THIS IS OUR PATH TO SUCCESS

Sohar international

ANNUAL REPORT 2024

HIS MAJESTY
SULTAN HAITHAM BIN TARIK

The past years saw the launch of Oman Vision 2040, the vision of all Omanis, and set their clear path towards the future. Thanks to the grace of Allah the Almighty, continuous progress was made towards the goals of this phase of the Renewed Renaissance, including improvement in many national and international indicators. This would not have been achieved without the solidarity and support extended by all the people of this country to the government's efforts and endeavors.

SPEECH OF HIS MAJESTY
SULTAN HAITHAM BIN TARIK
11 January 2025

VISION & VALUES

VISION

To be a world-leading Omani service company, that helps customers, communities, and people to prosper and grow.

VALUES

BE STRAIGHT-UP
Act with honesty, courage, and kindness.

BE OPEN-MINDED
Listen openly, encourage ideas, embrace innovation, welcome feedback.

DO THE RIGHT THING
Take responsibility, make the tough calls, think of others.

MAKE IT BETTER
Find or create solutions – step up, own it, do it.

GUIDED BY

OUR VALUES

TOWARDS

OUR VISION

INTRODUCTION

At Sohar International, we believe that success is not a destination—it's a journey powered by innovation, resilience, and an unwavering commitment to excellence. In 2024, we continued to push boundaries, transforming challenges into opportunities and aspirations into achievements. With a clear vision, customer-centric approach, and relentless drive for progress, we are shaping a future where growth knows no limits. This is our Path to Success—bold, dynamic, and built for the future.

AWARDS

Bank of the Year 2024 – Oman
The Banker Magazine

Best Government Banking in Oman 2024
International Business Magazine

Best Performing Bank in Oman
OER Corporate Excellence Awards 2024

CEO of the Year in the Banking Sector
Business Today CXO Awards

Best Corporate Banking Oman Award
The Global Business Review Magazine Awards 2024

Digital Leadership in Banking Award
The Digital Transformation Awards 2024

Best Performing Company in the Large Cap category
Alam Al-Iktisaad Awards 2024

Best Advertising Video Award
The Oman Marketing Impact (TOMI) Awards

Exemplary CSR Leadership
Oman CSR Summit and Awards 2024

Oman's Best Bank for ESG
Euromoney Awards

Best Bank in the Large Banks Category
Oman Banking & Finance Awards 2024

Highest Year-on-Year Growth in Total Assets among GCC Banks
Alam Al-Iktisaad Awards

Top Omani Brand in the Banking Sector – 2024
Alam Al-Iktisaad Awards

Oman's Best Bank
Middle East Euromoney Awards for Excellence

JP Morgan Chase Bank's
Global Clearing Quality Recognition Awards (MT103 and MT202)

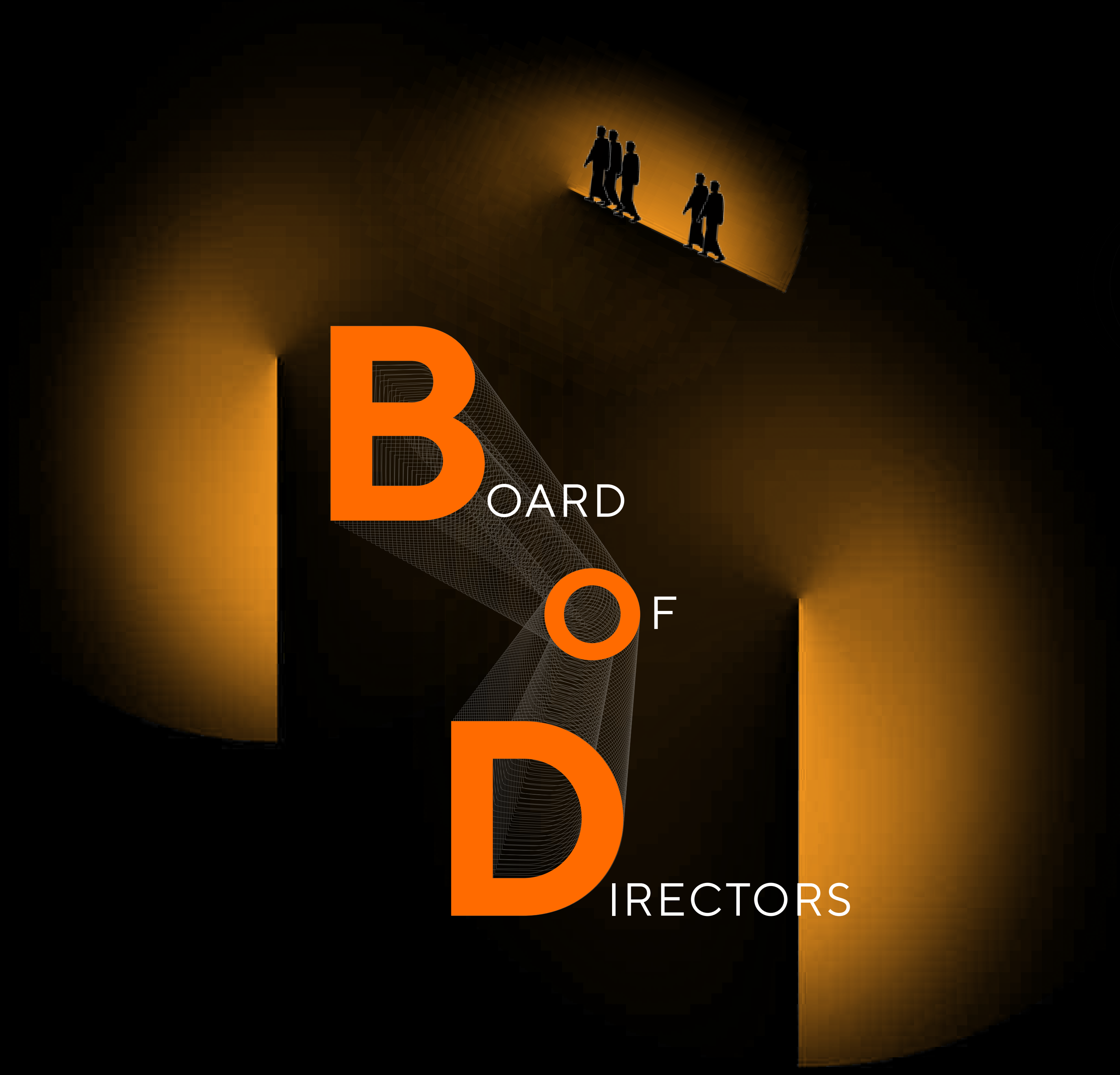
Most Innovative Digital Bank for Ecosystem Services – Oman 2023 Award
The Global Economics, UK

Best Mobile Banking App Oman 2024
World Business Outlook Annual Awards 2024

CEO of the Year – Banking Sector in Oman
Oman Banking & Finance Awards 2024

CELEBRATING MILESTONES ON OUR PATH TO SUCCESS

TABLE OF CONTENTS



CHARTING

OUR PATH

TO SUCCESS

WITH VISION

AND LEADERSHIP

BOARD OF DIRECTORS

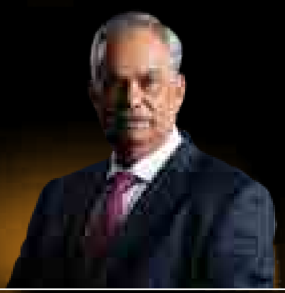
MR. SAID MOHAMED AL-AUFI
Chairman

MR. TAREQ MOHAMED AL MUGHEIRY
Deputy Chairman

MR. SALIM MOHAMED AL MASHAIKHI
Director

MR. SAID AHMED SAFRAR
Director

SHEIKH. AHMED SAID AL MASHANI
Director



MR. BIPIN DHARAMSEY NENSEY
Director

MR. AHMED DAWOOD AL BUSAIDI
Director

CHAIRMAN'S REPORT

Said Mohamed Al-Aufi

Sohar International continues to lead Oman's banking sector, solidifying our reputation as the "Best Bank in Oman" through the delivery of exceptional value to stakeholders. By focusing on digital innovation, operational excellence, robust financial and risk management, strong corporate governance, and a people-first culture, we are well positioned as a forward-thinking leader in the industry.

It is with great pride that we achieved a milestone record profit for the year of over OMR 100 million in addition to achieving a market capitalisation of USD 2.4 billion, the 3rd highest listed entity on the Muscat Stock Exchange. The Bank's outstanding financial performance reflects the successful execution of our strategy.

Sohar International is committed to supporting Oman's economic growth, showcasing Oman's success story internationally and providing new opportunities to our customer base.

We have expanded our presence beyond Oman, entering the Kingdom of Saudi Arabia and announced plans to open a Branch in the United Kingdom, reinforcing Sohar International's role as a key enabler of economic progress.

FINANCIAL STRENGTH

Profit for the year increased by 42% to a record RO 100.2 million.

Total operating income increased by 50% to RO 244.9 million driven by increases in net interest income, other operating income and reflecting the full year impact of the merger with HSBC Bank Oman. Total operating expenses increased at a lower rate of 28% to RO 98.4 million reflecting the positive synergies of the merger with the expenses/income ratio improving to 40.2% from 47.1% last year.

Net operating income before impairment provisions and before gain on bargain purchase increased 69% to RO 146.5 million.

Loan impairment charges and other credit risk provisions for the year of RO 37.9 million supported an increase in the Bank's coverage ratio to 158% compared to 143% last year reflecting the Bank's prudent and proactive approach to credit risk management.

Total assets increased by 10% to RO 7,361 million mainly driven by a 9% increase in loans and Islamic financings and a 24% increase in investment securities.

Customer deposits increased by 13% to RO 5,777 million with the improved net loans/customer deposit ratio of 74% compared to 77% last year. The Bank's strong funding and liquidity position will support the Bank's growth initiatives in Oman as well as the branch operation in the Kingdom of Saudi Arabia.

The increase in shareholder's equity of 28% was supported by a RO 130 million rights issue demonstrating the continued support of the Bank's shareholders.

DIGITAL FIRST

In 2024, Sohar International launched over 30 innovative solutions, reinforcing our 'Digital First' strategy positioning us at the forefront of Oman's digital transformation. Key initiatives include the 'My Life | My Goals' platform, which integrates financial and non-financial services into a seamless mobile experience, offering travel bookings, insurance, and more from a single application. This ecosystem simplifies goal achievement by blending lifestyle and banking services.

We have revolutionized corporate banking with our Unified Transaction Banking Platform, offering auto-reconciliation, digital trade finance, and liquidity management. We also introduced Oman's first corporate mobile banking application and the fully digital E-Mandate – Direct Debit product, streamlining recurring payments.

We enhanced our digital offerings with Oman's first API Banking Portal, Digital IPO 1:1 loan journey, and expanded cross-border payment capabilities, enabling instant remittances to over 35 countries, while prioritizing top-tier digital security. Complementing these achievements, we developed Oman's first AI platform, a cutting-edge Digital Contact Centre, advanced facial recognition, and robust data analytics, positioning Sohar International at the forefront of digital excellence.

SERVING CUSTOMERS

Sohar International remains at the forefront of Oman's financial sector, delivering strategic contributions to landmark transactions and partnerships. As the Issue Manager, Joint Global Coordinator, and Collection Agent for OQEP's Initial Public Offering (IPO), the largest equity capital market financing in Oman's history, the Bank has set a new benchmark in financial excellence. We further demonstrated our leadership by becoming the first Bank in Oman to be appointed a sole Lead Manager for another high-profile IPO, reinforcing our position as a regional leader in capital markets.

We have strengthened our presence in the oil and gas sector and become the Bank of choice for multinational corporations seeking comprehensive financial solutions across the value chains supported by our dedicated and agile teams.

As part of our commitment to enhancing premium services, we launched our new Savings Plus and Recurring Deposit Accounts, offering customers flexible savings solutions. The 'Because You Deserve More' campaign exemplified this approach, providing tangible benefits such as cashback incentives, fee waivers, competitive loan rates, and exclusive lifestyle offers through the Sohar International Entertainer application.

We also introduced the Visa Airport Companion Application to deliver added convenience for travelling customers. Additionally, seasonal campaigns such as the summer promotion enhanced card-related offerings, providing exclusive rewards and benefits designed to elevate the customer experience.

The introduction of the Platinum Credit Card offers exclusive privileges alongside advanced features such as contactless payment capabilities and compatibility with Apple Pay and Samsung Wallet. Competitive auto finance campaigns and attractive housing profit rates reinforce our commitment to making financial solutions more accessible and affordable.

Further strengthening our position as a leading provider of tailored Sharia-compliant financial solutions, we expanded Sohar Islamic's branch network with nine new locations and expanded its product portfolio to better serve our customers.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

At Sohar International we are focused on integrating ESG into our business strategy and responding to the ever-increasing requirements by stakeholders. This includes supporting the Sultanate of Oman's increasing focus and requirements on economic diversification and transitioning to a low carbon economy.

Our commitment is reflected in the robust ESG Framework in place, focused on key material areas for the Bank, enabling the transition to a sustainable future, embedding responsible business operations, and empowering and developing employees, customers and communities.

In 2024, we moved our focus to implementation of our ESG framework which has included rollout of ESG awareness training to all employees, preparing a detailed environmental footprint for all banking operations; and development of our first ESG Report.

We have continued to play a key role in identifying solutions for Oman through our involvement in events such as Oman Sustainability Week (Sustainable Finance Partner) and developing a partnership with Nafath Renewable Energy to bring solar solutions to market for our retail customers. In addition, we have proudly supported large transactions in relation to green steel; green hydrogen; solar and other energy efficiency projects.

We remain dedicated to supporting inclusive growth through strategic initiatives such as our partnership with Sharakah and youth empowerment programs. Our commitment extends to youth empowerment through sports, exemplified by our role as the Official Bank Sponsor for IRONMAN 70.3 Muscat 2025 and the exclusive banking partner for the Socca World Cup 2024.

SERVING THE NATION

Sohar International plays a pivotal role in driving Oman's growth through impactful partnerships and initiatives, reinforcing our commitment to social development and sustainability with multiple Memorandums of Understandings (MoU) signed that support key programs across various sectors.

The Down Syndrome Association (MoU) supported crucial initiatives, including the development of a comprehensive database, water therapy programs, and the provision of assistive technology for children with special needs.

We also partnered with the Al Noor Association for the Blind to train visually impaired Omanis, enhancing their employability and fostering inclusion.

Our collaboration with the Association of Early Intervention introduced Oman's first Applied Behaviour Analyst Technician (ABAT) training program, equipping professionals with the skills needed to support children with developmental challenges.

In collaboration with Sharakah, we launched a training program to empower Omani female entrepreneurs and foster innovation within the SME sector. Through our partnership with Takaful Sohar, we provided essential household items to low-income families, helping to ease financial burdens.

These initiatives complemented efforts in youth empowerment, education, sponsorship of major sporting events and environmental sustainability, reinforcing the Bank's role in Oman's socioeconomic progress and commitment to a sustainable future.

SERVING EMPLOYEES

We prioritized the personal and professional growth of our staff by launching a Digital Academy, an e-learning platform designed to enhance employee skills. In addition, we invested in over 2,500 learning hours and facilitated 1,300 training days through initiatives such as the Leadership Program and a diverse range of professional and job-specific development courses, delivering a total of 110 unique training programs.

To foster collaboration and engagement we introduced new internal communication channels, including an intranet and WhatsApp platform, to enhance connectivity across the organization.

AWARDS AND ACCOLADES

Sohar International continues to set new standards of excellence in Oman's banking sector, earning over 18 prestigious awards in 2024. These accolades reflect our commitment to business excellence, digital innovation, operational excellence, and transformative contributions to the financial ecosystem.

The Bank earned distinguished awards, including Oman's Best Bank (Euromoney Awards for Excellence, UK), Best Bank – Large Bank Category (Oman Banking & Finance Awards 2025, Oman), and Bank of the Year – Oman (The Banker, UK). Our commitment to digital innovation was celebrated with titles such as Most Innovative Digital Bank for Ecosystem Services – Oman 2023 (The Annual Global Economics Awards, UK) and Best Mobile App Oman 2024 (World Business Outlook Annual Awards, Singapore).

In corporate and government banking, Sohar International received the Best Corporate Banking Oman 2024 award (Global Business Review Magazine, UAE) and the Best Government & Private Banking Bank in Oman 2024 accolade (International Business Magazine, UAE). Operational excellence was recognized through JP Morgan's Straight Through Processing Awards (MT202 and MT103) (USA).

The Bank's leadership in sustainability and branding was reaffirmed with Oman's Best Bank for ESG award (Euromoney Awards for Excellence, UK) and Top Omani Brand in the Banking Sector Award (Alam Al Iktisaad Magazine, Oman). Furthermore, Sohar International was honoured with the 'Exemplary CSR Leadership' award at the Oman CSR Summit and Awards 2024, reinforcing our commitment to CSR and human development. These recognitions demonstrate our unwavering dedication to excellence across all facets of banking and corporate responsibility.

RECOGNITION

It is with great pride that I express on behalf of Sohar International my sincere congratulations to our former CEO, His Excellency Ahmed Al Musalmi, on his appointment by His Majesty Sultan Haitham bin Tarik as Governor of the Central Bank of Oman. His Excellency's vision, dedication and passion for excellence has transformed Sohar International to be the leading Bank in Oman.

I congratulate Mr. Abdulwahid Mohamed Al Murshidi, our Chief Islamic Banking Officer, on his appointment as Chief Executive Officer and look forward to the Bank's continued success under his leadership.

My profound appreciation to our stakeholders, who have consistently bestowed upon us the highest degree of faith in support of our transformative journey. The continued dedication with which our employees have embraced and aligned themselves with the organisational values has been instrumental to our success.

The strong governance, transparency, and leadership exemplified by the Central Bank of Oman and the Financial Services Authority continue to play a pivotal role in helping us achieve new levels of excellence.

On behalf of the Board of Directors and our employees, I convey my sincere gratitude to His Majesty Sultan Haitham bin Tarik, whose visionary leadership has propelled Oman towards significant socio-economic progress and established a clear path for Oman's continued prosperity and growth.

NAVIGATING

SUCCESS

WITH INTEGRITY

AND TRANSPARENCY

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Sultanate of Oman
Tel. +968 24 749600, www.kpmg.com/om

Private and confidential
Our ref.: aud/tl/ar/20071/25

Agreed-Upon Procedures Report on Code of Corporate Governance of Sohar International Bank SAOG

To the Board of Directors of Sohar International Bank SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Sohar International Bank SAOG for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Financial Services Authority ("FSA") (formerly Capital Markets Authority) to assist in compliance of requirements prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose. This report is intended solely for Sohar International Bank SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of Sohar International Bank SAOG

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of Sohar International Bank SAOG is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

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

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

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

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, *which requires the firm to design, implement and operate a system of quality management including policies and procedures* regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with Sohar International Bank SAOG in the terms of engagement dated 1 January 2025, on the compliance with the Code:

S. No	Procedures	Findings
1	We checked that the corporate governance report (the Report) issued by the Board of Directors includes as a minimum, all items suggested by FSA to be covered by the Report as detailed in the Annexure 3 of the Code by comparing the Report with such suggested content in the Annexure 3.	No exceptions noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by Sohar International Bank SAOG Board of Directors for the year ended 31 December 2024. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2024.	No non-compliance with the Code noted during the year.

This report relates only to the items specified above and does not extend to the Sohar International Bank SAOG financial statements taken as a whole.

KPMG LLC
Date: 10 March 2025
Muscat, Oman

KPMG
KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
PO Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

Enclosures:
Sohar International Bank SAOG Corporate Governance Report

1. PHILOSOPHY ON CORPORATE GOVERNANCE:

The Corporate Governance Philosophy within Sohar International Bank SAOG (the "Bank" and/or "Sohar International") has been developed within the directives and guidelines of the Central Bank of Oman ("CBO"), the Financial Services Authority ("FSA") and the Commercial Companies Law of Oman ("CCL"). The four universal values synonymous with corporate governance – accountability, fairness, responsibility and transparency – underpin the Bank's Corporate Governance approach.

Corporate governance is a set of processes, customs, policies, laws and practices affecting the manner in which an organization – namely Sohar International – is directed, administered or controlled. Corporate governance also covers the relationships between the many parties or stakeholders involved with the Bank, and the aims and objectives for which the Bank is governed. The principal relationships for the Bank include those between the shareholders, management, and the Board of Directors. Other relationships include customers, employees, regulators, suppliers, the environment and the community in which the Bank operates. Additionally, governance relates to economic efficiency, through which the Bank's governance system aims to optimize economic results, thereby placing emphasis on the shareholder's welfare.

The Board of Directors of the Bank are committed to the highest standards of Corporate Governance. The Bank is committed to lead by example in the letter and spirit of the Code of Corporate Governance laid out by the FSA, and the regulations for Corporate Governance of Banking and Financial Institutions issued by CBO. Both are the principal codes and drivers of effective corporate governance in the Sultanate of Oman. The Bank has complied with all their provisions, except for certain instances, which are included in the 'Statement of Compliance' section of this report. The FSA Code of Corporate Governance can be found on the following website www.fsa.gov.om.

The Bank's Corporate Governance Framework requires that the Board of Directors, and the Sharia 'Supervisory Board ("SSB") for its Islamic Banking Window (Sohar Islamic), and management shall:

- Maintain the highest standards of corporate governance and regulatory compliance.
- Promote transparency, accountability, responsiveness and social responsibility.
- Conduct its affairs with its shareholders, customers, employees, investors, vendors, government and society at large in a fair and open manner.
- Create an image of the Bank as a legally and ethically compliant entity.

2. BOARD OF DIRECTORS:

The Bank's Board of Directors (the "Board") is the highest governing authority within the Bank's structure. Its role is to ensure that the Bank conducts itself in accordance with its core values and develops them further on a continuous and sustainable basis. The Board consists of professionals from various fields and professions and gives representation to the stakeholders and administrators in the decision-making process. The Board composition includes 6 independent directors, out of 7, which represents a percentage of 85 percent independent directors. This structure enables meaningful discussions and an unbiased and qualitative view on matters placed before it.

There is a clear segregation between the ownership of the Bank and management. The role of the Chairman of the Board, and that of the Chief Executive Officer ("CEO") are separated, with clear separation of responsibilities between the running of the Board, and executive management's responsibilities in terms of running the Bank's operations. As per applicable regulations, the CEO is prohibited from holding a Board role. The Board is responsible for overseeing how management serves the long-term interests of shareholders and other key stakeholders.

2.1 Composition and classification of the Board:

The constitution of the Board, the election process for Board members and shareholders' interests are areas of prime concern for the Bank's commitment to good governance. Details of the elected Board members are outlined in Table 1.

Table 1: Composition and classification of the Board:

Name of Director	Category	Represents
Mr. Said Mohamed Al-Aufi / Chairman	Non-Executive	Independent
Mr. Tareq Al Mugheiry / Deputy Chairman	Non- Executive	Independent
Mr. Said Ahmed Safrar	Non-Executive	Independent
Mr. Salim Mohammed Al Mashaikhi	Non-Executive	Independent
Sheikh. Ahmed Said Al Mashani	Non-Executive	Non- Independent
Mr. Bipin Dharamsey Nensey	Non-Executive	Independent
Mr. Ahmed Al Busaidi	Non-Executive	Independent

2. BOARD OF DIRECTORS (CONTINUED)

2.2 Profile of Directors:

Mr. Said Mohamed Al-Aufi – Chairman

Mr. Al-Aufi is the Chief Executive Officer of an investment fund company owned by the Government of the Sultanate of Oman, that manages a multi-asset class portfolio in the financial services, Fintech, technology and commodities sectors. Earlier, Mr. Said worked in the Asset Allocation and Busi-ness Strategy team in the Oman Investment Authority ("OIA").

Mr. Said Al-Aufi has a Double Degree in Commercial Law & Banking and Fi-nance from Monash University in Australia, he is a Chartered Financial Analyst "CFA" and Chartered Alternative Investment Analyst "CAIA". He has also completed several executive management programs in the areas of executive leadership, Blockchain, Cryptocurrency, Fintech, Artificial Intelligence, Internet of Things (IOT) and Venture Capital. Mr. Al-Aufi holds various board memberships in multiple sectors.

Mr. Tareq Al Mugheiry – Deputy Chairman

Mr. Tareq Al Mugheiry is the Chief Investment Officer of Oman Investment Corporation SAOC (OIC). Prior to joining OIC, Tareq worked with a number of international companies including Philips Electronics in corporate strategy and mergers and acquisitions; J.P. Morgan in investment banking covering the European technology sector; and Oman LNG's project finance team. He holds a Bachelor's Degree of Law (LLB) and Bachelor's Degree of Commerce (B. Com) from the University of Western Australia. Tareq serves on the Boards of Innovation Development Oman, Takaful Oman Insurance, Sembcorp Salalah O&M Company, and TMK GIPI. Mr. Tareq Al Mugheiry is a member of the Board's Credit Approval Committee (CAC), and the Executive, Nomination and Remuneration committee (ENRC).

Mr. Said Ahmed Safrar – Director

Mr. Said Safrar is the Chief Executive Officer in Oman Investment & Finance Company Co. SAOG. He holds a Master in Business Administration (MBA) from the University of Hull in the UK, and a Senior Executive Leadership Program from Harvard Business School in the USA. Mr. Said Safrar has more than27 years of professional experience across the banking, telecom, investment and services sectors. He was the Chief Customer Experience Officer with Omani Qatari Telecommunications Company SAOG ("Ooredoo"), before joining OIFC. He is a Board Member at Sohar International SAOG, Financial Corporation Co SAOG, Taageer Finance Company SAOG, Dhofar Generating Company SAOG, Wasel Exchange SAOC and Mazoon first Fund. In addition to his role as a member of the Bank's Board of Directors, Mr. Said Safrar is also the Chairman of the Credit Approval Committee (CAC) and a member of the Executive, Nomination and Remuneration committee (ENRC).

Mr. Salim Mohamed Masaud Al Mashaikhi – Director

Mr. Salim Mohamed Masaud Al Mashaikhi holds a Bachelor's Degree in Mathematics, and is currently employed in the Expenditure Department of the Royal Court Affairs in the Sultanate of Oman. Mr. Salim Al Mashaikhi is the Deputy Chairman of Oman Fixed Income Fund (OMFI). Mr. Salim Al Mashaikhi is the Chairman of the Board Risk Committee, and a member in the Board Audit Committee.

Sheikh. Ahmed Said Mustahil Al Mashani – Director

Sheikh. Ahmed Al Mashani holds a Bachelor's Degree in Business Administration from Staffordshire University. He is currently employed with Muscat Overseas Group, which provides services in investments, industry, education, mining, real estate, media, and agricultural services. He was a previous board member of the Financial Center, and he is currently a Board Member of Oman Investment and Finance Company, and Wasel Exchange, besides his work in the Governmental sector. Sheikh. Ahmed Al Mashani is a member of the Board Risk Committee and the Audit Committee.

Mr. Bipin Dharamsey Nensey - Director

Mr. Bipin Dharamsey Nensey holds a Bachelor's Degree in Accounting and Finance. He has been the Director of Dharamsey Nensey Company since 1977. Since July 2007, Mr. Nensey has held Independent Non-Executive Director roles for Al Suwadi Power Company SAOG, and Muscat Insurance Company SAOG. He has served as the Vice Chairman of one of the local Banks for over 15 years. For Sohar International, Mr. Nensey is a member of the Board Credit Approval Committee.

Mr. Ahmed Al Busaidi – Director

Mr. Ahmed Al Busaidi holds a bachelor's degree in accounting from the University of Tanta in Egypt since 1987. Mr. Ahmed has over 30 years of experience in both the government and private sectors, with expertise in auditing, financial management, economic analysis, diplomacy and logistical management. His career includes notable roles at State Audit Institution, Oman Development Bank, The Royal Office, and Embassy of Oman in Turkey. In addition to his role as a member of Sohar International's Board of Directors, Mr. Ahmed is also the Chairman of the Board Risk Committee (BRC), and a member in the Executive, Nomination and Remuneration committee (ENRC).

2. BOARD OF DIRECTORS (CONTINUED)

2.3 Board of Directors – Executive Powers:

- Vested with the powers of general superintendence, direction and management of the affairs and business of the Bank.
- Ultimate responsibility for the overall compliance and oversight of the management of the Bank.
- Guides the Bank to achieve its objectives in a prudent and efficient manner.
- Primarily responsible for ensuring that all financial transactions are legal and that all disclosures are made as per regulations.
- Lays down a comprehensive Code of Professional Conduct for all Board Members and Senior Management of the Bank, to be followed under all circumstances.
- Approves the delegation of power to the executive management as well as nominee members of the sub-committees and specify their roles, responsibilities and power.
- Authorizes management to implement the strategy for the Bank that is designed to deliver increasing value to the shareholders.
- Develop strategies for managing risks associated with the business and for meeting challenges posed by competitors.
- Develop a vision to anticipate crisis and to act proactively when necessary.
- Ensures that information flows upward and that authority flows downward, and therefore ensures the Bank is under their control, direction and superintendence.

During the year under review, the Board has:

- Reviewed and approved the Bank's financial objective, plans and actions.
- Reviewed the Bank's performance.
- Evaluated whether the business is properly managed according to the Bank's objectives.
- Ensured compliance with laws and regulations through proper internal systems of controls.
- Reviewed the efficiency and adequacy of the internal control systems and confirmed their compliance with internal rules and regulations.

The Board of Directors has approved the Standards of Professional Conduct, which cover the standards of conduct expected by the Directors and the Senior Management of the Bank. The purpose of this Code is to articulate the highest standards of honesty, integrity, ethical and law-abiding behavior.

The Board has approved the Quarterly Reports released in 2024, and recommended the annual financial statements and report to the shareholders for approval, and have reported about the ongoing status of the Bank with supporting assumptions and qualifications as necessary.

The Board has taken steps to comply with rules, regulations and best international practice, reviewing compliance reports prepared by the Bank's management of all applicable provisions of the law.

Sohar International's Board of Directors has exercised all such powers and performed all such acts as the Board is authorized to exercise and do.

The Bank prepares a Management Discussion and Analysis report which is included as a separate section in the Annual Report.

2.4 Meetings and Remuneration of the Board:

The Board of Directors meets regularly, monitors executive management, and exercises necessary control over the Bank's functioning. The Board conducts its business in formal meetings. In Board meetings, the "majority" is computed as the absolute majority of the Directors present in person or through proxy, whether or not they participate in the voting process.

Table 2: Sitting fees paid to Directors during 2024 is given below:

Sl. No	Name	Sitting fees paid during 2024
1	Mr. Said Mohamed Al-Aufi	10,000
2	Mr. Tareq Mohamed Al Mugheiry	10,000
3	Mr. Said Ahmed Safrar	10,000
4	Mr. Salim Mohamed Al Mashaikhi	10,000
5	Sheikh. Ahmed Said Al Mashani	10,000
6	Mr. Bipin Dharamsey Nensey	6,900
7	Mr. Ahmed Al Busaidi	8,250
	Total:	**OMR 65,150**

2.4 Meetings and Remuneration of the Board (continued)

The total number of meetings of the full Board during the year 2024 was 8. The maximum interval between any two meetings followed rule (10) of the 2nd principle of the FSA's Code of Corporate Governance, which requires meetings to be held within a maximum time gap of four months. The dates of the meetings of the Board of Directors, and its sub-committees during the year 2024, along with attendance in each meeting, is presented separately in the following tables.

Meetings of Board of Directors held in 2024 and dates on which they were held								
Name of Director	**30 Jan**	**28 March**	**30 April**	**25 July**	**10 Sep**	**08 Oct**	**27 Oct**	**22 Dec**
Mr. Said Al-Aufi	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Tareq Al Mugheiry	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Said Ahmed Safrar	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Salim Al Mashaikhi	✓	✓	✓	✓	✓	✓	✓	✓
Sheikh. Ahmed Said Al Mashani	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Bipin Dharamsey	✓	–	✓	–	✓	✓	✓	✓
Mr. Ahmed Al Busaidi	–	✓	✓	✓	✓	✓	✓	✓

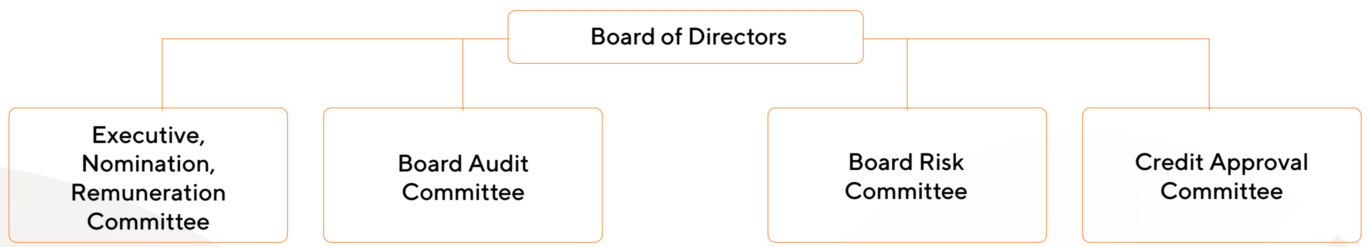
Sitting fee remuneration is paid to the Directors to attend the Board and its Sub-Committee meetings. The fee is within the limits stipulated by the Commercial Companies Law and the directives of the Financial Services Authority.

An amount of RO **300,000** was paid in 2024 as board remuneration for the year ended 31st December 2023. The remuneration paid was within the limit prescribed under applicable laws and regulations.

2.5 Committees of the Board

The Board of Directors has created four sub-committees with clearly defined terms of reference and responsibilities. The committees' mandates are to ensure focused and specialized attention to specific issues related to the Bank's governance. The various sub-committees of the Board together with the Internal Audit and Compliance departments form an important tool in the Bank's corporate governance approach. The sub-committees, their structure and primary responsibilities are details as follows.

The Corporate Governance Structure of Sohar International Bank SAOG is depicted below:



2.5 Committees of the Board (continued)

Table 3: Board Sub-Committees meetings held in 2024 / Number of meetings attended					
Name of Director	**Executive, Nomination & Remuneration Committee (ENRC)**	**Board Audit Committee (BAC)**	**Credit Approval Committee (CAC)**	**Board Risk Committee (BRC)**	**Attendance of AGM - March 2024**
Mr. Said Al-Aufi	2	4	-	1	Present
Mr. Tareq Al Mugheiry	2	-	5	-	Present
Mr. Said Ahmed Safrar	2	-	5	-	Present
Mr. Salim Al Mashaikhi	-	4	-	5	Present
Sheikh. Ahmed Said Al Mashani	-	4	-	5	Present
Mr. Bipin Dharamsey Nensey	-	-	4	-	Absent
Mr. Ahmed Al Busaidi	1	-	-	4	Present

2.5a Executive Nomination & Remuneration Committee (ENRC):

The Executive, Nomination and Remuneration Committee is a sub-committee of the Board and, as such, assists the Directors in discharging their responsibilities in relation to: (1) General performance aspects of the Bank such as strategy setting and implementation, annual budget recommendations, information technology, management of environment, social and governance (ESG) activities, and generally to assist the Board in reviewing business proposals, other than credit, and other related issues that require a detailed study and analysis; and (2) HR, Nomination and Remuneration issues such as to provide direction and guidance to have the right CEO and Senior Management team and provide support and direction to the Bank and its stakeholders and ensure their interests are protected, etc.

ENRC Meetings held in 2024 and dates on which they were held		
Name of Director	**25th of July**	**22nd of Dec**
Mr. Said Al-Aufi	✓	✓
Mr. Said Ahmed Safrar	✓	✓
Mr. Tareq Al Mugheiry	✓	✓
Mr. Ahmed Al Busaidi	-	✓

2.5b Board Audit Committee (BAC):

The main functions of the Board Audit Committee are to assess and review the financial reporting system of the Bank to ensure that the financial statements are correct, sufficient and credible. The Committee reviews with management the quarterly and annual financial statements before their submission to the Board for adoption. The Committee also reviews the adequacy of regulatory compliance, regulatory reporting, internal control systems and structure of Internal Audit and Compliance Departments. The Committee also holds discussions with the internal auditors / external auditors on significant findings on the control environment. The role of Chief Internal Auditor is to provide assurance that the management control framework used within the Bank is operating effectively. The role of Chief Compliance Officer is to ensure that the Bank complies with all the laws, rules and regulations as applicable under the regulatory framework in the Sultanate of Oman, and international best practice. Both chiefs report directly to the Board Audit Committee.

BAC Meetings held in 2024 and dates on which they were held				
Name of Director	**29 January**	**29 April**	**24 July**	**24 October**
Mr. Salim Al Mashaikhi (Chairman)	✓	✓	✓	✓
Mr. Said Al Aufi	✓	✓	✓	✓
Sheikh. Ahmed Said Al Mashani	✓	✓	✓	✓

2.5 Committees of the Board (continued)

2.5c Credit Approval Committee (CAC):

The Credit Approval Committee is a sub-committee of the Board and as such approves loans above the lending mandate of Executive Credit Committee (ECC) of the management, and reviews on annual basis credit product policies, credit policy, credit portfolio, and existing credit facilities – all within its authority as per its terms of reference.

CAC Meetings held in 2024 and dates on which they were held					
Name of Director	**29 Feb**	**08 July**	**11 Aug**	**16 Sep**	**05 Dec**
Mr. Said Safrar (Chairman)	✓	✓	✓	✓	✓
Mr. Tareq Al Mugheiry	✓	✓	✓	✓	✓
Mr. Bipin Dharamsey	✓	-	✓	✓	✓

2.5d Board Risk Committee (BRC):

The Board Risk Committee assists the Board discharge its responsibilities of oversight and governance in relation to the risk performance of the Bank. The Committee is responsible, among other things, for making recommendations to the Board on the risk appetite of the Bank in relation to credit, interest rate, market, liquidity and operational risk. The Committee ensures the implementation of a risk strategy and policy in addition to ensuring that a robust risk framework is in place within the Bank, which optimizes the quality and return on deployment of assets. The Committee also provides guidance and direction on all credit, market, interest rate, liquidity and operational risk policy matters.

BRC Meetings held in 2024 and dates on which they were held					
Name of Director	**29 Jan**	**22 April**	**05 June**	**03 Oct**	**16 Dec**
Mr. Salim Al Mashaikhi (Chairman)[1]	✓	✓	✓	✓	✓
Mr. Ahmed Al Busaidi (Chairman)	-	✓	✓	✓	✓
Mr. Said Al Aufi	✓	-	-	-	-
Sheikh. Ahmed Said Al Mashani	✓	✓	✓	✓	✓

[1] Mr. Salim Al Mashaikhi stepped down from the chairmanship of the Board Risk Committee on 29th of Jan 2024.

3. SHARI'AH SUPERVISORY BOARD OF SOHAR ISLAMIC (THE ISLAMIC BANKING WINDOW OF SOHAR INTERNATIONAL BANK SAOG)

Biography of Sharia Supervisory Board Members:

Sheikh Al-Mu'tasim Said Al Maawali (Chairman)

Al-Mu'tasim Said Al-Maawali is a religious supervisor working for The Omani Studies Centre at Sultan Qaboos University. He holds an MA degree in Islamic Studies from the University of Birmingham, 2016. Al-Mu'tasim authored a seven-volume series in Islamic Jurisprudence called al-Mu'tamad, including the sixth volume in Islamic Financial Transactions, and the seventh in Islamic Banking. In 2016, he published his English book Articles on Ibāḍī Studies. In February 2017, he published his translation (from Arabic to English) the first volume of 'The Reliable Jurisprudence of Prayer'. In 2019, he also translated 'Christians in Oman' from English into Arabic. Al-Mu'tasim has presented academic papers at international conferences in Islamic Studies, including TIMES 2017 at Birmingham University, and BRISMES 2018 at King's College London, and BRISMES 2019 at the University of Leeds.

Sheikh Nasser Yousuf Al Azri (Deputy Chairman)

Sheikh Nasser is working as secretary to the Grand Mufti of the Sultanate of Oman in the Fatwa Section at the Grand Mufti's Office. He is also an active member of several committees at the Ministry responsible for Mosques, Zakat, Hajj, Publications and Book Revision. Prior to his current capacity, Sheikh Al Azri held a number of prestigious positions including Judge Assistant at the Ministry of Justice, and a researcher for Islamic affairs in fatwa's at the Ministry of Endowments and Religious Affairs. Sheikh Al Azri has extensive knowledge and expertise in Islamic and judiciary laws. He has also authored several papers and research studies and attended prominent Islamic conferences such as those held by the International Islamic Fiqh Academy. He received a High Diploma Degree in Jurisprudence from the Institute of Sharia Sciences in Oman.

Dr. Mohammad Abdul Rahim Sultan Al Olama (Member)

Dr. Mohammad Abdul Rahim Sultan Al Olama was a Professor of Jurisprudence and its Fundamentals at the College of Law at United Arab Emirates University in Al Ain. In addition, he is a certified expert in Shariah-compliant financial affairs and chairs the Sharia committee of Zakat Fund in the United Arab Emirates. He has published books and articles on various jurisprudential topics, in particular Islamic banking transactions in their contemporary form. He has also presented a series of research papers in various international forums and conferences related to this field. His Eminence is a member of Sharia Supervisory Boards of Islamic financial institutions and Takaful companies including Dubai Islamic Bank, Abu Dhabi Islamic Bank Emirates Islamic Bank, Noor Takaful & Mawarid Finance Company. He holds a PhD in Comparative Islamic Jurisprudence from Umm Al-Qura University in Makkah the Kingdom of Saudi Arabia.

Sharia Supervisory Board attendance & remuneration for 2024

Table 5: Attendance & Remuneration – Shari'ah Supervisory Board for year 2024

Name of Sharia Board Members	First Meeting	Second Meeting	Third Meeting	Forth Meeting	Fifth Meeting	Attended	Meeting allowance in USD	Annual Remuneration in USD
Sheikh Al-Mu'tasim Al Maawali	✓	✓	✓	✓	✓	5	5,000	40,000
Sheikh Nasser Yousuf Al Azri	✓	✓	✓	✓	✓	5	5,000	35,000
Dr. Mohammad Abdul Rahim Sultan Al Olama	✓	✓	✓	✓	✓	5	5,000	30,000

4. MANAGEMENT TEAM:

Management of the Bank has been entrusted by the Board to the Bank's Management Team. The top management team have a combined 200 plus years of banking expertise between them. The Management Team keeps the Board of Directors informed on all issues concerning the operations of the Bank and takes directions from the Board on matters that concern and affect the business of the Bank, and the objectives it should pursue. In the interest of good governance, the management team place all key information before the Board, where it forms part of the agenda papers.

4.1 Profile Senior Management Team (as of December 31st, 2024):

H.E. Ahmed Al Musalmi[2]

Chief Executive Officer

Mr. Ahmed Al Musalmi joined Sohar International in May 2018 as the Chief Executive Officer. He has been a catalyst in the bank's transformation and a proven leader who combines business vision and people skills. Mr. Musalmi has more than two decades of experience. He is a result oriented and strategic thinker with extensive industry and functional expertise that includes Wholesale Banking, Capital Markets, Retail Banking and Wealth Management, Trade Finance, Risk Management, Operations Management, Information Technology, Human Resources, Finance and Strategy Development & Business Planning.

Mr. Al Musalmi is a talented leader who uses keen analysis and insights, and a team approach to drive organizational performance and motivate employees to peak performance. He has held leadership positions and has worked across several national and international financial institutions in his career. He was the CEO and successfully led transformation of National Bank of Oman prior to his move to Sohar International.

Mr. Al Musalmi is a graduate of Harvard Business School and holds an MBA Degree with distinction from the University of Bedfordshire, UK. He also holds an International Diploma in Financial Services. Mr. Al Musalmi is a Chartered Market Analyst with Financial Analyst Designate, a Chartered Portfolio Manager and a Chartered Wealth Manager to add to his wealth of expertise. He is a fellow of the American Academy of Financial Management and has been a part of several advanced programs including in IMD-Switzerland and Stanford Graduate School of Business-USA. Mr. Al Musalmi is the Deputy Chairman of ASYAD Group and Chairman of its Board Audit Committee. He is also a board member of the College of Banking and Financial studies board.

Mr. Abdulwahid Al Murshidi[3]

Chief Islamic Banking Officer

Mr. Al Murshidi has been associated with Sohar International since July 2019. Coming with over 18 years of professional experience across different functions of the banking sector including Audit, Finance, Investment, and Islamic Banking. Prior to his role in Sohar International, he was the Deputy General Manager at one of the prominent local Islamic banks. Mr. Abdulwahid holds an EMBA Degree from London Business School, and has completed his Bachelor's Degree in Science from Sultan Qaboos University (SQU).

Mr. Khalid Al Guthami

Country Chief Executive Officer of KSA branch

Mr. Khalid Al Guthami joined Sohar International in September 2023 as Country Chief Executive Officer of KSA Branch. With over 25 years of experience, Mr. Khalid is an experienced banker with vast knowledge and expertise in corporate and commercial banking, trade operations, investment, and risk management. Prior to joining Sohar International, Mr. Khalid Al Ghuthami was the Head of Corporate Bank Group at one of the prominent banks in Riyadh, Saudi Arabia, where he made significant contributions to the development of business and banking transactions.

Mr. Khalid Al Guthami holds a Bachelor Degree in Economics with emphasis on International Business from the University of Southern Mississippi. Mr. Khalid has completed an Accelerated Management & Executive Leadership Program at Institute Européen d'Administration des Affaires (INSEAD). Additionally, he holds notable financial certifications from SAMBA, Euromoney, and Citibank.

Mr. Khalil Salim Al Hedaifi
Chief Government & Private Banking Officer

Mr. Khalil joined Sohar International in October 2018 as the Chief Retail Banking Officer. One of his key responsibilities is to develop the bank's business franchise. With over 19 years of experience, Mr. Khalil is a dynamic leader with pioneering experience in achieving business growth objectives in mid-sized as well as large, established organizations. His vast experience brings him expertise in the banking business in general and in areas of Retail Banking, Wealth Management, Strategic Planning, Product Management, and People Management. He started his career in the year 2000 with a local bank in Oman and has worked with other national and international banks in Oman and Qatar throughout his professional life before joining Sohar International as the Retail Banking Division Head.

Mr. Khalil holds an MBA degree from Northampton University and has also received an Administration Certificate from Oxford Cambridge and RSA.

[2] Resigned on the 1st of January 2025 and was appointed as the Governor of the Central Bank of Oman pursuant to Royal Decree number 5/2025.
[3] Was appointed as the Acting Chief Executive Officer on the 1st of January 2025, and was confirmed appointment as the Chief Executive Officer of the Bank on the 26th of Feb 2025.

4.1 Profile Senior Management Team (as of December 31st, 2024) (continued)

Dr. Manish Dhameja

Chief Wholesale Banking Officer

Dr. Manish is a seasoned banking professional with over 23 years of working experience, during which he worked in UAE, Africa & across various cities in India. He is an Engineer, MBA & CFA. He has joined from Standard Chartered Bank, where he held multiple leadership roles and led many businesses & large teams. Dr. Manish strength lies in establishing and growing new and large businesses, improve business profitability, client connections & team engagement.

Mr. Aziz Al Jahdhami

Chief Priority Banking Officer

Mr. Aziz Al Jahdhami joined Sohar International in December 2018 and is currently serving as the Chief Priority Banking Officer at Sohar International. Mr. Al Jadhami is a highly experienced banking professional. With a career spanning over 15 years in the banking industry, Mr. Al Jahdhami has developed a strong expertise in various aspects of Wealth Management, Private Banking, and Investment Management. His proven track record & achievements in these areas have been instrumental in the growth of several local and international banks.

Al Jahdhami holds two Executive Management certifications from prestigious institutions such as the University of Cambridge and the London Business School. These qualifications have further enhanced his skills and knowledge in managing financial institutions effectively. Additionally, he has also achieved both undergraduate and postgraduate degrees from the University of London in the United Kingdom.

Mr. Abdul Qadir Al Sumali

Chief Retail & Premier Banking Officer

Mr. Abdul Qadir Al Sumali joined Sohar International in August 2023 as Chief Retail & Premier Banking Officer. With over 25 years of experience, Mr. Abdul Qadir is an experienced banker with vast knowledge and expertise in the field of Retail Banking.

Prior to Joining Sohar International, Mr. Abdul Qadir was General Manager and the Head of Wealth and Personal Banking at one of the prominent local banks and has made notable contributions in the retail banking business. He is a knowledgeable leader with rich experience who combines his passion for customers and investing in people with personal integrity and discipline.

Mr. Abdul Qadir holds an MBA from Durham University Business School, United Kingdom.

Mr. Sajeel Bashiruddin

Chief Technology Officer

Mr. Sajeel Bashiruddin joined Sohar International in 2021 and currently holds the Chief Technology Officer role, wherein he is responsible for Information Technology, Enterprise Project Management Office, FinTech & spearheading Digital Banking functions of the bank to drive Digital Transformation. With over 20 years of experience, Mr. Sajeel reserves an entrepreneurial spirit and has led large-scale digital transformation in the sector. While strategy development, leadership, and innovation are key areas he places increased emphasis on, Mr. Sajeel has also introduced new digital revenue streams via Fintech partnerships, led cohesive digital ecosystem transformations, spearheaded business expansions and led transitions to be a data-driven organization.

He started his career in 2003 and have held key positions in banks in the Kingdom of Saudi Arabia and Oman. Mr. Sajeel holds a Master's Degree in Computer Applications, a Bachelor's Degree in Business Management and is also a Certified Artificial Intelligence Business Professional.

Mr. Craig Barrington Bell

Chief Financial Officer

Mr. Craig Barrington Bell joined Sohar International as Chief Financial Officer in January 2019 bringing with him over 25 years of banking experience; 15 of which have been in CFO roles with HSBC and Deutsche Bank including three years as CFO of the Saudi British Bank. Mr. Bell has extensive finance background and deep experience of managing complex international businesses across dynamic and changing markets. Commencing his banking career with Citibank in 1985, Mr. Bell has a plethora of technical and management skills in financial and regulatory reporting, management reporting, financial analytics, system infrastructure & controls, balance sheet management, strategic planning, investor relations and tax. Prior to joining Sohar International, Mr. Bell served for over 2 years as CFO with Al Hilal Bank (Abu Dhabi). He is a distinguished member of the Institute of Chartered Accountants of Australia & New Zealand and graduated from Auckland University with a Bachelor of Commerce degree majoring in accounting.

4.1 Profile Senior Management Team (as of December 31st, 2024) (continued)

Mr. Majid Nasser Al Busaidi

Chief Risk Officer

Mr. Majid joined Sohar International in November 2020 as Chief Risk Officer. He has over 17 years of professional experience in different functions of the Banking sector. His experiences and responsibilities include developing risk management strategies, overseeing and assessing the bank's risk mitigations both internally and externally, and reporting to the Board of Directors. Prior to his role in Sohar International, he was Heading the Division of Credit Review in a popular Omani bank.

Mr. Majid holds a Bachelor Degree in Finance from College of Economy and Political Studies at Sultan Qaboos University (SQU).

Mr. Khalid Khalfan Rashid Al Subhi

Chief Compliance Officer

Mr. Khalid joined Sohar International in December 2016. He has over 19 years of extensive experience as a Central Banker in various areas like Banking, Insurance and administration. His experience and responsibilities included conducting risk-based examinations/audits, corporate governance, Capital adequacy, various business processes, control framework, and much more.

Mr. Khalid holds a Bachelor's degree in Banking and Financial Sciences (CBFS) from the Arab Academy for Banking and Financial Sciences, and has completed his Higher Diploma in Administrative Procedures from the South Devon College, UK.

Mr. Hamood Khalfan Al-Aisri

Chief Internal Auditor

Mr. Hamood is a qualified Chartered Certified Accountant with over 25 years of professional experience across different functions of the Banking sector. He has been associated with Sohar International since December 2020 and prior to his current role in Sohar International, he was Chief Internal Auditor in one of the local banks.

Mr. Hamood holds Senior Leadership qualification from London Business School, and Islamic Financial qualification from Chartered Institute of Investment & Security – UK.

Ms. Mahira Saleh Al-Raisi

Chief Human Resources Officer

Ms. Mahira joined Sohar International in October 2007 and currently holds the Chief Human Resources Officer role. With extensive experience of over 21 years in managing Human Resources in the Banking sector, she has supported the achievement of the Bank's strategy successfully through the deployment of the best Human Capital Management Policies & Practices in line with the Bank's strategic Objectives. Responsible for developing and executing Human Resource Strategy in support of the overall business plans, specifically in the areas of talent acquisition, talent Management, succession planning, change management, Organizational & Performance Management, capability development and total rewards. Ms. Mahira holds a Bachelor's Degree and Diploma in Human Resources Management & Development from the University of Leicester-UK. She also holds a Post Graduate Diploma in Management from the Institute of Leadership & Management and Leading Strategy Execution Certificate in Financial Services from Harvard Business.

Ms. Mahira Al Raisi is the Deputy Chairman of Human Resources Committee of Oman Banker's Association. She is also a member of College Advisory Committee in College of Banking and Financial Studies in Oman.

Mr. Hamood Al Sawai

Chief Operations Officer

Mr. Hamood Al Sawai joined Sohar International in December 2021 as Chief Operations Officer. With over 22 years of experience, Mr. Hamood is an experienced banker with vast knowledge and expertise in the field of Operations. Prior to Joining Sohar International, Mr. Hamood was the Deputy General Manager at one of the prominent local banks and has made notable contributions in conceptualizing and implementing robust strategies to enhance operational efficiencies. He is a knowledgeable leader with rich experience who combines the values of the business & technical expertise, with his personal integrity and commitment.

Mr. Hamood holds an MBA degree from Bedfordshire University and has completed his bachelor's in finance & Investment from Cairo University.

Mr. Elsamawal Abdulhadi Idris

Chief Legal & Governance Officer

Mr. Elsamawal joined Sohar International in July 2013 and holds the position of Chief Legal and Governance Officer in the bank. With over 18 years of experience in the legal profession, during which he helped organizations and clients doing business in a legal and compliant way and was able to prove himself consistently in major transactions and disputes. He is signaled out by legal directories as an individual with exceptional understanding of Oman's banking system and commended for his wide-reaching initiatives to improve efficiency and performance in his function. Mr. Elsamawal holds Master's degree 'LLM' and Bachelor's degree 'LLB' in the field of law from the University of Khartoum, Sudan.

4. MANAGEMENT TEAM (CONTINUED)

4.1 Profile Senior Management Team (as of December 31st, 2024) (continued)

Dr. Saud Al Shidhani

Chief Transformation Officer

Dr. Saud Al Shidhani joined Sohar International in August 2023 as Chief Transformation Officer. With a seasoned banking professional with over 25 years of experience in the industry, Dr. Saud Al Shidhani is an experienced banker with vast knowledge and expertise in various areas of banking including risk management, retail business, overseas operations, cost management, Business Excellence & Technology.

Prior to joining Sohar International, Dr. Saud Al Shidhani was the Chief Operating Officer at one of the prominent local banks and has made notable contributions in streamlining operational efficiency and driving digital transformation initiatives.

Dr. Saud Al Shidhani holds a PHD in Accounting and Finance from the University of Cambridge, an MBA degree from the College of Banking Oman and a Diploma in Banking and Finance from Binary University.

Mr. Mazin Mahmood Al Raisi

Chief Marketing Officer

Mr. Mazin assumed the role of Chief Marketing Officer at Sohar International in 2022. With over 22 years of experience, he was one of the key individuals who played a prominent role in establishing the Marketing Department at the bank when he joined in 2007. Having been instrumental in the launch of Bank Sohar, and Sohar Islamic, Mazin's passion, professionalism, and leadership stance saw him rise to the position of EVP & Head of Marketing before he took on his current role. He has been a critical part of the bank's rebranding project, playing a pivotal role in the transition of Bank Sohar to Sohar International, and Islamic, conceptualizing innovative ways to position them in diverse markets. Mazin also leads the corporate social responsibility initiatives of the Bank, driving meaningful partnerships that benefit the community.

Prior to joining Sohar International, he worked with a leading telecom operator as well as other local banks. Mazin has an MBA from the University of Strathclyde, UK, and a BSc from the University of Missouri in Marketing, St Louis, USA. He is also a certified brand manager and completed an executive marketing program at London business school.

Ms. Hanife Ymer

Head of Environment, Social and Governance

Hanife joined Sohar International in July 2022, as Head of Environment, Social and Governance (ESG) and is responsible for developing and executing the Bank's ESG Framework – embedding ESG throughout the Bank – be it through effective ESG risk management, or through supporting Sohar International's stakeholders through sustainable financing solutions. With over 25 years of experience managing across all ESG topics (e.g. climate change, diversity & inclusion, energy, water & waste management, social impact), Ms. Hanife draws on her experience from Southeast Asia, Europe, South America, North America, Australia and the MEA (Middle East and Africa) regions. Within MENA, Hanife has previously held similar leadership roles with Jones Lang LaSalle; Mubadala Investment Company and KPMG. Her experience includes advising leading banks globally and regionally. Hanife holds a Bachelor's Degree in Strategic Management and Marketing (Monash University - Australia), a Graduate Certificate in Sustainability (Swinburne University - Australia), as well as certificates in Sustainable Finance (Frankfurt School of Finance and Management), Climate Change and TCFD – Risks and Opportunities for the Banking Sector (UNEP FI), and Social Return on Investment Practitioner (Social Value International).

Mr. Ali Moosa Al Abri[4]

Chief Corporate Affairs Officer

Mr. Ali Moosa Al Abri joined Sohar International in August 2023 as Chief Corporate Affairs Officer. With over 25 years of experience, Mr. Ali Moosa is an experienced banker with vast knowledge and expertise in the field of Human Resources. Prior to Joining Sohar International, Mr. Al Abri was the Country Head - Human Resources at one of the prominent local banks and has made notable contributions in Developing and implementing HR strategies. He is a knowledgeable leader with rich experience who combines the values of the banking industry with his personal integrity and commitment. Mr. Al Abri holds a bachelor degree in International Commerce from Halwan University, Egypt.

4.2 Remuneration of senior managers for the year 2024:

The total remuneration paid/accrued to the top management executives of the Bank for the year 2024 was Rial Omani 3,709,273. This remuneration includes salary, allowances, gratuity, pensions and performance related incentives.

[4] Resigned on September 16th, 2024.

5. PROCEDURES FOR STANDING AS CANDIDATE FOR THE BOARD OF DIRECTORS:

The Board of Directors is elected by the shareholders of the Bank at the Annual General Meeting. The term of office of the Board of Directors is for a maximum period of three years, subject to re-election. The Board reports to the shareholders at the Annual General Meeting (AGM) or specially convened general meetings of the shareholders. The meetings of the shareholders are convened after giving adequate notice and with detailed agenda notes being sent to them. The Board comprises seven members, elected by the shareholders at the Bank's AGM on 31 March 2022 for a period of three years. The Board exercised its right to appoint alternate directors to fill vacant seats on the Board.

The election process is through a direct secret ballot by the shareholders of the bank, where each shareholder shall have a number of votes equal to the number of shares held by them. Every shareholder shall have the right to vote in entirety for one candidate or divide the shares between different nominees, subject to the stipulation that the total votes cast shall not exceed the number of shares owned by such shareholders.

The entire process of nomination and election of the Board of Directors, including the eligibility criteria, is governed by the Bank's Articles of Association, as well as in compliance with the relevant provisions of the Commercial Companies Law of the Sultanate of Oman, the Code of Corporate Governance for General Omani Joint Stock Companies (S.A.O.G.) issued by the Financial Services Authority and the relevant guidelines issued by the Central Bank of Oman.

6. DIVIDEND POLICY:

The Bank's dividends policy complies with the CBO and FSA guidelines. The Board of Directors follow a conservative dividend policy and makes recommendations on the distribution of the dividends to the shareholders after due consideration of the regulatory guidelines, the future growth expectations and other factors.

7. STATEMENT OF COMPLIANCE:

The Board of Directors of the Bank have been appointed in line with the guidelines of the Commercial Companies Law of Oman and in accordance with the regulations of the Central Bank of Oman. The Board of Directors has complied with all the guidelines for the appointment of Directors prescribed by the Commercial Companies Law of Oman and the Central Bank of Oman's regulations with reference to eligibility.

The Board of Directors of the Bank consists of seven directors from among shareholders and non-shareholders. The Directors of the Bank affirm that no member of the Board:

- Is an employee of the Bank or an employee of any other bank in the Sultanate of Oman.
- Is on the Board of any other Bank registered in the Sultanate of Oman.
- Sits on the Board of more than four joint stock companies registered in Oman.
- Is a chairman of more than two joint stock companies registered in Oman.

During the year under report, the Bank has complied with the directives of the FSA, Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading, the Guidelines of the Commercial Companies Law and the Code of Corporate Governance of the Financial Services Authority for listed companies, except for the following:

- The Chairman of the Board Audit Committee is also a member of the Board Risk Management Committee. This is due to the limited number of Board Members as compared to the number of board committees, required to be formed by the Board of Directors.

In the last three years, the Bank paid a total amount of OMR 112,500 in penalties to both the Central Bank of Oman "CBO" and the Financial Services Authority "FSA". The Bank has addressed the issues and is taking time-bound rectification measures.

8. CHANNELS OF CONTACT WITH SHAREHOLDERS AND INVESTORS:

Sohar International has endeavored to establish meaningful relations with its shareholders and investors. The Bank is committed to ensure timely disclosure and communication of all material to the shareholders and the market regulators. The Bank has provided investor-related information in the quarterly, half-yearly reports and the Annual Report as per the statutory guidelines and the terms of the Bank's listing agreement.

The Annual Report includes, *inter alia*, the report of the Board of Directors, Corporate Governance report, Management Discussion and Analysis report and the Audited Financial results. The management has taken responsibility for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report of the Bank. The summary of the Annual Report will be sent to all shareholders of the Bank in line with the rules for the same as stipulated by the Financial Services Authority. Additionally, the bank has posted the financial statements on its website www.soharinternational.com.

