total funded net exposure	**4,938,788**	4,641,671
Off-balance sheet items		
Loan commitments / unutilised limits	**628,766**	719,451
Letter of credit/guarantee	**714,753**	668,279
	6,282,307	6,029,401

As at 31 December 2024, the Bank has total gross impaired loans of RO 216.13 million (2023: RO 251.05 million) which includes interest reserved of RO 20.94 million (2023: RO 33.76 million) against principal outstanding of RO 195.20 million (2023: RO 217.30 million) expected credit losses of RO 85.36 million (2023: RO 100.16 million) million have been carried.

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

(viii) Credit Quality Analysis

The financial assets have been segregated into various portfolios like exposure to Banks, Sovereign, Wholesale Banking and Retail customers. Exposure to Retail customer includes personal loans, housing loans and credit cards. Exposure to Wholesale Banking customer includes exposure other than retail and bank exposure.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 3.3. The following table provides the exposure to financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at 31 December 2024 including loan commitment and financial guarantees:

	Stage 1 RO'000	**Stage 2 RO'000**	**Stage 3 RO'000**	**Total RO'000**
31 December 2024				
Exposure				
Banks and cash held with a custodian	**347,118**	**-**	**-**	**347,118**
Sovereigns	**480,313**	**-**	**-**	**480,313**
Wholesale banking	**2,734,806**	**1,067,031**	**157,602**	**3,959,439**
Retail banking	**1,506,545**	**6,300**	**37,595**	**1,550,440**
Investments	**83,563**	**-**	**-**	**83,563**
Total	**5,152,345**	**1,073,331**	**195,197**	**6,420,873**
Provision for expected credit losses	**11,321**	**65,241**	**85,360**	**161,922**

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 3.3. The following table provides the exposure to non-trading financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at 31 December 2023 including loan commitment and financial guarantees:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 December 2023				
Exposure				
Banks and cash held with a custodian	323,175	-	-	323,175
Sovereigns	384,142	-	-	384,142
Wholesale banking	2,715,606	1,101,586	150,686	3,967,878
Retail banking	1,379,734	11,924	66,609	1,458,267
Investments	29,463	-	-	29,463
Total	4,832,120	1,113,510	217,295	6,162,925
Provision for expected credit losses	16,368	61,252	100,161	177,781

32. Financial risk management *(continued)*

A. Credit Risk *(continued)*

(ix) Inputs, assumptions and techniques used for estimating impairment

a. Significant increase in credit risk (SICR)

The assessment of SICR since origination of a financial asset considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking information. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

For retail exposures, significant increase in credit risk is more objective and is estimated at account level. The assessment is done using days past due information as well change in the rating grade of the borrower. The process of identifying the significant increase in credit risk has been automated and based on the days past due or deterioration in the rating grade of the borrower significant increase in credit risk is assessed. For non-retail exposures, the Bank uses both quantitative and qualitative criteria. Under quantitative criteria, Bank uses the days past due parameter or change in the rating grade to assess significant increase in credit risk. Under qualitative criteria, Bank uses various criteria like change in value or quality of collateral, modification of terms including extension of moratorium, deferment of payment, waiver of covenants (restructure), frequent change in senior management, deferment / delay in commencement of commercial operations etc. to assess the significant increase in credit risk.

Incorporation of forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. Dynamic scenario weights are calculated in the ECL application, derived based on the distribution fitting to the historical default rate and the macroeconomic projection. External information considered includes economic data and forecasts published by monetary authorities. A comprehensive review is performed at least annually on the design of the scenarios by the Bank's senior management.

b. Economic variable assumptions

The Bank uses the macroeconomic forecast to convert the Through the Cycle (TTC) PD into Point in Time (PIT) PD. Real GDP growth rate and Oil Revenue to GDP are considered for establishing the relationship with historical non-performing loans (NPLs) data of the banking system, as they were observed to be more statistically significant parameters reflecting the state of economy. The forecast of macro-economic indicators are considered for next 3 years for Real GDP (2 years lag) and oil price. Also, a new world macro-economic model has been developed for the non-resident externally rated exposures (Banks and Sovereign). The macroeconomic indicators used as at 31 December 2024 including the projections used is presented as under:

31 December 2024

	Oman macro model			World macro model
	GDP growth (annual %) Lag 2	**Oil Price**		**GDP growth (annual %)**
Present	4.31%	58.96		3.18%
Year 1	1.30%	55.26		3.23%
Year 2	1.20%	52.92		3.16%
Year 3	3.10%	51.52		3.14%

Predicted relationships between the macroeconomic indicators, default and loss rates on various portfolios of financial assets have been developed based on analysing historical data.

32. Financial risk management *(continued)*

(ix) Inputs, assumptions and techniques used for estimating impairment *(continued)*

b. Economic variable assumptions *(continued)*

31 December 2023

Real GDP growth (%)	Present	5.00%	**Oil revenue (%GDP)**	Present	29.42%
	Year 1 Projection	5.50%		Year 1 Projection	28.00%
	Year 2 Projection	1.90%		Year 2 Projection	27.97%
	Year 3 Projection	2.30%		Year 3 Projection	26.20%

The following tables shows estimate of the ECL on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at 31 December 2024, with 100% probability of happening each scenario.

Sensitivity of ECL estimates on non-impaired loans (excluding ECL on unutilised loans and interest receivables)	**ECL (RO million)**	**Impact on ECL due to Sensitivity (RO million)**
Scenario weighted ECL under IFRS 9 (Actual Estimate)**	74.2	
Sensitivity:		
ECL if only Upside case happens - 100% probability	63.1	(11.1)
ECL if only Base case happens - 100% probability	74.5	0.3
ECL if only Downside case happens - 100% probability	93.8	19.6

** for computation of ECL (i.e. actual estimates), Bank considers three scenario viz. a base case, which is the median scenario one upside and one downside. Dynamic scenario weights are calculated in the ECL application, derived based on the distribution fitting to the historical default rate and the macroeconomic projection.

The following tables shows estimate of the ECL on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at 31 December 2023, with 100% probability of happening each scenario.

