



AHLI ISLAMIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024



In the name of Allah, The Beneficent, The Merciful

Ahli Islamic, Ahli Bank SAOG

Shari'a Supervisory Board Report

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

To the Shareholders of Ahli Bank SAOG

Assalam Alikum wa Ramat Allah wa Barakatuh

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

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

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

In opinion of the Board:

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

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

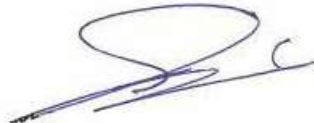
Sharia Supervisory Board



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



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



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

Rajab 29, 1446 AH/January 29, 2025

SSB Resolutions Year 2024

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

SSB Meeting	Resolution No.	Subject of the Resolution	Brief of the SSB Resolution
SSB 48th Meeting (SSB-48-2024)	5 (SSB-48-2024)	Shari'a Structure of Islamic Commercial Papers	<p>The SSB reviewed the Shari'a structure of Islamic Commercial Papers and opined as follows:</p> <ol style="list-style-type: none"> There is a contradiction in the following contents of the proposal, as the first clause states that losses are proportionate to the investment, but the later clause assures profits. <ul style="list-style-type: none"> In case of any losses, it will be shared between the Company and the Financiers in proportion to their contribution in the Musharakah Capital, and At the end of the Musharakah Term, the Company will return the ICP Musharakah Capital to the Financiers along with their share of profit / losses / Hiba as per above The following clause needs correction: <ul style="list-style-type: none"> In case the Company generates profit on the Musharakah Capital which is lower than the Expected Musharkah Profit Rate, the Company agrees to give Hiba to the Financiers to compensate for any shortfall should be amended. <p>The gift should be made as a promise from the company so that it is independent of the Musharaka agreement. The gift amount should be from the company's profits and not from the original capital.</p> Musharaka structure contains risks in terms of achieving the expected profits and satisfying the customers, and if there is any element indicating losses, investors do not trust on it. However, the structure of the Wakala Bil Murabaha is better in terms of risks, as the Bank buys the products from the company and appoints the company as an agent to sell the products with Murabaha (cost plus profit) to prospective buyers. In this way, the risks are less comparing to Musharaka based structure and investors trust on their investments. Both Musharaka and Wakala bil Murabaha are fine from Sharia perspective and the Bank may decide to use any method suitable to the bank. If the bank decides structure of Islamic commercial papers based on the Sharikat ul Aqd, then proposal must be modified based on the recommendations mentioned above under point 1 and 2 and should be submitted to the Sharia Supervisory Board for review and approval.
	6 (SSB-48-2024)	Proposal to Finance Clients: <ol style="list-style-type: none"> To Purchase Shares and Sukuk on the basis of Murabaha and To Invest in Shares, Sukuk, Islamic Mutual Funds and Islamic Real Estate Exchange-Traded Funds (REITs) 	<p>The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG (SSB) reviewed the subject proposal and approved it with following recommendations to be incorporate in the proposal:</p> <ol style="list-style-type: none"> It is necessary to ensure that the shares and Sukuk are registered in the name of the bank before their sale to the clients through Murabaha and in the case of initial public offerings (IPOs), the shares can be registered in the name of the client through the agency agreement. Under the agency, when the client buys the shares or Sukuk as the bank's representative, he must inform the bank about the purchase of the shares and this condition must be part of the agency agreement. Before financing the shares, it is necessary to ensure that the shares comply with the provisions of Islamic Sharia

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

In the Name of Allah, the Merciful, the Compassionate

Shari'a Fatwa

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

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

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

Shari'a Opinion

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

And Allah knows the best.

Shari'a Supervisory Board

Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi

(Chairman)



Sheikh Dr. Ahmed Muzaffar Al Rawahi

(Deputy Chairman)



Sheikh Dr. Abdul Rahman Mubarak Al Nofli

(Member)

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

Shari'a Fatwa

for Islamic Commercial Papers of Oman Flour Mills Company SAOG

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

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

Shari'a Opinion

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

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

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

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

And Allah knows best.

Sharia Supervisory Board



Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi

(Chairman)



Sheikh Dr. Ahmed Muzaffar Al Rawahi

(Deputy Chairman)



Sheikh Dr. Abdul Rahman Mubarak Al Nofli

(Member)

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

Opinion

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

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

Basis for opinion

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

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Deloitte & Touche

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



Signed by
Ahmed Al Qassabi
Partner
ACCA Membership No. 0820917

A large, stylized handwritten signature in black ink, appearing to read 'AQ'.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

2023	2024		2024	2023	
US\$ '000	US\$ '000	Note	RO '000	RO '000	
ASSETS					
203,740	127,229	Cash and balances with Central Bank of Oman	6	48,983	78,440
100,678	164,338	Due from banks	7	63,270	38,761
161,174	160,561	Investment securities	11	61,816	62,052
106,768	152,296	Murabaha receivables	8	58,634	41,106
166,169	371,452	Wakala bil Istithmar	9	143,009	63,975
802,570	922,171	Musharaka receivables	10	355,036	308,990
223,901	207,701	Ijarah assets - Ijarah Muntahia Bittamleek	12	79,965	86,202
2,797	4,049	Credit Card receivables	13	1,559	1,077
6,946	15,104	Service ijarah	14	5,815	2,674
13,101	-	Istisna receivable	15	-	5,044
192	88	Qard Hassan Financing	16	34	74
14,481	22,460	Property, equipment and intangibles	17	8,647	5,575
12,878	26,078	Other assets	18	10,040	4,958
<u>1,815,395</u>	<u>2,173,527</u>	TOTAL ASSETS		<u>836,808</u>	<u>698,928</u>
LIABILITIES					
21	60	Due to banks	19	23	8
75,624	90,104	Customers' current accounts		34,690	29,116
30,158	46,901	Other liabilities	20	18,057	11,611
105,803	137,065	TOTAL LIABILITIES		52,770	40,735
1,504,431	1,797,603	Quasi Equity	21	692,077	579,206
<u>1,610,234</u>	<u>1,934,668</u>	TOTAL LIABILITIES AND QUASI EQUITY		<u>744,847</u>	<u>619,941</u>
OWNERS' EQUITY					
116,883	129,870	Share capital	22	50,000	45,000
(397)	(787)	Investment fair value reserve		(303)	(153)
8,787	8,753	Impairment reserve		3,370	3,383
79,888	101,023	Retained earnings		38,894	30,757
<u>205,161</u>	<u>238,859</u>	TOTAL OWNERS' EQUITY		<u>91,961</u>	<u>78,987</u>
<u>1,815,395</u>	<u>2,173,527</u>	TOTAL LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY		<u>836,808</u>	<u>698,928</u>
140,855	117,127	Contingencies and Commitments	23	45,094	54,229

The financial statements and the accompanying notes were approved by the Board of Directors on 29th January 2025 and signed on their behalf by:



Hamdan Ali Nasser Al Hinai
Chairman



Said Abdullah Al Hatmi
Chief Executive Officer

The accompanying notes form an integral part of these financial statements

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

2023	2024		2024	2023
US\$ '000	US\$ '000	Note	RO '000	RO '000
Operating Income				
75,762	94,740	Income from financing activities	36,475	29,168
9,462	10,961	Income from investing activities	4,220	3,643
8,055	17,138	Other operating income	6,598	3,101
93,279	122,839		47,293	35,912
Operating expenses				
(12,556)	(14,950)	Staff expenses	(5,756)	(4,834)
(2,535)	(2,964)	Depreciation	(1,141)	(976)
(5,833)	(10,927)	Other operating expenses	(4,207)	(2,245)
(20,924)	(28,841)		(11,104)	(8,055)
Net Operating Income - before impairment and expected credit losses				
72,355	93,998		36,189	27,857
(4,413)	(4,255)	Allowance for impairment and expected credit losses – net	(1,638)	(1,699)
67,942	89,743	Net Operating Income	34,551	26,158
(46,358)	(64,917)	Profit attributable to quasi - equity	(24,993)	(17,848)
Net income before tax				
21,584	24,826		9,558	8,310
(3,239)	(3,725)	Taxation	(1,434)	(1,247)
18,345	21,101	Net income for the year	8,124	7,063
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss				
161	(1,185)	Changes in fair value of securities measured through equity	(456)	62
Items that will be reclassified to profit or loss				
1,275	795	Changes in fair value of debts measured through equity	306	491
1,436	(390)	Other comprehensive (loss)/income for the year	(150)	553
19,781	20,711	Total comprehensive income for the year	7,974	7,616

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital	Investment fair value reserve	Impairment reserve	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2024	45,000	(153)	3,383	30,757	78,987
Profit for the year	-	-	-	8,124	8,124
Other comprehensive income	-	(150)	-	-	(150)
Transfer from impairment reserve	-	-	(13)	13	-
Allocation of capital	5,000	-	-	-	5,000
At 31 December 2024	50,000	(303)	3,370	38,894	91,961
At 31 December 2024 (US\$ '000)	129,870	(787)	8,753	101,023	238,859

	Share capital	Investment fair value reserve	Impairment reserve	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2023	35,000	(706)	4,553	22,524	61,371
Profit for the year	-	-	-	7,063	7,063
Other comprehensive income	-	553	-	-	553
Transfer from impairment reserve	-	-	(1,170)	1,170	-
Allocation of capital	10,000	-	-	-	10,000
At 31 December 2023	45,000	(153)	3,383	30,757	78,987
At 31 December 2023 (US\$ '000)	116,883	(397)	8,787	79,888	205,161

The accompanying notes form an integral part of these financial statements

STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI - EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
93,279	122,839	Operating income before profit attributable to quasi - equity	47,293	35,912
(17,517)	(28,099)	Less: Income not attributable to quasi - equity	(10,818)	(6,744)
<u>75,762</u>	<u>94,740</u>	Net operating income attributable to quasi - equity	<u>36,475</u>	<u>29,168</u>
		Profit equalization reserve - net movement		
57	262	Add: Opening	101	22
262	509	Less: Closing	196	101
<u>319</u>	<u>247</u>	Net movement in reserve	<u>(95)</u>	<u>(79)</u>
76,081	94,987	Total income attributable to quasi - equity - reserve adjusted	36,380	29,089
1,091	(1,267)	Less: mudarib share	(488)	420
(30,814)	(28,803)	Less: Bank's fee as wakeel - from wakala	(10,899)	(11,661)
<u><u>46,358</u></u>	<u><u>64,917</u></u>	Total income attributable to quasi-equity	<u><u>24,993</u></u>	<u><u>17,848</u></u>

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Ahli Islamic (The Islamic Window) was licensed by Central Bank of Oman (CBO) to operate as an Islamic Banking Window of Ahli Bank SAOG (The Bank). The Islamic Window offers a full range of Islamic banking services and products. The principal activities of the Islamic Window include accepting Sharia compliant Istisna, Qard Hassan, customer deposits, providing Sharia compliant financing based on Murabaha, Wakala, Musharaka, Ijarah, Istisna and undertaking investment activities and providing commercial banking services and other investment activities permitted under the Islamic Banking Regulatory Framework (IBRF) issued by the CBO. The Islamic Window was operating through a network of twenty five branches as at year end (31 December 2023: twenty two branches).

The Islamic Window employed 209 employees as at 31 December 2024 (31 December 2023: 187 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Islamic Window is not a separate legal entity, the separate financial statements of the Islamic Window has been prepared to comply with the requirements of Articles 1.5.1.2 to 1.5.1.4 of Title 2 'General Obligations and Governance' of IBRF issued by the CBO. These financial statements are prepared in accordance with Financial Accounting Standards (FAS) issued by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Islamic Window and other applicable requirements of CBO. In accordance with the requirements of AAOIFI, for matters which are not covered by AAOIFI and other directives, the Islamic Window uses the relevant International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

These financial statements pertain to the Islamic Window operations only and do not include financial results of the Bank. Statement of restricted investment accountholders, statement of Qard fund and Zakat are not presented as these are not applicable. Complete set of financial statements of the Bank is presented separately.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for investments classified as instruments at Fair value through equity which have been measured at fair value.

2.3 Functional and presentation currency

The financial statements are prepared in Rial Omani ('RO') which is the functional and reporting currency of the Bank. The United States Dollar ('US\$') amounts shown in the financial statements have been translated from Rial Omani at an exchange rate of RO 0.385 to each US\$, and are shown for the convenience of the user of financial statements only as supplemental information. All financial information presented in Rial Omani and US Dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of judgements and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS

During the year, the Islamic Window applied the following standards in preparation of these financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Islamic Window.

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

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

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

The Islamic window has adopted this standard from its effective date and applied changes in certain presentation and disclosures in its financial statements. The adoption of this standard did not have any significant impact on recognition and measurement. Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quasi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current.

3.1.1 FAS 40 Financial Reporting for Islamic Finance Windows

This standard was issued in 2021. The objective of this standard is to establish financial reporting requirement for Islamic finance window and applicable to all conventional financial institutions providing Islamic financial services through and Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services offered by Conventional Financial Institutions". This standard shall be effective for the financial periods beginning on or after 1st January 2024. The Islamic Window is assessing the impact of these standards on the financial statements upon the initial application.

3.1.2 FAS 44 Determining control of assets and business

The objective of this standard is to establish the principles of assessing as to whether and when and institution controls an asset or a business, both in case of underlying asset(s) of a participatory structure, as well as, for the purpose of consolidation of financial statements of subsidiaries

3.2 Standards, amendments and interpretations effective in 2024 and relevant for the Bank's operations

3.2.1 FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard was issued in 2022. The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents and disclosures in the financial statements and a recommended structure of financial statements that facilitates fair presentation in line with Shari'ah principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1st January 2025, with early adoption permitted. Since, it is applicable to Takaful Institutions, the Islamic Window will not be impacted by these amendments.

3.2.2 FAS 43 Accounting for Takaful: Recognition and Measurement

This standard was issued in 2022. The objective of this standard is to set out principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. This standard shall be effective for the financial periods beginning on or after 1st January 2025, with early adoption permitted. The Islamic Window is assessing the impact of these standards on the financial statements upon the initial application. Since, it is applicable to Takaful Institutions, the Islamic Window will not be impacted by these amendments.

3.2.3 FAS 45 Quasi - equity including investment accounts

The objective of this standard is to establish the principles of financial reporting related to instruments classified as quasi-equity, such as investment accounts and similar instruments invested with the Islamic financial institutions (IFIs/the institutions). Quasi-equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting" (the conceptual framework). This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted.

3.2.4 FAS 46 Off - Balance sheet assets under management

The objective of this standard is to establish the principles of financial reporting related to off-balance-sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting" (the conceptual framework). This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi - Equity (including Investment Accounts).

3.2.5 FAS 47 Transfer of assets between investment pools

The objective of this standard is to establish the principles of financial reporting principles that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

4.1 Foreign currency translation

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the reporting date. Any resulting exchange differences are included in 'other operating income' in the statement of income.

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognized in the statement of income, except for non-monetary financial assets, such as investments classified as at Fair value through other comprehensive income, which are included in 'investments fair value reserve' in statement of changes in owners' equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4.2 Cash and cash equivalents

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

4.3 Murabaha receivable

Murabaha receivables are sales on deferred profits. The Islamic Window arranges a Murabaha transaction by buying a commodity (which represents the object of the Murabaha) and then resells this commodity to customer (beneficiary) after computing a margin of profit over cost. The sale price (cost plus profit margin) is repaid in installments by the customer over the agreed period. Murabaha receivables are stated net of deferred profits and expected credit loss allowance, if any.

4.4 Musharaka

In Musharaka based financing, the Islamic Window enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilization of the Islamic Window's Musharaka share by the customer.

4.5 Wakala bil Istithmar

The Islamic Window invests money with banks and other customers on Wakala bil Istithmar basis in return for a Wakala fee. The Islamic Window also accepts money from customers on Wakala bil Istithmar basis on unrestricted Wakala arrangement. The arrangement may include an agreement that any profit over and above the expected profit rate will be retained by Wakil as performance fee. The principal would be responsible to bear any loss of Wakala Capital unless it is due to the negligence of Wakala contractual terms on the part of Wakil.

Wakala Investment Accounting

FAS 31 requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the Wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

In case of Wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the Wakala venture, net of any agent's remuneration including variable remuneration payable as of that date.

From the principal's perspective, the Islamic Window opted to use Wakala venture approach using equity method of accounting instead of pass-through approach given the practical difficulties for the principal to identify the assets in which funds are invested in and the principal is unable to obtain relevant information with regards to the assets and their performance without undue cost and efforts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Wakala bil Istithmar (continued)

The Islamic Window provides funds to other banks and non-banking customers under this Wakala venture arrangement where the Islamic Window is acting as principal. Those Wakala funds are mainly invested in money market placements and other Shari'a-compliant businesses.

Wakala - Agency Accounting

From the agent's perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach where, by virtue of additional considerations attached to the instrument based on investment agency arrangement, may allow the same to be accounted for as on-balance sheet. An agent may also maintain multi-level investment arrangement.

4.6 Ijarah assets – Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek (Ijarah MBT) is a hybrid Ijarah arrangement which, in addition to the Ijarah contract, includes a promise resulting in transfer of the ownership of the underlying asset to the lessee, either after the end of the term of the Ijarah period or by stages during the term of the contract. Such transfer of the ownership is executed through a sale or a gift, or a series of sales transactions – independent of Ijarah contract.

The Islamic Window, in its capacity either as a lessor or lessee, classifies each of its Ijarah as:

- a. an operating Ijarah;
- b. an Ijarah MBT, including the following types:
 - i. an Ijarah MBT – with expected transfer of ownership after the end of the Ijarah term – either through a sale or a gift; or
 - ii. an Ijarah MBT with gradual transfer – with gradual transfer of ownership during the Ijarah term (including Diminishing Musharaka Ijarah).