8. CHANNELS OF CONTACT WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

8.1 Sohar International Shares – Market Price

Monthly share prices of Sohar International's shares quoted at the Muscat Stock Exchange (MSX) and the banks for the banking sector stocks on the MSX. (This information is available from news agencies, and it is published information. This is given here as part of the requirements of the Code of Corporate Governance for MSX listed companies. This is not a solicitation in any manner to subscribe to the Bank's shares.) The following table represents monthly share prices of Sohar International SAOG as listed with MSX (Par value of share is 100 Baizas/ share):

Table:6 Sohar International Shares - Market Price

Month 2024	Sohar International Share price Rial Omani			MSX Banks & Investment Index closing OMR
	High	Low	Closing	
January	0.1130	0.1100	0.111	7,369.919
February	0.1090	0.1060	0.109	7,094.121
March	0.1110	0.1090	0.110	7,358.579
April	0.1350	0.1310	0.135	7,763.074
May	0.1420	0.1390	0.140	8,015.015
June	0.1350	0.1330	0.133	7,684.899
July	0.1360	0.1350	0.135	7,597.604
August	0.1440	0.1390	0.144	7,695.314
September	0.1390	0.1370	0.137	7,726.179
October	0.1410	0.1370	0.137	7,914.239
November	0.1370	0.1330	0.137	7,681.529
December	0.1380	0.1350	0.135	7,725.853

8.2 Distribution of share ownership:

The authorized share capital of the Bank is RO 1 billion (31 December 2023: RO 1 billion). The issued shares of the Bank are 6,617,246,270 shares (31 December 2023: 5,467,888,500 shares) The fully paid-up capital of the Bank is RO 702.508 million (31 December 2023: RO 561.572 million).

As of 31 December 2024, the following shareholders held 5% or more of the Bank's capital:

Name of Shareholder	Percentage of Shareholding (%)
Royal Affairs Court	19.406 %
Oman Investment and Finance SAOG	13.119 %
The Seventh Moon Investments LLC	6.388 %
Neptune National Investments LLC	5.526 %
Western Sea Investments LLC	5.378 %

9. STATUTORY ACCOUNTS:

The Bank has adopted the International Financial Report Standards ("IFRS") in the preparation of its accounts and financial statements.

10. AUDITOR'S PROFILE:

About KPMG

The shareholders of the Bank appointed KPMG LLC as its external auditors for 2024. KPMG has been operating in Oman since 1974 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are six partners and Seven directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and has 265,000 people working in member firms around the world. KPMG LLC and KPMG Lower Gulf Limited are member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

During the year 2024 an amount of RO 159,900 was charged by external auditors against the audit and tax related services rendered by them to the organization (RO 90,000 for audit of bank's conventional and Islamic banking operations, RO 21,000 for Sharia audit, RO 25,400 for Audit of KSA Branch, RO 15,000 for certifications and other agreed upon procedures, and RO 8,500 for Half yearly review of financial statements of the Bank.

11. RIGHTS OF SHAREHOLDERS:

All the Bank's shares shall carry equal rights which are inherent in the ownership thereof, namely the right to receive dividends declared and approved at the general meeting, the preferential right of subscription for new shares, the right to a share in the distribution of the Bank's assets upon liquidation, the right to transfer shares in accordance with the law, the right to inspect the Bank's statement of financial position, statement of comprehensive income and register of shareholders, the right to receive notice of and the right to participate and vote at general meetings in person or by proxy, the right to apply for annulment of any decision by the general meeting or the Board of Directors, which is contrary to the law or the Articles of the Bank or regulations, and the right to institute actions against the directors and auditors of the Bank on behalf of the shareholders or on behalf of the Bank pursuant to the provisions of the Commercial Companies Law and its amendments. Sohar International gives minority shareholders prime importance in terms of safeguarding their interests and ensuring that their views are reflected in shareholders' meetings. The "one share one vote" principle applies to all shareholders so that minority shareholders can nominate members of the Board and can act against the Board or the management if the actions of the Board or management are in any way prejudicial to their interests.

12. RELATED PARTY TRANSACTIONS, DEALINGS AND POLICY:

There is a comprehensive policy on related party dealings, and processes and procedures laid down which are followed in the matter of all loans and advances given to directors and their related parties and also any transactions with companies in which directors have a significant/ controlling interest. Details of loans and advances, if any, given to any Director or his related parties are furnished with full details in the notes to the financial statements given in the annual report as public disclosures. Any other transactions with Directors carried out in the normal course of business and without any preferential treatment are disclosed to the shareholders along with the agenda notes for the AGM.

13. CONCLUSION:

The Board of Directors acknowledge that the preparation of the Annual Report of the Bank together with the Management Discussion and Analysis Report, the Corporate Governance Report and the audited financial statements has been done with their full knowledge and in line with the standards for accounting and the statutory rules governing disclosure by the Financial Services Authority and the Central Bank of Oman.

The Board of Directors also acknowledge that there is no material information and material things that will in any way affect the continuation of the business of the Bank in the coming financial year.

MANAGEMENT

DRIVING

OUR JOURNEY

WITH EXPERTISE

AND STRATEGIC

LEADERSHIP

H.E. AHMED AL-MUSALMI
Governor of the Central Bank of Oman
Former Chief Executive Officer of Sohar International

MR. ABDULWAHID AL MURSHIDI
Chief Executive Officer
Former Chief Islamic Banking Officer

MR. KHALIL SALIM AL HEDAIFI
Chief Government & Private Banking Officer

MR. ABDUL QADIR AL SUMALI
Chief Retail & Premier Banking Officer

MR. SAJEEL BASHIRUDDIN
Chief Digital Officer

MS. MAHIRA SALEH AL RAISI
Chief Human Resources Officer

MR. CRAIG BARRINGTON BELL
Chief Financial Officer

MR. KHALID AL GUTHAMI
Country Chief Executive Officer of KSA branch

MR. AZIZ AL JAHDHAMI
Chief Priority Banking Officer

MR. HAMOOD AL SAWAI
Chief Operating Officer

DR. SAUD AL SHIDHANI
Chief Transformation Officer

MR. MAZIN MAHMOOD AL RAISI
Chief Marketing Officer

MR. MAJID NASSER AL BUSAIDI
Chief Risk Officer

MR. HAMOOD KHALFAN BADAR AL AISRI
Chief Internal Auditor

MR. ELSAMAWAL ABDULHADI MOHAMMED
Chief Legal & Governance Officer

MR. KHALID KHALFAN AL SUBHI
Chief Compliance Officer

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

The global economic outlook for 2024 suggests a measured recovery, with modest growth anticipated despite lingering challenges. According to the International Monetary Fund (IMF) in its October 2024 report, global GDP growth is projected to remain steady at 3.2% in 2024, continuing this trajectory into 2025. While these figures suggest stability, the global economic landscape remains vulnerable to potential headwinds, including inflationary pressures, geopolitical tensions, and policy uncertainties.

A silver lining in the global economic narrative is the easing of inflation, a dominant concern in recent years. The IMF estimates inflation will ease to 3.5% by 2025, offering relief to consumers and businesses after a period of aggressive monetary tightening. However, core inflation persists, fueled by factors like labour shortages, the global shift toward cleaner energy, and ongoing supply chain complexities. Advanced economies, with more robust fiscal and monetary systems, are better equipped to handle these pressures. In contrast, emerging markets face greater vulnerabilities due to tighter budgets and limited monetary tools to counter economic shocks.

Geopolitical tensions further exacerbate economic instability. Conflicts in regions such as the Middle East, Central Asia, and Ukraine are reshaping trade flows, destabilizing energy markets, and complicating policy decisions. These uncertainties are pushing both governments and corporations to rethink strategies, such as diversifying supply chains and refining risk management approaches, to mitigate potential disruptions.

For policymakers, navigating the delicate balance between controlling inflation and fostering growth has become increasingly complex. Although easing inflation may encourage some economies to reconsider monetary tightening, high interest rates persist as a hallmark of the financial landscape. The risk of cutting rates too soon poses a significant concern, potentially reigniting inflation just as global borrowing costs and debt burdens rise. Meanwhile, governments face mounting fiscal demands driven by social needs and geopolitical challenges, adding strain to already stretched budgets.

While easing inflation and steady growth provide hope, factors such as uneven sectoral recovery, the lasting impact of elevated interest rates, and the unpredictability of geopolitical flare-ups fuel ongoing debates among economists about the possibility of a recession. Sustained recovery depends on strategic policies, robust risk management, and enhanced international cooperation.

GCC ECONOMY

Despite global uncertainties, the GCC economy has maintained a positive outlook, with a projected GDP growth of 2.8% in 2024. While slightly below the global average of 3.2%, this performance significantly surpasses that of advanced economies, underpinned by strategic fiscal policies, steady recovery in oil production, and effective management of inflation and unemployment. This stability has created a foundation for sustained development, even amid complex global challenges.

Central to the GCC's strategy is its drive to diversify beyond hydrocarbons. Key sectors such as tourism, financial services, technology, and renewable energy have shown exceptional growth. These reforms have transformed non-oil industries into substantial contributors to GDP, reinforcing the region's adaptability and long-term economic viability.

Oil prices, however, remain a crucial factor in the GCC's fiscal health. Brent crude is projected to average $80 per barrel in 2024, with a slight dip to $73 in 2025, reflecting softer global demand and anticipated production increases from OPEC+ member countries. In response to these market dynamics, GCC nations are intensifying fiscal consolidation efforts to bolster financial reserves, ensure intergenerational wealth, and maintain economic resilience amidst fluctuating energy markets.

This balanced approach—leveraging hydrocarbons while advancing diversification—positions the GCC as a dynamic and forward-looking region, prepared to navigate evolving economic landscapes with strategic foresight.

OMAN ECONOMY

Oman has demonstrated steady economic growth, positioning itself as a competitive player within the GCC. Despite the dual pressures of global economic uncertainties and OPEC+-mandated oil production cuts, the Sultanate achieved a GDP growth rate of 1.2% in 2023, which further accelerated to 1.9% in the first half of 2024. This performance, while modest compared to hydrocarbon-reliant economies, underscores Oman's focused efforts on economic diversification, efficient resource management, and attracting foreign investment to drive sustainable economic progress.

Oman's economic strategy has prioritized the expansion of its non-hydrocarbon sectors, which recorded impressive growth of 3.8% in the first half of 2024, a notable increase from 1.8% in the previous year. Key contributors include tourism, manufacturing, logistics, agriculture, fisheries, and mining—each benefiting from targeted investments and structural reforms. This broad-based growth underscores the government's dedication to reshaping the economic landscape, creating a more resilient foundation.

Among Oman's flagship non-hydrocarbon initiatives, renewable energy stands out as a transformative force. The push to scale up green hydrogen production and integrate renewable solutions into electricity generation reflects the country's ambition to lead the regional green economy. These efforts align with global goals for decarbonization, positioning Oman as a forward-thinking innovator in energy sustainability and cost-efficiency.

Agriculture and fisheries, another key pillar of Oman's non-hydrocarbon economy, are also undergoing significant modernization while boosting their contribution to economic diversification. Near self-sufficiency in fisheries has been achieved, with exports reaching 226,000 tonnes in recent years. The agriculture, forestry, and fisheries sectors collectively generated RO 451.2 million in the first half of 2024, according to the National Centre for Statistics and Information. Leveraging advanced technologies like hydroponics, aeroponics, desalination, and AI-driven agriculture, Oman aims to increase local production by 30% to reduce import reliance and align with broader reforms to enhance food security and broaden export horizons.

To further advance its economic diversification, the Sultanate has prioritized tourism and infrastructure development, with substantial investments directed at enhancing the Meetings, Incentives, Conferences, and Exhibitions (MICE) segment and attracting international visitors. In parallel, Oman's non-oil sector growth is propelled by sustainable mineral development, its strategic location as a regional manufacturing and logistics hub, and strong support for SMEs.

This strategic shift towards diversification has played a crucial role in sustaining Oman's economic growth. Despite downward pressure on hydrocarbon revenues from OPEC+ production cuts, the government's proactive fiscal measures and targeted reforms have softened the impact. Inflation remained well-contained at 0.6% during the first three quarters of 2024, down from 0.9% in 2023, demonstrating the efficacy of government policies. Looking ahead, strategic initiatives such as digital transformation, financial market expansion, and green economy development are expected to drive non-hydrocarbon growth to 3.0% over the medium term.

Through its multi-pronged strategy under Oman Vision 2040, the Sultanate continues to demonstrate its commitment to minimizing oil dependency, addressing global challenges, and fostering a diversified economy rooted in innovation, sustainability, and inclusivity. This balanced growth model equips Oman to mitigate risks associated with oil price volatility, global economic slowdowns, and geopolitical tensions, ensuring long-term stability and prosperity.

OMAN BANKING SECTOR

The Omani banking sector has achieved an impressive 8.8% year-on-year increase in total earnings for Q3 2024, rising to $330.2 million from $303.5 million in the same quarter of the previous year. This earnings surge reflects a broader trend of enhanced profitability, with net profits climbing 16.8% during the first nine months of 2024, reaching $911.2 million, compared to $780.1 million in the corresponding period of 2023. These figures underscore the sector's resilience and its strategic capacity to navigate dynamic economic conditions effectively.

Local Islamic banks have also seen substantial growth, with deposits in Islamic banks rising by 17.6% by the end of August 2024, reaching OMR 6.4 billion. Despite its relatively modest share in the market, the sector has offered an alternate source of funding, contributing to 40% of new deposits up till Q3. This underscores the growing appeal of Sharia-compliant banking products, driven by increasing demand for ethical investment opportunities aligned with customer values. Expansions in digital platforms and innovative financial services are set to further accelerate this trend, supported by enhanced regulatory frameworks introduced by the Central Bank of Oman.

On the credit front, the Omani banking sector has shown solid expansion, with a 3.6% increase in lending in Q3 2024, reflecting the rising demand for financing across various sectors. This upward trend places Oman among the top performers in the GCC region, reinforcing the overall stability and strength of the local financial system. The sector's healthy loan-to-deposit ratio of 86.7% indicates a well-balanced approach to credit expansion and funding, ensuring that banks maintain strong liquidity and follow prudent risk management practices. This approach not only supports continued economic growth but also safeguards against external market shocks.

Oman's credit rating was upgraded to BBB- with a stable outlook by Standard & Poor's on September 27, 2024, reflecting improved financial performance and economic reforms. This upgrade is closely linked to the banking sector, where reforms have positively impacted asset quality. Omani banks have seen stabilization in non-performing loan (NPL) ratios, with expectations for credit losses to stabilize around 55-65 basis points in the coming years. Additionally, the sector's robust asset quality is supported by effective NPL management, a cautious approach to asset-liability management, and healthy capital reserves, positioning banks to navigate economic uncertainties with confidence.

These combined factors—the robust growth in profitability, the expansion of Islamic banking, the balanced lending strategies, and the strong capital and liquidity buffers—collectively contribute to the ongoing stability of Oman's banking sector. With a foundation built on solid financial metrics, the sector is well-positioned to play a central role in supporting the country's long-term economic objectives, particularly in the areas of financial inclusion, diversification, and the broader development of the non-oil economy. As the sector evolves, its ability to adapt to changing market conditions and meet the demands of an increasingly diversified economy will be crucial in ensuring continued success and stability in the years ahead.

FINANCIAL PERFORMANCE

Profit for the year increased by 42% to a record RO 100.2 million.

Total operating income increased by 50% to RO 244.9 million driven by increases in net interest income, other operating income and reflecting the full year impact of the merger with HSBC Bank Oman. Total operating expenses increased at a lower rate of 28% to RO 98.4 million reflecting the positive synergies of the merger with the expenses/income ratio improving to 40.2% from 47.1% last year.

Net operating income before impairment provisions and before gain on bargain purchase increased 69% to RO 146.5 million.

Loan impairment charges and other credit risk provisions for the year of RO 37.9 million supported an increase in the Bank's coverage ratio to 158% compared to 143% last year reflecting the Bank's prudent and proactive approach to credit risk management.

Total assets increased by 10% to RO 7,361 million mainly driven by a 9% increase in loans and Islamic financings and a 24% increase in investment securities.

Customer deposits increased by 13% to RO 5,777 million with the improved net loans/customer deposit ratio of 74% compared to 77% last year. The Bank's strong funding and liquidity position will support the Bank's growth initiatives in Oman as well as the branch operation in the Kingdom of Saudi Arabia.

The increase in shareholder's equity of 28% was supported by a RO 130 million rights issue demonstrating the continued support of the Bank's shareholders.

SUSTAINABLE GROWTH & STRATEGY

Sohar International's journey continues to be marked by strategic growth, digital innovation, and the pursuit of excellence. As a leading player in Oman's banking sector, the bank remains firmly committed to delivering exceptional value to its stakeholders through a robust blend of operational excellence, strong corporate governance, and a forward-thinking digital strategy. The bank's mission is rooted in fostering sustainable growth, both within Oman and internationally, while actively contributing to the nation's economic progress.

In 2024, Sohar International achieved a milestone profit exceeding OMR 100 million, a testament to its successful strategic execution. With a market capitalization of ~USD 2.4 billion, the bank ranks as the third-largest listed entity on the Muscat Stock Exchange (MSX), reinforcing its stature as a financial powerhouse in the region.

Growth and Expansion

Sohar International's strategy has been defined by thoughtful and transformative expansion. The merger of HSBC Bank Oman into Sohar International, followed by the seamless integration of operations, marked a significant milestone in the bank's journey.

Building on this momentum, Sohar International expanded its presence beyond borders, entering the Kingdom of Saudi Arabia. This strategic move aligns with the bank's goal of tapping into one of the GCC's largest and most dynamic economies. By offering premium financial solutions, including working capital, trade finance, and risk management services, Sohar International has established itself in Saudi Arabia's evolving financial landscape.

The bank's expansion strategy also includes applying to regulators in Oman and the United Kingdom to seek a license to open a branch in London, further solidifying Sohar International's position as a global financial institution and a key enabler of economic progress.

PIONEERING OMAN'S DIGITAL TRANSFORMATION

Sohar International continues to redefine the banking landscape with its forward-thinking 'Digital First' strategy, positioning itself as a market leader in both conventional and Islamic banking across Oman and the GCC. With over 30 groundbreaking digital solutions introduced in 2024, the bank has reinforced its role as a catalyst for financial innovation, driving accessibility, efficiency, and national economic progress. Rooted in the ambitions of Oman Vision 2040, Sohar International remains committed to fostering a technologically advanced and digitally inclusive economy.

As a key milestone in its digital evolution, the bank has enhanced the 'My Life | My Goals' platform—an industry-first ecosystem that seamlessly integrates financial and lifestyle solutions—by introducing new features and developments, further elevating the user experience. Embedded within the mobile banking app, this transformative offering empowers customers to manage a broad spectrum of activities, from travel bookings and hotel reservations to household purchases and insurance. By blending financial services with daily lifestyle needs, the platform elevates customer engagement and enhances long-term value creation, reinforcing Sohar International's leadership in beyond-banking experiences.

Revolutionizing Wholesale Banking

In line with evolving market needs, Sohar International has redefined wholesale banking through an advanced suite of digital solutions. The Unified Transaction Banking Platform integrates critical functionalities—including auto-reconciliation, supply chain finance, digital trade finance, and liquidity management—offering businesses enhanced transparency, flexibility, and control over their financial operations. Further strengthening its wholesale banking value proposition, the bank launched Oman's first dedicated corporate mobile banking app, enabling business leaders to securely authorize transactions anytime, anywhere.

Driving greater operational efficiency for businesses and individuals, Sohar International introduced the fully digital E-Mandate – Direct Debit solution, streamlining recurring payments through an automated and highly secure framework. Additionally, the bank pioneered Oman's first API Banking Portal, providing seamless integration for government entities, corporations, and FinTechs, unlocking new opportunities in open banking. The launch of a fully digital IPO subscription with a 1:1 loan availing journey further underscores the bank's commitment to delivering cutting-edge, investor-centric solutions.

Enhancing Payment Ecosystems and Cross-Border Capabilities

Expanding its global reach, Sohar International has significantly advanced its cross-border payment infrastructure. The bank's enhanced remittance services facilitate instant money transfers to over 35 countries, leveraging a next-generation instant payment network that ensures seamless, real-time international transactions.

Domestically, Sohar International has modernized its payment ecosystem by integrating Apple Pay, Samsung Wallet, and tap-and-go functionality across all ATMs and CDMs, ensuring secure, frictionless transactions that align with global payment trends. As part of this modernization, Sohar International has introduced Soft POS Solutions, transforming smartphones into payment terminals, enabling a more flexible and secure transaction experience. Additionally, the bank has adopted the latest POS & Payment Gateway Technologies, enhancing point-of-sale and digital payment solutions to meet the evolving demands of both consumers and businesses. These advancements reflect the bank's commitment to enhancing customer convenience while reinforcing its leadership in the evolving digital payment space.

Strengthening Operational Agility Through Advanced Technology

A key enabler of Sohar International's digital transformation is its strategic investment in next-generation technologies. The introduction of a Digital Contact Centre, an advanced intranet portal, and AI-driven facial recognition for employees is streamlining operations, optimizing customer engagement, and enhancing service delivery. The integration of AI and data analytics further empowers strategic decision-making, reinforcing the bank's commitment to data-driven banking excellence.

Security remains paramount in Sohar International's digital agenda. By pioneering SD-WAN technology, the bank has significantly strengthened network connectivity, operational efficiency, and data encryption. The adoption of a hybrid cloud infrastructure ensures enhanced security, scalability, and seamless collaboration, while the bank's compliance with ISO 27001:2022 and PCI DSS 4.0 standards underscores its commitment to safeguarding customer data and mitigating payment-related risks. These advanced technologies ensure the integrity and confidentiality of all customer and business data across the bank's platforms, positioning Sohar International as a leader in secure and efficient digital banking.

Sustainability and Long-Term Value Creation

As part of its forward-looking vision, Sohar International continues to invest in scalable, cloud-native infrastructure, reinforcing its capabilities in cross-border banking, digital finance, and AI-driven analytics. These advancements will further accelerate innovation, enhance market connectivity, and solidify the bank's leadership in the region's evolving financial ecosystem.

In alignment with its ESG commitments, Sohar International has embedded sustainability into its digital strategy. By digitizing processes and reducing paper usage, the bank has made significant strides towards a paperless future, minimizing its environmental footprint while enhancing operational efficiency. Additionally, the bank is pioneering efforts to integrate sustainability and ESG principles into its operations, ensuring its future initiatives support both environmental and social governance objectives. These efforts contribute to the bank's overarching vision of sustainable, long-term value creation for its customers, employees, and shareholders.

CUSTOMER CENTRICITY

Sohar International remains steadfast in its customer-centric approach, embedding customer needs into every aspect of its operations. By leveraging advanced technologies and embracing hyper-personalization, the bank delivers tailored financial solutions at key life milestones. Its seamless blend of digital innovation and strategic partnerships enhances accessibility, while its expanding branch network ensures personalized, in-person service. Through transparent communication and a commitment to financial literacy, Sohar International fosters trust and long-term relationships. This holistic approach reinforces its market leadership, continuously refining offerings to meet evolving customer expectations.

Wholesale Banking Group

Sohar International continues to play a pivotal role in driving the bank's growth, contributing significantly to both financial and strategic outcomes. Aligned with the bank's overarching objectives, Sohar International focused on driving asset growth, generating fee income, and expanding its deposit base. The merger of HSBC Bank Oman into Sohar International enabled the bank to leverage synergies, strengthen relationships with local family businesses, government entities, and key players across vital sectors, and solidify its position as the preferred banking partner for multinational corporations (MNCs). Throughout the year, Sohar International facilitated financing for major projects, directly contributing to Oman's national economic agenda while advancing the country's sustainability goals. This commitment reinforced the bank's dedication to environmental, social, and governance (ESG) principles.

Sohar International's client base saw significant growth in 2024, onboarding hundreds new clients, reflecting the bank's ability to serve a diverse range of industries. This growth is evident in key financial metrics, with loans and advances increasing from RO 2.2 billion in December 2023 to RO 2.5 billion in November 2024. Investments grew from RO 1.6 billion to RO 2.2 billion, while deposits from new clients exceeded RO 40 million. Contributions from existing clients rose from RO 1.4 billion to RO 1.6 billion, further demonstrating the success of Sohar International in deepening client relationships and expanding its deposit base. The bank also saw a significant increase in Current and Savings Accounts (CASA), from RO 980 million in December 2023 to RO 1.5 billion in November 2024, underscoring greater customer trust and activity across transactional and savings products. This surge in CASA deposits highlights Sohar International's ability to attract and retain funds from institutional clients, driving stable and cost-effective funding for its operations.

The bank continues to expand its product suite with the introduction of several innovative solutions. The launch of a flagship Money Market Fund and the introduction of custody services for fund management have added significant value to its offerings, further enhancing client trust and operational efficiency. The bank also supported key insurance sector clients by providing digital banking services for regulatory integration. Its expertise in streamlining processes ensures efficient and secure transactions, reflecting a commitment to long-term partnerships and tailored financial solutions.

Central to its strategy is a customer-centric approach that integrates innovative digital solutions with personalized services. The bank has streamlined onboarding processes through enhanced workflows and enriched client support with dedicated digital teams. Accessible resources, such as FAQs, user guides, and interactive product walkthroughs, have driven greater digital adoption, ensuring clients benefit from technology-driven solutions. Key initiatives, such as bulk payment approvals, Single Sign-On integration, and the establishment of a new trading desk, have further increased cross-border trading flexibility and reinforced its leadership in digital transformation.

A notable achievement in 2024 was its integral role in financing low-carbon initiatives and strengthening its position within Oman's capital markets. The bank led the country's largest-ever IPO as the Issue Manager, Joint Global Coordinator, and Collection Agent, while also serving as the exclusive Co-Lead for another major regional IPO. These milestones reflect its growing expertise in capital markets and alignment with Oman Vision 2040. Additionally, the bank has deepened its relationships in the oil and gas sector, building partnerships with key industry players and expanding collaborations with multinational corporations and local family groups.

Further supporting Oman's Vision 2040, the bank has made significant contributions to key sustainability initiatives, including a major green steel project aimed at producing 5 million tons of decarbonized steel annually using renewable energy and green hydrogen. It has also supported critical sectors such as green energy, infrastructure, and manufacturing, reinforcing its commitment to Oman's economic diversification and sustainability goals.

Digital transformation remains at the forefront of Sohar International's strategy, delivering tangible benefits for both operational efficiency and client experience. Key initiatives, including enhanced treasury management platforms, advancements in trade finance, and the introduction of the e-mandate for direct debits, have provided corporate clients with greater flexibility and convenience. These innovations have driven significant digital adoption, with hundreds clients onboarded to the platform, achieving a 78.9% adoption rate. Additionally, subscriptions to the Corporate Mobile App increased by 60% compared to the year 2023, highlighting the positive impact of digital solutions on client engagement and transaction volume.

Looking ahead, Sohar International will continue its customer-centric approach, empowering teams to deliver personalized, digital-first solutions while transitioning manual processes to digital formats. Efforts will focus on streamlining documentation, improving turnaround times, and enhancing client convenience. The bank will also strengthen risk management, expand trade finance for multinational clients, and deepen its transaction banking offerings, including broader Point of Sale (POS) support. Sohar International aims to further accelerate digital adoption, optimize customer experiences, and leverage its digital infrastructure to meet the evolving needs of its clientele.

Islamic Banking

In 2024, Sohar Islamic continued to strengthen its position as a leading Islamic banking institution in Oman, delivering innovative Shariah-compliant financial solutions while expanding its market presence. Through a strategic focus on digital transformation, customer-centric offerings, and operational excellence, Sohar Islamic achieved significant growth, reinforcing its commitment to serving diverse customer needs with integrity and innovation.

A key highlight of the year was the introduction of an enhanced digital ecosystem that redefined the Islamic banking experience, offering customers services beyond banking, such as booking vacations, hotels, and more—fulfilling its vision of becoming a world-leading service company.

The launch of new features within the Sohar Islamic mobile banking app empowered customers with seamless digital account opening, instant local and international fund transfers, and comprehensive card management services. Additionally, the integration of Apple Pay and Samsung Pay further reinforced the bank's leadership in digital payments, providing customers with secure and convenient transaction solutions.

The expansion of Sohar Islamic's product portfolio played a pivotal role in enhancing customer value. The introduction of a Shariah-compliant savings plan with flexible tenures and competitive profit rates provided customers with tailored wealth management options.

Sohar Islamic also focused on strengthening its physical presence, expanding its branch network across key regions to better serve customers. The opening of new branches in Al Buraimi, Al Jabal Al Akhdar, Sinaw, Al Mazyouna, Saham, Suwaiq, Quriyat, Al Amerat, Al Seeb, Khazain (Barka), and Al Haffa (Salalah) reflected the bank's dedication to accessibility and financial inclusion, ensuring that high-quality Shariah-compliant banking services are available to a broader customer base.

In the financing segment, Sohar Islamic maintained its leadership in home and auto finance, offering competitive rates and streamlined processes for customers seeking Shariah-compliant financing solutions. Strategic partnerships with leading real estate developers facilitated access to government-led housing projects such as Sultan Haitham City, reinforcing the bank's role in enabling homeownership for Omani families.

As part of its ongoing commitment to financial literacy and responsible banking, Sohar Islamic conducted extensive financial wellness sessions in collaboration with key employers. These initiatives aimed to educate individuals on prudent financial management, fostering a culture of informed decision-making and long-term wealth accumulation.

Sohar Islamic remains committed to driving innovation, expanding its digital capabilities, and enhancing customer-centric solutions. The bank's strategic roadmap includes the introduction of new credit card offerings, an upgraded relationship management model, and further investments in digital banking infrastructure. Through these initiatives, Sohar Islamic continues to strengthen its position as a trusted Islamic banking partner, aligned with its vision of delivering ethical, Shariah-compliant financial solutions that drive sustainable growth and prosperity for its customers and the broader economy.

Government and Private Banking

Sohar International continues to reinforce its position as a trusted financial partner for government entities, non-governmental organizations (NGOs), high-net-worth individuals (HNWIs), and institutions. By offering specialized financial solutions that drive wealth creation, investment growth, and sustainable financial management, the bank leverages deep market insights, bespoke advisory expertise, and advanced digital capabilities to deliver long-term value.

In 2024, the bank achieved exceptional performance, marked by strategic portfolio expansion, revenue diversification, and enhanced profitability. Government banking deposits surged by 46% year-on-year, while total investment assets under management (AUM) recorded a significant 71% growth. The segment's total deposits averaged OMR 1.05 billion, reflecting a 10% increase compared to December 2023.

Aligned with Sohar International's commitment toward achieving sustainable economic growth, the bank played a critical role in advancing financial resilience and fostering national development. The bank continues to provide expert advisory services to government entities, supporting forward-looking business models that align with Oman Vision 2040.

Further reinforcing its contribution to national progress, Sohar International partnered with the Ministry of Trade to develop a dedicated center facilitating government-to-government (G2G) free trade agreements, positioning Oman as a global trade hub. In the digital banking space, the Ministry of Higher Education became the first government entity to integrate with the bank's API platform—marking a significant milestone in digital transformation. Concurrently, the Ministry of Housing's Aqari platform is in its final testing phase, further demonstrating Sohar International's leadership in providing cutting-edge banking solutions. Additionally, the ongoing implementation of the Treasury Single Account solution for the Ministry of Finance exemplifies the bank's commitment to financial efficiency and institutional modernization.

The segment's strategic focus on relationship management has been instrumental in strengthening institutional trust and client engagement. A 27% increase in government accounts reflects the success of this approach, laying the foundation for deeper collaborations with family offices both locally and regionally.

Operational efficiency has also been a key priority, with the centralization of government request processing and account opening significantly reducing turnaround times. The compliance framework has been further strengthened through the establishment of a dedicated BORM team, ensuring rigorous monitoring and enhanced financial reporting. At the same time, the bank's strategic pivot towards fee-based income has mitigated exposure to market volatility, creating a more resilient and scalable revenue model that positions it for sustainable performance amid evolving economic conditions.

As a key enabler of national development, Sohar International continues to play a pivotal role in financing and advising on high-impact projects. In 2024, the bank entered into a strategic collaboration to establish a sustainable and innovative agrifood chain, reinforcing its commitment to ESG-driven initiatives. Furthermore, a landmark partnership with one of the largest universities in Oman resulted in Sohar International being appointed as an investment advisor, guiding the institution in optimizing asset management and financial strategies. Expanding its regional footprint, the bank has cultivated relationships with 18 prominent family offices across Bahrain, Qatar, Egypt, Tunisia, and the UAE, unlocking new avenues for high-value partnerships.

As part of its digital transformation agenda, Sohar International has significantly enhanced its banking infrastructure to cater to the evolving needs of government and private banking clients. The bank's transaction banking platform now offers seamless cash management, trade financing, and liquidity optimization, with over 10 key service enhancements introduced in 2024.

Looking ahead, Sohar International remains committed to innovation, market leadership, and sustainable growth. A new digital wealth management platform, initiated in 2024, is set for launch—aiming to redefine investment management through intuitive digital interfaces. The establishment of Sohar Wealth Centers will further enhance accessibility to bespoke wealth management services, while the introduction of specialized products and services will expand the bank's service portfolio.

Amid global economic shifts and evolving regulatory landscapes, Sohar International is proactively navigating these challenges through strategic risk management, revenue diversification, and continued investment in digital transformation. By leveraging its expertise, strengthening institutional partnerships, and driving innovation, the bank remains well-positioned to sustain its trajectory of excellence, contributing meaningfully to Oman's economic and financial ecosystem.

Retail and Premier Banking

In 2024, Sohar International achieved significant progress, marked by a strategic focus on revenue growth, digital transformation, and expanding leadership across key sectors. The bank's performance is reflected in its diverse portfolio, with retail banking contributing 20% of operating income, 24% of loans and advances, and 11% of total deposits. This growth underscores the effectiveness of the bank's strategy, which emphasizes innovation, customer-centric solutions, and operational excellence.

A key highlight of 2024 was Sohar International's commitment to redefining the banking experience through the introduction of transformative products and services. The launch of the 'Because You Deserve More' campaign, featuring cashback benefits for salary transfers, lifetime fee waivers on new credit cards, and competitive rates on personal and housing loans, reinforced the bank's focus on delivering value-driven propositions. The Summer Credit Card Offer, incentivizing Visa usage with cash prizes, further exemplified the bank's ability to tailor offerings to meet diverse customer needs and enhance overall satisfaction.

Sohar International's digital transformation played a pivotal role in enriching customer offerings and advancing its leadership in the digital banking space. The bank introduced a digital-only recurring savings account, enabling customers to streamline their savings and drive investment growth. Additionally, the partnership with 'MasterCard Send' empowered customers with instant international fund transfers to over 35 countries. The introduction of mobile payment solutions, including Samsung Wallet and Apple Pay, further enhanced the convenience of secure, contactless transactions, solidifying the bank's position as a leader in digital innovation in Oman.

In parallel, the bank made significant investments in operational excellence, optimizing customer experience across all touchpoints. By enhancing branches, ATMs, contact centers, and digital channels, Sohar International improved service delivery, reduced processing times, and expedited complaint resolution. These efforts were complemented by strategic initiatives that encouraged a shift from traditional branch transactions to more efficient online interactions, resulting in a 57% reduction in teller transactions at branches, a 27% increase in mobile banking activation, and more than 44% increase in overall mobile banking transactions compared to 2023.

Sohar International also solidified its leadership in the insurance sector through the launch of a unified, CMA-compliant insurance policy, alongside a range of premium protection and savings products designed to meet the diverse needs of its customers. Additionally, the bank expanded its presence in the real estate sector by collaborating with developers to offer mortgages for prestigious government-led housing projects, such as Sultan Haitham City, providing customers with enhanced access to homeownership opportunities.

The bank's commitment to financial inclusion remained a core element of its strategy, with a focus on empowering youth, women, and low-income groups. Sohar International conducted over 35 financial wellness sessions with key employers, educating attendees on responsible borrowing and long-term savings for important life goals, such as education and retirement. These initiatives underscore Sohar International's dedication to fostering equitable financial opportunities and driving broader socio-economic participation, aligning with its long-term commitment to sustainable growth and societal impact.

Looking forward, Sohar International will continue to prioritize innovation, digital transformation, and customer-centricity. The bank plans to introduce a new relationship management model, expand its offerings in credit cards, insurance, and savings, and enhance systems to improve asset quality and sales productivity. Through these initiatives, Sohar International is well-positioned to strengthen customer relationships, fuel growth, and support its long-term strategic vision for continued success.

Enhancing Accessibility and Inclusion

As part of its commitment to financial inclusion and customer-centric banking, Sohar International has taken significant steps to ensure that its products and services are accessible to all segments of society, including people with disabilities. The bank continues to align its efforts with the Financial Consumer Protection Regulatory Framework (FCPRF) and other relevant regulations to create an inclusive banking environment that caters to the diverse needs of its customers.

In 2024, Sohar International and Sohar Islamic introduced multiple enhancements to improve accessibility across their banking network. Recognizing the importance of physical accessibility, the bank upgraded 11 ATMs with Near Field Communication (NFC) and audio features, ensuring that visually impaired customers can conduct transactions with ease. An additional seven ATMs are scheduled for upgrades in 2025. In line with this commitment, three ATMs at key locations have been designed to comply with accessibility requirements, featuring ramp access, sliding doors, and user-friendly interfaces.

Further strengthening its physical presence, the bank has equipped various branches in various governorates with comprehensive facilities for people with disabilities. These branches offer designated parking spaces for people of determination, automatic sliding entrance doors, dedicated seating in banking halls, elevator access, and tactile floor indicators for visually impaired customers. These enhancements ensure that customers of all abilities can access banking services in a convenient and dignified manner.

Sohar International also recognizes the importance of inclusive communication. To enhance service delivery for customers with hearing impairments, branch staff across multiple locations have undergone specialized sign language training. This initiative empowers front-line teams to provide seamless support, fostering a banking environment that is welcoming and accessible to all.

Beyond infrastructure, Sohar International remains committed to digital innovation as a driver of inclusivity. The introduction new mobile app features, including enhanced accessibility functions, ensures that customers with disabilities can navigate banking services with greater ease.

EMPHASISING A PEOPLE-FIRST PHILOSOPHY

Sohar International's People First philosophy underscores the belief that excellence transcends financial performance, rooted in the continuous development and empowerment of its people. The bank remains unwavering in its commitment to fostering a high-performance culture that empowers individuals while creating value for the broader community. Through ongoing recognition and reward initiatives, Sohar International cultivates an environment that motivates employees to innovate, challenge the status quo, and drive transformative change.

The bank places a strong focus on skill development, offering tailored eLearning courses and a diverse range of programs designed to equip employees with the knowledge and capabilities needed to thrive in a dynamic and evolving financial landscape. By combining both in-person and virtual learning formats, Sohar International ensures that its workforce remains agile, adaptive, and fully prepared to meet emerging challenges.

This strategic approach not only enhances employee engagement and satisfaction but also nurtures a culture of collaboration and inclusivity. By empowering its people to excel in their roles, Sohar International fosters meaningful innovation, strengthens customer relationships, and drives sustainable growth. Through these efforts, the bank continues to align its people-centered philosophy with its broader vision of long-term success.

Continuous Learning and Development Initiatives

Sohar International made significant strides in advancing employee development with the introduction of the Sohar | Leadership Program and Sohar| Digital Academy. These initiatives reflect the bank's dual focus on cultivating leadership excellence and enhancing technical proficiency, ensuring that employees are equipped to navigate the complexities of a rapidly evolving financial landscape. The Academy also introduced the 'Maarifa' Program - a tailored learning initiative designed for retail branch employees, underscoring the bank's commitment to providing role-specific development opportunities that enhance expertise and performance.

Sohar International's investment in employee training has been highly impactful, with over 110 unique programs delivered through the Sohar | Digital Academy. Notably, 29% of employees pursued academic qualifications, while 24.5% focused on refining role-specific competencies. These achievements demonstrate the bank's steadfast commitment to fostering a culture of growth, where individual development aligns with organizational success, further solidifying its position as an industry leader.

The Sohar | Leadership Program, designed to empower senior leaders, focuses on enhancing strategic thinking, decision-making, emotional intelligence, and innovative leadership. It serves as a foundation for driving transformational change by fostering a customer-centric approach, cultivating high-performing teams, and strengthening stakeholder engagement. This program has engaged over 60 senior leaders across multiple cohorts, combining experiential learning with strategic insights, enabling leaders to steer the bank's growth and shape its future with purpose.

In parallel, Sohar International has made substantial progress in e-Learning, developing tailored digital solutions that align with organizational needs. These initiatives optimize resources and deliver critical training in key areas such as risk management, compliance, HSE, and ESG. By leveraging internal expertise, the bank ensures a workforce that is agile, skilled, and prepared to adapt to the evolving demands of the financial sector.

The launch of Sohar | Digital Academy represents a pivotal milestone in the bank's transformation toward becoming a future-ready institution. This innovative platform offers employees access to over 11,000 learning materials, empowering them to develop skills and achieve their professional goals. With advanced features such as AI-powered learning, diverse learning modalities, and skill benchmarking, the Digital Academy is designed to drive organizational excellence while enabling employees to learn at their own pace. Data-driven insights allow management to identify skill gaps, measure learning outcomes, and align workforce capabilities with strategic goals, further enhancing productivity and positioning Sohar International as a leader in workforce development. In the year 2024, over 1,520 learning journeys have been completed, showcasing the bank's commitment to continuous professional growth—a core value embedded in its organizational culture.

Through these initiatives, Sohar International is not only equipping its teams with industry-relevant skills but also contributing to the nation's ambition of establishing itself as a hub for knowledge and innovation.

COMMITMENT TO UPHOLDING OUR VALUES

Promoting Oman and Nurturing Omani Talent

Sohar International's commitment to sustainable growth extends beyond financial performance, focusing on the enrichment and empowerment of individuals and communities. The bank believes that lasting societal impact is achieved through a comprehensive approach that integrates human development, social responsibility, and support for youth and sports. Through strategic initiatives and targeted programs, Sohar International fosters inclusive growth, promotes skill development, and empowers individuals to contribute to Oman's economic and social progress. By leveraging impactful partnerships and collaborations, the bank continues to build a foundation for a future-ready workforce, while enhancing the well-being of the communities it serves.

Human Development & Women Empowerment

Sohar International is deeply committed to fostering human development, with a focus on empowering individuals and creating inclusive opportunities. Our partnership with Sharakah has been instrumental in empowering Omani female entrepreneurs by providing them with targeted training and support. Through this collaboration, we aim to cultivate innovation within the SME sector, helping women to overcome barriers and thrive in business.

Furthermore, the bank's initiative with the Al Noor Association for the Blind is another testament to our commitment to inclusion. By providing training to visually impaired Omanis, Sohar International is enhancing their employability and promoting social integration. This initiative reinforces our belief in equal opportunities for all, regardless of ability.

In line with our commitment to advancing knowledge and empowering youth, we also launched Oman's first Applied Behaviour Analyst Technician (ABAT) training program in collaboration with the Association of Early Intervention. This program equips professionals with the essential skills to support children with developmental challenges, ensuring that future generations are equipped to tackle social and developmental needs.

Sohar International continues to play a pivotal role in driving Oman's social development through impactful initiatives and partnerships. The signing of multiple Memorandums of Understanding (MoUs) further solidifies the bank's commitment to social responsibility and sustainable growth.

Our partnership with the Down Syndrome Association is a prime example, where we supported key initiatives including the development of a comprehensive database, water therapy programs, and the provision of assistive technology for children with special needs. These efforts underscore our dedication to improving the lives of vulnerable members of society and fostering an inclusive environment.

In addition, our collaboration with Takaful Sohar enabled the bank to provide essential household items to low-income families, alleviating financial burdens and improving living conditions. These initiatives contribute to the broader goal of social equity and support for underserved communities, reinforcing the bank's role as a responsible corporate citizen.

Sohar International is also dedicated to empowering youth through sports and active engagement in community development. Our role as the Official Bank Sponsor for IRONMAN 70.3 Muscat 2025, along with our partnership as the exclusive banking sponsor for the Socca World Cup 2024, highlights our ongoing investment in promoting physical activity and sportsmanship. These partnerships not only encourage healthy living but also inspire future leaders to pursue excellence and resilience.

Additionally, the bank continues to support youth education and employability. Through initiatives like the Financial Explorer Workshop, we introduce young minds to the essentials of financial literacy, combining theoretical learning with practical skills. Our collaboration with the College of Banking and Financial Studies further strengthens the youth's career readiness, preparing them to navigate the competitive job market with confidence.

The Tomohi Internship Program remains a cornerstone of our youth empowerment efforts, providing fresh graduates with hands-on experience in banking operations. By developing practical skills, fostering resilience, and enhancing employability, the program aligns with our commitment to shaping a skilled, adaptable workforce capable of driving Oman's future growth.

Through these multifaceted efforts, Sohar International continues to demonstrate its unwavering commitment to human development, social empowerment, and the advancement of youth, all while contributing to Oman's socioeconomic progress and sustainability goals.

ESG: TODAY'S COMMITMENT FOR A SUSTAINABLE FUTURE

Sohar International remains steadfast in its commitment to Environmental, Social, and Governance (ESG) principles, recognizing their crucial role in shaping sustainable and responsible business practices. In 2023, the Bank proactively responded to the Muscat Stock Exchange's ESG Disclosure Guideline by developing a comprehensive ESG Framework, which was subsequently approved by the Board. This framework identifies key material issues, drawing insights from both internal and external sources, and aligns ESG efforts with the bank's strategic priorities.

Since its inception, the ESG Framework has been a cornerstone of Sohar International's efforts, with 2024 witnessing consistent implementation and ongoing refinement to address evolving stakeholder priorities and market dynamics. This year also marked a significant milestone as the Bank released its inaugural ESG Report 2024, reflecting its commitment to transparency and to fostering positive change.

This proactive approach ensures that the Bank stays agile and well-positioned to support Oman Vision 2040, while also aligning with the Sustainable Development Goals 2030 agenda and contributing to the nation's Net Zero commitment by 2050. The Central Bank of Oman's recent circular on Promoting Sustainable and Green Financial Practices, with its focus on climate risk management and disclosures, underscores the significance of Sohar International's early adoption and ongoing enhancement of ESG practices.

Sohar International's Environmental, Social, and Governance (ESG) strategy for 2024 reflects a dynamic and integrated approach, centered on embedding responsible business operations, enabling the transition to a sustainable future, and empowering and developing people. This comprehensive framework operates in a continuous cycle of planning, monitoring, and reporting ensuring that ESG priorities remain interwoven with the bank's strategic objectives.

In 2024, Sohar International achieved significant milestones in embedding ESG principles into its operations. A dedicated ESG policy, aligned with the Bank's foundational ESG Framework, was finalized and seamlessly integrated into its broader policy ecosystem, reinforcing a commitment to responsible governance and operational excellence. ESG considerations were incorporated into the Business Continuity Plan, enhancing resilience to environmental and regulatory challenges. To further advance the framework's objectives, employees were equipped with specialized training on Environmental and Social (E&S) risk assessment and ESG stress testing, bolstering the bank's ability to adapt and respond to evolving market dynamics. These efforts serve as the foundational bedrock for sustainable practices in alignment with both national priorities and global sustainability objectives.

Sohar International continues to play a pivotal role in advancing Oman's sustainability agenda. The bank established a pipeline of sustainable finance initiatives for 2024, directing significant investment toward transformative projects in green steel production, energy efficiency, water management, and waste-to-energy solutions. The bank has also formed partnerships to provide customers with sustainable energy solutions, offering incentivized payment options through its credit cards to further promote environmentally responsible choices.

The bank's leadership in sustainability is underscored by its active participation in key forums, including regional sustainability conferences and industry dialogues, as well as leading discussions on climate initiatives. A key highlight was its contribution to a global decarbonization diplomacy initiative, where it participated in discussions on creating an enabling environment for Oman's emerging green hydrogen market. Additionally, the bank supported SMEs in the renewable energy and green hydrogen sectors, delivering targeted training to empower local businesses as part of its ongoing commitment to fostering sustainable economic growth. It also showcased its expertise in sustainable bonds and sukuk structures through participation in regulatory workshops on bond and sukuk regulations.

As a people-centric organization, the bank places people at the core of its ESG efforts, launching initiatives that foster development, inclusion, and empowerment. It introduced a dedicated women's leadership program designed to nurture high-potential female employees through structured learning and growth opportunities, reflecting a commitment to prosperity and continuous advancement.

To further enhance its employee development initiatives, the bank launched an advanced learning platform, providing access to thousands of learning materials for all employees. This platform offers data-driven insights, enabling the identification of skill gaps while supporting various learning modalities, from self-paced courses to live virtual classes and hands-on labs. Complementing this, mandatory in-house ESG training was developed and implemented to ensure all employees understand regulatory requirements, the bank's ESG framework, and critical topics such as climate change and its implications for the banking sector.

Taking a holistic approach to corporate social responsibility (CSR), the bank focuses on growing Omani talent, supporting local sustainability projects, advancing training and talent development, and driving social development programs. This multi-dimensional approach underscores its unwavering commitment to fostering a sustainable future while delivering tangible value to stakeholders through a forward-thinking ESG agenda.

A YEAR OF DISTINCTION

Reaffirming its stature as Oman's best bank, Sohar International has cemented its reputation through an array of prestigious accolades that highlight its relentless pursuit of excellence, forward-thinking approach, and dedication to sustainable growth. These honors underscore the bank's role as a dynamic force in redefining banking standards and contributing to a more progressive and inclusive financial ecosystem.

Recognized for its commitment to driving digital transformation, the bank was honored as the 'Most Innovative Digital Bank for Ecosystem Services – Oman 2023' at the Global Economics Award in the UAE. This achievement was complemented by the 'Digital Leadership in Banking' accolade at The Digital Transformation Awards 2024 as well as the 'Best Mobile Banking App in Oman 2024' title by the World Business Outlook Annual Awards 2024. These awards highlight Sohar International's pioneering efforts in seamlessly integrating cutting-edge technology into banking solutions, redefining the digital banking experience for customers.

Further demonstrating its operational excellence, Sohar International received JP Morgan Chase Bank's 'Global Clearing Quality Recognition Awards' (MT103 and MT202), a testament to its precision-driven processes and adherence to the highest international standards. Adding to its accolades in the realm of financial achievements, the bank was recognized at the Alam Al Iktisaad Awards for achieving the 'Highest Year-on-Year Growth in Total Assets among GCC Banks' while also earning the title of 'Top Omani Brand in the Banking Sector' at the same event.

Sohar International's brand strength, its outstanding leadership across various dimensions, and its commitment to innovation were further reinforced by multiple prestigious accolades. Being recognized as 'Oman's Best Bank in the Large Banks Category' at the Oman Banking & Finance Awards 2024, the 'Best Performing Company in the Large Cap category' at the Alam Al-Iktisaad Awards 2024, and the 'Best Performing Bank in Oman' at the OER Corporate Excellence Awards 2024 underscore its sustainable growth, profitability, and consistent value to its stakeholders. Additionally, receiving the title of 'Oman's Best Bank' at the Middle East Euromoney Awards for Excellence highlights its continued excellence in performance.

The bank's expertise in serving both private and public sectors is further demonstrated by being honored with the 'Best Government Banking in Oman 2024' award by International Business Magazine, the 'Best Corporate Banking Oman' accolade from The Global Business Review Magazine Awards 2024, and being named 'Bank of the Year 2024 – Oman' by The Banker magazine. These distinctions reflect Sohar International's ability to deliver exceptional service and impactful solutions across all its client segments.

The bank's unwavering dedication to social responsibility was recognized with the 'Exemplary CSR Leadership' award at the Oman CSR Summit and Awards 2024, underscoring its proactive role in fostering community development and sustainability. Along the same lines, demonstrating its focus on sustainability and governance, Sohar International was honored as 'Oman's Best Bank for ESG' at the Euromoney Awards.

The bank's leadership was also a key highlight, with its CEO receiving the CEO of the Year – Banking Sector in Oman at both the Business Today CXO Awards and the Oman Banking & Finance Awards 2024.

These accolades collectively reflect Sohar International's strategic vision to lead transformative change, foster innovation, and deliver exceptional value to its stakeholders. As it strides forward in the evolving financial landscape, the bank's sustained success serves as a testament to its enduring leadership and vision for a prosperous future in banking in Oman.

WAY FORWARD

As Sohar International moves through 2025, the bank remains committed to driving transformative growth, innovation, and market leadership. Against a dynamic global and regional economic backdrop, the bank's strategy is anchored in agility, digital excellence, and diversification—ensuring long-term resilience and value creation.

Building on a strong foundation, Sohar International continues to expand its footprint, reinforcing its position as a regional financial powerhouse. With digitalization at the core of its growth strategy, Sohar International is accelerating the adoption of advanced technologies to enhance customer experiences, operational efficiency, and financial inclusion. By leveraging AI, data analytics, and fintech collaborations, Sohar International is redefining banking to align with evolving customer needs and Oman's digital transformation agenda.

Sustainability remains a key pillar, with a reinforced commitment to Environmental, Social, and Governance (ESG) principles. Green financing, responsible banking, and community-driven initiatives are shaping the bank's approach, aligning with Oman Vision 2040 and global sustainability goals.

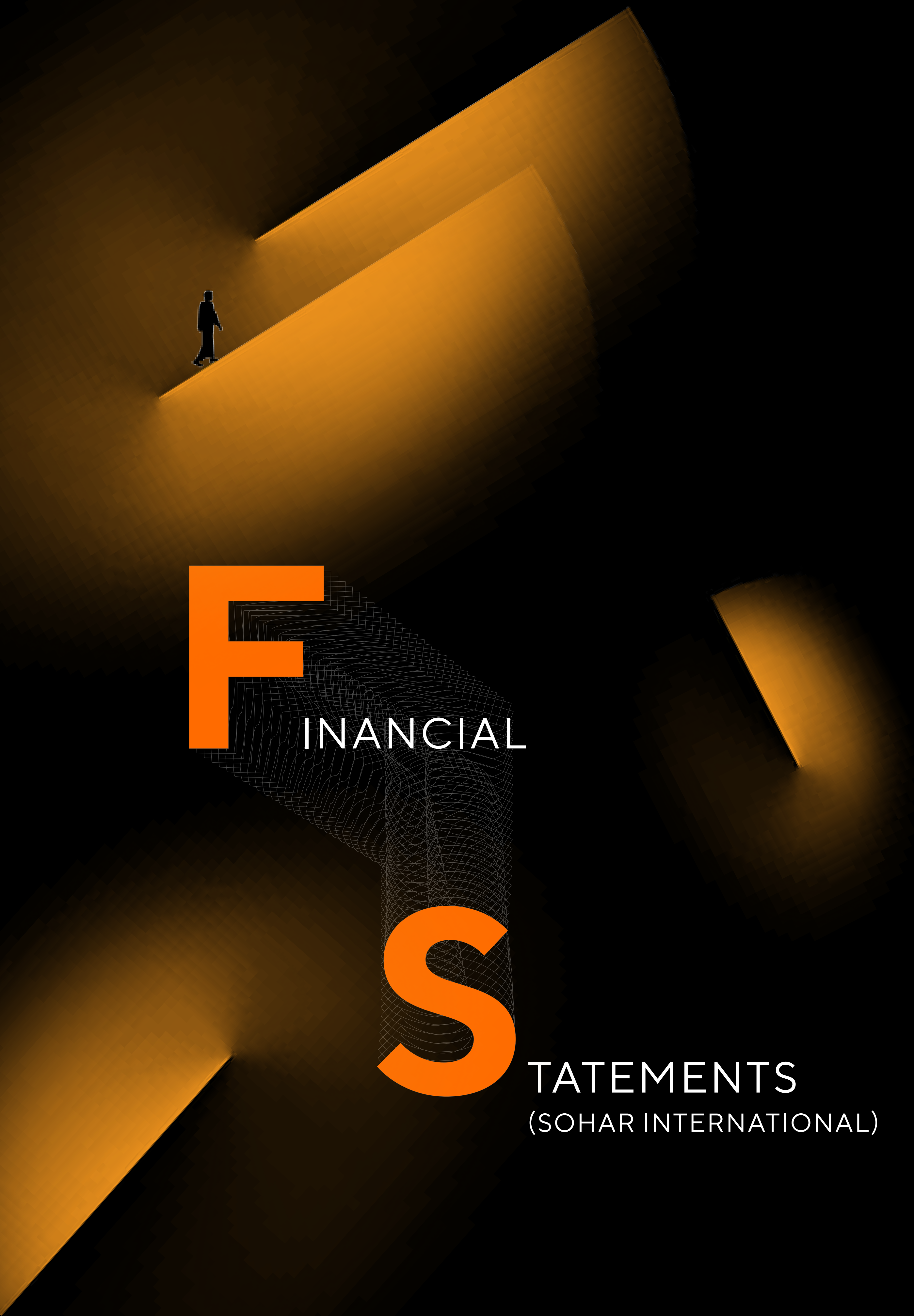
Recognizing talent as a key enabler of success, the bank continues to invest in people development, fostering a culture of innovation, leadership, and inclusivity. By equipping teams with future-ready skills, Sohar International is ensuring a workforce that drives strategic objectives with excellence.

As 2025 unfolds, Sohar International is set to navigate emerging opportunities with a clear vision, focused execution, and a steadfast commitment to delivering sustainable growth and value for its stakeholders.

BUSINESS CONTINUITY MANAGEMENT STATEMENT

The Bank has established a Business Continuity Management (BCM) Program designed to minimize service disruption and the potential impact on the Bank, our customers and our staff. This includes a BCM Policy that is approved by our Board together with written Business Continuity and Disaster Recovery plans (DRPs) and procedures that are subject to periodic independent review. Although the specific details of our BCM arrangements are confidential for security reasons, the bank maintains Business Continuity Plans (BCPs) that address risk scenarios and events of varying scope including, but not exclusively, loss of services or infrastructure, denial of access, cyber-attack, pandemics and regional crises.

Sohar International BCPs are focused on maintaining critical processes, including treasury, capital & liquidity and payment services, providing customers with uninterrupted access to their funds and maintaining effective communications with our customers, staff and other stakeholders.



FINANCIAL STATEMENTS

(SOHAR INTERNATIONAL)

MAPPING

OUR FINANCIAL

TRAJECTORY

WITH STRENGTH

AND STABILITY

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Independent auditors' report

To the Shareholders of Sohar International Bank SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sohar International Bank 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 from page 1

Key Audit Matters (continued)

Impairment of loans, advances and Islamic financing subject to credit risk

See notes 4.3(f), 5.1, 9, 21,29, 32 and 37.1 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 exercises significant judgement and makes 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 disclosure 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. 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 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. • 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 SICR, definition of default, PD, LGD, 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. • 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 through discounted cash flows including collateral and other relevant risk factors by analysing financial information, assumptions and professional judgement applied by the Bank, and as necessary, challenging the appropriateness of the ECL calculation for a sample of borrowers.

Continued from page 2

Key Audit Matters (continued)

Impairment of loans, advances and Islamic financing subject to credit risk	
See notes 4.3(f), 5.1, 9, 21,29, 32 and 37.1 to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
	• 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. • Re-performing key aspects of the Bank's significant increase in credit risk ("SICR") determinations for selected samples of loans, advances and financing to customers to determine whether a SICR event was appropriately identified. • Assessing the adequacy of the Bank's disclosures by reference to the requirements of the relevant accounting standards.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 12 March 2024.