Sensitivity of ECL estimates on non-impaired loans (excluding ECL on unutilised loans and interest receivables)	ECL (RO million)	Impact on ECL due to Sensitivity (RO million)
Scenario weighted ECL under IFRS 9 (Actual Estimate)**	78	-
Sensitivity:		
ECL if only Upside case happens - 100% probability	61	(17)
ECL if only Base case happens - 100% probability	76	(2)
ECL if only Downside case happens - 100% probability	101	23

** for computation of ECL (i.e. actual estimates), Bank considers three scenario viz. base case, upside case and downside case with weightage of 50%, 25% & 25% respectively.

c. Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

Retail portfolios

(i) GDP, given the significant impact it has on mortgage collateral valuations; and

(ii) Oil price index, given its impact on secured and unsecured borrowers' ability to meet their contractual repayments.

Wholesale portfolios

(i) GDP, given the significant impact on companies' performance and collateral valuations; and

(ii) Oil Price Index, given its impact on companies' likelihood of default.

32. Financial risk management *(continued)*

(ix) Inputs, assumptions and techniques used for estimating impairment *(continued)*

d. Loss allowance

The following table presents the ECL for non-performing loans i.e. Exposure under Stage 3.

	No. of borrowers	Exposure	Reserved interest	Net Exposure	ECL	% of ECL
		RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024						
Wholesale banking	**383**	**157,602**	**16,167**	**141,435**	**61,979**	**43.82%**
Retail banking	**2,215**	**37,595**	**4,768**	**32,827**	**23,381**	**71.22%**
Total	**2,598**	**195,197**	**20,935**	**174,262**	**85,360**	**48.98%**
31 December 2023						
Wholesale banking	636	151,740	20,800	127,658	61,072	47.84%
Retail banking	3,088	65,555	12,958	52,597	39,089	74.32%
Total	3,724	217,295	33,758	180,255	100,161	55.57%

The Banks seeks to recover amounts it is legally owed in full, but which has been partially written off and in 2024 the Bank recovered RO 4.18 million (2023: RO 0.85 million)

(x) Credit Quality

Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank has adopted a risk rating framework having eight performing loan grades (including special mention) and three non-performing loan grades. The Bank's internal Risk Rating (RR) risk rates a customer and to associate a default probability to each rating grade. The ratings assist studying the distribution of borrowers, grade wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing Loans (NPL) etc. Risk appetite is also set in terms of how much exposure the Bank expects in various grade bands. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

'High Grade' exposures includes the risk rate of 1-3 which includes the exposures with good to excellent business credit quality, good to exceptional capacity for timely fulfilment of the financial obligation and negligible or low probability of default and/or low levels of expected loss and in retail segment, exposures with no past due days are considered as High Grade.

'Standard Grade' exposures includes the risk rate of 4-5 which includes the exposures of acceptable to fair credit quality, satisfactory capacity for timely fulfilment of the financial obligation. These exposures carry average to marginally acceptable risk and in retail segment, exposures with less than thirty days of past dues are considered as Standard Grade.

'Satisfactory Grade' exposures includes the risk rate of 6-8 which includes the exposures with comparatively weak or less acceptable credit quality. The exposures carry high risk, caution and special mention category. Projected repayment capacity is strained and prospects may deteriorate at some future date. These reflect either weak operating environment or operations reflect weakness and in retail segment, exposures with more than thirty days of past dues are considered as Satisfactory Grade.

'Non-performing' exposures have been assessed as impaired and includes the risk rate of 9 to 11. These also include retail accounts that are delinquent by more than 90 days, unless individually they have been assessed as not impaired; and renegotiated loans that have met the requirements to be disclosed as impaired and have not yet met the criteria to be returned to the unimpaired portfolio.

32. Financial risk management *(continued)*

A. Credit risk *(continued)*

(x) Credit Quality *(continued)*

An analysis of credit quality of gross exposures as at 31 December 2023 and changes in gross exposure balances from 1 January 2023 to 31 December 2024 is set out in the following tables by class of financial assets

31 December 2024:

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Due from banks at Amortised cost				
High Grade	**51,059**	**-**	**-**	**51,059**
Standard Grade	**143,287**	**-**	**-**	**143,287**
Satisfactory Grade	**2,226**	**-**	**-**	**2,226**
Total	**196,572**	**-**	**-**	**196,572**

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Corporate Loans and advances / Islamic financing receivables at Amortised cost				
High Grade	**433,285**	**60,787**	**-**	**494,072**
Standard Grade	**1,158,451**	**95,119**	**-**	**1,253,570**
Satisfactory Grade	**57,748**	**604,408**	**-**	**662,156**
Non-performing	**-**	**-**	**157,602**	**157,602**
Total	**1,649,484**	**760,314**	**157,602**	**2,567,400**

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Retail Loans and advances / Islamic financing receivables at Amortised cost*				
High Grade	**842,615**	**62**	**-**	**842,677**
Standard Grade	**528,803**	**547**	**-**	**529,350**
Satisfactory Grade	**135,127**	**5,691**	**-**	**140,818**
Non-performing	**-**	**-**	**37,595**	**37,595**
Total	**1,506,545**	**6,300**	**37,595**	**1,550,440**

* includes Housing Loans, Personal Loans Credit Cards and Retail Overdrafts

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Sovereign				
High Grade	**423,493**	**-**	**-**	**423,493**
Standard Grade	**56,820**	**-**	**-**	**56,820**
Satisfactory Grade	**-**	**-**	**-**	**-**
Total	**480,313**	**-**	**-**	**480,313**

32. Financial risk management *(continued)*

A. Credit risk *(continued)*

(x) Credit Quality *(continued)*

31 December 2024

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Debt investment securities at Amortised cost				
High Grade	15,287	-	-	15,287
Standard Grade	20,515	-	-	20,515
Satisfactory Grade	-	-	-	-
Total	35,802	-	-	35,802

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Debt investment securities at FVOCI				
High Grade	5,261	-	-	5,261
Standard Grade	42,500	-	-	42,500
Satisfactory Grade	-	-	-	-
Total	47,761	-	-	47,761

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Acceptances at Amortised cost				
High Grade	21,851	-	-	21,851
Standard Grade	18,417	1,221	-	19,638
Satisfactory Grade	246	4,651	-	4,897
Total	40,514	5,872	-	46,386

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Loan commitments				
High Grade	98,624	35,081	-	133,705
Standard Grade	303,508	89,255	-	392,763
Satisfactory Grade	16,220	87,746	-	103,966
Total	418,352	212,082	-	630,434