Assets acquired for Ijarah are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the period of the lease or useful life, whichever is lower. Ijarah income receivables represent outstanding rentals at the end of the period less any expected credit losses.

4.7 Investments

Investment securities comprise investments in debt-type, equity-type or other investment instruments.

Classification

Debt-type instruments are a type of investment instruments, whereby the transaction structure results in creation of a monetary or non-monetary liability. Equity-type instruments are the instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument. Other investment instruments are such investment instruments which do not meet the definition of either debt-type or equity-type instruments.

Investments in debt-type instruments are classified into the following categories:

- 1) at amortised cost
- 2) at fair value through other comprehensive income
- 3) fair value through income statement

An investment is measured at amortised cost if both of the following conditions are met:

- a. the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument
- b. the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

An investment is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment
- b. the investment represents a non-monetary debt-type instrument or other investment instrument having reasonably determinable effective yield.

An investment is measured at fair value through income statement unless it is measured at amortised cost or at fair value through other comprehensive income through an irrevocable election at initial recognition.

On initial recognition, the Islamic window makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments (continued)

Measurement

Initial recognition

All investments are initially recognized at their fair value plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the income statement when incurred.

At the end of each reporting period, investments carried at amortised cost are re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the income statement. While applying the effective profit rate method, the commencement (or consummation in case of trade-based transaction) date of the respective transaction in line with Shari'ah is considered as the date of initial cash outflow, if the investment is made at the subscription stage of the instrument or at any time before the commencement (consummation) of such transaction. Investments carried at amortised cost are tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

Subsequent measurement

Investments carried at fair value through income statement are re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value is recognized in the income statement. All other income and expenses arising from these investments shall be recognized in the income statement.

Investments carried at fair value through other comprehensive income are re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value is directly recognized in equity under "investments fair value reserve".

Investments carried at fair value through other comprehensive income are tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fee and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Islamic window measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Islamic window by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

4.8 Credit Cards

Credit card receivable is based on the Islamic financial principle of profit-free Qard Hasan whereby the customer is required to repay the utilised amount without any profit. In addition, the customer may be charged a monthly fees which could be waived off at the discretion of the Islamic Window.

4.9 Service Ijarah

Service ijarah is based on ijarah principle, whereby Islamic window acquires the services from the third party and then sub-lease it to the customers. Service ijarah are stated at cost net of expected credit loss allowance if any

4.10 Istisna receivable

Istisna receivable is a sale agreement between the Islamic window as a seller and the customer as the ultimate purchaser whereby, the Islamic window undertakes to have manufactured (or Acquire) goods and sell it to the customer for an agreed price on completion at futuer dates. Istisna receivable are stated at net defered profit and expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Qard Hasan

Qard Hasan is based on Islamic financial principle of profit-free Qard Hasan whereby, the customer is required to repay the financing amount without any profit. Qard Hasan finance is stated at cost net of expected credit loss allowance, if any

4.12 Property, equipment and Intangibles

Items of Property, equipment and Intangibles are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided on a straight-line basis over the estimated useful lives of Property, equipment and Intangibles.

The estimated useful lives for the current period are as follows:

	Years
Building	25
Leasehold improvements	5 - 10
Computer and other equipment	5 - 10
Intangibles	5 - 10
Vehicles	5
Furniture	10

Intangible assets, including computer software and core banking system, are amortised over their estimated useful life of 5-10 years and carried net of accumulated amortisation and impairment losses.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date. Capital work in progress is not depreciated until the asset is put to use.

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

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

Repairs and renewals are charged to the income statement when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognised in the income statement as an expense when incurred.

4.13 Customers' current accounts

Customers' current accounts are treated on the basis of "Qard". No profit or loss is passed on to current account holders, however the funds of current accounts are treated as equity for the purpose of profit calculation for investments account holders and any profit earned / loss incurred on those funds are allocated to the equity of the Islamic Window.

4.14 Equity of investment account holders (Quasi - Equity)

Equity of investment accountholders (IAH) are funds held by the Islamic Window in pool of unrestricted investment account, which is invested by the Islamic Window ("Mudarib") in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts. The funds received under the Wakala arrangement is invested in the investment pool and is considered as investment made by an investment account holder. Under both the Mudaraba and a comingled Wakala arrangement, the investment accountholder authorizes the Islamic Window to invest the accountholder's funds in a manner which the Islamic Window deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Islamic Window charges management fee (Mudarib fees) to investment accountholders. The allocation of income is determined by the management of the Islamic Window at a pre-agreed ratio with IAH. Administrative expenses incurred in connection with the management of the fund are borne directly by the Islamic Window and are not charged to investment accounts.

Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled. The basis applied by the Islamic Window in arriving at the equity of investment accountholder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Islamic Window does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share profits from the Mudaraba investment pool in the capacity of Mudarib. Under FAS 30, ECL is allocated to the assets invested using funds from unrestricted investment accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

4.16 Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating the mudarib share, in order to cater against future losses for equity of investment accountholders.

4.17 Revenue recognition

4.17.1 Murabaha

Income on Murabaha transactions is recognised by proportionately allocating the attributable profits over the period of the transaction where each financial period carries its portion of profit irrespective of whether or not cash is received, net of suspended profit.

4.17.2 Musharaka

Income on Musharaka is recognised on accrual basis, net of suspended profit.

4.17.3 Ijarah

Rentals accrued from ijarah financings is recognised on a time-apportioned basis over the lease term net of depreciation charged are taken to the income statement, net of suspended profit.

4.17.4 Wakala bil Istithmar

Income from Wakala bil Istithmar placements is recognised on a time apportioned basis so as to yield a expected rate of return based on the wakala capital.

4.17.5 Income from investments

Income from investments is recognised when earned.

4.17.6 Istisna

Profit from Istisna is recognised using proportionate allocation over the futuer financial period of financing whereby, each financial period shall carry its portion of profits irrespective of wether or not cash received, net of suspended profit.

4.17.7 Service Ijarah

Service ijraha income is recognised on the portion basis over the ijarah term, net of suspended profit

4.17.8 Dividend

Dividend income is recognised when right to receive payment is established.

4.17.9 Fee and commission

Fee and commission income recognised when earned.

Commission on letters of credit and letters of guarantee are recognised as income over the period of the transaction.

Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognised when the Islamic Window has fulfilled all its obligations in connection with the related transaction.

4.17.10 Islamic Window share as a Mudarib

The Islamic Windows' share as Mudarib for managing equity of investment accountholders is accrued based on the terms and conditions of the related mudaraba agreement.

4.17.11 Profit suspension

Profit receivable which is doubtful of recovery is excluded from the profit recognised until it is received in cash.

4.18 Provisions

Provisions are recognised when the Islamic Window has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Taxation

Taxation is calculated and paid by the Bank on an overall basis. Taxation expense in these financial statements represents allocation of such taxation to the Islamic Window. The notional tax expense on the Islamic Window result for the year at the statutory effective tax rate would amount to RO 1.434 million (2023: 1.247 million).

4.20 Impairment of Financial Contracts

Financing and investment contracts consist of balances with banks and the Central Bank of Oman, due from banks, investment securities, Wakala bil Istithmar, Murabaha receivables (net of deferred profits), Diminishing Musharaka, Ijarah Muntahia Bittamleek, Service ijarah, Istisna receivable Sukuk, financing commitments and guarantees and other financial assets.

Impairment assessment - ECL

The Islamic Window applies three-stage approach to measure ECL. Assets subject to ECL approach shall include all financing & investment contracts and off-balance sheet exposures including guarantees, letters of credit, forward foreign exchange and other similar positions. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Measurement of ECL

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Islamic Window approach leveraged the existing regulatory capital models and processes for financing portfolios that use the existing Internal Rating based and behavioral credit models. FAS 30 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

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

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

Credit loss allowances and provisions are measured using a three-stage approach based on the extent of credit deterioration since origination:

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

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

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

For financial assets in Stage 1 and Stage 2, the Islamic Window calculates profit income by applying the Effective Profit Rate to the gross carrying amount (i.e., without deduction for ECLs).

Profit income for financial assets in Stage 3 is calculated by applying the EIR to the amortized cost (i.e., the gross carrying amount less the credit loss allowance).

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

- Probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Impairment of Financial Contracts (continued)

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets
- Debt instruments measured at fair value through other comprehensive income: no provision is recognized in the Statement of Financial Position because the carrying value of these assets is their fair value. However, the provision determined is disclosed and recognised in the fair value reserve
- Off-balance sheet credit risks include undrawn financing commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the financee, then ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial assets are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

Write off

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

4.21 Fair value

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- For quoted investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- For unquoted investments, fair values is determined by reference to recent significant buy or sell transaction with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Islamic Window using current profit rates. For investments with similar terms and risk characteristics.
- Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less impairment loss, if any.

4.22 De-recognition of financial assets and liabilities

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

- the right to receive cash flows from the asset has expired;
- the Islamic Window retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 De-recognition of financial assets and liabilities (continued)

- the Islamic Window has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

4.23 Employee terminal benefits

4.23.1 Terminal benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labor Law as amended. Contribution to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of profit or loss when incurred.

4.23.2 Short term benefits

Short term benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

4.24 Earnings prohibited by Sharia

The Islamic Window is committed to avoid recognising any income generated from non-Islamic sources. Accordingly all non-Islamic income is credited to the charity account where the Islamic Window uses these funds for charitable purposes.

4.25 Zakah

Zakah is calculated in accordance with FAS 9 Zakah using the net assets method. The Islamic Window will calculate the "Zakah base" based on audited financial statements and after approval from Sharia Supervisory Board, notify the Shareholders of their pro-rata share of the Zakah payable annually. Payment of Zakah on the investment accounts and other accounts is the responsibility of investments account holders.

4.26 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Islamic Window has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.27 Sharia Supervisory Board

The Islamic Window's business activities are subject to the supervision of a Sharia Supervisory Board consisting of members appointed by the general assembly of shareholders.

4.28 Joint and self financed

Assets that are jointly owned by the Islamic Window and the investment account holders are presented as "jointly financed" in the financial statements. All other assets are "self financed".

4.29 Commingling of funds

The funds of Islamic Window are not commingled with the funds of Conventional Operations of the Bank.

4.30 Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. that date the Islamic Window commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the market place.

4.31 Fiduciary Assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The Islamic Window's significant accounting estimates are in the following:

5.1 Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

5.2 Measurement of the expected credit loss allowance and provisions

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and Fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 33, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for measurement of ECL;
- establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL
- establishing groups of similar financial assets for the purposes of measuring ECL.

5.3 Useful life of property, equipment and Intangible and Ijarah Muntahia Bittamleek

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

5.4 Going concern

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

For the year ended 31 December 2024, the Islamic window has recognised a net profit after tax of RO 8.214 million. The Islamic window's quarterly average high quality liquid assets were RO 87.278 million as at 31 December 2024 with the liquidity coverage ratio of 215.46%.

6 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
18,416	17,501	Cash	6,738	7,090
85,324	96,728	Clearing account with Central Bank of Oman	37,240	32,850
100,000	13,000	Placement with Central Bank of Oman	5,005	38,500
203,740	127,229		48,983	78,440

7 DUE FROM BANKS

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
99,000	-	- Wakala placements	-	38,115
1,831	164,341	Nostro account balances	63,271	705
100,831	164,341		63,271	38,820
		Less: Impairment loss allowance		
(153)	(3)	Stage 1 and 2 (Note 33)	(1)	(59)
100,678	164,338		63,270	38,761

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

8 MURABAHA RECEIVABLES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
45,932	87,636	Vehicles	33,740	17,684
58,273	54,982	Personal financing	21,168	22,435
26,548	31,810	Corporate	12,247	10,221
130,753	174,428	Gross receivables	67,155	50,340
(14,647)	(21,197)	Deferred profits	(8,161)	(5,639)
116,106	153,231		58,994	44,701
-		Less: Impairment loss allowance		
(153)	(281)	Stage 1 and 2 (Note 33)	(108)	(59)
(9,185)	(654)	Stage 3 (Note 33)	(252)	(3,536)
106,768	152,296		58,634	41,106

Murabaha receivables are jointly financed by the Islamic window and investment account holders.

8.1 Deferred Profit

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
(13,114)	(14,647)	Deferred profit at the beginning of the year	(5,639)	(5,049)
(39,057)	(86,725)	Murabaha sales during the year	(33,389)	(15,037)
32,018	73,169	Murabaha cost of sales	28,170	12,327
(7,039)	(13,556)	Deferred profit on sales	(5,219)	(2,710)
5,506	7,006	Murabaha income recognised during the period	2,697	2,120
(14,647)	(21,197)	Deferred profit at the end of the year	(8,161)	(5,639)

9 WAKALA BIL ISTITHMAR

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
166,409	371,491	Gross receivables	143,024	64,067
(240)	(39)	Less: Stage 1 Impairment loss allowance (Note 33)	(15)	(92)
166,169	371,452		143,009	63,975

Wakala bil Istithmar is jointly financed by the Islamic window and investment account holders.

10 MUSHARAKA RECEIVABLES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
821,984	943,743	Musharaka receivables	363,341	316,464
		Less: Impairment loss allowance		
(5,000)	(7,369)	Stage 1 and 2 (Note 33)	(2,837)	(1,925)
(14,414)	(14,203)	Stage 3 (Note 33)	(5,468)	(5,549)
802,570	922,171		355,036	308,990

Musharaka receivables are jointly financed by the Islamic window and investment account holders.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

11 INVESTMENT SECURITIES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Debt type instrument at fair value through other comprehensive income		
127,771	11,125	Sukuks	4,283	49,192
		Debt type instrument at fair value through income statement		
-	116,995	Sukuks	45,043	-
-	688	Open end mutual fund and equity	265	-
		Equity type instrument at fair value through other comprehensive income		
13,722	12,013	Open end mutual fund and equity	4,625	5,283
19,681	19,740	Additional Tier 1 perpetual security	7,600	7,577
161,174	160,561		61,816	62,052

Investment securities are jointly financed by the Islamic window and investment account holders.

12 IJARAH ASSETS - IJARAH MUNTAHIA BITTAMLEEK

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
334,036	292,888	Cost	112,762	128,604
(105,997)	(70,382)	Accumulated depreciation	(27,097)	(40,809)
228,039	222,506	Book value	85,665	87,795
		Less: Impairment loss allowance		
(3,215)	(13,964)	Stage 1 and 2 (Note 33)	(5,376)	(1,238)
(923)	(841)	Stage 3 (Note 33)	(324)	(355)
223,901	207,701	Net book value	79,965	86,202

Ijarah assets are jointly financed by the Islamic window and investment account holders.

13 CREDIT CARD RECEIVABLES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
2,808	4,057	Islamic Credit Card	1,562	1,081
		Less: Impairment loss allowance		
(11)	(8)	Stage 1, 2 & 3 (Note 33)	(3)	(4)
2,797	4,049	Net book value	1,559	1,077

14 SERVICE IJARAH

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
6,947	15,112	Service Ijarah	5,818	2,675
		Less: Impairment loss allowance		
(1)	(8)	Stage 1 & 2	(3)	(1)
6,946	15,104	Net book value	5,815	2,674

Service ijarah assets are jointly financed by the Islamic window and investment account holders.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

15 ISTISNA RECEIVABLE

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
13,117	-	Istisna receivable	-	5,050
		Less: Impairment loss allowance		
(16)	-	Stage 1 & 2 (Note 33)	-	(6)
13,101	-	Net book value	-	5,044

16 QARD HASSAN FINANCING

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
192	88	Qard Hassan Financing	34	74
		Less: Impairment loss allowance		
-	-	Stage 1 & 2 (Note 33)	-	-
192	88	Net book value	34	74

16.1 FINANCING ACTIVITIES

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

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

Disclosure requirements for the year ended 31 December 2024, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9 / FAS 30, profit recognised as per IFRS 9/FAS 30 and suspended profit required as per CBO are given below based on CBO circular BM 1149.