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 the Sohar Islamic Banking Window, Basel II and III – Pillar III Report of the Bank and Basel II and III – Pillar III Report of the Sohar Islamic Banking Window, 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 from page 3

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 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 from page 4

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

KPMG LLC

Paritosh Gambhir
Date: 10 March 2025

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Sultanate of Oman
CR.No: 1358131

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

31 December 2023 USD'000	31 December 2024 USD'000		Note	31 December 2024 RO'000	31 December 2023 RO'000
		ASSETS			
534,205	**527,151**	Cash and balances with Central Bank	6	**202,953**	205,669
1,693,517	**1,459,039**	Due from banks	7	**561,730**	652,004
4,444,629	**5,503,971**	Investment securities	8	**2,119,029**	1,711,182
10,184,914	**11,090,410**	Loans, advances and Islamic financings (net)	9	**4,269,808**	3,921,192
139,190	**150,748**	Other assets	10	**58,038**	53,588
7,532	**7,532**	Investment properties	11	**2,900**	2,900
196,288	**193,153**	Property and equipment	12	**74,364**	75,571
173,023	**186,829**	Intangible assets	13	**71,929**	66,614
17,373,298	**19,118,833**	**TOTAL ASSETS**		**7,360,751**	**6,688,720**
		LIABILITIES			
1,756,156	1,481,332	Due to banks	14	570,313	676,120
13,254,662	15,005,299	Customer deposits	15	5,777,040	5,103,045
279,170	298,940	Other liabilities	16	115,092	107,481
15,289,988	**16,785,571**	**TOTAL LIABILITIES**		**6,462,445**	5,886,646
		SHAREHOLDERS' EQUITY			
1,458,629	**1,824,696**	Share capital	17	**702,508**	561,572
46,852	**46,852**	Share premium	17	**18,038**	18,038
116,649	**145,195**	Legal reserve	18	**55,900**	44,910
(14,356)	**(17,234)**	Other reserves	19	**(6,635)**	(5,527)
215,795	**333,753**	Retained earnings		**128,495**	83,081
1,823,569	**2,333,262**	**TOTAL SHAREHOLDERS' EQUITY**		**898,306**	702,074
259,741	**-**	Perpetual tier 1 capital securities	20	**-**	100,000
2,083,310	**2,333,262**	**TOTAL EQUITY**		**898,306**	802,074
17,373,298	**19,118,833**	**TOTAL LIABILITIES AND EQUITY**		**7,360,751**	6,688,720
1,750,299	**1,473,865**	**CONTINGENT LIABILITIES**	21.a	**567,438**	673,865
2,541,112	**2,278,478**	**COMMITMENTS**	21.b	**877,214**	978,328
Cents	**Cents**			**Baisa**	Baisa
33.4	**35.3**	**Net assets per share**	23	**135.8**	128.4

These financial statements were approved and authorised for issue by the Board of Directors on 28 January 2025 and signed on their behalf by:

Chairman

Board member

The accompanying notes 1 to 41 form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

31 December 2023 USD'000	**31 December 2024 USD'000**		Note	**31 December 2024 RO'000**	31 December 2023 RO'000
623,719	**816,774**	Interest income	*24*	**314,458**	240,132
(316,047)	**(375,112)**	Interest expense	*25*	**(144,418)**	(121,678)
307,672	**441,662**	**Net interest income**		**170,040**	118,454
19,286	**28,449**	Net income from Islamic financing and investing activities	*26*	**10,953**	7,425
97,475	**166,112**	Other operating income	*27*	**63,953**	37,528
424,434	**636,223**	**TOTAL OPERATING INCOME**		**244,946**	163,407
(116,634)	**(152,018)**	Staff costs		**(58,527)**	(44,904)
(72,790)	**(90,800)**	Other operating expenses	*28*	**(34,958)**	(28,024)
(10,390)	**(12,790)**	Depreciation	*12*	**(4,924)**	(4,000)
(199,814)	**(255,608)**	**TOTAL OPERATING EXPENSES**		**(98,409)**	(76,928)
224,621	**380,615**	**NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS**		**146,537**	86,479
238,314	**23,984**	Gain on bargain purchase	*40*	**9,234**	91,751
(272,906)	**(98,338)**	Loan impairment charges and other credit risk provisions (net)	*29*	**(37,860)**	(105,069)
190,029	**306,261**	**PROFIT BEFORE TAX**		**117,911**	73,161
(7,340)	**(46,052)**	Income tax expense	*30.a*	**(17,730)**	(2,826)
182,689	**260,209**	**PROFIT FOR THE YEAR**		**100,181**	70,335
		Items that will not be reclassified to profit and loss			
(1,065)	**(2,878)**	Revaluation loss on equity instruments held at fair value through other comprehensive income (FVOCI)		**(1,108)**	(410)
(1,065)	**(2,878)**	**OTHER COMPREHENSIVE LOSS FOR THE YEAR**		**(1,108)**	(410)
181,623	**257,331**	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF INCOME TAX**		**99,073**	69,925
181,623	**257,331**	**TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY**		**99,073**	69,925
182,688	**260,209**	**PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY**		**100,181**	70,335
Cents	**Cents**			Baisa	Baisa
3.25	**4.42**	**Basic and diluted earnings per share for the year**	*31*	**17.02**	12.50

The accompanying notes 1 to 41 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024 (RO'000)

	Note	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital securities	TOTAL EQUITY
Balance as at 1 January 2024		**561,572**	**18,038**	**44,910**	**(5,527)**	**83,081**	**702,074**	**100,000**	**802,074**
Profit for the year		-	-	-	-	100,181	100,181	-	100,181
Other comprehensive income for the year		-	-	-	(1,108)	-	(1,108)	-	(1,108)
Total comprehensive income for the year, net of income tax		-	-	-	(1,108)	100,181	99,073	-	99,073
Transfer to legal reserve	*18*	-	-	10,018	-	(10,018)	-	-	-
Transaction with equity holders of the Bank:									
Issue of ordinary shares	*17*	130,000	-	-	-	-	130,000	-	130,000
Issue of bonus shares	*17*	10,936	-	-	-	(10,936)	-	-	-
Dividend paid for the year 2023		-	-	-	-	(30,073)	(30,073)	-	(30,073)
Perpetual tier 1 interest paid	*20*	-	-	-	-	(3,740)	(3,740)	-	(3,740)
Rights issue expenses surplus		-	-	972	-	-	972	-	972
Repayment of perpetual tier 1 capital securities		-	-	-	-	-	-	(100,000)	(100,000)
Balance as at 31 December 2024		**702,508**	**18,038**	**55,900**	**(6,635)**	**128,495**	**898,306**	-	**898,306**
Balance as at 31 December 2024 (USD'000s)		1,824,696	46,852	145,195	(17,234)	333,753	2,333,262	-	2,333,262

The accompanying notes 1 to 41 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024 (RO'000)

		Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total Shareholders' Equity	Perpetual tier 1 capital securities	TOTAL EQUITY
Balance as at 1 January 2023	Note	455,355	18,038	37,877	6,764	47,464	565,498	100,000	665,498
Profit for the year		-	-	-	-	70,335	70,335	-	70,335
Other comprehensive income for the year		-	-	-	(410)	-	(410)	-	(410)
Total comprehensive income for the year, net of income tax		-	-	-	(410)	70,335	69,925	-	69,955
Transfer to legal reserve	*18*	-	-	7,033	-	(7,033)	-	-	-
Transactions with equity holders of the Bank:									
Issue of ordinary shares	*17*	106,217	-	-	-	-	106,217	-	106,217
Fair value reserve on acquisition	*19*	-	-	-	(11,411)	-	(11,411)	-	(11,411)
Reclassification of net change in fair value of equity instruments upon de-recognition	*19*	-	-	-	15	(15)	-	-	-
Dividend paid for the year 2022		-	-	-	-	(20,655)	(20,655)	-	(20,655)
Perpetual tier 1 interest paid	*20*	-	-	-	-	(7,500)	(7,500)	-	(7,500)
Movement in subordinated loan reserve		-	-	-	(485)	485	-	-	-
Balance as at 31 December 2023		561,572	18,038	44,910	(5,527)	83,081	702,074	100,000	802,074
Balance as at 31 December 2023 (USD'000s)		1,458,629	46,852	116,649	(14,356)	215,795	1,823,569	259,741	2,083,310

The accompanying notes 1 to 41 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

31 December 2023 USD'000	**31 December 2024 USD'000**	**OPERATING ACTIVITIES**	**Note**	**31 December 2024 RO'000**	31 December 2023 RO'000
190,029	**306,261**	Profit before tax		**117,911**	73,161
		Adjustments for:			
10,390	**12,790**	Depreciation	12	**4,924**	4,000
4,408	**14,410**	Amortisation of intangible asset	13	**5,548**	1,697
272,906	**98,338**	Loan impairment charges and other credit risk provisions (net)	29	**37,860**	105,069
4,514	**(1,361)**	Unrealized (gain) / loss from investments held at FVTPL	27	**(524)**	1,738
(238,314)	**(23,984)**	Gain on bargain purchase	40	**(9,234)**	(91,751)
243,933	**406,455**	**Cash from operating activities before changes in operating assets and liabilities**		**156,485**	93,914
(285,109)	**100,400**	Due from banks		**38,654**	(109,767)
114,810	**(1,001,340)**	Loans, advances and Islamic financings (net)		**(385,516)**	44,202
223,031	**(9,273)**	Other assets		**(3,570)**	85,867
58,906	**(274,823)**	Due to banks		**(105,807)**	22,679
2,298,951	**1,750,636**	Customer deposits		**673,995**	885,096
(190,387)	**(27,808)**	Other liabilities		**(10,706)**	(73,299)
2,464,135	**944,247**	**Cash from operating activities**		**363,535**	948,692
(8,834)	**(774)**	Income tax paid		**(298)**	(3,401)
2,455,301	**943,473**	**Net cash from operating activities**		**363,237**	945,291
		INVESTING ACTIVITIES			
(161,039)	**(198,608)**	Purchase of investment securities		**(76,464)**	(62,000)
262,639	**300,670**	Proceeds from sale/maturity of investment securities		**115,758**	101,116
(22,855)	**(16,504)**	Purchase of property and equipment	12	**(6,354)**	(8,799)
2,043,790	**-**	Cash and cash equivalents received from business combination		**-**	786,859
(644,525)	**-**	Merger consideration	40	**-**	(248,142)
1,478,010	**85,558**	**Net cash from investing activities**		**32,940**	569,034
		FINANCING ACTIVITIES			
(53,649)	**(78,112)**	Dividends paid		**(30,073)**	(20,655)
-	**337,662**	Rights issue of ordinary shares		**130,000**	-
-	**2,525**	Rights issue expenses surplus		**972**	-
-	**(259,740)**	Redemption of perpetual tier 1 capital securities		**(100,000)**	-
(1,260)	**-**	Repayment of subordinated loans on maturity		**-**	(485)
(19,481)	**(9,714)**	Interest paid on perpetual tier 1 capital securities		**(3,740)**	(7,500)
(74,390)	**(7,379)**	**Net cash used in financing activities**		**(2,841)**	(28,640)
3,858,921	**1,021,652**	**NET CHANGE IN CASH AND CASH EQUIVALENTS**		**393,336**	1,485,685
1,182,987	**5,041,909**	**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**		**1,941,135**	455,450
5,041,908	**6,063,561**	**CASH AND CASH EQUIVALENTS AT END OF YEAR**		**2,334,471**	1,941,135
		Represented by:			
532,888	**525,834**	Cash and available balance with Central Bank	6	**202,446**	205,162
1,336,410	**1,202,311**	Due from banks with original maturity (OM) of 90 days or less		**462,890**	514,518
3,172,610	**4,335,416**	Investment securities with OM of 90 days or less	8.2	**1,669,135**	1,221,455
5,041,908	**6,063,561**			**2,334,471**	1,941,135

Interest income received was RO 237.04 million (2023: RO 177.09 million) and interest expense paid was RO 193.99 million (2023: RO 148.17 million). These form part of operating cash flows of the Bank.

The accompanying notes 1 to 41 form an integral part of these financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

1.1 Sohar International Bank SAOG

Sohar International Bank SAOG ("the Bank" or "Parent Company"), formerly Bank Sohar SAOG, was established in the Sultanate of Oman on 4 March 2007 as a public joint stock company and is primarily engaged in commercial, investment and Islamic banking through a network of 54 commercial banking branches and 20 Islamic banking branches within the Sultanate of Oman. The Bank operates under commercial, investment and an Islamic banking licence issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank started commercial operations from 9 April 2007. The registered address of the Bank is PO Box 44, Hai Al Mina, Postal Code 114, Muscat, Sultanate of Oman. The Bank has its primary listing on the Muscat Stock Exchange.

With effect from 30 April 2013, the Bank obtained a license to operate an Islamic Banking Window ("Sohar Islamic"). Sohar Islamic offers a full range of Islamic banking services and products. The principal activities of the window include accepting Shari'a compliant customer deposits, providing Shari'a compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Istisna'a, Salam and providing commercial banking services, investment and other activities permitted under Islamic Banking Regulatory Framework (IBRF).

The Parent Company established a branch in Riyadh, Kingdom of Saudi Arabia ("KSA Branch") in November 2022, Commercial Registration No. 1010839168 dated 07/11/2022. In October 2023 the Saudi Central Bank (SAMA) approved the commencement of operations of KSA Branch which currently provides commercial and Islamic banking services.

The merger by incorporation with HSBC Bank Oman SAOG ("HBON") was completed as of 17th August 2023 (merger date). The merger resulted in all of HBON's rights, obligations, assets (including contracts and employees) and liabilities transferring to the Bank by operation of law.

As at 31 December 2024, the Bank operated in 2 countries (31 December 2023: 1 country) and employed 1,548 employees (31 December 2023: 1,548).

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

In accordance with the Royal Decree 69/2012 regarding the amendment in the Banking Law 2000, CBO has issued circular no. IB - 1 under which a complete IBRF (Islamic Banking Regulatory Framework) has been promulgated. The framework identifies the permissible form of trade-related modes of financing including purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility utilised and the appropriate portion of profit thereon.

The Bank also prepares financial statements for Sohar Islamic in accordance with the requirements of Section 1.2 of Title 3 of the IBRF issued by the CBO. The separate set of financial statements for Sohar Islamic are prepared in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Sharia Rules and Principles as determined by the Sharia Supervisory Board (SSB) of Sohar Islamic and other applicable requirements of CBO. Sohar Islamic financial statements are then converted into IFRS compliant financial statements and consolidated in these financial statements.

Sohar Islamic intercompany balances & transactions have been eliminated on consolidation.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following:

- Derivative financial instruments are measured at fair value.
- Financial instruments classified as fair value through profit or loss (FVTPL) are measured at fair value.
- Financial assets classified at fair value through other comprehensive income (FVOCI) are measured at fair value.

The statement of financial position is presented in descending order of liquidity.

2. BASIS OF PREPARATION (CONTINUED)

2.3 Functional and presentation currency

The financial statements have been prepared in accordance with IFRS and are presented in Omani Rial. For the convenience of users, supplementary information is provided in the form of a presentation of financial statement numbers in United States Dollar (USD), in addition to the primary financial statements presented in the local currency. This supplementary information is for informational purposes only and does not form part of the audited financial statements.

The USD-converted figures are derived using 1 USD = 0.385 OMR for the statement of financial position, the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2024 and 31 December 2023.

2.4 Use of estimates and judgements

In preparation of the Bank's financial statements, management requires to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. Considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired loans and receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Estimates considered by the Bank to have a significant risk of material adjustment in subsequent periods are discussed in note 5.

2.5 Going concern

The financial statements are prepared on a going concern basis. The Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Bank considered a range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

2.6 Business combinations

Business combinations are accounted for using the acquisition method as at the merger date i.e. the date from which control is transferred to the Bank. Under this method, identifiable assets and liabilities acquired from the merged entity (HBON) are measured at fair value at the merger date except for non-current assets classified as assets held for sale which are accounted for at fair value less costs to sell. Contingent liabilities of the merged entity are not recognised in the consolidated balance sheet unless they represent a present obligation on the acquisition date and their fair value can be measured reliably.

In accordance with IFRS 3, the Bank initiated in 2023 an independent Purchase Price Allocation (PPA) review of the fair values of the identifiable assets and liabilities acquired relative to the total consideration paid to identify any intangible assets, changes in fair values, or other adjustments which had not been identified at the merger date and which should be reflected as goodwill or an adjustment to any gain on bargain purchase already recognised. The provisional results of this PPA review are reflected in the financial statements for the year ended 31 December 2023. In accordance with IFRS 3 the Bank may recognise PPA adjustments within 12 months of the merger date.

The Bank has recognised in the financial statements for the year ended 31 December 2024, within the 12-month provisional period, an additional gain on bargain purchase.

IFRS 3 requires that adjustments to provisional amounts should be recognised retrospectively if they relate to facts and circumstances existing at the acquisition date. Such adjustments would normally necessitate the restatement of comparative information for prior periods. The Bank's management have decided not to restate prior year financial statements having considered all aspects of the potential implications of restatement noting that there is no impact on the Bank's shareholders' equity or any of the Bank's capital ratios as of 31 December 2024. The Bank has made comprehensive disclosure in Note:40 regarding the impact on the Bank's financial statements for the year ended 31 December 2023 had the 2024 PPA adjustment been recognised in the prior year.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3.1 Standards, amendments and interpretations to IFRS effective in 2024

Below are the changes to the accounting Standards that are required to be applied by an entity with an annual reporting period beginning on 1 January 2024.

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.

The following are the recent changes to Accounting Standards that are required to be applied for annual periods beginning after 1 January 2024 and that are available for early adoption in annual periods beginning on 1 January 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 is assessing the impact of these amendments listed above which are not expected to have any significant impact on the Bank's financial statements of future periods.

3.2 Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- settling financial liabilities using electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Bank is in the process of assessing the impact of the new amendments.

3.2a IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.
The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

3.2 Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (continued)

3.2b Other accounting standards

The Lack of Exchangeability (Amendments to IAS 21) is not expected to have a significant impact on the Bank's financial statements.

3.3 ECL provisions and management overlays

The Bank continues to assess borrowers for other indications of default, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary or of a longer-term nature. The Bank continues to assess significant corporate exposures impacted by macro-economic events and geo-political factors in addition to those corporates experiencing industry specific financial stress. Similarly, for retail exposures the Bank considers the impact on employees working for industry sectors under financial stress.

Assessing future economic conditions and the potential adverse impact on customers is highly judgmental. The Bank continues to assess on a regular basis the adequacy of its ECL provisioning guided by CBO regulations as well as standards issued by the IASB.
The Bank has included within its loan impairment charges and other credit risk provisions (net) a significant element of management overlay, adopting prudence and being proactive, in considering potential impacts of circumstances such as lag effect of past increases in interest rates on borrowers, increasing global and regional geopolitical events and applying expert credit judgement in relation to other evolving credit risks not reflected within its standard credit models.

Accounting for modification loss:

For both corporate and retail customers, the Bank has added the simple interest accrued during the deferral period (DP) to the principal outstanding and either extended the original maturity period of the loan or increased the instalments at the end of the DP. The Bank has determined that the modifications due to deferment of instalment and waiver of profit allowed in line with CBO relaxation measures do not result in de-recognition of financial assets. Further, the impact of day one modification loss was not considered material for the year.

4. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Bank to all periods presented in these financial statements.

4.1 Foreign currency transactions and balances

Transactions in foreign currencies are translated into functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the period. The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income, except for non-monetary financial assets, such as equities classified as fair value through other comprehensive income, which are included in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4.2 Revenue and expense recognition

4.2a Interest income and expense

Interest income and expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI are recorded by using the EIR method. The calculation considers all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Revenue and expense recognition (continued)

4.2a Interest income and expense (continued)

The EIR (and therefore, the amortised cost of the asset) is calculated by considering any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

4.2b Fair value gains and losses

Fair value changes on derivatives held for risk management purposes and FVOCI are presented in other comprehensive income. Net income from financial assets measured at FVTPL, including all realised and unrealised fair value changes, interest, dividend and foreign exchange differences are presented in the income statement for the year.

4.2c Dividend income

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

4.2d Fees and commission

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided by the Bank to its customers and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Bank based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognises revenue when it transfers control over a product or service to a customer.

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 including account or loan servicing fees, advisory fee, investment management fees and sales commission are recognised as the related services are performed. Loan syndication fees are recognised as income when the syndication has been completed, and the Bank retains no part of the loan package for itself or retains a part at the same effective interest rate for comparable risk as for the other participants. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

4.2e Provisions

A provision is recognised if, because of a 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 obligation. Provisions are equivalent to the amortised value of the future liabilities which is 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.

4.2f Offsetting of income and expense

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

4.3 Financial instruments

4.3a Date of recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3a Date of recognition and initial measurement (continued)

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. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

4.3b Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

4.3c Measurement categories of financial assets and liabilities

The Bank classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in note 4.3.c (i);
- FVOCI, as explained in notes 4.3.c (iv) and 4.3.c (v); or
- FVTPL, as explained in note 4.3.c (vii)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments at the fair value designation.

The Bank classifies and measures its derivative and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

(i) Due from banks, loans, advances and financings and financial investments at amortised cost

The Bank only measures due from banks, loans, advances and financing and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- 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.

The details of these conditions are outlined below.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified and measured at FVTPL.

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

- *Business model assessment*

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the maturity of the financial assets to the maturity 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3c Measurement categories of financial assets and liabilities (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.

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

Financial assets that are held for trading or managed 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 (The 'SPPI' test)*

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

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

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

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

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

(ii) Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 36. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied. Hedge documentation, effectiveness assessment, and discontinuation accounting disclosures are provided in Note 4.3.n.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3c Measurement categories of financial assets and liabilities (continued)

Embedded derivatives:

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9.
- The host contract is not itself carried at FVTPL.
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract.
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(iii) Debt instruments at FVOCI

The Bank classifies debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

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

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

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

(iv) Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to irrevocably classify some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

(v) Debt issued and other borrowed funds

After initial measurement, debt issued, and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by considering any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

(vi) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3c Measurement categories of financial assets and liabilities (continued)

- The liabilities are part of a group of financial liabilities or financial assets, or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

(vii) Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. After initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of comprehensive income and an Expected Credit Loss (ECL) provision as set out in note 4.3.f.

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

(viii) Financial liabilities

A 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. Under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- The remaining amount of change in the fair value is presented in profit or loss.

The amount presented separately in OCI related to changes in own credit risk of a designated financial liability at FVTPL are not recycled to profit or loss, even when the liability is derecognised, and the amounts are paid. Instead, own credit gains and losses should be reclassified to retained earnings within equity upon de-recognition of the relevant liability.

4.3d De-recognition

(i) Financial assets

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

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

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

For de-recognition due to substantial modification, refer note 4.3.o.

(ii) Financial liabilities

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3d De-recognitio (continued)

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

4.3e Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle 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 by the accounting standards or for gains and losses arising from a group of similar transactions.

4.3f Impairment of financial assets

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments.
- Financial guarantee contracts issued.
- Loan commitments issued.

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition which they are measured as 12-month ECL.

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.

(i) Measurement of ECL

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

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

(ii) Overview of the ECL principles

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

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

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3f Impairment of financial assets (continued)

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or Originated and Credit Impaired (POCI), as described below:

Stage 1

When financing is first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 financing exposure also includes facilities where the credit risk has improved, and the financing exposure has been reclassified from Stage 2.

Stage 2

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

Stage 3

Financing exposure considered credit impaired. The Bank records an allowance for the LTECL.

POCI: financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Movement between the stages

(iii) The calculation of ECL

The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets 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.

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

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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3f Impairment of financial assets (continued)

(iv) Presentation of allowance for ECL in the statement of financial position

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

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

(v) Debt instruments measured at FVOCI

Loss allowance is deducted from the fair value of debt instruments and booked in profit or loss account.

(vi) Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition is in the loss allowance.

(vii) Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one of day notice. The Bank does not limit its exposure to credit losses to the contractual notice period but instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is like other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation considers that many facilities are repaid in full each month and are consequently charged no interest.

(viii) Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic product
- Savings and investment
- Inflation
- Trade statistics
- Demographics
- Revenue and expenditure
- Public debt
- Real estate
- Composite indicators
- Oil prices and production

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments are made as temporary adjustments to ECL when such differences are considered by management to be significant.

(ix) Collateral valuation

To mitigate its credit risks on financial assets the Bank seeks to use collateral where possible. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed at a minimum, at inception and

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3f Impairment of financial assets (continued)

(ix) Collateral valuation (continued)

re-assessed periodically based on the type of asset, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued by certified third party valuers.

(x) Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

4.3g Restructured financial assets

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

- If the expected restructuring will not result in 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 amortised 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly.

4.3h 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 effective interest rate of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4.3i Fair value measurement

A few 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 several 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. 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:

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3i Fair value measurement (continued)

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

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers 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.

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

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

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

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

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

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

4.3j Cash and cash equivalents

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

Securities sold with a commitment to repurchase (repos) at a specified future date are recognised in the statement of financial position and are measured in accordance with accounting policies for trading securities or investment securities. The counterparty liability for amounts received under these agreements is included in 'due to banks. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement.

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

4.3k Acceptances

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

4.3l Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or trading liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The treatment of changes in their fair value depends on their classification into the following categories:

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3l Derivatives held for risk management purposes (continued)

(i) Fair value hedge

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in statement of comprehensive income together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the derivative expires or is sold, terminated, or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then the hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from the equity to statement of comprehensive income as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

(iii) Other non-trading derivative

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in statement of comprehensive income.

4.3m Reclassifications

The Bank does not reclassify its financial assets after their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2024 (2023: Nil)

4.3n Modifications of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, the original financial asset is derecognised and a new financial asset is recognised at fair value. If the cash flows are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

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

Financial liabilities

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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.4 Property and equipment

Items of property and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and preparing the asset for its intended use. Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment, except freehold land. The estimated useful lives for the current year are generally as follows:

Asset	Years
Motor vehicles	5
Furniture and fixtures	6-7
Office equipment	6-7
Software	10
Buildings	25

Freehold land and capital work in progress are not depreciated but tested for impairment. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date.

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 operating income' in the statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

4.5 Investment properties

Investment properties are carried at cost less accumulated impairments, if any.

4.6 Goodwill and acquired intangibles

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable net assets, including intangibles, liabilities and contingent liabilities of the acquire. When the excess is negative (bargain purchase), it is recognised immediately in the income statement.

Intangibles acquired separately in a business combination are shown at fair value as at the date of acquisition. Following initial recognition, intangibles are further reduced by any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible asset are assessed to be either finite or indefinite. Intangibles with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and amortisation method for intangibles with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embedded in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in an accounting estimate. The amortisation expense on intangibles with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangibles.

The estimated useful life of the intangibles is 15 years.

4.7 Deposits, debt securities issued and subordinated liabilities

All money market and customer deposits are initially measured at fair value plus transaction cost and subsequently carried at amortised cost. Deposits, debt securities issued and subordinated liabilities are measured at their amortised cost using the effective interest method.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.8 Taxation

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax from business combination is recognised on the net assets and liabilities acquired as the differences between the accounting and tax base for any exempt income.

4.9 Leases

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. IFRS 16 results in accounting for most leases by a lessee within the scope of the standard in a manner like that in which finance leases were accounted for under IAS 17 'Leases'. Lessees recognise a 'right of use' asset and a corresponding financial liability. The right of use asset is amortised over the length of the lease, and the financial liability is measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. The Bank applied the IFRS 16 standard using a modified retrospective approach and therefore comparatives are not restated.

The Bank initially measures the right-of-use asset at cost, and the lease liability at the present value of the future lease payments. The amount is discounted using the interest rate implicit in the lease if this can be readily determined; otherwise, the incremental borrowing rate. The commencement date is the date on which a lessor makes an underlying asset available for use. After initial recognition, the Bank measures the right-of-use asset at cost less accumulated amortisation and accumulated impairment losses.

After initial recognition, the Bank measures the lease liability by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Interest on the lease liability is the amount that produces a constant periodic rate of the interest on the remaining balance of the lease liability. The periodic rate of interest is the rate used to discount the lease payments to calculate the lease liability.

4.10 Employee benefits

4.10a Terminal benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003, as amended. Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

4.10b Short term benefits

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

4.10c Compensation Deferment Policy

In accordance with CBO deferral rules, 45% of variable pay awards greater or equal to RO 35,000 is deferred and paid in equal instalments over the subsequent three years. Such payments are also in accordance with the Bank's human resources policy regarding eligibility.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.11 Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

4.12 Dividends on ordinary shares

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

Dividends for the year that are approved after the reporting date are disclosed as an event subsequent to balance sheet date.

4.13 Segmental reporting

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

4.14 Directors' remuneration and sitting fees

The Board of Directors' remuneration is determined within the limits specified by the Financial Services Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman. Distribution of directors' remuneration is from the net profits after deduction of taxes, legal and optional reserves and the funds allocated from the profits for capitalisation and dividends. Sitting fees are paid and expensed in the month of service. Remuneration is accrued monthly in line with the annual budget and paid following approval of shareholders at the ordinary annual general meeting.

The ordinary annual general meeting determines the directors' remuneration as follows:

a) Will not exceed in total RO 300,000 where realised net profits equal or exceed the profits realised in the previous financial year and there is no accumulated losses or losses in the capital.

b) Will not exceed in total RO 150,000 where realised net profits are less than the profits realised in the previous financial year and no losses in the capital.

Sitting fees, as approved by the ordinary annual general meeting, shall not exceed RO 10,000 for each director per annum.

4.15 Perpetual tier I capital securities

The Bank classifies perpetual tier I capital securities as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the securities. The Bank's perpetual tier I capital securities are not redeemable by holders and bear an entitlement to distribution that is non-cumulative and at the discretion of the Board of Directors. Accordingly, they are presented as a component of total equity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

5.1 Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different Levels of allowances. The Bank's ECL calculations are outputs of complex models with a few underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.1 Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology (continued)

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

5.2 Fair value of derivatives and other financial instruments

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

5.3 Fair value estimation of unquoted securities

In cases where the underlying assets are fair valued such as private equity funds; management uses net assets value. Management believes that net assets values of these investments are representative of their fair values as most of the underlying assets are fair valued and the reported net assets of those entities takes into account the updated fair values changes.

5.4 Taxation

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

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

5.5 Determination of lease term

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 above factors.

Lease term is reassessed if an option is 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

6. CASH AND BALANCES WITH CENTRAL BANK

	31 December 2024 RO'000	31 December 2023 RO'000
Cash	**47,537**	60,100
Balance with CBO	**154,909**	145,062
	202,446	205,162
Capital deposit with CBO	**507**	507
	202,953	205,669

(i) The capital deposit with CBO is restricted and cannot be withdrawn without CBO approval.
(ii) Average minimum balance to be kept with CBO as statutory reserves during the year is RO 194.6 million (2023: RO 163.9 million).

7. DUE FROM BANKS

	31 December 2024 RO'000	31 December 2023 RO'000
Local currency:		
Money market placements	**121,160**	90,281
Foreign currency:		
Money market placements	**395,188**	404,024
Demand balances	**45,873**	158,195
Gross carrying amount	**562,221**	652,500
Less: ECL provision	**(491)**	(496)
	561,730	652,004

Analysis of changes in the gross carrying amount and corresponding ECL provision on due from banks:

	31 December 2024				31 December 2023
				RO'000	RO'000
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	**652,500**	-	-	**652,500**	103,946
New assets originated or purchased	-	-	-	-	548,554
Assets derecognised or matured	**(90,279)**	-	-	**(90,279)**	-
Gross carrying amount	**562,221**	-	-	**562,221**	652,500

7. DUE FROM BANKS (CONTINUED)

	31 December 2024 RO'000 Stage 1	Stage 2	Stage 3	Total	31 December 2023 RO'000 Total
At 1 January	**496**	**-**	**-**	**496**	-
Net impairment charge/ (release) (Note: 29)	**(5)**	**-**	**-**	**(5)**	496
ECL provision	**491**	**-**	**-**	**491**	496

8. INVESTMENT SECURITIES

	31 December 2024 RO'000	31 December 2023 RO'000
Equity investments:		
Held at FVOCI	**21,276**	1,885
Held at FVTPL	**599**	603
Total equity investments	**21,875**	2,488
Debt investments:		
Held at FVTPL	**37,682**	91,314
Held at FVOCI	**1,689,123**	1,221,455
Less: ECL provision	**-**	-
Held at FVOCI (net)	**1,689,123**	1,221,455
Held at amortised cost	**370,537**	396,033
Less: ECL provision	**(188)**	(108)
Held at amortised cost (net)	**370,349**	395,925
Total debt investments	**2,097,154**	1,708,694
Total investment securities	**2,119,029**	1,711,182

8.1 Held at FVTPL

	31 December 2024 RO'000	31 December 2023 RO'000
Unquoted equity investment - Oman		
Service sector	**500**	500
Quoted equity investments – Foreign		
Service sector	**99**	103
Quoted debt investments – Oman		
Government development bonds (GDB)	**37,682**	91,314
	38,281	91,917

8. INVESTMENT SECURITIES (CONTINUED)

8.2 Held at FVOCI

	Carrying / fair value 31 December 2024 RO'000	Cost 31 December 2024 RO'000	Carrying / fair value 31 December 2023 RO'000	Cost 31 December 2023 RO'000
Quoted equity investments – Oman				
Service Sector	**8,224**	**9,726**	1,386	1,777
Unquoted equity investments – Oman				
Service sector	**13,052**	**13,229**	499	676
Total equity investments	**21,276**	**22,955**	1,885	2,453
Unquoted debt investments				
(Original maturity of 90 days or less)				
Treasury bills - Oman	**159,849**	**161,910**	540	540
Treasury bills - Foreign	**1,509,286**	**1,514,405**	1,220,915	1,227,540
	1,669,135	**1,676,315**	1,221,455	1,228,080
Sovereign sukuk (Quoted) - Oman	**19,988**	**19,988**	-	-
Total debt investments	**1,689,123**	**1,696,303**	1,221,455	1,228,080
	1,710,399	**1,719,258**	1,223,340	1,230,533

USD Treasury bills of RO 354.2 million (31 December 2023: RO 354.2 million) are assigned as collateral against USD borrowings of RO 354.2 million (31 December 2023: RO 354.2 million).

The analysis of changes in the ECL allowance on debt investments classified as FVOCI is as follows:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000	31 December 2023 RO'000
As at 1 January 2024	**-**	**-**	**-**	**-**	438
Net impairment release (Note: 29)	**-**	**-**	**-**	**-**	(438)
At 31 December 2024	**-**	**-**	**-**	**-**	-

8.3 Held at amortised cost

	31 December 2024 RO'000	31 December 2023 RO'000
Quoted debt investments – Oman		
Government Development Bonds	**327,965**	381,818
Service sector	**36,836**	14,215
Treasury bills	**5,736**	-
	370,537	396,033
Less: ECL provision	**(188)**	(108)
	370,349	395,925

8. INVESTMENT SECURITIES (CONTINUED)

8.3 Held at amortised cost (continued)

The analysis of changes in the amortised cost and the corresponding ECL allowance on debt investments classified as held at amortised cost is as follows:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2024	**387,810**	**8,223**	**-**	**396,033**
Assets purchased/(sold)	**(25,496)**	**-**	**-**	**(25,496)**
Gross carrying amount	**362,314**	**8,223**	**-**	**370,537**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2024	**22**	**86**	**-**	**108**
Net impairment charge (Note: 29)	**75**	**5**	**-**	**80**
ECL	**97**	**91**	**-**	**188**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2023	337,412	8,223	-	345,635
Assets purchased/(sold)	50,398	-	-	50,398
Gross carrying amount	387,810	8,223	-	396,033

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2023	91	359	-	450
Net impairment release (Note: 29)	(69)	(273)	-	(342)
ECL	22	86	-	108

9. LOANS, ADVANCES AND ISLAMIC FINANCINGS (NET)

	31 December 2024 RO'000	31 December 2023 RO'000
Corporate	**3,224,445**	2,809,678
Retail	**1,392,215**	1,398,703
Gross loans, advances and Islamic financings	**4,616,660**	4,208,381
Less: ECL provision	**(274,961)**	(237,030)
Less: Contractual interest/profit not recognised	**(71,891)**	(50,159)
	(346,852)	(287,189)
	4,269,808	3,921,192

Gross loans, advances and Islamic financings include RO 687.93 million (31 December 2023: RO 522.62 million) through Islamic financing activities.

Loans, advances and Islamic financings (net) comprise:

	31 December 2024 RO'000	31 December 2023 RO'000
Loans	**4,004,756**	3,628,890
Overdrafts	**367,661**	351,744
Loans against trust receipts	**228,293**	215,124
Bills discounted	**15,950**	12,623
Gross loans, advances and Islamic financings	**4,616,660**	4,208,381
Expected credit loss allowance	**(274,961)**	(237,030)
Contractual interest/profit not recognised	**(71,891)**	(50,159)
	(346,852)	(287,189)
	4,269,808	3,921,192

9. LOANS, ADVANCES AND ISLAMIC FINANCINGS (NET) (CONTINUED)

The analysis of changes in the gross carrying amount and corresponding ECL allowance is as follows:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2024	**3,428,928**	**578,852**	**200,601**	**4,208,381**
New assets originated/additions	**686,939**	**33,255**	**13,743**	**733,937**
Assets derecognised or repaid	**(284,385)**	**(26,950)**	**(14,657)**	**(325,992)**
Loans (written off) / recovered (net)	**-**	-	**334**	**334**
Transfers to Stage 1	**42,053**	**(39,387)**	**(2,666)**	**-**
Transfers to Stage 2	**(135,526)**	**136,454**	**(928)**	**-**
Transfers to Stage 3	**(16,614)**	**(6,013)**	**22,627**	**-**
Gross carrying amount	**3,721,395**	**676,211**	**219,054**	**4,616,660**

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	**18,216**	**131,317**	**87,497**	**237,030**
Impairment charge (Note:29)	**2,234**	**33,605**	**16,460**	**52,299**
Impairment release	**(3,448)**	**(1,506)**	**(10,447)**	**(15,401)**
Net impairment charge / (release) (Note: 29)	**(1,214)**	**32,099**	**6,013**	**36,898**
Loans (written off) / recovered (net)	**-**	**-**	**1,033**	**1,033**
Transfers to Stage 1	**2,432**	**(1,361)**	**(1,071)**	**-**
Transfers to Stage 2	**(177)**	**309**	**(132)**	**-**
Transfers to Stage 3	**(762)**	**(625)**	**1,387**	**-**
ECL provision	**18,495**	**161,739**	**94,727**	**274,961**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2023	2,573,987	333,095	159,185	3,066,267
Assets acquired	738,722	389,613	42,590	1,170,925
New assets originated or purchased	434,768	87,765	9,736	532,269
Assets derecognised or repaid	(154,318)	(382,832)	(10,148)	(547,298)
Loans (written off) / recovered (net)	-	-	(13,782)	(13,782)
Transfers to Stage 1	15,213	(9,774)	(5,439)	-
Transfers to Stage 2	(172,615)	173,777	(1,162)	-
Transfers to Stage 3	(6,829)	(12,792)	19,621	-
Gross carrying amount	3,428,928	578,852	200,601	4,208,381

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	13,389	36,785	63,375	113,549
Expected credit losses recognised	14,850	85,400	33,857	134,107
Recoveries from expected credit losses	(15,343)	(678)	(12,559)	(28,580)
Net impairment charge / (release) (Note: 29)	(493)	84,722	21,298	105,527
Loans (written off) / recovered (net)	-	-	(20,446)	(20,446)
ECL on acquired assets	2,542	10,248	25,610	38,400
Transfers to Stage 1	3,022	(496)	(2,526)	-
Transfers to Stage 2	(170)	703	(533)	-
Transfers to Stage 3	(74)	(645)	719	-
ECL provision	18,216	131,317	87,497	237,030

9. LOANS, ADVANCES AND ISLAMIC FINANCINGS (NET) (CONTINUED)

The analysis of the changes in contractual interest not recognised is as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
Contractual interest not recognised		
Balance at beginning of year	**50,159**	28,424
Not recognised during the year	**22,696**	29,877
Written back due to recovery/write off	**(964)**	(8,142)
Balance at end of the year	**71,891**	50,159

All loans, advances and Islamic financings require payment of interest, some at fixed rates and others at rates that reprice prior to maturity. Interest reserve account is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and financings that are impaired. As of 31 December 2024, loans, advances and Islamic financings on which interest was not being accrued or where interest was reserved amounted to RO 219 million. (31 December 2023: RO 201 million).

Concentration of gross loans and advances by economic sector:

	31 December 2024 RO'000	31 December 2023 RO'000
Personal	**1,392,215**	1,410,506
Services	**657,831**	549,102
Construction	**493,205**	431,801
Manufacturing	**470,246**	391,170
Wholesale and retail	**441,565**	420,746
Mining and quarrying	**271,113**	171,115
Electricity, gas and water	**245,755**	160,611
Government	**219,428**	221,818
International trade	**176,125**	191,351
Financial institutions	**103,643**	126,961
Transport and communication	**102,832**	104,271
Agriculture and allied activities	**23,160**	13,344
Non - resident	**11,580**	11,453
Other	**7,962**	4,132
	4,616,660	4,208,381

10. OTHER ASSETS

	31 December 2024 RO'000	31 December 2023 RO'000
Acceptances	**21,200**	28,956
Prepayments	**2,128**	1,926
Receivables	**10,279**	10,118
Positive fair value of derivatives (Note: 36.2)	**11,086**	1,432
Others	**13,345**	11,156
	58,038	**53,588**

11. INVESTMENT PROPERTIES

Investment properties represent two vacant plots of land granted by the Government of Sultanate of Oman in 2008. The estimated fair value as at 31 December 2024 is in line with the carrying value.

12. PROPERTY AND EQUIPMENT

	Freehold land & Buildings RO'000	Software RO'000	Furniture and fixtures RO'000	Office equipment RO'000	Motor vehicles RO'000	Right-to-use assets RO'000	Capital work -in-progress RO'000	Total RO'000
Cost:								
1 January 2024	**51,265**	**29,481**	**23,659**	**15,504**	**1,178**	**20,968**	**10,526**	**152,582**
Additions/(disposals)	**-**	**2,881**	**387**	**275**	**-**	**2,811**	**-**	**6,353**
Transfers	**-**	**2,351**	**-**	**-**	**-**	**-**	**(2,351)**	**-**
As at 31 December 2024	**51,265**	**34,713**	**24,046**	**15,780**	**1,178**	**23,779**	**8,175**	**158,935**
Accumulated depreciation:								
1 January 2024	**14,427**	**16,911**	**18,551**	**12,322**	**1,072**	**13,728**	**-**	**77,011**
Depreciation	**98**	**2,458**	**1,406**	**930**	**32**	**-**	**-**	**4,924**
Amortisation	**-**	**-**	**-**	**-**	**-**	**2,636**	**-**	**2,636**
As at 31 December 2024	**14,525**	**19,369**	**19,957**	**13,252**	**1,104**	**16,364**	**-**	**84,571**
Net book value as at 31 December 2024	**36,740**	**15,344**	**4,088**	**2,527**	**74**	**7,415**	**8,175**	**74,364**

	Freehold land & Buildings RO'000	Software RO'000	Furniture and fixtures RO'000	Office equipment RO'000	Motor vehicles RO'000	Right-to-use assets RO'000	Capital work -in-progress RO'000	Total RO'000
Cost:								
1 January 2023	20,509	26,867	11,483	10,797	1,064	13,203	8,446	92,369
Additions/(disposals)	-	2,614	1,019	667	11	2,408	2,080	8,799
Assets acquired on business combination	30,756	-	11,157	4,040	103	5,357	-	51,414
As at 31 December 2023	51,265	29,481	23,659	15,504	1,178	20,968	10,526	152,582
Accumulated depreciation:								
1 January 2023	-	14,983	7,301	7,931	935	7,770	-	38,920
Depreciation	49	1,928	1,141	841	41	-	-	4,000
Amortisation	-	-	-	-	-	2,654	-	2,654
Assets acquired on business combination	14,378	-	10,109	3,550	96	3,304		31,437
As at 31 December 2023	14,427	16,911	18,551	12,322	1,072	13,728	-	77,011
Net book value as at 31 December 2023	36,838	12,570	5,108	3,182	106	7,240	10,526	75,571

13. INTANGIBLE ASSETS

The PPA exercise conducted during the measurement period post-merger with HSBC resulted in the identification of a core deposit intangible (CDI) and customer relationships intangible. CDI is a unique intangible to the banking sector and is intended to capture the benefit of having access to a cheap source of funding as there is typically inherent value in certain deposit products and customer segments with relatively low-cost structure and high customer loyalty. The value of the CDI is derived from the difference between the costs of the core deposit compared with the most favourable market alternative which represents marginal cost of funds that the Bank has access to. The income approach - favourable source of funds method was used to arrive at the value for the CDI. This was calculated based on the present value of the difference between the cost of existing core deposits and cost of obtaining alternative funds, over the determined useful life of the core deposit base.

	31 December 2024 RO'000	31 December 2023 RO'000
Cost:		
1 January 2024	**68,311**	-
Assets acquired on business combination (Note: 40)	**10,863**	68,311
As at 31 December 2024	**79,174**	68,311
Amortisation:		
1 January 2024	**1,697**	-
Amortisation during the period (Note: 28)	**5,548**	1,697
	7,245	1,697
Net book value as at 31 December 2024	**71,929**	66,614

14. DUE TO BANKS

	31 December 2024 RO'000	31 December 2023 RO'000
Local currency:		
Money market borrowings	**-**	17,082
Demand balances	**31,723**	49,934
	31,723	67,016
Foreign currency:		
Money market borrowings	**500,905**	574,690
Demand balances	**37,685**	34,414
	538,590	609,104
	570,313	676,120

Foreign currency money market borrowings include bank borrowings amounting to RO 354.2 million (December 2023: RO 354.2 million) with underlying collateral in the form of USD Treasury bills of RO 354.2 million (December 2023: RO 354.2 million).

15. CUSTOMER DEPOSITS

	31 December 2024 Conventional banking RO'000	Islamic banking RO'000	Total RO'000	31 December 2023 Conventional banking RO'000	Islamic banking RO'000	Total RO'000
Demand deposits	**2,682,958**	**174,128**	**2,857,086**	2,536,020	123,265	2,659,285
Term deposits	**1,522,152**	**310,412**	**1,832,564**	1,253,587	277,561	1,531,148
Saving deposits	**863,053**	**210,794**	**1,073,847**	736,699	103,730	840,429
Margin accounts	**11,416**	**2,127**	**13,543**	69,925	2,258	72,183
Total	**5,079,579**	**697,461**	**5,777,040**	4,596,231	506,814	5,103,045

16. OTHER LIABILITIES

	Note:	31 December 2024 RO'000	31 December 2023 RO'000
Other accruals and provisions		**45,049**	47,482
Income tax provision	*30.b*	**24,515**	6,178
Acceptances		**21,200**	28,956
Deferred tax liability (net)	*30.c*	**11,608**	10,893
Staff entitlements		**3,312**	3,499
Lease liability on right-of-use assets		**7,013**	5,736
ECL provision on loan commitments financial guarantees & acceptances		**1,754**	1,572
Negative fair value of derivatives	*36.2*	**641**	3,165
		115,092	107,481
Staff entitlements:			
End of service benefits		**1,515**	1,429
Other liabilities		**1,797**	2,070
		3,312	3,499
Movement in the end of service benefits liability			
At 1 January		**1,429**	595
Expenses recognised in the profit or loss		**368**	1,410
End of service benefits paid		**(282)**	(576)
		1,515	1,429

17. SHARE CAPITAL AND SHARE PREMIUM

The authorised share capital of the Bank is RO 1 billion (31 December 2023: RO 1 billion). The issued shares of the Bank are 6,617,246,270 shares (31 December 2023: 5,467,888,500 shares) The fully paid-up capital of the Bank is RO 702.508 million (31 December 2023: RO 561.572 million).

In the Annual General Meeting held on 28 March 2024, the shareholders approved the distribution of bonus shares at the rate of 1.95% of the Bank's paid up capital amounting to RO 10,935,777. The number of bonus shares issued to shareholders was 2 shares for every 100 shares held, resulting in an increase in the issued shares of 109,357,770.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

On 24 November 2024, the Bank completed the issuance of 1,040,000,000 shares through rights issue to its existing shareholders at a price of 127 baisa per share, including 2 baisa per share to cover the rights issue expenses, resulting in an increase in paid up capital of RO 130 million.

The percentage shareholdings of the Bank as at 31 December is as follows:

	2024	*2023*
Royal Court Affairs	19.4	13.8
Oman Investment and Finance SAOG (OIFC)	13.1	13.0
The Seventh Moon Investment LLC	6.4	7.6
Neptune National Investments LLC	5.5	6.6
Western Sea Investments LLC	5.4	6.4
Others (widely spread)	50.2	52.6
Total	**100**	**100**

The share premium of RO 18.038 million (31 December 2022: RO 18.038 million) represents premium collected on rights shares issued prior to 2019.

17.a Proposed dividend

For the year ended 31 December 2024 the Board of Directors propose a cash dividend of 8 baisa per share amounting to RO 52.94 million (31 December 2023: cash dividend of 5.5 baisa per share amounting to RO 30.07 million and bonus shares of 2 baisa per share amounting to RO 10.94 million). The proposed dividend is subject to approval of the shareholders at the Annual General Meeting. The proposed cash dividend is a deduction from CET 1 capital for the purpose of calculating the Bank's capital adequacy ratios (note 38). Bonus shares are an appropriation from retained earnings with no impact on CET1 capital.

18. LEGAL RESERVE

In accordance with the Commercial Companies Law of Oman., an annual appropriation of 10% of the profit for the year is required to be made to legal reserve until such time that the accumulated reserve is equal to at least one third of the Bank's issued share capital.

19 OTHER RESERVES

	General reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Fair value reserve on acquisition RO'000	Subordinated loan reserve RO'000	Total RO'000
Balance as at 1 January 2024	988	(568)	5,464	(11,411)	-	(5,527)
Transfer to retained earnings	-	-	-	-	-	
Net changes in fair value of equity and debt instruments at FVOCI	-	(1,108)	-	-	-	(1,108)
Balance as at 31 December 2024	**988**	**(1,676)**	**5,464**	**(11,411)**	**-**	**(6,635)**

19 OTHER RESERVES (CONTINUED)

	General reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Fair value reserve on acquisition RO'000	Subordinated loan reserve RO'000	Total RO'000
Balance as at 1 January 2023	988	(173)	5,464	-	485	6,764
Transfer to retained earnings	-	-	-	-	(485)	(485)
Net changes in fair value of equity and debt instruments at FVOCI	-	(410)	-	-	-	(410)
Fair value reserve on acquisition	-	-	-	(11,411)	-	(11,411)
Reclassification of net changes in fair value of equity instruments upon de-recognition	-	15	-	-	-	15
Balance as at 31 December 2023	988	(568)	5,464	(11,411)	-	(5,527)

19.a General reserve

General reserve was created to cover the losses incurred by Sohar Islamic window for the year 2013 and 2014. Sohar Islamic subsequently reported net profits and no further allocation is required.

19.b Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of the investment securities held as FVOCI net of applicable income tax until the investment is derecognised, sold or impaired.

19.c Impairment reserve

As per the CBO circular BM 1149, in the year of adoption, if IFRS9 based provision for impairment is lower than the provision for the impairment as per regulatory guidelines, the excess, shall be transferred as appropriation from profit for the year to a regulatory reserve "Impairment reserve" under shareholder's equity. In subsequent years, if IFRS9 based provision for impairment is lower than provision for impairment as regulatory guidelines, the excess shall be transferred as appropriation from profit for the year to the Impairment reserve.

The regulatory impairment reserve cannot be used by the Bank for capital adequacy calculation or for declaration of any dividends. Utilization of the impairment reserve created above would require prior approval of the Central Bank of Oman.

19.d Fair value reserve on acquisition

The fair value reserve on acquisition represents the difference between the fair value and the issuance value of the ordinary share issued to the shareholders of HBON on the merger date. The quoted market price at date of merger was 108 baisa per share compared to the issue price of 121 baisa per share.

20. Perpetual Tier 1 Capital Securities

On 14 March 2019, the Bank issued perpetual tier 1 capital securities amounting to RO 100 million. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.50% with interest rate reset at five-year intervals. The interest is payable semi-annually in arrears and treated as a deduction from equity. RO 3.740 million was paid as interest for the period ended 31 December 2024 (31 December 2023: RO 7.500 million,) and is recognised in the statement of changes in equity.

On 28th February 2024, the Bank at its discretion and after prior consent from the relevant regulatory authority, exercised its option to redeem the securities in full on the first Call Date, i.e. the 5th anniversary of the issuance date being 14 March 2024.

21. CONTINGENT LIABILITIES AND COMMITMENTS

21.a Contingent liabilities

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers, contingent upon the failure of the customer to perform under the terms of a specified contract.

	31 December 2024 RO'000	31 December 2023 RO'000
Guarantees	**503,920**	570,214
Documentary letters of credit	**63,518**	103,651
	567,438	673,865

21.b Commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees designed to meet the requirements of the Bank's customers. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, other termination clauses, and payment of a fee. Since commitments may expire without being drawn, the total contracted amounts do not necessarily represent future cash obligations.

	31 December 2024 RO'000	31 December 2023 RO'000
Capital commitments	**2,597**	2,962
Credit related commitments	**874,617**	975,366
	877,214	978,328

Analysis of changes in the gross carrying amount and corresponding ECL provision on credit related commitments, contingent liabilities and acceptances:

	31 December 2024 RO'000	31 December 2023 RO'000
Contingent liabilities	**567,438**	673,865
Credit related commitments	**874,617**	975,366
Acceptances	**21,200**	28,956
Gross carrying amount	**1,463,255**	1,678,187

21. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

The analysis of changes in the gross carrying amount and corresponding ECL allowance on loan commitments, financial guarantees and acceptances is as follows:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2024	**1,618,895**	**56,515**	**2,777**	**1,678,187**
Additions during the year	**573,875**	**-**	**-**	**573,875**
Derecognised or repaid	**(752,798)**	**(34,595)**	**(1,414)**	**(788,807)**
Transfers to Stage 1	**13,000**	**(12,795)**	**(205)**	**-**
Transfers to Stage 2	**(25,515)**	**25,516**	**(1)**	**-**
Transfers to Stage 3	**(465)**	**-**	**465**	**-**
As at 31 December 2024	**1,426,992**	**34,641**	**1,622**	**1,463,255**

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	**741**	**477**	**354**	**1,572**
Expected credit losses recognised	**600**	**131**	**476**	**1,207**
Recoveries from expected credit losses	**(198)**	**(114)**	**(8)**	**(320)**
Net impairment charge/ (release) (Note: 29)	**402**	**17**	**468**	**887**
Written off	**-**	**-**	**(705)**	**(705)**
Transfers to Stage 1	**149**	**(50)**	**(99)**	**-**
Transfers to Stage 2	**(1)**	**1**	**-**	**-**
Transfers to Stage 3	**(481)**	**(230)**	**711**	**-**
As at 31 December 2024	**810**	**215**	**729**	**1,754**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
As at 1 January 2023	871,116	28,043	2,594	901,753
Assets acquired	935,147	-	-	935,147
Additions during the year	129,506	5,524	108	135,138
Derecognised or repaid	(286,923)	(6,743)	(185)	(293,851)
Transfers to Stage 1	87	(87)	-	-
Transfers to Stage 2	(29,891)	29,891	-	-
Transfers to Stage 3	(147)	(113)	260	-
As at 31 December 2023	1,618,895	56,515	2,777	1,678,187

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	330	213	1,147	1,690
Expected credit losses recognised	535	268	-	803
Recoveries from expected credit losses	(124)	(22)	(831)	(162)
Net impairment charge/ (release) (Note: 29)	411	246	(831)	(174)
Written off	-	-	56	56
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	19	(19)	-
Transfers to Stage 3	-	(1)	1	-
As at 31 December 2023	741	477	354	1,572

22. LITIGATION

Litigation is a common occurrence in the Banking industry due to the nature of the business it undertakes. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes provision for such loss within its financial statements. No provision (2023: Nil) has been made as at 31 December 2024, as professional advice indicates that it is unlikely that any significant loss will arise.

23. NET ASSETS PER SHARE

The calculation of net assets per share is based on net assets of RO 898.306 million as at 31 December 2024 (31 December 2023: RO 702.074 million) attributable to ordinary shareholders of 6,617,246,270 ordinary shares (31 December 2023: 5,467,888,500 ordinary shares), being the number of shares outstanding as at 31 December 2024.

24. INTEREST INCOME

	31 December 2024 RO'000	31 December 2023 RO'000
Loans and advances	**196,529**	173,351
Investment securities	**92,682**	51,796
Due from banks	**25,247**	14,985
	314,458	240,132

25. INTEREST EXPENSE

	31 December 2024 RO'000	31 December 2023 RO'000
Customer deposits	**112,382**	84,285
Due to banks	**32,036**	37,393
	144,418	121,678

26. NET INCOME FROM ISLAMIC FINANCING AND INVESTING ACTIVITIES

Gross income

	31 December 2024 RO'000	31 December 2023 RO'000
Financings	**31,484**	24,720
Due from banks	**3,788**	754
Investment securities	**1,530**	1,532
	36,802	27,006
Profit paid		
Customer deposits	**24,921**	17,943
Due to banks	**928**	1,638
	25,849	19,581
Net income from Islamic financing and investing activities	**10,953**	7,425

27. OTHER OPERATING INCOME

	December 31 2024 RO'000	December 31 2023 RO'000
Fee and commission income	**43,223**	24,434
Fee and commission expense	**(4,561)**	(3,078)
Net gains from foreign exchange	**24,380**	17,583
Dividend income	**253**	273
Bad debt recovery	**5**	5
Realised gains on investments	**129**	49
Unrealised gains /(loss) on FVTPL investments	**524**	(1,738)
	63,953	37,528

28. OTHER OPERATING EXPENSES

	31 December 2024 RO'000	31 December 2023 RO'000
Operating and administration costs	**24,338**	21,460
Amortisation of intangible asset (Note: 13)	**5,548**	1,697
Amortisation of right-to-use assets (Note: 12)	**2,636**	2,654
Occupancy cost	**2,020**	1,797
Directors' remuneration	**300**	300
Directors sitting fees	**65**	67
Shari'a supervisory board remuneration and sitting fees	**51**	49
	34,958	28,024

29. LOAN IMPAIRMENT CHARGES AND OTHER CREDIT RISK PROVISIONS, NET

	Note:	31 December 2024 RO'000	31 December 2023 RO'000
Net impairment charge/(release):			
Loans, advances and Islamic financings (net)	9	**36,898**	105,527
Contingent liabilities and commitments	21	**887**	(174)
Due from banks	7	**(5)**	496
Debt securities at amortised cost	8.3	**80**	(342)
Debt securities at FVOCI	8.2	**-**	(438)
		37,860	105,069

30. TAXATION

30.a Income tax expense

The Bank is liable for income tax for the year in accordance with the income tax laws of the Sultanate of Oman at the rate of 15% on its taxable profits.

	31 December 2024 RO'000	31 December 2023 RO'000
Profit before tax for the year	**117,911**	73,161
Income tax @ 15%	**17,687**	10,974
Tax impact of:		
Non-deductible expenses/losses	**141**	273
Tax exempt income	**(98)**	(8,421)
	17,730	2,826
Income tax expense movements:		
Current year	**18,635**	2,985
Deferred tax	**(905)**	(159)
Income tax expense	**17,730**	2,826

30.b Income tax provision

Tax assessments of the Bank until 2020 have been completed. The Bank is of the opinion that additional taxes, if any, related to the open tax year 2021 to 2023 would not be significant to the financial position of the Bank as at 31 December 2024.

	31 December 2024 RO'000	31 December 2023 RO'000
Balance at the beginning of the year	**6,178**	6,594
Charge during the year	**18,635**	2,985
Paid during the year	**(298)**	(3,401)
Balance at the end of the year	**24,515**	6,178

30.c Deferred tax liability (net)

	31 December 2024 RO'000	31 December 2023 RO'000
Balance at the beginning of the year	**10,893**	1,186
Current year	**(905)**	(159)
Arising from gain on bargain purchase	**1,620**	9,866
Balance at the end of the year	**11,608**	10,893
Deferred tax asset	**(864)**	(1,086)
Deferred tax liability	**12,472**	11,979
Balance at the end of the year	**11,608**	10,893

31. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the year. Diluted earnings per share are equivalent to basic earnings per share.

	31 December 2024 RO'000	31 December 2023 RO'000
Profit for the year	**100,181**	70,335
Less: Interest paid on perpetual tier 1 capital securities	**(3,740)**	(7,500)
	96,441	62,835
Weighted average number of shares outstanding during the year (in '000)	**5,665,929**	5,026,501
Basic earnings per share for the year (baisa)	**17.02**	12.50

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS

The following table compares the provision held as per IFRS 9 versus CBO circular BM 977

31 December 2024

Classification: CBO	**IFRS 9**	**Gross Carrying amount RO'000**	**CBO Provision[ii] RO'000**	**IFRS9 Provisions RO'000**	**Difference RO'000**	**Net carrying amount RO'000**	**CBO Reserve interest[iii] RO'000**
		(1)	(2)	(3)	(4) = (2)-(3)	(5) = (1)-(3)	
Standard	Stage 1	3,634,417	49,143	15,964	33,179	3,618,453	-
	Stage 2	106,154	1,139	90,180	(89,041)	15,974	-
	Stage 3	-	-	-	-	-	-
Sub Total		3,740,571	50,282	106,144	(55,862)	3,634,427	-
Special mention	Stage 1	86,978	744	2,531	(1,787)	84,447	-
	Stage 2	570,057	10,304	91,319	(81,015)	478,738	19,760
	Stage 3	1	-	1	(1)	-	-
Sub Total		657,036	11,048	93,851	(82,803)	563,185	19,760
Sub standard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	17,910	3,743	5,669	(1,926)	12,241	169
Sub Total		17,910	3,743	5,669	(1,926)	12,241	169
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	11,828	3,687	3,302	385	8,526	449
Sub Total		11,828	3,687	3,302	385	8,526	449
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	189,315	146,789	137,886	8,903	51,429	51,512
Sub Total		189,315	146,789	137,886	8,903	51,429	51,512
Gross Loans, advances and Islamic financings							
	Stage 1	3,721,395	49,887	18,495	31,392	3,702,900	-
	Stage 2	676,211	11,443	181,499	(170,056)	494,712	19,760
	Stage 3	219,054	154,219	146,858	7,361	72,196	52,131
Sub Total		4,616,660	215,549	346,852	(131,303)	4,269,808	71,891
Due from banks, Investment securities, Loan commitments & Financial Guarantees [i]	Stage 1	4,100,020	-	1,399	(1,399)	4,098,621	-
	Stage 2	42,864	-	305	(305)	42,559	-
	Stage 3	1,622	-	729	(729)	893	-
Sub Total		4,144,506	-	2,433	(2,433)	4,142,073	-
	Stage 1	7,821,415	49,887	19,894	29,993	7,801,521	-
	Stage 2	719,075	11,443	181,804	(170,361)	537,271	19,760
	Stage 3	220,676	154,219	147,587	6,632	73,089	52,131
	Total	8,761,166	215,549	349,285	(133,736)	8,411,881	71,891

[i]Other items not covered under CBO circular BM 977 and related instructions.
[ii]CBO reserve interest equals IFRS 9 interest in suspense / contractual interest and profit rate not recognised.
[iii]CBO provisions exclude reserve interest / contractual interest and profit rate not recognised.

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Classification: CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision[ii] RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	CBO Reserve interest[iii] RO'000
		(1)	(2)	(3)	(4) = (2)-(3)	(5) = (1)-(3)	
Standard	Stage 1	3,345,357	40,198	16,484	23,714	3,328,873	-
	Stage 2	96,133	1,071	100,024	(98,953)	(3,891)	-
	Stage 3	-	-	-	-	-	-
Sub Total		3,441,490	41,269	116,508	(75,239)	3,324,982	-
Special mention	Stage 1	83,571	733	1,733	(1,000)	81,838	-
	Stage 2	482,719	11,008	31,292	(20,284)	451,427	-
	Stage 3	-	-	-	-	-	-
Sub Total		566,290	11,741	33,025	(21,284)	533,265	-
Sub standard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	10,168	2,475	3,620	(1,145)	6,548	110
Sub Total		10,168	2,475	3,620	(1,145)	6,548	110
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	18,779	9,224	6,393	2,831	12,386	1,030
Sub Total		18,779	9,224	6,393	2,831	12,386	1,030
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	171,654	127,422	127,643	(221)	44,011	49,019
Sub Total		171,654	127,422	127,643	(221)	44,011	49,019
Gross Loans, advances and Islamic financings							
	Stage 1	3,428,928	40,931	18,217	22,714	3,410,711	-
	Stage 2	578,852	12,079	131,316	(119,237)	447,536	-
	Stage 3	200,601	139,121	137,656	1,465	62,945	50,159
Sub Total		4,208,381	192,131	287,189	(95,058)	3,921,192	50,159
Due from banks, Investment securities, Loan commitments & Financial Guarantees[i]	Stage 1	3,958,914	-	739	(739)	3,958,175	-
	Stage 2	72,241	-	477	(477)	71,764	-
	Stage 3	10,822	-	354	(354)	10,468	-
Sub Total		4,041,977	-	1,570	(1,570)	4,040,407	-
	Stage 1	7,387,842	40,931	18,956	21,975	7,368,886	-
	Stage 2	651,093	12,079	131,793	(119,714)	519,300	-
	Stage 3	211,423	139,121	138,010	1,111	73,413	50,159
	Total	8,250,358	192,131	288,759	(96,628)	7,961,599	50,159

[i] Other items not covered under CBO circular BM 977 and related instructions.
[ii] CBO reserve interest equals IFRS 9 interest in suspense / contractual interest and profit rate not recognised.
[iii] CBO provisions exclude reserve interest / contractual interest and profit rate not recognised.