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Letter of credit and guarantees*				
High Grade	323,258	8,427	-	331,685
Standard Grade	233,733	35,032	-	268,765
Satisfactory Grade	69,465	45,304	-	114,769
Non-performing	-	-	3,209	3,209
Total	626,456	88,763	3,209	718,428

* includes Corporate & SME , Retail and Banks

32. Financial risk management *(continued)*

A. Credit risk *(continued)*

(x) Credit Quality *(continued)*

31 December 2023:

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Due from banks at Amortised cost				
High Grade	75,635	-	-	75,635
Standard Grade	96,844	-	-	96,844
Satisfactory Grade	55,043	-	-	55,043
Total	227,522	-	-	227,522

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Corporate Loans and advances / Islamic financing receivables at Amortised cost				
High Grade	468,404	39,581	-	507,985
Standard Grade	1,045,544	421,042	-	1,466,586
Satisfactory Grade	25,953	362,546	-	388,499
Non-performing	-	-	148,458	148,458
Total	1,539,901	823,169	148,458	2,511,528

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Retail Loans and advances / Islamic financing receivables at Amortised cost*				
High Grade	1,200,217	-	-	1,200,217
Standard Grade	154,876	2,101	-	156,977
Satisfactory Grade	26,001	9,517	-	35,518
Non-performing	-	-	65,555	65,555
Total	1,381,094	11,618	65,555	1,458,267

* includes Housing Loans, Personal Loans Credit Cards and Retail Overdrafts

32. Financial risk management *(continued)*

B. Credit risk *(continued)*

(x) Credit Quality *(continued)*

31 December 2023

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Investment securities at FVOCI				
High Grade	132,816	-	-	132,816
Standard Grade	21,005	-	-	21,005
Satisfactory Grade	-	-	-	-
Total	153,821	-	-	153,821

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Debt investment securities at Amortised cost				
High Grade	290,159	-	-	290,159
Standard Grade	-	-	-	-
Satisfactory Grade	-	-	-	-
Total	290,159	-	-	290,159

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Acceptances at Amortised cost				
High Grade	35,585	856	-	36,441
Standard Grade	16,689	4,338	-	21,027
Satisfactory Grade	8	1,634	-	1,642
Total	52,282	6,828	-	59,110

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Loan commitments				
High Grade	214,343	23,894	-	238,237
Standard Grade	351,488	83,776	-	435,264
Satisfactory Grade	3,618	44,619	-	48,237
Total	569,449	152,289	-	721,738

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Letter of credit and guarantees*				
High Grade	259,284	2,445	-	261,729
Standard Grade	285,844	81,619	-	367,463
Satisfactory Grade	17,159	26,095	-	43,254
Non-performing	-	-	3,056	3,056
Total	562,287	110,159	3,056	675,502

* includes Corporate & SME , Retail and Banks

32. Financial risk management *(continued)*

A. Credit risk *(continued)*

(xi) Distribution of impaired loans

The following table presents the distribution of impaired loans, past due and not past due loans by type of industry:

	Performing loans	Non-performing loans	Expected Credit Loss for Stage 1 & 2 Exposure	Expected Credit Loss for Stage 3 Exposure	Interest reserve	Expected Credit Loss during the year	Advances written off during the year
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024							
Import trade	**177,208**	**12,411**	**2,756**	**6,005**	**1,599**	**883**	**1,710**
Export trade	**5,940**	**154**	**136**	**75**	**36**	**39**	**-**
Wholesale/retail trade	**103,667**	**2,335**	**5,573**	**794**	**138**	**549**	**2,187**
Mining and quarrying	**137,198**	**6,063**	**428**	**2,902**	**1,134**	**893**	**-**
Construction	**405,309**	**109,054**	**13,238**	**42,107**	**10,215**	**3,699**	**18,103**
Manufacturing	**285,913**	**15,074**	**8,841**	**6,272**	**6,474**	**1,473**	**17**
Electricity, gas and water	**227,999**	**1,283**	**946**	**594**	**105**	**1,395**	**-**
Transport and communication	**101,295**	**-**	**883**	**1**	**1**	**644**	**13**
Financial institutions	**230,887**	**-**	**2,038**	**-**	**-**	**1,427**	**-**
Services	**481,553**	**2,688**	**19,863**	**1,313**	**474**	**579**	**1,799**
Personal loans	**1,511,140**	**39,300**	**6,593**	**23,055**	**4,284**	**8,208**	**-**
Agriculture and allied activities	**29,654**	**-**	**106**	**-**	**-**	**122**	**19,668**
Government	**106,682**	**-**	**172**	**-**	**-**	**678**	**5**
Non-resident lending	**575**	**-**	**-**	**-**	**-**	**4**	**-**
Others	**117,623**	**6,835**	**10,357**	**2,242**	**751**	**3,211**	**280**
	3,922,643	**195,197**	**71,930**	**85,360**	**25,211**	**23,804**	**43,782**

32. Financial risk management *(continued)*

B. Credit risk *(continued)*

(xi) Distribution of impaired loans (continued)

	Performing loans	Non-performing loans	Expected Credit Loss for Stage 1 & 2 Exposure	Expected Credit Loss for Stage 3 Exposure	Interest reserve	Expected Credit Loss during the year	Advances written off during the year
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2023							
Import trade	147,185	15,215	1,666	6,157	2,599	1,326	112
Export trade	6,543	154	93	33	18	55	-
Wholesale/retail trade	118,396	10,918	3,702	5,474	4,575	292	-
Mining and quarrying	165,686	5,124	353	2,566	710	1,395	-
Construction	463,655	102,026	14,774	41,874	12,038	4,620	35,764
Manufacturing	222,187	6,337	5,381	2,603	758	1,867	-
Electricity, gas and water	199,552	1,225	578	510	45	1,640	-
Transport and communication	185,346	18	508	7	1	1,514	-
Financial institutions	246,701	1	3,296	-	-	2,015	-
Services	444,936	2,464	24,066	520	291	3,654	776
Personal loans	1,393,192	65,229	8,860	39,478	13,420	11,912	1,026
Agriculture and allied activities	21,392	94	153	-	-	175	-
Government	15,209	-	226	-	-	124	-
Non-resident lending	548	-	-	-	-	4	-
Others	125,254	5,208	5,371	(502)	568	1,067	1,063
	3,755,782	214,013	69,027	98,720	35,023	31,660	38,741