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Suspended profit as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9
			RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6)=(5)+(6)	(7) = (4)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
Standard	Stage 1	600,775	6,229	-	334	5,895	594,546	600,441
	Stage 2	17,832	190	-	407	(217)	17,642	17,425
	Stage 3	-	-	-	-	-	-	-
Subtotal		618,607	6,419		741	5,678	612,188	617,866
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	21,169	243	-	7,612	(7,369)	20,926	13,557
	Stage 3	-	-	-	-	-	-	-
Subtotal		21,169	243		7,612	(7,369)	20,926	13,557
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	228	57	9	70	(13)	171	158
Subtotal		228	57	9	70	(13)	171	158
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122	31	1	51	(20)	91	71
Subtotal		122	31	1	51	(20)	91	71
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	18,312	12,146	1,623	7,546	4,600	6,166	10,766
Subtotal		18,312	12,146	1,623	7,546	4,600	6,166	10,766
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	143,887	-	-	10	(10)	143,887	143,877
	Stage 2	18,606	-	-	847	(847)	18,606	17,759
	Stage 3	220	-	-	220	(220)	220	-
Subtotal		162,713			1,077	(1,077)	162,713	161,636
		744,662	6,229		344	5,885	738,433	744,318
		57,607	433		8,866	(8,433)	57,174	48,741
		18,882	12,234	1,633	7,887	4,347	6,648	10,995
Total		821,151	18,896	1,633	17,097	1,799	802,255	804,054

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16.1 FINANCING ACTIVITIES (Continued)

16.1.2 Restructured Loans **

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Suspended profit as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9
			RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
Classified as performing	Stage 1	4,148	21	-	46	(25)	4,127	4,102
	Stage 2	19,683	98	-	1,371	(1,273)	19,585	18,312
	Stage 3	-	-	-	-	-	-	-
Subtotal		<u>23,831</u>	<u>119</u>	<u>-</u>	<u>1,417</u>	<u>(1,298)</u>	<u>23,712</u>	<u>22,414</u>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122	30	-	50	(20)	92	72
Sub total		<u>122</u>	<u>30</u>	<u>-</u>	<u>50</u>	<u>(20)</u>	<u>92</u>	<u>72</u>
Total	Stage 1	4,148	21	-	46	(25)	4,127	4,102
	Stage 2	19,683	98	-	1,371	(1,273)	19,585	18,312
	Stage 3	122	30	-	50	(20)	92	72
	Total	<u>23,953</u>	<u>149</u>	<u>-</u>	<u>1,467</u>	<u>(1,318)</u>	<u>23,804</u>	<u>22,486</u>

*Net of provisions and suspended profit as per CBO norms

16.1.3 Impairment charge and provisions held

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	1,638	1,638	-
Provisions required as per CBO norms / held as per IFRS 9	18,896	17,097	3,432
Gross NPL ratio (percentage)	2.83%	2.83%	-
Net NPL ratio (percentage)	0.73%	1.64%	-0.91%

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

**Restructured loans include the restructuring/rescheduling of certain affected borrowers allowed as per CBO circular BSD/CB & FLCs/2021/004 dated November 18, 2021 & circular SD/CB & FLCs/2022/005 dated October 4, 2022. As per these CBO circulars, the loan classification of the borrowers were continued to be retained as either Stage 1 or Stage 2 upon implementation of restructuring/rescheduling, however appropriate ECL is maintained.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16.1 FINANCING ACTIVITIES (Continued)

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

16.1.4 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2023:

Disclosure requirements for the year ended 31 December 2023, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, profit recognised as per IFRS 9 and suspended profit required as per CBO are given below based on CBO circular BM 1149.

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Suspended profit as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9
(1)	(2)	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
		(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
Standard	Stage 1	458,568	4,786	-	1,356	3,430	453,782	457,212
	Stage 2	24,319	254	-	668	(414)	24,065	23,651
	Stage 3	-	-	-	-	-	-	-
Subtotal		482,887	5,040	-	2,024	3,016	477,847	480,863
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	20,135	210	-	1,299	(1,089)	19,925	18,836
	Stage 3	-	-	-	-	-	-	-
Subtotal		20,135	210	-	1,299	(1,089)	19,925	18,836
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,382	346	2	172	176	1,036	1,210
Subtotal		1,382	346	2	172	176	1,036	1,210
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	360	126	8	125	9	234	235
Subtotal		360	126	8	125	9	234	235
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	17,143	12,085	2,662	11,818	2,929	5,058	5,325
Subtotal		17,143	12,085	2,662	11,818	2,929	5,058	5,325
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	208,781	-	-	114	(114)	208,781	208,667
	Stage 2	12,387	-	-	805	(805)	12,387	11,582
	Stage 3	142	-	-	142	(142)	142	-
Subtotal		221,310	-	-	1,061	(1,061)	221,310	220,249
Total		667,349	4,786	-	1,470	3,316	662,563	665,879
		56,841	464	-	2,772	(2,308)	56,377	54,069
		19,027	12,557	2,672	12,257	2,972	6,470	6,770
		743,217	17,807	2,672	16,499	3,980	725,410	726,718

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

16.1 FINANCING ACTIVITIES (Continued)

16.1.5 Restructured Loans

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount RO '000	Provision required as per CBO Norms RO '000	Suspended profit as per CBO norms RO '000	Provision held as per IFRS 9 RO '000	Difference between CBO provision required and provision held RO '000	Net Carrying Amount as per CBO norms* RO '000	Net Carrying Amount as per IFRS 9 RO '000
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(5)
Classified as performing	Stage 1	48,340	242	-	698	(456)	48,098	47,642
	Stage 2	25,650	128	-	1,713	(1,585)	25,522	23,937
	Stage 3	-	-	-	-	-	-	-
Subtotal		73,990	370	-	2,411	(2,041)	73,620	71,579
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	65	16	-	23	(7)	49	42
Sub total		65	16	-	23	(7)	49	42
Total	Stage 1	48,340	242	-	698	(456)	48,098	47,642
	Stage 2	25,650	128	-	1,713	(1,585)	25,522	23,937
	Stage 3	65	16	-	23	(7)	49	42
	Total	74,055	386	-	2,434	(2,048)	73,669	71,621

*Net of provisions and suspended profit as per CBO norms

16.1.6 Impairment charge and provisions held

	As per CBO Norms	As per IFRS 9	Difference	
Impairment loss charged to profit and loss account		1,699	1,699	-
Provisions required as per CBO norms / held as per IFRS 9		17,807	16,499	3,980
Gross NPL ratio (percentage)	3.62%	3.62%		-
Net NPL ratio (percentage)	0.70%	1.27%		-0.57%

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

17 Property, equipment and Intangibles

	Building RO '000	Leasehold improvements RO '000	Computer and other equipment RO '000	Intangibles RO '000	Furniture RO '000	ROU Assets RO '000	Capital work in progress RO '000	Total RO '000
Cost:								
At 1 January 2024	1,762	1,899	1,060	1,162	279	3,233	-	9,395
Additions	-	75	19	-	14	2,147	2,205	4,460
Transfers	-	416	1,155	473	54	-	(2,098)	-
Disposals / scrapped	-	(124)	-	-	(11)	(607)	-	(742)
At 31 December 2024	1,762	2,266	2,234	1,635	336	4,773	107	13,113
Accumulated depreciation:								
At 1 January 2024	222	906	562	891	90	1,149	-	3,820
Depreciation	71	187	209	83	27	564	-	1,141
Transfers	-	-	12	-	-	-	-	12
Disposals / scrapped	-	(119)	-	-	(8)	-	-	(127)
Leases closed / changed during the year	-	-	-	-	-	(380)	-	(380)
At 31 December 2024	293	974	783	974	109	1,333	-	4,466
Net book value as at								
At 31 December 2024	1,469	1,292	1,451	661	227	3,440	107	8,647
At 31 December 2024 (US\$ '000)	3,816	3,356	3,769	1,717	589	8,935	278	22,460
Cost:								
At 1 January 2023	477	1,438	845	1,075	211	3,187	2	7,235
Additions	-	36	22	70	38	568	2,021	2,755
Transfers	1,285	461	205	17	55	-	(2,023)	-
Disposals / scrapped	-	(36)	(12)	-	(25)	(522)	-	(595)
At 31 December 2023	1,762	1,899	1,060	1,162	279	3,233	-	9,395
Accumulated depreciation:								
At 1 January 2023	173	694	471	827	97	1,125	-	3,387
Depreciation	49	248	103	64	18	494	-	976
Disposals / scrapped	-	(36)	(12)	-	(25)	(470)	-	(543)
At 31 December 2023	222	906	562	891	90	1,149	-	3,820
Net book value as at								
At 31 December 2023	1,540	993	498	271	189	2,084	-	5,575
At 31 December 2023 (US\$ '000)	4,000	2,579	1,294	704	491	5,413	-	14,481

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

18 OTHER ASSETS

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
10,595	24,870	Profit receivable on financing	9,575	4,079
499	481	Profit receivable on sukuks	185	192
1,076	3	Profit receivable on wakala placement	1	414
851	1,013	Others	390	328
226	283	Prepayments	109	87
(369)	(571)	Impairment loss allowance	(220)	(142)
12,878	26,079		10,040	4,958

19 DUE TO BANKS

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
21	60	Vostro account balances	23	8
21	60		23	8

20 OTHER LIABILITIES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
10,265	18,267	Accrued expenses and other payables	7,033	3,952
5,396	4,818	Profit payable	1,855	2,078
4,947	8,086	Lease liability	3,113	1,905
3,238	3,725	Provision for tax	1,434	1,246
2,538	3,353	Manager cheque payable	1,291	977
1,010	909	Unearned fee income	350	389
278	4,096	Others	1,577	107
265	509	Profit equalization reserve	196	102
8	8	Charity payable	3	3
-	922	Escrow account	355	-
2,213	2,208	Impairment loss allowance	850	852
30,158	46,901		18,057	11,611

21 QUASI - EQUITY

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
379,252	466,995	Saving and call accounts	179,793	146,012
17,501	74,338	Wakala acceptances	28,620	6,738
2,564	8,044	Wakala deposits - Financial institutions	3,097	987
1,105,379	1,248,735	Wakala deposits - Others	480,763	425,571
1,504,696	1,798,112	Equity of investment account holders	692,273	579,308
(265)	(509)	Less: Profit equalisation reserve	(196)	(102)
1,504,431	1,797,603		692,077	579,206

The average profit rate for the investment account holders during the year was 3.37% (2023: 3.10%). Profit sharing ratio of mudarib as at 31 December 2024 was 25% (2023: 25%)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

22 SHARE CAPITAL

The allocated share capital of the Islamic Window is RO 50 million equivalent to US\$ 129.870 million (2023: RO 45 million equivalent US\$ 116.883 million). During the year, the Bank has allocated a capital of RO 5 million to Islamic Window.

23 CONTINGENT LIABILITIES AND COMMITMENTS

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
63,063	70,374	Guarantees	27,094	24,279
77,792	46,753	Financing Commitment	18,000	29,950
140,855	117,127		45,094	54,229

24 INCOME FROM FINANCING ACTIVITIES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
53,473	57,034	Musharaka	21,958	20,587
12,218	14,597	Rental income on ijarah assets	5,620	4,704
5,507	7,005	Murabaha	2,697	2,120
4,161	15,790	Wakala bil Istithmar	6,079	1,602
403	314	Istisna	121	155
75,762	94,740		36,475	29,168

25 INCOME FROM INVESTING ACTIVITIES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
6,368	6,221	Income from investments	2,395	2,452
3,094	4,740	Income from wakala placements	1,825	1,191
9,462	10,961		4,220	3,643

26 OTHER OPERATING INCOME

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
5,570	7,704	Fee and commission income	2,966	2,144
(418)	(901)	Fee and commission expense	(347)	(161)
-	3,760	Unrealized gain on investments	1,448	-
1,107	2,699	Dividend income	1,039	426
387	2,068	Foreign exchange gain - net	796	149
788	1,792	Service charges	690	304
621	16	Gain on sale of investments	6	239
8,055	17,138		6,598	3,101

27 PROFIT ATTRIBUTABLE TO QUASI - EQUITY

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
3,242	4,101	Return on investment account holders under Mudaraba	1,579	1,248
41,345	60,569	Return on customer wakala deposits	23,319	15,918
1,771	247	Return on inter bank wakala deposit	95	682
46,358	64,917		24,993	17,848

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

28 STAFF EXPENSES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
6,120	7,810	Salaries and wages	3,007	2,356
6,436	7,140	Allowances and other staff cost	2,749	2,478
12,556	14,950		5,756	4,834

29 OTHER OPERATING EXPENSES

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
3,990	8,782	Operating and administration costs	3,381	1,536
1,268	1,286	Advertisement costs	495	488
481	805	Occupancy costs	310	185
94	54	Shariah Supervisory Board related expenses	21	36
5,833	10,927		4,207	2,245

30 ZAKAH

Zakah is directly borne by the owners and unrestricted investment accountholders. The Islamic Window does not collect or pay Zakah on behalf of its owners and its investment accountholders.

31 RELATED PARTY TRANSACTIONS

In the ordinary course of business the Islamic Window enters into transactions with major shareholders, directors, senior management, Sharia Supervisory Board and their related concerns. These transactions are conducted on an arm's length basis and are approved by the Islamic Window's management and Board of Directors.

The year end balances in respect of related parties included in the statement of financial position are as follows:

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Directors, Shariah Supervisory Board and senior management		
52	88	Financing assets	34	20
2,919	3,714	Customers' deposits	1,430	1,124
		Major shareholders and its subsidiaries		
138	356	Nostro account balances	137	53
400	688	Investment securities	265	154
17,500	12,987	Due to banks - Wakala acceptances	5,000	6,738

The income and expenses in respect of related parties included in the statement of comprehensive income are as follows:

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
		Directors, Shariah Supervisory Board and senior management		
3	-	Profit earned	-	1
68	42	Shariah Supervisory Board remuneration	16	26
12	12	Shariah Supervisory Board sitting fee	5	5

The Islamic Window has not rented any branch premises from a Director during the year 2024 and 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of investments classified as fair value through other comprehensive income as at 31 December 2024 is RO 16.508 million equivalent to US\$ 42.88 million with cost amounts to RO 16.817 million equivalent to US\$ 43.68 million & fair value of investments classified as fair value through income statement as at December 2024 RO 45.308 equivalent to US\$ 117.68 with cost amounts to RO 45.861 million equivalent to US\$ 119.11 million.

During the year, the Bank reclassified Sukuk instruments from Fair Value through comprehensive income to Fair Value through income statement amounting to RO 43.401 million subsequent to initial recognition. This reclassification was made to reflect the change in the Bank's business model for managing the financial asset.

Other than investments the Islamic Window considers that the fair value of other financial instruments is not significantly different to their carrying value.

Valuation of financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analysis of financial instruments measured at fair value at the reporting date:

	2024	2024	2024	2023	2023	2023
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Investment - debt type instruments at fair value through other comprehensive income	-	4,283	4,283	49,192	-	49,192
Investment - debt type instruments at fair value through income statement	-	45,308	45,308	-	-	-
Investment - equity type instrument at fair value through other comprehensive income	4,625	7,600	12,225	12,860	-	12,860
	<u>4,625</u>	<u>57,191</u>	<u>61,816</u>	<u>62,052</u>	<u>-</u>	<u>62,052</u>
Financial assets						
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investment - debt type instruments at fair value through other comprehensive income	-	11,125	11,125	127,771	-	127,771
Investment - debt type instruments at fair value through income statement	-	117,683	117,683	-	-	-
Investment - equity type instrument at fair value through other comprehensive income	12,013	19,740	31,753	33,403	-	33,403
	<u>12,013</u>	<u>148,548</u>	<u>160,561</u>	<u>161,174</u>	<u>-</u>	<u>161,174</u>

33 FINANCIAL RISK MANAGEMENT

Risk management is an integral part of the Islamic Window's decision making process. The Board of Directors and executive risk committee guide and assist the overall management of the Islamic Window's statement of financial position risks. The Islamic Window manages exposures by setting limits approved by the Board of Directors. The Islamic Window has exposure to the following risk from its use of financial instruments:

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

In addition, the Bank is in the process of identifying climate risk and acknowledges this as an emerging risk arising from financial instruments that may have growing impact on Bank's activities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (Continued)

The Board of Directors (“the Board”) has overall responsibility for the establishment and oversight of the Bank’s risk management framework. The Board has approved the Bank’s risk management policies in their specified areas.

The Bank’s risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank’s activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Executive Risk Committee under the oversight of the Board is responsible for monitoring compliance with the Bank’s risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Executive Risk Committee of the Board is assisted in these functions by the Risk Management Department. The Risk Management Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Executive Risk Committee.

33.1 CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank’s loans & advances and financing to customers, due from banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

33.1.1 TYPE OF CREDIT RISK

Financing contracts mainly comprise Murabaha receivables, Musharaka, Ijarah assets, Wakala, Istisna, Service Ijarah and credit card receivables.

33.1.2 MURABAHA RECEIVABLE

The Islamic Window finances these transactions through buying a commodity which represents the object of the murabaha and then resells this commodity to the murabaha (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in installments by the murabaha over the agreed period. The transactions are secured at times by the object of the murabaha and other times by a total collateral package securing the facilities given to the client.

33.1.3 MUSHARAKA

An agreement between the Islamic Window and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

33.1.4 IJARAH - IJARAH MUNTAHIA BITTAMLEEK

This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease) term, provided that all Ijarah instalments are settled.

33.1.5 SERVICE IJARAH

This is lease of services against agreed rentals. The Islamic Banking Window purchases services from third party, service provider by making full payment and then lease it to the customer through Service Ijara Contract.

33.1.6 CREDIT CARD RECEIVABLES

The Islamic Banking Window takes a fee for the credit card services and there are no charges taken on the amount utilized since, it is based on the Qard principle.

33.1.7 WAKALA BIL ISTITHMAR

This is an investment in which the Islamic window, in its capacity as the “Muwakil” (principle) appoints the customer as “Wakeel” (Agent) to manage the invested funds in Sharia Compliant activities. The investment amount is not guaranteed while the profit rate is anticipated and cannot be fixed. Therefore, the utmost care is taken before taking any exposure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

33.1.8 Credit risk measurement

(a) Financings (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Islamic Window measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

(b) Credit risk grading

The Islamic Window uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The bank's internal Risk Rating (RR) system is developed as a 10 grade system - enumerated from RR 1 to RR 10 - to risk rate a customer and to associate a default probability to each rating grade. The ratings will also assist studying the distribution of borrowers, grade wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing Loans (NPL) etc. Risk appetite will also be set in terms of how much of exposure bank expects in various grade bands. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

Credit quality rating	Risk Rating(RR)	Classification
Standard	RR1 to RR6	Not credit impaired on initial recognition- classified under 'Stage 1'.
Special Mention	RR7	Identified SICR since initial recognition but is not deemed to be credit impaired- Classified under 'Stage 2'.
Non performing	RR8 to RR10	Credit impaired- Classified under 'Stage 3'.