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of impact of taxation, will be transferred to an impairment reserve as an appropriation from the retained earnings. The Bank generally transfers this amount at year end, if applicable.

CBO circular BSD/CB & FLC/2022/001, provided temporary dispensation from the requirement for the year ended 31 December 2022.

31 December 2024	CBO RO'000	IFRS 9 RO'000	Difference RO'000
Loan impairment charges and other credit risk provisions (net)	**37,860**	**37,860**	**-**
Total ECL provision and contractual interest/profit rate not recognised	**287,440**	**349,285**	**61,845**
Gross NPL ratio	**4.74**	**4.74**	**-**
Net NPL ratio	**0.57**	**1.69**	**1.12**

31 December 2023	CBO RO'000	IFRS 9 RO'000	Difference RO'000
Loan impairment charges and other credit risk provisions (net)	105,069	105,069	-
Total ECL provision and contractual interest/profit rate not recognised	242,290	288,759	46,469
Gross NPL ratio	4.77	4.77	-
Net NPL ratio	0.29	1.61	1.32

(NPL ratio denominator is funded non-performing loans, advances and Islamic financings).

Comparison of ECL provision under IFRS 9 and extant CBO norms:

	31 December 2024		31 December 2023	
	RO'000	RO'000	RO'000	RO'000
	CBO	**IFRS 9**	CBO	IFRS 9
Gross loans advances and Islamic financings	**203,357**	**274,961**	192,131	237,030
Due from banks	**-**	**492**	-	496
Investment securities (amortised cost)	**-**	**188**	-	108
Loan commitments and financial guarantees	**-**	**1,754**	-	966
Total ECL	**203,357**	**277,395**	192,131	238,600
Contractual interest/profit rate not recognised	**71,890**	**71,891**	50,159	50,159
Total ECL provision and contractual interest/profit rate not recognised	**275,247**	**349,286**	242,290	288,759

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of changes in the IFRS 9 ECL provision on Due from banks, Loans, advances and Islamic financings (net) (excluding contractual interest/profit not recognised), Investment securities and Loan commitments and financial guarantees.

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
At 1 January 2024	**18,954**	**131,794**	**87,851**	**238,600**
Impairment charge	**2,909**	**33,736**	**16,936**	**53,581**
Impairment release	**(3,646)**	**(1,620)**	**(10,455)**	**(15,721)**
(Written off)/Recovered (net)	**-**	**-**	**934**	**934**
Transfers to Stage 1	**3,096**	**(1,320)**	**(1,776)**	**-**
Transfers to Stage 2	**(178)**	**310**	**(132)**	**-**
Transfers to Stage 3	**(1,243)**	**(855)**	**2,098**	**-**
Total ECL provision	**19,892**	**162,045**	**95,456**	**277,394**

Restructured loans:

Loans with renegotiated terms are defined as loans, advances and financings that have been restructured due to deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

31 December 2024

Classification: CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
	Stage 1	**142,746**	**1,859**	**2,593**	**(734)**	**140,154**
	Stage 2	**236,900**	**6,708**	**22,241**	**(15,533)**	**214,659**
Classified as performing	Stage 3	**-**	**-**	**-**	**-**	**-**
Sub Total		**379,646**	**8,567**	**24,834**	**(16,267)**	**354,813**
	Stage 1	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**
Classified as non-performing	Stage 3	**58,627**	**21,548**	**33,215**	**(11,617)**	**25,412**
Sub Total		**58,627**	**21,548**	**33,215**	**(11,617)**	**25,412**
	Stage 1	**142,746**	**1,859**	**2,593**	**(734)**	**140,154**
Total	Stage 2	**236,900**	**6,708**	**22,241**	**(15,533)**	**214,659**
	Stage 3	**58,627**	**21,548**	**33,215**	**(11,617)**	**25,412**
Total		**438,273**	**30,115**	**58,049**	**(27,934)**	**380,225**

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Classification: CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
31 December 2023						
	Stage 1	130,846	1,595	1,860	(265)	128,986
	Stage 2	169,861	8,041	14,383	(6,342)	155,478
Classified as performing	Stage 3	-	-	-	-	-
Sub Total		300,707	9,636	16,243	(6,607)	284,464
	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
Classified as non-performing	Stage 3	55,961	17,586	19,777	(2,191)	36,184
Sub Total		55,961	17,586	19,777	(2,191)	36,184
	Stage 1	130,846	1,595	1,860	(265)	128,986
Total	Stage 2	169,861	8,041	14,383	(6,342)	155,478
	Stage 3	55,961	17,586	19,777	(2,191)	36,184
Total		356,668	27,222	36,020	(8,798)	320,648

In addition to the above, loan outstandings of customers whose credit facilities were rescheduled as per the COVID19 guidelines of Central Bank of Oman amount to 349,189 (Stage 1: 126,203, Stage 2: 219,820, Stage 3: 3,166) with an impairment allowance of 28,838 (Stage 1: 1,834, Stage 2: 26,307, Stage 3: 697). In 2023, loan outstandings of customers whose credit facilities were rescheduled as per the COVID19 guidelines of Central Bank of Oman amount to 384,885 (Stage 1: 193,129, Stage 2: 189,362, Stage 3: 2,394) with an impairment allowance of 33,097 (Stage 1: 5,476, Stage 2: 27,128, Stage 3: 493).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value (FV) 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:

i) In the accessible principal market for the asset or liability; or
ii) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument without modification or repacking.
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

Estimation of fair values

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

Loans, advances and financings

Fair value is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that do not have fixed repayment dates or that are subject to prepayment risk, repayments are estimated based on experience in previous periods when interest rates were at levels similar to current levels, adjusted for any differences in interest rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

Investment securities carried at amortised cost and derivatives

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date.

Bank and customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

Other on-balance sheet financial instruments

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

Off-balance sheet financial instruments

No fair value adjustment is made with respect to credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams materially reflect contractual fees and commissions actually charged at the reporting date for agreements of similar credit standing and maturity.

The Bank considers that the fair value of financial instruments is not significantly different to their carrying value (including accrued interest) at year end. The table below sets out the classification and fair value of each class of financial assets and liabilities including accrued interest.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2024 Assets	Amortised cost RO'000	FVOCI RO'000	FVTPL RO'000	Total Carrying value RO'000	Total Fair value RO'000
Cash and balances with Central Bank	202,953	-	-	202,953	202,953
Due from banks	561,730	-	-	561,730	561,730
Investment securities	370,349	1,710,400	38,280	2,119,029	2,119,029
Loans, advances and Islamic financings (net)	4,269,808	-	-	4,269,808	4,262,418
Other assets (excluding prepayments)	55,624	-	268	55,892	55,892
Total	**5,460,464**	**1,710,400**	**38,548**	**7,209,412**	**7,202,022**
Liabilities					
Due to banks	570,313	-	-	570,313	570,313
Customer deposits	5,661,780	-	115,260	5,777,040	5,845,351
Other liabilities (excluding accruals and provisions)	69,404	-	641	70,045	70,045
Total	**6,301,497**	-	**115,901**	**6,417,398**	**6,485,709**

At 31 December 2023 Assets	Amortised cost RO'000	FVOCI RO'000	FVTPL RO'000	Total Carrying value RO'000	Total Fair value RO'000
Cash and balances with Central Bank	205,669	-	-	205,669	205,669
Due from banks	652,004	-	-	652,004	652,004
Investment securities	395,925	1,223,340	91,917	1,711,182	1,711,182
Loans, advances and Islamic financings (net)	3,932,603	-	-	3,932,603	3,932,603
Other assets (excluding prepayments)	50,230	-	1,432	51,662	51,662
Total	5,236,431	1,223,340	93,349	6,553,120	6,553,120
Liabilities					
Due to banks	676,120	-	-	676,120	676,120
Customer deposits	4,893,650	-	209,395	5,103,045	5,104,816
Other liabilities (excluding accruals and provisions)	56,228	-	3,165	59,393	59,393
Total	5,625,998	-	212,560	5,838,558	5,840,329

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value at the end of the reporting year:

31 December 2024	Investment securities RO'000	Positive FV of derivatives RO'000	Negative FV of derivatives RO'000	Customer deposits RO'000	Total RO'000
Level 1	4,396	-	-	-	4,396
Level 2	1,743,784	268	(641)	115,260	1,858,671
Level 3	498	-	-	-	498
	1,748,678	**268**	**(641)**	**115,260**	**1,863,565**

31 December 2023	Investment securities RO'000	Positive FV of derivatives RO'000	Negative FV of derivatives RO'000	Customer deposits RO'000	Total RO'000
Level 1	549	-	-	-	549
Level 2	1,314,208	1,432	(3,165)	209,355	1,521,830
Level 3	500	-	-	-	500
	1,315,257	1,432	(3,165)	209,355	1,522,879

Level 3 investment securities are investments in shares of an unquoted company, the shares of which are thinly traded. The management values the investment using net asset value of the investee based on the investee's financial statements, plus an applicable premium. Management considers the carrying value of the investment to approximate its fair value as a significant portfolio of the underlying investments of the investee company (a major turnkey project) is currently in the construction phase. Therefore, the carrying value is representative of fair value of the investments.

34. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank enters transactions with certain of its directors, shareholders, senior management, Shari'a supervisory board, Shari'a reviewer and companies in which they have a significant interest. These transactions are conducted on an arm's length basis and are approved by the Bank's management and Board of Directors.

Aggregate amount of balances and the income and expenses generated with such related parties:

	31 December 2024 RO'000	31 December 2023 RO'000
Directors & senior management		
Loans, advances and Islamic financings	**4,884**	4,569
Deposits	**3,528**	602
Interest income	**156**	167
Interest expense	**33**	33
Directors' sitting fees and remuneration	**365**	367
Shari'a Supervisory Board members	**51**	49
Other related parties		
Loans, advances and Islamic financing	**91,253**	94,158
Deposits	**10,654**	12,401
Interest income	**3,487**	4,760
Interest expense	**220**	293

Key management compensation:

Key management comprises of 7 (2023: 7) senior management executives. The Bank considers these members to be key management personnel for the purpose of IAS 24 Related Party Disclosures.

In the ordinary course of business, the Bank conducts transactions with certain of its key management personnel and companies in which they have a significant interest. The balances in respect of these related parties as at the reporting date are as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
Loans, advances and Islamic financings	**1,231**	1,295
Customer Deposits	**178**	48

34. RELATED PARTY TRANSACTIONS (CONTINUED)

The income and expenses, accrued or paid, in respect of these key management personnel as included in the Bank's statement of comprehensive income for the year are as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
Interest income	**36**	49
Interest expense	**1**	1
Salaries and other short-term benefits [1]	**3,658**	3,163
Post-employment benefits	**52**	45

[1] Certain components of key management compensation are paid on a deferral basis in accordance with regulatory guidelines.

The aggregate amount of balances and the income and expenses generated with shareholders holding 10% or more of the Banks' shares are as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
Loans, advances and Islamic financing	**16,978**	15,100
Deposits	**92**	38
Interest income	**668**	797
Interest expense	**-**	1

As at 31 December 2024, no loans to related parties are classified under stage 3 (31 December 2023: Nil)

35. FIDUCIARY ACTIVITIES

The Bank's fiduciary activities consist of portfolio and investment management and custodial services. The aggregated assets under management, which are not included in the Bank's statement of financial position as at 31 December 2024 is RO 1,173 million (31 December 2023: RO 411 million).

36. DERIVATIVES

In the ordinary course of business, the Bank enters 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 instruments, 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 or losses are included in the statement of comprehensive income. The derivative financial instruments used by the Bank are described below:

36. DERIVATIVES (CONTINUED)

36.1 Derivative product types

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counter parties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity, foreign currency or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

36.2 Derivatives held or issued for hedging purposes

As part of its asset and liability management the Bank uses derivatives for hedging purposes 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 statement of financial position exposures.

The Bank uses forward foreign exchange contracts, to hedge against specifically identified currency risks and to comply with the net open position limit as specified by CBO.

Strategic hedging is carried out for interest rate risk by monitoring the re-pricing of financial assets and liabilities and entering into interest rate swaps to hedge a proportion of the interest rate exposure. As strategic hedging does not qualify for special hedge accounting, the related derivatives are accounted for as trading instruments.

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

				Notional amounts by term to maturity		
At 31 December 2024	**Positive FV**	**Negative FV**	**Notional amount**	**Within 3 months**	**3 - 12 months**	**More than 1 year**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Forward foreign exchange purchase contracts	**55**	**119**	**949,811**	**902,745**	**10,399**	**36,667**
Forward foreign exchange sales contracts	**10,876**	**9**	**938,940**	**891,868**	**10,373**	**36,699**
Interest rate swaps	**155**	**513**	**115,500**	**-**	**38,500**	**77,000**
Total	**11,086**	**641**				

				Notional amounts by term to maturity		
At 31 December 2023	Positive FV	Negative FV	Notional amount	Within 3 months	3 - 12 months	More than 1 year
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Forward foreign exchange purchase contracts	123	14	489,696	484,473	5,223	-
Forward foreign exchange sales contracts	21	92	490,800	485,573	5,227	-
Interest rate swaps	1,288	3,059	221,750	57,750	77,000	77,000
Total	1,432	3,165				

36. DERIVATIVES (CONTINUED)

36.3 Fair value hedges

36.3a Interest rate swaps

The bank has entered into fixed-for-floating interest rate swap amounting to RO 211.750 million to manage the exposure for changes in fair value due to movements in market interest rates on certain fixed rate customer deposits which are not measured at FVTPL.

37. FINANCIAL RISK MANAGEMENT

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Such responsibility is discharged by the Board through four sub-committees being Executive Nomination & Remuneration Committee (ENRC), Board Audit Committee (BAC), Credit Approval Committee (CAC) and Board Risk Committee (BRC).

Executive Nomination & Remuneration Committee

The ENRC assists the Directors to discharge the Board's responsibilities of oversight and governance in relation to : (1) General Performance aspects of the Bank such as strategy setting and implementation, banking business, annual budget recommendations, information technology and generally to assist the board in reviewing business proposals and other related issues that require a detailed study and analysis. (2) HR, Nomination and Remuneration issues such as to provide direction and guidance to have the right CEO and Senior Management team and provide support and direction to the Bank and its stakeholders and ensure their interests are protected, etc.

Board Audit Committee

The main functions of BAC are to assess and review the financial reporting system of the Bank to ensure that the financial statements are correct, sufficient and credible. The Committee reviews with the Management the quarterly / annual financial statements before their submission to the Board for adoption. The Committee also reviews the adequacy of regulatory compliance, regulatory reporting, internal control systems and structure of Internal Audit and Compliance Departments. The Committee also holds discussions with the internal auditors / external auditors on significant finding on the control environment.

The role of Head of Internal Audit is to provide reasonable assurance that the management control framework used within the Bank is operating effectively. The role of Head of Compliance is to ensure that the Bank complies with all the Laws, rules and regulations as applicable under the regulatory framework in Sultanate of Oman and international best practice. Both heads report directly to the Audit committee of the Board.

Credit Approval Committee

The CAC approves facilities, which are above the lending mandate of Executive Credit Committee (ECC) of the management. The committee also reviews credit product policies, Lending policy, credit portfolio and existing credit facilities on annual basis. Detailed roles of the committees are covered in their respective charters.

Board Risk Committee

The BRC is vested with the Board's responsibilities of oversight and governance in relation to the risk performance of the Bank. The Committee is responsible for making recommendations to the Board of Directors on the risk appetite of the Bank in relation to credit, interest rate, market, liquidity and operational risk.

The committee ensures the implementation of risk strategy and policy in addition to ensuring that a robust risk framework is in place within the Bank which optimises the quality and return on deployment of assets. The Committee also provides guidance and direction on all credit, market, interest rate, liquidity and operational risk policy matters.

The Banks risk management policies focus on identification, measurement, monitoring and mitigation of risk, irrespective of its manner of manifestation. In this process, the Bank recognises that the dynamics of markets may necessitate decisions that may deviate on occasions from the principles of Credit Risk Management (CRM). For such requirements, minimal and requisite level of flexibilities are defined within the Risk Management policies, along with suitable and adequate safeguards/controls.

Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

There are sub-committees at management level for managing risks. The Asset and Liability Committee (ALCO) manages the risks in the balance sheet arising out of liquidity management, interest rates management as well as tenor of exposures taken by the Bank. ALCO provides management with guidance on managing these risks. Risk appetite is articulated through various limits, ratios and caps. Operational Risk and Information security risk is managed under the guidance of Management Risk Committee (MRC) at the management level. A separate ALCO has also been established to monitor the performance of the assets of Sohar Islamic. Model governance Committee manages the governance requirements of IFRS-9 model/standard, while and Stress Assets Management Committee monitors assets warranting enhanced monitoring. The Bank's MRC oversees the risk management functions across the Bank.

37.1 Credit risk

Credit risk is the risk of financial loss to the Bank if counterparty to a financial instrument fails to meet its contractual obligations. Credit risk represents the probability of default by any counterparty in repayment of principal obligations and / or servicing interest obligations in accordance with the set redemption schedule or terms of contract.

Management of credit risk

The Board of Directors manage credit risk through the Board Risk Committee (BRC) which is responsible for the overall risk framework of the Bank covering both conventional and Islamic banking. The Bank's Chief Risk Officer heads the Risk Management department with a direct reporting line to the Board Risk Committee. Credit risk management includes:

- Setting up a strong risk culture within the Bank through risk limits and boundaries, within the regulatory guidelines, for risk origination to be within the approved risk appetite of the Bank.
- Robust lending policy and governed delegation of authorities for both conventional and Islamic banking division.
- Time tested and a credit appraisal process which includes independent credit risk review of individual corporate credit proposals duly adhering the Bank's lending policy and through a Board approved retail products policy and template lending. Retail exceptions are reviewed by Credit Risk function.
- Robust Portfolio monitoring and periodic client level review through an independent Loan Review Mechanism reporting to Board Risk Committee
- Limiting concentrations of exposure to counterparties, geographic locations and industries (for loans and advances), and by issuer, market liquidity and country (for investment securities) to promote best practice throughout the Bank in the management of credit risk.

The Bank employs a range of policies and practices to mitigate credit risk. The Bank follows a risk mitigation practice of identifying business cash flows as the primary driver for the advances extended. These cash flows are then tested for sustainability over the tenor of the credit facility and a suitable mechanism is put in place to capture the same into the client account with the Bank. To cover unforeseen risk, which dries up the cash flows, additional tangible securities are taken such as Cash Margin, Mortgages, Equities etc. The Bank implements guidelines on the acceptability of specific classes of collateral credit risk mitigation. The principal types of collaterals for loans and advances are:

- Mortgages over Assets.
- Charges of assets under Murabaha agreements.
- Ownership/title of assets under Ijarah financing.
- Charges over business assets such as premises inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

All loans and advances of the Bank are regularly monitored to ensure compliance with the stipulated repayment terms. Those loans and advances are classified into one of the 5 risk classification categories: Standard, Special Mention, Substandard, Doubtful and Loss – as required by CBO regulations and guidelines. Further, as mandated by IFRS 9, the loans and advances are also classified into stage 1, stage 2, stage 3 based on significant increase in credit risk criteria / requirements of CBO circular BM 1149, including POCI assessment. There is a dedicated team to manage stress accounts with periodic review by risk management department with Management & Board Committees oversight.

Accounting for modification loss

For corporate customers the Bank added the simple interest accrued during the deferral period to the principal outstanding and either extended the original maturity period of the loan or increased the instalments at the end of the deferment period.

The Bank continues to monitor the stressed portfolio, which previously availed certain relaxation under CBO guidelines on deferral of credit facilities for effected borrowers. Prudent ECL provisioning on these credit facilities have been maintained and considered as part of the management overlay.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

Management of credit risk (continued)

Post-model adjustments and management overlays

Where appropriate, the Bank adjusts its ECL outside the Bank's regular modelling process to reflect management judgments in the form of management overlays, to reflect unforeseen and evolving credit risks not otherwise captured within the modelling parameters.

PMA are adjustments to the ECL that may occur because of management's assessment of the outcomes from the Bank's stress testing modelling of credit risk under various stressed macro-economic scenarios. Such scenarios consider for instance the impact of 100% upside, 100% downside and base case of the macro-economic weights assigned for ECL computation.

The Bank has internal governance frameworks and controls in place to assess the appropriateness of all post model adjustments, if any, and management overlays.

37.1a Sensitivity of impairment estimates

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

Net increase / (decrease) in carrying value for the year

	At 31 December 2024		At 31 December 2023	
	ECL	**Impact on ECL**	ECL	Impact on ECL
	RO'000	**RO'000**	RO'000	RO'000
ECL on non-impaired loans under IFRS9	**199,994**	**-**	138,129	-
Simulations				
Upside case - 100% weighted	**176,093**	**23,901**	126,023	12,106
Base case - 100% weighted	**182,541**	**17,453**	138,129	8,840
Downside scenario - 100% weighted	**193,517**	**6,477**	127,825	10,304

For computation of ECL, the Bank considers three scenario viz. base case, upside case and downside case with weightage of 34.1%, 32.95% and 32.95% respectively.

37.1b Exposure to credit risk

Impact on the Capital Adequacy

The Bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of above filter on the Bank's regulatory capital is 52 bps.

Although above measures are not exhaustive and may not fully counteract the impact of COVID-19 in the short run, they will mitigate the long-term negative impact of the pandemic. In response to this crisis, the Bank continues to monitor and respond to all liquidity and funding requirements. As at the reporting date the liquidity, funding and capital position of the Bank remains strong and is well placed to absorb the impact of the current disruption.

Low Credit Risk Exemption

Under IFRS 9, Stage 2 consists of facilities where there has been a significant increase in credit risk since initial recognition (unless they are classified under low credit risk at reporting date). The Bank measures loss allowance at an amount equal to the lifetime ECL, except for the below where 12 M ECL are applied:

- Sovereign (including quasi sovereign) exposures/debt investment securities that are determined to have low credit risk at the reporting date
- Other financial instruments on which Credit Risk has not significantly increased since initial recognition.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

The Bank does not apply low credit exemption to any other financial instruments.

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

	Performing RO'000	Past due but not impaired RO'000	Credit impaired RO'000	Total RO'000
31 December 2024				
Loans, advances and Islamic financings - corporate				
Performing loans (Grades 1-5)	2,136,221	75,247	-	2,211,468
Performing loans (Grades 6)	250,651	260,682	-	511,333
Performing loans (Grades 7)	-	327,093	-	327,093
Non-performing loans (Grades 8-10)	-	-	174,551	174,551
	2,386,872	663,022	174,551	3,224,445
Loans, advances and Islamic financings - retail				
Performing loans (Grades 1-5)	1,334,524	13,188	-	1,347,713
Performing loans (Grades 6)	-	-	-	-
Performing loans (Grades 7)	-	-	-	-
Non-performing loans (Grades 8-10)	-	-	44,502	44,502
	1,334,524	13,188	44,502	1,392,215
Total gross loans, advances and Islamic financings	3,721,396	676,210	219,053	4,616,660
Credit related contingent items				
Performing loans (Grades 1-5)	1,216,170	14,756	-	1,230,927
Performing loans (Grades 6)	210,822	11,209	-	222,031
Performing loans (Grades 7)	-	8,676	-	8,676
Non-performing loans (Grades 8-10)	-	-	1,622	1,622
Total gross contingent items to customers	1,426,992	34,642	1,622	1,463,256
Due from banks (Grades 1-5)	562,221	-	-	562,221
Investment securities (Grades1-5)	2,088,928	8,223	-	2,097,151
Cash and balances (BBB-)	202,953	-	-	202,953
Other assets (unrated)	58,038	-	-	58,038

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

	Performing RO'000	Past due but not impaired RO'000	Credit impaired RO'000	Total RO'000
31 December 2023				
Loans, advances and Islamic financings - corporate				
Performing loans (Grades 1-5)	1,522,166	68,563	-	1,590,729
Performing loans (Grades 6)	552,531	200,817	-	753,349
Performing loans (Grades 7)	-	290,528	-	290,528
Non-performing loans (Grades 8-10)	-	-	163,269	163,269
	2,074,697	559,908	163,269	2,797,875
Loans, advances and Islamic financings - retail				
Performing loans (Grades 1-7)	1,354,230	18,944	-	1,373,174
Non-performing loans (Grades 8-10)	-	-	37,332	37,332
	1,354,230	18,944	37,332	1,410,506
Total gross loans, advances and Islamic financings	3,428,927	578,853	200,601	4,208,381
Credit related contingent items				
Performing loans (Grades 1-5)	1,387,206	3,172	-	1,390,378
Performing loans (Grades 6)	217,417	16,782	-	234,199
Performing loans (Grades 7)	-	23,533	-	23,533
Non-performing loans (Grades 8-10)	-	-	1,120	1,120
Total gross contingent items to customers	1,604,623	43,487	1,120	1,649,231
Due from banks	652,500	-	-	652,500
Investment securities	1,700,471	8,223	-	1,708,694
Cash and balances (BB+)	205,669	-	-	205,669
Other assets (unrated)	53,588	-	-	53,588

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation, based on Moody's ratings or equivalent.

	31 December 2024 RO'000	31 December 2023 RO'000
Aaa	**13,332**	-
AA+	**1,509,284**	1,220,914
AA-	**5,736**	-
Ba2	**5,910**	5,915
Ba3	**8,190**	8,192
BBB-	**545,482**	473,673
Unrated bonds	**9,217**	-
Total	**2,097,151**	1,708,694

The following table shows the gross placements held with counterparties at the reporting date:

	31 December 2024 RO'000	31 December 2023 RO'000
Aaa1 to Aaa3	**246,127**	99,732
A1 to A3	**96,260**	120,553
Baa1 to Baa3	**139,061**	69,852
Ba1 to Ba3	**63,183**	113,124
B1 to Ca	**17,590**	249,239
Total	**562,221**	652,500

The Bank performs an independent assessment based on quantitative and qualitative factors in cases where a bank is unrated.

Maximum exposure to credit risk before collateral held or other credit enhancements for all on-balance sheet assets are based on net carrying amounts as reported in the statement of financial position.

The maximum credit risk exposures relating to off-balance sheet items calculated as per Basel guidelines are provided in note 38. The amounts represented in note 38 represent a worst-case scenario of credit risk exposure as of 31 December 2024 and 2023, without considering of any collateral held or other credit enhancements attached.

Impairment assessment

Definition of default and cure

A financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

Definition of default and cure (continued)

In assessing whether a borrower is in default, indicators like the following are considered:

- qualitative - e.g. breaches of covenant.
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer; 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.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances (in line with CBO circular BM 1149) that may indicate unlikeliness to pay. Such events include:

- Internal rating of the borrower indicating default or near-default and/or substantial downgrade of rating by atleast 2 rating grades
- Borrower is subject to litigation by third parties that may have a significant impact on his financial position
- A material decrease in the underlying collateral value
- A material covenant breach not waived by the Bank
- Unexplained delay in commencement of commercial operation
- Unreliable or delay in submission of financial statements the debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months which is six months for accounts classified as Stage 2. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Incorporation of forward-looking information

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

Given the nature of the Bank's exposures and availability of historical statistically reliable information, the Bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data computed from historical bank default data for each rating category. The Bank follows Roll rate estimation/ rating transition probabilities to calculate the through the cycle PDs and the PD term structure for calculating lifetime PiT PDs. Macroeconomic models are to adjust PDs to reflect the impact of the macroeconomic variables, thus making them forward looking. Bank has adopted Vasicek framework to transform through the cycle PD estimates into conditional PiT PDs.

The Bank's internal rating and PD estimation process

The Bank's independent Credit Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1 to 10 using 22 internal grades. Granular scales were implemented in 2021 as a part of the overall enhancement to the Obligor Risk Rating framework. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from Good Rating Agency.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

Generating the term structure of Probability of Default (PD)

The Bank employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has exposures.

The Bank's internal credit rating grades along with the respective PDs are as below:

Internal rating grades	Internal rating grade description	PD range (%)
1	Investment Grade	0.65%
2+	Investment Grade	0.8% - 1.00%
2	Investment Grade	
2-	Investment Grade	
3+	Investment Grade	1.11%-1.36%
3	Investment Grade	
3-	Investment Grade	
4+	Investment Grade	1.50%-1.90%
4	Investment Grade	
4-	Investment Grade	
5+	Investment Grade	2.16%-2.64%
5	Investment Grade	
5-	Investment Grade	
6+	Investment Grade	2.87%-3.31%
6	Investment Grade	
6-	Investment Grade	
7+	Sub Investment Grade	3.61%-5.80%
7	Sub Investment Grade	
7-	Sub Investment Grade	
8 to 10	Non-Performing	100%

Economic variable assumptions

The Bank obtains the data used from third party sources (Moody's) for Bank's macro-economic /ECL models and determines weights attributable to multiple scenarios. A correlation analysis has been performed among historical default rate of the portfolio with the macro-economic factors to identify the factors to be considered to compute the macro-economic impact. The macro-economic factors that are having good correlation with the historical movements of default rate are further put to regression analysis to identify the appropriate combination of macro-economic factors to be considered. Several macroeconomic variables (MEVs) were explored to decide on the best set of independent variables in order to explain the historical credit losses. These included Real GDP, Real GDP growth rate, Oil price, Unemployment, etc. Economic scenarios included the below key indicators in the base case for the Bank's portfolio:

		2025	2026
a)	Public external debt/Total external debt (%)	38.20	40.40
b)	Europe Brent Spot Price FOB (Dollar per barrel) Lag3	87.68	88.11
c)	Current-account balance/GD (%) Lag4	0.20	(0.50)
d)	Net foreign direct investment/GDP(%) Lag 2	5.77	5.57
e)	Gross Domestic Savings/GDP (%) Lag 2	41.05	41.46

Economic variable assumptions (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linear and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Treasury, trading and interbank relationships (FIG)

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's or equivalent, and assigns the rating.

Corporate and small business lending

For corporate and investment banking loans, the borrowers are assessed by the business teams duly complemented by an independent review by Credit Risk Management Team. The credit risk assessment is based on a robust credit scoring model that considers various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.
- The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

Exposure at default (continued)

To calculate the EAD for a Stage 1 loan, the exposure at default comprising of utilized balances and potential future exposures wherever applicable are considered for a 12Mecl calculation. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

Loss given default

LGD is the share of an asset that is lost when a borrower default. The recovery rate is defined as 1 minus the LGD, the share of an asset that is recovered when a borrower default. Loss given default is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination, if any.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. This comprehensive loan portfolio segmentation strategy enabled the Bank to quickly identify the underlying behaviours that drive credit risk. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Bank.

The Bank estimates regulatory and IFRS 9 LGD on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant Increase in Credit Risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Life Time ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the stress classification watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Bank would be guided by the requirements of regulator in this regard.

a. Inadequate or unreliable financial or other information such as unavailability of audited financial statements and non-cooperation by borrower in matters pertaining to documentation.
b. Borrower is subject to litigation by third parties that may have a significant impact on his financial position.
c. Frequent changes in key senior management personnel without acceptable successors or professional management.
d. Significant Intra Group transfer of funds without underlying transactions.
e. Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.
f. Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.
g. A fall of 25% or more in the turnover or in the EBIT as compared to the previous year except in the case of change in business model/one of material events.
h. A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.
i. 7 notch downgrade in Master Rating Scale (MRS) of the Bank along with associated downgrade in PD except for accounts rated as 1 at origination for which a 3 notch downgrade in sub investment grades.
j. Erosion in net worth by more than 20% compared to previous year coupled with increase in leverage by 1.5 times.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

Model risk management:

The Bank has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS9 accounting standards.

To manage the model risks, the Bank has established the Model Governance Committee thus building a robust framework around the governance of the ECL Models and all other such models that directly affect the financial reporting on Expected Loss (EL). Banks ECL Models were also subject to an independent third-party validation in 2022.

The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to The Framework must be approved by the BRC/ Board of Directors.

37.1c Collateral securities

The Bank holds collateral against loans, advances and financings in the form of mortgage interests over property, other registered securities, assets and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and updated once every three years (or at such extended intervals as may be permitted by the regulator from time to time), except when a loan is individually assessed as impaired. In appropriate cases, two valuation reports are also obtained for validation. The shares of MSX listed companies obtained as securities are valued minimum monthly unless the share price is highly volatile, in which case valuation is performed on a more frequent basis.

Estimate of the fair value of collateral and other security enhancements held against loans, advances and financings:

	31 December 2024 RO'000	31 December 2023 RO'000
Against past due but not impaired		
Property	**188,823**	212,067
Equity	**7,955**	6,997
Commercial mortgage	**147,865**	112,829
Vehicles	**475**	305
Fixed deposits	**648**	199
Total	**345,766**	332,397
Against past due and impaired		
Property	**156,308**	90,715
Commercial mortgage	**162,496**	51,755
Fixed deposits	**293**	337
Vehicles	**993**	477
Guarantees	**2,238**	1,658
Total	**322,328**	144,942
Against neither past due nor impaired		
Property	**1,061,536**	486,723
Commercial mortgage	**456,508**	397,400
Guarantees	**135,397**	104,000
Fixed deposits	**140,352**	13,834
Equity	**130,401**	66,392
Vehicles	**15,210**	6,635
Total	**1,939,404**	1,074,984
Total collateral held	**2,607,498**	1,552,323

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1d Settlement risk

Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

In foreign exchange trades, though there is fulfilment of both the legs of the transaction on the settlement date as is common practice between trading partners (free settlement), there will be risk on account of different time zones. In these cases, daily settlement limits shall control the aggregate size of FX notional amounts permitted to settle with a counterparty on any given settlement date.

37.1e Concentrations

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

The Bank manages its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains appropriate security.

Concentration of the gross credit exposure:

	31 December 2024			31 December 2023		
	Loans, advances and financings	Due from banks	Debt securities	Loans, advances and financings	Due from banks	Debt securities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Concentration by sector						
Corporate	**3,224,445**	**-**	**27,433**	2,809,678	-	14,107
Personal	**1,392,215**	**-**	**-**	1,398,703	-	-
Sovereign	**-**	**-**	**2,049,733**	-	-	1,694,587
Banks	**-**	**562,222**	**-**	-	652,500	-
	4,616,660	**562,222**	**2,077,166**	4,208,381	652,500	1,708,694
Concentration by location						
Middle East	**4,616,660**	**423,381**	**554,548**	4,199,334	339,224	487,780
Europe	**-**	**70,270**	**691,763**	9,047	258,885	434,090
North America	**-**	**107**	**830,855**	-	977	766,349
Asia	**-**	**68,464**	**-**	-	53,414	20,475
	4,616,660	**562,222**	**2,077,166**	4,208,381	652,500	1,708,694

Refer note 9 for analysis by economic sector

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1f Concentrations (continued)

Concentration by location for loans and advances is measured based on the location of the entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security. The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risk with banks or customers in a specific currency. It also obtains security when appropriate.

37.1g Revenue concentration

No revenue from transactions with a single external counterparty or customer amounted to 10% or more of the Bank's total revenue for the year ending 31 December 2024 and 31 December 2023 respectively.

37.2 Liquidity risk

Liquidity risk arises from the Bank's potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. There are two type of liquidity risks.

- Funding liquidity risk is the risk that a bank will be unable to pay its debts when due. In simple terms, it is the risk that the bank cannot meet the demand of customers wishing to withdraw their deposits.
- Market liquidity risk is the risk of not being able to sell assets in a timely fashion without having to offer a heavy discount. Funding liquidity issues can often lead to market liquidity risk and vice versa.

Management of Liquidity Risk

The Bank's approach to managing liquidity is to ensure that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank has a robust Liquidity Contingency Plan to facilitate management of liquidity under stressed conditions.

Liquidity risk management process involves identifying the key liquidity and funding risks to which the Bank is exposed; describing how these risks are identified, monitored and measured and describing the techniques and resources used to manage and mitigate these risks.

The Board defines the liquidity and funding risk strategy for the Bank as well as the risk appetite, based on recommendations made by the Bank's Risk Management Department. The Board reviews and approves the risk appetite annually.

The Bank's Treasury function is mandated to manage the overall liquidity and funding positions of the Bank, under the guidance and supervision of the ALCO. ALCO ensures that the Bank maintains adequate liquidity through the following:

- Establishing suitable limits on time-band based structural liquidity exposure ('Gaps'), through "gap limits" and "maximum cumulative outflow" controls.
- Ensuring 'crisis survivability', including the development of contingency plans which would include liquidity options such as the creation of an appropriate stock of highly liquid, unencumbered marketable assets; and borrowing facilities such as stand-by credit lines and committed facilities.

The Bank's RMD is responsible for reviewing the liquidity risk framework, proposing the risk appetite limits, and stress test scenarios to ALCO for guidance and approval.

Key Tools and Strategies for Liquidity Management:

The bank employs a variety of tools to maintain an optimal liquidity position, including:

1. Liquidity Gap Analysis: Regular assessment of liquidity gaps using internal and regulatory benchmarks to identify mismatches in cash inflows and outflows.
2. Stress Testing and Simulations: Periodic evaluations to simulate liquidity crises and assess the bank's ability to withstand stress scenarios. This includes ensuring adequate crisis survivability buffers.
3. Liquidity Early Warning Indicators (EWIs): A set of predefined indicators monitored by ALCO to detect potential liquidity risks early and enable proactive measures.
4. Regulatory Compliance: Adherence to standards such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to maintain a strong liquidity position in line with regulatory expectations.
5. Economic Capital Assessment: As part of the Internal Capital Adequacy Assessment Process (ICAAP), the bank evaluates liquidity sensitivity and provides results to regulators, including the Central Bank.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

37.2a Exposure to liquidity risk

Liquidity risk exposure arises from the bank's inability to meet its financial obligations as they become due without incurring unacceptable losses or impacting the bank's financial stability. To mitigate this risk, the bank employs both the stock approach and the cash flow approach for liquidity management:

- Stock Approach: This method involves the monitoring of key ratios such as liquid assets to total assets, loan-to-deposit ratios, and other metrics that assess the sufficiency of available liquidity buffers against the bank's obligations.
- Cash Flow Approach: This approach focuses on the comprehensive tracking of cash flow mismatches. It includes the measurement of critical liquidity ratios and the evaluation of the cumulative surplus or deficit of funds across specific time horizons using a maturity ladder. This ensures an accurate assessment of liquidity gaps and facilitates proactive management.

Regulatory Compliance with Liquidity Ratios

The bank adheres to regulatory requirements set by the Central Bank of Oman (CBO) to ensure robust liquidity risk management:

1. Liquidity Coverage Ratio (LCR):

- The bank maintains a liquidity coverage ratio of at least 100% as mandated by the CBO guidelines.
- The LCR ensures that the bank holds a sufficient stock of unencumbered high-quality liquid assets (HQLA) to withstand a significant short-term liquidity stress scenario lasting up to 30 days.
- High-quality liquid assets include cash, central bank reserves, and government securities that are easily convertible into cash under stressed market conditions.

2. Net Stable Funding Ratio (NSFR):

- The bank complies with the 100% NSFR requirement, which focuses on ensuring resilience over a longer time horizon.
- The NSFR evaluates the stability of the bank's funding profile by requiring that long-term assets are supported by stable funding sources, such as customer deposits, long-term wholesale funding, and capital.

These regulatory ratios are monitored on an ongoing basis to ensure that the bank is adequately prepared for both short-term and long-term liquidity risks.

3. Lending Ratio

The lending ratio, that measures total loans and advances to customer deposits plus capital, is monitored daily in line with regulatory guidelines. Internally the lending ratio threshold is set at a more conservative level than required by regulator. On a monthly frequency the Bank also manages its liquidity risk by monitoring the liquid ratio, i.e. net liquid assets to total assets. For this purpose, net liquid assets include cash and cash equivalents and investment grade debt securities for those securities that has an active and liquid market. The Bank has taken several initiatives to increase customer deposits progressively. Under the cash flow approach, the Bank spread it assets and liabilities over various time buckets based on a residual maturity basis.to ascertain liquidity gaps.

4. Liquidity Stress Testing and Contingency Planning

To further enhance liquidity risk management, the bank conducts regular stress testing to simulate extreme but plausible liquidity stress scenarios. These simulations assess the bank's ability to manage outflows under adverse conditions. The results are reviewed by the Asset and Liability Committee (ALCO) to implement any necessary contingency measures.

The bank also maintains a Liquidity Contingency Plan (LCP) to address unexpected liquidity crises. The LCP outlines the actions required to secure additional funding, prioritize essential payments, and preserve the bank's reputation during periods of stress.

The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) is calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The complete disclosures required under these circulars are available on the Investor Relations page of the Bank's website.

The maturity profile of the Bank's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. Gross nominal outflow includes contractual interest to maturity.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

37.2a Exposure to liquidity risk (continued)

	Carrying amount RO'000	Gross nominal outflow RO'000	Within 3 months RO'000	3 - 12 months RO'000	Over 1 year RO'000
31 December 2024					
Non – derivative liabilities					
Due to banks	**570,313**	**634,003**	**109,776**	**137,744**	**386,483**
Customer deposits	**5,777,040**	**5,885,510**	**3,952,044**	**940,050**	**993,417**
Other liabilities	**115,092**	**115,092**	**115,092**	**-**	**-**
Total	**6,462,445**	**6,634,605**	**4,176,912**	**1,077,794**	**1,379,900**

	Carrying amount RO'000	Gross nominal outflow RO'000	Within 3 months RO'000	3 - 12 months RO'000	Over 1 year RO'000
31 December 2023					
Non – derivative liabilities					
Due to banks	676,120	678,663	216,880	107,576	354,207
Customer deposits	5,103,045	5,253,025	3,821,242	721,688	710,095
Other liabilities	107,481	107,481	107,481	-	-
Total	5,886,646	6,039,169	4,145,603	829,264	1,064,302

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk

Market risk is defined as potential losses on account of changes in market variables. The sources of market risk include changes in interest rate, foreign exchange rates, credit spreads, commodity prices, equity prices and so on. These fluctuations can significantly impact the bank's earnings and valuation. The bank's business activities, including its trading and investment portfolios, are inherently exposed to market risk.

Measurement and management of market risk

The primary objectives of the Market and Liquidity Risk Management, as part of the bank's independent Risk Management function, is to lay down market risk management guidelines for Treasury, Forex, Equity and Derivative operations of the Bank. It serves to outline the Bank's risk appetite and risk philosophy in respect of Treasury / Forex / Equity / Derivative operations, and the controls that are considered essential for the management of market risks. Market and Liquidity Risk Management works closely together with first line of defence ("the business units") and other control and support groups to achieve this objective.

The Bank predominantly faces two types of market risks:

1. Trading market risk arises primarily through the market-making activities. This involves taking positions in currencies, debt, equity or related securities.
2. Non-trading market risk arises from market movements in the Bank's banking book and from off-balance sheet items. This includes interest rate risk, credit spread risk, investment risk, foreign exchange risk and commodity price risk.

Market and Liquidity Risk Management governance is designed and established to promote oversight of all market and liquidity risks, effective decision-making and timely escalation to senior management and the Board. Further, Market Risk Management defines and implements a framework to systematically identify, assess, monitor and report market risk. Market risk managers identify market risks through active portfolio analysis and engagement with the business areas.

37.3a Measurement of Market and Liquidity Risk Management

The market risk management monitor the following limits and approved / thresholds:

- Nostro and NOP monitoring
- Liaise with internal / external legal to review master agreements such as ISDA and CSA
- Monitor CSA exchange
- Monitor / Validate / Report MTM of the derivative portfolio
- Monthly review of counterparty credit rating
- Perform periodic stress testing / scenario analysis as per regulatory requirements
- Review and recommend investment proposals, derivative structures
- Identify and measure market risk exposures
- Monitor profit and loss against authorized stop loss limits
- Calculate NOP capital charge
- Report exceptions or violations in respect to Market Risk limits, Market Related Inter-Bank Credit exposure limits
- Monitor Internal / Regulatory limits
- Rate Tolerance and dealer limits

The risk management function is responsible for development of detailed risk management policies (subject to approval by ALCO and BRC). The market and liquidity risk policy is periodically reviewed and updated based on the evolving business environment and regulatory changes.

Interest rate risk arises from the adverse impact on the Bank's financial position because of change in market interest rates. The trading book impact is reflected by way of change in the value of investments. The banking book impact is reflected through the change in Net Interest Income (NII) and Economic Value of Equity (EVE). The Bank's Asset Liability Committee (ALCO) is responsible for managing interest rate risk. Regular reports to ALCO report include interest rate risk reports, currency wise as well as consolidated balance sheet positions, liquidity gaps and measurement of NII and EVE. The ALCO regularly reviews the reports and provide direction to treasury to manage interest rate risk. Further key information related to interest rate risk is periodically reported to the Bank's Board Risk Committee (BRC). Hedge transactions for banking book are periodically assessed via hedge effectiveness testing.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3a Exposure to Interest Rate Risk – non trading portfolios

Interest rate sensitivity position based on contractual re-pricing arrangements:

	Effective annual interest rate %	Within three months RO'000	Four months to 12 months RO'000	Over one year RO'000	Non-sensitive to interest rate RO'000	Total RO'000
31 December 2024						
Assets						
Cash and balances with Central Banks	**0.01**	**7**	**500**	**-**	**202,446**	**202,953**
Due from banks	**4.62**	**441,706**	**73,865**	**-**	**46,159**	**561,730**
Investment securities	**4.79**	**1,638,136**	**160,830**	**298,260**	**21,803**	**2,119,029**
Loans, advances and Islamic financings (net)	**5.27**	**1,918,284**	**599,236**	**1,730,474**	**21,813**	**4,269,808**
Other assets		**-**	**-**	**-**	**58,038**	**58,038**
Investment properties		**-**	**-**	**-**	**2,900**	**2,900**
Property and equipment		**-**	**-**	**-**	**74,364**	**74,364**
Intangible assets		**-**	**-**	**-**	**71,929**	**71,929**
Total assets		**3,998,133**	**834,431**	**2,028,734**	**499,452**	**7,360,751**
Liabilities and equity						
Due to banks	**4.62**	**372,927**	**140,450**	**0**	**56,936**	**570,313**
Customer deposits	**2.51**	**1,199,003**	**742,765**	**706,177**	**3,129,095**	**5,777,040**
Other liabilities		**-**	**-**	**-**	**115,092**	**115,092**
Total equity		**-**	**-**	**-**	**898,306**	**898,306**
Total liabilities and equity		**1,571,930**	**883,215**	**706,177**	**4,199,429**	**7,360,751**
Interest sensitivity gap		**2,426,203**	**(48,784)**	**1,322,557**	**(3,699,977)**	**-**
Cumulative Gap		**2,426,203**	**2,377,419**	**3,699,977**	**-**	**-**

	Effective annual interest rate %	Within three months RO'000	Four months to 12 months RO'000	Over one year RO'000	Non-sensitive to interest rate RO'000	Total RO'000
31 December 2023						
Assets						
Cash and balances with Central Banks	0.01	507	-	-	205,162	205,669
Due from banks	1.36	586,763	25,059	21,417	18,765	652,004
Investment securities	3.32	1,348,731	62,744	299,044	663	1,711,182
Loans, advances and Islamic financings (net)	5.47	1,666,931	566,413	1,657,628	30,220	3,921,192
Other assets	-	-	-	-	53,588	53,588
Investment properties	-	-	-	-	2,900	2,900
Property and equipment	-	-	-	-	75,571	75,571
Intangible assets		-	-	-	66,614	66,614
Total assets		3,602,932	654,216	1,978,089	453,483	6,688,720
Liabilities and equity						
Due to banks	1.91	484,463	111,542	-	80,115	676,120
Customer deposits	2.63	1,189,309	391,472	670,302	2,851,962	5,103,045
Other liabilities	-	-	-	-	107,481	107,481
Total equity	-	-	-	-	802,074	802,074
Total liabilities and equity		1,673,772	503,014	670,302	3,841,632	6,688,720
Interest sensitivity gap		1,929,160	151,202	1,307,787	(3,388,149)	-
Cumulative Gap		1,929,160	2,080,362	3,388,149	-	-

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3a Exposure to interest rate risk – non trading portfolios (continued)

Interest rate risk is managed by taking views on interest rate movements for the year and realigning the portfolios and covenants of lending, so as to be proactive and minimise adverse effects. The benchmark presently available in Oman is the 28-day CBO rates. The trend of the weighted average interest on loans and cost of deposits for the year is provided below:

2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lending rate	5.79%	5.75%	5.81%	5.84%	5.86%	5.80%	5.80%	5.82%	5.80%	5.82%	5.83%	n/a
Deposit rate	2.65%	2.65%	2.71%	2.57%	2.63%	2.65%	2.67%	2.66%	2.67%	2.60%	2.67%	n/a

n/a* (not available)

2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lending rate	5.61%	5.65%	5.65%	5.64%	5.74%	5.71%	5.70%	5.74%	5.74%	5.72%	5.78%	5.76%
Deposit rate	2.13%	2.18%	2.22%	2.29%	2.34%	2.42%	2.39%	2.47%	2.51%	2.61%	2.67%	2.72%

Overview of Interest Rate Risk Management

Interest rate risk is a critical component of market risk management and arises primarily from the mismatch between the bank's interest-earning assets and interest-bearing liabilities. This mismatch can lead to fluctuations in the bank's earnings and economic value due to changes in market interest rates. Effective management of interest rate risk is essential to ensure the stability of the bank's financial performance and safeguard its capital position.

Approaches to Managing Interest Rate Risk

The bank employs two key approaches to measure and manage interest rate risk in its non-trading portfolios:

1. Earnings Approach:
   - This approach focuses on the short-term impact of changes in interest rates on the Net Interest Income (NII) of the bank.
   - By assessing the sensitivity of NII to interest rate shocks, the bank evaluates its ability to absorb potential declines in income caused by unfavourable interest rate movements.
   - The earnings perspective helps in identifying immediate corrective actions, such as rebalancing assets and liabilities, to maintain stable profitability.
2. Economic Value Approach:
   - This approach examines the longer-term impact of interest rate fluctuations on the Economic Value of Equity (EVE).
   - It assesses the present value of the bank's assets and liabilities, quantifying the changes in their value due to variations in interest rates.
   - By focusing on the economic value, this method provides a comprehensive view of the potential long-term implications of interest rate risk on the bank's financial stability.

Key Components of Interest Rate Risk Monitoring

To manage interest rate risk effectively, the bank employs the following tools and practices:

1. Repricing Gap Analysis:
   - The bank regularly analyses the mismatch between the maturity and repricing schedules of assets and liabilities to identify potential risks arising from interest rate changes.
2. Scenario and Stress Testing:
   - Quantitative models are used to measure the sensitivity of NII and EVE to parallel and non-parallel shifts in the yield curve.
   - The bank conducts periodic stress testing to evaluate its resilience under adverse interest rate scenarios. These tests help in understanding the impact of extreme but plausible market conditions.
3. Hedging Strategies:
   - Where necessary, the bank employs hedging instruments such as interest rate swaps and options to mitigate the impact of adverse rate movements on earnings and capital.
4. ALCO Oversight:
   - The Asset and Liability Committee (ALCO) regularly reviews interest rate risk metrics, provides strategic guidance, and ensures that exposures remain within Board-approved limits and regulatory thresholds.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3a Exposure to interest rate risk – non trading portfolios (continued)

The Basel-II Accord recommended that banks should assess the impact of interest rate risk by applying a 200 bps interest rate sensitivity and accordingly the impact of 200 bps interest rate shock on the Bank's earnings and capital is provided below:

	31 December 2024 RO'000	31 December 2023 RO'000
Net interest income (including Islamic financing)	**180,993**	125,879
Total Regulatory Capital (note 38)	**821,929**	764,056
Based on 50 bps interest rate shock		
Impact of 50 bps interest rate shock	**11,643**	9,726
Impact as % to net interest income	**6.43%**	7.73%
Impact as % to capital	**1.42%**	1.27%
Based on 100 bps interest rate shock		
Impact of 100 bps interest rate shock	**23,286**	19,451
Impact as % to net interest income	**12.87%**	15.45%
Impact as % to capital	**2.83%**	2.55%
Based on 200 bps interest rate shock		
Impact of 200 bps interest rate shock	**46,574**	38,903
Impact as % to net interest income	**25.73%**	30.91%
Impact as % to capital	**5.67%**	5.09%

37.3b Exposure to other market risks

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

Security by country	**Changes in fair value +/- 5%**	
	31 December 2024 RO'000	31 December 2023 RO'000
Oman	**279**	87
Other Gulf Co-operation Council (GCC) countries	**4**	4

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

37.3b Exposure to other market risks (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the total open position and open position per currency. The open position limits include overnight and intraday open position. Open positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits. The Bank had the following net open positions denominated in foreign currencies:

	31 December 2024			31 December 2023		
	Assets	Liabilities	Net (liabilities)/ assets	Assets	Liabilities	Net (liabilities)/ assets
	FCY' 000	FCY' 000	FCY' 000	FCY' 000	FCY' 000	FCY' 000
US Dollar	8,914,502	8,469,796	444,706	7,040,951	6,813,563	227,388
UAE Dirhams	6,200,623	6,297,125	(96,502)	6,718,317	6,782,930	(64,613)
Euro	1,875,303	1,875,941	(638)	1,347,110	1,347,771	(661)
Japanese Yen	791,555	775,077	16,478	17,031,136	16,954,053	77,083
Pound Sterling	287,422	287,138	284	262,277	261,427	850
Swiss Franc	165,713	165,150	563	2,331	2,230	101
Indian Rupee	73,074	1,128	71,946	20,406	1,128	19,278

	Changes in fair value +/- 5%	
	31 December 2024	31 December 2023
	RO'000	RO'000
Currency risk	481.59	543.8

The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

37.4 Operational risk

As per Regulatory guidelines operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or from external events and excludes credit, market and liquidity risks. It includes Legal Risk however excludes Strategic and Reputational Risk.

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

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

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.4 Operational risk (continued)

In this regard, Bank has put in place a Board approved Operational Risk Management Policy & Framework (ORMF) which ensures compliance with all applicable local Regulatory guidelines as well as global standards, stipulated in the Basel Committee on Banking Supervision (BCBS). The core objective of the Operational Risk Management Policy & Framework is to continuously ensure that risks related to people, processes, systems and external events are adequately managed, through a set of well-defined policies and procedures / guidelines. These policies & procedures in the Bank are supported with robust systems, applications & workflows, together with well training & skilled staff in respective business, operations and support divisions.

The Bank has an independent Operational Risk Management Department, reporting to Chief Risk Officer (CRO) and it is adequately staffed, comprising of specialised resources / staff with adequate levels of experience and knowledge in different areas of banking business, wherein the Head of Operational Risk is directly involved in the recruitment, objective setting and appraisal of the staff. For effective management of Operational Risk, the core Operational Risk Management Department staff / risk officers, closely interacts / collaborates with Risk & Control Managers (RCM) from 1st and 2nd Line, who are nominated staff within all critical lines of business & operations, and responsible for ensuring Operational Risk policy requirements are adequately adhered, thereby improving the overarching internal control environment in the Bank. These RCMs acts as subject matter experts with deep technical and functional knowledge along with adequate understanding of Bank's Operational Risk Policy & Regulatory requirements, and together with core Operational Risk Management Department, they regularly oversee, support and challenge activities of business and operations and ensures optimization of risk -reward trade-off, by aligning risk taking and strategic planning.

It is pertinent to note that Bank has implemented all key control measures necessary to mitigate Operational Risk, which includes but not limited to, adequate segregation of duties, access control, robust change management governance, sound business continuity planning and physical security controls, alongside Data back, disaster recovery measures and need-based staff training & awareness.

Furthermore, Bank has implemented a structured Operational Risk Loss Event reporting process/system to promptly identify and mitigate any control deficiencies/process lapses. In addition, the Bank has a comprehensive Risk Control Self-assessment (RCSA) process in place which is conducted on periodic basis for all critical business lines, with the aim to identify, assess, mitigate, monitor and report all key risks. In line with Regulatory requirements, Bank maintains a comprehensive Operational Risk incident / internal loss database, duly categorising them as per BCBS requirements to study the loss trends and for preparing towards higher approaches for Operational Risk Management.

With respect to Management and Board oversight, Bank has instituted a strong governance framework through formulation of committees at different levels, for effective management and implementation of ORMF. In this regard, at Board level, the Board Risk Committee (BRC), has been delegated the task of implementing and effective ORMF within the Bank, while at the Executive Management level, the Management Risk Committee (MRC) is responsible to periodically review, monitor and provide suitable guidance/instruction on bank's non-financial risk areas, namely Operational Risk, Compliance Risk, Information Security Risk and Legal Risk and further ensure appropriate Management actions are undertaken where necessary. For the purpose, the Operational Risk Management Department submits periodic reports to both MRC and BRC and discusses various key issues, incidents and emerging risks along with mitigation measures which are in place.

37.5 Business Continuity Management

The Bank has established a Business Continuity Management (BCM) program designed to minimize service disruption and the potential impact on the Bank, our customers and our staff. This includes a BCM Policy that is approved by our Board together with written Business Continuity and Disaster Recovery plans (DRPs) and procedures that are subject to periodic independent review. Although the specific details of our BCM arrangements are confidential for security reasons, the Bank maintains Business Continuity Plans (BCPs) that address risk scenarios and events of varying scope including, but not exclusively, loss of services or infrastructure and loss of location.

Sohar International BCPs are focused on maintaining critical processes, including treasury, capital & liquidity and payment services, providing customers with uninterrupted access to their funds and maintaining effective communications with our customers, staff and other stakeholders."

38. CAPITAL MANAGEMENT

The Bank's lead regulator, the CBO, sets and monitors the capital requirements for the Bank as a whole. In implementing current capital requirements CBO requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank calculates capital requirements for market risk and operational risk based upon the model prescribed by the CBO as follows:

- Claims against sovereign entities in the respective national currencies – Nil
- Claims against sovereign entities in other currencies – 100% risk weighting is applied as prescribed by the CBO
- Retail and Corporate loans – In the absence of credit rating model 100% risk weighting is applied
- Off balance sheet items – As per credit conversion factors and risk weighting prescribed by the CBO

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital includes ordinary share capital, share premium, perpetual tier 1 capital securities classified as innovative Tier 1 securities, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes qualifying subordinated liabilities, collective impairment allowances and unrealised losses on equity instruments classified as available for sale investments.

Various limits are applied to elements of the capital base. The amount of innovative tier 1 securities cannot exceed 15 per cent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 per cent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

In order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the Banks due to Covid19, CBO has issued a new interim requirement to apply a "prudential filter" on IFRS 9 ECL provisions for calculating the regulatory capital. The impact of this prudential filter on the Bank's regulatory capital is 52 bps.

The capital adequacy ratio is calculated in accordance with Basel II & Basel III requirements as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by CBO are available on the Investor Relations page of the Bank's website.

38. CAPITAL MANAGEMENT (CONTINUED)

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off-balance sheet exposures weighted according to broad categories of risk. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
CET 1 capital		
Ordinary share capital	**702,508**	561,572
Share premium	**18,038**	18,038
Legal reserve	**55,900**	44,910
General reserve	**988**	988
Retained earnings [(1)]	**75,557**	53,008
Fair value reserve on acquisition	**(11,411)**	(11,411)
Intangible [(2)]	**(61,140)**	(56,622)
Fair value losses	**(1,723)**	(645)
Total CET 1 capital	**778,717**	609,838
Additional Tier 1 capital		
Perpetual tier 1 capital securities	**-**	100,000
Total Tier 1 capital	**778,717**	709,838
Tier 2 capital		
Impairment allowance on portfolio basis	**43,191**	54,183
Fair value gains	**21**	35
Total Tier 2 capital	**43,212**	54,218
Total regulatory capital	**821,929**	764,056
Risk weighted assets		
Credit risk	**4,188,315**	3,898,527
Market risk	**189,749**	103,013
Operational risk	**367,264**	269,921
Total risk weighted assets	**4,745,328**	4,271,461
Capital adequacy ratio		
Total CET 1 capital expressed as a percentage of total risk weighted assets	**16.41%**	14.28%
Total tier I capital expressed as a percentage of total risk weighted assets	**16.41%**	16.62%
Total regulatory capital expressed as a percentage of total risk weighted assets	**17.32%**	17.89 %

[(1)] Retained earnings for the year 2024 is stated after deducting proposed cash dividend of RO 52.94 million (31 December 2023: RO 30.07 million).

[(2)] Intangible assets net of deferred tax liability is a deduction from CET1 capital.

39. SEGMENTAL INFORMATION

The Chief Executive Officer monitors the performance of the following key business segments.

Retail Banking:

Retail banking offers individual customers a wide range of products and services including current and term deposits, housing finance, personal loans, insurance, credit cards, foreign exchange and wealth management products delivering a superior customer experience through the Bank's extensive branch network and market leading digital channels.

- **Retail & Premier Banking:** delivers retail products and services to a wide base of individual customers including its Premier customer segment.
- **Wealth Management:** delivers retail products and services as well as wealth management advisory to high-net-worth individuals (HNWI).