The following table presents the distribution of impaired loans and gross loans by geographical distribution:

	Exposure to Stage 1 & 2	**Exposure to Stage 3**	**Stage 1 & 2 ECL**	**Stage 3 ECL**	**Interest reserve**	**ECL during the year**	**Advances written off during the year**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
31 December 2024							
Sultanate of Oman	**3,922,068**	**195,197**	**71,930**	**85,360**	**25,211**	**23,804**	**43,782**
Other countries	**575**	**-**	**-**	**-**	**-**	**-**	**-**
	3,922,643	**195,197**	**71,930**	**85,360**	**25,211**	**23,804**	**43,782**
31 December 2023							
Sultanate of Oman	3,755,234	214,013	69,027	98,720	35,023	31,660	38,741
Other countries	548	-	-	-	-	-	-
	3,755,782	214,013	69,027	98,720	35,023	31,660	38,741

32. Financial risk management *(continued)*

A. Credit risk *(continued)*

(xi) Distribution of impaired loans *(continued)*

Analysis of impairment and collateral

(a) An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2024 **RO'000**	2023 RO'000
Property	**2,293,756**	2,028,538
Guarantee	**1,266,908**	1,408,578
Others	**1,076,412**	1,109,359
	4,637,076	4,546,475

(b) An estimate of the fair value of collateral and other security enhancements held against impaired financial assets is shown below:

	2024 **RO'000**	2023 RO'000
Property	**120,817**	99,784
Others	**12,309**	8,624
	133,126	108,408

The Bank has a financial asset of RO 4,879 million (2023: RO 4,250 million) against collateral or other security enhancements held.

The Bank holds above collaterals against certain of its credit exposures. Value of property held as collateral is obtained from external valuations held.

B. Liquidity risk

Liquidity risk is the potential inability to meet the Bank's liabilities that are settled by delivering cash or another financial asset as they become due. It arises when the Bank is unable to generate cash to cope with a decline in deposits or increase in assets.

The Bank's Liquidity Risk Management is governed by the Treasury Risk Policy document approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management. The Treasury risk policy also incorporates contingency plans and measures so as the Bank is always in a position to meet all maturing liabilities as well as to fund asset growth and business operations. The contingency funding plan includes effective monitoring of the cash flows on a day to day basis, holding of tradable high quality liquid assets, which may be readily disposed of in sizeable amount etc. The Bank also has in place adequate lines of credit from both local and international banks to meet any unforeseen liquidity requirements.

The Bank monitors its liquidity risk through cash flow approach and stock approach. Under cash flow approach the Bank generates Maturity of Assets and Liabilities (MAL) report which captures all the maturing assets and liabilities into various pre-set time buckets ranging from one month to five years. The mismatches in various time buckets indicate liquidity gap and the Bank strictly adheres to the CBO set limit of 15%, 20% and 25% of cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets up to one year. In addition, the Bank has also set up internal limit on mismatches in time buckets beyond one year. Under stock approach, the Bank monitors the liquidity risk through liquidity ratios, which portrays the liquidity available at the reporting date.

The treasury department of the Bank controls and monitors the liquidity risk and ensures that the Bank is not exposed to undue liquidity risk and at the same time make optimum use of its funds. Middle office in Risk Management Division also monitors the liquidity position of the Bank and provide the liquidity gap to Treasury Department to meet liquidity gaps.

32. Financial risk management *(continued)*

B. Liquidity risk *(continued)*

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31 December 2024	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Cash and balances with Central Bank of Oman	96,030	21,389	18,097	36,361	25,297	197,174
Loans and advances to customers*	492,126	294,435	137,996	818,908	2,190,150	3,933,615
Loans and advances to banks	140,140	28,875	22,747	4,810	-	196,572
Investments securities	38,896	153,217	63,435	321,837	71,340	648,725
Other assets	46,386	-	-	-	34,994	81,380
Total Assets Funded	813,578	497,916	242,275	1,181,916	2,321,781	5,057,466
Spot and Forward Purchases (notional value)	306,466	118,976	72,309	104,335	-	602,086
Total Assets Funded and Non Funded	1,120,044	616,892	314,584	1,286,251	2,321,781	5,659,552
Future Interest cash inflows	21,055	99,369	89,553	470,304	413,860	1,094,141
Due to banks	223,971	91,630	-	122,837	-	438,438
Deposits from customers*	348,808	771,787	638,361	1,187,587	816,318	3,762,861
Other liabilities	24,632	18,284	9,223	8,004	64,438	124,581
Total liabilities	597,411	881,701	647,584	1,318,428	880,756	4,325,880
Spot and Forward Purchases (notional value)	306,430	118,957	72,313	104,495	-	602,195
Loan commitments	252,174	378,260	-	-	-	630,434
Letter of credit	30,724	46,087	-	-	-	76,811
Guarantees and performance bonds	256,647	384,970	-	-	-	641,617
Total Liabilities Funded and Non Funded	1,443,386	1,809,975	719,897	1,422,923	880,756	6,276,937
Future Interest cash outflows	10,402	65,812	73,445	175,191	259,465	584,315
Cumulative Liabilities	1,443,386	3,253,361	3,973,258	5,396,181	6,276,937	
Gap	(323,342)	(1,193,083)	(405,313)	(136,672)	1,441,025	
Cumulative Gap	(323,342)	(1,516,425)	(1,921,738)	(2,058,410)	(617,385)	

*The overdraft amounts included in loans and advances and the current and savings deposits in customer deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities. Where there are no contractual maturities, the balances are considered as "Due on demand".