33.1.9 Exposure to credit risk

The credit exposure of the Bank as on the reporting date is as follows:

	2024				2023
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total RO '000
Clearing account with Central Bank of Oman	42,245	-	-	42,245	71,350
Due from banks	63,271	-	-	63,271	38,820
Financing to customers - Gross	600,775	39,001	18,662	658,438	521,907
Investment securities	11,883	-	-	11,883	56,769
Financing commitments and financial guarantees	26,488	18,606	-	45,094	54,229
Other assets	-	-	220	220	142
Gross carrying amount	744,662	57,607	18,882	821,151	743,217
Impairment loss allowance	344	8,866	7,887	17,097	16,499
Carrying amount	744,318	48,741	10,995	804,054	726,718

	2024				2023
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000	Total US\$ '000
Clearing account with Central Bank of Oman	109,728	-	-	109,728	185,325
Due from banks	164,340	-	-	164,340	100,831
Financing to customers - Gross	1,560,455	101,301	48,473	1,710,229	1,355,603
Investment securities	30,865	-	-	30,865	147,452
Financing commitments and financial guarantees	68,800	48,327	-	117,127	140,855
Other assets	-	-	571	571	368
Gross carrying amount	1,934,188	149,628	49,044	2,132,860	1,930,434
Impairment loss allowance	894	23,028	20,486	44,408	42,855
Carrying amount	1,933,294	126,600	28,558	2,088,452	1,887,579

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

33.1.9 Exposure to credit risk (continued)

Collateral held

The collateral held against impaired financing is RO 22.189 million equivalent to US\$ 57.64 million (31 December 2023 RO 30.123 million equivalent to US\$ 78.24 million).

Overview of ECL principles

The adoption of IFRS 9 has fundamentally changed the Islamic Window financing loss impairment method by replacing incurred loss approach with a forward looking ECL approach. From 1 January 2018, the Islamic Window has been recording the allowance for expected credit losses for all financing exposure and other debt financial assets not held at fair value through statement of income together with financing commitments and financial guarantee contracts.

33.1.10 Expected credit loss measurement

The ECL Allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Islamic Window has established a policy to perform an assessment on a monthly basis whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Islamic Window groups its financing exposure into Stage 1, Stage 2 and Stage 3, as classified below:

Stage 1

When financing are first recognised, the Islamic Window recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from stage 2.

Stage 2

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

Stage 3

Financing exposure considered credit impaired. The Islamic Window records an allowance for lifetime ECLs.

Measurement of ECL

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

ECL Exposure of financial assets and off-balance sheet

The following table contains an analysis of stagewise reconciliation of loss allowance from the opening to the closing balance of financial assets / off balance sheet items by class of financial instrument.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

33.1.10 Expected credit loss measurement (continued)

Movement in Impairment allowance and provision

	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000
Opening balance as at 1 January 2024				
Financings	1,356	1,967	12,115	15,438
Investment Securities & Due from Banks	66	-	-	66
Financing commitments and financial guarantees	47	805	-	852
Other assets	-	-	142	142
Net transfer between stages				
Financings	298	(230)	(68)	-
Financing commitments and financial guarantees	(4)	4	-	-
Charge for the Year (net)				
Financings	(1,320)	6,282	(4,380)	582
Investment Securities & Due from Banks	(59)	-	-	(59)
Financing commitments and financial guarantees	(40)	38	-	(2)
Other assets	-	-	78	78
Closing balance as at 31 December 2024				
Financings	334	8,019	7,667	16,020
Investment Securities & Due from Banks	7	-	-	7
Financing commitments and financial guarantees	3	847	-	850
Other assets	-	-	220	220

Note: Charge for the year includes reversal of suspended profit of RO 1.039 Mn

33.1.11 Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. 'When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information. Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. For non-retail facilities, internally derived credit ratings have been identified as representing the best available determinants of credit risk. The Bank assigns each facility a credit rating at initial recognition based on qualitative and quantitative information available about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an asset is more than 30 DPD. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default:

- Inadequate or unreliable financial and other information such as unavailability of financial statements.
- Non-cooperation by the borrowers in matters pertaining to documentation
- Borrower is the subject of litigation by third parties that may have a significant impact on this financial position.
- Frequent changes in senior management
- Intra-group transfer of funds without underlying transactions.
- Deferment / delay in the date of commencement of commercial operations by more than one year
- Modification of terms resulting in concessions granted to the borrower
- A fall of 25% or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- Erosion in networth by more than 20% as compared to the previous year end coupled with an increase in leverage
- A fall in the debt service coverage ratio to below 1

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

Further, the following quantitative guidelines are used to determine the staging of accounts:

1. An account will migrate to stage 2 if any of the changes in rating below are met;
 - For risk ratings 1 – 4: \geq 3 notch downgrade
 - For risk rating 5: 2 notch downgrade
 - For risk rating 6 : 1 notch downgrade
2. An account will also migrate to stage 2 if it is more than 30 days past due.
3. An account will also be considered stage 2 if has been placed under special mention as per bank's IFRS 9 staging guidelines which includes if the customer has days past due of 60 days or more but less than 90 days.

33.1.12 Definition of default

The Islamic Window considers a financial asset to be in default when:

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

In assessing whether the borrower is in default, the Islamic Window considers indicators that are;

- qualitative - e.g. breaches of covenant
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Islamic Window; and
- based on data developed internally and obtained from external sources.

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

Macroeconomic factors, forward looking information (FLI) and multiple scenarios

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

An investment is measured at fair value through statement of income unless it is measured at amortised cost or at fair value through equity or if irrevocable classification choices at initial recognition.

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

Impact on SICR

The exercise of the deferment option by a customer, in its own, is not considered by the Islamic Window as triggering SICR. However, as part of the Islamic Window evaluation process especially given the current economic situation due to after effects of lock down, the Islamic Window obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' ratings and accordingly exposure staging were adjusted, where applicable.

Sensitivity analysis - ECL

The following table shows a comparison of the Islamic window's loss allowances on non-impaired financial contracts (Stages 1 and 2) based on the probability weightings of three scenarios with loss allowances resulting from simulations of each scenario weighted at 100%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.1 CREDIT RISK (continued)

33.1.12 Definition of default (continued)

Sensitivity analysis - ECL (continued)

2024			2024		
Impact on ECL	ECL		ECL	Impact on ECL	
US\$'000	US\$'000		RO'000	RO'000	
	23,922	ECL on non impaired financial contracts	9,210		
(950)	22,973	Good scenario - 100% weighted	8,844	(366)	
28	23,950	Base scenario - 100% weighted	9,221	11	
893	24,815	Bad scenario - 100% weighted	9,554	344	

2023			2023		
Impact on ECL	ECL		ECL	Impact on ECL	
US\$'000	US\$'000		RO'000	RO'000	
	11,018	ECL on non impaired financial contracts	4,242		
(600)	10,418	Good scenario - 100% weighted	4,011	(231)	
(25)	10,992	Base scenario - 100% weighted	4,232	(9)	
649	11,668	Bad scenario - 100% weighted	4,492	250	

For computation of ECL, the Bank considers three scenarios ie., Good, base and bad with weightage of 25%, 50% and 25% respectively for the years 2024 and 2023

33.2 LIQUIDITY RISK

Liquidity risk is the risk that the Islamic Window will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Islamic Window's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligation when due, under normal and stressed conditions without incurring unacceptable losses or risking damage to the Islamic Window's reputation. The Islamic Window has put in place an approved Contingency Liquidity Plan to facilitate management of liquidity.

Liquidity risk is managed by the Islamic Window through closely monitoring the liquidity gap against the limit fixed.

Adequate liquidity is ensured by Treasury, which receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Islamic Window as a whole. In this process due care is taken to ensure that the Islamic Window complies with all the Central Bank of Oman regulations and the liquidity ratios were in compliance with regulatory requirements as of year ended 31 December 2024.

The following table summarises the maturity profile of the Islamic Window assets and liabilities as on the reporting date. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take account of the effective maturities as indicated by the Islamic Window's deposit retention history and the availability of liquid funds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.2 LIQUIDITY RISK (continued)

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2024	RO '000	RO '000	RO '000	RO '000	RO '000
Assets					
Cash and balances with Central Bank of Oman	33,766	15,217	-	-	48,983
Due from banks	63,270	-	-	-	63,270
Financing assets	106,134	44,107	101,187	392,624	644,052
Investment securities	34,830	15,103	11,040	843	61,816
Property, equipment and Intangibles	-	-	-	8,647	8,647
Other assets	10,040	-	-	-	10,040
Total assets	248,040	74,427	112,227	402,114	836,808
Liabilities, Quasi - equity and owners' equity					
Due to banks	28,643	-	-	-	28,643
Customers' deposits	153,469	237,550	78,867	228,261	698,147
Other liabilities	18,057	-	-	-	18,057
Shareholder's fund	-	-	-	91,961	91,961
Total liabilities, Quasi - equity and owners' equity	200,169	237,550	78,867	320,222	836,808
Net liquidity gap	47,871	(163,123)	33,360	81,892	-
Cummulative liquidity gap	47,871	(115,252)	(81,892)	-	-

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2024	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets					
Cash and balances with Central Bank of Oman	87,704	39,525	-	-	127,229
Due from banks	164,338	-	-	-	164,338
Financing assets	275,673	114,564	262,821	1,019,803	1,672,861
Investment securities	90,468	39,229	28,674	2,190	160,561
Property and equipment	-	-	-	22,460	22,460
Other assets	26,078	-	-	-	26,078
Total assets	644,261	193,318	291,495	1,044,453	2,173,527
Liabilities, Quasi - equity and owners' equity					
Due to banks	74,398	-	-	-	74,398
Customers' deposits	398,621	617,013	204,849	592,886	1,813,369
Other liabilities	46,901	-	-	-	46,901
Shareholder's fund	-	-	-	238,859	238,859
Total liabilities, Quasi - equity and owners' equity	519,920	617,013	204,849	831,745	2,173,527
Net liquidity gap	124,341	(423,695)	86,646	212,708	-
Cummulative liquidity gap	124,341	(299,354)	(212,708)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.2 LIQUIDITY RISK (continued)

	Above three				Total RO '000
	Upto three months RO '000	months to twelve months RO '000	Above one year to five years RO '000	More than five years RO '000	
31 December 2023					
<i>Assets</i>					
Cash and balances with Central Bank of Oman	78,440	-	-	-	78,440
Due from banks	646	38,115	-	-	38,761
Financing assets	50,904	42,657	79,696	335,885	509,142
Investment securities	43,129	18,923	-	-	62,052
Property and equipment	-	-	-	5,575	5,575
Other assets	4,958	-	-	-	4,958
Total assets	178,077	99,695	79,696	341,460	698,928
<i>Liabilities, Quasi - equity and owners' equity</i>					
Due to banks	6,746	-	-	-	6,746
Customers' deposits	107,748	176,030	120,448	197,358	601,584
Other liabilities	7,899	-	-	3,712	11,611
Shareholder's fund	-	-	-	78,987	78,987
Total liabilities, Quasi - equity and owners' equity	122,393	176,030	120,448	280,057	698,928
Net liquidity gap	55,684	(76,335)	(40,752)	61,403	-
Cummulative liquidity gap	55,684	(20,651)	(61,403)	-	-

	Above three				Total US\$ '000
	Upto three months US\$ '000	months to twelve months US\$ '000	Above one year to five years US\$ '000	More than five years US\$ '000	
31 December 2023					
<i>Assets</i>					
Cash and balances with Central Bank of Oman	203,740	-	-	-	203,740
Due from banks	1,678	99,000	-	-	100,678
Financing assets	132,218	110,797	207,003	872,426	1,322,444
Investment securities	112,023	49,151	-	-	161,174
Property and equipment	-	-	-	14,481	14,481
Other assets	12,878	-	-	-	12,878
Total assets	462,537	258,948	207,003	886,907	1,815,395
<i>Liabilities, Quasi - equity and owners' equity</i>					
Due to banks	17,522	-	-	-	17,522
Customers' deposits	279,865	457,221	312,852	512,616	1,562,554
Other liabilities	20,517	-	-	9,641	30,158
Shareholder's fund	-	-	-	205,161	205,161
Total liabilities, Quasi - equity and owners' equity	317,904	457,221	312,852	727,418	1,815,395
Net liquidity gap	144,633	(198,273)	(105,849)	159,489	-
Cummulative liquidity gap	144,633	(53,640)	(159,489)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.3 MARKET RISK

Market risk is the exposure to loss resulting from the changes in the interest rates, foreign currency exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return to risk. There are no commodity price risk exposures to the Bank.

33.3.1 PROFIT RATE RISK

Profit rate risk is the risk that the Islamic Window will incur a financial loss as a result of mismatch in the profit rate on the Islamic Window's assets and Quasi equity. The profit distribution to quasi equity is based on profit sharing agreements. Therefore, the Islamic Window is not subject to any significant profit rate risk.

However, the profit sharing agreements will result in displaced commercial risk when the Islamic Window's results do not allow the Islamic Window to distribute profits in line with the market rates.

Basel-II Accord has recommended for assessing the impact of profit rate risk by applying upto 200 bps profit rate sensitivity. Earning impact of a 200 basis points parallel shift in profit rate is provided below:

	2024	2024	2023	2023
	RO '000	US\$ '000	RO '000	US\$ '000
Net profit earned	15,702	40,784	14,963	38,865
Impact of +200 bps profit rate increase	(1,086)	(2,821)	(1,731)	(4,496)
Impact of -200 bps profit rate decrease	1,086	2,821	1,731	4,496

33.3.2 FOREIGN EXCHANGE RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within established limits. The Bank also monitors foreign currency risk as per requirements and the same was within regulatory limit as at 31 December 2024.

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
65,931	5,213	US Dollar	2,007	25,384
133	931	Euro	358	51
2,649	776	UAE Dirham	299	1,020
87	152	GBP Sterling	58	34
132	530	Others	204	51

The Islamic Window takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors set limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The Islamic window also monitors foreign currency risk as per requirements and the same was within regulatory limit as at 31 December 2024.

Changes in the non-parity foreign currency prices as at 31 December 2024 on net assets is considered negligible.

33.3.3 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio.

2023	2024		Change	2024	2023
US\$ '000	US\$ '000		(+/-)	RO '000	RO '000
12,777	12,813	Sukuks	10%	4,933	4,919
3,340	3,244	Open end mutual fund and equity	10%	1,249	1,286

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Islamic Window cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

33.5 CONCENTRATION RISK

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises due to variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external events and to include risks other than credit, market and liquidity risks.

The Bank's objective is to manage operational risk to avoid/ reduce financial losses to the Bank by establishing necessary controls, systems and procedures. The Bank recognises that an over controlled environment may affect the Bank's business and earnings besides adding to costs. Therefore, the Bank aims at effective management of operational risk through control optimisation and well established systems, methods and governance framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards in the following areas for management of operational risk:

- Clear reporting lines
- Proper delegation of powers
- Appropriate segregation of duties and authorisation of transactions through a maker checker system and authorisation matrix reporting lines
- Ownership, reconciliation and monitoring of accounts
- Documentation of controls and processes
- Compliance with regulatory and other legal requirements
- Periodic assessment of the operational risks faced and evaluating the adequacy of controls and procedures to address the risks identified
- Reporting of operational losses and incidents triggering operational losses and remedial action
- Development of contingency plans
- Training, skill upgradation and professional development
- Ethical and business standards
- IT and cyber risks
- Risk mitigation through insurance, where this is cost-effective

Compliance with Bank standards is complemented by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Compliance Committee and senior management of the Bank. The Bank has a comprehensive Operational Risk Management Framework by which the Bank has put in place Operational Risk Management Policy, Operational Risk Self Assessment (ORSA) Policy, Operational Risk Loss Event Reporting Framework, Maintenance of Operational Risk Loss Data Base.

The Bank carries out a comprehensive Business Continuity (BCP) test on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.5 CONCENTRATION RISK (continued)

	2024						
	Murabaha, gross	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<i>Concentration by industry</i>							
Sovereign	-	-	-	-	-	-	61,816
Corporate	11,746	143,024	280,216	31,300	5,548	-	-
Personal	47,248	-	83,125	54,365	1,866	-	-
Banks	-	-	-	-	-	63,271	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Sovereign	-	-	-	-	-	-	160,561
Corporate	30,509	371,491	727,834	81,299	14,410	-	-
Personal	122,722	-	215,909	141,207	4,847	-	-
Banks	-	-	-	-	-	164,341	-

	2023						
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
	<i>Concentration by industry</i>						
Sovereign	-	-	-	-	-	-	62,052
Corporate	9,851	64,067	250,453	28,547	5,050	-	-
Personal	34,850	-	66,011	59,248	3,830	-	-
Banks	-	-	-	-	-	38,820	-
	US\$ '000		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Sovereign	-	-	-	-	-	-	161,174
Corporate	25,587	166,409	650,527	74,148	13,116	-	-
Personal	90,519	-	171,457	153,891	9,948	-	-
Banks	-	-	-	-	-	100,831	-

	2024						
	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities	Investment securities
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Murabaha, gross							
Concentration by location							
Oman	58,994	143,024	363,341	85,665	7,414	60,738	61,816
Other GCC countries	-	-	-	-	-	362	-
Unites States of America	-	-	-	-	-	1,734	-
OECD countries	-	-	-	-	-	437	-
Others	-	-	-	-	-	-	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Oman	153,231	371,491	943,743	222,506	19,257	157,762	160,561
Other GCC countries	-	-	-	-	-	940	-
Unites States of America	-	-	-	-	-	4,504	-
OECD countries	-	-	-	-	-	1,135	-
Others	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

33 RISK MANAGEMENT (continued)

33.5 CONCENTRATION RISK (continued)

	2023						
	Murabaha, gross RO '000	Wakala bil Istithmar gross RO '000	Musharaka, gross RO '000	Ijarah Muntahia Bittamleek RO '000	Other financings, gross RO '000	Due from banks RO '000	Investment securities RO '000
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Concentration by location							
Oman	44,701	64,067	316,464	87,795	8,880	38,115	62,052
Other GCC countries	-	-	-	-	-	165	-
Unites States of America	-	-	-	-	-	479	-
OECD countries	-	-	-	-	-	61	-
Others	-	-	-	-	-	-	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Oman	116,106	166,409	821,984	228,039	23,064	99,000	161,174
Other GCC countries	-	-	-	-	-	428	-
Unites States of America	-	-	-	-	-	1,245	-
OECD countries	-	-	-	-	-	158	-
Others	-	-	-	-	-	-	-

Concentration by location for financings is measured based on the location of the entity holding the asset, which has a high correlation with the location of the customer. Concentration by location for investment securities is measured based on the location of the issuer of the security.