Wholesale Banking:

Wholesale banking offers its diversified customer base a wide range of products and services including loans, working capital facilities, term deposits, trade financing, cash management, custodial services, treasury, investment banking and funds management, delivered through its dedicated and specialised customer and product groups:

- **Corporate Banking:** delivers wholesale products and services to large corporates as well as small and medium sized enterprises (SME).
- **Investment Banking:** provides debt capital markets advisory, custodial services, and funds management across all wholesale banking customers in addition to managing the Bank's proprietary investment portfolio.
- **Government & Private Banking:** provides customised value-added products and services to the unique needs of government ministries, public enterprises, NGOs, and ultra-high-net-worth individuals (UHNWI).
- **Priority Banking:** provides advisory services to foreign investors seeking to enter the Omani market through direct investments in addition to providing a range of personalised and customised financial solutions to family offices and non-residents.
- **Global Markets:** provides money market, foreign exchange, and derivative products to wholesale banking customers. The treasury team also manages the Bank's overall balance sheet funding, liquidity, and market risk position.

Islamic Banking:

The Islamic Banking Window ("Sohar Islamic") offers a full range of Islamic banking services and products to individuals and corporates. The principal activities of the window include accepting Shari'a compliant customer deposits, providing Shari'a compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Istisna'a, Salam and providing commercial banking services, investment and other activities permitted under Islamic Banking Regulatory Framework (IBRF).

KSA Branch:

The Bank established a Branch in the Kingdom of Saudi Arabia (KSA) in 2023. The KSA Branch currently provides Wholesale Banking services.

Head Office:

Head office includes all assets, liabilities, and equity not directly attributable to business segments. Profit and Loss includes those items that are not directly attributable to business segments.

Transfer pricing between business segments is on an arm's length basis in a similar manner to transactions with third parties.

39. SEGMENTAL INFORMATION (CONTINUED)

31 December 2024	Retail Banking RO'000	Wholesale Banking RO'000	Islamic Banking RO'000	KSA Branch RO'000	Head Office RO'000	Total RO'000
PROFIT AND LOSS						
Net interest income	35,778	133,718	-	544	-	170,040
Net income from Islamic financing and investing activities	-	-	10,953	-	-	10,953
Other operating income	17,572	41,271	5,035	75	-	63,953
Total Operating Income	53,350	174,989	15,988	619	-	244,946
Total Operating Expenses	(36,276)	(45,699)	(6,533)	(4,422)	(5,479)	(98,409)
Net Operating Income Before Impairment Provisions	17,074	129,290	9,455	(3,803)	(5,479)	146,537
Loan impairment charges and other credit risk provisions (net)	(2,268)	(34,302)	(1,096)	(194)	-	(37,860)
Gain on bargain purchase	-	-	-	-	9,234	9,234
Profit before tax	14,806	94,988	8,359	(3,997)	3,755	117,911
Income tax expense	(2,221)	(13,697)	(1,254)	-	(558)	(17,730)
Profit for the year	12,585	81,291	7,105	(3,997)	3,197	100,181
FINANCIAL POSITION						
Assets						
Cash and balances with Central Bank	-	179,180	23,304	469	-	202,953
Due from banks	-	489,878	71,774	78	-	561,730
Investment securities	-	2,068,049	45,244	5,736	-	2,119,029
Loans, advances and Islamic financings (net)	1,192,828	2,312,266	681,482	83,232	-	4,269,808
Other assets	-	21,468	2,498	564	33,508	58,038
Investment properties	-	-	-	-	2,900	2,900
Property and equipment	-	-	2,387	2,667	69,310	74,364
Intangible assets	-	-	-	-	71,929	71,929
TOTAL ASSETS	1,192,828	5,070,841	826,689	92,746	177,647	7,360,751
Liabilities						
Due to banks	-	556,046	14,173	94	-	570,313
Customer deposits	1,083,534	3,994,315	697,461	1,730	-	5,777,040
Other liabilities	-	20,627	5,790	1,903	86,772	115,092
TOTAL LIABILITIES	1,083,534	4,570,988	717,424	3,727	86,772	6,462,445
Internal Funding (net)	109,294	499,853	18,900	89,019	(717,066)	-
TOTAL EQUITY	-	-	90,365	-	807,941	898,306
TOTAL LIABILITIES & EQUITY	1,192,828	5,070,841	826,689	92,746	177,647	7,360,751

39. SEGMENTAL INFORMATION (CONTINUED)

31 December 2023	Retail Banking RO'000	Wholesale Banking RO'000	Islamic Banking RO'000	Head Office RO'000	Total RO'000
PROFIT AND LOSS					
Net interest income	14,808	103,646	-	-	118,454
Net income from Islamic financing and investing activities	-	-	7,425	-	7,425
Other operating income	10,737	23,581	3,210		37,528
Total Operating Income	25,545	127,227	10,635	-	163,407
Total Operating Expenses	(32,233)	(34,505)	(5,552)	(4,638)	(76,928)
Net Operating Income Before Impairment Provisions	(6,688)	92,722	5,083	(4,638)	86,479
Loan impairment charges and other credit risk provisions (net)	15,418	(119,423)	(1,064)	-	(105,069)
Gain on bargain purchase	-	-	-	91,751	91,751
Profit before tax	8,730	(26,701)	4,019	87,113	73,161
Income tax expense	(1,310)	3,836	(603)	(4,749)	(2,826)
Profit for the year	7,420	(22,865)	3,416	82,364	70,335
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	167,437	38,232	-	205,669
Due from banks	-	633,227	18,777	-	652,004
Investment securities	-	1,686,630	24,552	-	1,711,182
Loans, advances and Islamic financings (net)	1,231,608	2,171,271	518,313	-	3,921,192
Other assets	-	30,340	1,777	21,471	53,588
Investment properties	-	-	-	2,900	2,900
Property and equipment	-	-	2,361	73,210	75,571
Intangible asset	-	-	-	66,614	66,614
TOTAL ASSETS	1,231,608	4,688,905	604,012	164,195	6,688,720
Liabilities					
Due to banks	-	650,954	25,166	-	676,120
Customer deposits	992,936	3,603,295	506,814	-	5,103,045
Other liabilities	-	32,117	2,389	72,975	107,481
TOTAL LIABILITIES	992,936	4,286,366	534,369	72,975	5,886,646
Internal Funding (net)	238,672	402,539		(641,211)	-
TOTAL EQUITY	-	-	68,757	733,317	802,074
TOTAL LIABILITIES & EQUITY	1,231,608	4,688,905	603,126	165,081	6,688,720

40. BUSINESS COMBINATION – PURCHASE CONSIDERATION AND IDENTIFIABLE NET ASSETS ACQUIRED

The merger by incorporation with HBON has been accounted for using the acquisition method of accounting. Accordingly, assets acquired, liabilities assumed, and consideration exchanged are recorded at estimated fair value on the acquisition date.

The purchase consideration (also referred to as "purchase price") has been allocated to the acquired assets and liabilities using their fair values at the merger date. The calculation of the purchase consideration and its allocation to the net assets of the merged entity is based on their respective fair values as of the merger date and the resulting gain on bargain purchase is detailed below.

Gain on bargain purchase represents the difference between purchase consideration and fair value of identifiable net assets.

The fair value of identifiable assets and liabilities of HBON as at the merger date are as follows:

Assets	**31 December 2024 RO'000**	31 December 2023 RO'000
Cash and balances with Central Bank	**456,817**	456,817
Due from banks	**477,913**	477,913
Investment securities	**62,087**	62,087
Loans and advances (net)	**1,123,979**	1,123,979
Other assets	**38,913**	38,913
Property and equipment	**19,977**	19,977
Intangible assets (Note 13)	**79,174**	68,311
Total assets	**2,258,860**	2,247,997
Liabilities		
Due to banks	**65,728**	65,728
Customer deposits	**1,654,871**	1,654,871
Other liabilities	**94,329**	92,700
Total liabilities	**1,814,928**	1,813,299
Fair value of net identifiable assets at merger date (a)	**443,932**	434,698
Less: Consideration for the merger		
Ordinary shares	106,216	106,216
Fair value reserve on acquisition	(11,411)	(11,411)
Fair value of shares issued	94,805	94,805
Cash	248,142	248,142
Total consideration paid (b)	**342,947**	342,947
Gain on bargain purchase (a) – (b)	**100,985**	91,751
Recognized in the statement of comprehensive income		
For the year ended 31 December 2023	**91,751**	
For the year ended 31 December 2024	**9,234**	
	100,985	

40. BUSINESS COMBINATION – PURCHASE CONSIDERATION AND IDENTIFIABLE NET ASSETS ACQUIRED (CONTINUED)

The following tables summarize the impact on the Bank's financial statements for the year ended 31 December 2023, had the PPA adjustment identified in 2024 been recognised in prior year.

Statement of financial position

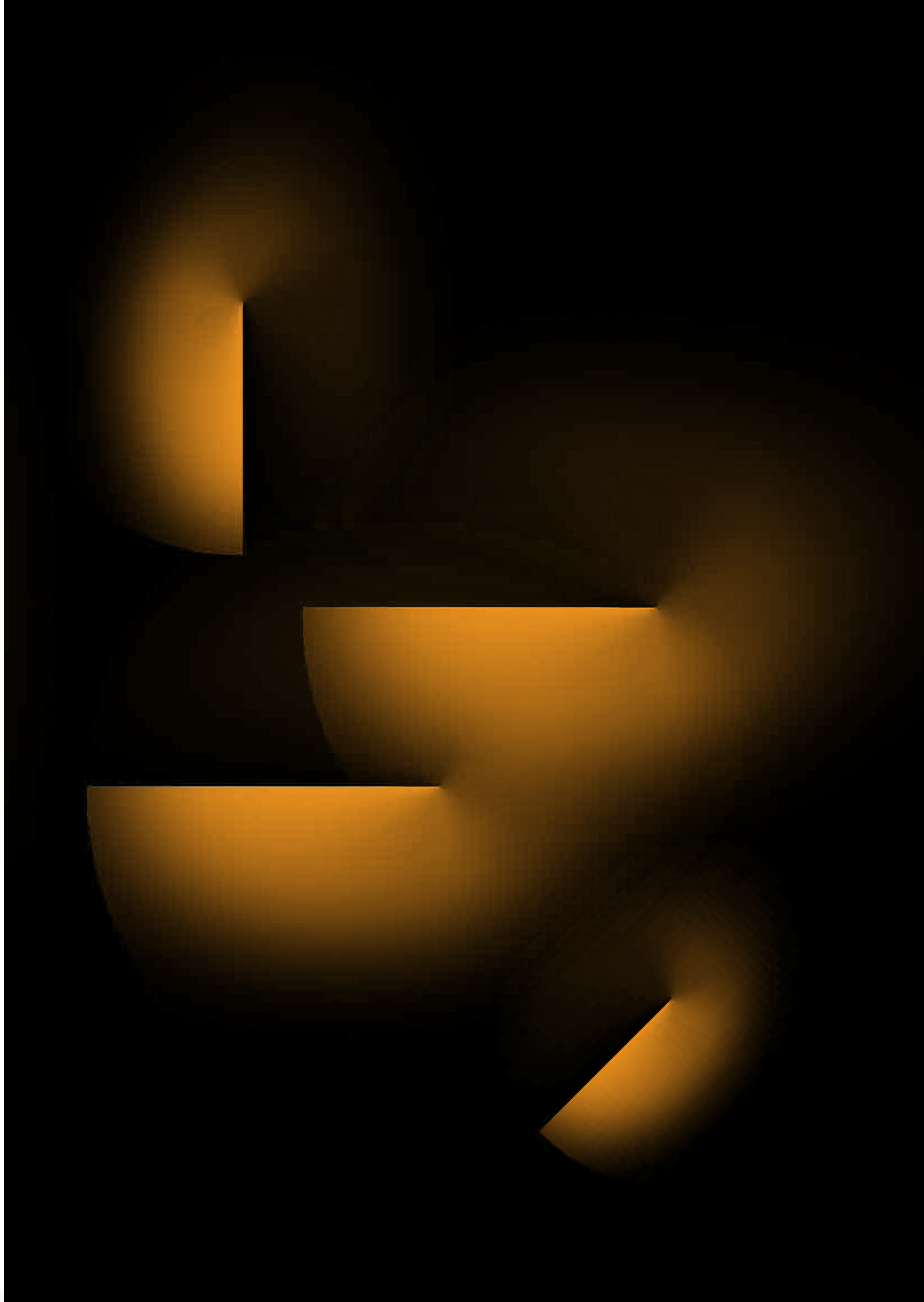
	Previously reported 31 December 2023 RO'000	PPA adjustment RO'000	Including PPA 31 December 2023 RO'000
Intangible assets	66,614	10,593	77,207
All other assets	6,622,106	-	6,622,106
Total assets	**6,688,720**	**10,593**	**6,699,313**
Deferred tax liability (net)	10,893	1,629	12,522
Income tax provision	6,178	(40)	6,138
All other liabilities	5,869,575	-	5,869,575
Total liabilities	**5,886,646**	**1,589**	**5,888,235**
Retained earnings	83,081	9,004	92,085
All other equity	718,993	-	718,993
Total equity	**802,074**	**9,004**	**811,078**
Total liabilities and equity	**6,688,720**	**10,593**	**6,699,313**

Statement of comprehensive income

	Previously reported 31 December 2023 RO'000	PPA adjustment RO'000	Including PPA 31 December 2023 RO'000
Gain on bargain purchase	91,751	9,234	100,985
Amortization of intangible asset	(1,697)	(270)	(1,967)
Income tax expense	(2,826)	40	(2,786)
All other items	(16,893)	-	(16,893)
Profit for the year	**70,335**	**9,004**	**79,339**
Other comprehensive income	(410)	-	(410)
Total comprehensive income	**69,925**	**9,004**	**78,929**

41. COMPARATIVE FIGURES

Certain comparative figures for 2023 have been reclassified to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit for the year or shareholders' equity.



REGULATORY DISCLOSURES

(SOHAR INTERNATIONAL)

ENSURING TRANSPARENCY EVERY STEP OF THE WAY

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Private and confidential
Our ref.: aud/tl/aa/20064/25

Agreed-Upon Procedures Report on Sohar International Bank SAOG's Basel II - Pillar III and Basel III Disclosures

To the Board of Directors of Sohar International Bank SAOG

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Sohar International Bank SAOG ("the Bank") for evaluating the Bank's compliance with the disclosure requirements set out in the Central Bank of Oman's ("the CBO") Circular No. BM 1009 dated 13 September 2006 and Circular No. BM 1114 dated 17 November 2013 and may not be suitable for another purpose.

Responsibilities of the Bank

The Bank has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Bank (also the Responsible Party) are responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

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

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

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

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, *which requires the firm to design, implement and operate a system of quality management including policies and procedures* regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Bank in the terms of engagement dated 1 January 2025, on the Bank's Basel II – Pillar III and Basel III Disclosures:

S. No	Procedures	Findings
1	We have performed the procedures prescribed in the CBO Circular No. BM 1027 dated 4 December 2007 with respect to the Basel II - Pillar III Disclosures and Basel III related disclosures ("the Disclosures") of the Bank as at and for the year ended 31 December 2024.	No exceptions noted.

This report relates only to the items specified above and does not extend to the Bank's financial statements taken as a whole.

KPMG

KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

KPMG LLC
Date: 10 March 2025
Muscat, Oman

Enclosures:
Sohar International Bank SAOG's Basel II – Pillar III and Basel III Disclosures

1. PURPOSE AND BASIS OF REGULATORY DISCLOSURES

The following disclosures are being made in accordance with the revised capital adequacy rules under the Basel II & Basel III framework issued by the Central Bank of Oman (CBO) through circular number BM 1009 dated 13 September 2006 and BM 1114 dated 17 November 2013. The CBO guidelines for banks are structured around three pillars such as the Pillar I Minimum Capital Requirements, the Pillar II Supervisory review process and the Pillar III the Market discipline. The Pillar III disclosures complement Pillar I and Pillar II. The disclosures aim to provide market participants material qualitative and quantitative information about Sohar International Bank's (the bank) risk management processes, risk exposures, risk management strategies and processes of capital adequacy status.

2. SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

The Bank has no subsidiaries or significant investments. However, Bank has introduced Islamic Banking through an Islamic window named as "Sohar Islamic". Accordingly, the information in the document pertains to the consolidated entity i.e., for both conventional banking & Islamic window. The disclosure pertaining to Window is provided separately.

3. INTRODUCTION AND OVERVIEW

The bank's business model requires the bank to identify, assess, measure, aggregate and manage the risks, and to allocate capital among the bank's businesses. The bank's material risks can be categorized as financial risks and non-financial risks. Financial risk comprises credit risk (including default, transaction, settlement, exposure, country, mitigation and concentration risks), market risk (including interest-rate, foreign exchange and investment price risk), liquidity risk and business (strategic) risk. Non-financial risk comprises operational risks and reputational risks (including compliance risk, legal risk, fraud risk, and information security risk).

The bank manages identification, assessment and mitigation of top and emerging risks through an internal governance process and also with the use of risk management tools and processes. The bank's approach to risk identification and impact assessment aims to ensure that the bank mitigates the impact of these risks in its financial results, long term strategic goals and reputation.

4. RISK MANAGEMENT PROCESS & FRAMEWORK

Overall risk management strategy of the bank is based on the following three pillars:

(i) Risk governance: That defines the roles and responsibilities with respect to approval, reporting and escalations

(ii) Oversight: Carry on periodic portfolio reviews and ensure various Board and senior management level risk reporting to ensure sound monitoring of Risk

(iii) Control: include a range of policies encompassing all risk-taking businesses, which are updated and reviewed regularly.

The overall responsibility of risk management lies with the bank's Board of Directors managed through Board Risk Committee (BRC). The Board regularly monitors the risk and capital profile. For the purpose of day-to-day management of risks, the bank has created an independent Risk Management Department (RMD). The RMD objectively reviews and ensures that the various functions of the bank operate within the risk parameters set by the BRC. RMD ensures prudent management of risks assumed by the bank in its normal course of business. Further, the bank through the Management Risk Committee (MRC) ensures that all the key non-financial risks which predominantly that the bank faces are addressed and also to ensure that the bank's strategic objectives are achieved within the Board approved risk appetite.

Risk and capital are managed through a framework of principles, policies, organizational structures, measurement and monitoring processes. Responsible stakeholders ensure that such risks are closely aligned with the activities of the divisions and business units. The bank operates on a Three Lines of Defense risk management model in which risk taking, risk monitoring and risk reporting responsibilities are clearly defined.

Defense line	I	II	III
Role	Risk	Risk Review	Assurance
Stakeholders	Business	Risk Management & Compliance	Internal Audit
Process	Generate risks in line with Risk Appetite	Risk measurement, risk monitoring and risk reporting	Assure alignment with risk appetite and risk strategy
	Transparent and complete disclosure of all risks	Escalate breaches / deviations / concerns for action	Major deviations analyzed & escalates non-alignment
	Pro-active post approval monitoring	Facilitate Risk Appetite framework	Major losses analyzed and recommend corrective actions

4. RISK MANAGEMENT PROCESS & FRAMEWORK (CONTINUED)

Risk Management is an enterprise wide responsibility. The roles and responsibilities are clearly segregated and thus three lines of defense model promotes transparency, accountability and consistency between various stakeholders.

5. RISK APPETITE

The Bank maintains a prudent and disciplined approach to risk taking through a well-defined Risk Appetite Statement, comprehensive set of risk management policies & processes and involvement of professionally qualified risk personnel with appropriate skills.

Risk Appetite Framework is a critical tool for the banks to manage their risks and achieve their strategic objectives. Effective implementation of a Risk Appetite Framework can aid banks manage their risks more effectively and make informed decision making in pursuit of achieving their long term objectives.

Risk appetite is the amount of risk an organization is willing to take in pursuit of achieving its strategic objectives. Risk appetite is also construed as the maximum amount of residual risk a bank is willing to accept after controls and other measures have been put in place. Risk tolerance, by contrast, is the amount of deviation from its risk appetite that an a bank is willing to accept to achieve a specific objective based on parameters that include industry best standards or those based on the bank's specific parameters.

Risk appetite is an integral component of enterprise risk management and is generally influenced by a wide variety of factors, including the following:

- Culture of an organization;
- Industry
- Competition
- Growth objectives being pursued
- Financial strength

With the above view, the bank maintains a risk appetite framework that enables the bank to carry risks according to its risk capacity and monitor various risks against the internal and regulatory risk thresholds. Risk appetite statements are complemented by a number of specific risk metrics and tolerances which assist management in assessing whether outcomes are consistent with the Bank's risk appetite. These are usually quantitative and/or qualitative for each of its principal risks.

The qualitative aspects represent the bank's business model which is based on the fundamental principles that ensures sustainability, growth and profitability. The quantitative aspects consist of key metrics that covers the areas such as credit risk, market risk, liquidity risk operational risk, capital and so on.

The business activities of the bank underpin the following set of principles:

Regulatory: Adherence and compliance with local supervisory and applicable international regulations.

Investor Confidence: The bank promotes economic growth by reinforcing the trust and confidence of the bank's shareholders and investors.

Rating Agency Confidence: The bank to maintain a favorable credit rating from external credit rating agencies by maintaining strong capital adequacy ratio, sound risk management practices and adequate liquidity buffer.

Liquidity: The bank shall ensure that it has sufficient liquidity buffer in order to meet all funding obligations from its depositors and creditors .

Reputation: This is the risk of damage to the bank's brand and its subsequent impact on earnings, capital and liquidity. The bank's reputation is founded on the trust of customers, shareholders, employees, regulators and the public. The bank shall always endeavor to maintain its reputation and perception to all stakeholders and associated parties.

The risk appetite thresholds and actual positions are updated and monitored on a monthly basis at management level and quarterly basis at Board Risk Committee (BRC) level. The breach of thresholds is escalated to management and or to Board, according to the level of breach, to decide the corrective remedial action. The risk appetite framework is reviewed and updated annually based on the evolving business environment, regulatory changes, business strategy and objectives. The outcome of the updated framework is shared with BRC.

6. CAPITAL STRUCTURE

The authorized share capital of the Bank is RO 1 billion (31 December 2023: RO 1 billion). The issued shares of the Bank are 6,617,246,270 shares (31 December 2023: 5,467,888,500 shares). The fully paid up capital of the Bank is RO 705.508 million (31 December 2023: RO 561.572 million).

On 24 November 2024, the Bank completed the issuance of 1,040,000,000 shares through rights issue to its existing shareholders at a price of 127 baisa per share, including 2 baisa per share to cover the rights issue expenses, resulting in an increase in paid up capital of RO 130 million.

On 14 March 2019, the Bank issued perpetual tier 1 capital securities amounting to RO 100 million. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.50% with interest rate reset at five-year intervals. The interest is payable semi-annually in arrears and treated as a deduction from equity. RO 3.740 million was paid as interest for the period ended 31 December 2024 (31 December 2023: RO 7.500 million,) and is recognised in the statement of changes in equity.

On 28th February 2024, the Bank at its discretion and after prior consent from the relevant regulatory authority, exercised its option to redeem the securities in full on the first Call Date, i.e. the 5th anniversary of the issuance date being 14 March 2024.

Tier 1 capital	**RO '000**
Paid-up share capital	702,508
Share premium	18,038
Legal reserve	55,900
General reserve	988
Retained earnings	75,557
Fair value reserve on acquisition	(11,411)
Other amounts deducted from Tier 1 capital including goodwill, deferred tax and investments	(62,863)
Total amount of Tier 1 capital	778,717
Total amount of Tier 2 capital	43,212
Total eligible capital	**821,929**

The Bank has adopted the standardized approach for credit risk and basic indicator approach for operational risk and standardized duration approach for market risk under the Basel II regulations, as prescribed by the CBO for all banks operating in Oman with effect from 1 January 2007.

The Bank's capital adequacy ratio, calculated according to guidelines set by the Bank of International Settlements (BIS) as adopted by CBO was 17.32 %. While the international requirement as per BIS is 8%, the CBO's regulations stipulate that local banks maintain a minimum capital adequacy ratio of 11% and an additional 2.5% towards capital conservation buffer.

The Banks strategy is to maintain adequate capital to allow the Bank to operate under adverse market conditions and which can absorb unforeseen losses.

7. CAPITAL DISCLOSURE

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) through which senior management assesses the Bank's capital against its risk profile. Asset Liability Committee (ALCO) is the forum in which the capital adequacy is assessed, based on the next quarter's business forecast and the risk profile envisaged. CBO, vide circular BM 1114 dated November 17, 2013, has issued guidelines on Regulatory Capital under Basel III and on composition of Capital disclosure requirements.

Total and Tier 1 Capital Ratio, Risk Weighted Assets — RO '000

S. No.	**Details**	**Gross Balances (Book Value)**	**Net Balances (Book Value)***	**Risk Weighted Assets**
1	On-balance sheet items	**7,561,829**	**7,412,465**	**3,876,039**
2	Off-balance sheet items	**396,004**	**395,752**	**307,513**
3	Derivatives	**3,176**	**3,176**	**4,763**
4	**Total for Credit Risk**	**7,961,009**	**7,811,393**	**4,188,315**
5	**Market Risk**		-	**189,749**
6	**Operations Risk**		-	**367,264**
7	**Total Risk Weighted Assets**		**7,811,393**	**4,745,327**
8	Tier 1 capital		778,717	
9	Tier 2 capital		43,212	
10	**Total Regulatory Capital**		**821,929**	
10.1	Capital requirement for credit risk			**565,423**
10.2	Capital requirement for market risk			**25,616**
10.3	Capital requirement for operational risk			**49,581**
11	**Total required capital**			**640,620**
12	**Tier 1 Ratio**			**16.41%**
13	**Total capital Ratio**			**17.32%**
*	***Net of provisions reserve interest and eligible collaterals***			

The capital adequacy ratio is calculated in accordance with the Basel II & Basel III norms as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by Central Bank of Oman are available at investor relations section of the banks website.

8. RISK EXPOSURE AND ASSESSMENT

8.1 Management of risk in Sohar International Bank - approach and policy

The Bank's activities expose it to a variety of financial risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The risks in the Bank are managed through a "Three Lines of Defense model", with all Businesses acting as the front line by owning the respective risks and managing them. The second line of defense comprises Risk,Compliance and legal. While Risk provides "Functional Leadership" to the businesses by educating and training them on the policies, processes and controls set by Risk and also identifying risks, measuring and reporting to the management. Compliance ensures application of all the policies and processes conform with the current regulatory guidelines and applicable laws of Oman. Internal Audit acts as the third line of defense through reviews and exercising oversight of the first two lines of defense. The review findings act as a risk reporting tool for the Board and as inputs for upgrading of processes and plugging gaps in controls by Risk. Thus an "Integrated Risk Management" practice is followed by Sohar International Bank.

The Risk department prepares a comprehensive risk profile of the Bank at the least quarterly covering credit risk, market risk and operational risk. In addition to standalone risk, risk at the portfolio level, risk movement across the portfolio etc. are tracked. The risk profile indicates the state of various risks and risk recommendations for mitigation and control of risk. The report is placed before the top management every month and quarterly to the Board Risk Committee.

Bank's philosophy is to undertake risks which are well understood and within the laid down risk appetite of the Bank.

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.2 Credit risk management

Credit risk is the risk that a customer or a counterparty fails to perform under its contractual payment obligations thus causing the Bank to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by the Bank in its banking, investment and treasury activities, both on- and off-balance sheet.

The credit risk management framework of the bank encompasses credit risk governance structure, credit risk appetite, credit risk strategies and lending policies that are fully compliant with the CBO regulations.

Credit risk is managed at three stages - at the origination stage, approval stage and at the transaction/portfolio monitoring stage.

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The credit risk assessment includes among others, generating internal credit risk rating for each counterparty using the bank's internal obligor rating tool. Only those clients/counterparties with acceptable ratings as per the Bank's wholesale lending policy are considered for credit approval subject to internal approval guidelines. For cross border transactions, an analysis of country risk is also conducted.

The Bank has a credit approval delegation matrix in place approved by the board of directors, which is risk sensitized and backed by strong governance.

For retail loans products the Board has approved policies for various retail lending products based on approval parameters.

The Bank follows standardised approach for Credit Risk with risk weights as recommended by the CBO.

8.3 Credit risk measurement

The Bank measures credit risk in terms of asset quality using two primary measures, the provisioning ratio and the non-performing loans ratio. The provisioning ratio is total ECLs as a percentage of Non Performing total loans. The non-performing loans ratio is the ratio of nonperforming loans as a percentage of total loans. Further, the risk movement is tracked through portfolio analysis with focus on concentrations.

The Bank strictly adheres to the extant regulatory guidelines of assigning risk weights to its credit exposures based on counterparties involved and risk weights for funded and non-funded exposures after application of credit conversion factors. It has adopted standardized approach in computing capital adequacy.

8.3.1 Counterparty Credit Risk (CCR)

The Basel defined CCR as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flow. An economic loss would occur if the transaction or a portfolio of transactions with the counterparty has a positive economic value at the time of default. Thus the bank's CCR includes exposure to sovereigns, banks and corporates of other countries.

The bank has an extensive due diligence process for assessing, measuring and reporting the counterparty credit risk. The bank assesses default risk at country level and at individual bank level. The country limits are set based on external agency credit rating / OECD rating and other subjective assessment such as economic condition, political condition, independence of central bank, relationship outlook and so on. Similarly bank limits are set based on extensive analysis such as credit rating of the bank, audited financial reports, third party bank references and periodic visits by the bank's personnel. Further, Central Bank of Oman (CBO) has issued guidelines vide circular BM 1120 dated March 31, 2014 for monitoring and reporting cross border exposures and the bank's cross border exposures is subject to compliance with CBO guidelines.

8.3.2 Settlement Risk

Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

In foreign exchange trades, though there is fulfilment of both the legs of the transaction on the settlement date as is common practice between trading partners (free settlement), there will be risk on account of different time zones. In these cases, daily settlement limits shall control the aggregate size of FX notional amounts permitted to settle with a counterparty on any given settlement date.

Definitions of past due and impaired

The classification of credit exposures is considered by the Bank for identifying impaired credit facilities, as per CBO circular number BM 977 dated 25 September 2004.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2024

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.4 Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure

RO '000

S. No.	Type of credit exposure	Average gross exposure		Total gross exposure	
		2024	2023	**2024**	2023
		RO'000	RO'000	**RO'000**	RO'000
1	Overdrafts	**359,703**	362,401	**367,661**	351,744
2	Personal loans	**1,480,115**	1,193,007	**1,392,215**	1,398,703
3	Loans against trust receipts	**221,709**	146,899	**228,293**	215,124
4	Other loans	**2,336,709**	1,922,124	**2,612,541**	2,230,187
5	Bills purchased /discounted	**14,287**	12,895	**15,950**	12,623
	Total	**4,412,523**	**3,637,326**	**4,616,660**	**4,208,381**

8.5 Geographic distribution of total gross exposures, broken down in significant areas by major type of credit exposure

RO'000

S. No.	Types of credit exposure	Oman	Other GCC countries	Others	Total
1	Overdrafts	**367,661**	-	**-**	**367,661**
2	Personal loans	**1,392,215**	-	**-**	**1,392,215**
3	Loans against trust receipts	**228,293**	-	**-**	**228,293**
4	Other loans	**2,597,702**	**14,839**	**-**	**2,612,541**
5	Bills purchased /discounted	**15,950**	**-**	**-**	**15,950**
	Total	**4,601,821**	**14,839**	**-**	**4,616,660**

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.6 Industry or counter party type distribution of total gross exposures, broken down by major types of Credit exposure

RO '000

S. No.	Economic sector	Overdraft	Loans	Bills purchased/ discounted	Loans against trust receipts	Total	Off-balance sheet exposure
1	Import & export trade	23,300	74,707	6,952	71,166	176,125	28,278
2	Wholesale & retail trade	30,582	355,833	89	55,061	441,565	29,636
3	Mining & quarrying	1,548	227,374	-	42,191	271,113	385
4	Construction	27,976	447,681	384	17,163	493,204	84,600
5	Manufacturing	70,138	373,902	417	25,791	470,248	33,137
6	Electricity, gas and water	506	244,889	-	359	245,754	8,531
7	Transport and communication	1,157	102,280	-	-	103,437	24,352
8	Financial institutions	574	103,066	-	-	103,640	246,650
9	Services	86,126	560,281	2,576	8,244	657,227	83,026
10	Personal loans	3,426	1,388,787	-	-	1,392,213	-
11	Agriculture and allied activities	1,905	14,303	-	6,954	23,162	352
12	Government	119,428	100,000	-	-	219,428	5,180
13	Non-resident lending	-	11,223	357	-	11,580	-
14	All others	995	431	5,174	1,364	7,964	23,311
	Total	**367,661**	**4,004,756**	**15,950**	**228,293**	**4,616,660**	**567,438**

8.7 Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposures

RO '000

S. No.	Time band	Overdraft	Loans	Bills purchased / discounted	Loans against trust receipts	Total	Off - balance sheet exposure
1	upto 1 month	367,661	119,581	15,950	228,293	731,485	29,764
2	1 - 3 months	-	132,140	-	-	132,140	56,920
3	3 - 6 months	-	70,380	-	-	70,380	209,740
4	6 - 9 months	-	68,578	-	-	68,578	33,196
5	9 - 12 months	-	67,179	-	-	67,179	15,821
6	1 - 3 years	-	594,280	-	-	594,280	78,837
7	3 - 5 years	-	764,037	-	-	764,037	41,090
8	Over 5 years	-	2,188,579	-	-	2,188,579	102,070
9	**Total**	**367,661**	**4,004,756**	**15,950**	**228,293**	**4,616,660**	**567,438**

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.8 Total loans breakdown by major industry or counter party type

RO '000

					Provisions held			
S. No.	Economic sector	Gross loans	Of which NPLs as per IFRS 9	Performing loans	Stage1 and Stage 2	Stage 3	Reserve interest	Provisions made during the year
1	Import Trade	176,125	17,456	157,825	2,090	5,935	5,578	1,444
2	Wholesale & Retail Trade	441,565	35,050	363,869	27,959	14,115	13,268	3,621
3	Mining & Quarrying	271,113	9,013	253,087	695	3,128	2,940	2,223
4	Construction	493,204	34,522	348,978	65,682	32,122	11,246	4,045
5	Manufacturing	470,248	42,285	350,349	53,193	7,801	9,080	3,856
6	Electricity, gas and water	245,754	-	245,755	242	-	-	2,015
7	Transport and Communication	103,437	2,003	101,155	87	1,013	952	848
8	Financial Institutions	103,640	-	52,315	286	-	-	850
9	Services	657,227	27,164	551,732	24,484	9,834	9,384	5,390
10	Personal Loans	1,392,213	48,437	1,278,126	5,477	19,603	18,337	11,419
11	Agriculture and Allied Activities	23,162	2,332	20,829	23	924	869	190
12	Government	219,428	-	219,428	-	-	-	1,799
13	Non-Resident Lending	11,580	357	11,223	-	106	99	95
14	All Others	7,964	435	7,528	16	146	138	65
	Total	**4,616,660**	**219,054**	**3,962,199**	**180,234**	**94,727**	**71,891**	**37,860**

8.9 Amount of impaired loans broken down by significant geographic areas including with the amounts of specific and general allowances related to each geographical area

RO '000

				Provisions held				
S. No.	Countries	Gross loans	Of which NPLs as per IFRS 9	Stage 1and stage 2	Stage 3	Reserve interest	Total Provisions	Advances written off during the year
1	Oman	4,605,437	219,054	180,233	94,727	71,891	346,852	116
2	Other GCC countries	11,223	-	1	-	-	-	-
3	OECD countries	-	-	-	-	-	-	-
	Total	**4,616,660**	**219,054**	**180,234**	**94,727**	**71,891**	**346,852**	**116**

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.10 Movements of gross loans

RO' 000

S.No	Details	Performing loans Stage 1	Stage 2	Non-Performing loans Stage 3	Total
1	Opening balance	**3,428,928**	**578,852**	**200,601**	**4,208,381**
2	New assets originated/additions	**686,939**	**33,255**	**13,743**	**733,937**
3	Assets derecognised or repaid	**(284,385)**	**(26,950)**	**(14,657)**	**(325,992)**
4	Transfer between stages	**(110,087)**	**91,054**	**19,033**	**-**
5	Loans (written off) / recovered (net)	-	-	**334**	**334**
6	Closing balance	**3,721,395**	**676,211**	**219,054**	**4,616,660**
7	Provisions held	**18,495**	**161,739**	**94,727**	**274,961**
8	Reserve interest	**-**	**-**	**71,891**	**71,891**

9. CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

9.1 *Qualitative disclosures:* For portfolios under standardised approach

The Bank is following standardised approach in assessing regulatory capital for credit risk. For sovereign risk i.e. claims on the Sultanate of Oman or the Central Bank of Oman in Rial Omani or foreign currency, zero risk weight is applied, whereas for other sovereign risk and central banks' exposures, the exposure will be risk weighted appropriately within a range of 0% to 100% based on the rating awarded by Eligible Credit Assessment Institution (ECAI) approved by CBO like, Moody's Standard & Poor, Fitch and Capital Intelligence. For exposures on banks, the risk weight applied depends on the rating of the banks, subject to the respective country rating. In the absence of external ratings for most of the corporate, the Bank treats them as unrated and applies 100% risk weight on their funded exposures. On the off-balance sheet exposures, the relevant credit conversion factors are applied and aggregated to banks or the corporate, as the case may be, and then the risk weight is applied as stated above. Unavailed or yet to be disbursed exposures are taken under commitments and risk weights assigned as permitted by the CBO guidelines.

9.2 Quantitative disclosures

The Bank is following a uniform approach of considering all corporates as unrated and applying 100% risk weights.

10. CREDIT RISK MITIGATION: DISCLOSURE FOR STANDARDISED APPROACH

The Bank's collateral management framework is integrated with the overall framework of Wholesale Lending policy that lets out the parameters and criteria for the acceptance of collateral and its management.The Bank does not make use of netting whether on or off-balance sheet. The Bank's wholesale lending policy specifies the acceptable types of collateral and source of valuation and frequency of revaluation as once in three years for mortgaged properties and shares are valued on monthly basis unless where there is a high volatility situation where the shares shall be valued at shorter intervals. The frequency is subject to changes as may be modified/permitted by the regulator from time to time. The main types of acceptable collaterals are cash deposits, equity shares listed in the Muscat Securities Market and mortgages. The main type of guarantors are individuals and corporates. The Bank is taking only the cash deposits and equity shares for the purpose of credit risk mitigation under comprehensive approach.

RO '000

	Gross credit Exposure before CCF, CRM and Provisions	Eligible financial Collateral (after Application of Haircuts)	Eligible guarantees
1. Claims on Sovereigns	2,735,186	-	-
2. Claims on Banks	435,236	-	-
3. Claims on Corporates	1,905,283	(135,014)	-
4. Retail	2,195,326	(2,339)	-
5. Other Exposures	238,325	-	-
Total	**7,509,356**	**(137,353)**	**-**

11. MARKET RISK

Market risk is defined as potential losses on account of changes in market variables. The sources of market risks are changes in interest rate, foreign exchange rates, credit spreads, commodity prices, equity prices and so on. These fluctuations can significantly impact the bank's earnings and valuation. The bank's business activities, including its trading and investment portfolios, are inherently exposed to market risk.

11.1 Market and Liquidity Risk Management Framework

The primary objectives of the Market and Liquidity Risk Management, as part of the bank's independent Risk Management function, is to lay down market risk management guidelines for Treasury, Forex, Equity and Derivative operations of the Bank. It serves to outline the Bank's risk appetite and risk philosophy in respect of Treasury / Forex / Equity / Derivative operations, and the controls that are considered essential for the management of market risks. Market and Liquidity Risk Management works closely together with first line of defense ("the business units") and other control and support groups to achieve this objective.

The Bank predominantly faces two types of market risks:

- Trading market risk arises primarily through the market-making activities. This involves taking positions in currencies, debt, equity or related securities.
- Non-trading market risk arises from market movements in the Bank's banking book and from off-balance sheet items. This includes interest rate risk, credit spread risk, investment risk, foreign exchange risk and commodity price risk.

Market and Liquidity Risk Management governance is designed and established to promote oversight of all market and liquidity risks, effective decision-making and timely escalation to senior management and the Board. Further, Market Risk Management defines and implements a framework to systematically identify, assess, monitor and report market risk. Market risk managers identify market risks through active portfolio analysis and engagement with the business areas.

The market risk management monitors the following limits and approved thresholds :

- Nostro and NOP monitoring
- Liaise with internal / external legal to review master agreements such as ISDA and CSA
- Monitor CSA exchange
- Monitor / Validate / Report MTM of the derivative portfolio
- Monthly review of counterparty credit rating
- Perform periodic stress testing / scenario analysis as per regulatory requirements
- Review and recommend investment proposals, derivative structures
- Identify and measure market risk exposures
- Monitor profit and loss against authorized stop loss limits
- Calculate NOP capital charge
- Report exceptions or violations in respect to Market Risk limits, Market Related Inter-Bank Credit exposure limits
- Monitor internal / Regulatory limits
- Rate Tolerance and dealer limits

11.2 Foreign Exchange Risk

Foreign exchange risk refers to the possibility that an investment's value may decrease due to changes in the relative value of the involved currencies. The foreign exchange risk in the bank is managed and monitored through measurement of open currency positions. The bank has established thresholds for intraday and overnight net open currency positions. The bank's foreign exchange exposures arise from client transactions and balance sheet management with a limited amount of exposure arise from overseas investments. The bank's open currency position predominantly is with USD and other pegged GCC currencies.

11. MARKET RISK (CONTINUED)

11.2 Foreign Exchange Risk: (continued)

The Bank had the following net open positions denominated in foreign currencies as at Dec 2024:

	Assets FCY' 000	Liabilities FCY' 000	Net (liabilities)/assets FCY' 000
US Dollar	8,914,502	8,469,796	444,706
Euro	1,875,303	1,875,941	(638)
UAE Dirhams	6,200,623	6,297,125	(96,502)
Japanese Yen	791,555	775,077	16,478
Swiss Franc	165,713	165,150	563
Pound Sterling	287,422	287,138	284
Indian Rupee	73,074	1,128	71,946

The bank applies Basel II standardized approach for market risk capital allocation for foreign exchange risk. Market risk capital for the bank's foreign exchange position as at the end of 2023 is RO 15.2 million.

11.3 Investment Price Risk

Investment price risk is the risk of decline in value of the bank's investment portfolio as a result of market price movements. The objective of investment price risk management is to ensure that the potential loss arising out of decline in the value of investments is within the bank's Risk Appetite. The bank's investments are governed by the Board approved investment policy and are subject to rigorous due diligence. Further the bank follows all the regulatory and internal thresholds that are applicable for each type of investment.

The investment committee, comprises of the bank's senior management, monitors investments on a periodic basis.The stop loss thresholds are established for various types of investments through investment policy.The market risk unit in the bank monitor all the investments for compliance and escalate breaches for appropriate corrective action. The bank follows IFRS 9 classifications such as amortized cost, FVOCI and FVTPL for all investments and relative provision / impairment is accounted accordingly.

11.4 Interest Rate Risk

Interest rate risk arises from the adverse impact on the bank's financial position because of change in market interest rates. The trading book impact is reflected by way of change in the value of investments. The banking book impact is reflected through the change in Net Interest Income (NII) and Economic Value of Equity (EvE). The bank's Asset Liability Committee (ALCO) is responsible for managing interest rate risk. Regular reports to ALCO includes interest rate risk reports, currency wise as well as consolidated balance sheet positions, liquidity gaps and measurement of NII and EVE. The ALCO regularly reviews the reports and provide direction to treasury to manage interest rate risk. Further key information related to interest rate risk is periodically reported to the bank's Board Risk Committee (BRC). Hedge transactions for banking book are periodically assessed via hedge effectiveness testing.

11.4.1 Interest Rate Risk in Banking Book (IRRBB)

Interest rate risk in the banking book refers to the potential adverse financial impact on the Bank's banking book from changes in interest rates. The Bank carries various assets, liabilities and off-balance sheet items across markets, maturities and benchmarks exposing it to risks from changing interest rates. The Bank's objective is to maintain IRRBB within tolerable limits.

The bank manages short term interest rate impact through earnings based measures and long term interest rate impact through economic value based measures. The bank measures the change in Economic Value of Equity ("EVE") as the maximum decrease of the banking book economic value under the 6 standard scenarios prescribed by Basel guidelines. The bank maintains economic capital for IRRBB under Pillar II based on the outcome.

11.5 Derivatives

The Bank enters into derivative deals with counterparties based on their financial strength and understanding of derivative products and its risks. The bank offers interest rate and foreign exchange derivatives to its clients for hedging purposes. Such products are offered according to the client's hedging requirements and underlying exposures. Interest rate Swaps for the customer are covered back to back with an interbank counterparty.

11. MARKET RISK (CONTINUED)

11.5 Derivatives (continued)

The market risk team shall propose appropriate limit for derivative products in line with the global best practices. Such limits are monitored against the exposures and breaches are escalated for corrective action. The mark to market valuation (MTM) of derivatives is measured on daily basis. The bank has executed ISDA and Credit Support Annexure (CSA) with some of the counterparties and variation margins are exchanged based on the MTM and CSA thresholds.

The Bank also undertakes interest rate derivative to manage its own interest rate risk by way of Interest Rate Swaps, Forward Rate Agreements and so on. The transactions are executed after deliberation and direction from the bank's ALCO. Hedge effectiveness for such interest rate derivative are performed periodically and necessary accounting entries are posted as per IFRS hedge accounting guidelines.

12. LIQUIDITY RISK

Liquidity risk is the risk arises from the bank's potential inability either to meet all payment obligations or only being able to meet such obligations at higher cost. It is the current and prospective risk to the Bank's earnings and equity arising out of inability to meet the obligations as and when they become due. The objective of the bank's liquidity risk management framework is to ensure that the bank can meet all its payment obligations as and when it is due and thus managing the bank's liquidity and funding risks within the Board approved risk appetite. The bank shall identity all material sources of liquidity and funding risks and assess appropriate levels of required Liquid Assets Buffers and contingency funding actions.The bank's treasury is mandated to manage the overall liquidity and funding position for the bank under the guidance and supervision of the ALCO. The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration and to ensure that the bank is fully prepared to meet any unforeseen stress conditions. The bank uses the following tools to manage liquidity and funding:

Liquidity gaps in line with regulatory and internal thresholds

- Periodic stress testing and simulation of liquidity buffer to ensure "crisis survivability"
- Liquidity Early Warning Indicators have established and deliberated at ALCO
- Compliance and adequate maintenance of regulatory ratios such as LCR and NSFR

The bank's risk management performs periodic stress testing and simulation of liquidity buffer and all the material cash inflows and outflows that impact the bank's liquidity. The simulation results are presented to ALCO for deliberation and further action plan. In addition, the bank performs liquidity scenario analysis and based on the outcome the bank provides economic capital under Pillar II as part of ICAAP submission.

12.1 Basel III Liquidity Ratios

Liquidity Coverage Ratio (LCR): LCR measures the stock of unencumbered High Quality Liquid Assets (HQLA) against short-term obligations (30 days). The Bank maintains LCR in excess of the regulatory requirement.

Net Stable Funding Ratio (NSFR): NSFR regulation seeks that the Bank diversify its funding sources and reduce their dependency on short-term wholesale markets. The ratio compares the stock of available Stable Funding against Required Stable Funding. The Bank maintains adequate NSFR ratio above the regulatory threshold to avoid any funding mis-match. The Bank is compliant with the Basel III Liquidity Norms and ratios as of December 2024 are hereunder:

Liquidity Ratio	Ratio as on 31 Dec 2024	Regulatory Threshold
LCR	177.17%	100%
NSFR	132.01%	100%

13. OPERATIONAL RISK

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems or from external events. It includes Legal risk, but not limited to fines, penalties or punitive damages, however, excludes Strategic and Reputational Risk.

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

13. OPERATIONAL RISK (CONTINUED)

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

- Clear reporting lines;
- Delegation of authority;
- Appropriate segregation of duties and authorisation of transactions through a maker checker and authorisation matrix, as deemed relevant;
- Ownership, reconciliation and monitoring of accounts;
- Documentation of controls and processes;
- Compliance with regulatory and other legal requirements;
- Periodic assessment of the operational risks and evaluating the adequacy of controls and procedures to address the risks identified;
- Documented processes and controls for all material activities of the Bank
- Timely reporting of operational risk incidents / operational losses and remedial action;
- Development of adequate contingency plans;
- Training, skill up gradation and professional development;
- Ethical and business standards; and
- Risk transfer through insurance, wherever desirable.

It may be noted that compliance with Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit department which includes both 1st and 2nd Line of Defence. The results of internal audit are discussed with the business unit heads and summary observations of audit are placed to Audit Committee and Senior Management of the Bank for corrective action.

In this regard, Bank has put in place a Board approved Operational Risk Management Policy & Framework which ensures compliance with all applicable local Regulatory guidelines as well as global standards, stipulated in the Basel Committee on Banking Supervision (BCBS). The core objective of the Operational Risk Management Policy & Framework is to continuously ensure that risks related to people, processes, systems and external events are adequately managed, through a set of well-defined policies and procedures / guidelines. These policies & procedures in the Bank are supported with robust systems, applications & workflows, together with well training & skilled staff in respective business, operations and support divisions.

The Bank has an independent Operational Risk Management Department, reporting to Chief Risk Officer (CRO) and it is adequately staffed, comprising of specialised resources / staff with adequate levels of experience and knowledge in different areas of banking business, wherein the Head of Operational Risk is directly involved in the recruitment, objective setting and appraisal of the staff. For effective management of Operational Risk, the core Operational Risk Management Department staff / risk officers, closely interacts / collaborates with Risk & Control Managers (RCM) from 1st and 2nd Line, who are nominated staff within all critical lines of business & operations, and responsible for ensuring Operational Risk policy requirements are adequately adhered, thereby improving the overarching internal control environment in the Bank. These RCMs acts as subject matter experts with deep technical and functional knowledge along with adequate understanding of Bank's Operational Risk Policy & Regulatory requirements, and together with core Operational Risk Management Department, they regularly oversee, support and challenge activities of business and operations and ensures optimization of risk -reward trade-off, by aligning risk taking and strategic planning.

It is pertinent to note that Bank has implemented all key control measures necessary to mitigate Operational Risk, which includes but not limited to, adequate segregation of duties, access control, robust change management governance, sound business continuity planning and physical security controls, alongside Data back, disaster recovery measures and need-based staff training & awareness.

Furthermore, Bank has implemented a structured Operational Risk Loss Event reporting process / system to promptly identify and mitigate any control deficiencies / process lapses. In addition, the Bank has a comprehensive Risk Control Self-assessment (RCSA) process in place which is conducted on periodic basis for all critical business lines, with the aim to identify, assess, mitigate, monitor and report all key risks. In line with Regulatory requirements, Bank maintains a comprehensive Operational Risk incident / Internal loss database, duly categorising them as per BCBS requirements to study the loss trends and for preparing towards higher approaches for Operational Risk Management.

13. OPERATIONAL RISK (CONTINUED)

With respect to Management and Board oversight, Bank has instituted a strong governance framework through formulation of committees at different levels, for effective management and implementation of Operational Risk Management Framework (ORMF). In this regard, at Board level, the Board Risk Committee (BRC), has been delegated the task of implementing and effective ORMF within the Bank, while at the Executive Management level, the Management Risk Committee (MRC) is responsible to periodically review, monitor and provide suitable guidance / instruction on bank's non-financial risk areas, namely Operational Risk, Compliance Risk, Information Security Risk and Legal Risk and further ensure appropriate Management actions are undertaken where necessary. For the purpose, the Operational Risk Management Department submits periodic reports to both MRC and BRC and discusses various key issues, incidents and emerging risks along with mitigation measures which are in place.

Business Continuity

The Bank has established a Business Continuity Management (BCM) Program designed to minimize service disruption and the potential impact on the Bank, our customers and our staff. This includes a BCM Policy that is approved by our Board together with written Business Continuity and Disaster Recovery plans (DRPs) and procedures that are subject to periodic independent review. Although the specific details of our BCM arrangements are confidential for security reasons, the bank maintains Business Continuity Plans (BCPs) that address risk scenarios and events of varying scope including, but not exclusively, loss of services or infrastructure, denial of access, cyber-attack, pandemics and regional crises.

Sohar International BCPs are focused on maintaining critical processes, including treasury, capital & liquidity and payment services, providing customers with uninterrupted access to their funds and maintaining effective communications with our customers, staff and other stakeholders."

Exposure to interest rate risk – Annexure 2

	2024
	RO'000
Net interest income	**180,993**
Capital	**821,929**
Based on 50 bps interest rate shock	
Impact of 50 bps interest rate shock	**11,643**
Impact as % to net interest income	**6.43%**
Impact as % to capital	**1.42%**
Based on 100 bps interest rate shock	
Impact of 100 bps interest rate shock	**23,286**
Impact as % to net interest income	**12.87%**
Impact as % to capital	**2.83%**
Based on 200 bps interest rate shock	
Impact of 200 bps interest rate shock	**46,574**
Impact as % to net interest income	**25.73%**
Impact as % to capital	**5.67%**

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

STATEMENT ON SENSITIVITY OF ASSETS AND LIABILITIES (SAL)

Annexure 1 **RO'000**

No.	Inflows (Assets and OBS)	Upto 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 7 years	7 - 10 years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Cash on Hand	-	-	-	-	-	-	-	-	-	-	-	-	-	47,537	47,537
2	Deposits with CBO	-	-	-	-	-	-	-	-	-	-	-	-	-	155,416	155,416
3	Balances due from Other Banks	345,728	95,979	33,045	40,820	-	-	-	-	-	-	-	-	-	46,159	561,730
4	Investments	823,958	814,178	133,074	27,756	13,014	55,507	105,652	99,469	24,619	-	-	-	-	21,804	2,119,029
5	Bills of Exchange and Promissory Notes	134,824	56,118	31,371	4,911	-	-	129	-	-	-	-	-	-	-	227,353
6	Overdrafts	309,555	-	-	-	-	-	-	-	-	-	-	-	-	-	309,555
7	Loans and Advances	1,176,486	322,274	187,051	389,381	243,915	407,025	349,987	164,717	110,672	154,141	32,675	4,057	296,858	22,734	3,861,973
8	Non Performing Loans	-	-	-	11,817	-	-	-	-	39,344	-	-	-	-	-	51,161
9	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	146,362	146,362
10	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	36,819	36,819
11	Swaps	633,633	236,178	-	27,500	77,000	-	-	-	-	-	-	-	-	-	974,311
	Total	**3,424,184**	**1,524,726**	**384,540**	**502,185**	**333,929**	**462,532**	**455,767**	**264,186**	**174,635**	**154,141**	**32,675**	**4,057**	**296,858**	**476,830**	**8,491,246**

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

STATEMENT ON SENSITIVITY OF ASSETS AND LIABILITIES (SAL)

Annexure 1 (continue) **RO'000**

No.	Outflows (Liabilities and OBS)	Upto 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 7 years	7 - 10 years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Current Deposits	488,064	83,865	21,613	-	-	-	-	-	-	-	-	-	-	2,263,543	2,857,086
2	Saving Deposits	209,272	-	-	-	-	-	-	-	-	-	-	-	-	864,575	1,073,847
3	Time Deposits	151,471	253,765	155,508	565,644	555,516	16,921	132,959	780	-	-	-	-	-	-	1,832,564
4	Other Deposits	12,881	-	-	-	-	-	-	-	-	-	-	-	-	662	13,543
5	Balances due to other Banks	7,710	365,218	139,294	1,156	-	-	-	-	-	-	-	-	-	56,936	570,313
6	Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	720,546	720,546
7	Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	240,908	240,908
8	Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	29,231	29,231
9	Others (Current Year's Profit/Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	100,181	100,181
10	Swaps	622,371	236,619	-	27,500	77,000	-	-	-	-	-	-	-	-	-	963,490
11	Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	93,892	93,892
	Total	**1,491,769**	**939,466**	**316,416**	**594,300**	**632,516**	**16,921**	**132,959**	**780**	**-**	**-**	**-**	**-**	**-**	**4,370,474**	**8,495,602**
	Gap	**1,932,415**	**585,260**	**68,125**	**(92,115)**	**(298,587)**	**445,611**	**322,808**	**263,406**	**174,635**	**154,141**	**32,675**	**4,057**	**296,858**	**(3,893,644)**	**(4,356)**
	Cumulative Gap	**1,932,415**	**2,517,675**	**2,585,800**	**2,493,685**	**2,195,098**	**2,640,709**	**2,963,516**	**3,226,922**	**3,401,557**	**3,555,698**	**3,588,373**	**3,592,430**	**3,889,288**	**(4,356)**	

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

STATEMENT ON MATURITY OF ASSETS AND LIABILITIES (MAL)
Annexure 3

RO'000

No.	Inflows (Assets and OBS)	Upto 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	Over 5 years	Total
1	Cash on Hand	47,537	-	-	-	-	-	-	-	47,537
2	Deposits with CBO	16,364	16,496	14,265	11,506	10,496	38,726	22,719	24,844	155,416
3	Balances due from Other Banks	391,861	95,993	33,050	40,826	-	-	-	-	561,730
4	Investments	845,616	817,608	134,655	9,918	17,914	62,955	205,678	24,684	2,119,029
5	Bills of Exchange and Promissory Notes	134,824	56,118	31,371	1,827	3,085	-	129	-	227,353
6	Overdrafts	15,478	15,478	15,478	15,478	15,478	77,389	77,389	77,387	309,555
7	Loans and Advances	138,286	135,456	72,143	70,294	67,866	609,122	749,565	2,019,240	3,861,973
8	Non-Performing Loans	-	-	-	-	12,790	-	-	38,371	51,161
9	Fixed Assets	-	-	-	-	-	-	-	146,362	146,362
10	Other Assets	36,819	-	-	-	-	-	-	-	36,819
11	Spot and Forward Purchases	303,601	1,870	576	198	9,625	36,667	-	-	352,536
12	Swaps	625,383	197,678	-	9,625	9,625	-	-	-	842,311
13	Letters of Credit/Guarantees/Acceptances	239	1,454	3,647	2,352	618	1,553	188	188	10,239
14	Unutilized portion of Overdraft and Loans & Advances	25,145	2,483	361	20,111	763	1,812	757	6,057	57,489
15	Undrawn Exposure (Syn Loans)	6,762	-	-	-	-	-	-	86,537	93,299
	Total	**2,587,917**	**1,340,634**	**305,546**	**182,135**	**148,261**	**828,223**	**1,056,424**	**2,423,669**	**8,872,809**

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

STATEMENT ON MATURITY OF ASSETS AND LIABILITIES (MAL)
Annexure 3 (continue)

RO'000

	Outflows (Liabilities and OBS)	Upto 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	Over 5 years	Total
1	Current Deposits	428,662	428,662	285,775	142,887	142,887	285,775	428,662	713,774	2,857,086
2	Saving Deposits	32,218	32,216	32,216	32,216	32,216	322,153	322,153	268,461	1,073,847
3	Time Deposits	128,471	214,971	127,163	289,440	249,390	638,730	179,191	5,208	1,832,564
4	Other Deposits	4,869	1,601	1,553	1,090	522	1,291	1,376	1,242	13,543
5	Balances due to Other Banks	77,150	-	135,918	-	1,128	356,118	-	-	570,313
6	Other Liabilities	93,892	-	-	-	-	-	-	-	93,892
7	Spot and Forward Sales	303,628	1,821	556	192	9,624	36,700	-	-	352,521
8	Swaps	614,121	198,119	-	9,625	9,625	-	-	-	831,490
9	Letters of Credit/Guarantees/Acceptances	1,516	3,653	4,037	638	210	185	-	-	10,239
10	Unutilized portion of Overdraft and Loans and Advances	29,458	11,205	6,825	7,455	2,268	279	-	-	57,489
11	Capital	-	-	-	-	-	-	-	720,546	720,546
12	Reserves	-	-	-	-	-	-	-	240,908	240,908
13	Retained Earnings	-	-	-	-	-	-	-	29,231	29,231
14	Others (Current Year's Profit/Loss)	-	-	-	-	-	-	-	100,181	100,181
15	Undrawn Exposure (Syn Loans)	93,299	-	-	-	-	-	-	-	93,299
	Total	**1,807,284**	**892,248**	**594,042**	**483,543**	**447,869**	**1,641,231**	**931,382**	**2,079,551**	**8,877,150**
	Cumulative Liabilities	**1,807,284**	**2,699,531**	**3,293,574**	**3,777,116**	**4,224,986**	**5,866,217**	**6,797,599**	**8,877,150**	
	Gap	**780,634**	**448,386**	**(288,496)**	**(301,408)**	**(299,609)**	**(813,008)**	**125,042**	**344,118**	
	Cumulative Gap	**780,634**	**1,229,020**	**940,524**	**639,116**	**339,507**	**(473,501)**	**(348,459)**	**(4,341)**	
	Cumulative Gap as a percentage of Cumulative liabilities	**43.19**	**45.53**	**28.56**	**16.92**	**8.04**	**(8.07)**	**(5.13)**	**(0.05)**	

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF REGULATORY ADJUSTMENTS 31 DECEMBER 2024

		RO '000
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	720,546
2	Retained earnings	128,480
3	Accumulated other comprehensive income (and other reserves)	45,475
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
	Public sector capital injections grandfathered until 1 January 2018	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**894,501**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	62,921
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities.	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage Servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	**Total regulatory adjustments to Common equity Tier 1**	**62,921**
29	**Common Equity Tier 1 capital (CET1)**	**831,580**

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF REGULATORY ADJUSTMENTS 31 DECEMBER 2024 (CONTINUED)

		RO '000
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards 5	-
32	of which: classified as liabilities under applicable accounting standards 6	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 capital before regulatory adjustments**	**-**
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**
44	**Additional Tier 1 capital (AT1)**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**831,580**
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	21
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	43,191
51	**Tier 2 capital before regulatory adjustments**	**43,212**

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF REGULATORY ADJUSTMENTS 31 DECEMBER 2024 (CONTINUED)