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
Loans and advances to customers	410,672	306,225	149,787	877,864	2,370,083	4,114,631
Deposits from customers	1,912,717	402,258	387,012	857,165	203,709	3,762,861

32. Financial risk management *(continued)*

B. Liquidity risk *(continued)*

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31 December 2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	125,931	-	-	-	-	125,931
Loans and advances to customers*	380,783	370,019	211,973	658,872	2,143,937	3,765,584
Loans and advances to banks	121,133	50,120	55,825	-	-	227,078
Investments securities	8,285	56,588	23,767	299,022	71,815	459,477
Other assets	44,542	-	11,751	-	20,349	76,642
Total Assets Funded	680,674	476,727	303,316	957,894	2,236,101	4,654,712
Spot and Forward Purchases (notional value)	175,088	269,016	84,773	149,267	-	678,144
Total Assets Funded and Non Funded	855,762	745,743	388,089	1,107,161	2,236,101	5,332,856
Future Interest cash inflows	14,424	75,617	62,693	378,076	319,333	850,143
Due to banks	168,410	106,506	19,250	211,750	-	505,916
Deposits from customers*	279,029	687,742	579,395	965,510	787,547	3,299,223
Other liabilities	53,376	20660	9,874	10,215	53,579	147,704
Total liabilities	500,815	814,908	608,519	1,187,475	841,126	3,952,843
Spot and Forward Purchases (notional value)	176,235	268,421	84,690	148,569	-	677,915
Loan commitments	721,738	-	-	-	-	721,738
Letter of credit	87,730	-	-	-	-	87,730
Guarantees and performance bonds	587,772	-	-	-	-	587,772
Total Liabilities Funded and Non Funded	2,074,290	1,083,329	693,209	1,336,044	841,126	6,027,998
Future Interest cash outflows	9,159	50,255	56,229	147,923	243,238	506,804
Cumulative Liabilities	2,074,290	3,157,619	3,850,828	5,186,872	6,027,998	
Gap	(1,218,528)	(337,586)	(305,120)	(228,883)	1,394,975	
Cumulative Gap	(1,218,528)	(1,556,114)	(1,861,234)	(2,090,117)	(695,142)	

*The overdraft amounts included in loans and advances and the current and savings deposits in customer deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities. Where there are no contractual maturities, the balances are considered as "Due on demand".

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
Loans and advances to customers	494,354	358,065	200,019	599,097	2,114,049	3,765,584
Deposits from customers	1,614,132	413,447	391,236	685,498	194,910	3,299,223

32. Financial risk management *(continued)*

B. Liquidity risk *(continued)*

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. As per CBO guidelines LCR should be minimum 100% on an ongoing basis to be maintained at all times by the Bank. The Bank is in compliance of the regulatory limit of LCR as at 31 December 2024, with LCR of 157.54 % (2023: 146.97%).

The Net Stable Funding Ratio (NSFR) is a longer term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2018, with a minimum ratio of 100% as per the regulatory guidance. The Bank is meeting the regulatory limit of NSFR as at 31 December 2024, with a NSFR of 109.68% (2023: 108.04%).

C. Market risk

Market risk includes currency risk, interest rate risk and equity price risk.

I. Currency risk

The Bank is exposed to currency risk through its transactions in foreign currencies. The major foreign currency to which the Bank is exposed is the US Dollar. Rial Omani is effectively pegged to US Dollar. The Bank finances a significant portion of its financial assets in the same currencies as the relevant measurement currencies to mitigate its foreign currency risk.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of comprehensive income. The Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. Foreign exchange risk is computed on the average of the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank. The foreign currency exposures are given below:

Foreign currency exposures

	2024	2023
	RO'000	RO'000
Net assets denominated in US Dollars	**125,328**	9,820
Net assets denominated in UAE Dirham (AED)	**514**	61
Net assets denominated in other foreign currencies	**2,902**	1,618
	128,744	11,499

II. Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities are reset at different times. Risk management activities are aimed at optimising net interest income, given market interest rate levels, consistent with the Bank's business strategies. The Bank manages mismatches by following policy guidelines and reduces risk by matching the repricing of assets and liabilities. Details relating to re-pricing mismatches and the interest rate risk thereon are placed to the ALCO in its regular meetings and also to the Board Risk Committee. Impact on earnings due to interest rate risk in the banking book is as follows:

32. Financial risk management *(continued)*

C. Market risk *(continued)*

II. **Interest rate risk** *(continued)*

Impact on earnings due to interest rate risk in the banking book

	+ or – 1%		**+ or – 2%**	
	2024	2023	**2024**	2023
	RO'000	RO'000	**RO'000**	RO'000
Omani Rials	**7,609**	7,466	**15,219**	14,932
US Dollars	**3,396**	3,817	**6,791**	7,633
Others currencies	**123**	30	**247**	60
	11,128	11,313	**22,256**	22,625

There is no interest rate risk on trading book of the Bank.

The impact on statement in changes of equity due to interest rate risk in the banking book is provided as under:

	+ or – 1%		**+ or – 2%**	
	2024	2023	**2024**	2023
	RO'000	RO'000	**RO'000**	RO'000
Impact on Equity in absolute terms	**57,418**	57,511	**114,835**	115,023

Effect of IBOR reform

Reform and replacement of various inter-bank offered rates ('IBORs') has been transitioned to the relevant alternative benchmarks after 30 June 2023. The Bank has also enhanced its IT systems and internal processes which ensured smooth transition from IBOR to alternative benchmark interest rates.

32. Financial risk management *(continued)*

C. Market risk *(continued)*

II. **Interest rate risk** *(continued)*

Interest rate sensitivity gap

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability. The Bank manages these mismatches by following policy guidelines and reduces risk by matching the repricing of assets and liabilities.

	Effective average interest rate	Due on demand and within 30 days	Due within 1 to 6 months	Due within 7 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-interest bearing	Total
31 December 2024	**%**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Cash and balances with Central Bank of Oman	0.01%	-	-	-	-	-	197,174	197,174
Investment securities	5.35%	38,657	77,580	63,675	321,836	71,340	75,637	648,725
Loans, advances and financing to banks	3.98%	119,665	51,715	-	-	-	25,192	196,572
Loans, advances and financing to customers	6.00%	734,597	970,845	546,141	576,553	1,286,495	-	4,114,631
Other assets		-	-	-	-	-	81,380	81,380
Total Assets		**892,919**	**1,100,140**	**609,816**	**898,389**	**1,357,835**	**379,383**	**5,238,482**
Due to banks	3.99%	346,031	90,273	-	-	-	2,134	438,438
Deposits from customers*	3.81%	262,798	624,351	1,006,596	941,157	472,859	455,100	3,762,861
Other liabilities		-	-	-	-	-	124,581	124,581
Total liabilities		**608,829**	**714,624**	**1,006,596**	**941,157**	**472,859**	**581,815**	**4,325,880**
On-balance sheet gap		**284,090**	**385,516**	**(396,780)**	**(42,768)**	**884,976**	**(202,432)**	
Cumulative interest sensitivity gap		**284,090**	**669,606**	**272,826**	**230,058**	**1,115,034**	**912,602**	

*The current and saving deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities of the customer deposits. Where there are no contractual maturities, the balances are considered as "Due on demand".