34 CAPITAL MANAGEMENT

The primary objectives of the Islamic Window's capital management are to ensure that the Islamic Window complies with externally imposed capital requirements and that the Islamic Window maintains strong credit ratings and healthy capital ratio in order to support its business and to maximize shareholders value.

The Islamic Window manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Islamic Window may adjust the amount of dividend payment to shareholders or issue, return capital to shareholders or issue capital securities. However, no changes are made in the objectives, policies and processes from the previous years as far as management of capital is concerned.

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

34 CAPITAL MANAGEMENT (continued)

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
194,777	228,065	Common Equity Tier 1 (CET1)	87,805	74,989
194,777	228,065	Tier 1	87,805	74,989
5,406	4,636	Tier 2	1,785	2,081
<u>200,183</u>	<u>232,701</u>	Total regulatory capital	<u>89,590</u>	<u>77,070</u>
		Risk weighted assets		
1,437,829	1,779,963	Credit risk	685,286	553,564
11,135	32,182	Market risk	12,390	4,287
58,312	74,236	Operational risk	28,581	22,450
<u>1,507,276</u>	<u>1,886,381</u>	Total risk weighted assets	<u>726,257</u>	<u>580,301</u>
		Capital adequacy ratio		
12.92%	12.09%	CET1 capital expressed as a percentage of total risk weighted assets	12.09%	12.92%
12.92%	12.09%	Total tier I capital expressed as a percentage of total risk weighted assets	12.09%	12.92%
0.37%	0.26%	Tier II capital expressed as a percentage of total risk weighted assets	0.26%	0.37%
13.28%	12.34%	Total regulatory capital expressed as a percentage of total risk weighted assets	12.34%	13.28%

As at the reporting date the capital position of the Islamic Window remains strong and is well placed to absorb the impact of the current disruption.

The capital adequacy ratio given above is calculated in accordance with the Basel II norms as adopted by Central Bank of Oman and IBRF. The capital conservation buffer requirement of 2.5% is maintained at the bank level.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

35 SOURCES AND APPLICATION OF CHARITY FUND

2023	2024		2024	2023
US\$ '000	US\$ '000		RO '000	RO '000
5	7	Undistributed charity fund at the beginning of the year	3	2
3	3	Penalties to customers for late payment	1	1
5	8	Sharia non-compliant income	3	2
<u>13</u>	<u>18</u>	Total source of charity fund	<u>7</u>	<u>5</u>
		Uses of charity fund		
5	10	Donations during the year	4	2
<u>8</u>	<u>8</u>	Undistributed charity fund at the end of the year	<u>3</u>	<u>3</u>

36 SOCIAL RESPONSIBILITY

The Islamic Window discharges its social responsibilities through donations to charitable causes and organisations.

37 COMPARATIVE INFORMATION

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current year for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or owner's equity.



AHLI ISLAMIC BASEL II PILLAR III AND BASEL III FOR THE YEAR ENDED 31 DECEMBER 2024





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

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

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

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

Responsibility of the Engaging Party

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

Practitioner’s Responsibilities

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

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

Professional Ethics and Quality Control

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



Professional Ethics and Quality Control (continued)

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

Procedures and Findings

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

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

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

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



S. no.	Procedures	Findings
1	Checked that the Disclosure includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2024 (the "Summary"). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Report.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2024. Checked that the following items are separately disclosed in the calculation: <ol style="list-style-type: none"> a. paid-up share capital/common stock b. reserves c. minority interests in the equity of subsidiaries (if any) d. innovative instruments e. other capital instruments f. regulatory calculation differences deducted from Tier 1 capital g. other items Further, checked that the following items have been deducted from the Tier 1 capital: <ol style="list-style-type: none"> a. goodwill; b. deferred taxation; c. investments 	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached	No exceptions noted.
4	Agreed to the Islamic Window's audited financial statements as of and for the year ended 31 December 2024 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: <ol style="list-style-type: none"> a. on balance sheet items; b. off-balance sheet items; c. derivative financial instruments. 	No exceptions noted.
5	Checked that the risk weights assigned by management to Claims on Banks, Sovereigns, domestic Public Sector Entities; and Claims on Securities firms etc. are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Islamic Window.	No exceptions noted.



Appendix I (continued)

S. no.	Procedures	Findings
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and Islamic Window records.	No exceptions noted.
9	Checked whether any content of the Disclosures are a. internally inconsistent with other parts of the Disclosures b. in respect of narrative items, inconsistent with numerical data in the Disclosures c. inconsistent with the audited financial statements of the Islamic Window	No exceptions noted.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

1. INTRODUCTION

Ahli Islamic (the Islamic window) was licensed by Central Bank of Oman (CBO) to operate as an Islamic Banking Window of Ahli Bank SAOG (the Bank) to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations.

The following report presents the qualitative and quantitative disclosures related to capital adequacy, risk profile and control process of the Islamic window on a standalone basis as per the requirements of CBO. These disclosures are intended to complement the minimum capital requirements and supervisory review process of Basel framework. They should be read in conjunction with the financial statements as of 31st December 2024.

2. SCOPE

The scope of application of this report is the Islamic window operations of Ahlibank SAOG only. There are no restrictions on the transfer of funds from the Bank to Islamic window, however, under the Islamic Banking regulatory framework (IBRF), title 9, section 1.10.2, Islamic window cannot place funds with the Bank. The Islamic window does not hold controlling interest in any other entity.

3. CAPITAL STRUCTURE

Qualitative Disclosure

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

The regulatory capital of the Islamic window is calculated as per the guidelines of CBO and is broadly classified in two categories, Tier I and Tier II capital. Tier I capital is composed of core capital and is further classified into Common Equity Tier 1 capital ('CET1') and Additional Tier 1 capital ('AT1'). CET1 includes assigned capital, and retained earnings reduced by cumulative unrealized losses on FVOCI investments and intangibles recognized directly in equity. AT1 capital consists of perpetual capital instruments as specified under Basel III framework, however, Islamic window does not have any such instruments outstanding as of the report date. Tier II capital, which includes stage 1 and stage 2 provision as calculated under IFRS 9 subject to ceilings as per CBO guidelines and investment fair value reserve with regulatory haircut. Equity of unrestricted investment account holders (URIA) is not considered as part of regulatory capital. The Islamic window does not hold any funds from restricted investment account holders (RIA).

There are no amounts in capital adequacy calculation of the Islamic Window which are subject to a different pre-Basel III treatment.

Quantitative Disclosure

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

Elements of Capital – RO '000	2024	2023
Tier I Capital		
Assigned capital / Share capital	50,000	45,000
Retained earnings	38,894	30,757
Less: cumulative unrealized losses and intangibles recognized directly in equity	(1,089)	(768)
Tier I capital	87,805	74,989
Tier II Capital		
Revaluation reserves / cumulative fair value gains on FVOCI Instruments	-	155
Stage 1 & Stage 2 expected credit losses	1,785	1,926
Total Tier II Capital	1,785	2,081
Total Regulatory Capital	89,590	77,070
Total equity of investment account holders (Quasi - equity)	692,077	579,206

CBO has issued a requirement to apply a "prudential filter" approach on IFRS 9 expected credit loss (ECL) provisions on calculating the regulatory capital. Any increase in the Stage 2 provisioning compared to December 31, 2019 will be added back to regulatory capital while these provisions will be gradually phased-out during a five-year period ending 31 December 2024. Besides, the bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL, as mentioned above. The impact of above filter on the bank's regulatory capital is 20 bps.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

3. CAPITAL STRUCTURE (continued)

CAPITAL ADEQUACY

Qualitative disclosures

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

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

Risk weights are assigned to assets as per the regulatory guidelines from the CBO. Assets funded by investment accounts are also assigned same risk weights as the assets funded by own equity.

The Islamic window's total capital adequacy ratios are 12.34% and Tier 1 capital adequacy ratios is 12.09% as against the CBO requirement of 11% and 9%, respectively, as at 31st December 2024.

The summary of capital adequacy ratio of the Islamic Window is as below:

Particulars	<i>Risk weighted assets 31 December 2024 – RO 000's</i>	<i>Risk weighted assets 31 December 2023 – RO 000's</i>
On-balances sheet items	670,959	539,722
Off-balance sheet items	14,327	13,842
Total Credit Risk	685,286	553,564
Market risk	12,390	4,287
Operational Risk	28,581	22,450
Total risk weighted assets	726,257	580,301
CET1 capital	87,805	74,989
Tier 1 capital	87,805	74,989
Tier 2 capital	1,785	2,081
Total Regulatory Capital	89,590	77,070
Capital requirement for credit risk	75,381	60,892
Capital requirement for market risk	1,363	472
Capital requirement for operational risk	3,144	2,470
Total required capital	79,888	63,834
CET 1 ratio	12.09%	12.92%
Tier 1 ratio	12.09%	12.92%
Total capital ratio	12.34%	13.28%

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

3. CAPITAL STRUCTURE (continued)

i) Computation of Capital adequacy ratio – RO '000

S.No	Simple Approach	2024	2023
1	Tier I capital (after supervisory deductions)	87,805	74,989
2	Tier II capital (after supervisory deductions and up to eligible limits)	1,785	2,081
3	Risk weighted assets – banking book	685,286	553,564
4	Risk weighted assets – operational risk	28,581	22,450
5	Total Risk Weighted Assets – Banking Book + Operational Risk	713,867	576,014
6	Minimum required capital to support RWAs of banking book and operational risk	78,525	63,362
6.1	i) Minimum required Tier I capital for banking book and operational risk	64,248	51,841
6.2	ii) Tier II capital required for banking book and operational risk	14,277	11,520
7	Tier I capital available for supporting trading book	11,065	13,703
8	Tier II capital available for supporting trading book	-	-
9	Risk Weighted Assets – trading book	12,390	4,287
10	Total capital required to support trading book	1,363	472
11	Minimum Tier I capital required for supporting trading book	388	135
12	Total Regulatory Capital	89,590	77,070
13	Total Risk Weighted Assets – Whole bank	726,257	580,301
14	BIS Capital Adequacy Ratio	12.34%	13.28%

ii) Capital adequacy ratio (RO '000)

Particulars	2024	2023
Total risk weighted assets	726,257	580,301
Total eligible capital	89,590	77,070
Capital adequacy ratio	12.34%	13.28%

iii) Ratio of total capital to total assets (RO '000)

Particulars	2024	2023
Total capital	89,590	77,070
Total assets	836,808	698,928
Total capital to total assets	10.71%	11.03%

iv) Capital requirements according to different risk categories for each Shariah compliant financing contract (RO '000)

	2024	2023
Balances with Central Bank of Oman	-	-
Sovereign	-	-
Due from Banks	3,415	4,232
Murabaha receivables	6,441	4,853
Musharaka receivables	33,622	30,807
Ijarah assets – Ijarah Muntahia Bittamleek	7,938	9,079
Service Ijarah	640	294
Wakala bil istithmar	19,585	7,714
Istisna receivable	-	556
Qard hasan	4	8
Credit card receivables	172	119
Other Assets & off-balance sheet items	3,564	3,230
Total	75,381	60,892

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

4. Risk Management of the Bank

The Islamic window's risk management is centralized at Bank. It is a process whereby the Bank identifies key risks, applies consistent risk measurement techniques, and recommends which risks to accept or reject or mitigate, by what means and establishes procedures to monitor and report the resulting risk position for necessary action. The objective of risk management is to ensure that the Islamic window operates within the risk appetite levels set by the Bank's Board of Directors while pursuing its objective of maximizing the risk adjusted returns.

Being a window operation, the Islamic window risk management is the overall responsibility of the Bank's Board of Directors. The detailed risk management approach of the Bank, which is also applicable to the Islamic window, is explained in the main Pillar III document. The Bank's risk management processes have proven effective for the Islamic window throughout the current year. The Bank's Board of Directors and various management risk committees have remained closely involved with key risk management initiatives, in ensuring the Islamic window's risks are effectively managed and adequate capital is held in line with the requirements.

Detailed risk governance structure of the Bank, which is also applicable to the Islamic Window is disclosed in the main Pillar III document of the Bank. In addition, a dedicated Shari'a Supervisory Board (SSB) has been established which reports to the Board of Directors of the Bank and ensures Shari'a compliance in the operations of the Islamic Window.

Specifically, the Islamic window has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Rate of return risk
- Displaced commercial risk
- Sharia non-compliance risk

5. Credit Risk

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

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

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

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

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

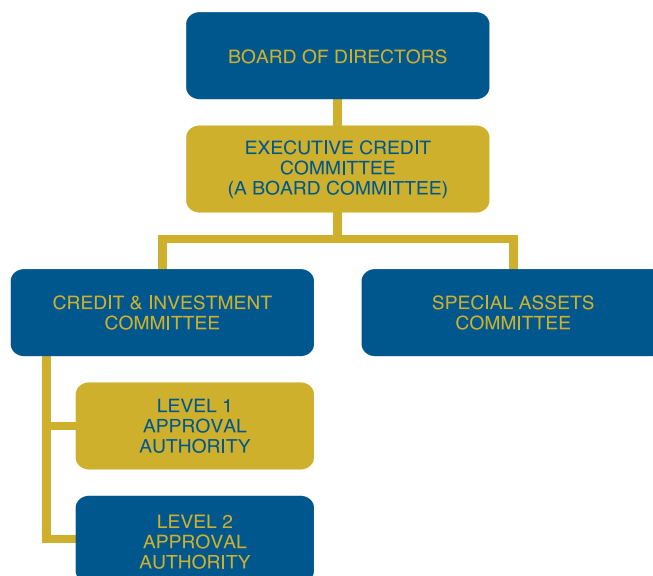
The Bank also has a robust system of borrowers' risk ratings that assesses the default risk of corporate borrowers and monitors ratings changes periodically. Ratings by the major credit rating agencies are also used whenever available.

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

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)



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

Transaction risk is concerned with the credit risk of a single counter-party. Risk Management ensures that credit is underwritten according to approved standards and that all risks are highlighted in the credit risk review, including policy exceptions. It includes analyzing and reporting on the nature of on- and off-balance sheet counter-party exposure (size, tenor, complexity and liquidity), including secured and unsecured credit facilities.

Concentration risk arises when the Bank disburses a significant amount of credit to a few borrowers or borrowers located in the same geographical location or those exposed to similar economical/political/other risks. To safeguard against concentration risk, sectoral limits have been set for ensuring that the Islamic window is having a well-diversified portfolio, the same is being reviewed by the Bank on a regular basis.

Impairment policy

As a matter of policy, Islamic window creates allowance for impairment of financing contracts promptly and in a consistent manner. The Islamic window has implemented FAS 30 "Impairment credit losses and onerous commitments" accounting norm, based on which impairment is assessed on a forward-looking expected credit loss (ECL) basis, as required by CBO.

The ECL Allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

All financing assets are classified into one of five risk classification categories, Standard, Special Mention (past due between 60 - 90 days), Substandard (past due between 90 - 180 days), Doubtful (past due between 180 - 365 days) and loss (past due for 365 days or more), as prescribed by CBO.

The bank has established a policy to perform an assessment on a monthly basis whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the bank groups its financing exposure into Stage 1, Stage 2 and Stage 3, as classified below:

Stage 1

When financing is first recognized, the bank recognizes an allowance based on 12-month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from stage 2.