		RO '000
	Tier 2 capital: regulatory adjustments	
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	
57	**Total regulatory adjustments to Tier 2 capital**	**-**
58	**Tier 2 capital (T2)**	**43,212**
59	**Total capital (TC = T1 + T2)**	**874,792**
	Risk Weighted Assets	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	
60	**Total risk weighted assets (60a+60b+60c)**	**4,745,328**
60a	Of which: Credit risk weighted assets	4,188,315
60b	Of which: Market risk weighted assets	189,749
60c	Of which: Operational risk weighted assets	367,264
	Capital Ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.52
62	Tier 1 (as a percentage of risk weighted assets)	17.52
63	Total capital (as a percentage of risk weighted assets)	18.43
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	8.25%
65	of which: capital conservation buffer requirement	2.50%
66	of which: bank specific countercyclical buffer requirement	
67	of which: D-SIB/G-SIB buffer requirement	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets	9.22

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF REGULATORY ADJUSTMENTS 31 DECEMBER 2024 (CONTINUED)

		RO '000
	National minima (if different from Basel III)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	8.250
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	10.250
71	National total capital minimum ratio (if different from Basel 3 minimum)	12.250
	Amounts below the thresholds for deduction (before risk weighting)	
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
	Applicable caps on the inclusion of provisions in Tier 2	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	43,191
77	Cap on inclusion of provisions in Tier 2 under standardised approach	104,708
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024

Step 1 : (RO '000)

	Balance sheet as in published financial statements As at Dec'24	Under regulatory scope of consolidation As at Dec'24
Assets		
Cash and balances with Central Bank of Oman	202,953	202,945
Certificates of deposit	-	-
Due from banks	561,730	561,730
Loans and advances	4,269,808	4,269,808
Investments in securities	2,119,029	2,119,029
Loans and advances to banks	-	-
Property and equipment	148,805	148,805
Deferred tax assets	-	-
Other assets	58,681	58,689
Total assets	**7,361,006**	**7,361,006**
Liabilities		
Due to banks	570,313	570,313
Customer deposits	5,776,725	5,776,725
Certificates of deposit	-	-
Current and deferred tax liabilities	-	-
Other liabilities	115,679	115,679
Subordinated Debts	-	-
Compulsory Convertible bonds	-	-
Total liabilities	**6,462,717**	**6,462,717**
Shareholders' Equity		
Paid-up share capital	702,508	702,508
Share premium	18,038	18,038
Legal reserve	55,898	55,898
General reserve	988	988
Retained earnings	128,480	128,480
Cumulative changes in fair value of investments	(1,676)	(1,676)
Subordinated debt reserve	-	-
Impairment reserve	5,464	5,464
Special Reserve	(11,411)	(11,411)
Perpetual Tier 1 Capital Securities	-	-
Total shareholders' equity	**898,289**	**898,289**
Total liability and shareholders' funds	**7,361,006**	**7,361,006**

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024 (CONTINUED)

Step 2 : (RO '000)

	Balance sheet as in published financial statements As at Dec'24	Under regulatory scope of consolidation As at Dec'24	Reference
Assets			
Cash and balances with CBO	202,953	202,945	
Balance with banks and money at call and short notice	561,730	561,730	
Investments :	2,119,029	2,119,029	
Of which Held to Maturity	370,349	370,349	
Out of investments in Held to Maturity:			
Investments in subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Of which Available for Sale	1,710,400	1,710,400	
Out of investments in Available for Sale : Investments in Subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Held for Trading	38,280	38,280	
Loans and advances	4,269,808	4,269,808	
Of which :			
Loans and advances to domestic banks	-	-	
Loans and advances to non-resident banks	-	-	
Loans and advances to domestic customers	3,350,974	3,350,974	
Loans and advances to non-resident Customers for domestic operations	-	-	
Loans and advances to non-resident Customers for operations abroad	95,004	95,004	
Loans and advances to SMEs	135,900	135,900	
Financing from Islamic banking window	687,930	687,930	
Fixed assets	148,805	148,805	
Other assets of which:	58,681	58,689	
Goodwill and intangible assets Out of which:			
goodwill	-	-	
Other intangibles (excluding MSRs)	-	-	
Deferred tax assets	-	-	
Goodwill on consolidation	-	-	
Debit balance in Profit & Loss account	-	-	
Total Assets	**7,361,006**	**7,361,006**	
Capital & Liabilities			

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024 (CONTINUED)

Step 2 : (continued) (RO '000)

	Balance sheet as in published financial statements As at Dec'24	Under regulatory scope of consolidation As at Dec'24	Reference
Paid-up Capital	720,546	720,546	
Of which:			
Amount eligible for CET1	720,546	720,546	
Amount eligible for AT1	-	-	
Reserves & Surplus	177,743	177,743	
Out of which			
Retained earnings*	128,480	128,480	b
Other Reserves	50,939	50,939	
Cumulative changes in fair value of investments	(1,676)	(1,676)	
Out of which :			
Losses from fair value of investments		-	a
Gains from fair value of investments		-	
Haircut of %55 on Gains		-	
Total Capital	898,289	898,289	
Deposits :	5,776,725	5,776,725	
Of which:			
Deposits from banks	-	-	
Customer deposits	5,079,264	5,079,264	
Deposits of Islamic Banking window	697,461	697,461	
Other deposits(please specify)	-	-	
Borrowings	570,313	570,313	
Of which: From CBO	-	-	
From banks	570,313	570,313	
From other institutions & agencies	-	-	
Borrowings in the form of bonds, Debentures and sukuks	-	-	
Others (Subordinated debt)	-	-	
Other liabilities & provisions** Of which:	115,679	115,679	
Out of which : DTLs related to Investments		-	
Out of which : DTAs related to Investments		-	
Out of which : DTLs related to Fixed Assets		-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
TOTAL	**7,361,006**	**7,361,006**	

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024 (CONTINUED)

Step 3 : (RO '000)

Common Equity Tier 1 capital: instruments and reserves

		Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	720,546	
2	Retained earnings	128,480	b
3	Accumulated other comprehensive income (and other reserves)	45,475	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**894,501**	
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	(61,245)	
9	Losses from fair value of investments	(1,676)	a
10	DTA related to Investments	-	
11	**Common Equity Tier 1 capital (CET1)**	**831,580**	

MAIN FEATURES TEMPLATE OF CAPITAL INSTRUMENTS - AS OF DECEMBER 2024

1	**Issuer**	**SOHAR INTERNATIONAL**
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN OM0000003398
3	Governing law(s) of the instrument *Regulatory treatment*	Banking Law of Oman / Commercial Companies Law
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Equity Shares
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	OMR 702.508 Million
9	Par value of instrument	OMR 702.508 Million
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	3-Jan-07
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NO
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
30	Write-down feature	NO
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to the Compulsorily Convertible bonds issued by the Bank
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	NA

BASEL III LEVERAGE RATIO FRAMEWORK AND DISCLOSURE REQUIREMENTS - REPORTS FOR QUARTER ENDED 31 DECEMBER 2024

(All amounts in OMR'000)

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

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

	Item	**Current Quarter**	**Previous Quarter**
1	Total consolidated assets as per published financial statements	7,361,006	7,571,568
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	10,818	(26,445)
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	233,419	242,073
7	Other adjustments	(79,886)	(5,465)
8	**Leverage ratio exposure**	7,525,357	7,781,731

Table 2: Leverage ratio common disclosure template

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

	Item	**Current Quarter**	**Previous Quarter**
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	5,681,053	6,132,171
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(62,921)	(62,974)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	5,618,132	6,069,197
	Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	-	-
5	Add-on amounts for PFE associated with all derivatives transactions	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**-**	**-**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,674,871	1,471,500
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,065)	(1,039)
14	CCR exposure for SFT assets		
15	Agent transaction exposures		-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**1,673,806**	**1,470,461**
	Other Off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	2,771,499	2,307,714
18	(Adjustments for conversion to credit equivalent amounts)	(2,538,080)	(2,065,641)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**233,419**	**242,073**
	Capital and total exposures		
20	**Tier 1 capital**	831,580	600,391
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	7,525,357	7,781,731
	Leverage Ratio		
22	**Basel III leverage ratio (%)**	11.1	7.7

LCR COMMON DISCLOSURE TEMPLATE FOR THE PERIOD ENDING: DECEMBER 2024 (CONSOLIDATED)

(Amounts in RO '000)

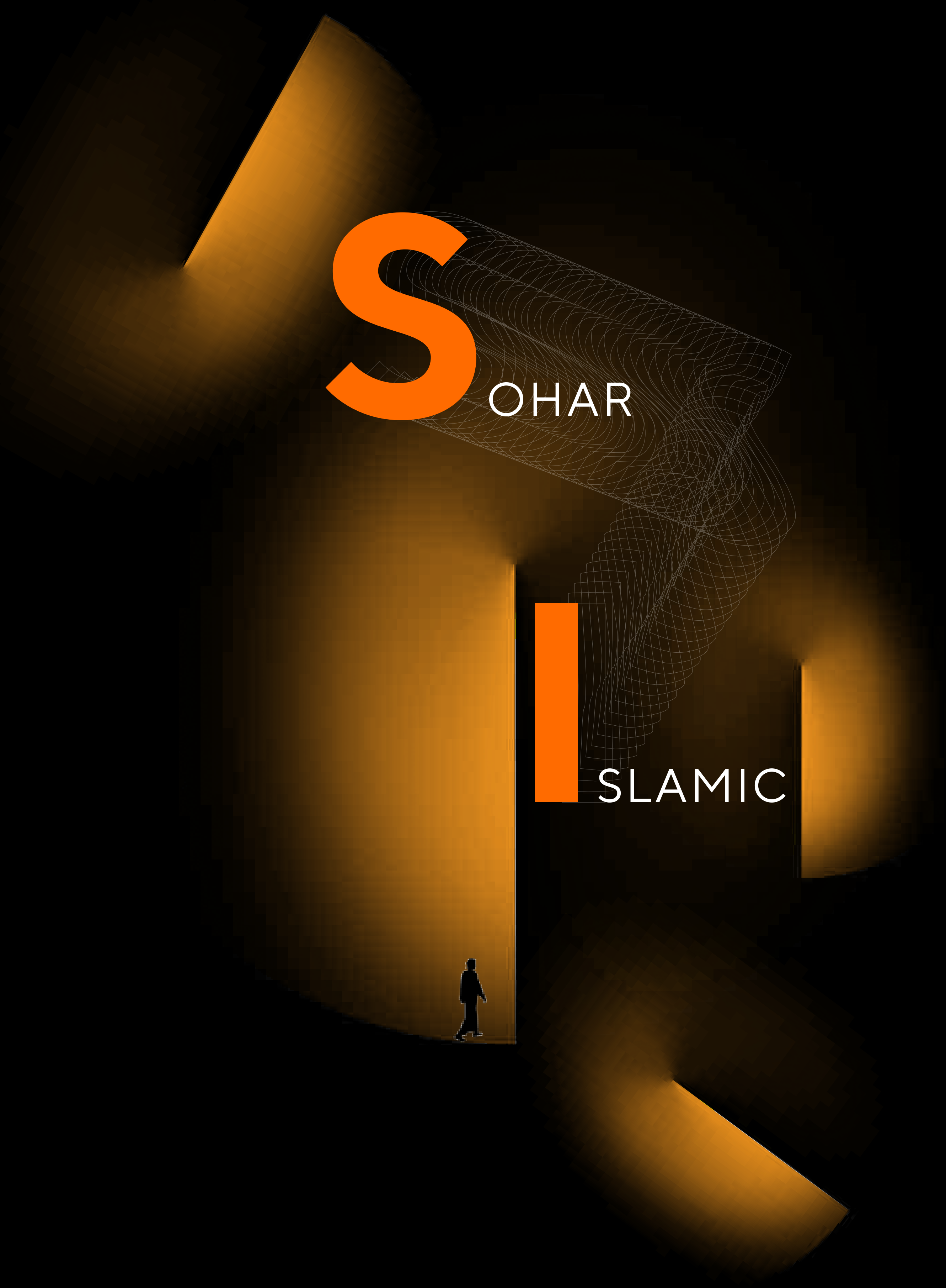
		Total Unweighted Value (average)*	Total Weighted Value (average)**
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		1,737,176
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	1,294,742	100,547
3	Stable deposits	417,440	12,817
4	Less stable deposits	877,303	87,730
5	Unsecured wholesale funding, of which:	2,968,001	1,262,554
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	2,968,001	1,262,553
8	Unsecured debt	-	-
9	Secured wholesale funding		56,445
10	Additional requirements, of which	136,648	13,721
11	Outflows related to derivative exposures and other collateral requirements	429	429
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	136,220	13,292
14	Other contractual funding obligations	11,077	11,077
15	Other contingent funding obligations	1,183,068	59,153
16	**TOTAL CASH OUTFLOWS**		**1,503,497**
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	598,410	477,725
19	Other cash inflows	123,130	3,779
20	**TOTAL CASH INFLOWS**	**721,540**	**481,504**
			Total Adjusted Value***
21	**TOTAL HQLA**		**1,737,176**
22	**TOTAL NET CASH OUTFLOWS**		**1,021,993**
23	**LIQUIDITY COVERAGE RATIO (%)**		**169.98**

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

NSFR DISCLOSURES (CONSOLIDATED) QUARTER ENDED: DECEMBER 2024

(Amounts in RO '000)

ASF Item		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
1	Capital:	821,929	-	-	-	821,929
2	Regulatory capital	778,717	-	-	-	778,717
3	Other capital instruments	43,212	-	-	-	43,212
4	Retail deposits and deposits from small business customers business customers:	1,034,366	11,712	136,234	-	1,203,278
5	Stable deposits	418,675	4,038	22,430	-	424,528
6	Less stable deposits	615,691	7,673	113,804	-	778,750
7	Wholesale funding:	-	2,600,914	720,897	-	1,825,271
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	2,600,914	720,897	-	1,825,271
10	Liabilities with matching interdependent assets					
11	Other liabilities:	-	-	-	1,209,228	1,209,805
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in above categories	-	-	-	1,209,228	1,209,805
14	**Total ASF**					5,060,283
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					68,197
16	Deposits held at other financial institutions for operational purposes	45,873	-	-	-	22,936
17	Performing loans and securities:	15,354	526,465	317,134	532,437	621,709
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	16,566	-	8,283
20	Performing loans to non-financial corporate clients,loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	15,354	519,699	291,928	-	231,596
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	6,765	5,903	498,998	351,079
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	6,765	5,903	498,998	351,079
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	2,737	33,440	30,750
25	Assets with matching interdependent liabilities					
26	Other Assets:	709	-	-	3,514,278	3,052,989
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	709	-	-	3,514,278	3,052,989
32	Off-balance sheet items		6,914	1,197,233	93,945	67,401
33	**TOTAL RSF**					3,833,232
34	**NET STABLE FUNDING RATIO (%)**					**132.01**



GROWING

WITH VALUES

PAVING

THE WAY

TO SUCCESS

SHARI'AH SUPERVISORY BOARD MEMBERS

SHEIKH AL-MU'TASIM SAID AL MAAWALI
Chairman

SHEIKH NASSER YOUSUF AL AZRI
Deputy Chairman

DR. MUHAMMAD ABDUL RAHIM SULTAN AL OLAMA
Member

بسم اللّه الرَحمن الرَحيم

الحمد للّه رب العالمين

والصَلاة والسَلام على رسوله الكريم،،، أما بعد

In The Name of Allah, Most Gracious, Most Merciful.

Peace and Blessings Be Upon His Messenger.

To the Shareholders of Sohar International,

السلام عليكم و رحمة اللّه و بركاته

In compliance with the letter of appointment, we are required to submit the following report for the operations of Sohar Islamic (the Window) during the year 2024 for the period from 01/01/2024 to 31/12/2024:

The Shari'ah Supervisory Board monitored the operations of the Window through the Shari'ah Department in the period between January 1st, 2024 and December 31st, 2024 to ascertain the Window's adherence to the provisions and principles of Islamic Shari'ah as expounded by the Shari'ah Supervisory Board. The Shari'ah Supervisory Board's monitoring function included the checking of documents and procedures to scrutinize operations carried out by the Window, either directly or through the Shari'ah Audit Unit. We planned with the Shari'ah Audit Unit to carry out monitoring functions by obtaining all the information and clarifications that were deemed necessary to confirm that the Window did not violate the principles and provisions of Islamic Shari'ah as elaborated by the Shari'ah Supervisory Board. The Shari'ah Audit Unit audited the Window's transactions and submitted a report to the Shari'ah Supervisory Board. The report confirmed the Window's commitment and conformity to the Shari'ah Supervisory Board's opinions. Five meetings were held throughout the year that ended on December 31st 2024, and they replied to inquiries and approved investment opportunities presented by the management.

SHARI'AH SUPERVISORY BOARD REPORT 2024

The Shari'ah Supervisory Board believes that:

1. Contracts, operations and transactions conducted by the Window throughout the year ending 31 December 2024 were in accordance with the standard contracts pre-approved by the Shari'ah Supervisory Board in general, and what was observed in some transactions in terms of violations or errors were directed in their regard.

2. The distribution of profit on investment accounts was in compliance with the basis and principles approved by the Shari'ah Supervisory Board.

3. All earnings which have been realized from sources or by means not in compliance with Islamic Shari'ah rules have been disbursed to the charity account under the supervision and guidelines of the Shari'ah Supervisory Board.

4. The Shari'ah Supervisory Board created, developed, reviewed and approved all products, financing structures and contracts of transactions that were presented to them.

5. The Shari'ah Board stresses the need for the executive management to continue working on developing their employees to enable them to perform their duties efficiently and to avoid them falling into Shari'ah violations.

Shari'ah Supervisory Board Members

Dr. Mohammad Abdul Rahim Sultan Al Olama **Member**	**Sheikh Nasser Yousuf Al Azri** **Deputy Chairman**	**Sheikh Al Muatasim Said Al Maawali** **Chairman**

Shari'ah Supervisory Board

Sohar Islamic

بسم الله الرحمن الرحيم

الحمد لله، والصلاة والسلام على سيدنا محمد رسول الله – صلى الله عليه وآله وصحبه وسلم–، وبعد:

The Shari'ah Supervisory Board has reviewed the documents of OQ Exploration & Production LLC to provide a Shari'ah opinion on the company's activities and operations.

Introduction:

OQ Exploration & Production LLC is seeking to list its shares in the Muscat Stock Exchange. In this regard, the company has approached Sohar International to obtain a Sohar Islamic's Shari'ah Supervisory Board opinion to issue a compliance certificate. The board conducted a review of the company's activities and financial statements to ensure compliance with Islamic Shari'ah principles, along with the Shari'ah accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Decision:

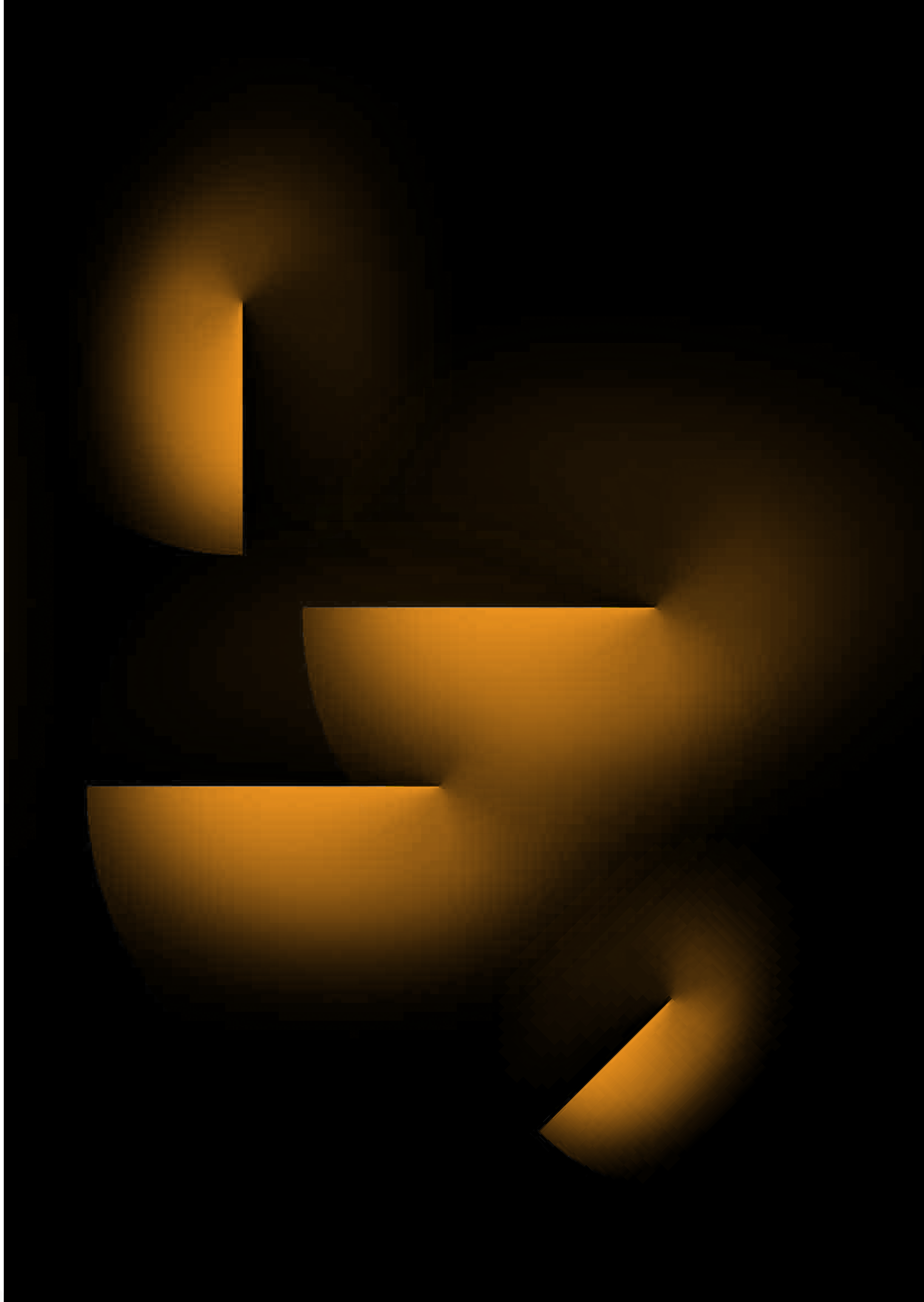
The Shari'ah Supervisory Board has reviewed the documents submitted by OQ Exploration & Production LLC and, based on its findings, has determined that the company's core business activities comply with the Shari'ah principles governing Islamic financial institutions. Consequently, there is no Shari'ah-related objection to proceeding with the company's listing.

Shari'ah Supervisory Board Members

Dr. Mohammad Abdul Rahim Sultan Al Olama
Member

Sheikh Nasser Yousuf Al Azri
Deputy Chairman

Sheikh Al Muatasim Said Al Maawali
Chairman



FINANCIAL STATEMENTS
(SOHAR ISLAMIC)

PAVING

OUR PATH

TO SUCCESS

WITH VALUES-DRIVEN

GROWTH

KPMG LLC
Children's Public Library Building
4th Floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
Tel. +968 24 749600, www.kpmg.com/om

Independent auditors' report

To the Shareholders of Sohar International Bank SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sohar Islamic Banking (the "Islamic Window"), which comprise the statement of financial position as at 31 December 2024, the statements of comprehensive income, income and attribution related to quasi-equity, changes in owners' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

In our opinion, the Islamic Window has also complied with the Islamic Shari'a Principles and Rules as determined by the Islamic Window's Shari'a Supervisory Board during the year ended 31 December 2024.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. 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 Islamic Window in accordance with *AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions*, 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Islamic Window for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 12 March 2024.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the Islamic Window's undertaking to operate in accordance with Islamic Shari'a Rules and Principles as determined by the Islamic Window's Shari'a Supervisory Board.

The Board of Directors is also responsible for the preparation and fair presentation of the financial statements in accordance with FAS as modified by CBO, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 ASIFIs 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 ASIFIs, 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 Islamic Window's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Islamic Window'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 Islamic Window to cease to continue as a going concern.

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 the Board of Directors 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 the Board of Directors 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.

10 March 2025

KPMG LLC

KPMG
KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	31 December 2024 RO'000	31 December 2023 RO'000
ASSETS			
Cash and balances with Central Bank	5	**23,304**	38,232
Receivables from financial institutions	6	**71,774**	18,777
Investment securities	7	**45,244**	24,552
Murabaha receivables	8.a	**22,850**	31,466
Ijarah muntahia bittamleek	8.b	**87,850**	93,587
Istisna followed by ijarah muntahia bittamleek	8.c	**116,931**	101,142
Diminishing musharka	8.d	**220,724**	251,012
Qard hasan financing	8.e	**26**	33
Wakala bil istithmar	8.f	**204,846**	20,695
Property and equipment	9	**2,387**	2,361
Other assets	10	**30,753**	22,155
TOTAL ASSETS		**826,689**	604,012
LIABILITIES			
Current and other accounts	11	**58,590**	65,647
Due to financial institutions	12	**5,304**	4,233
Other liabilities	13	**5,789**	3,275
TOTAL LIABILITIES		**69,683**	73,155
QUASI-EQUITY			
Participatory investment accounts	14	**666,640**	462,100
TOTAL QUASI-EQUITY		**666,640**	462,100
OWNERS' EQUITY			
Allocated capital	15.a	**66,500**	51,500
Legal reserve	15.b	**134**	134
General reserve	15.c	**988**	988
Fair value reserve	15.d	**(452)**	44
Impairment reserve	15.e	**2,555**	1,641
Retained earnings		**20,641**	14,450
TOTAL OWNERS' EQUITY		**90,366**	68,757
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		**826,689**	604,012
CONTINGENT LIABILITIES AND COMMITMENTS	16	**110,409**	99,714

These financial statements were approved and authorised for issue by the Board of Directors on 28 Jan 2025 and signed on their behalf by:

Chairman

Board member

The accompanying notes 1 to 30 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	31 December 2024 RO'000	31 December 2023 RO'000
Income from financing activities	19	**31,484**	24,720
Income from investing activities	20	**5,318**	2,286
Net income from financing and investing activities		**36,802**	27,006
Other operating income	22	**5,035**	3,210
TOTAL OPERATING INCOME		**41,837**	30,216
Staff costs		**(4,255)**	(3,408)
Other operating expenses	23	**(2,070)**	(1,913)
Depreciation	9	**(208)**	(231)
TOTAL OPERATING EXPENSE		**(6,533)**	(5,552)
NET OPERATING INCOME BEFORE IMPAIRMENT		**35,304**	24,664
Impairment charges (net)	24	**(1,096)**	(1,064)
NET OPERATING INCOME		**34,208**	23,600
Profit attributed to quasi-equity	21	**(25,849)**	(19,581)
PROFIT FOR THE YEAR BEFORE TAX		**8,359**	4,019
Income tax expense		**(1,254)**	(603)
PROFIT FOR THE YEAR		**7,105**	3,416
Items that will not be reclassified to profit and loss			
Revaluation loss on equity instruments held at fair value through other comprehensive income (FVOCI)		**(496)**	(161)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(496)**	(161)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**6,609**	3,255

The accompanying notes 1 to 30 form an integral part of these financial statements.

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

	Note	31 December 2024 RO'000	31 December 2023 RO'000
Profit for the year before profit attributed to quasi-equity after tax		**32,954**	22,997
Less: income not attributed to quasi-equity		**(15,717)**	(10,361)
Add: expenses not attributed to quasi-equity		**8,883**	7,219
Profit attributed to quasi-equity before Mudaraba income		**26,120**	19,855
Mudarib's share		**(271)**	(274)
Profit attributed to quasi-equity	21	**25,849**	19,581

The accompanying notes 1 to 30 form an integral part of these financial statements.

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

	Allocated capital RO'000	Legal reserve RO'000	General reserve RO'000	Impairment reserve RO'000	Fair value reserve RO'000	Retained earnings RO'000	Total RO'000
Balance as at 1 January 2024	**51,500**	**134**	**988**	**1,641**	**44**	**14,450**	**68,757**
Profit for the year	-	-	-	-	-	**7,105**	**7,105**
Other comprehensive loss for the year	-	-	-	-	**(496)**	-	**(496)**
Total comprehensive income for the year, net of income tax	-	-	-	-	**(496)**	**7,105**	**6,609**
Transfer to Impairment reserve	-	-	-	**914**	-	**(914)**	-
Capital allocation	**15,000**	-	-	-	-	-	**15,000**
Balance as at 31 December 2024	**66,500**	**134**	**988**	**2,555**	**(452)**	**20,641**	**90,366**

	Allocated capital RO'000	Legal reserve RO'000	General reserve RO'000	Impairment reserve RO'000	Fair value reserve RO'000	Retained earnings RO'000	Total RO'000
Balance as at 1 January 2023	41,500	134	988	472	205	12,203	55,502
Profit for the year	-	-	-	-	-	3,416	3,416
Other comprehensive loss for the year	-	-	-	-	(161)	-	(161)
Total comprehensive income for the year, net of income tax	-	-	-	-	(161)	3,416	3,255
Transfer to Impairment reserve	-	-	-	1,169	-	(1,169)	-
Capital allocation	10,000	-	-	-	-	-	10,000
Balance as at 31 December 2023	51,500	134	988	1,641	44	14,450	68,757

The accompanying notes 1 to 30 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	31 December 2024 RO'000	31 December 2023 RO'000
OPERATING ACTIVITIES			
Profit before tax		**7,105**	4,019
Adjustments for:			
Depreciation	*9*	**208**	231
Impairment charges (net)	*24*	**1,096**	1,064
Income from investment activities	*20*	**(1,530)**	(1,532)
Cash from operating activities before changes in operating assets and liabilities		**6,879**	3,782
Murabaha receivables		**8,617**	(6,520)
Ijarah muntahia bittamleek		**5,860**	6,248
Istisna followed by ijarah muntahia bittamleek		**(14,023)**	(7,207)
Diminishing musharka		**30,306**	(106,607)
Qard hasan financing		**7**	10
Wakala bil istithmar		**(183,914)**	24,566
Current and other accounts		**(7,057)**	24,425
Other assets		**(8,031)**	(5,928)
Other liabilities		**(658)**	(321)
Net cash used in operating activities		**(162,014)**	(67,552)
INVESTING ACTIVITIES			
Purchase of investment securities		**(32,374)**	(5,044)
Sale / matured investment securities		**11,117**	8,008
Acquisition of property and equipment		**(235)**	(1,310)
Income received on investments		**953**	1,859
Net cash from investing activities		**(20,539)**	3,513
FINANCING ACTIVITIES			
Quasi-equity participatory investment accounts		**205,622**	77,060
Proceed from allocation of capital		**15,000**	10,000
Net cash from financing activities		**220,622**	87,060
NET CHANGE IN CASH AND CASH EQUIVALENTS		**38,069**	23,021
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR		**57,009**	33,988
CASH AND CASH EQUIVALENTS AT END OF YEAR		**95,078**	57,009
REPRESENTING:			
Cash and balances with Central Bank	*5*	**23,304**	38,232
Receivables from financial institutions with maturity up to 90 days	*6*	**71,774**	18,777
		95,078	57,009

The accompanying notes 1 to 30 form an integral part of these financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Sohar International Bank SAOG (the Owner / Head Office / the Bank) (previously 'Bank Sohar SAOG) under an Islamic Banking License issued by the Central Bank of Oman (CBO) on 30 April 2013, carries out Islamic banking operations and other financial trading activities in accordance with Islamic Shari'a rules and regulations under the name of "Sohar Islamic" (the Window). The Window's Shari'a Supervisory Board is entrusted to ensure the Window's adherence to Shari'a rules and principles in its transactions and activities. As required under clauses 3.5.1.2 and 3.5.1.3 of Title 1,'*Licensing Requirements'* of Islamic Banking Regulatory Framework (IBRF) issued by CBO, the head office assigned RO 66.5 million (refer note 15.a) to the Window as Share capital.

The Window does not operate as a separate legal entity. The separate financial statements of the Window has been prepared to comply with the requirement of Articles 1.5.1.2 to 1.5.1.4 of Title 2 'General Obligations and Governance' of IBRF issued by CBO.

The Window offers a full range of Islamic banking services and products. The principal activities of the Window include accepting Shari'a compliant customer deposits, providing Shari'a compliant financing and undertaking investment activities and providing commercial banking services and other investment activities permitted under IBRF.

The Window employed 183 employees as of 31 December 2024 (31 December 2023: 103) the window has 20 branches within Sultanate of Oman.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements for the Window are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by CBO, the Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Window and Islamic Banking Regulatory Framework issued by CBO. In accordance with the requirement of AAOIFI, for matters not covered by FAS, the Window uses standards issued by the International Accounting Standards Board (IASB) and the interpretations released by the International Financial Reporting Interpretations Committee and will be replaced later by FAS when an applicable FAS is issued.

These financial statements pertain to the Window's operations only and do not include financial results of the Bank. Statement of changes in restricted investment amount, statement of sources of funds in zakah and statement of sources and uses of funds in Qard Fund have not been presented as these are not applicable / relevant to Window's operations. Complete set of financial statements of the Bank is presented separately.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for derivative financial instruments and investments which have been measured at fair value. These financial statements are presented in Rial Omani, which is the Window's functional currency. All financial information presented in Rial Omani has been rounded off to the nearest thousands.

2.3 Use of Judgments and estimates

In preparation of the Window financial statements, management requires to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. Considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing and receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Estimates considered by the Window to have a significant risk of material adjustment in subsequent periods are discussed in note 4.

2.4 New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2024

For the year ended 31 December 2024, Sohar Islamic has adopted all the new and revised amendments in standards issued by the AAOIFI that are relevant to its operations and effective for periods beginning on 1 January 2024.

2. BASIS OF PREPARATION (CONTINUED)

2.4 New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2024 (continued)

2.4.1 FAS 1 General presentation and disclosures in the financial statements

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

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

During the period the Window has adopted FAS 1 (revised). As a result of this adoption following changes made to the primary statements of the Window:

- Primary statements introduced
- Statement of Comprehensive income
- Statement of income and attribution related to quasi equity

As a result of adoption of FAS 1 certain figures have been regrouped or represented to be consistent with the current year presentation. Such regrouping did not affect previously reported net profits, total assets, total liabilities and total equity of the Window.

2.5 New standards, amendments, and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued before the issuance of financial statement but not yet effective are disclosed below. The Window intends to adopt these new and amended standards and interpretations, if applicable, when they became effective.

2.5.1 FAS 46 Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Window does not expect any significant impact on the adoption of this standard.

2.5.2 FAS 47 Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

2. BASIS OF PREPARATION (CONTINUED)

2.5 New standards, amendments, and interpretations issued but not yet effective (continued)

2.5.2 FAS 47 Transfer of Assets Between Investment Pools (continued)

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Window does not expect any significant impact on the adoption of this standard.

2.5.3 FAS 48 Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) promotional gifts where entitlement occurs instantly; b) promotional prizes that are announced in advance to be awarded at a future date and c) loyalty programs where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

The Window does not expect any significant impact on the adoption of this standard.

2.5.4 FAS 49 Financial Reporting for Institutions Operating in Hyperinflationary Economies

This standard establishes the principles of financial reporting for the institutions operating in hyperinflationary economies. This standard is applicable to the institutions whose functional currency is the currency of a hyperinflationary economy, and on consolidated financial statements of an institution to the extent of impacts relating to a subsidiary(ies) whose functional currency(ies) is the currency(ies)of a hyperinflationary economy(ies).

The standard prescribes pertinent factors for determination of hyperinflationary economy(ies).

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

AAOIFI recommended that all institutions operating in the same hyperinflationary economy shall apply this standard from the same date to ensure that comparability between their results is possible.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of the financial statements are set out below.

3.1 Cash and cash equivalents

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

3.2 Foreign currency transactions

Transactions in foreign currencies are translated into functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective profits and payments during the period, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the period. The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income, except for non-monetary financial assets, such as equities classified as fair value through other comprehensive income, which are included in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financing assets

Financing assets comprise shari'a compliant financing provided by the Window with fixed or determinable payments. These include financing provided through murabaha, mudaraba, musharaka, musawama, ijarah, istisna and other modes of Islamic financing. Financing assets are stated at their amortised cost less expected credit loss allowance (if any).

Murabaha receivables

Murabaha receivables are sales on deferred terms. The Window arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and selling it to the murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in instalments by the murabeh over the agreed period. murabaha receivables are stated net of deferred profits and expected credit loss allowance (if any). Any promise made by potential murabeh is considered obligatory.

Mudaraba

Mudaraba is stated at the fair value of consideration given less any expected credit loss allowance.

Mudaraba is a form of partnership between work and capital in which the Window contributes capital. Mudaraba capital provided by the Window at inception in kind (if other than cash) is measured at the fair value of the assets. If the valuation of assets results in difference between fair value and book value, such difference is recognised as profit or loss to the Window.

In case mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of mudarib, then such losses are deducted from mudaraba capital and are treated as loss to the Window. In case of termination or liquidation, unpaid portion by mudarib is recognised as receivable due from mudarib.

Musharaka

Musharaka contracts represents a partnership between the Window and a customer whereby each party contributes to the capital in equal or varying proportions to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall share profits or losses. These are stated at the fair value of consideration given less any amounts written off and provision for expected credit loss allowance, if any. In diminishing musharaka based transactions, Window enters into a musharaka based on shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilisation of Window's musharaka share by the customer.

Ijarah muntahia bittamleek

These are initially recorded at cost including initial direct costs. Ijarah muntahia bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah installments are settled.

Depreciation is charged on ijarah muntahia bittamleek assets at rates calculated to write off the cost of each asset over its lease term.

Ijarah income receivables represent outstanding rentals at the end of the year less any expected credit loss allowance. The ijarah income receivable is classified under other asset.

Istisna followed by Ijarah muntahia bittamleek

Istisna followed by ijarah muntahia bittamleek is construction finance product in which property is developed under istisna` contract between customer and the Window. The Window develops the property and then after completion of construction the property is leased to customer under ijarah muntahia bittamleek contract. During construction customer pays the advance rentals.

Salam

In a salam contract a buyer pays in advance for a specified quantity and quality of a commodity, deliverable on a specific date, at an agreed spot price. Salam is particularly applicable to seasonal agricultural purchases and can be used as a means of financing production. The price is paid at the time of the contract but the delivery would take place at a future date which enables an entrepreneur to sell his output to the Window at a price determined in advance. However, at the time of sale all specifications, quality and quantity of the commodity must be determined to avoid any ambiguity which could become a cause of dispute. Furthermore, date and time of delivery must also be agreed upon but can be changed with mutual consent of the parties. Salam contracts are recognised on the date at which they are originated and are carried at their cost less expected credit loss allowance, if any.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financing assets (continued)

Diminishing Musharakah

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

Wakala Bil Istithmar

An agreement between two parties whereby one party is a fund owner (the "Muwakkil") who provides a certain amount of money (the "Wakala capital") to an agent (the "Wakeel"), who invests the Wakala capital in a Shari'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. In financing contracts, the Window is Muwakkil and the corresponding party is agent of the Window.

3.4 Investment securities

(i) Classification

Unless the irrevocable initial recognition choices provided below are exercised, the Window shall classify investments subject to this standard as subsequently measured at either (i) amortised cost, (ii) fair value through other comprehensive income or (iii) fair value through income statement, on the basis of both the Window's business model for managing investments and the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic contracts.

Investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be initially classified and measured at cost, till the time the transaction at the back-end is executed, and at amortised cost thereafter.

Investment in a non-monetary debt-type instrument or other investment instrument, may be classified under any of the three categories ((i) amortised cost, (ii) fair value through other comprehensive income or (iii) fair value through income statement) depending on the Window's business model.

Investment in equity-type instrument is carried as investment at fair value through income statement unless the Window makes an irrevocable classification choice at initial recognition to classify this as investment at fair value through other comprehensive income. An investment held for trading purposes shall always fall in fair value through income statement classification.

(ii) Recognition and Initial measurement

All investments shall be initially recognized at their value plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the statement of income when incurred. A regular way purchase of investments shall be recognized upon the transfer of control to investor.

(iii) Subsequent measurement

a) Investments at amortised cost

Investments carried at amortised cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the consolidated statement of income. Investment carried at amortised cost shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

b) Investments at fair value through income statement

Investment carried at fair value through income statement shall be re-measured at fair value at end of each reporting period. The resultant re-measurement gain or loss, if any being the difference between the carrying amount and the fair value shall be recognized in the consolidated statement of income.

c) Investments at fair value through other comprehensive income

Investment carried at fair value through other comprehensive income shall be re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognized in equity under "fair value through other comprehensive income". Investment carried at fair value through other comprehensive income shall be tested for impairment at each reporting period in accordance with **FAS 30 "Impairment, credit losses and onerous commitments".**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Investment securities (continued)

(iv) De-recognition

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Window has transferred substantially all risk and rewards of ownership.

3.5 Other financial assets and liabilities

(i) Recognition and initial measurement

The Window initially recognises receivables from financial institutions, financing assets, customers' current accounts, due to financial institutions and certain other assets and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Window becomes a party to the contractual provisions of the instrument.

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

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

(ii) De-recognition of financial assets and financial liabilities

The Window derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Window neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any profit in transferred financial assets that qualify for de-recognition that is created or retained by the Window is recognised as a separate asset or liability in the consolidated statement of financial position. 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 transferred) and consideration received (including any new asset obtained less any new liability assumed) is recognised in statement of income.

The Window enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Window neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Window continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Window retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the de-recognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. The Window derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3.6 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Window intends to either settle 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 by the accounting standards or for gains and losses arising from a group of similar transactions.

3.7 Modification of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, the Window evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Modification of financial assets and liabilities (continued)

Financial assets (continued)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Window recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement.

If such a modification is carried out because of financial difficulties of the financed counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as net income from financing activities.

Financial liabilities

The Window 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 extinguished and the new financial liability with modified terms is recognised in the consolidated income statement.

3.8 Impairment of financial assets

Financial assets consist of cash and balances with banks and financial institution, receivables and musharaka financing, investments - debt type instruments at amortised cost, ijarah muntahia bittamleek and certain other assets. Balances relating to these contracts are stated net of allowance for expected credit losses.

Impairment of financial assets

The Window applies a three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: Twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract. Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between sum of the present value of all cash shortfalls and the carrying value. The cash shortfall is the difference between all contractual cash flows that are due to the Window and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired

Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the losses for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. In this respect, the Window recognises the lifetime expected credit losses for these financing with the PD set at 100%.

Credit-impaired financial assets

At each reporting date, the Window assesses whether financial assets carried at amortised cost are credit- impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the obligor or issuer;
- a breach of contract such as a default or past due event; or
- Probability that the borrower will enter bankruptcy or other financial reorganization.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial assets (continued)

Measurement of ECL:

Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

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

Definition of default

The Window considers a financial asset to be in default when the obligor is unlikely to pay its credit obligations to the Window in full, without recourse by the Window to actions such as liquidating collateral; or usually when the obligor is past due more than 90 days for any material credit obligation to the Window. In assessing whether a obligor is in default, the Window considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment of another obligation by the same issuer to the Window.

Probability of default

Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Window collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Window employs statistical models for analysing the data collected and generates estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Window operates.

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

Forward looking information

In its ECL models, the window relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic product
- Savings and investment
- Inflation
- Trade statistics
- Demographics
- Revenue and expenditure
- Public debt
- Real estate
- Composite indicators
- Oil prices and production

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial assets (continued)

Loss Given Default

LGD is a magnitude that determines the amount of loss that will arise if the obligor was to default. This is calculated by looking at the collateral and other recourses available to the Window that can be used to recover the asset in case of default.

The Window estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For estimation of LGD, the Window considers use of any of the following methods:

Internal default history: When data is available LGD can be estimated using the historical default information and corresponding recovery data.

Basel LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Window uses collateral-based LGD, where the Window has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability.

Exposure At Default (EAD)

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

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL. Off-balance sheet EADs Off-balance sheet exposures do not have fixed pay-out date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Window uses following method to work out CCF for off- balance sheet EADs.

Regulatory CCFs - In absence of internal data, The Window uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more.

Collective ECL computation and staging

ECL on individually large exposures and credit-impaired finances are generally measured individually. For retail exposures and other exposures to small sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates obligor-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Window combines its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Window considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Window's historical experience and expert credit assessment including forward-looking information, including days past due and risk rating.

The assessment is carried out for specific facility rather than a counterparty, as each facility may have had different credit risk at initial recognition.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial assets (continued)

The application of above requirements of SICR to various locations of the Window varies depending on a number of circumstances faced by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Renegotiated financial assets

The contractual terms of a financing may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in a de-recognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Window renegotiates financing to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing, then such restructured accounts are categorized under stage 3.

Backward transition

FAS 30 staging model is of symmetrical nature as movement across stages is a "Two Way" phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers backwards to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to Stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From Stage 3 to Stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present;
- Up to date payment with no arrears; and
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Credit Conversion Factor

The estimation of EAD takes into account any unexpected changes in the exposure after the assessment date, including estimation of expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). The EAD is estimated using the outstanding exposure adjusted by CCF multiplied by the undrawn portion of the facilities.

The outstanding exposure is calculated as principal plus profit less expected prepayments. The undrawn portion refers to the portion of the unutilized credit limit. CCF applied to the facilities would be the higher of average behavioural utilization over the last five years or capital charge.

Write-offs

Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Window determines that the obligor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Window's procedures for recovery of amounts due.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 Fair value measurement

A number of the Window'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. 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 Window. 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 profit.

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 Window 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.

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

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

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

At each reporting date, the Window analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Window's accounting policies. For this analysis, the Window verifies the major inputs applied in the latest valuation by agreeing the information in the Valuation computation to contracts and other relevant documents.

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

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

3.10 Acceptances

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

3.11 Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or trading liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11 Derivatives held for risk management purposes (continued)

The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair value hedge

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in statement of comprehensive income together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the derivative expires or is sold, terminated, or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective profit method is used, is amortised to profit or loss as part of the recalculated effective profit rate of the item over its remaining life.

(ii) Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then the hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from the equity to statement of comprehensive income as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

(iii) Other non-trading derivative

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in statement of comprehensive income.

3.12 Property and equipment

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

	Years
Motor vehicles	5
Furniture and fixtures	6-7
Office equipment	6-7
Software	10

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date.

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 operating income' in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Window and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 Taxation

The tax return of the Window is filed at head office level and the Window is not required to file a separate return on the activities of the Islamic Banking operations. A flat corporate tax rate of 15% is applied to the Window's profit. Deferred tax assets and liabilities are recognised only at head office level.

3.14 Ijarah - Leases

FAS 32 "Ijarah" standard supersedes FAS 8 "Ijarah and Ijaran Muntahia Bittamleek". FAS 32 sets out the principles for the classification, recognition, measurement, presentation and disclosure of ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its ijarah into

a) Operating Ijarah

b) Ijara Muntahia Biltamleek with expected transfer of ownership after the end of the ijarah term - either through sale or hiba; and

c) Ijarah Muntahia Biltamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including diminishing musharaka ilijarah.

The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a net ijarah liability, duly comprising of a) gross ijarah liability and b) deferred ijarah cost (shown as contra-liability).

a) Right-of-use asset

The Window recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment.

The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Window amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use asset is also subject to impairment in line with FAS 30 requirements. The carrying value of right-of-use asset is recognised under "Premises and equipment" in the statement of financial position.

b) Ijarah liability

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Window recognises Ijarah liability measured at the fair value of total rentals payable for Ijarah term. Subsequently the Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortisation of deferred Ijarah cost and reduced to reflect the Ijarah rentals made. In addition, the carrying amount of Ijarah liability is re-measured if there is a modification, a change in the Ijarah term or change in the in-substance fixed lease payments. The carrying value of Ijarah liability is recognised under "Other liabilities" in the interim consolidated statement of financial position.

3.15 Employee benefits

(i) End of service benefits

End of service indemnity for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991.

Provision for end of service indemnity for non-Omani employees has been made in accordance with the terms of the Oman Labour Law 2003 and its amendments and is based on current remuneration rates and cumulative years of service at the statement of financial position date. Employees' entitlements to annual leave and leave passage are recognised when they accrue to the employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits (continued)

(ii) Short term benefits

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

A provision is recognised for the amount expected to be paid if the Window has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.16 Current and other accounts

Balances in current deposits and other accounts are recognised when received by the Window. The transactions are measured as the amount received by the Window at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

3.17 Quasi-equity

Quasi-equity is an element of the financial statements that represents participatory contributions received by an institution on a profit sharing or participation basis. It has:

- primary characteristics of equity i.e., in case of loss (unless negligence / misconduct / breach of contractual terms is proved), the institution is not liable to return the lost funds to the fund providers and the fund providers share the residual interest in the underlying assets or business;
- certain characteristics of a liability i.e., it has a maturity or a put option of redemption / liquidation; and
- certain specific features i.e., the rights of the fund providers are limited only to the underlying assets or business and not on the whole of the institution, as well as, they do not have certain rights associated only with owners' equity.

All contributions of quasi-equity holders are measured by the amount received during the time of contracting. At the end of the financial period, the equity of quasi-equity holders is measured at the amount received plus accrued profit and related reserves less amounts settled.

Quasi-equity holders include participatory investment accounts (unrestricted investment accounts and other on-balance-sheet investment accounts), quasi-equity-type Sukuk and other quasi-equity.

The Window charges a management fee (Mudarib fee) to the unrestricted investment account holders. Of the total income from investments of funds, the income attributable to the unrestricted investment account holders is allocated to them after setting aside provisions, reserves (profit equalisation reserve and investment risk reserve), if any, and deducting the Window's share of income as a Mudarib. The allocation of income is determined by the management of the Window within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts.

a) Wakala as Muwakkil (Principal)

At inception of Wakala agreement, the standard requires the window as a principal to evaluate the nature of the investment as either a) a pass-through investment; or b) wakala venture.

b) Pass-through investment

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in investment agency instruments; unless it opts to apply the Wakala venture approach.

Under this approach, the principal shall initially recognise the assets underlying the Wakala arrangement in its books of account applying the initial recognition principles as applicable in line with the respective FASs.

c) Wakala venture

These are investments, under a Wakala agency contract, in transferable instruments or the investment made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or the role of the agent is not limited whereby the agent performs a day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them. On initial recognition, these assets will be recognised at cost in Wakala venture. Subsequently, the carrying amount is adjusted to incorporate gains/losses net of agent's remuneration and impairments, if any.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Quasi-equity (continued)

d) Wakala as Wakeel (Agent)

These transactions will be recognised as an agency arrangement under an off-balance sheet approach, at inception of arrangement, since the Window does not control the related assets / business, it does not record the assets and related income and expenditure in its books of account.

The agency remuneration, including fixed and variable components thereof, will be recognised on an accrual basis i.e. when the relevant services are provided. Any expenses, including losses reimbursable will be recognised when due.

e) Multi level arrangements

The Window maintains multi-level investment arrangements to invest funds received under "Wakala" as "Mudaraba" under express authority from Wakala account holders in its financing and investment assets. Profit is allocated to Wakala funds on the basis of their contribution in the commingled assets. An agent may maintain multi-level investment arrangements.

Under such arrangement, the Window is reinvesting Wakala funds into a secondary contract. Such secondary contracts are accounted for in line with the requirements of respective FASs in the books of the agent.

From the principal perspective, the Window has opted to use the Wakala venture approach instead of a pass-through approach given the difficulties for the Window as principal to identify in which assets the funds are invested in, and hence, the investment is accounted for applying the equity method of accounting.

From the agent perspective, a multi-level investment arrangement is maintained, whereby the Window invests funds under the investment agency into unrestricted investment arrangements, under a separate Mudaraba contract which is accounted for accordingly based on the relevant accounting standard.

3.18 Due to and receivables from financial institutions

Due to and receivables from financial institutions comprise of Nostro balances and Wakala placements. Nostro balances and Wakala placements are initially recognised at cost, being the fair value of consideration exchanged. Subsequently, they are carried at amortised cost less amounts repaid.

3.19 Income recognition

(i) Murabaha

Profit on Murabaha is recognised on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha.

(ii) Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Losses on the other hand are charged to the income statement on declaration by the Mudarib.

(iii) Musharaka

Income on musharaka is recognised when the right to receive payment is established or on distribution. In case of losses in musharaka, the Window's share of loss is recognised to the extent that such losses are being deducted from its share of the musharaka capital.

(iv) Diminishing Musharakah

Profit on Diminishing Musharakah financings is recognised on an accrual basis.

(v) Profit on sukuks

Profit on Sukuks is recognized on an accrual basis. Where Sukuks are purchased at a premium or discount and are classified at amortised cost, those premiums / discounts are amortised over the remaining maturity, using the effective profit rate method.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.19 Income recognition (continued)

(vi) Ijarah

Ijarah rental income is recognised over the term of the lease on accrual basis and is stated net of depreciation and impairment. Income related to non performing ijarah muntahia bittamleek accounts and ijarah installments that are above 90 days is excluded from the statement of income.

(vii) Istisna followed by Ijarah muntahia bittamleek

Income for Istisna followed by Ijarah muntahia bittamleek is booked on receipt of the rentals.

(viii) Fees and commission income

Fees and commission income that are integral to the effective profit rate of a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

(ix) Window's share of income from equity of investment accountholders (as Rabalmal and Mudarib)

Income is allocated proportionately between equity of investment accountholders and shareholders on the basis of their respective investment in the pool before allocation of the Mudarib fees. The Window's share as a Mudarib for managing the equity of investment accountholders is accrued based on the terms and conditions of the related Mudaraba agreements.

(x) Salam

Income from salam is determined by using the percentage of completion method.

(xi) Wakala

Income from Wakala is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

(xii) Dividend income

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

(xiii) Profit on amounts receivables from financial institutions

Profit on amounts receivables from financial institutions is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit agreed with clients.

3.20 Expense recognition

Profit attributed to quasi-equity is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool i.e. "mudarib expenses". Mudarib expenses include all expenses incurred by the Window, but excluding staff costs and other administrative expenses. The Window's "mudarib profit" is deducted from the investors' share of income before distributing such income.

3.21 Earnings or expenditures prohibited by Sharia

The Window records these amounts in a separate account in the other payables and is not included in the Window's income; these amounts are distributed to charities according to the Sharia Supervisory Board directions.

3.22 Contingent liabilities

Contingent liabilities include guarantees, letter of credit, the Window's obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognized in the statement of financial position but are disclosed in the notes to the financial statements, unless they are remote.

3.23 Shari'a supervisory board

The Window's business activities are subject to the supervision of a Shari'a supervisory board consisting of members appointed by the general assembly of shareholders.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.24 Zakah

In accordance with the article of association Zakah is payable by individual shareholders of the Window and Zakah on unrestricted investment and other accounts is the responsibility of investment accountholders.

3.25 Provisions

A provision is recognised if, as a result of a past event, the Window 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 obligation. Provisions are equivalent to the amortised value of the future liabilities which is 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.

3.26 Profit equalisation reserve

Profit equalisation reserve, this is the amount appropriated out of Mudaraba income before allocating the Window's share as investment manager (Mudarib), in order to maintain a certain level of return on investment for Quasi-equity participatory investment accounts and increase share equity.

3.27 Investment risk reserve

Investment risk reserve is the amount appropriated out of profit share of the Quasi-equity participatory investment accounts after allocating the Mudarib share, in order to cushion the effects of the risk of future investment losses. The terms and conditions whereby investment risk reserve can be set aside and utilised are determined and approved by the Shari'a Supervisory Board of the Window.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The Window's significant accounting estimates are on:

4.1 Impairment losses on Financings and advances

The measurement of impairment losses under the window's policy across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Window's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Window's internal credit grading model, which assigns PDs to the individual grades;
- The Window's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Fee and commission income

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

4.3 Determination of Lease term

In determining the lease term, the Window 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 Window 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 Window may contain an extension option, where the Window has not considered extension options after analysing above factors.

Lease term is reassessed if an option is exercised (or not exercised) or the Window 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 Window. During the financial year, the Window has not revised its assessment of lease term as no significant events or changes occurred.

5. CASH AND BALANCES WITH CENTRAL BANK

	31 December 2024 RO'000	31 December 2023 RO'000
Balances with Central Bank	15,720	33,733
Cash	7,584	4,499
	23,304	38,232

6. RECEIVABLES FROM FINANCIAL INSTITUTIONS

	31 December 2024 RO'000	31 December 2023 RO'000
Local currency:		
Wakala Inter-bank placements	3,500	-
Foreign currency:		
Wakala Inter-bank placements	59,681	-
Demand balances	8,593	18,777
	71,774	18,777

6. RECEIVABLES FROM FINANCIAL INSTITUTIONS (CONTINUED)

The analysis of changes in the gross carrying amount on receivables from financial institutions is as follows:

Gross carrying amount	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
As at 1 January 2024	**18,777**	**-**	**-**	**18,777**
Net change in assets	**52,997**	-	-	**52,997**
At 31 December 2024	**71,774**	**-**	**-**	**71,774**

Gross carrying amount	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
As at 1 January 2023	7,321	-	-	7,321
Net change in assets	11,456	-	-	11,456
At 31 December 2023	18,777	-	-	18,777

7. INVESTMENT SECURITIES

	31 December 2024 RO'000	31 December 2023 RO'000
Sukuk investment (amortized cost)		
Carrying amount at amortized cost	**41,662**	23,889
Expected credit loss allowance	**(70)**	-
Held at amortized cost	**41,592**	23,889
Equity investment (FVOCI)		
Carrying amount at FVOCI	**4,104**	619
Fair value gain	**(452)**	44
Held at FVOCI	**3,652**	663
Total Investment securities	**45,244**	24,552

The Sukuk certificates are for a period of 7 years and carry profit rate of 4.40% - 5.75% per annum.

Movement in expected credit loss allowance is as given below:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at beginning of the year	-	-	-	-
Expected credit losses recognised	**70**	**-**	**-**	**70**
Recoveries from expected credit losses	-	-	-	-
At 31 December 2024	**70**	**-**	**-**	**70**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance at beginning of the year	-	438	-	438
Expected credit losses recognised	-	(438)	-	(438)
Recoveries from expected credit losses	-	-	-	-
At 31 December 2023	-	-	-	-

8. FINANCING ADVANCES AND OTHER RECEIVABLES

	31 December 2024 Total RO'000	31 December 2023 Total RO'000
Book value		
Murabaha receivables	**23,051**	31,666
Ijarah muntahia bittamleek	**88,376**	93,990
Istisna followed by Ijarah muntahia bittamleek	**120,158**	102,603
Diminishing Musharka	**222,924**	253,194
Qard Hasan Financing	**26**	33
Wakala Bil Istithmar	**205,140**	20,752
	659,675	502,238
Expected credit loss allowance	**(5,074)**	(4,061)
Contractual profit not recognised	**(1,374)**	(242)
	653,227	497,935

Additional disclosures on non-performing financing coverage as per CBO circular BM 1149 is given below:

December 2024	As per CBO RO'000	As per Window's policy RO'000	Difference RO'000
Impairment loss charged to statement of income	**1,965**	**1,096**	**(869)**
Provisions	**7,937**	**5,221**	**(2,716)**
Gross NPL ratio (percentage)*	**0.94**	**0.94**	**-**

*NPL ratios are calculated on the basis of funded non-performing financing and advances.

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

The below table provides a comparison of provision held as per Window's policy and required as per CBO norms:

31 December 2024 CBO classification	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions	Difference between CBO and Window's policy	Net carrying amount	CBO Reserve profit
1	2	3	4	5	(6)=(4)-(5)	(7)=(3)-(5)	8
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	Stage 1	532,140	5,391	443	4,948	531,697	-
Standard	Stage 2	7,535	56	88	(32)	7,447	-
	Stage 3	-	-	-	-	-	-
Sub Total		539,675	5,447	531	4,916	539,144	-
	Stage 1	46,433	464	1,803	(1,339)	44,630	-
Special mention	Stage 2	67,381	672	2,797	(2,125)	64,584	976
	Stage 3	-	-	-	-	-	-
Sub Total		113,814	1,136	4,600	(3,464)	109,214	976
	Stage 1	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-
	Stage 3	3,261	401	292	109	2,969	12
Sub Total		3,261	401	292	109	2,969	12
	Stage 1	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-
	Stage 3	560	173	203	(30)	334	23
Sub Total		560	173	203	(30)	334	23
	Stage 1	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-
	Stage 3	2,365	780	822	(42)	1,543	363
Sub Total		2,365	780	822	(42)	1,543	363
	Stage 1	578,573	5,855	2,246	3,609	576,327	-
Gross Financing, Advance	Stage 2	74,916	728	2,885	(2,157)	72,031	976
	Stage 3	6,186	1,354	1,317	37	4,846	398
Total		659,675	7,937	6,448	1,489	653,204	1,374
Receivables from financial institutions, Investment securities and financial guarantees	Stage 1	227,427	-	148	(148)	227,279	-
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Sub Total		227,427	-	148	(148)	227,279	-
	Stage 1	806,000	5,855	2,394	3,461	803,606	-
Total	Stage 2	74,916	728	2,885	(2,157)	72,031	976
	Stage 3	6,186	1,354	1,317	37	4,846	398
Total		887,102	7,937	6,596	1,341	880,483	1,374

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

Additional disclosures on non-performing financing coverage as per CBO circular BM 1149 is given below:

December 2023	As per CBO RO'000	As per Window's policy RO'000	Difference RO'000
Impairment loss charged to statement of income	1,140	1,064	(76)
Provisions	5,973	4,126	(1,847)
Gross NPL ratio (percentage)*	0.59	0.59	-

*NPL ratios are calculated on the basis of funded non-performing financing and advances.