	Due on demand and within 30 days	Due within 1 to 6 months	Due within 7 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-interest bearing	Total
Deposits from customers	**1,875,567**	**486,424**	**432,387**	**941,157**	**5,543**	**21,783**	**3,762,861**

32. Financial risk management *(continued)*

C. Market risk *(continued)*

II. **Interest rate risk** *(continued)*

Interest rate sensitivity gap *(continued)*

	Effective average interest rate	Due on demand and within 30 days	Due within 1 to 6 months	Due within 7 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-interest bearing	Total
31 December 2023	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	0.01%	30,800	-	-	-	-	95,131	125,931
Investment securities	5.50%	4,000	19,064	23,767	299,021	71,815	41,810	459,477
Loans, advances and financing to banks	4.36%	77,426	50,120	55,825	-	-	43,707	227,078
Loans, advances and financing to customers	6.06%	716,304	958,234	394,738	646,886	1,049,422	-	3,765,584
Other assets		-	-	-	-	-	80,578	80,578
Total Assets		828,530	1,027,418	474,330	945,907	1,121,237	261,226	4,658,648
Due to banks	6.46%	286,326	199,105	19,250	-	-	1,235	505,916
Deposits from customers*	3.69%	208,127	581,009	903,384	750,771	433,329	422,603	3,299,223
Other liabilities		-	-	-	-	-	147,704	147,704
Total liabilities		494,453	780,114	922,634	750,771	433,329	571,542	3,952,843
On-balance sheet gap		334,077	247,304	(448,304)	195,136	687,908	(310,234)	
Cumulative interest sensitivity gap		334,077	581,381	133,077	328,213	1,016,121	705,887	

*The current and saving deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities of the customer deposits. Where there are no contractual maturities, the balances are considered as "Due on demand".

	Due on demand and within 30 days	Due within 1 to 6 months	Due within 7 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-interest bearing	Total
Deposits from customers	1,195,087	494,152	436,356	750,771	254	422,603	3,299,223

Other items which are excluded form the above table are expected to be realised or settled after 12 months.

III. Investment Price risk

Bank is exposed to the volatility in the prices of the securities held under equity and debt portfolio. Equity and debt investments held are for strategic/long term rather than for trading purposes and hence, the Bank does not hold trading positions in equity and debt investments. However the Bank's portfolio is marked to market on regular basis and the difference in the book value and market value are adjusted against investment revaluation reserve in shareholder's equity and for impaired investments.

Further, Bank also conducts stress testing and sensitivity analysis to take an informed decision on equity and debt risk exposure. If there is adverse impact of 5% on equity investment portfolio, the value of the portfolio may decrease by RO 10.23 million (2023: decrease by RO 8.40 million).

If price for unlisted equity and debt instruments had been 5% lower:

The financial statements include holdings in unlisted shares and bonds which are measured at fair value. Fair value is estimated using either Net Asset Value (NAV) provided by the fund managers or book value per share of the investee company. If the estimation were 5% lower / higher while all other variables were held constant, the carrying amount of the unlisted shares and bonds would decrease / increase by RO 1.2 million (2023: decrease / increase by RO 0.1 million).

32. Financial risk management *(continued)*

D. Operational risk

Operational risk is the deficiencies in information systems/internal controls or uncontrollable external events leading to financial/ non-financial losses for the Bank. The risk is associated with human error, systems failure and inadequate procedures or control and external causes. As per the Basel Committee on Banking Supervision (BCBS), operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The Bank has detailed policies and procedures that are regularly updated to ensure that a sound internal control environment exists. Board Risk Committee (BRC), a sub-committee of the Board, drives the implementation of the risk management framework, approved by the Board, at the apex level. The BRC ensure that the risk policies developed clearly spell out the quantitative prudential limits on various segments of the Bank's operations and also ensures implementation of Central Bank of Oman's guidelines on Risk Management/Basel II/Basel III and internationally accepted best practices in the area of risk management including Operational risk management. Management Risk Committee (MRC), comprising of Senior Management of the Bank, precedes RMC in reviewing, evaluating and monitoring of operational risk. Business Units are responsible for management of operational risks within their respective scope of duties. In the financial year 2023, the Bank's operational risks were well controlled and losses from operational risks were kept at low level. Trained and competent staff oversees the various operational functions of the Bank.

Bank has developed a comprehensive operational risk management framework comprising of the Operational Risk Management (ORM) policy, Risk Control and Self-Assessment, Key Risk Indicator, Loss Data Management (LDM) Framework. The ORM policy of the Bank provides the ORM framework which includes ORM components, management process, measurement process and governance, roles and responsibilities. The Bank has also set up Operational Risk Management Software to aid assessment of operational risk as well as collection and analysis of operational losses and key risk indicators.

Business Continuity Planning (BCP)

Business Continuity Management is the implementation and management of preventative measures, planning and preparation to ensure the Bank can continue to operate following an incident, significant unplanned event or major operational disruption. The Bank ensures that its systems and procedures are resilient to ensure business continuity through potential situations of failure. Bank has adopted Business Continuity / Disaster Recovery Plan with a view to continue business operations and critical customers services at all times both at Conventional and Maisarah entity. The plan addresses employee health and safety, potential disruptions from the unanticipated loss of services or infrastructure and resumption of business operations in the face of an emergency or disaster. Business Impact Analysis, Business Continuity/ Disaster Recovery testing, Awareness Programs etc. are conducted in tune with the regulatory guidelines for meeting any unforeseen circumstances. The key initiatives on the business continuity readiness included the following:

- Business Continuity Management (BCM) Steering Committee, a Management level committee has been set up and entrusted with the responsibility of overall supervision for the implementation and maintaining a sound BCM for the Bank. The committee ensures that plans formulated are implemented and tested.

- The Bank maintains an alternate / Business Continuity Plan (BCP) site equipped with redundancy and contingency features to ensure business continuity for resuming critical business activities in emergent scenarios. Bank has strengthened BCP site seating capacity and infrastructure considering various worst case scenarios. Additional workspace has been created for critical business units to resume business services in the event of a disaster.