Stage 2

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

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

Stage 3

Financing exposure considered credit impaired. The Bank records an allowance for lifetime ECLs. The Bank considers a financial asset to be in default when:

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

in case of Treasury and interbank balances, when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Quantitative Disclosure:

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

Type of credit exposure	Average Gross Exposure			Total Gross Exposure		
	31-Dec-24	31-Dec-23	% of total exposure	31-Dec-24	31-Dec-23	% of total exposure
Balances with Central Bank of Oman	56,798	42,886	7.37%	42,245	71,350	5.16%
Sovereign	23,337	43,914	3.03%	843	45,831	0.10%
Banks	51,046	19,984	6.62%	63,271	38,820	7.73%
Musharaka receivables	339,903	322,845	44.11%	363,341	316,464	44.39%
Ijarah assets - Ijarah Muntahia Bittamleek	86,730	88,799	11.26%	85,665	87,795	10.47%
Murabaha receivables	51,848	43,240	6.73%	58,994	44,701	7.21%
Credit Card Receivable	1,322	949	0.17%	1,562	1,081	0.19%
Service Ijarah	4,247	2,091	0.55%	5,818	2,675	0.71%
Wakala bil istithmar	103,546	46,533	13.44%	143,024	64,067	17.47%
Istisna receivable	2,525	2,525	0.33%	-	5,050	-
Qard Hasan	54	37	0.01%	34	74	-
Other assets & off-balance sheet items	49,186	35,367	6.38%	53,743	44,628	6.57%
Total	770,542	649,170	100%	818,540	722,536	100%

ii) Credit exposure by risk weighted assets: (RO '000)

As of 31 December 2024

Type of credit exposure	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman	42,245	-
Sovereign	843	-
Banks	63,271	31,048
Musharaka receivables	363,341	305,654
Ijarah assets - Ijarah Muntahia Bittamleek	85,665	72,165
Murabaha receivables	58,994	58,553
Credit Card Receivable	1,562	1,562
Service Ijarah	5,818	5,818
Wakala bil istithmar	143,024	178,048
Qard hasan	34	34
Other Assets & off-balance sheet items	53,743	32,404
Total	818,540	685,286

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Type of credit exposure	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman	71,350	-
Sovereign	45,831	-
Banks	38,820	38,476
Musharaka receivables	316,464	280,059
Ijarah assets – Ijarah Muntahia Bittamleek	87,795	82,539
Murabaha receivables	44,701	44,115
Credit Card Receivable	1,081	1,081
Service Ijarah	2,675	2,675
Wakala Bil Istithmar	64,067	70,134
Istisna receivable	5,050	5,050
Qard hasan	74	74
Other Assets & off-balance sheet items	44,628	29,361
Total	722,536	553,564

iii) Credit exposure by business unit: (RO '000)

As of 31 December 2024

Credit exposure	Business Unit	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman		42,245	-
Sovereign		843	-
Banks		63,271	31,048
Musharaka receivables	SME	15,687	11,833
	Corporate	264,528	264,528
	Retail	83,126	29,293
Murabaha receivables	SME	2,331	1,890
	Corporate	9,415	9,415
	Retail	47,248	47,248
Ijarah assets – Ijarah Muntahia Bittamleek	SME	1,999	1,526
	Corporate	29,301	29,301
	Retail	54,365	41,338
Credit Card Receivable	Retail	1,562	1,562
Service Ijarah	Retail	3,952	3,952
	Corporate	1,866	1,866
Wakala bil istithmar	Corporate	143,024	178,048
Qard Hassan	Retail	34	34
Other Assets & off-balance sheet items		53,743	32,404
Total		818,540	685,286

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Credit exposure	Business Unit	Gross Balance	Risk Weighted Assets
Balances with Central Bank of Oman		71,350	-
Sovereign		45,831	-
Banks		38,820	38,476
	SME	12,701	9,526
Musharaka receivables	Corporate	237,752	237,752
	Retail	66,011	32,781
	SME	2,344	1,758
Ijarah assets – Ijarah Muntahia Bittamleek	Corporate	7,507	7,507
	Retail	34,850	34,850
	SME	2,009	1,506
Murabaha receivables	Corporate	26,538	26,538
	Retail	59,248	54,495
Credit Card Receivable	Retail	1,081	1,081
Service Ijarah	Retail	2,675	2,675
Wakala Bil Istithmar	Corporate	64,067	70,134
Istisna receivable	Corporate	5,050	5,050
Qard Hassan	Retail	74	74
Other Assets & off-balance sheet items		44,628	29,361
Total		722,536	553,564

iv) Geographic distribution of exposures by major types of credit exposure: (RO '000)

As of 31 December 2024

Type of Credit Exposure	Oman	Other GCC Countries	OECD countries	India	Pakistan	Others	Total
Balances with Central Bank of Oman	42,245	-	-	-	-	-	42,245
Sovereign	843	-	-	-	-	-	843
Banks	60,738	362	437	-	-	1,734	63,271
Murabaha receivables	58,994	-	-	-	-	-	58,994
Musharaka receivables	363,341	-	-	-	-	-	363,341
Ijarah assets - Ijarah Muntahia Bittamleek	85,665	-	-	-	-	-	85,665
Service ijarah	5,818	-	-	-	-	-	5,818
Credit card receivables	1,562	-	-	-	-	-	1,562
Istisna receivable	-	-	-	-	-	-	-
Qard / Qard-e-Hasna	34	-	-	-	-	-	34
Wakala Bil Istithmar	143,024	-	-	-	-	-	143,024
Other Assets & off-balance sheet items	53,743	-	-	-	-	-	53,743
Total	816,007	362	437	-	-	1,734	818,540

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Type of Credit Exposure	Oman	Other GCC Countries	OECD countries	India	Pakistan	Others	Total
	Balances with Central Bank of Oman	71,350	-	-	-	-	-
Sovereign	45,831	-	-	-	-	-	45,831
Banks	38,115	165	61	-	-	479	38,820
Murabaha receivables	44,701	-	-	-	-	-	44,701
Musharaka receivables	316,464	-	-	-	-	-	316,464
Ijarah assets - Ijarah Muntahia Bittamleek	87,795	-	-	-	-	-	87,795
Service ijarah	2,675	-	-	-	-	-	2,675
Credit card receivables	1,081	-	-	-	-	-	1,081
Istisna receivable	5,050	-	-	-	-	-	5,050
Qard / Qard-e-Hasna	74	-	-	-	-	-	74
Wakala Bil Istithmar	64,067	-	-	-	-	-	64,067
Other Assets & off-balance sheet items	44,628	-	-	-	-	-	44,628
Total	721,831	165	61	-	-	479	722,536

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

As of 31 December 2024

Economic Sector	Ijarah assets - Ijarah								Total	Off Balance Sheet Exposure
	Musharaka receivables	Muntahia Bittamleek	Murabaha receivables	Credit card	Service Ijarah	Wakala Bil Istithmar	Istisna receivable	Qard Hasan		
Wholesale & Retail Trade	7,364	-	4,396	-	-	-	-	-	11,760	1846
Mining & Quarrying	-	-	78	-	-	26,900	-	-	26,978	43
Construction	59,604	17,405	47	-	-	725	-	-	77,781	5,688
Manufacturing	14,780	11,863	6,205	-	-	-	-	-	32,848	3,146
Transport & Communication	38,958	-	-	-	-	84,000	-	-	122,958	20
Electricity, gas and water	-	526	-	-	-	31,000	-	-	31,526	-
Services	149,195	1,399	243	-	1,866	399	-	-	153,102	15,955
Personal Financings	83,126	54,365	47,248	1,562	3,952	-	-	34	190,287	8
All Others	10,314	107	777	-	-	-	-	-	11,198	388
Total	363,341	85,665	58,994	1,562	5,818	143,024	-	34	658,438	27,094

As of 31 December 2023

Economic Sector	Ijarah assets - Ijarah								Total	Off Balance Sheet Exposure
	Musharaka receivables	Muntahia Bittamleek	Murabaha receivables	Credit card	Service Ijarah	Wakala Bil Istithmar	Istisna receivable	Qard Hasan		
Wholesale & Retail Trade	5,141	864	1,910	-	-	309	-	-	8,224	1,875
Mining & Quarrying	137	-	-	-	-	2,264	-	-	2,401	-
Construction	70,755	21,375	128	-	-	-	-	-	92,258	3,900
Manufacturing	14,563	5,849	6,932	-	-	-	5,050	-	32,394	6,082
Transport & Communication	32,317	6	830	-	-	29,500	-	-	62,653	20
Electricity, gas and water	-	-	-	-	-	31,000	-	-	31,000	-
Services	127,541	453	51	-	-	994	-	-	129,039	12,403
Personal Financings	66,010	59,248	34,850	1,081	2,675	-	-	74	163,938	-
All Others	-	-	-	-	-	-	-	-	-	-
Total	316,464	87,795	44,701	1,081	2,675	64,067	5,050	74	521,907	24,280

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

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

Time Band	As of 31 December 2024									Off Balance Sheet Exposure
	Musharaka receivables	ljarah assets – ljarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service ljarah	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	
Up to 1 month	6,281	208	5,155	1,562	203	-	1	84,853	98,263	4,056
1-3 Months	2,694	868	7,596	-	576	-	8	-	11,742	2,400
3-6 Months	2,643	617	2,651	-	1,334	-	6	31,770	39,021	319
6-9 Months	3,528	894	2,250	-	145	-	10	454	7,281	219
9-12 Months	4,951	1,534	2,950	-	184	-	9	499	10,127	2
1-3 Years	38,459	10,077	14,943	-	1,076	-	-	2,041	66,596	17,049
3-5 Years	55,390	16,161	10,140	-	898	-	-	1,949	84,538	295
Over 5 Years	249,395	55,306	13,309	-	1,402	-	-	21,458	340,870	2,754
Total	363,341	85,665	58,994	1,562	5,818	-	34	143,024	658,438	27,094

As of 31 December 2023

Time Band	As of 31 December 2023									Off Balance Sheet Exposure
	Musharaka receivables	ljarah assets – ljarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service ljarah	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	
Up to 1 month	4,744	167	7,002	1,081	-	-	-	29,050	42,044	110
1-3 Months	3,579	1,227	2,962	-	93	5,050	16	30	12,957	2,384
3-6 Months	2,573	1,005	2,632	-	63	-	16	1,523	7,812	484
6-9 Months	2,956	959	1,931	-	94	-	24	-	5,964	474
9-12 Months	3,525	974	1,984	-	93	-	18	31,417	38,011	79
1-3 Years	35,151	8,159	12,204	-	716	-	-	434	56,664	7,875
3-5 Years	43,276	11,914	7,380	-	627	-	-	441	63,638	12,410
Over 5 Years	220,660	63,390	8,606	-	989	-	-	1,172	294,817	464
Total	316,464	87,795	44,701	1,081	2,675	5,050	74	64,067	521,907	24,280

vii) Total Financing broken down by major industry or counterparty type: (RO '000)

Economic Sector	As of 31 December 2024						Financings written off during the year
	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge/ (reversed) during the Year		
Wholesale & Retail Trade	11,760	-	3	-	(25)	-	
Mining & Quarrying	26,978	-	3	-	(72)	-	
Construction	77,781	-	1,313	-	(858)	-	
Manufacturing	32,848	7,851	12	3,835	(1,898)	-	
Transport & Communication	122,958	-	13	-	(453)	1	
Electricity, gas and water	31,526	-	9	-	(39)	-	
Services	153,102	6,040	578	916	(1,728)	-	
Personal Financings	190,287	660	70	378	45	-	
All others	11,198	4,111	6,352	2,538	5,610	-	
Total	658,438	18,662	8,353	7,667	582	1	

* Stage 3 allowance includes suspended profit of RO 1.633 million

* above ECL includes overlays of RO 6.350 million.

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

5. Credit Risk (continued)

As of 31 December 2023

Economic Sector	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge/ (reversed) during the Year	Financings written off during the year
Wholesale & Retail Trade	8,224	7	20	8	(4)	-
Mining & Quarrying	2,401	137	9	66	68	-
Construction	92,258	1,268	1,947	224	466	-
Manufacturing	32,394	9,956	54	5,691	746	-
Transport & Communication	62,653	623	131	335	90	-
Electricity, gas and water	31,000	-	48	-	48	-
Services	129,039	6,037	1,018	2,204	(2,562)	-
Personal Financings	163,938	857	96	307	(157)	-
All others	-	-	-	3,280	3,280	-
Total	521,907	18,885	3,323	12,115	1,975	-

* Stage 3 ECL include suspended profit of RO 2.672 million

* above ECL includes additional overlays of RO 3.280 million

viii) Amount of impaired Financing broken down by significant geographical areas including, with the amounts of expected credit loss/specific and general allowances related to each geographical area: (RO '000)

As of 31 December 2024

Countries	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge during the Year	Financings written off during the year
Oman	658,438	18,662	8,353	7,667	582	1
Other GCC Countries	-	-	-	-	-	-
OECD Countries	-	-	-	-	-	-
India	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	658,438	18,662	8,353	7,667	582	1

* Stage 3 allowance includes suspended profit of RO 1.633 million.

*above ECL includes additional overlays of 6.350 Million

As of 31 December 2023

Countries	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge during the Year	Financings written off during the year
Oman	521,907	18,885	3,323	12,115	1,975	-
Other GCC Countries	-	-	-	-	-	-
OECD Countries	-	-	-	-	-	-
India	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	521,907	18,885	3,323	12,115	1,975	-

* Stage 3 ECL include suspended profit of RO 2.672 million

* above ECL includes additional overlays of 3.280 million

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5. Credit Risk (continued)

ix) Movement of gross financing during the year: (RO '000)

Details	As of 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance	458,568	44,454	18,885	521,907
Migration / changes (+ / -)	(10,091)	10,172	(81)	-
New financings	176,017	83	10	176,110
Recovery of financings	(23,719)	(15,708)	(151)	(39,578)
Financing Written Off	-	-	(1)	(1)
Closing Balance	600,775	39,001	18,662	658,438

As of 31 December 2023

Details	As of 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance	410,110	64,618	17,404	492,132
Migration / changes (+ / -)	(25,652)	24,009	1,643	-
New financings	85,208	2	4	85,214
Recovery of financings	(11,098)	(44,175)	(166)	(55,439)
Financing Written Off	-	-	-	-
Closing Balance	458,568	44,454	18,885	521,907

x) Past due and impaired financing: (RO '000)

As of 31 December 2024

	Murabaha receivables	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Service Ijarah	Credit Card	Istisna receivable	Qard Hasan	Wakala Bil Istithmar		Off Balance Sheet Exposure *
								Total	Total	
Neither past due not impaired	53,347	331,969	69,347	5,726	1,451	-	33	143,024	604,897	27,094
Past due but not impaired	920	18,056	15,705	92	105	-	1	-	34,879	-
Past due and impaired	4,725	13,316	613	-	6	-	-	-	18,660	-
Impaired but not past due	2	-	-	-	-	-	-	-	2	-
Total	58,994	363,341	85,665	5,818	1,562	-	34	143,024	658,438	27,094

As of 31 December 2023

	Murabaha receivables	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Service Ijarah	Credit Card	Istisna receivable	Qard Hasan	Wakala Bil Istithmar		Off Balance Sheet Exposure *
								Total	Total	
Neither past due not impaired	38,695	271,451	69,217	2,532	955	5,050	74	64,067	452,040	24,280
Past due but not impaired	1,261	31,661	17,799	143	117	-	-	-	50,981	-
Past due and impaired	4,697	13,352	779	-	8	-	-	-	18,836	-
Impaired but not past due	48	-	-	-	1	-	-	-	49	-
Total	44,701	316,464	87,795	2,675	1,081	5,050	74	64,067	521,907	24,280

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

Qualitative disclosure

The Islamic window classifies its financial assets in one of the following categories:

- Financing receivables;
- Ijara assets – Ijarah Muntahia Bittamleek;
- Equity & debt – type instruments; and
- Credit Card receivable

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5. Credit Risk (continued)

Financing receivables are principally divided into following Islamic products:

Murabaha	An agreement whereby the Islamic Window sells to a customer a commodity or a property which the Islamic Window has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises of the cost of the commodity and an agreed profit margin.
Financing Ijarah	An agreement whereby the Islamic Window (lessor) leases an asset or services to a customer (lessee), for a specific period against certain rent installments. Ijarah could end in transferring the ownership of the asset to the lessee at the end of the lease period.
Musharaka	An agreement between the Islamic Window and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.
Wakala bil Istithmar	An agreement whereby the principal provides a certain sum of money (Wakala Capital) to an agent, who invests it according to specific conditions in return for a certain fee. The arrangement may also include agreement on an expected profit rate for principal and incentive fee for Wakeel for performance beyond the agreed expected profit.
Istisna	Istisna receivable is a sale agreement between the Islamic window as a seller and the customer as the ultimate purchaser whereby, the Islamic window undertakes to have manufactured (or Acquire) goods and sell it to the customer for an agreed price on completion at future dates. Istisna receivable are stated at net deferred profit and expected credit loss.
Qard Hasan	Qard Hasan is based on Islamic financial principle of profit-free Qard Hasan whereby, the customer is required to repay the financing amount without any profit. Qard Hasan finance is stated at cost net of expected credit loss allowance, if any.

Credit Risk Mitigation (CRM)

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

The Islamic window normally accepts the following types of collateral:

- Hamish Jiddiyah, Urbun, Profit sharing investment accounts.
- Real estate comprising income-producing and non-income-producing assets.
- Shares listed on recognized stock exchanges located in GCC
- Irrevocable and unconditional guarantees / standby LC issued by acceptable Banks
- Funds subject to meeting approval criteria
- assignment of receivables
- Inventories

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

Management monitors the market value of collateral at regular interval and requests additional collateral in accordance with the underlying agreement in case of shortfall. The management also periodically reviews the collateral cover for determining the adequacy of the allowance for impairment losses. A strong credit administration process ensures effective compliance with terms of approval and documentation.

The Simplified approach for collateral recognition under the standardized approach is applied where 0% risk weight is assigned for the exposure covered by Cash collateral. All other financing exposures to corporates and retail are assigned 100% risk weight (except retail mortgage financings, which are assigned 35% risk weight). The Islamic window stands in possession of cash collateral of RO 0.193 Mn; after application of haircut (0%) to the collateral the exposure stands at RO NIL. The Islamic window has not considered any financial guarantee under credit risk mitigation as of 31 December 2024.

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5. Credit Risk (continued)

Particulars	RO'000
Gross Exposure - banking book	818,540
Credit risk mitigation	(9,347)
Risk weight impact - for banking book	(123,907)
Risk weighted assets - banking book	685,286
Capital charge for credit risk	75,381

Quantitative Disclosures:

As of 31 December 2024;

Rating	Impairment allowance as at year end	Financings written off during the year	CBO Classification	IFRS 9 Classification
1 – 6	741	-	Standard	Stage 1 & 2
7	7,612	-	Special mention	
8 – 10	7,667	1	Non-performing	Stage 3
Total	16,020	1		

As of 31 December 2023;

Rating	Impairment allowance as at year end	Financings written off during the year	CBO Classification	IFRS 9 Classification
1 – 6	2,025	-	Standard	Stage 1 & 2
7	1,298	-	Special mention	
8 – 10	12,115	-	Non-performing	Stage 3
Total	15,438	-		

6. Market Risk

Qualitative disclosure

Market Risk is the risk of loss resulting from fluctuations in profit rates, asset prices, foreign exchange rates or commodity prices. Substantially all of the Islamic window businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Islamic window. The objective of market risk management is to control risks within acceptable parameters, while optimizing the returns. The Bank has a Market Risk Policy that provides detailed guidelines for management of market risks. The Islamic window uses a combination of risk sensitivities, stress testing, etc. to manage market risks and establish limits. The Islamic window does not take any positions in commodities. All relevant risks and mitigation strategies are discussed below

Rate of Return risk in banking book (RRRBB)

Rate of return risk arises from the possibility that changes in rates of return will adversely affect the economic value of equity or the net income. The Islamic window is exposed to this risk as a result of mismatches or gaps in the rate of return profile of balance sheet assets and funds provided by investment account holders and wakala depositors. While the return on profit sharing agreements is not guaranteed, in case the Islamic window does not distribute profit in line with market rates, it is exposed to Displaced Commercial risk.