The below table provides a comparison of provision held as per Window's policy and required as per CBO norms:

31 December 2023 CBO classification	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions	Difference between CBO and Window's policy	Net carrying amount	CBO Reserve profit
1	2	3	4	5	(6)=(4)-(5)	(7)=(3)-(5)	8
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	Stage 1	391,361	3,974	879	3,095	390,482	-
Standard	Stage 2	7,385	73	86	(13)	7,299	-
	Stage 3	-	-	-	-	-	-
Sub Total		398,746	4,047	965	3,082	397,781	-
	Stage 1	47,046	470	1,036	(566)	46,010	-
Special mention	Stage 2	53,494	532	1,595	(1,063)	51,899	-
	Stage 3	-	-	-	-	-	-
Sub Total		100,540	1,002	2,631	(1,629)	97,909	-
	Stage 1	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-
	Stage 3	657	164	103	61	554	2
Sub Total		657	164	103	61	554	2
	Stage 1	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-
	Stage 3	739	191	137	54	602	72
Sub Total		739	191	137	54	602	72
	Stage 1	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-
	Stage 3	1,556	569	467	102	1,089	168
Sub Total		1,556	569	467	102	1,089	168
	Stage 1	438,407	4,444	1,915	2,529	436,492	-
Gross Financing, Advance	Stage 2	60,879	605	1,681	(1,076)	59,198	-
	Stage 3	2,952	924	707	217	2,245	242
Total		502,238	5,973	4,303	1,670	497,935	242
Receivables from financial institutions, Investment securities and financial guarantees	Stage 1	143,043	-	64	(64)	142,979	-
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Sub Total		143,043	-	64	(64)	142,979	-
	Stage 1	581,450	4,444	1,979	2,465	579,471	-
Total	Stage 2	60,879	605	1,681	(1,076)	59,198	-
	Stage 3	2,952	924	707	217	2,245	242
Total		645,281	5,973	4,367	1,606	640,914	242

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

The analysis of changes in the gross carrying amount and corresponding ECL allowance on financing advances and other receivables is as follows:

Gross carrying amount	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
As at 1 January 2024	**438,407**	**60,879**	**2,952**	**502,238**
New assets originated / added	**225,050**	**19,335**	**-**	**244,385**
Assets derecognised or repaid-net	**(74,921)**	**(11,941)**	**(86)**	**(86,948)**
Transfers to Stage 1	**996**	**(966)**	**(30)**	**-**
Transfers to Stage 2	**(8,774)**	**8,774**	**-**	**-**
Transfers to Stage 3	**(2,185)**	**(1,165)**	**3,350**	**-**
At 31 December 2024	**578,573**	**74,916**	**6,186**	**659,675**
As at 1 January 2023	376,784	30,525	2,297	409,606
New assets originated / added	142,313	22,828	-	165,141
Assets derecognised or repaid-net	(71,509)	(745)	(255)	(72,509)
Transfers to Stage 1	623	(575)	(48)	-
Transfers to Stage 2	(9,504)	9,504	-	-
Transfers to Stage 3	(300)	(658)	958	-
At 31 December 2023	438,407	60,879	2,952	502,238

ECL	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
ECL allowance as at 1 January 2024	**1,915**	**1,681**	**465**	**4,061**
Expected credit losses recognised	**1,090**	**1,283**	**287**	**2,660**
Recoveries from expected credit losses	**(437)**	**(947)**	**(263)**	**(1,647)**
Transfers to Stage 1	**-**	**-**	**-**	**-**
Transfers to Stage 2	**(51)**	**51**	**-**	**-**
Transfers to Stage 3	**(271)**	**(159)**	**430**	**-**
At 31 December 2024	**2,246**	**1,909**	**919**	**5,074**
ECL allowance as at 1 January 2023	1,020	1,212	327	2,559
Expected credit losses recognised	1,053	474	15	1,542
Recoveries from expected credit losses	(17)	(2)	(21)	(40)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(79)	79	-	-
Transfers to Stage 3	(62)	(82)	144	-
At 31 December 2023	1,915	1,681	465	4,061

Financing with renegotiated terms are defined as financing advances and financings that have been restructured due to deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Window had provided initially and that it would not otherwise consider. A financing continues to be presented as part of financing advances with renegotiated terms until maturity, early repayment or write-off.

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

31 December 2024 CBO classification	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions	Difference between CBO and Window's policy	Net carrying amount
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	**46,433**	**464**	**1,803**	**(1,339)**	**44,630**
	Stage 2	**23,940**	**239**	**1,557**	**(1,318)**	**22,383**
	Stage 3	-	-	-	-	-
Sub Total		**70,373**	**703**	**3,360**	**(2,657)**	**67,013**
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	**46,433**	**464**	**1,803**	**(1,339)**	**44,630**
	Stage 2	**23,940**	**239**	**1,557**	**(1,318)**	**22,383**
	Stage 3	-	-	-	-	-
Total		**70,373**	**703**	**3,360**	**(2,657)**	**67,013**

31 December 2023 CBO classification	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions	Difference between CBO and Window's policy	Net carrying amount
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	44,538	445	1,033	(588)	43,505
	Stage 2	17,549	176	1,287	(1,111)	16,262
	Stage 3	-	-	-	-	-
Sub Total		62,087	621	2,320	(1,699)	59,767
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	44,538	445	1,033	(588)	43,505
	Stage 2	17,549	176	1,287	(1,111)	16,262
	Stage 3	-	-	-	-	-
Total		62,087	621	2,320	(1,699)	59,767

8.a. Murabaha receivables

	31 December 2024 RO'000	31 December 2023 RO'000
Book value	**25,139**	34,270
Deferred profit	**(2,088)**	(2,604)
Net book value	**23,051**	31,666
Expected credit loss allowance	**(168)**	(169)
Contractual profit not recognised	**(33)**	(31)
	22,850	31,466

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

8.a. Murabaha receivables (continued)

Unamortized deferred profit

	31 December 2024 RO'000	31 December 2023 RO'000
Deferred profit at the beginning of the year	**2,604**	2,871
Profit deferred during the year on sales	**2,779**	2,640
Murabaha sales revenue during the year	**(3,295)**	(2,907)
Deferred profit at the end of the year	**2,088**	2,604

8.b. Ijarah muntahia bittamleek

	31 December 2024 RO'000	31 December 2023 RO'000
Cost	**113,876**	116,012
Accumulated depreciation / amortisation	**(25,500)**	(22,022)
Net book value	**88,376**	93,990
Expected credit loss allowance	**(316)**	(275)
Contractual profit not recognised	**(210)**	(128)
	87,850	93,587

8.c. Istisna followed by Ijarah muntahia bittamleek

	31 December 2024 RO'000	31 December 2023 RO'000
Book value	**120,158**	102,603
Expected credit loss allowance	**(2,177)**	(1,408)
Contractual profit not recognised	**(1,050)**	(53)
	116,931	101,142

8.d. Diminishing Musharka

	31 December 2024 RO'000	31 December 2023 RO'000
Book value	**222,924**	253,194
Expected credit loss allowance	**(2,119)**	(2,151)
Contractual profit not recognised	**(81)**	(31)
	220,724	251,012

8.e. Qard hasan financing

	31 December 2024 RO'000	31 December 2023 RO'000
Book value	**26**	33
Expected credit loss allowance	**-**	-
Contractual profit not recognised	**-**	-
	26	33

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

8.f. Wakala bil istithmar

	31 December 2024 RO'000	31 December 2023 RO'000
Book value	**205,140**	20,752
Expected credit loss allowance	**(294)**	(57)
	204,846	20,695

9. PROPERTY AND EQUIPMENT

	Right to use RO'000	Software RO'000	Furniture and fixtures RO'000	Office equipment RO'000	Motor vehicle RO'000	Capital work in-progress RO'000	Total RO'000
Cost:							
At 1 January 2024	**2,845**	**1,356**	**1,390**	**770**	**128**	**1**	**6,490**
Additions / (Disposals)	**498**	**22**	**24**	**10**	**-**	**67**	**621**
As at 31 December 2024	**3,343**	**1,378**	**1,414**	**780**	**128**	**68**	**7,111**
Accumulated depreciation:							
At 1 January 2024	**(1,390)**	**(1,165)**	**(822)**	**(635)**	**(117)**	**-**	**(4,129)**
Depreciation	**-**	**(33)**	**(127)**	**(43)**	**(5)**	**-**	**(208)**
Amortization	**(365)**	**-**	**-**	**-**	**-**	**-**	**(365)**
Disposals	**(22)**	**-**	**-**	**-**	**-**	**-**	**(22)**
As at 31 December 2024	**(1,777)**	**(1,198)**	**(949)**	**(678)**	**(122)**	**-**	**(4,724)**
Net book value as at 31 December 2024	**1,566**	**180**	**465**	**102**	**6**	**68**	**2,387**

	Right to use RO'000	Software RO'000	Furniture and fixtures RO'000	Office equipment RO'000	Motor vehicle RO'000	Capital work in-progress RO'000	Total RO'000
Cost:							
At 1 January 2023	1,487	1,313	980	721	140	12	4,653
Additions / (Disposals)	1,358	37	405	49	(12)	-	1,837
Transfers	-	6	5	-	-	(11)	-
As at 31 December 2023	2,845	1,356	1,390	770	128	1	6,490
Accumulated depreciation:							
At 1 January 2023	(1,070)	(1,065)	(736)	(597)	(134)	-	(3,602)
Depreciation	-	(100)	(86)	(38)	(7)	-	(231)
Amortization	(320)	-	-	-	-	-	(320)
Disposals	-	-	-	-	24	-	24
As at 31 December 2023	(1,390)	(1,165)	(822)	(635)	(117)	-	(4,129)
Net book value as at 31 December 2023	1,455	191	568	135	11	1	2,361

10. OTHER ASSETS

	31 December 2024 RO'000	31 December 2023 RO'000
Profit receivable	**26,511**	18,831
Rental receivable	**1,745**	1,547
Others	**2,497**	1,777
	30,753	22,155

11. CURRENT AND OTHER ACCOUNTS

	31 December 2024 RO'000	31 December 2023 RO'000
Current	**56,463**	63,389
Margin	**2,127**	2,258
	58,590	65,647

12. DUE TO FINANCIAL INSTITUTIONS

	31 December 2024 RO'000	31 December 2023 RO'000
Local Currency:		
Demand Balances	**4,680**	287
Foreign Currency:		
Demand Balances	**624**	3,946
	5,304	4,233

13. OTHER LIABILITIES

	31 December 2024 RO'000	31 December 2023 RO'000
Profit/fee payable	**1**	152
Staff entitlements	**646**	392
Payable to takaful company	**258**	40
Expected credit loss allowance on financing advance commitments and financial guarantees	**78**	64
Other accruals and provisions	**4,806**	2,627
	5,789	3,275

The analysis of changes in the gross carrying amount and corresponding ECL allowance on financing advance commitments and financial guarantees is as follows:

Gross carrying amount	**Stage 1 RO'000**	**Stage 2 RO'000**	**Stage 3 RO'000**	**Total RO'000**
Balance as at 1 January 2024	**99,714**	**-**	**-**	**99,714**
New assets originated or purchased	**37,982**	**-**	**-**	**37,982**
Assets derecognised or repaid	**(27,287)**	**-**	**-**	**(27,287)**
At 31 December 2024	**110,409**	**-**	**-**	**110,409**

13. OTHER LIABILITIES (CONTINUED)

Gross carrying amount	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance as at 1 January 2023	65,036	-	-	65,036
New assets originated or purchased	15,939	-	-	15,939
Assets derecognised or repaid	18,739	-	-	18,739
At 31 December 2023	99,714	-	-	99,714

ECL amount	**Stage 1 RO'000**	**Stage 2 RO'000**	**Stage 3 RO'000**	**Total RO'000**
Balance as at 1 January 2024	**65**	**-**	**-**	**65**
Expected credit losses recognised	**13**	**-**	**-**	**13**
Recoveries from expected credit losses	**-**	**-**	**-**	**-**
At 31 December 2024	**78**	**-**	**-**	**78**

ECL amount	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Balance as at 1 January 2023	64	-	-	64
Expected credit losses recognised	-	-	-	-
Recoveries from expected credit losses	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2023	64	-	-	64

14. QUASI-EQUITY PARTICIPATORY INVESTMENT ACCOUNTS

	31 December 2024 RO'000	31 December 2023 RO'000
Mudaraba accounts	**33,828**	32,247
Wakala funds	**632,812**	429,853
	666,640	462,100

14.1. Mudaraba accounts

	31 December 2024 RO'000	31 December 2023 RO'000
Saving accounts	**33,828**	32,247
	33,828	32,247

Term deposits are deposits which can be withdrawn with no loss of capital subject to certain conditions.

The share, as Mudarib, in the profits of equity of investment accountholders is up to a maximum of 70% (2023: 70%) as per the terms of investment account holder agreements.

14. QUASI-EQUITY PARTICIPATORY INVESTMENT ACCOUNTS (CONTINUED)

14.1. Mudaraba accounts (continued)

During the year, the Window has not charged any administrative expense to the pool.

Product	Participation factor	Rate earned
Mudaraba Saving-OMR	20	0.609%
Mudaraba Saving-SAR	20	0.608%
Mudaraba Saving-AED	20	0.609%
Mudaraba Saving-USD	20	0.649%
Mudaraba Saving-GBP	20	0.609%
Mudaraba Saving-EUR	20	0.609%
Wakala Interbank Borrowing	74	5.629%
Wakala Term Deposits	74	5.629%
Wakala Call Deposits	76	5.781%
Wakala Saving Deposits	65	4.945%

Participatory investment accounts are monies invested by customers under Mudaraba to form a pool of funds. Participatory investment account's funds are commingled with the Banks's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

14.2. Wakala Funds

	31 December 2024 RO'000	31 December 2023 RO'000
At 1 January	**429,853**	341,522
Addition during the year	**383,250**	368,529
Less: Redemption during the year	**(180,291)**	(280,198)
At 31 December	**632,812**	429,853

14.2.a. Concentration of Wakala Funds

By currency type	31 December 2024 RO'000	31 December 2023 RO'000
Local currency:		
- Banks	**3,500**	17,080
- Corporates & retail	**536,770**	387,047
Foreign currency:		
- Banks	**31,358**	3,853
- Corporates & retail	**61,184**	21,873
	632,812	429,853

By Counterparty type	31 December 2024 RO'000	31 December 2023 RO'000
Personal	**222,756**	120,552
Corporates	**169,155**	157,602
Government	**240,901**	151,699
	632,812	429,853

14. QUASI-EQUITY PARTICIPATORY INVESTMENT ACCOUNTS (CONTINUED)

14.2. Wakala Funds (continued)

14.2.a. Concentration of Wakala Funds (continued)

By Geographical Region	31 December 2024 RO'000	31 December 2023 RO'000
Oman	**631,647**	426,000
Africa	**1,165**	3,853
	632,812	429,853

By Counterparty Type	31 December 2024 RO'000	31 December 2023 RO'000
Banks	**34,858**	20,933
Non-Banks	**597,954**	408,920
	632,812	429,853

14.2.b. Maturity of Wakala Funds

Wakala Funds includes various facilities with a fixed profit rate ranging from 0.5% – 6.25%. The maturity of the Wakala payables ranges from 1 week to over 5 years.

31 December 2024	**Upto 1 month**	**1 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Wakala Inter-bank Borrowing	**31,918**	**-**	**1,155**	**-**	**-**	**33,073**
Wakala Term Deposits	**23,018**	**21,812**	**203,668**	**56,195**	**5,720**	**310,413**
Wakala Call Deposits	**17,650**	**29,416**	**11,766**	**29,416**	**29,416**	**117,664**
Wakala Saving Deposits	**5,312**	**10,618**	**10,618**	**106,176**	**44,242**	**176,966**

31 December 2023	Upto 1 month	1 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Wakala Inter-bank Borrowing	21,313	-	-	3,853	-	25,166
Wakala Term Deposits	16,043	41,216	76,752	137,336	6,214	277,561
Wakala Call Deposits	11,975	20,957	11,975	-	14,969	59,876
Wakala Saving Deposits	3,574	7,149	7,149	35,741	17,870	71,483

15. OWNERS' EQUITY

15.a. Allocated capital

During the year allocated capital was increased by RO 15 million to RO 66.5 million (2023: RO 51.5 million).

15. b. Legal reserve

Legal reserve of RO 134 thousands (31 December 2023: RO 134 thousands) represents the net excess amount of the issue proceeds collected by the Bank during Window's inception in the year 2013.

15.c. General reserve

General Reserve of RO 988 thousands (31 December 2023: RO 988 thousands) represents the losses incurred for the year 2013 and 2014.

15.d. Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of the investment securities held as FVOCI until the investment is derecognised, sold or impaired. As at 31 December 2024 the fair value on FVOCI investments is a loss of RO 452 thousand, (31 December 2023: gain of RO 44 thousand).

15. OWNERS' EQUITY (CONTINUED)

15.e. Impairment reserve

As per the CBO circular BM 1149, in the year of adoption, if the Window's policy based provision for impairment is lower than the provision for the impairment as per regulatory guidelines, the excess, shall be transferred as appropriation to a regulatory reserve "Impairment reserve" under shareholder's equity. In subsequent years, if the Window's policy based provision for impairment is lower than provision for impairment as regulatory guidelines, the excess shall be transferred as appropriation to the Impairment reserve.

The regulatory impairment reserve cannot be used by the Window for capital adequacy calculation. Utilization of the impairment reserve created above would require prior approval of the Central Bank of Oman.

Accordingly, for the year ended December 2024, the Window made additional RO 914 million transfer to impairment reserve. The balance as on 31 December 2024: RO 2,555 million (31 December 2023: RO 1,641 thousand).

16. CONTINGENT LIABILITIES AND COMMITMENTS

16.a. Contingent liabilities

Standby letters of credit and guarantees commit the Window to make payments on behalf of customers' contingent upon the failure of the customer to perform under the terms of the contract.

	31 December 2024 RO'000	31 December 2023 RO'000
Guarantees	39,867	35,806
Letter of credit	20,752	17,691
	60,619	53,497

16.b. Commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees, which are designed to meet the requirements of the Window's customers. Commitments to extend credit represent contractual, commitments to make financing and advances. Commitments generally have fixed expiry dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash obligations.

	31 December 2024 RO'000	31 December 2023 RO'000
Credit related commitments	49,790	46,217

17. RELATED PARTIES

In the ordinary course of business, the Window conducts transactions with certain of its Directors, shareholders, senior management, head office, Sharia Supervisory Board (SSB), Sharia reviewer and companies in which they have a significant influence and control. These transactions are conducted on an arm's length basis and are approved by the Window's management and Board of Directors.

17. RELATED PARTIES (CONTINUED)

The aggregate amount of balances and the income and expenses generated with such related parties are as follows:

Directors & Senior management	31 December 2024 RO'000	31 December 2023 RO'000
Financing and advances (balance at end of year)	301	-
Financing and advances disbursed during the year	355	-
Financing and advances repaid during the year	54	-
Profit on financing and advances (during the year)	10	-
Deposits (balance at end of year)	1,069	2
Deposits received during the year	12,381	96
Deposits paid during the year	(13,090)	(98)
Profit expense (during the year)	(13)	-
Directors' sitting fees and remuneration		
Shari'a Supervisory Board members	51	39
Transaction with head office		
Profit paid on wakala borrowings	(210)	(1,326)
Fee paid on committed line	(493)	(200)

The Window considers 8 (2023: 7) senior management to be key management personnel for the purposes of IAS 24 Related Party Disclosures.

In the ordinary course of business, the Window conducts transactions with certain of its key management personnel and companies in which they have a significant interest. The balances in respect of these key management personnel included in the Window's statement of financial position as at the reporting date are as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
Financing and advances	51	81
Deposits	79	115

Key management compensation

The income and expenses, accrued or paid, in respect of these key management personnel as included in the Window's statement of income for the year are as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
Profit on financing and advances (during the year)	2	2
Profit expense (during the year)	(3)	(4)
Salaries and other short term benefits	981	1,028
Post-employment benefits	32	30

*Certain components of key management compensation are paid on a deferral basis in accordance with regulatory guidelines.

18. DERIVATIVES

In the ordinary course of business, the Window 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 or losses are included in the statement of comprehensive income. The derivative financial instruments used by the Window are described below:

Currency forward (Wa'ad), is a unilateral agreement between parties to buy one currency against selling another currency at an agreed price for settlement at forward / future value date. The exchange rate used for the transaction is called the forward exchange rate.

It is done to hedge from exchange rate volatility risk and to manage liquidity efficiently by allowing window to place / invest excess liquidity with offshore banks or to take funds from offshore banks in case of liquidity shortage.

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

As at 31 December 2024	**Notional amount**	***Notional amounts by term to maturity***		
		Within 3 months	***3 - 12 months***	***1 - 5 years***
	RO'000	***RO'000***	***RO'000***	***RO'000***
Forward foreign exchange purchase contracts	**299,441**	**255,138**	**9,624**	**34,679**
Forward foreign exchange sales contracts	**299,382**	**255,107**	**9,625**	**34,650**

As at 31 December 2023	Notional amount	*Notional amounts by term to maturity*		
		Within 3 months	*3 - 12 months*	*1 - 5 years*
	RO'000	*RO'000*	*RO'000*	*RO'000*
Forward foreign exchange purchase contracts	88,544	55,773	13,481	19,290
Forward foreign exchange sales contracts	88,494	55,769	13,475	19,250

Main counter party to forward contracts is the head office.

19. INCOME FROM FINANCING ACTIVITIES

	31 December 2024 RO'000	31 December 2023 RO'000
Murabaha receivables	**3,295**	2,907
Ijarah muntahia bittamleek	**5,474**	5,684
Istisna followed by Ijarah muntahia bittamleek	**6,441**	6,312
Diminishing Musharka	**11,430**	8,302
Wakala Bil Istithmar	**4,844**	1,515
	31,484	24,720

20. INCOME FROM INVESTING ACTIVITIES

	31 December 2024 RO'000	31 December 2023 RO'000
Income from inter-bank placements with financial institutions	**3,788**	754
Income from investment in debt-type instruments	**1,530**	1,532
	5,318	2,286

21. PROFIT ATTRIBUTED TO QUASI-EQUITY

	31 December 2024 RO'000	31 December 2023 RO'000
On Mudaraba accounts (after deducting Mudarib share)	**398**	463
On Wakala accounts -		
- Customers	**24,523**	17,480
- Banks	**928**	1,638
	25,451	19,118
	25,849	19,581

22. OTHER OPERATING INCOME

	31 December 2024 RO'000	31 December 2023 RO'000
Foreign exchange gains – net	**827**	430
Fees and commissions – net	**4,092**	2,761
Dividend income	**116**	19
	5,035	3,210

23. OTHER OPERATING EXPENSES

	31 December 2024 RO'000	31 December 2023 RO'000
Operating and administration costs	**1,482**	980
Amortisation of right-to-use assets	**365**	320
Rent and utility expenses	**172**	564
SSB remuneration and sitting fees	**51**	49
	2,070	1,913

24. IMPAIRMENT CHARGES (NET)

	31 December 2024 RO'000	31 December 2023 RO'000
Impairment charges provided / (released) on:		
Investments & balances with banks	**(70)**	438
Off balance sheet	**(13)**	-
Financing assets	**(1,013)**	(1,502)
	(1,096)	(1,064)

25. FINANCIAL RISK MANAGEMENT

25.1. Credit risk

Credit risk is the risk of financial loss to the Bank if counterparty to a financial instrument fails to meet its contractual obligations. Credit risk represents the probability of default by any counterparty in repayment of principal obligations and / or servicing profit obligations in accordance with the set redemption schedule or terms of contract.

25.1.a. Credit risk in financing products

Credit risk originates from the financing of receivables and leases (including but not limited to, Murabaha, Diminishing Musharaka, Istisna and Ijarah) and financing of working capital (including but not limited to Salam). Window acts as financier, supplier, Rabb-ul-Mal and contributor of capital in Musharaka agreement. The window is exposed to the risk of counterparty's failure to meet their obligations in terms of receiving deferred payment and making or taking delivery of an asset.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.a. Credit risk in financing products (continued)

Sohar Islamic credit risk management follows a robust framework with clearly defined lending policies that articulate the requirements for credit approvals. System of delegation of authorities ensures strong governance on approvals while an independent risk management department reviews and provides an independent opinion the credit/lending requests. Risk Ratings for eligible borrowers are generated through Moody's Credit lens.

The Bank employs a range of policies and practices to mitigate credit risk. The Bank follows a risk mitigation practice of identifying business cash flows as the primary driver for the advances extended. These cash flows are then tested for sustainability over the tenor of the credit facility and a suitable mechanism is put in place to capture the same into the client account with the Bank. To cover unforeseen risk, which dries up the cash flows, additional tangible securities are taken such as Cash Margin, Mortgages, Equities etc. The Bank implements guidelines on the acceptability of specific classes of collateral credit risk mitigation. The principal types of collaterals for financings and advances are:

- charges of assets under Murabaha agreements
- ownership / title of assets under Ijarah and Istisna financing
- ownership / title under Istisna arrangement
- title of assets under Diminishing Musharka

The Bank has deployed Moody's Credit Lens tool which assigns risk ratings to match the client's risk profile. Risk ratings are subject to annual review by the Business units and approval from the Credit Risk Team.

Exposure limits are based on the aggregate exposure to counterparty and any connected entities. Corporate contracts / facilities are reviewed on an annual basis by the approving authorities as per the delegation of authorities approved by the Board of Directors.

25.1.b. Management of credit risk

All finances of the Window are regularly monitored to ensure compliance with the stipulated terms and conditions. Those finances are classified into one of the 5 risk classification categories: Standard, Special Mention, Substandard, Doubtful and Loss – as stipulated by CBO regulations and guidelines. The responsibility for identifying problem accounts and classifying them rests with the business line with an oversight from the independent risk management function.

The credit exposure of the Window as on the reporting date is as follows:

31 December 2024 In (RO'000)	**Murabaha receivables**	**Ijarah muntahia bittamleek**	**Istisna followed by Ijarah muntahia bittamleek**	**Diminishing Musharka**	**Qard Hasan Financing**	**Wakala Bil Istithmar**	**Receivables from financial institutions**	**Debt type securities**	**Total**
Stage 1	**20,314**	**79,090**	**97,897**	**184,567**	**26**	**196,679**	**71,774**	**41,662**	**692,009**
Stage 2	**2,421**	**7,561**	**20,839**	**35,634**	**-**	**8,461**	**-**	**-**	**74,916**
Stage 3	**316**	**1,725**	**1,422**	**2,723**	**-**	**-**	**-**	**-**	**6,186**
Total	**23,051**	**88,376**	**120,158**	**222,924**	**26**	**205,140**	**71,774**	**41,662**	**773,111**

31 December 2023 In (RO'000)	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
Stage 1	28,168	84,082	86,374	225,796	33	13,955	18,777	23,889	481,074
Stage 2	3,203	8,640	15,448	26,790	-	6,797	-	-	60,878
Stage 3	295	1,268	781	608	-	-	-	-	2,952
Total	31,666	93,990	102,603	253,194	33	20,752	18,777	23,889	544,904

Maximum exposure to credit risk before collateral held or other credit enhancements for all on-balance sheet assets are based on net carrying amounts as reported in the statement of financial position.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.b. Management of credit risk (continued)

The table below presents an analysis of debt securities, placements and other eligible bills by rating agency designation at 31 December 2024, based on Moody's ratings or equivalent.

	31 December 2024 RO'000	31 December 2023 RO'000
Aaa to Aa3	**-**	1,040
A1 to A3	**7,107**	15,571
Baa1 to Baa3	**1,486**	2,165
Ba1 to Ba3	**63,181**	-
B1 to B3	**-**	-
Caa1 to Caa3	**9,217**	-
Unrated securities	**3,652**	663
Sovereign securities	**32,375**	23,889
	117,018	43,328

The Window performs an independent assessment based on quantitative and qualitative factors in cases where a counter party is unrated.

25.1.c. Credit rating analysis

The Window's internal rating and PD estimation process

The Window's independent Credit Risk Department operates its internal rating models. The Window runs separate models for its key portfolios in which its customers are rated from 1 to 10 using 22 internal grades. Granular scales were implemented in 2022 as a part of the overall enhancement to the Obligor Risk Rating framework within the bank.

The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behavior. Where practical, they also build on information from Good Rating Agency. These information sources are first used to determine the PDs within the Window's Basel III framework. The internal credit grades are assigned based on these Based III grades.

The Window's internal credit rating grades along with the respective PDs are as below:

Internal rating grades	**Internal rating grade description**	**PD range (%)**
1	Investment Grade	0.65%
2+	Investment Grade	
2	Investment Grade	0.8% - 1.00%
2-	Investment Grade	
3+	Investment Grade	
3	Investment Grade	1.11%-1.36%
3-	Investment Grade	
4+	Investment Grade	
4	Investment Grade	1.50%-1.90%
4-	Investment Grade	
5+	Investment Grade	
5	Investment Grade	2.16%-2.64%
5-	Investment Grade	

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.c. Credit rating analysis (continued)

Internal rating grades	Internal rating grade description	PD range (%)
6+	Investment Grade	
6	Investment Grade	2.87%-3.31%
6-	Investment Grade	
7+	Sub Investment Grade	
7	Sub Investment Grade	3.61%-5.80%
7-	Sub Investment Grade	
8 to 10	Non-Performing	100%

The table below shows the credit quality by class of financial asset, based on internal credit ratings:

31 December 2024	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
Gross Amount (RO'000)									
Performing financing assets (Grades 1-5)									
Performing	20,388	79,067	56,861	180,873	26	196,952	71,774	41,662	647,603
Past due but not impaired	82	670	210	595	-	5	-	-	1,562
Total	20,470	79,737	57,071	181,468	26	196,957	71,774	41,662	649,165
Performing financing assets (Grade 6)									
Performing	-	-	-	3,702	-	-	-	-	3,702
Past due but not impaired	-	-	-	244	-	-	-	-	244
Total	-	-	-	3,946	-	-	-	-	3,946
Performing financing assets (Grade 7)									
Past due but not impaired	2,265	6,914	61,665	34,787	-	8,183	-	-	113,814
Total	2,265	6,914	61,665	34,787	-	8,183	-	-	113,814
Non-performing financing assets (Grades 8-10)									
Credit impaired	316	1,725	1,422	2,723	-	-	-	-	6,186
Total	316	1,725	1,422	2,723	-	-	-	-	6,186
Total financing assets									
Performing	20,388	79,067	56,861	184,575	26	196,952	71,774	41,662	651,305
Past due but not impaired	2,347	7,584	61,875	35,626	-	8,188	-	-	115,620
Credit impaired	316	1,725	1,422	2,723	-	-	-	-	6,186
Total	23,051	88,376	120,158	222,924	26	205,140	71,774	41,662	773,111

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.c. Credit rating analysis (continued)

31 December 2023	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
Gross Amount (RO'000)									
Performing financing assets (Grades 1-5)									
Performing	27,908	78,398	41,767	215,979	31	14,029	18,777	23,889	420,778
Past due but not impaired	410	6,858	4,050	1,600	2	-	-	-	12,920
Total	28,318	85,256	45,817	217,579	33	14,029	18,777	23,889	433,698
Performing financing assets (Grade 6)									
Performing	-	8	-	6,460	-	-	-	-	6,468
Past due but not impaired	-	-	807	438	-	-	-	-	1,245
Total	-	8	807	6,898	-	-	-	-	7,713
Performing financing assets (Grade 7)									
Past due but not impaired	3,053	7,458	55,198	28,109	-	6,723	-	-	100,541
Total	3,053	7,458	55,198	28,109	-	6,723	-	-	100,541
Non-performing financing assets (Grades 8-10)									
Credit impaired	295	1,268	781	608	-	-	-	-	2,952
Total	295	1,268	781	608	-	-	-	-	2,952
Total financing assets									
Performing	27,908	78,406	41,767	222,439	31	14,029	18,777	23,889	427,246
Past due but not impaired	3,463	14,316	60,055	30,147	2	6,723	-	-	114,706
Credit impaired	295	1,268	781	608	-	-	-	-	2,952
Total	31,666	93,990	102,603	253,194	33	20,752	18,777	23,889	544,904

25.1.d. Write-off policy

The Window writes off a financing and advances/security balance (and any related allowances for impairment losses) when the Window determines that the financing and advances/security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer repay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized financings, charge off decisions generally are based on a product specific past due status. The write off mechanism, approving authorities and the governance on the same is duly elaborated in the bank's wholesale lending policy.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.d. Write-off policy (continued)

An estimate of the fair value of collateral and other security enhancements held against financings and advances is shown below:

	31 December 2024	31 December 2023
	RO'000	RO'000
Property	765,775	654,418
Vehicles	15,271	15,286
Fixed deposits	2,700	2,964
	783,746	672,668

Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and / or other assets is not simultaneous.

In foreign exchange trades, though there is fulfilment of both the legs of the transaction on the settlement date as is common practice between trading partners (free settlement), there will be risk on account of different time zones. In these cases, daily settlement limits shall control the aggregate size of FX notional amounts permitted to settle with a counterparty on any given settlement date.

25.1.e. Concentrations

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

In order to avoid excessive concentrations of risk, the Window's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed through regulatory caps and internal risk appetite thresholds where ever applicable.

	December 2024							
	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Concentration by sector								
Corporate	10,589	14,169	87,835	173,939	-	205,140	-	41,662
Personal	12,462	74,207	32,323	48,985	26	-	-	-
Banks	-	-	-	-	-	-	71,774	-
Total	23,051	88,376	120,158	222,924	26	205,140	71,774	41,662
Concentration by location								
Middle east	23,051	88,376	120,158	222,924	26	205,140	64,508	41,662
Europe	-	-	-	-	-	-	7,266	-
Total	23,051	88,376	120,158	222,924	26	205,140	71,774	41,662

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.e. Concentrations (continued)

	December 2023							
	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Concentration by sector								
Corporate	19,971	14,857	69,207	225,405	-	20,752	-	23,889
Personal	11,695	79,133	33,396	27,789	33	-	-	-
Banks	-	-	-	-	-	-	18,777	-
Total	31,666	93,990	102,603	253,194	33	20,752	18,777	23,889
Concentration by location								
Middle east	31,666	93,990	102,603	253,194	33	20,752	1,508	23,889
Europe	-	-	-	-	-	-	17,269	-
Total	31,666	93,990	102,603	253,194	33	20,752	18,777	23,889

25.1.f. Sensitivity of impairment estimates

	31 December 2024		31 December 2023	
Sensitivity of impairment estimates	**ECL RO 000's**	**Impact on ECL RO 000's**	ECL RO 000's	Impact on ECL RO 000's
ECL on non-impaired financing under Window's policy	4,155	NA	3,595	NA
Simulations				
Upside case - 100% weighted	3,600	555	2,867	728
Base case - 100% weighted	4,005	150	3,378	217
Downside scenario - 100% weighted	4,867	(712)	4,593	(998)

25.2 Liquidity risk

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

The objective of the Window's liquidity risk management framework is to ensure that the Window's will always have sufficient liquidity to meet all its payment obligations as and when it is due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Window's reputation.

Window's central treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, finances and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the window as a whole. The liquidity requirements of business units are met through short-term financing and advances from central treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements. The Window has also laid down a comprehensive liquidity contingency plan for effective management of liquidity. In this process due care is taken to ensure that the Window complies with all the CBO regulations.

All liquidity policies and procedures are subject to review and approved by Asset Liabilities Committee (ALCO). Computation of liquidity gap on maturity of assets and liabilities is provided. The computation has been prepared in accordance with guidelines provided by the regulator.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 Liquidity risk (continued)

The lending ratio, which is the ratio of the total financing to customer deposits and capital, is monitored in line with the regulatory guidelines. The Window also manages its liquidity risk on regular basis and by monitoring the liquid ratio which is a ratio of net liquid assets to total assets on a monthly basis. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt investments for which there is an active and liquid market.

Details of the reported lending and liquid ratio as at 31 December 2024 were as follows:

	31 December 2024	
	Lending ratio	**Liquid ratio**
Average for the year	**84.85%**	**16.85%**
Maximum for the year	**86.81%**	**24.70%**
Minimum for the year	**82.33%**	**11.40%**

	31 December 2023	
	Lending ratio	Liquid ratio
Average for the year	86.14%	15.90%
Maximum for the year	88.70%	21.29%
Minimum for the year	83.65%	12.78%

The Window also monitors the liquidity through Liquidity Coverage ratio (LCR) and Net Stable Funding Ratio (NSFR). Current levels of these ratios are given below

31 December 2024		31 December 2023	
LCR	**NSFR**	LCR	NSFR
114.72%	**113.16%**	254.37%	111.65%

The table below summarizes the maturity profile of the Window's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Window's deposit retention history and the availability of liquid funds.

December 2024	**Carrying amount RO'000**	**Within three months RO'000**	**Four months to 12 months RO'000**	**One to three years RO'000**	**More than three years RO'000**	**Total RO'000**
Customer deposit and other accounts	**58,590**	**18,791**	**11,417**	**5,759**	**22,623**	**58,590**
Due to financial institutions	**5,304**	**5,304**	**-**	**-**	**-**	**5,304**
Other liabilities	**5,789**	**-**	**-**	**-**	**5,789**	**5,789**
Total Liabilities	**69,683**	**24,095**	**11,417**	**5,759**	**28,412**	**69,683**
Quasi-equity participatory investment accounts	**666,640**	**105,034**	**262,219**	**122,450**	**176,937**	**666,640**
	736,323	**129,129**	**273,636**	**128,209**	**205,349**	**736,323**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 Liquidity risk (continued)

December 2023	Carrying amount RO'000	Within three months RO'000	Four months to 12 months RO'000	One to three years RO'000	More than three years RO'000	Total RO'000
Customer deposit and other accounts	65,647	26,617	22,680	380	15,970	65,647
Due to financial institutions	4,233	4,233	-	-	-	4,233
Other liabilities	3,275	-	-	-	3,275	3,275
Total Liabilities	73,155	30,850	22,680	380	19,245	73,155
Quasi-equity participatory investment accounts	462,100	71,708	151,065	141,502	97,825	462,100
	535,255	102,558	173,745	141,882	117,070	535,255

The Window prepares a liquidity gap report to monitor the Window's short term liquidity position on the Omani Rial denominated assets and liabilities in a time horizon spanning one month. The gap is adjusted for availability of instruments for repo or refinance and also for unutilized committed lines of credit, if any. This statement of short term liquidity is to be reported to the ALCO every month.

In addition to the above measures of liquidity, the window also monitors the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio as per the regulator in line with Basel-III standards.

25.3. Market risk

Market risk is defined as potential losses on account of changes in market variables. The sources of market risk include changes in profit rate, foreign exchange rates, credit spreads, commodity prices, equity prices and so on. These fluctuations can significantly impact the bank's earnings and valuation. The bank's business activities, including its trading and investment portfolios, are inherently exposed to market One of the primary objectives of the Market Risk Management is to ensure that the business units do not expose the bank to unacceptable exposures outside of the bank's Board approved risk appetite.

Sohar Islamic proactively measures and monitors the market risk in its portfolio using appropriate measurement techniques such as limits on intraday and overnight net open foreign exchange positions.

25.3.a. Market risk in financing products

Financing contracts mainly comprise 'Murabaha receivables' and 'Ijara Muntahia Bittamleek'. Following are the financing related market risk:

(i) Murabaha receivables

In the case of an asset in possession for a Murabaha transaction and an asset acquired specifically for resale to a customer in a non-binding Murabaha to the purchase ordered (MPO) transaction, the asset would be treated as inventory of the Window and is subject to price risk.

(ii) Ijara Muntahia Bittamleek (IMB)

In the case of Non-binding Promise to lease an asset acquired and held for the purpose of either operating Ijarah or IMB. The asset would be treated as asset owned by the Window and is subject to price risk from its acquisition date until its disposal.

(iii) Musharaka Investments

Musharaka is a form of partnership between the Window and its clients whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project, whereby each of the parties become an owner of the capital on a permanent or declining basis. Profits are shared in agreed ratio, but losses are shared in proportion to the amount of capital contributed.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.b. Measurement of market risk

The Window is mainly engaged in Currency forward (Wa'ad). Such positions are mainly undertaken for customer transactions. The Window measures and controls the risk by using a limit framework. As and when the Window enters into more complex derivatives (subject to approval), it will have more sophisticated models and techniques to measure market risk, supported by a suitable mechanism.

25.3.c. Management of market risks

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

The Market Risk Function covers the assessment of the market risk for treasury portfolio and non-treasury positions, evaluate / validate methods for monitoring market risk, prescribe the control processes and define the framework for risk appetite in form of limits/trigger levels. They also conduct review of the valuation models, and the conventions for various market risk factors in the valuation and risk system that are proposed by Treasury department.

The window works with an independent Market risk (Middle Office) function within the bank's Risk Management Department (RMD) which is responsible for the day-to-day monitoring of treasury limit. Investment banking and FIG. The Middle- office reports adherence to set risk thresholds and escalates breaches, if any, for timely remedial action. The process ensures that the risks assumed by various front office desks are within the Board approved risk appetite and related policies of the Bank.

The market risk management monitors the following limits and thresholds:

- Exposure limits, variation margin limits with counterparties and credit risk equivalent (CRE) for derivatives
- Permitted derivative structure
- Stop loss thresholds for investments
- Open currency position thresholds
- Regulatory limits for investments under various categories
- Dealer Limits
- Nostro Balances

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

25.3.d. Exposure to profit rate risk

Profit rate risk is the potential impact of the mismatch between the rate of return on assets and the expected rate of funding due to the sources of finance. Senior management identifies the sources of profit rate risk exposures based upon the current as well as forecasted balance sheet structure of Window.

The profit rate risk in the Window may arise due to the following transactions:

- Murabaha transactions;
- Wakala transactions;
- Isitisna followed by Ijara Muntahia Bittamleek;
- Ijara Muntahia Bittamleek;
- Diminishing Musharka;
- Sukuk.

The Window manages short term profit rate impact through earnings based measures and long term profit rate impact through economic value based measures. The Window measures the change in Economic Value of Equity ("EVE") as the maximum decrease of the banking book economic value under the 6 standard scenarios prescribed by Basel guidelines. The Window maintains economic capital for profit rate risk in the banking book (PRRBB) under Pillar II based on the outcome.

Window is not exposed to material profit rate risk as a result of mismatches in the profit rate re-pricing of assets, liabilities and equity of investment account. The profit distribution to equity of investment accountholders is based on profit sharing agreements. Therefore, Window is not subject to any significant profit rate risk.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.d. Exposure to profit rate risk (continued)

(i) Sources of Profit Rate Risk

The different profit rate risks faced by the Window can be classified broadly into the following categories.

- Re-pricing risk which arises from timing differences in the maturity (for fixed rate) and re-pricing (for floating rate) of assets, liabilities and off balance sheet positions. As profit rates vary, these re-pricing mismatches expose Window's income and underlying economic value to unanticipated fluctuations;
- Yield curve risk which arises when unanticipated shifts of the yield curve have adverse effects on Window's income and/ or underlying economic value;
- Basis risk which arises from imperfect correlation in the adjustment in the rate earned on products priced and the rate paid on different instruments with otherwise similar re-pricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities, and off balance sheet instruments of similar maturities or re-pricing frequencies; and
- Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates.

(ii) Profit rate risk measurement tools

Window uses Re-pricing gap analysis for profit rate risk measurement in its book which measures the arithmetic difference between the profit-sensitive assets and liabilities of banking book in absolute terms.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.e. Exposure to profit rate risk – non trading portfolios

The Window's profit sensitivity position based on contractual re-pricing arrangements at 31 December 2024 was as follows:

	Effective annual Profit Rate	Within three months	Four months to 12 months	Over one year	Non sensitive to profit rate	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000
At 31 December 2024						
Assets						
Cash and balances with central banks		-	-	-	23,304	23,304
Receivables from financial institutions		-	-	-	71,774	71,774
Investment securities	6.28	-	3,018	38,574	3,652	45,244
Murabaha receivables	5.18	-	-	-	22,850	22,850
Ijarah muntahia bittamleek	5.54	79,075	7,496	1,279	-	87,850
Istisna followed by Ijarah muntahia bittamleek	5.54	96,089	19,640	1,202	-	116,931
Diminishing Musharka	6.32	184,469	34,034	2,221	-	220,724
Qard Hasan Financing	-	26	-	-	-	26
Wakala Bil Istithmar	5.74	196,386	8,460	-	-	204,846
Property and equipment		-	-	-	2,387	2,387
Other assets		-	-	-	30,753	30,753
Total assets		556,045	72,648	43,276	154,720	826,689
Liabilities and equity						
Customer current accounts		-	-	-	58,590	58,590
Due to financial institutions		-	-	-	5,304	5,304
Other liabilities		-	-	-	5,789	5,789
Total liabilities		-	-	-	69,683	69,683
Quasi-equity participatory investment accounts	4.69	385,652	223,248	57,739	-	666,640
Total liabilities and Quasi-Equity		385,652	223,248	57,739	69,683	736,324
Total profit rate sensitivity gap		170,392	(150,600)	(14,463)	85,037	-
Cumulative profit rate sensitivity gap		170,392	19,792	5,329	90,366	-

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.e. Exposure to profit rate risk – non trading portfolios (continued)

	Effective annual Profit Rate	Within three months	Four months to 12 months	Over one year	Non sensitive to profit rate	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000
At 31 December 2023						
Assets						
Cash and balances with central banks		-	-	-	38,232	38,232
Receivables from financial institutions		-	-	-	18,777	18,777
Investment securities	5.60	-	11,121	12,768	663	24,552
Murabaha receivables	5.01	-	-	-	31,466	31,466
Ijarah muntahia bittamleek	5.42	81,860	9,717	2,010	-	93,587
Istisna followed by Ijarah muntahia bittamleek	6.56	46,976	51,734	2,432	-	101,142
Diminishing Musharka	6.00	106,249	143,956	807	-	251,012
Qard Hasan Financing		7	-	26	-	33
Wakala Bil Istithmar	4.47	15,509	5,186	-	-	20,695
Property and equipment		-	-	-	2,361	2,361
Other assets		-	-	-	22,155	22,155
Total assets		250,601	221,714	18,043	113,654	604,012
Liabilities and equity						
Customer current accounts		-	-	-	65,647	65,647
Due to financial institutions		4,233	-	-	-	4,233
Other liabilities		-	-	-	3,275	3,275
Total liabilities		4,233	-	-	68,922	73,155
Quasi-equity participatory investment accounts	4.58	200,730	137,283	124,086	-	462,100
Total liabilities and Quasi-Equity		204,963	137,283	124,086	68,922	535,255
Total profit rate sensitivity gap		45,638	84,431	(106,043)	44,732	-
Cumulative profit rate sensitivity gap		45,638	130,069	24,026	68,758	-

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.f. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits. The Window had the following net exposures denominated in foreign currencies:

	31 December 2024			31 December 2023		
	Assets	Liabilities & Quasi-Equity	Net assets	Assets	Liabilities & Quasi-Equity	Net assets
Rial Omani	200,523	454,452	(253,929)	409,590	438,114	(28,524)
United States Dollar	601,498	270,547	330,951	176,043	88,840	87,203
Euro	7,575	6,328	1,247	6,640	4,203	2,437
UAE Dirhams	16,617	4,913	11,704	11,717	4,099	7,618
Pound Sterling	59	35	24	22	-	22
Japanese Yen	348	8	340	-	-	-
Other currencies	69	41	28	-	-	-

The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

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

25.4. Operational risk

As per regulatory guidelines, operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or from external events and excludes credit, market and liquidity risks. It includes legal risk however excludes strategic and reputational risk.

The objective is to manage operational risk to avoid / reduce financial losses by the establishment of the necessary controls, systems and procedures. It recognizes that an over-controlled environment will affect the business and earnings, besides adding to costs. Therefore, the aims to effectively manage operational risk through control optimization and well established systems, methods and governance framework.

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

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.4. Operational risk (continued)

In this regard, it has put in place a Board approved operational risk management policy & framework which ensures compliance with all applicable regulatory guidelines. The core objective of the operational risk management policy & framework is to continuously ensure that risks related to people, processes, systems and external events are adequately managed, through a set of well-defined policies and procedures / guidelines. These policies & procedures are supported with robust systems, applications & workflows, together with well training & skilled staff in respective business, operations and support divisions.

The Bank has an independent operational risk management department, reporting to Chief Risk Officer (CRO) and it is adequately staffed, comprising of specialised resources / staff with adequate levels of experience and knowledge in different areas of banking business, wherein the head of operational risk is directly involved in the recruitment, objective setting and appraisal of the staff. For effective management of operational risk, the core operational risk Management department staff / risk officers, closely interacts / collaborates with risk & control managers (RCM) from 1st and 2nd Line, who are nominated staff within all critical lines of business & operations, and responsible for ensuring operational risk policy requirements are adequately adhered, thereby improving the overarching internal control environment in the Bank. These RCMs acts as subject matter experts with deep technical and functional knowledge along with adequate understanding of the Bank's operational risk policy & regulatory requirements, and together with core operational risk management department, they regularly oversee, support and challenge activities of business and operations and ensures optimization of risk –reward trade-off, by aligning risk taking and strategic planning.

It is pertinent to note that all key control measures necessary to mitigate operational risk have been implemented, which includes but not limited to, adequate segregation of duties, access control, robust change management governance, sound business continuity planning and physical security controls, alongside data back, disaster recovery measures and need-based staff training & awareness.

Furthermore, a structured operational risk loss event reporting process has been implemented to promptly identify and mitigate any control deficiencies / process lapses. In addition, comprehensive risk control self-assessment (RCSA) process is in place which is conducted on a periodic basis for all critical business lines, with the aim to identify, assess, mitigate, monitor and report all key risks. In line with Regulatory requirements, comprehensive operational risk incident / internal loss database is maintained, to study the loss trends and for preparing towards higher approaches for operational risk management.

With respect to management and Board oversight, strong governance framework is instituted through formulation of committees at different levels, for effective management and implementation of operational risk management framework (ORMF). In this regard, at Board level, the Board Risk Committee (BRC), has been delegated the task of implementing and effective ORMF within the Bank, while at the executive management level, the management risk committee (MRC) is responsible to periodically review, monitor and provide suitable guidance / instruction on bank's non-financial risk areas, namely operational risk, compliance risk, information security risk and legal risk and further ensure appropriate management actions are undertaken where necessary. For the purpose, the operational risk management department submits periodic reports to both MRC and BRC and discusses various key issues, incidents and emerging risks along with mitigation measures which are in place.

25.4.a. Displaced commercial risk

Displaced commercial risk ("DCR") refers to the magnitude of risks that are transferred to shareholders in order to cushion the Investment Account Holder ("IAH") from bearing some or all of the risks to which they are contractually exposed in Mudaraba contracts.

Under a Mudaraba (profit sharing and loss-bearing) contract, Quasi-equity IAH are exposed to aggregate impact of risks arising from the assets in which their funds are invested, but this is managed by Sohar Islamic Window through DCR.

This risk-sharing is achieved by constituting and using various reserves such as PER, and by adjusting the Sohar Islamic Window's profit share in order to smooth the returns payable to the IAH from exposure to the volatility of aggregate returns arising from banking risks, and thereby to enable payment of returns that are competitive in the marketplace.

Sohar Islamic Window manages its displaced commercial risk as outlined in its Profit Distribution Policy. The Window foregoes its fee in case displaced commercial risk arises. The Window manages profit rates with other Islamic Windows and full-fledged Islamic/Conventional Banks operating in Oman.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.5. Business Continuity Management

The Window has established a Business Continuity Management (BCM) Program designed to minimize service disruption and the potential impact on the Bank, our customers and our staff. This includes a BCM Policy that is approved by our Board together with written Business Continuity and Disaster Recovery plans (DRPs) and procedures that are subject to periodic independent review. Although the specific details of our BCM arrangements are confidential for security reasons, the bank maintains Business Continuity Plans (BCPs) that address risk scenarios and events of varying scope including, but not exclusively, loss of services or infrastructure, and loss of location.

Sohar Islamic BCPs are focused on maintaining critical processes, including treasury, capital & liquidity and payment services, providing customers with uninterrupted access to their funds and maintaining effective communications with our customers, staff and other stakeholders.

26. CAPITAL MANAGEMENT

26.1. Regulatory capital

The Window's lead regulator, CBO, sets and monitors capital requirements for the Window as a whole. In implementing current capital requirements CBO requires the Window to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Window calculates capital requirements for market risk and operational risk based upon the model prescribed by CBO as follows:

- Sovereign entities – Nil for Oman.
- Window's placements – Risk weighting based upon ratings by external credit assessment institutions as approved by CBO.
- Retail and Corporate financings - As per credit conversion factors and risk weightage prescribed by CBO.
- Off balance sheet items – As per credit conversion factors and risk weightage prescribed by CBO.

The Window's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes allocated capital and reserves, retained earnings and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying collective impairment allowances.

Various limits are applied to elements of the capital base. The amount of innovative Tier 1 investments cannot exceed 15 percent of total Tier 1 capital; qualifying tier 2 capital cannot exceed Tier 1 capital; and qualifying term subordinated financing and advances capital may not exceed 50 percent of Tier 1 capital. There are also restrictions on the amount of collective impairment allowances, PER and IRR that may be included as part of Tier 2 capital.

Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of Windows and certain other regulatory items.

Window's operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk.

26. CAPITAL MANAGEMENT (CONTINUED)

26.1. Regulatory capital (continued)

The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Window for International Settlement is as follows:

	31 December 2024 RO'000	31 December 2023 RO'000
Tier 1 capital		
Allocated capital	**66,500**	51,500
Legal reserve	**134**	134
General reserve	**988**	988
Retained earnings	**20,641**	14,450
Fair value losses	**(473)**	-
Total tier 1 capital	**87,790**	67,072
Tier 2 capital		
Fair value gains	**10**	20
Impairment allowance on portfolio basis	**2,753**	2,609
Total tier 2 capital	**2,763**	2,629
Total regulatory capital	**90,553**	69,701
Risk-weighted assets		
Credit risk	**663,259**	496,053
Market risk	**22,250**	15,450
Operational risk	**24,150**	19,433
Total risk-weighted assets	**709,659**	530,936
Capital adequacy ratio		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**12.76%**	13.13%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	**12.37%**	12.63%

The capital adequacy ratio given above is calculated in accordance with the Basel II norms as adopted by CBO and IBRF.

27. SEGMENTAL INFORMATION

The activities of the Window are performed as one unit. Reporting to management is made by business unit. The Window operates solely in the Sultanate of Oman and as such no geographical segment information is presented.

28. SOURCE AND USE OF CHARITY FUND

	31 December 2024 RO	31 December 2023 RO
Sources of Charity Fund		
Undistributed charity funds at beginning of the year	-	-
Shari'a non-compliant income	8,051	1,560
Total sources of funds during the year	8,051	1,560
Uses of Charity Fund		
Distributed to charity organizations:		
Al Rahma Association for Motherhood and child welfare	(1,000)	(1,560)
Zakah AL Kaborah Committee	(1,000)	-
Zakah AL Mussanah Committee	(1,000)	-
Zakat Barka Committee	(1,000)	-
Dar AL Atta'a	(1,000)	-
Al Manahil Foundation	(1,000)	-
Ihsaan Association	(1,051)	-
Omani Association for the care of Holy Quran	(1,000)	-
Total uses of funds during the year	(8,051)	(1,560)
Undistributed charity funds at end of the year	-	-

29. OTHER DISCLOSURES

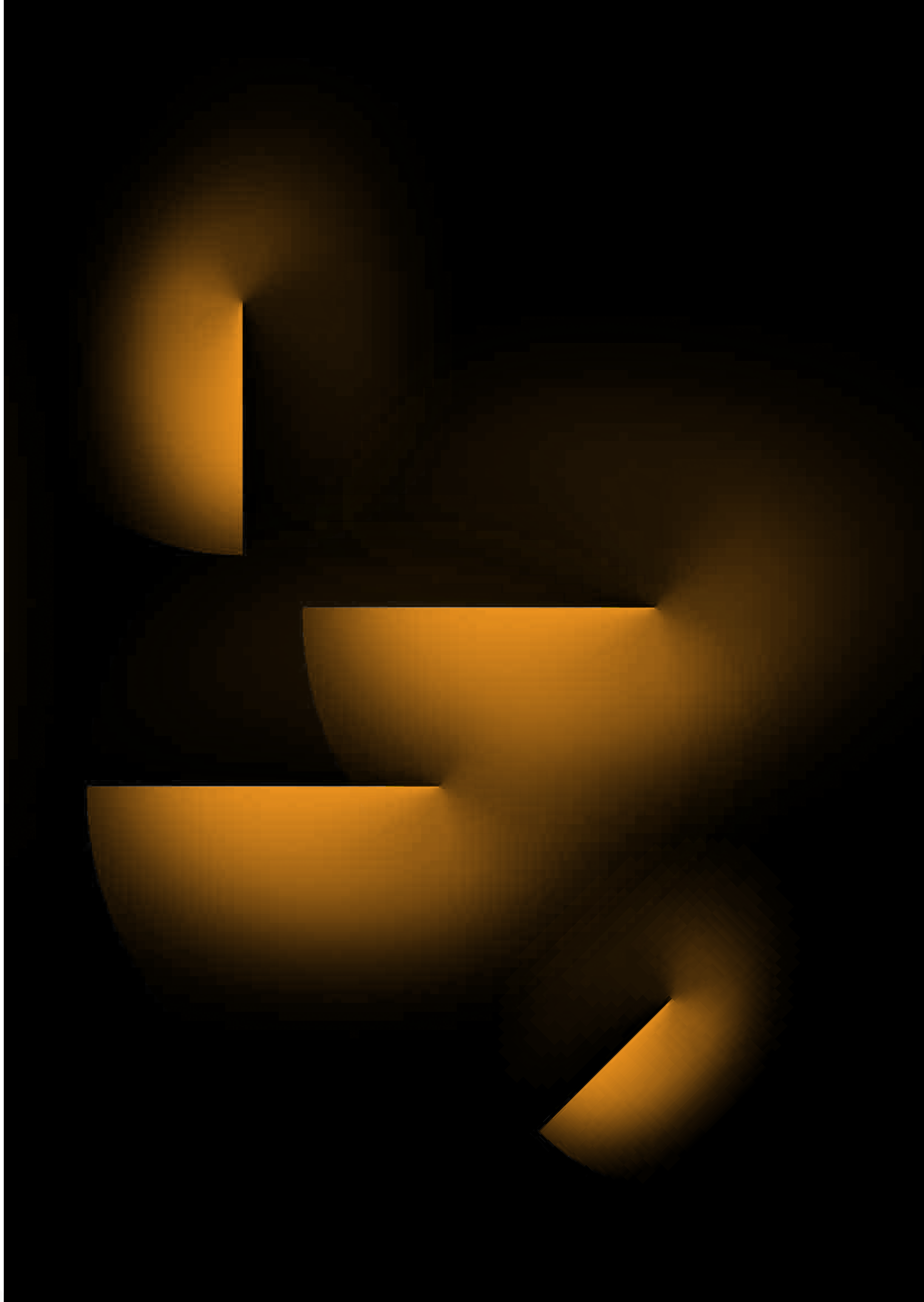
Following are the disclosures required under Islamic Banking Regulatory Framework:

- There has been no comingling of the funds.
- As of 31 December 2024, and amount of RO 1.213 million is payable to head office.
- During the year head office has allocated RO 800 thousand (2023: RO 800 thousand) for shared support services.
- Proposed remuneration and sitting fee of SSB board is as follows:

Name	Remuneration RO	Sitting Fee RO	Total RO
Sheikh Al Muatasim Said Al Maawali	15,400	1,925	17,325
Sheikh Nasser Al Azri	13,475	1,925	15,400
Dr. Mohammed Al Olama	11,550	1,925	13,475
	40,425	**5,775**	**46,200**

30. COMPARATIVE FIGURES

Certain comparative figures for 2023 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported net profit or owners' equity.



REGULATORY DISCLOSURES
(SOHAR ISLAMIC)

UPHOLDING ETHICAL SUCCESS THROUGH TRANSPARENCY

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Private and confidential
Our ref.: aud/pg/ar/20070/25

Agreed-Upon Procedures Report on Sohar Islamic Banking (Islamic Window of Sohar International Bank SAOG) Basel II - Pillar III and Basel III Disclosures

To the Board of Directors of Sohar International Bank SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Sohar International Bank SAOG for evaluating the Sohar Islamic Banking (Islamic Window of the Bank) compliance with the disclosure requirements set out in the Central Bank of Oman's ("the CBO") Circular No. IB 1 dated 18 December 2012 and BM 1114 dated 17 November 2013 and may not be suitable for another purpose. This report is intended solely for Sohar International Bank SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of Sohar International Bank SAOG

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of Sohar International Bank SAOG is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

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

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

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

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, *which requires the firm to design, implement and operate a system of quality management* including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with Sohar International Bank SAOG in the terms of engagement dated 1 January 2025, on the Islamic Window of the Bank's Basel II – Pillar III and Basel III Disclosures ("Disclosures"):

S. No	Procedures	Findings
1	We have performed the procedures prescribed in the CBO circular No. IB 1 dated 18 December 2012 and BM 1114 dated 17 November 2013 with respect to the Disclosures of the Islamic Window of the Bank as at and for the year ended 31 December 2024.	No exceptions found.

This report relates only to the items specified above and does not extend to Sohar International Bank SAOG and Islamic Window of the Bank's financial statements taken as a whole.

KPMG

KPMG LLC
Date: 10 March 2025
Muscat, Oman

KPMG
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Sultanate of Oman
CR.No: 1358131

Enclosures:
Sohar Islamic Banking Basel II – Pillar III and Basel III Disclosures

1. INTRODUCTION

Sohar International Bank SAOG (the head office) under an Islamic Banking License issued by the Central Bank of Oman (CBO) on 30 April 2013, carries out Islamic banking operations and other financial trading activities in accordance with Islamic Shari'a rules and regulations under the name of "Sohar Islamic" (the Window). A separate set of financial statements is included in the consolidated financial statements of the Bank.

The following disclosures are being made in accordance with the Islamic Banking Regulatory Framework (IBRF) issued by Central Bank of Oman (CBO). These disclosures aim to provide market participants material qualitative and quantitative information about Sohar Islamic Window risk exposures, risk management strategies and processes of capital adequacy. The Window has not operated as a separate legal entity.