- The Bank-wide BCP testing exercise and Information Technology Disaster Recovery Drill is conducted to test check the resilience of technical as well as business recovery. Testing was conducted in coordination with business units to test check transaction systems using business test cases and also to test the preparedness, recovery of applications, recovery timings, assembly of key resources, functioning of equipment's, coordination of business units / branches etc. The testing results along with the gaps and action taken are apprised to the risk committees at the Management and Board level.

32. Financial risk management *(continued)*

D. Operational risk *(continued)*

The Risk Control and Self-Assessment (RCSA) framework enables the Bank to identify the operational weaknesses in the process and procedures by conducting self-assessment workshops. A team of experts in various departments assess the operational weaknesses in various processes and its likely impact. RMD in association with business units has been able to complete the RCSA exercise for all the departments and branches of the conventional banking. During RCSA exercise, processes in various departments were reviewed from operational risk point of view and wherever high risk events were identified, the extant controls were reviewed.

The Key Risk Indicator (KRI) framework enables the Bank to identify and monitor the key risks. KRIs of all the departments have been identified and are being monitored on a monthly basis. Loss Data Management framework lays down the procedure to identify, record and report the internal and external loss events. The data on operational loss is collated on a regular basis and is presented to the Management and Board level committees.

Operational Risk Unit (ORU) in RMD is responsible for implementation, development and coordination of all the operational risk activities of the Bank, while working towards achievement of stated goals and objectives. Risk Management Division (RMD) conducts regular training programs for staff at various levels to inculcate 'risk awareness' and to spread the general 'risk management culture' in the Bank. Professional training in diversified forms is also imparted to improve the employees' risk management skills.

- As part of creating awareness, specific as well as comprehensive awareness programme are also conducted to imbibe the importance of BCP amongst staff.

- The communication numbers of key persons are provided to all the staff so that they can contact the relevant person in case of emergency.

Internal Capital Adequacy Assessment Process (ICAAP):

The Bank has put in place Internal Capital Adequacy Assessment Process (ICAAP) with an objective to explain the Risk policies adopted, Risk policy principles, Target risk structure and Capital planning, the process of assessing the capital adequacy for all the three risks viz., Credit Risk, Market Risk and Operational Risk, Specific assessment procedures for all material risks like interest rate risk in banking book, reputational risk, credit concentration risk etc, the process of Internal Control Mechanism and the stress testing methodologies adopted by the Bank.

As a part of capital planning process, ICAAP provides a detailed assessment of its current capital adequacy, and also project future capital requirement to meet the regulatory capital adequacy ratios in line with approved business plans. The process covers a forward looking plan for the next 4 years. The overall framework has introduced a structured methodology for a comprehensive forward-looking assessment of capital based on the Bank's risk profile. It is also expected that the establishment of ICAAP in the Bank will facilitate the awareness for risk sensitive topics when it comes to strategic decisions like acquisitions, launch of new products or organic growth targets. ICAAP is approved by the Board of Directors through Board Risk Committee. On a quarterly basis, reporting is done to the Board on the adequacy of capital. The Bank believes that its current and foreseen capital endowment is suitable to support its business strategy in a soothing market environment. The capital planning is reviewed on half yearly basis and the entire ICAAP document is updated at least annually for a forward-looking planning period of 4 years.

In order to determine the Bank's capability to withstand adverse conditions, in addition to the base case, scenario and sensitivity analysis is also carried out. The scenario analysis entails boom in the economy & rise in oil prices, Decline in GDP due to economic downturn or due to decline in oil prices and capital adequacy sensitivity due to increase & decrease in growth of loans and advances. Besides this, Bank also conducts stress testing to assess the potential impact of the stress situations on the Bank's earnings & capital position and enable the Bank to understand its risk profile & adjusting it in accordance with the risk appetite.

In December 2023, the additional Perpetual securities (AT1) of OMR 40 million were replaced with new OMR 40 million Perpetual securities listed in the Muscat Stock Exchange.

33. Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders within acceptable risk return framework. The Bank's overall strategy remains unchanged from prior year. As per CBO guidelines, the Bank needs to maintain capital adequacy ratio (CAR) at a minimum of 13.50% (including the capital conservation buffer) as at 31 December 2024 (including the capital conservation buffer) with effect from 1 January 2019.

The capital base of the Bank consists of debt, which includes borrowings disclosed in note 15, and equity attributable to shareholders of the Bank comprising issued share capital, share premium, reserves and retained earnings and Perpetual Tier I Capital securities, as disclosed in notes 16 to 19.

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for the year ended 31 December 2024 is 16.51% (2023: 17.48%).

	31-Dec-24	31-Dec-23
	RO'000	RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL		
Paid up capital	**299,635**	299,635
Legal reserve	**76,192**	71,831
Share premium	**95,656**	95,656
Special reserve	**16,988**	16,988
Stock dividend	**4,345**	-
Retained earnings	**61,693**	57,424
CET I/Tier I Capital	**554,509**	541,534
Additional Tier I regulatory adjustments:		
Deferred tax assets	**(364)**	(6,209)
Negative investment revaluation reserve	**(5,686)**	(4,017)
Regulatory provision adjustments	**(17,658)**	-
Total CET 1 capital	**530,801**	531,308
Additional Tier I capital (AT1)	**155,500**	155,500
Total Tier 1 Capital (T1=CET1+AT1)	**686,301**	686,808
TIER II CAPITAL		
Investment revaluation reserve	**1,608**	1,564
General provision	**17,429**	26,989
Total Tier II capital	**19,037**	28,553
Total eligible capital	**705,338**	715,361
Risk weighted assets		
Banking book	**3,830,473**	3,751,112
Trading book	**166,075**	82,854
Operational risk	**275,000**	257,700
Total	**4,271,548**	4,091,666
Total Tier 1 Capital (T1=CET1+AT1)	**686,301**	686,808
Tier II capital	**19,037**	28,553
Total regulatory capital	**705,338**	715,361
Common Equity Tier 1 ratio	**12.43%**	12.99%
Tier I capital ratio	**16.07%**	16.79%
Total capital ratio	**16.51%**	17.48%

The Bank has complied with all externally imposed capital requirements as at 31 December 2024 and 31 December 2023.