The Islamic window's overall goal is to manage rate of return sensitivity so that movements in rates of return do not adversely affect the Islamic window's net income and market value of equity. The Islamic window manages this risk by matching the re-pricing profile of assets and liabilities through various risk management strategies, utilizing tools such as gap analysis and duration. ALCO reviews the risk profile and sensitivities on a monthly basis within the risk appetite approved by the Board of Directors. Profit bearing assets (net of provision) and liabilities according to repricing bucket are as follows:

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6. Market Risk (continued)

As of 31 December 2024;

Particular RO'000	Effective profit rate	within 3 months RO'000	4 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000	Non-sensitive to profit rate RO'000	Total RO'000
ASSETS							
Cash and balances with Central Bank of Oman		-	-	-	-	48,983	48,983
Due from banks		63,270	-	-	-	-	63,270
Financing Assets	5.85%	106,134	44,107	101,187	392,624	-	644,052
Investments	4.74%	-	-	53,958	2,968	4,890	61,816
Property and equipment		-	-	-	-	8,647	8,647
Other assets		-	-	-	-	10,040	10,040
Total profit bearing assets		169,404	44,107	155,145	395,592	72,560	836,808
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS							
Due to banks	4.64%	28,643	-	-	-	-	28,643
Equity of investment accountholders and other liabilities	3.50%	153,469	237,550	78,867	191,431	54,887	716,204
Shareholders fund		-	-	-	-	91,961	91,961
Total		182,112	237,550	78,867	191,431	146,848	836,808
Net gap		(12,708)	(193,443)	76,278	204,161	(74,288)	-
Cumulative net gap		(12,708)	(206,151)	(129,873)	74,288	-	-

As of 31 December 2023;

Particular RO'000	Effective profit rate	within 3 months RO'000	4 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000	Non-sensitive to profit rate RO'000	Total RO'000
ASSETS							
Cash and balances with Central Bank of Oman		-	-	-	-	78,440	78,440
Due from banks		646	38,115	-	-	-	38,761
Financing Assets	5.82%	53,620	49,704	121,608	284,210	-	509,142
Investments	4.52%	-	1,627	36,223	18,919	5,283	62,052
Property and equipment		-	-	-	-	5,575	5,575
Other assets		-	-	-	-	4,958	4,958
Total profit bearing assets		54,266	89,446	157,831	303,129	94,256	698,928
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS							
Due to banks	5.30%	8	-	-	-	-	8
Equity of investment accountholders and other liabilities	3.19%	112,948	186,799	277,115	-	43,071	619,933
Shareholders fund		-	-	-	-	78,987	78,987
Total		112,956	186,799	277,115	-	122,058	698,928
Net gap		(58,690)	(97,353)	(119,284)	303,129	(27,802)	-
Cumulative net gap		(58,690)	(156,043)	(275,327)	27,802	-	-

Foreign Exchange Risk

Foreign exchange risk is the risk that the foreign currency positions taken by the Islamic window may be adversely affected due to volatility in foreign exchange rates. Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions within regulatory and internal limits. All foreign exchange exposures are centrally managed by the Treasury and are daily marked to market. Internal Limits have been assigned with respect to overnight open exposures, stop loss limits and authorized currencies to monitor and control foreign exchange exposures.

The foreign exchange transactions carried out by the Bank are on behalf of customers and are on a back-to-back basis. No proprietary foreign exchange positions are assumed by the Islamic window.

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6. Market Risk (continued)

The Net open position in all foreign currencies stands at OMR 2.926 mn (OMR 2.007 mn position is in effectively pegged currencies) as on 31 December 2024.

Investment Price Risk

Price risk is the risk of losses from decrease in the market value of individual investments. Each investment is approved after rigorous due diligence and exposures are monitored against prudent exposure limits. The Islamic window does not maintain any trading positions in its portfolio as of 31 December 2024.

The Islamic window's investments in non-trading instruments are monitored within the overall limits and restrictions prescribed by CBO from time to time, and only in Sharia compliant product categories. The fair value of equity and income statement investments as of 31 December 2024 is RO 12.225 mn with cost amounts to RO 12.636 mn. The Islamic window also has invested in sukuks carried at fair value through comprehensive income and fair value through income statement. The fair value of investments through other comprehensive income as of 31 December 2024 is RO 4.283 mn with a cost amount to RO 4.181 mn. The fair value of investments through income statement as of 31 December 2024 is RO 45.043 mn with a cost amount to RO 43.564

The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board of Directors, as a percentage of the Capital Base of the Bank, which apply to the Islamic window as well. All investment proposals are routed through the ALCO to the relevant approval authority. The Islamic window's appetite for private subscriptions and unlisted / unquoted equity is low, and such proposals are adequately justified on a case by case basis, and has to be approved at least by the Executive Credit Committee and by the Board if it exceeds limits structured as a proportion of the Bank's Capital Base.

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

- Trading and retailing
- Real Estate development, management and rental income
- Construction / contracting and building materials
- Travel / tourism, hotels, restaurants, entertainment, health services and education
- Warehousing / storage, logistics, supply management and transportation, utilities and Telecom
- Oil and Gas
- Banking and Financial Services
- Conglomerates or Holding Companies investing in any of the above business lines

Capital Charge:

The Capital Charge for market risk exposures is measured based on Standardized approach in accordance with the guidelines issued by CBO under Circular BM1009. The Islamic window has implemented standardized duration-based approach to arrive at capital requirement for bonds and debt securities. The capital charge for foreign exchange is computed based on three-month daily average of sum of net long or short positions held by the Bank.

Table showing capital charge for profit Rate, Equity and foreign exchange risk as on 31 December 2024 is given below:

Type of risk (RO '000)	2024	2023
Profit rate risk	949	-
Equity position risk	42	-
Foreign exchange risk	-	343
Percentage of NOP to regulatory capital	3.3%	34.4%
Regulatory ceiling (% to total net worth)	40%	40%

Total risk weighted assets for trading book is RO 11.312 Mn.

Price Risk

Impact of 10% change in price

Investment type	Change in price	Effect on equity ('000) 2024
Regional listed Sukuk	10%	+/- 4,933
Foreign listed Sukuk	10%	-
Listed equities	10%	+/- 1,223
Unquoted equities	10%	+/- 26

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7. Liquidity risk

Qualitative Disclosure

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

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

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

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

The Treasury and Risk management departments identify liquidity at risk, which is monitored daily and reported periodically to ALCO. Liquidity and funding policy and a contingency liquidity plan have been established by the Bank, which applies to its Islamic window as well.

Liquidity and Funding Policy

The liquidity and funding policy of the Bank, which applies for its Islamic window as well, is intended to ensure that liquidity requirements are prudently and effectively managed such that anticipated and unanticipated funding needs are met on an ongoing basis in a controlled manner at the least possible cost.

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

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

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

The financing ratio, which is the ratio of the financing to deposits and capital, is monitored on a daily basis in line with the regulatory guidelines. Internally the lending ratio is set at a more conservative basis than required by regulation. The Islamic window also manages its liquidity risk on a monthly basis monitoring the liquid ratio which is a ratio of net liquid assets to total assets.

The Islamic window also maintains significant investments in liquid instruments issued by Governments and banks principally for maintaining liquidity.

The maturity profile of the assets and funding side at the year-end are based on contractual repayment arrangements. The details of the same are provided in note 33.2 of Islamic window financial statements.

The CBO also restricts the limits on lending by the commercial banks. The maximum lending ratio permissible as at 31 December 2024 was 87.5%.

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7. Liquidity risk (continued)

Details of the reported financing ratio for the year are as follows:

Ratios	2024	2023
Financing ratio	%	%
Year end	85.1	66.8
Maximum for the year	86.2	89.0
Minimum for the year	60.0	63.3
Average for the year	76.0	79.4
Other Ratios		
Financing to customers to total assets	77.0	72.8
Equity to total assets	11.0	11.3
Liquid assets to total assets	18.8	15.4
Liquid assets to short term liabilities	36.0	37.9
Prime assets to volatile liabilities	72.7	80.7
Liquidity Coverage Ratio	215.5	453.5
Net Stable Funding Ratio	130.5	139.6

Stock of Liquid Assets

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

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

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

Diversification of liabilities

The Bank and Islamic window seek to maintain a diversified funding base, and monitor the degree of diversification in its liability base on a monthly basis. Depositor concentration is reviewed by the ALCO on a monthly basis.

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

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

Multi-currency liquidity

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

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

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

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

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7. Liquidity risk (continued)

Limit Breaches

All liquidity limit (internal) breaches are notified to the Treasurer, the Head of Finance, Head of Risk Management and ALCO members at the earliest possible opportunity. The notification includes:

- The cause of the breach
- The remedial action taken
- The expected duration of the breach if still current.

Immediate action is taken to remedy the breach. Should such action not be possible, the ALCO and the CEO are notified.

Liquidity Contingency Plan:

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

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

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

8. Operational risk

Operational Risk Framework

Reputation Risk

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

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

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

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

Business Continuity Risk

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

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

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8. Operational risk (continued)

Business Continuity Test

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

Concentration Risk

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

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

Information Security Risk

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

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

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

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

Operational risk capital charge and risk weighted amount

The Islamic window follows basic indicator approach for determining operational risk. The Capital charge for operational risk under Basic Indicator approach is calculated by taking the average of gross income multiplied by 15%, for each of the last three financial years, excluding years of negative or zero gross income. The gross income includes Net income from financing activities gross of any provisions and depreciation expense on ijarah assets (+) Net income from investment activities (+) fee income (-) investment account holders share of income.

Item (RO '000)	2024	2023	2022
Net Income from financing and investing activities	40,695	32,811	24,687
Other income – net	6,598	3,101	2654
Gross Income	47,293	35,912	27,341
Return to investment account holders	(24,993)	(17,848)	(13,530)
Net Operating Income	22,300	18,064	13,811
Average Income	18,058		
Gross Income times of Alpha (15%)	2,709		
Operational risk based on Basic Indicator Approach	33,859		

Capital Charge for Operational Risk under Basic Indicator Approach as per Basel II is RO 2,286 million as of 31 December 2024. The Risk weighted assets for operational risk as per Basel II is RO 28.581 million.

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9. DISPLACED COMMERCIAL RISK

Displaced commercial risk (DCR) refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared to competitor's rates.

The Islamic window has in place a Profit Distribution Policy which specifies detailed guidelines for creation of PER and IRR to mitigate the DCR. The Islamic window may forgo its fee in case DCR arises. Rates of returns are benchmarked with other Banks in the market and reviewed on periodic basis.

An analysis of distribution during the year to IAH's (Modaraba Deposits Only) by Islamic window is as follows:

	2024	2023	2022	2021	2020
Total Profits available for distribution	13,693	11,176	10,752	9,321	7,596
Profit Sharing:					
- Profit to Shareholders	11,567	9,087	8,531	7,498	5,501
- Share of IAH	1,638	1,669	1,866	1,272	1,377
- Mudarib Share	488	420	355	551	718

During the year ended 31 December 2024, Islamic Window has appropriated RO 0.196 mn towards Profit equalization reserve.

10. INVESTMENT ACCOUNT HOLDERS

The Islamic window receives deposits by Investment Account Holders (IAH) under Mudaraba contract and Wakala bil Istithmar contract. The Islamic window has Unrestricted Account Holders only.

Equity of investment account holders

Equity of investment account holders are funds held by the Islamic Window in unrestricted investment accounts, which it can invest at its own discretion. The investment account holder authorizes the Islamic Window to invest the account holders' funds in a manner which the Islamic Window deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. The Islamic Window charges management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to customers is allocated to investment accounts after setting aside provisions, reserves (Profit equalization reserve and Investment risk reserve, if any) and deducting the Islamic Window's share of income as a Mudarib. The allocation of income is determined by the management of the Islamic Window within the allowed profit-sharing limits as per the terms and conditions of the investment accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the Islamic Window and are not charged separately to investment accounts. Investment accounts are carried at their book values and include amounts retained towards profit equalization and investment risk reserves, if any. Profit equalization reserve is the amount appropriated by the Islamic Window out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the Islamic Window out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders. Creation of any of these reserves results in an increase in the liability towards the pool of unrestricted investment accounts.

Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment accountholders is carried at cost plus profit and related reserves less amounts settled. The basis applied by the Islamic Window in arriving at the equity of investment accountholder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Islamic Window does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share profits from the Mudaraba investment pool in the capacity of Mudarib.

Profit Distribution Mechanism between Shareholders & Depositors under the Common Pool

Participation factor, Weights or profit-sharing ratios are pre-decided by the management of the Bank. In case of any change, after approval by the Shariah Supervisory Board these are intimated to the investors before start of the month. Weighted average balance is calculated at the end of the period by multiplying the participation factor with average balance for the period.

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10. INVESTMENT ACCOUNT HOLDERS

The Islamic window has a single pool of comingled assets where the funds of investment accountholders are invested. The Investment Profits are distributed between Mudarib and IAH in the following percentages:

	2024	2023
Unrestricted Investment Accounts Share	75%	75%
Mudarib Share	25%	25%

The Islamic window does not charge Investment accountholders for operating expenses incurred.

Mudaraba fee

Mudaraba fee will be deducted from allocated profit as per the pre-agreed ratio as approved by SSB which will be advised to customers through website or by posting in branches. Islamic window can create reserves as allowed by SSB and CBO for smoothing of returns to investors and risk management purposes. Two types of reserves allowed are Profit Equalization reserve (PER) and Investment Risk reserve (IRR).

Investment Risk Reserve (IRR)

This reserve is created out of the depositors' share of profit out of the Net Profit from the Common Pool. Purpose of the reserve is to offset the effect of future losses. The available balance in the reserve account shall be invested in the Common Pool and the profit earned by investing such balance will be added to the reserve account. The basis for computing the amounts to be appropriated are applied in accordance with SSB directions. This is to secure suitable and competitive return to the depositors in case there are certain extra ordinary circumstances, depressing the return, which were anticipated by the depositors. The disposition of the reserve amount will take place with the prior approval of the SSB. In case the balance in the reserve account is not sufficient to face the competition, the shareholders may grant part of their share of profit to the depositors with the approval of SSB.

Transfer to or from Profit Equalization reserve (PER)

Percentage to be approved by Bank management subject to internal sharia approval that should be appropriated by Islamic window out of the total common pool profit as per the policy before any distribution takes place, in order to ensure certain level of cushion for the Investment portfolio. Any provisions that are required against the Islamic financing assets or investments will be provided in the books as per the policy which will be in adherence to the central bank revised provisioning policy. The balance of the PER shall also be maintained as a current account.

Transfer to or from (IRR)

In case the rate of return to the depositors in a certain profit distribution period is substantially higher than the market rates, Bank's management may decide to deduct, after taking permission from the SSB, a portion of depositors' share of profit and transfer the same to the IRR.

In case the rate of return to the depositors in a certain profit distribution period is lower than the market, Banks's management may decide to compensate the depositors by transferring the required amount from the said reserve account to increase depositors' return.

No IRR has been created and no transfer has been made during the year ended December 2024.

Assignment of a portion of shareholders' profit to depositors

If required, the Islamic window may decide to allocate some portion from their own profit to a specific deposit category(s). This could be either due to increase in the rate of profit announced by other Islamic Financial Institutions/competitors or to encourage a specific category of depositors.

No assignment of shareholder profit to depositors has been made during the year ended December 2024.