There is no restriction on transfer of funds between the Window and the Bank. However, as per the guidelines contained in Islamic Banking Regulatory Framework (IBRF), Window is not permitted to place funds with the Bank.

2. CAPITAL STRUCTURE & QUASI-EQUITY

As required under clauses 3.5.1.2 and 3.5.1.3 of Title 1,'*Licensing Requirements*' of Islamic Banking Regulatory Framework (IBRF) issued by CBO, the head office assigned RO 66.5 million (2023: RO 51.5 million) to the Window as assigned capital.

As per IBRF windows has to keep minimum RO 10 million as assigned capital.

	2024 RO'000
Tier 1 capital	
Assigned capital	66,500
Legal reserve	134
General reserve	988
Retained earnings	20,641
Fair value loss	(473)
Total	**87,790**
Tier 2 capital	
Fair value gain	**10**
Impairment allowance on portfolio basis	**2,753**
Total	**2,763**
Total regulatory capital	**90,553**
Quasi-equity participatory investment accounts	**666,640**

Window has not maintained any Profit Equalization and Investment risk reserve.

3. CAPITAL ADEQUACY

The window's capital adequacy ratio, calculated according to guidelines set by the CBO guidelines. It stipulate that a minimum capital adequacy ratio of 11% should be maintained.

The Window's lead regulator, Central Bank of Oman, sets and monitors capital requirements for the Window as a whole.

As required under clauses 3.5.1.2 and 3.5.1.3 of Title 1,'*Licensing Requirements*' of Islamic Banking Regulatory Framework (IBRF) issued by CBO, the head office has allocated RO 66.5 million to the Window as assigned capital.

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) through which senior management assesses the Bank's capital against its risk profile. Asset Liability Committee (ALCO) is the forum in which the capital adequacy is assessed, based on the business forecast and the risk profile envisaged.

3. CAPITAL ADEQUACY (CONTINUED)

Total and Tier 1 Capital Ratio, Risk Weighted Assets RO'000

S. No.	Details	Gross Balances (Book Value)	Net Balances (Book Value)*	Risk Weighted Assets
1	On-balance sheet items	830,845	826,689	602,097
2	Off - balance sheet items	76,628	76,628	61,162
3	**Total for Credit Risk**			**663,259**
4	**Risk Weighted Asset for Market Risk**			22,250
5	**Risk Weighted Asset for Operational Risk**			24,150
6	**Total Risk Weighted Assets**		**903,317**	**709,659**
7	Tier 1 Capital		87,790	
8	Tier 2 Capital		2,763	
9	**Total Regulatory Capital**		**90,553**	
9.1	Capital requirement for credit risk			72,958
9.2	Capital requirement for market risk			2,448
9.3	Capital requirement for operational risk			2,657
10	**Total required capital**			**78,063**
11	**Tier 1 Ratio**			12.37%
12	**Total Capital Ratio**			12.76%
*	***Net of provisions***			

Disclosure of Capital Requirements according to different risk categories for each Shari'a compliant financing contract.

RO'000

	Risk weighted Assets	Capital Requirements
Murabaha receivables	21,174	2,329
Ijarah muntahia bittamleek	42,326	4,656
Istisna followed by ijarah muntahia bittamleek	98,793	10,867
Diminishing musharaka	185,328	20,386
Qard hasan financing	21	2
Wakala bil istithmar	204,971	22,547
Receivables from financial institutions	3,469	382
Investment securities	12,869	1,416
Other assets	33,146	3,646
Off balance sheet	61,162	6,728
	663,259	**72,958**
Of above risk weighted assets funded by the quasi-equity participatory investment accounts	**526,870**	**57,956**

Assets funded by the Quasi-equity are treated at par for all other assets for calculation of capital adequacy.

3. CAPITAL ADEQUACY (CONTINUED)

The net exposure after risk mitigation subject to Standardized approach is as follows:

	Exposure	RO'000 RWAs - Standardized Approach
Sovereign - carrying 0%	107,771	-
Banks	-	
carrying 20%	8,593	1,719
carrying 50%	3,500	1,750
Corporate		
Carrying 75%	10,327	7,744
Carrying 100%	376,139	364,128
Retail - carrying 75%	6,817	5,113
Retail - carrying 100%	5,618	5,618
Claims secured by residential property - carrying 35%	136,109	47,638
Claims secured by residential property - carrying 100%	17,419	17,419
Claims secured by commercial property - carrying 100%	110,277	110,277
Non-Performing financings carrying 100%	3,893	3,893
Other Assets - carrying 0%	7,584	-
Other Assets - carrying 100%	36,798	36,798
Total On Balance Sheet	**830,845**	**602,097**
Off-balance Sheet Items		
carrying 50%	30,620	15,214
carrying 100%	46,008	45,948
Total Off-balance Sheet Items	**76,628**	**61,162**
Total Banking Book	**907,473**	**663,259**

4. DISCLOSURE FOR QUASI-EQUITY

Quasi-equity participatory investment accounts (depositors) engage in funding of window activities on a profit and loss-bearing basis as Rabb al-Mal (investor) under a Mudaraba contract. The underlying Mudaraba contract that governs the relationship between the account holders and the Licensee.

Window has only Quasi-equity participatory investment accounts.

4.1 Participatory investment accounts

Participatory investment accounts under Mudaraba, Mudaraba is a form of partnership in which two or more persons establish a business (Shirkat ul Aqd) for sharing in the profits, in an agreed proportion and one or more of the partner(s) contribute with their efforts while the other partner(s) provide the financial resources. The former is/are called "Mudarib" and the latter "Rabbul Maal".

The window maintains multi-level investment arrangements to invest funds received under "Wakala" as "Mudaraba" under express authority from Wakala account holders in its financing and investment assets. Profit is allocated to Wakala funds on the basis of their contribution in the commingled assets.

4.2 Rules and Structure of Mudaraba and sharia essentials

1. Mudaraba means an arrangement in which a person participates with his money (called Rabbul Maal) and another with his efforts (called Mudarib) for sharing in profit from investment of these funds in an agreed manner.
2. A Mudarib may be a natural person, a group of persons, or a legal entity and a corporate body.

4. DISCLOSURE FOR QUASI-EQUITY (CONTINUED)

4.2 Rules and Structure of Mudaraba and sharia essentials (continued)

3. Rabbul Maal shall provide his investment in money or species, other than receivables, at a mutually agreed valuation. Such investment shall be placed under the absolute disposal of the Mudarib.
4. The conduct of business of Mudaraba shall be carried out exclusively by the Mudarib within the framework of mandate given in the Mudaraba agreement.
5. The profit shall be divided in strict proportion agreed at the time of contract and no party shall be entitled to a predetermined amount of return or remuneration.
6. Financial losses of the Mudaraba shall be borne solely by the Rabbul Maal, unless it is proved that the Mudaraba has been guilty of fraud, negligence or willful misconduct or has acted in contravention of the mandate.

4.3 Profit Distribution Mechanism between Shareholders & Depositors of Sohar Islamic under the Common Pool

This profit distribution mechanism sets out the Sharia-compliant mechanism for distribution of the Net Profit Shareholders Funds and Depositors Funds, combined together in the Common Pool will be called Joint Mudaraba capital ("Joint Mudaraba Capital")

Net profit will be calculated in accordance with the following formula:

N=G-(E+D+P)

Where:

'N' means Net Profit

'G' means Gross Profit

'E' means direct expenses in relation to the Activities ("Direct Expenses")

'D' means depreciation of the investment assets ("Investment Assets") in the Common Pool.

'P' means Provisions for bad and doubtful accounts

During the year no expense and provision has been allocated to the pool.

Quasi-equity participatory investment accounts accounts are monies invested by customers under Mudaraba to form a pool of funds. Quasi-equity participatory investment accounts funds are commingled with the Windows's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

Net Profit will be allocated to the pool participants based on the weighted average balances.

Participation factor, Weights or profit sharing ratios are pre decided by the management of the window and are intimated to the investors before start of the month. Weighted average balance is calculated at the end of the period by multiplying the participation factor with average balance for the period.

4.3.1 Mudaraba fee

Mudaraba fee will be deducted from allocated profit as per the pre-agreed ratio as approved by SSB which will be advised to customers through website or by posting in branches. Currently it is being fixed as:

Window - 60% Depositors - 40 %

During the year there was no change in ratios from SSB of the window. The window can create reserves as allowed by Sharia and CBO for smoothing of returns to investors and risk management purposes. Two types of reserves allowed are Profit Equalization reserve (PER) and Investment Risk reserve (IRR). Window is not maintaining any reserves.

4.3.2 Assignment of a portion of shareholders' profit to depositors

If required, the Window may decide to allocate some portion from their own profit to a specific deposit category(s). This could be either due to increase in the rate of profit announced by other Islamic Financial Institutions / competitors or to encourage a specific category of depositors.

No Profit Equalisation reserve and investment risk reserve has been created during the year and no allocation has been made from shareholders.

Window has not charged any administrative expense to the pool.

4. DISCLOSURE FOR QUASI-EQUITY (CONTINUED)

4.4 Quantitative Disclosures

During the year profit calculated is distributed among the participation factor declared before each profit calculation period. During the year participation factor range applied and range of rate earned are as below:

Product	Participation factor	Average rate earned
Mudaraba Saving-OMR	20	0.609%
Mudaraba Saving-SAR	20	0.608%
Mudaraba Saving-AED	20	0.609%
Mudaraba Saving-USD	20	0.649%
Mudaraba Saving-GBP	20	0.609%
Mudaraba Saving-EUR	20	0.609%
Term 3 Months	50	0.000%
Term 6 Months	50	0.000%
Term 12 Months	50	0.000%
Wakala Interbank Borrowing	74	5.629%
Wakala Term Deposits	74	5.629%
Wakala Call Deposits	76	5.781%
Wakala Saving Deposits	65	4.945%

Close of the year the amount of quasi-equity participatory investment accounts with respective category was:

Product	Amount RO'000	% of total Quasi-equity
Mudaraba Saving-OMR	32,011	4.80%
Mudaraba Saving-SAR	24	0.00%
Mudaraba Saving-AED	191	0.03%
Mudaraba Saving-USD	1,471	0.22%
Mudaraba Saving-GBP	-	0.00%
Mudaraba Term 12 Months	131	0.02%
Wakala Interbank Borrowing	27,769	4.17%
Wakala Term Deposits	310,413	46.56%
Wakala Call Deposits	117,664	17.65%
Wakala Saving Deposits	176,966	26.55%
TOTAL	**666,640**	**100%**

Term deposits are deposits can be withdrawn with no loss of capital subject to certain conditions.

Return on Assets & Quasi-equity:

RO'000

	2024	2023	2022	2021	2020
Income on Mudaraba & Wakala Assets	31,484	24,720	19,068	16,132	3,951
Income distributed to Quasi-equity	25,849	19,581	11,916	9,815	842
Return on Average Mudaraba & Wakala Assets	4.77%	4.92%	4.66%	4.97%	4.31%
Return on Average Quasi-equity	3.88%	4.24%	3.09%	3.35%	1.96%

4. DISCLOSURE FOR QUASI-EQUITY (CONTINUED)

4.4 Quantitative Disclosures (continued)

Assets allocated to common pool are:

RO'000

	Gross exposure	ECL	Net Exposure
Murabaha receivables	23,051	(201)	22,850
Ijarah muntahia bittamleek	88,376	(526)	87,850
Istisna followed by Ijarah muntahia bittamleek	120,158	(3,227)	116,931
Diminishing Musharka	222,924	(2,200)	220,724
Qard Hasan Financing	26	-	26
Wakala Bil Istithmar	205,140	(294)	204,846
Total	**659,675**	**(6,448)**	**653,227**

5. RISK EXPOSURE AND ASSESSMENT

5.1 Management of risk in Sohar Islamic – approach and policy

The risk management philosophy of Sohar Islamic focuses on identifying, capturing, monitoring, and managing various dimensions of risk with the primary objective of safeguarding asset values and income streams. This ensures that the interests of the head office and other stakeholders to whom Sohar Islamic owes liabilities are protected. Concurrently, the approach aims to optimize returns for the head office by maintaining risk exposure within self-imposed parameters.

Sohar Islamic offers a range of Sharia-compliant products and services, including Term Financing, Working Capital Financing, Short-Term Financing, Corporate Deposits, and Trade Finance, Cash Management Services, and Treasury products for Corporate and SME clients. These offerings are aligned with Islamic Sharia principles. To enhance the quality of its credit exposure, Sohar Islamic evaluates credit risk and ensures adequate security through short-term assets, plant and machinery, real estate, and other collateral. The bank adheres to the Central Bank of Oman's (CBO) regulatory requirements, particularly for single borrower limits, and imposes additional controls to mitigate risks related to senior management or related parties.

For Consumer Finance products, which include Vehicle, Personal, and home Financing, Sohar Islamic complies with regulatory guidelines issued by the CBO and Sharia principles. Financing and advances are approved based on a clearly defined approval matrix, specifying limits for designated officials and the Executive Credit Committee.

Credit approvals at Sohar Islamic are guided by its Board-approved Wholesale Lending Policy and a delegation of authority framework. In Consumer Finance, the policy is designed to provide financing on a sound and collectible basis, ensuring that funds are used to serve the legitimate needs of communities, while adhering to Sharia guidelines as approved by the Sharia Supervisory Board.

The risk management process emphasizes diversification and mitigating concentration risks. A robust internal control framework supports these efforts, encompassing periodic Business Risk Reviews, Asset Quality Reviews, Sharia Reviews, Process Reviews, and Compliance Reviews. These reviews are conducted at both the business and senior management levels to ensure effective oversight.

The Board of Directors of the bank holds the authority to approve all policies related to credit and risk management. The Credit Approval Committee (CAC), a subcommittee of the Board, is the highest approving authority in the bank for credit facilities within the regulatory single borrower limits.

5.2 Strategies, Processes and Internal Controls

Sohar Islamic is exposed to various types of risk, such as market, credit, profit rate, liquidity and operational, all of which require comprehensive controls and ongoing oversight. The risk management framework of the bank that are embedded in various risk policies comprises of management oversight and control, risk culture and ownership, risk recognition and assessment, control activities and segregation of duties, adequate information and communication channels, monitoring risk management activities and correcting deficiencies.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.3 Credit risk

Credit risk is the risk that a customer or a counterparty fails to perform under its contractual payment obligations thus causing the Bank to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by the Bank in its banking, investment and treasury activities, both on- and off-balance sheet. Credit risk management framework of the bank encompasses credit risk governance structure, credit risk appetite, credit risk strategies and lending policies that are fully compliant with the CBO regulations and Sharia Principles as may be applicable.

Credit risk is managed at three stages - at the origination stage, approval stage and at the transaction/portfolio monitoring stage.

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The credit risk assessment includes among others, generating internal credit risk rating for each counterparty using the bank's internal obligor rating tool. Only those clients/counterparties with acceptable ratings as per the Bank's wholesale lending policy are considered for credit approval subject to internal approval guidelines. For cross border transactions, an analysis of country risk is also conducted. Credit approval delegation matrix approved by the board of directors is in place, which is risk sensitized and backed by strong governance.

For retail financing products the Board has approved policies and / or product programs for various retail financing products based on approval parameters.

The Bank follows standardized approach for Credit Risk Capital charge with risk weights as recommended by the CBO.

31 December 2024	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Neither past due not impaired	20,388	79,067	56,861	184,575	26	196,952	71,774	41,662	651,305
past due but not impaired	2,347	7,584	61,875	35,626	-	8,188	-	-	115,620
past due and impaired	316	1,725	1,422	2,723	-	-	-	-	6,186
Total	**23,051**	**88,376**	**120,158**	**222,924**	**26**	**205,140**	**71,774**	**41,662**	**773,111**

Definitions of past due and impaired

The classification of credit exposures is considered by the Window for identifying impaired credit facilities, as per CBO circular number BM 977 dated 25 September 2004.

5.4 Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure

RO'000

S. No.	Type of credit exposure	Average gross exposure 2024 RO'000	Total gross exposure 2024 RO'000	Total gross exposure 2024 %
1	Murabaha receivables	27,359	23,051	2.98%
2	Ijarah muntahia bittamleek	91,183	88,376	11.43%
3	Istisna followed by Ijarah muntahia bittamleek	111,381	120,158	15.54%
4	Diminishing Musharka	238,059	222,924	28.83%
5	Qard Hasan Financing	30	26	0.02%
6	Wakala Bil Istithmar	112,946	205,140	26.53%
7	Receivables from financial institutions	45,276	71,774	9.28%
8	Debt-type investments	32,775	41,662	5.39%
	Total	**659,009**	**773,111**	**100%**

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.4 Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure (continued)

Percentage of gross financing for each category of counterparty to gross financing

	2024 RO'000	2024 %
Corporate	491,672	74.53%
Retail	168,003	25.47%
Total	**659,675**	**100.00%**

5.4.1 Geographic distribution of gross exposures, broken down in significant areas by major type of credit exposure

RO '000

S. No.	Type of credit exposure	Oman	Other GCC countries	Total
1	Murabaha receivables	23,051	-	23,051
2	Ijarah muntahia bittamleek	88,376	-	88,376
3	Istisna followed by Ijarah muntahia bittamleek	120,158	-	120,158
4	Diminishing Musharka	212,625	10,299	222,924
5	Qard Hasan Financing	26	-	26
6	Wakala Bil Istithmar	205,140	-	205,140
7	Receivables from financial institutions	71,774	-	71,774
8	Debt-type investments	41,662	-	41,662
	Total	**762,812**	**10,299**	**773,111**

5.4.2 Industry or counter party type distribution of gross exposures, broken down by major types of Credit exposure

RO'000

S. No.	Economic sector	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt-type investments	Total	Off-balance sheet exposure
1	Import trade	1,576	-	-	-	-	-	-	-	1,576	18
2	Construction	2,587	7,275	47,800	47,206	-	-	-	-	104,868	4,507
3	Manufacturing	5,465	-	16,904	13,849	-	46,803	-	-	83,021	10,336
4	Financial institutions	-	-	-	-	-	-	-	-	-	13,023
5	Service	963	6,893	23,130	102,584	-	158,337	-	-	291,907	-
6	Personal financing	12,460	74,208	32,324	48,986	26	-	-	-	168,004	32,594
7	Government	-	-	-	-	-	-	-	41,662	41,662	141
8	Others	-	-	-	10,299	-	-	71,774	-	82,073	-
	Total	**23,051**	**88,376**	**120,158**	**222,924**	**26**	**205,140**	**71,774**	**41,662**	**773,111**	**60,619**

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.4 Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure (continued)

5.4.3 Residual contractual maturity breakdown of the whole portfolio, broken down by major types of gross credit exposures

RO'000

S. No.	Time band	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt-type investments	Total	Off – balance Sheet Exposure
1	upto 1 month	1,792	722	8,521	1,292	-	8,225	71,774		**92,326**	267
2	1 - 3 months	6,941	1,657	488	3,608	1	1,999	-		**14,694**	14,931
3	3 - 6 months	2,412	1,537	649	3,084	1	1,287	-		**8,970**	3,728
4	6 - 9 months	1,142	1,480	691	4,187	1	1,485	-		**8,986**	2,911
5	9 - 12 months	768	1,413	724	4,278	1	430	-		**7,614**	930
6	1 - 3 years	4,794	13,050	8,433	48,453	8	18,265	-		**93,003**	6,788
7	3 - 5 years	3,065	15,455	9,178	39,515	7	27,991	-	19,604	**114,815**	25,029
8	Over 5 years	2,137	53,062	91,474	118,507	7	145,458	-	22,058	**432,703**	6,035
9	**Total**	**23,051**	**88,376**	**120,158**	**222,924**	**26**	**205,140**	**71,774**	**41,662**	**773,111**	**60,619**

5.4.4 Amount of impaired financing and advances and, if available, past due financing and advances provided separately broken down by significant geographic areas including, if practical, the amounts of specific and general allowances related to each geographical area

RO'000

		Gross exposures		Provisions held			
S. No.	Countries	Gross financing	Out of which: Stage 3	Stage 1&2	Stage 3	Reserve Profit	Provision made during the year
1	Oman	649,376	6,186	4,155	919	1,374	(1,014)
2	Other GCC	10,299	-	-	-	-	-
	Total	**659,675**	**6,186**	**4,155**	**919**	**1,374**	**(1,014)**

5.4.5 Movements of gross financing and advances

RO' 000

Details	Stage 1	Stage 2	Stage 3	Total
Opening balance	**438,407**	**60,879**	**2,952**	**502,238**
Migration / changes (+ / -)	(9,963)	6,643	3,320	-
New financing / added	225,050	19,335	-	244,385
Recovery of financing	(74,921)	(11,941)	(86)	(86,948)
Closing balance	**578,573**	**74,916**	**6,186**	**659,675**
Total ECL	2,246	1,909	919	5,074
Reserve profit	-	-	1,374	1,374

5.4.6 Credit risk: Disclosures for portfolios subject to the standardised approach

5.4.6.1 Qualitative disclosures: For portfolios under standardised approach

The window is following standardised approach in assessing regulatory capital for credit risk. For sovereign risk, zero risk weight is applied, as permitted under this approach, whereas for exposures on banks, the risk weight applied depends on the rating of the banks by Eligible Credit Assessment Institution (ECAI) approved by CBO like, Moody's Standard & Poor, Fitch and Capital Intelligence, subject to the respective country rating. In the absence of external ratings for most of the corporate, the Bank treats them as unrated and applies 100% risk weight on their funded exposures. On the off-balance sheet exposures, the relevant credit conversion factors are applied and aggregated to banks or the corporate, as the case may be, and then the risk weight is applied as stated above. Un-availed or yet to be disbursed exposures are taken under commitments and risk weights assigned as permitted by the IBRF.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.4 Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure (continued)

5.4.6 Credit risk: Disclosures for portfolios subject to the standardised approach (continued)

5.4.6.2 Quantitative disclosures

Credit rating analysis

The table below presents an analysis of debt securities, treasury bills, gross placements and other eligible bills by rating agency designation at 31 December 2024, based on Moody's ratings or equivalent.

	2024 RO'000
Aaa to Aa3	-
A1 to A3	7,107
Baa1 to Baa3	1,486
Ba1 to Ba3	63,181
B1 to B3	-
Caa1 to Caa3	9,217
Unrated securities	3,652
Sovereign securities	32,375
	117,018

The Window performs an independent assessment based on quantitative and qualitative factors in cases where a counter party is unrated.

The window is following a uniform approach of considering all corporates as unrated and applying 100% risk weights.

5.4.6.3 Credit risk mitigation: Disclosure for standardized approach

The window does not make use of netting whether on or off-balance sheet.

5.5 Profit rate risk in banking book

Profit rate risk is the potential impact of the mismatch between the rate of return on assets and the expected rate of funding due to the sources of finance. Senior management identifies the sources of profit rate risk exposures based upon the current as well as forecasted balance sheet structure of Window. The profit rate risk in the Window may arise due to the following transactions:

- Murabaha transactions;
- Wakala transactions;
- Ijara Muntahia Bittamleek;
- Diminishing Musharka
- Sukuk; and
- Investments.

The Window manages short term profit rate impact through earnings based measures and long term profit rate impact through economic value based measures. The Window measures the change in Economic Value of Equity ("EVE") as the maximum decrease of the banking book economic value under the 6 standard scenarios prescribed by Basel guidelines. The Window maintains economic capital for PRRBB under Pillar II based on the outcome.

Window is not exposed to material profit rate risk as a result of mismatches of profit rate re-pricing of assets, liabilities and quasi-equity participatory investment accounts the profit distribution to Quasi-equity participatory investment accounts is based on profit sharing agreements. Therefore, Window is not subject to any significant profit rate risk.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.5 Profit rate risk in banking book (continued)

5.5.1 Sources of Profit Rate Risk

The different profit rate risks faced by the Window can be classified broadly into the following categories.

- Re-pricing risk which arises from timing differences in the maturity (for fixed rate) and re-pricing (for floating rate) of assets, liabilities and off balance sheet positions. As profit rates vary, these re-pricing mismatches expose Window's income and underlying economic value to unanticipated fluctuations;
- Yield curve risk which arises when unanticipated shifts of the yield curve have adverse effects on Window's income and/or underlying economic value;
- Basis risk which arises from imperfect correlation in the adjustment in the rate earned on products priced and the rate paid on different instruments with otherwise similar re-pricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities, and off balance sheet instruments of similar maturities or re-pricing frequencies; and
- Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates.

5.5.2 Profit rate risk measurement tools

Window uses Re-pricing gap analysis for profit rate risk measurement in its book which measures the arithmetic difference between the profit-sensitive assets and liabilities of banking book in absolute terms.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.5 Profit rate risk in banking book (continued)

5.5.3 Exposure to profit rate risk – non trading portfolios

The Window's profit sensitivity position based on contractual re-pricing arrangements at 31 December 2024 was as follows:

	Effective annual Profit Rate %	Within three months RO'000	Four months to 12 months RO'000	Over one year RO'000	Non sensitive to profit rate RO'000	Total RO'000
At 31 December 2024						
Assets						
Cash and balances with central banks		-	-	-	23,304	23,304
Due from banks		-	-	-	71,774	71,774
Investment securities	6.28	-	3,018	38,574	3,652	45,244
Murabaha receivables	5.18	-	-	-	22,850	22,850
Ijarah muntahia bittamleek	5.54	79,075	7,496	1,279	-	87,850
Istisna followed by Ijarah muntahia bittamleek	5.54	96,089	19,640	1,202	-	116,931
Diminishing Musharka	6.32	184,469	34,034	2,221	-	220,724
Qard Hasan Financing		26	-	-	-	26
Wakala Bil Istithmar	5.74	196,386	8,460	-	-	204,846
Property and equipment		-	-	-	2,387	2,387
Other assets		-	-	-	30,753	30,753
Total assets		**556,045**	**72,648**	**43,276**	**154,720**	**826,689**
Liabilities and equity						
Customer current accounts		-	-	-	58,590	58,590
Due to banks and financial institutions		-	-	-	5,304	5,304
Other liabilities		-	-	-	5,789	5,789
Total liabilities		**-**	**-**	**-**	**69,683**	**69,683**
Quasi-equity participatory investment accounts	4.69	385,652	223,248	57,739	-	666,640
Total liabilities and quasi-equity		**385,652**	**223,248**	**57,739**	**69,683**	**736,324**
Total profit rate sensitivity gap		170,392	(150,600)	(14,463)	85,037	-
Cumulative profit rate sensitivity gap		170,392	19,792	5,329	90,366	-

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.6 Liquidity risk

The Window's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet all its payment obligations as and when it is due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

Central treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, financing and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the window as a whole. The liquidity requirements of business units are met through short-term financing and advances from central treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The window has also laid down a comprehensive liquidity contingency plan for effective management of liquidity. In this process due care is taken to ensure that the Window complies with all the CBO regulations.

All liquidity policies and procedures are subject to review and approved by Asset Liabilities Committee (ALCO). Computation of liquidity gap on maturity of assets and liabilities is provided. The computation has been prepared in accordance with guidelines provided in Circular BM 955 dated 7 May 2003.

5.6.1 Exposure to liquidity risk

The lending ratio, which is the ratio of the total financings and advances to customer deposits and capital, is monitored in line with the regulatory guidelines. Internally the lending ratio is set at a more conservative basis than required by regulation. The Window also manages its liquidity risk on regular basis and by monitoring the liquid ratio which is a ratio of net liquid assets to total assets on a monthly basis. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market.

Details of the reported lending and liquid ratio as at 31 December 2024 were as follows:

	2024	
	Lending ratio	**Liquid ratio**
Average for the year	**84.85%**	**16.85%**
Maximum for the year	**86.81%**	**24.70%**
Minimum for the year	**82.33%**	**11.40%**

The table below summarizes the maturity profile of the Window's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Window's deposit retention history and the availability of liquid funds.

Dec 2024	Carrying amount RO'000	Within three months RO'000	Four months to 12 months RO'000	One to three years RO'000	More than three years RO'000	Total RO'000
Customer deposit and other accounts	58,590	18,791	11,417	5,759	22,623	58,590
Due to banks and financial institutions	5,304	5,304	-	-	-	5,304
Other liabilities	5,790	-	-	-	5,790	5,790
Total liabilities	**69,684**	**24,095**	**11,417**	**5,759**	**28,413**	**69,684**
Quasi-equity participatory investment accounts	666,640	105,034	262,219	122,450	176,937	666,640
	736,324	**129,129**	**273,636**	**128,209**	**205,350**	**736,324**

The Window prepares a liquidity gap report to monitor the Window's short term liquidity position on the Rial denominated assets and liabilities in a time horizon spanning one month. The gap is adjusted for availability of instruments for repo or refinance and also for unavailed committed lines of credit, if any. This statement of short term liquidity is to be reported to the ALCO every month.

Windows exposure to profit rate risk has been further elaborated in Annexure 1 and 2.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.6 Liquidity risk (continued)

5.6.2 Liquidity Coverage Ratio and Net Stable Funding Ratio

The Window also monitors the liquidity through Liquidity Coverage ratio (LCR) and Net Stable Funding Ratio (NSFR). Current levels of these ratios are given below

Liquidity Coverage ratio:

(RO'000)

		Total Unweighted Value (average)	Total Weighted Value(average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		55,604
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	266,621	26,053
3	Stable deposits	12,182	609
4	Less stable deposits	254,439	25,444
5	Unsecured wholesale funding, of which:	174,379	88,896
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	174,379	88,896
8	Unsecured debt		-
9	Secured wholesale funding		-
10	Additional requirements, of which	25,076	2,474
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	25,076	2,474
14	Other contractual funding obligations	5,230	5,230
15	Other contingent funding obligations	60,619	3,031
16	**TOTAL CASH OUTFLOWS**		125,683
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	88,682	77,181
19	Other cash inflows	58,625	32
20	**TOTAL CASH INFLOWS**	147,307	77,213
			Total Adjusted Value
21	**TOTAL HQLA**		55,604
22	**TOTAL NET CASH OUTFLOWS**		48,471
23	**LIQUIDITY COVERAGE RATIO (%)**		114.72

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.6 Liquidity risk (continued)

5.6.2 Liquidity Coverage Ratio and Net Stable Funding Ratio (continued)

Net Stable Funding ratio:

(RO'000)

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
1	Capital:	90,553				90,553
2	*Regulatory capital*	87,790				87,790
3	*Other capital instruments*	2,763				2,763
4	Retail deposits and deposits from small business customers	91,284		36,825		115,298
5	*Stable deposits*					
6	*Less stable deposits*	91,284		36,825		115,298
7	Wholesale funding:	43,672		192,697		118,184
8	*Operational deposits*					
9	*Other wholesale funding*	43,672		192,697		118,184
10	Liabilities with matching interdependent assets					
11	Other liabilities:				371,845	328,346
12	*NSFR derivative liabilities*					
13	*All other liabilities and equity not included in above categories*				371,845	328,346
14	**Total ASF (Available stable funding)**	225,509				652,381
	RSF Item					
15	Total NSFR high-quality liquid assets (HQLA)					
16	Deposits held at other financial institutions for operational purposes		8,593			4,296
17	Performing financings and securities:	12,868	3,500	-	642,731	504,459
18	Performing financings to financial institutions secured by Level 1 HQLA					
19	Performing financings to financial institutions secured by non- Level 1 HQLA and unsecured performing financings to financial institutions					
20	Performing financings to non-financial corporate clients, financings to retail and small business customers, and financings to sovereigns, central banks and PSEs, of which		3,500		137,122	89,654
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk					-
22.	Performing residential mortgages, of which:			-	473,233	402,248
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				473,233	402,248
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	12,868			32,376	12,557
25	Assets with matching interdependent liabilities					-
26	Other Assets:	-		25,070	50,947	63,482
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories			25,070	50,947	63,482
32	Off-balance sheet items			25,076	60,619	4,285
33	**TOTAL RSF**					576,523
34	**NET STABLE FUNDING RATIO (%)**					113.16

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.7 Market risk

Market risk is defined as potential losses because of changes in market variables. The sources of market risk include changes in profit rate, foreign exchange rates, credit spreads, commodity prices, equity prices and so on. These fluctuations can significantly impact the bank's earnings and valuation. The bank's business activities, including its trading and investment portfolios, are inherently exposed to market One of the primary objectives of the Market Risk Management, is to ensure that the business units do not expose the bank to unacceptable exposures outside of the bank's Board approved risk appetite.

Market risk is relevant to banking book and trading book but its measurement and management might differ in each book.

Sohar Islamic proactively measures and monitors the market risk in its portfolio using appropriate measurement techniques such as limits on intraday and overnight net open foreign exchange positions.

5.7.1 Market risk in trading book

Market risk incorporates a range of risks, but the principal elements are Profit rate risk and foreign exchange risk.

Treasury business is conducted within approved market risk limits.

Limits are set among others for the below:

- Foreign exchange risk
- Approved dealing products
- Approved dealing currencies
- Maximum tenor

The Assets and Liability Committee (ALCO) conducts periodical meetings to discuss the mismatches in assets and liabilities and assesses the profit rate risk, foreign exchange risk and liquidity risk that Sohar Islamic is exposed to, so as to take steps to manage such risks. With the guidance of ALCO, the Window's treasury manages profit rate and foreign exchange risks, adhering to the policy guidelines, which stipulate appropriate limits.

The capital charge for the applicable market risk is furnished below:

	RO'000
Profit rate position risk	-
Equity position risk	-
Foreign exchange risk	1,780
Commodity risk	-

5.7.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

5.8 Operational risk

As per Regulatory guidelines, Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or from external events and excludes credit, market and liquidity risks. It includes Legal Risk however excludes Strategic and Reputational Risk.

The objective is to manage operational risk to avoid/reduce financial losses by the establishment of the necessary controls, systems and procedures. It recognizes that an over-controlled environment will affect the business and earnings, besides adding to costs. Therefore, the aims to effectively manage operational risk through control optimization and well established systems, methods and governance framework.

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

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.8 Operational risk (continued)

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

In this regard, it has put in place a Board approved Operational Risk Management Policy & Framework which ensures compliance with all applicable Regulatory guidelines. The core objective of the Operational Risk Management Policy & Framework is to continuously ensure that risks related to people, processes, systems and external events are adequately managed, through a set of well-defined policies and procedures / guidelines. These policies & procedures are supported with robust systems, applications & workflows, together with well training & skilled staff in respective business, operations and support divisions.

The Bank has an independent Operational Risk Management Department, reporting to Chief Risk Officer (CRO) and it is adequately staffed, comprising of specialised resources / staff with adequate levels of experience and knowledge in different areas of banking business, wherein the Head of Operational Risk is directly involved in the recruitment, objective setting and appraisal of the staff. For effective management of Operational Risk, the core Operational Risk Management Department staff / risk officers, closely interacts / collaborates with Risk & Control Managers (RCM) from 1st and 2nd Line, who are nominated staff within all critical lines of business & operations, and responsible for ensuring Operational Risk policy requirements are adequately adhered, thereby improving the overarching internal control environment in the Bank. These RCMs acts as subject matter experts with deep technical and functional knowledge along with adequate understanding of Bank's Operational Risk Policy & Regulatory requirements, and together with core Operational Risk Management Department, they regularly oversee, support and challenge activities of business and operations and ensures optimization of risk –reward trade-off, by aligning risk taking and strategic planning.

It is pertinent to note that all key control measures necessary to mitigate Operational Risk have been implemented, which includes but not limited to, adequate segregation of duties, access control, robust change management governance, sound business continuity planning and physical security controls, alongside Data back, disaster recovery measures and need-based staff training & awareness.

Furthermore, a structured Operational Risk Loss Event reporting process has been implemented to promptly identify and mitigate any control deficiencies / process lapses. In addition, comprehensive Risk Control Self-assessment (RCSA) process is in place which is conducted on a periodic basis for all critical business lines, with the aim to identify, assess, mitigate, monitor and report all key risks. In line with Regulatory requirements, comprehensive Operational Risk incident / internal loss database is maintained, to study the loss trends and for preparing towards higher approaches for Operational Risk Management.

With respect to Management and Board oversight, strong governance framework is instituted through formulation of committees at different levels, for effective management and implementation of Operational Risk Management Framework (ORMF). In this regard, at Board level, the Board Risk Committee (BRC), has been delegated the task of implementing and effective ORMF within the Bank, while at the Executive Management level, the Management Risk Committee (MRC) is responsible to periodically review, monitor and provide suitable guidance / instruction on bank's non-financial risk areas, namely Operational Risk, Compliance Risk, Information Security Risk and Legal Risk and further ensure appropriate Management actions are undertaken where necessary. For the purpose, the Operational Risk Management Department submits periodic reports to both MRC and BRC and discusses various key issues, incidents and emerging risks along with mitigation measures which are in place.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.8 Operational risk (continued)

5.8.1 Quantitative disclosure – Operational Risk

	RO'000	RO'000	RO'000	RO'000
Details	**2022**	**2023**	**2024**	**Average**
Net income from financing and investing activities	9,076	7,425	10,953	9,151
Other Operating Income	2,119	3,210	5,035	3,455
Contractual profit not recognised - addition / (release)	(9)	119	1,132	414
(-) Income derived from Takaful	(208)	(190)	(42)	(147)
(+) Realised Loss on sale of amortised cost / FVOCI Investments	-	12	-	4
Total	**10,978**	**10,576**	**17,078**	**12,877**
Capital charge at 15%				**1,932**
Operational Risk RWA at 12.5				**24,150**

5.9 Business Continuity

The Window has established a Business Continuity Management (BCM) Program designed to minimize service disruption and the potential impact on the Bank, our customers and our staff. This includes a BCM Policy that is approved by our Board together with written Business Continuity and Disaster Recovery plans (DRPs) and procedures that are subject to periodic independent review. Although the specific details of our BCM arrangements are confidential for security reasons, the bank maintains Business Continuity Plans (BCPs) that address risk scenarios and events of varying scope including, but not exclusively, loss of services or infrastructure and loss of location.

Sohar Islamic BCPs are focused on maintaining critical processes, including treasury, capital & liquidity and payment services, providing customers with uninterrupted access to their funds and maintaining effective communications with our customers, staff and other stakeholders.

5.10 Displaced Commercial Risk

Displaced commercial risk ("DCR") refers to the magnitude of risks that are transferred to shareholders in order to cushion the quasi-equity participatory investment accounts from bearing some or all of the risks to which they are contractually exposed in Mudaraba contracts.

Under a Mudaraba (profit sharing and loss-bearing) contract, quasi-equity participatory investment accounts are exposed to aggregate impact of risks arising from the assets in which their funds are invested, but this is managed by Sohar Islamic Window through DCR.

This risk-sharing is achieved by constituting and using various reserves such as PER, and by adjusting the Sohar Islamic Window's profit share in order to smooth the returns payable to the quasi-equity participatory investment accounts from exposure to the volatility of aggregate returns arising from banking risks, and thereby to enable payment of returns that are competitive in the marketplace.

Sohar Islamic Window manages its displaced commercial risk as outlined in its Profit Distribution Policy. The Window foregoes its fee in case displaced commercial risk arises. The Window manages profit rates with other Islamic Windows and full-fledged Islamic/ Conventional Banks operating in Oman.

5.11 Contract Specific Risk

In each type of Islamic Financing asset is exposed to a varying mix of credit and market risk and accordingly capital is required to be allocated for such risk exposures.

As of reporting date financing assets only carries credit risk and accordingly capital is allocated as per the required regulations by CBO. The current product mix does not change the nature of risk according to the stage of contract.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.11 Contract Specific Risk (continued)

Disclosure of Capital Requirements according to different risk categories for each Sharia compliant financing contract.

		RO'000
	Risk weighted Assets	**Capital Requirements**
Murabaha receivables	21,174	2,329
Ijarah muntahia bittamleek	42,326	4,656
Istisna followed by Ijarah muntahia bittamleek	98,793	10,867
Diminishing Musharaka	185,328	20,386
Qard Hasan Financing	21	2
Wakala Bil Istithmar	204,971	22,547
Placements with banks	3,469	382
Investments	12,869	1,416
Others	33,146	3,646
Off Balance sheet	61,162	6,728
	663,259	**72,958**

6. SHARIA GOVERNANCE

A Sharia governance framework has been implemented in the Window whose main objective of is to ensure sharia compliance at all the times. The key elements of sharia governance framework of the Window are as follows:

i. Sharia Supervisory Board (SSB)
ii. Internal Reviewer who has the overall responsibility to undertake and monitor Sharia Compliance, Sharia Audit and training functions in accordance with IBRF.

Compliance with Sharia (as manifested by the guidelines and Fatawa issued by the SSB) and as stipulated in IBRF is mandatory and is being done through review and approval of the contracts, agreements, policies, procedures, products, reports (profit distribution calculations), etc.

The Window ensures that the operations of the Islamic Banking Window are conducted in Sharia compliance and controlled manner by following policies and procedures:

a) An appropriate Sharia governance framework in compliance with IBRF, AAOIFI governance standards and guidelines and directives issued by SSB is maintained;
b) Key duties and functions are segregated. An independent executive is designated with the responsibility for Sharia compliance and audit;
c) Policies and procedures manuals and documentation in relation to our products, operations, compliance, trainings, and internal controls are maintained and available to relevant staff;
d) Sharia audit reports are submitted to the SSB in line with the agreed annual plan.
e) Islamic Banking Window assets are kept separate and distinct from conventional assets;
f) Window cannot place funds with the conventional banks including Sohar International.
g) The Window management ensures that staff for certain key functions reporting to their respective department heads with dotted line reporting to the Head of The Window.
h) The Window has dedicated staff for business functions, such as retails, corporate, treasury, etc. and the staff reports to the Chief Islamic Banking Officer
i) The core banking system adopted by The Window is capable of recognizing the unique nature of Islamic Banking contracts, transactions and processes.

Sharia audits are conducted on quarterly basis in accordance with IBRF and submitted to SSB for its review and guidance. SSB has issued its annual report for 2024 on Sharia compliance of the window and did not report any violations and did not direct any amount to Charity Account.

Internal Sharia Reviewer oversees the Sharia training plans and schedule for the Licensee. During the year 2024 training programs were conducted for the staff & Public such as collages & companies.

Related parties' transactions with SSB is disclosed in notes of financial statements.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

6. SHARIA GOVERNANCE (CONTINUED)

6.1 Profile of the Sharia Supervisory Board

Sheikh Al-Mu'tasim Said Al Maawali (Chairman)

Al-Mu'tasim Said Al-Maawali is a religious supervisor working for The Omani Studies Centre at Sultan Qaboos University. He holds an MA degree in Islamic Studies from the University of Birmingham, 2016. Al-Mu'tasim authored a seven-volume series in Islamic Jurisprudence called al-Mu'tamad, including the sixth volume in Islamic Financial Transactions, and the seventh in Islamic Banking. In 2016, he published his English book Articles on Ibāḍī Studies. In February 2017, he published his translation of the first volume 'The Reliable Jurisprudence of Prayer' from Arabic into English. In 2019, he also translated 'Christians in Oman' from English into Arabic. Al-Mu'tasim presented some academic papers at some international conferences in Islamic Studies, including TIMES 2017 at Birmingham University and BRISMES 2018 at King's College London, and BRISMES 2019 at the University of Leeds.

Sheikh Nasser Yousuf Al Azri (Deputy Chairman)

Sheikh Nasser is working as the secretary to the Grand Mufti of the Sultanate of Oman in the Fatwa Section at the Grand Mufti's Office. He is also an active member of several committees at the Ministry responsible for Mosques, Zakat, Hajj, Publications and Book Revision. Prior to his current capacity, Sheikh Al Azri held a number of prestigious positions including Judge Assistant at the Ministry of Justice and a Researcher for Islamic affairs in fatwa's at the Ministry of endowments and Religious Affairs.

Sheikh Al Azri has extensive knowledge and expertise in Islamic and judiciary laws. He has also authored several papers and research studies, and attended prominent Islamic conferences such as those held by the International Islamic Fiqh Academy. He received a High Diploma degree in Jurisprudence from the Institute of Shari'a Sciences in Oman.

Dr. Muhammad Abdul Rahim Sultan Al Olama (Member)

Dr. Muhammad Abdul Rahim Sultan Al Olama was a Professor of Jurisprudence and its Fundamentals at the College of Law at United Arab Emirates University in Al Ain, in addition he is a certified expert in Shariah- compliant financial affairs. He chairs the Sharia committee of Zakat Fund in the United Arab Emirates. He has published books and articles on various jurisprudential topics, especially Islamic banking transactions in their contemporary form. He has also presented a series of research papers in various international forums and conferences related to this field.

His Eminence is a member of Sharia Supervisory Boards of Islamic financial institutions and Takaful companies including Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Noor Takaful & Mawarid Fiance Company.

He holds a PhD in Comparative Islamic Jurisprudence from Umm Al-Qura University in Makkah the Kingdom of Saudi Arabia.

6.2 Remuneration to SSB

	2024		OMR
	Remuneration	**Sitting Fee**	**Total**
Sheikh Al Muatasim Said Al Maawali	15,400	1,925	17,325
Sheikh Nasser Al Azri	13,475	1,925	15,400
Dr. Mohammed Al Olama	11,550	1,925	13,475
	40,425	**5,775**	**46,200**

6. SHARIA GOVERNANCE (CONTINUED)

6.3 Sharia Supervisory Board's meetings and attendance

Members Name	24-May-24	10-July-24	08-Nov-24	30-Jan-24	Attended
Sheikh Al Muatasim Said Al Maawali	✓	✓	✓	✓	4
Sheikh Nasser Al Azri	✓	✓	✓	✓	4
Dr. Mohammed Al Olama	✓	✓	✓	✓	4

7. CORPORATE SOCIAL RESPONSIBILITY

Sohar Islamic conducts customer awareness program on Islamic banking, and also supports social activities in many various field such as sports, conferences etc.

8. OTHER DISCLOSURES

Following are the disclosures required under Islamic Banking Regulatory Framework:

- There has been no comingling of the funds.
- As of 31 December 2024, and amount of OMR 1,213 is payable to head office.
- The charity fund account has been utilized to collect any over dues penalties from several products. As per the directive of the SSB members the funds were handed over to the following:
  - Zakah AL Kaborah Committee.
  - Zakah AL Mussanah Committee.
  - Zakat Barka Committee.
  - Dar AL Atta'a.
  - Al Manahil Foundation.
  - Ihsaan Association.
  - AL Rahma Association for Motherhood and Child Welfare.
  - Omani Association for the Care of Holy Quran.

STATEMENT ON SENSITIVITY OF ASSETS AND LIABILITIES (MAL)

Annexure 1

(RO '000)

No.	Inflows (Assets and OBS)	Upto 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 7 years	7 - 10 years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Cash on Hand	-	-	-	-	-	-	-	-	-	-	-	-	-	7,584	7,584
2	Deposits with CBO	-	-	-	-	-	-	-	-	-	-	-	-	-	15,720	15,720
3	Balances due from Other Banks	63,182	-	-	-	-	-	-	-	-	-	-	-	-	8,592	71,774
4	Investments	-	-	-	3,019	4,739	-	-	9,217	24,617	-	-	-	-	3,652	45,244
5	Bills of Exchange and Promissory Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Loans and Advances	296,087	49,972	65,640	244,964	204	66	4	81	20	190	559	740	483	22,734	681,744
8	Non Performing Loans	-	-	-	-	-	-	-	-	3,893	-	-	-	-	-	3,893
9	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	2,387	2,387
10	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	2,498	2,498
	Total	**359,269**	**49,972**	**65,640**	**247,983**	**4,943**	**66**	**4**	**9,298**	**28,530**	**190**	**559**	**740**	**483**	**63,167**	**830,844**
	Outflows (Liabilities and OBS)															
1	Current Deposits	117,664	-	-	-	-	-	-	-	-	-	-	-	-	57,986	175,650
2	Saving Deposits	209,272	-	-	-	-	-	-	-	-	-	-	-	-	-	209,272
3	Time Deposits	23,135	7,453	15,607	206,477	37,759	11,156	8,045	780	-	-	-	-	-	-	310,412
4	Other Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	2,127	2,127
5	Balances due to HO/Affiliates/ Branches	20,117	-	-	-	-	-	-	-	-	-	-	-	-	-	20,117
6	Balances due to other Banks	7,710	-	-	1,156	-	-	-	-	-	-	-	-	-	5,304	14,170
7	Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	66,500	66,500
8	Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	7,379	7,379
9	Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	20,641	20,641
10	Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	4,576	4,576
		-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Total	**377,898**	**7,453**	**15,607**	**207,633**	**37,759**	**11,156**	**8,045**	**780**	**-**	**-**	**-**	**-**	**-**	**164,513**	**830,844**
	Gap	(18,629)	42,519	50,033	40,350	(32,816)	(11,090)	(8,041)	8,518	28,530	190	559	740	483	(101,346)	-
	Cumulative Gap	(18,629)	23,890	73,923	114,273	81,457	70,367	62,326	70,844	99,374	99,564	100,123	100,863	101,346	-	

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

EXPOSURE TO PROFIT RATE RISK – ANNEXURE 2

	2024
	RO'000
Net Profit Income	10,953
Capital	90,553
Based on 50 bps Profit rate shock	
Impact of 50 bps profit rate shock	158.87
Impact as % to Net profit	1.45%
Impact as % to CAPITAL	0.18%
Based on 100 bps Profit rate shock	
Impact of 100 bps profit rate shock	318
Impact as % to Net profit	2.90%
Impact as % to CAPITAL	0.35%
Based on 200 bps Profit rate shock	
Impact of 200 bps profit rate shock	635
Impact as % to Net loss	5.80%
Impact as % to CAPITAL	0.70%

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

STATEMENT ON MATURITY OF ASSETS AND LIABILITIES (MAL)
Annexure 3

(RO '000)

No.	Inflows (Assets and OBS)	Upto 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	Over 5 years	Total
1	Cash on Hand	7,584	-	-	-	-	-	-	-	7,584
2	Deposits with CBO	1,295	894	870	2,925	2,361	2,885	2,195	2,295	15,720
3	Balances due from HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-
4	Balances due from Other Banks	71,774	-	-	-	-	-	-	-	71,774
5	Investments	1,217	1,217	1,218	-	3,019	4,739	9,217	24,617	45,244
6	Loans and Advances	48,808	14,694	8,970	8,986	7,614	86,816	95,211	410,645	681,744
7	Non Performing Loans	-	-	-	-	973	-	-	2,920	3,893
8	Fixed Assets	-	-	-	-	-	-	-	2,387	2,387
9	Other Assets	2,498	-	-	-	-	-	-	-	2,498
10	Spot and Forward Purchases	255,138	-	-	-	9,624	34,679	-	-	299,441
11	Committed Lines of Credit	50,000	-	-	-	-	-	-	-	50,000
12	Letters of Credit/Gurantees/Acceptances	71	479	1,216	781	198	472	15	15	3,247
13	Unutilized portion of Overdraft and Loans & Advances	25,108	2,438	292	20,041	694	1,217	-	-	49,790
										-
	Total	**463,493**	**19,722**	**12,566**	**32,733**	**24,483**	**130,808**	**106,638**	**442,879**	**1,233,322**
	Outflows (Liabilities and OBS)									
1	Current Deposits	26,348	26,348	17,565	8,783	8,783	17,565	26,348	43,910	175,650
2	Saving Deposits	6,281	6,278	6,278	6,278	6,278	62,780	62,780	52,319	209,272
3	Time Deposits	23,017	7,085	14,726	114,928	88,740	47,750	8,444	5,722	310,412
4	Other Deposits	1,834	19	114	10	-	113	-	37	2,127
5	Balances due to HO/Affiliates/Branches	20,117	-	-	-	-	-	-	-	20,117
6	Balances due to Other Banks	13,014	-	-	-	1,156	-	-	-	14,170
7	Other Liabilities	4,576	-	-	-	-	-	-	-	4,576
8	Spot and Forward Sales	255,107	-	-	-	9,625	34,650	-	-	299,382
9	Letters of Credit/Guarantees/Acceptances	508	1,223	1,220	185	69	42	-	-	3,247
10	Committed Lines of Credit	-	-	-	-	-	50,000	-	-	50,000
11	Unutilized portion of Overdraft and Loans and Advances	28,816	9,922	4,900	5,530	343	279	-	-	49,790
12	Capital	-	-	-	-	-	-	-	66,500	66,500
13	Reserves	-	-	-	-	-	-	-	7,379	7,379
14	Retained Earnings	-	-	-	-	-	-	-	20,641	20,641
										-
	Total	**379,618**	**50,875**	**44,803**	**135,714**	**114,994**	**213,179**	**97,572**	**196,508**	**1,233,263**
	Cumulative Liabilities	379,618	430,493	475,296	611,010	726,004	939,183	1,036,755	1,233,263	
	Gap	83,875	(31,153)	(32,237)	(102,981)	(90,511)	(82,371)	9,066	246,371	
	Cumulative Gap	83,875	52,722	20,485	(82,496)	(173,007)	(255,378)	(246,312)	59	
	Cumulative Gap as a percentage of Cumulative liabilities	22	12	4	-14	-24	-27	-24	0.00	

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024

Step 1 : (RO '000)

	Balance sheet as in published financial statements As at December 2024	Under regulatory scope of consolidation As at December 2024
Assets		
Cash and balances with Central Bank of Oman	23,304	23,304
Certificates of deposit	-	-
Due from banks	71,774	71,774
Financing and advances	653,227	653,227
Investments in securities	45,244	45,244
Loans and advances to banks	-	-
Property and equipment	2,387	2,387
Deferred tax assets	-	-
Other assets	30,753	30,753
Total assets	**826,689**	**826,689**
Liabilities		
Due to banks	33,073	33,073
Customer deposits	697,461	697,461
Current and deferred tax liabilities	-	-
Other liabilities	5,789	5,789
Subordinated Debts		-
Compulsory Convertible bonds		-
Total liabilities	**736,323**	**736,323**
Shareholders' Equity		**-**
Paid-up share capital	66,500	66,500
Share premium	-	-
Legal reserve	134	134
General reserve	988	988
Impairment reserve	2,555	2,555
Retained earnings	20,641	20,641
Cumulative changes in fair value of investments	(452)	(452)
Subordinated debt reserve	-	-
Total shareholders' equity	**90,366**	**90,366**
Total liability and shareholders' funds	**826,689**	**826,689**

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024 (CONTINUED)

Step 2 : (RO '000)

	Balance sheet as in published financial statements As at December 2024	Under regulatory scope of consolidation As at December 2024	Reference
Assets			
Cash and balances with CBO	23,304	23,304	
Balance with banks and money at call and short notice	71,774	71,774	
Investments :	45,244	45,244	
Of which Held to Maturity	41,592	41,592	
Out of investments in Held to Maturity:			
Investments in subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Of which Available for Sale	NA	NA	
Out of investments in Available for Sale : Investments in Subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Held for Trading	3,652	3,652	
Loans and advances	653,227	653,227	
Of which :			
Loans and advances to domestic banks	-	-	
Loans and advances to non-resident banks		-	
Loans and advances to domestic customers	625,555	625,555	
Loans and advances to non-resident Customers for domestic operations		-	
Loans and advances to non-resident Customers for operations abroad	10,299	10,299	
Loans and advances to SMEs	17,373	17,373	
Financing from Islamic banking window	-	-	
Fixed assets	2,387	2,387	
Other assets of which:	30,753	30,753	
Goodwill and intangible assets Out of which:			
goodwill	-	-	
Other intangibles (excluding MSRs)	-	-	
Deferred tax assets	-	-	
Goodwill on consolidation	-	-	
Debit balance in Profit & Loss account	-	-	
Total Assets	**826,689**	**826,689**	
Capital & Liabilities			

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024 (CONTINUED)

Step 2 : (Continued) (RO '000)

	Balance sheet as in published financial statements As at December 2024	Under regulatory scope of consolidation As at December 2024	Reference
Paid-up Capital	66,500	66,500	
Of which:			
Amount eligible for CET1	66,500	66,500	
Amount eligible for AT1	-	-	
Reserves & Surplus	1,122	1,122	
Out of which			
Retained earnings	20,641	20,641	
Other Reserves	2,555	2,555	
Cumulative changes in fair value of investments	-	-	
Out of which :			
Losses from fair value of investments	-	-	
Gains from fair value of investments	(452)	(452)	a
Haircut of 55% on Gains	NA	NA	
Total Capital	**90,366**	**90,366**	
Deposits :	**697,461**	**697,461**	
Of which:			
Deposits from banks	-	-	
Customer deposits	697,461	697,461	
Deposits of Islamic Banking window			
Other deposits(please specify)	-	-	
Borrowings	**33,073**	**33,073**	
Of which: From CBO	-	-	
From banks	33,073	33,073	
From other institutions & agencies	-	-	
Borrowings in the form of bonds, Debentures and sukuks	-	-	
Others (Subordinated debt)	-	-	
Other liabilities & provisions Of which:	5,789	5,789	
Out of which : DTAs related to Investments			
Out of which : DTLs related to Investments			b
Out of which : DTLs related to Fixed Assets		-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
TOTAL	**826,689**	**826,689**	

RECONCILIATION TEMPLATE - AS OF DECEMBER 2024 (CONTINUED)

Step 3 : (RO '000)

Common Equity Tier 1 capital: instruments and reserves

		Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non- joint stock companies) capital plus related stock surplus	66,500	
2	Retained earnings	20,641	
3	Accumulated other comprehensive income (and other reserves)	1,122	
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**88,263**	
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Losses from fair value of investments	-	a
10	DTL related to Investments	-	b
11	**Common Equity Tier 1 capital (CET1)**	**88,263**	

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FORWARD

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Qurum 1 Branch
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Sohar CSU Branch
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+968 21013828

Sohar IEST Branch
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+968 21013747

Saham Branch
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+968 26854972

Wadi Hibi Branch
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+968 21013828

Shinas Branch
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+968 26748282

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Sadah Branch
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Marmul Branch
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Wadi Al Tayeen Branch
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Tiwi Branch
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+968 21011236

Wadi Bani Khalid Branch
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AD DAKHILIYAH

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+968 25419460

Nizwa Branch
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+968 25412675

Firq (Nizwa) Branch
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+968 21011424

Samail Branch
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Dibba Branch
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Khasab Branch
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Ibri Branch
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Quriyat Branch
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Seeb Branch
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Suwaiq Branch
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+968 26883189

Khazaen Branch
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+968 25447798

Al Jabal Al Akhdar Branch
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Hafa Branch
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Mazyouna Branch
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Sinaw Branch
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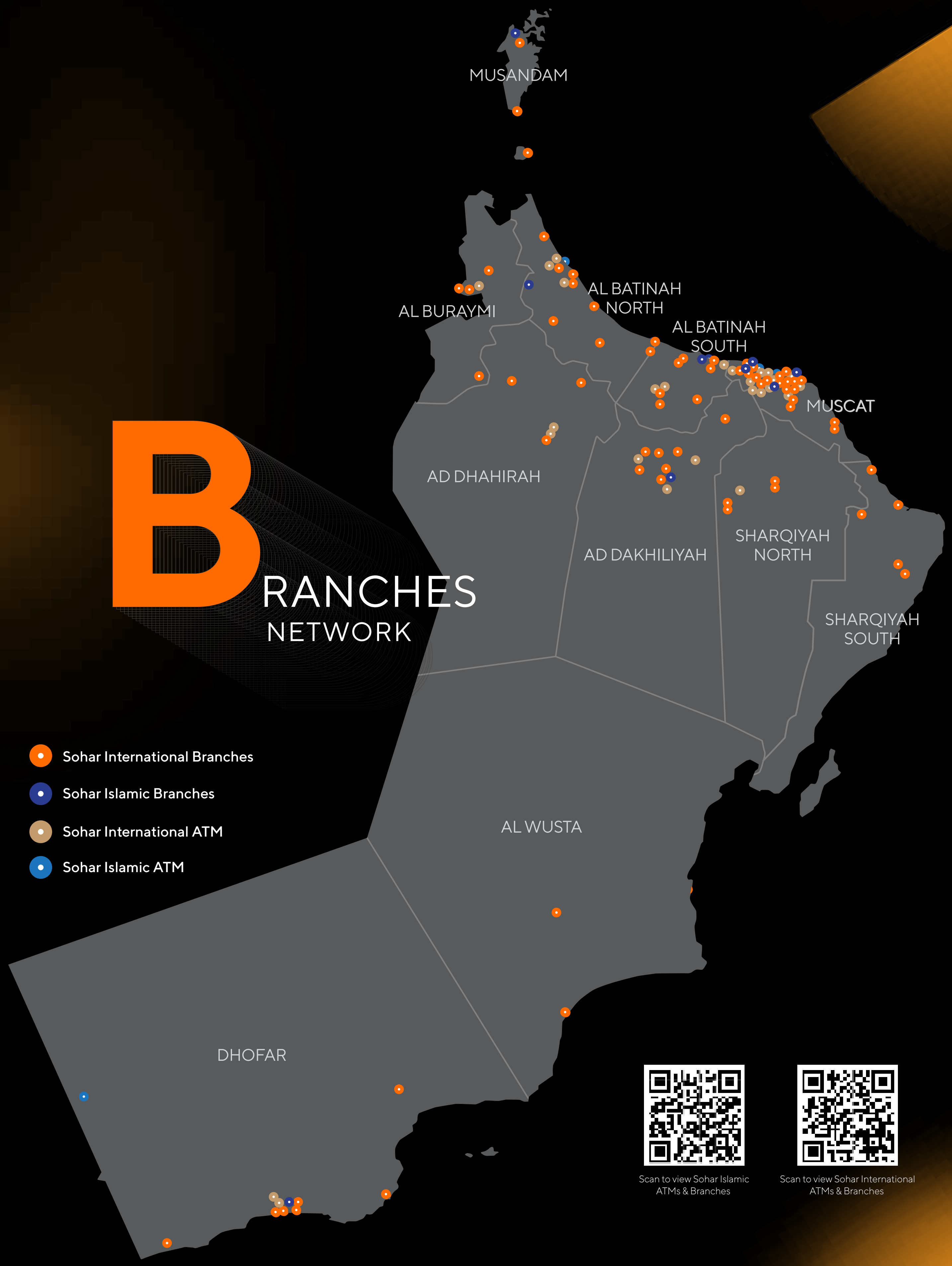
BRANCHES NETWORK



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