34. Segmental information

The Bank is organised into four main business segments:

1) Retail banking – incorporating, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
2) Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
3) Treasury and investments;
4) Islamic Banking

Other operations comprise investment management and institutional finance neither of which constitutes a separately reportable segment which are included in "Treasury and investments" segment. Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income or expense between the business segments. Segment total revenue presented in the table below is the total Interest income, income from Islamic financing/investments, net fees and commission income and other operating income.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position. The profit for the period also includes inter segment revenues

31 December 2024	**Retail banking**	**Corporate banking**	**Treasury and investments**	**Islamic Banking**	**Intersegment**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Segment operating revenues	**32,882**	**59,424**	**4,726**	**-**	**(977)**	**96,055**
Net income from Islamic financing	**-**	**-**	**-**	**17,137**	**977**	**18,114**
Other revenues	**9,537**	**11,084**	**12,906**	**5,146**	**-**	**38,673**
Segment operating revenues	**42,419**	**70,508**	**17,632**	**22,283**	**-**	**152,842**
Operating expenses including depreciation	**(37,756)**	**(24,148)**	**(5,167)**	**(11,780)**	**-**	**(78,851)**
Net Impairment loses on financial assets	**(223)**	**(21,452)**	**380**	**(2,509)**	**-**	**(23,804)**
Profit from operations after provision	**4,440**	**24,908**	**12,845**	**7,994**	**-**	**50,187**
Tax expenses	**(566)**	**(3,176)**	**(1,637)**	**(1,199)**	**-**	**(6,578)**
Profit for the period	**3,874**	**21,732**	**11,208**	**6,795**	**-**	**43,609**
Segment assets	**1,401,782**	**2,250,378**	**782,445**	**922,713**	**(90,481)**	**5,266,837**
Less: Impairment allowance	**(32,065)**	**(126,590)**	**(179)**	**(22,956)**	**-**	**(181,790)**
Total segment assets	**1,369,717**	**2,123,788**	**782,266**	**899,757**	**(90,481)**	**5,085,047**
Segment Liabilities	**833,932**	**2,347,492**	**464,134**	**784,196**	**(90,481)**	**4,339,273**
Add: Impairment allowance	**1**	**5,021**	**-**	**321**	**-**	**5,343**
Total segment Liabilities	**833,933**	**2,352,513**	**464,134**	**784,517**	**(90,481)**	**4,344,616**

Substantially income generated by the Bank and the non-current assets arise from the Sultanate of Oman.

34. Segmental information *(continued)*

31 December 2023	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Intersegment	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment operating revenues	31,118	55,652	5,751	-	(1,769)	90,752
Net income from Islamic financing	-	-	-	18,299	1,769	20,068
Other revenues	8,859	9,539	10,266	4,599	-	33,263
Segment operating revenues	39,977	65,191	16,017	22,898	-	144,083
Operating expenses including depreciation	(32,767)	(20,335)	(4,346)	(11,200)	-	(68,648)
Net Impairment loses on financial assets	(2,168)	(26,072)	(365)	(3,055)	-	(31,660)
Profit from operations after provision	5,042	18,784	11,306	8,643	-	43,775
Tax expenses	(541)	(2,016)	(1,164)	(1,296)	-	(5,017)
Profit for the period	4,501	16,768	10,142	7,347	-	38,758
Segment assets	1,295,000	2,145,503	773,505	835,788	(159,264)	4,890,532
Less: Impairment allowance	(58,588)	(126,073)	(442)	(19,632)		(204,735)
Total segment assets	1,236,412	2,019,430	773,063	816,156	(159,264)	4,685,797
Segment Liabilities	708,552	2,140,501	546,836	708,149	(159,264)	3,944,774
Add: Impairment allowance	2	7,048	756	263		8,069
Total segment Liabilities	708,554	2,147,549	547,592	708,412	(159,264)	3,952,843

Substantially income generated by the Bank and the non-current assets arise from the Sultanate of Oman.

35. Dividends – proposed and declared

Considering the market conditions and to preserve the capital through internally generated profits, the Board of Directors of Directors proposed a total cash dividend of 6.55%, (six and fifty five) baizas per share and stock dividend of 1.45% (one and fourty five) baizas per share , total of RO 23.971 million (2023: 7.75%; RO 23.222 million). This is subject to the shareholders' approval.

A resolution to approve these distributions will be presented to the shareholders at the Annual General Meeting to be held on 23 March 2025.

During the year, unclaimed dividend amounting to Nil (2023: Nil) was transferred to the Investor's Trust Fund account as per the guidelines issued by the Financial Services Authority of Oman.

36. Leases

This note provides information for leases where the Bank is a lessee.

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2024	2023
	RO'000	RO'000
Right-of-use assets		
Leased Premises	**794**	585
Lease liabilities		
Current	**55**	68
Non-current	**722**	461
	777	529

Additions to the right-of-use assets during the 2024 financial year were RO 0.62 million (2023: RO 0.36 million).

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2024	2023
	RO'000	RO'000
Depreciation charge of right-of-use assets		
Leased Premises	**478**	282
	-	
Interest expense	**70**	32
Expense relating to short-term leases	**2,334**	1,062

The total cash outflow for leases in 2024 was RO 2.8 million (2023: RO 0.20 million).

(iii) The following table shows the maturity analysis of lease liabilities:

	2024	2023
	RO'000	RO'000
More than 1 year	**722**	461

The Bank leases various offices, storage facilities, and retail space for its branches. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
The lease payments are discounted using the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

36. Leases (continued)

(iv) The Bank's leasing activities and how these are accounted for

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Bank, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Each lease payment is allocated between principle and finance cost. The finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- any restoration costs.

The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in statement of comprehensive income . Short-term leases are leases with a lease term of 12 months or less. The Bank does not have any Low-value assets as of the respective reporting date.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Bank. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable by the Bank and by the respective lessor. Extension options are not included in the lease term because it is not reasonably certain that the leases will be extended or not terminated.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

- For leases of premises, the following factors are normally the most relevant:
- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in premises leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption. The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the financial year, the Bank did not revise the lease term as no significant events or changes occurred.

37. Subsequent event

The Bank's has received CBO approval for the proposed acquisition of banking business of Bank of Baroda (BOB) – Oman Branch subject to complying with certain requirements. Subsequent to the approval, the Bank has entered into an binding agreement with Bank of Baroda - India for the acquisition of assets and liabilities of Bank of Baroda – Oman Branch.