I. Equity of Investment Accountholders – by type (RO '000)

Type (Mudaraba Contracts)	Equity of IAH	
	2024	2023
Saving & Call accounts	179,793	146,012

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10. INVESTMENT ACCOUNT HOLDERS (continued)

II. Equity of Investment Accountholders – Ratios

RO in '000	2024	2023	2022	2021	2020
Ratios and Returns					
Amount of total net income	9,703	8,312	2,773	5,293	2,841
Average amount of assets	767,868	629,431	517,650	435,155	400,150
ROA (Net income before IA's distribution / total assets)	1.26%	1.32%	0.54%	1.22%	0.71%
Amount of total net income	8,124	7,063	1,261	4,021	1,463
Average amount of shareholder's equity	85,474	70,179	61,060	53,673	45,954
ROE (Net income after IA's distribution / Shareholders equity)	9.50%	10.06%	2.07%	7.49%	3.19%
PSR - Average Profit Paid					
Profit sharing ratio (Mudarib: Investment Accountholders)	25:75	25:75	25:75	30:70	30:70
Average Profit paid to investment accountholders	0.97%	0.90%	1.06%	2.86%	1.42%
Average Profit distributed per type of IAH					
Savings (RO 100 – RO 999.999)	0.15%	0.14%	0.15%	0.23%	0.26%
Savings (RO 1,000 – RO 9,999.999)	0.41%	0.39%	0.39%	0.43%	0.44%
Savings (above RO 10,000)	0.55%	0.53%	0.53%	0.57%	0.58%
Call Account (RO 100 - RO 999.999)	0.150%	0.00%	0.00%	0.16%	0.03%
Call Account (RO 1,000 - RO 9,999.999)	0.00%	0.00%	0.04%	-	-
AI Nama Smart Saving (RO 100 – RO 2,499.99)	-	-	-	0.48%	0.58%
AI Nama Smart Saving (RO 2,500 – RO 49,999.99)	-	-	-	1.99%	2.08%
AI Nama Smart Saving (RO 50,000 – RO 499,999.99)	-	-	-	2.59%	2.64%
AI Nama Smart Saving (500,000 - 999,999.999)	-	-	-	2.89%	3.19%
AI Nama (Above 1,000,000)	-	-	-	3.52%	3.57%
URIAH call Retail (Balances Above 10K)	-	0.22%	-	-	-
URIA Saving Awqaf	0.41%	0.39%	0.17%	0.41%	0.43%
Qitaf Saving Account	0.15%	0.15%	0.39%	0.16%	0.25%
Children Saving (Balances from 100 To 999.999)	0.27%	0.02%	-	-	-
Children Saving (Balances from 1,000 To 3,999.999)	0.53%	0.04%	-	-	-
Children Saving (Balances from 4,000 To 9,999.999)	0.78%	0.06%	-	-	-
Children Saving (Balances from Above 10K)	1.59%	0.13%	-	-	-
Youth Saving (Balances from 0 To 99.999)	-	-	-	-	-
Youth Saving (Balances from 100 To 999.999)	0.27%	-	-	-	-
Youth Saving (Balances from 1,000 To 3,999.999)	0.530%	-	-	-	-
Youth Saving (Balances from 4,000 To 9,999.999)	-	-	-	-	-
Youth Saving (Balances from Above 10K)	-	-	-	-	-
AI Nama (0 - 999)	0.05%	0.05%	0.15%	-	-
AI Nama (1,000 - 4,999)	0.16%	0.15%	0.04%	-	-
AI Nama (5,000 - 9,999)	0.53%	0.51%	0.16%	-	-
AI Nama (10,000-19,999)	1.1%	1.02%	0.71%	-	-
AI Nama (20,000 - 34,999)	1.41%	1.36%	1.14%	-	-
AI Nama (35,000 - 49,999)	1.59%	1.52%	1.42%	-	-
AI Nama (50,000-99,999)	1.768%	1.69%	1.57%	-	-
AI Nama (100,000 - 149,999)	2.12%	2.03%	1.71%	-	-
AI Nama (150,000 - 249,999)	2.30%	2.20%	2.26%	-	-
AI Nama (250,000 - 349,999)	2.65%	2.54%	2.54%	-	-
AI Nama (350,000 - 499,999)	2.92%	2.80%	2.75%	-	-
AI Nama (500,000 - 749,999)	3.45%	3.30%	2.43%	-	-
AI Nama (750,000 - 999,999)	3.50%	1.11%	2.20%	-	-
AI Nama (1,000,000+)	3.54%	3.39%	3.41%	-	-

The Islamic window has no off-balance sheet exposures arising from investment decisions. Further, the Islamic window had no limits imposed on the amount that can be invested in any one type of asset.

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10. INVESTMENT ACCOUNT HOLDERS (continued)

III. Computation of pool income for the year ended 31 December 2024 (RO '000)

	2024	2023
Income generated		
Income from financing	36,475	29,168
Income from placements	4,220	3,643
Total	40,695	32,811

	2024	2023
Distribution of Income (Mudaraba Deposits)		
Profit equalization reserve	196	102
Mudarib share	488	420
Investment risk reserve	-	-
Distributable Profit	13,009	10,654
Share of Profit for IAH and shareholders	13,693	11,176

IV. Investment account holders under Wakala (RO '000)

	2024	2023
Average Wakala deposits	455,209	371,033
Average Profit paid to investment accountholders %	5.12	4.29

11. Contract Specific risk

The Bank closely monitors the total risk exposures in each type of financing asset including the relative risk of carried. Following is the total Risk Weighted Assets classified by type of financing as of 31 December 2024

Type of Credit Exposure	RWAs	
	2024	2023
	RO'000	RO'000
Sovereign	-	-
Banks	31,048	38,476
Musharaka receivables	305,654	280,059
Ijarah assets – Ijarah Muntahia Bittamleek	72,165	82,539
Murabaha receivables	58,553	44,115
Credit card receivables	1,562	1,081
Service Ijarah	5,818	2,675
wakala bil istithmar	178,048	70,134
Istisna receivable	-	5,050
Qard hasan	34	74
Other Assets & off-balance sheet items	32,404	29,361
Total	685,286	553,564

12. ZAKAH

Zakah is calculated in accordance with FAS 9 Zakah issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) using the net assets method. The Islamic Window will calculate the "Zakah base" based on audited financial statements and after approval from Sharia Supervisory Board, notify the Shareholders of their pro-rata share of the Zakah payable annually, if any. Payment of Zakah on the Investment Accounts and other Accounts is the responsibility of Investments Account Holders.

13. EARNINGS PROHIBITED BY SHARIAH AND THE CHARITY PAYMENTS BY CUSTOMERS IN SITUATION OF LATE PAYMENT

The Islamic window is committed to avoid recognizing any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to the charity account where the Islamic Window uses these funds for charitable purposes. During the year ended 2024, income amounting to RO 0.003 Mn has been credited to charity account being prohibited by Sharia. And the amount OMR 0.001 Mn has been received in the charity account for late payments. Sources and use of charity by fund have been disclosed in statement of sources and uses of charity fund in Financial Statements. With regard to undistributed funds under charity account as of year ended 2024, Islamic window has taken approval from SSB for deferment of disbursement to next year.

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14. COMPENSATION POLICY AND REMUNERATION OF SHARIA Supervisory BOARD (SSB)

In line with the CBO guidelines on remuneration disclosure as part of pillar III, the relevant qualitative and quantitative disclosure are presented in the banks Basel II Pillar III.

Following remuneration of Sharia Board has been approved by the general assembly;

Chairman: RO 10,000 per annum (US\$ 25,974 per annum).

Member: RO 8,000 per annum (US\$ 20,779 per annum).

Sitting fee: RO 385 (US\$ 1,000) per meeting per member, maximum of 5 sitting per year.

Details of Sharia Supervisory Board and meetings attended during the year has been disclosed in corporate governance report.

15. GENERAL DISCLOSURES

Shari'a governance

Shari'a governance is the most important feature of the Islamic window. Shari'a governance is defined as a system whereby the Bank attempts and abides by the Shari'a principles in all its activities. The main objective of Shari'a governance framework is to ensure Shari'a compliance at all the times and at all levels and that is to enable the Islamic Window to be perceived as fully Shari'a compliant by all aspects. The key elements of Shari'a governance framework of the Islamic window are as follows:

- i. Shari'a Supervisory Board (SSB)
- ii. Head Shari'a Audit and Compliance/Internal Shari'a Reviewer (Head SAC)
- iii. Shari'a Audit Unit (SAU)
- iv. Shari'a Compliance Unit (SCU)
- v. Shari'a Risk Control Unit (SRCU)

Shari'a audit and compliance department

As per the Shari'a governance structure of the Window, Shari'a Audit and Compliance Unit (SACU) is a full-fledged department of the Bank. The Shari'a Audit and Compliance includes SAU, SCU and SRCU and is led by Head Shari'a Audit and Compliance / Internal Shari'a Reviewer. SACU main function is to objectively examine and evaluate the extent of compliance of the Bank in view of the pronouncements issued by the SSB or its Chairman and in adherence to the regulations issued by CBO

SACU has direct and regular communication with all levels of management, the SSB, and external auditors and it is provided with full and continuous support of management and the SSB to perform its duties. Shari'a Audit and Compliance works under supervision of the SSB to ensure independence and objectivity in performance of department's tasks.

Trainings

The Shari'a Audit and Compliance Department (SACD) prepared a comprehensive training plan for year 2024 and got that approved by the SSB. In accordance with the training plan, Shari'a Audit and Compliance prepared material on Ahli Islamic Products and their Shari'a Principles by including essential features of Islamic banking, Shari'a governance, Shari'a structures of Islamic banking products and their process flows, list of legal documentation and Shari'a principles underlying to each product. The training material was made in line with SSB directives, Islamic banking guidelines issued by CBO and AAOIFI Shari'a Standards. The trainings were made as mandatory for the related staff of Ahli Islamic and Ahli Bank.

The trainings were conducted by Head SAC, Manager Shari'a Audit, Manager Shari'a Compliance and Shari'a Risk Controller as per SSB approved Training Plan for 2024 for staff of the Bank. Additionally, online training and learning arrangement was made by Shari'a Department in coordination with the Bank T&D. The training was made mandatory for entire bank staff (Ahli Bank as well as Ahli Islamic) with requirement of passing a test at end of the training. Also, Head SAC taught 22 senior staff of Ahli Islamic CIMA book on Islamic Banking and Takaful Products. The Shari'a Risk Controller accomplished CIBAFI Certificate in Islamic Banking and Shari'a Auditor was facilitated to accomplish Diploma in Islamic Finance with CIMA and CIBAFI'S certificate in Islamic Banking which were successfully accomplished by the staff during the year 2024. The Head SAC attended the training offered by CBFS on Train the Trainer in 2024.

For 2025, annual training budget is in place for employees as part of the bank's overall training and development budget. The continued development, qualification and certification of all Islamic Banking personnel is an ongoing process.

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15. GENERAL DISCLOSURES (continued)

Complaints

Ahli Bank has devised “Code of Ethics and Fair Practices - Customer Complaints Redressal Policy & Procedure” and same is implemented for the Islamic window with regard to professional ethics as well as procedure to resolve customers’ queries and complaints. According to the policy, any Islamic Banking related enquiries and complaints are sent to related department of Islamic banking to address and advice and there is proper mechanism in place and a responsible person is identified who collects complains and send the same to the relevant staff.

The Islamic window has trained customer services representative in all the branches who provide appropriate guidance to customers in selection of relevant products suitable to the individual investors. Further, complete product booklet is available at the branches and on the Bank’s website which can be referred in case of any further clarification is required. Customers call center (can contact number 24577177) or walk in any of the branches to register their complaints.

Awareness

The Bank has trained customer services representatives in all business units who provide appropriate guidance to customers with regard to Islamic Banking products and services. Furthermore, products’ brochures are made available at all the branches for customers information and knowledge. Products’ feature and related SSB Fatwa and glossary of Islamic banking are also available on the website for public information. Additionally, during 2024 Sharia Audit and Compliance team has regularly been meeting with customers and clients and explaining them about Islamic banking products and their conditions.

Related Party

Disclosures related to related party and transactions during 2024 are disclosed in note 30 of Islamic window financial statements.

16. SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

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

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17. BASEL III REGULATORY CAPITAL DISCLOSURES

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

BASEL III common disclosure template (RO '000)		2024	2023
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	50,000	45,000
2	Retained earnings	38,894	30,757
6	Common Equity Tier 1 capital before regulatory adjustments	88,894	75,757
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(1,089)	(768)
28	Total regulatory adjustments to Common equity Tier 1	(1,089)	(768)
29	Common Equity Tier 1 capital (CET1)	87,805	74,989
Additional Tier 1 capital: instruments			
36	Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital before regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	Additional Tier 1 capital (AT1)	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	87,805	74,989
Tier 2 capital: instruments and provisions			
50	Provisions (provision and fair value reserve)	1,785	2,081
51	Tier 2 capital before regulatory adjustments	1,785	2,081
Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	1,785	2,081
59	Total capital (TC = T1 + T2)	89,590	77,070
60	Total risk weighted assets	726,257	580,301
60a	<i>Of which: Credit risk weighted assets</i>	685,286	553,564
60b	<i>Of which: Market risk weighted assets</i>	12,390	4,287
60c	<i>Of which: Operational risk weighted assets</i>	28,581	22,450
Capital Ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.09%	12.92%
62	Tier 1 (as a percentage of risk weighted assets)	12.09%	12.92%
63	Total capital (as a percentage of risk weighted assets)	12.34%	13.28%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.000%	7.000%
65	<i>of which: capital conservation buffer requirement</i>	-	-
66	<i>of which: bank specific countercyclical buffer requirement</i>	-	-
67	<i>of which: G-SIB buffer requirement</i>	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	1.35%	2.28%
National minima (if different from Basel 3)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.000%	7.000%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	9.000%	9.000%
71	National total capital minimum ratio (if different from Basel 3 minimum)	11.000%	11.000%
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	265	154
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1,785	1,926
77	Cap on inclusion of provisions in Tier 2 under standardized approach	9,078	7,254

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17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Step 1: Balance sheet under Regulatory scope of consolidation

(RO'000)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	31 DEC 2024	31 DEC 2024
Assets		
Cash and balances with Central Bank of Oman	48,983	48,983
Due from banks	63,270	63,270
Loans and advances	644,052	644,052
Investments in securities	61,816	61,816
Loans and advances to banks	-	-
Property and equipment	8,647	8,647
Deferred tax assets	-	-
Other assets	10,040	10,040
Total assets	836,808	836,808
Liabilities		
Due to banks	28,643	28,643
Customer deposits	698,147	698,147
Current and deferred tax liabilities	-	-
Other liabilities	18,057	18,057
Subordinated bonds	-	-
Total liabilities	744,847	744,847
Shareholders' Equity		
Paid-up share capital	50,000	50,000
Share premium	-	-
Legal reserve	-	-
General reserve	-	-
Retained earnings	38,894	38,894
Cumulative changes in fair value of investments	(303)	(303)
Subordinated debt reserve	-	-
Other Reserves	3,370	3,370
Total shareholders' equity	91,961	91,961
Total liability and shareholders' funds	836,808	836,808

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as at 31 December 2024

17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

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

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

Step 2: Expansion of Balance Sheet under Regulatory Scope of Consolidation

Year ended 31 December 2024	Balance sheet as In published financial statements	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	48,983	48,983	
Due from banks	63,270	63,270	
Financings - Net, of which:	644,052	644,052	
- Financings to domestic customers		658,438	
- Provision against financings, of which:		(14,386)	
- Stage 3 Impairment allowance		(6,033)	
- Stage 1 / 2 impairment allowance, of which		(8,353)	
- Amount eligible for T2		1,785	a
- Amount ineligible for T2		6,568	
Investments, of which:	61,816	61,816	
- fair value through income statement		45,308	
- fair value through other comprehensive income		16,508	
- Stage 1 / 2 impairment allowance, of which		-	
- amount eligible for T2		-	
- amount ineligible for T2		-	
Fixed assets	8,647	8,647	
- Intangibles (CET1 adjustment)		(660)	e
- Other fixed Asset		(7,987)	
Other assets	10,040	10,040	
Total Assets	836,808	836,808	
Capital & Liabilities			
Paid-up Capital, of which:	50,000	50,000	
- Amount eligible for CET1		50,000	b
Reserves & Surplus; of which	41,961	41,961	
- Amount eligible for CET1		38,894	c
- Amount eligible for T2 (Investments Fair value gains)		-	d
- Investments fair value loss (CET1 adjustment)		(429)	e
- Investments fair value gains unutilized		126	
- Other reserves (not eligible for CET1)		3,370	
Total Capital	91,961	91,961	
Deposits	698,147	698,147	
Due to banks	28,643	28,643	
Other liabilities and provisions	18,057	18,057	
Other liabilities & provisions, of which		18,907	
- Stage 1 / 2 impairment allowance, of which		(850)	
- amount eligible for T2		-	
- amount ineligible for T2		(850)	
TOTAL	836,808	836,808	

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17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (RO' 000)			
Year ended 31 December 2024	Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	50,000	b
2	Retained earnings	38,894	c
3	Common Equity Tier 1 capital before regulatory adjustments	88,894	
4	Prudential valuation adjustments	(1,089)	e
5	Total regulatory adjustments to Common equity Tier 1	(1,089)	
6	Common Equity Tier 1 capital (CET1)	87,805	
Additional Tier 1 capital: instruments			
7	Additional Tier 1 capital (AT1)	-	
	Tier 1 capital (T1 = CET1 + AT1)	87,805	
Tier 2 capital: instruments and provisions			
8	Provisions	1,785	a
9	Fair value reserve of AFS investments	-	d
	Tier 2 capital before regulatory adjustments	1,785	
	Tier 2 capital: regulatory adjustments	-	
	Tier 2 capital (T2)	1,785	
	Total capital (TC = T1 + T2)	89,590	

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17.1 MAIN FEATURES OF REGULATORY CAPITAL

Year ended 31 December 2024

		Common Equity Share Capital
1	Ahli Islamic	
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	50 million
9	Par value of instrument	-
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	RO 25 Million allocated in 2013 and RO 10 Million allocated in 2021. 10 Million allocated in 2023. 5 Million allocated in 2024.
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Statutory approach
32	If write-down, full or partial	Write down fully
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

BASEL II PILLAR III AND BASEL III Disclosures

as at 31 December 2024

18. Basel III LIQUIDITY DISCLOSURE

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

Year ended 31 December 2024		Total Unweighted Value (average)	Total Weighted Value (average)
(RO '000)			
High Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)	87,278	87,278
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	602,936	31,471
3	Stable deposits	10,048	301
4	Less stable deposits	592,888	31,170
6	Unsecured wholesale funding, of which:	95,259	43,256
7	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
8	Non-operational deposits (all counterparties)	79,008	27,005
9	Unsecured debt	16,251	16,251
10	Secured wholesale funding	-	-
11	Additional requirements, of which		
12	Outflows related to derivative exposures and other collateral requirements	86,814	86,814
13	Outflows related to loss of funding on debt products		
14	Credit and liquidity facilities	3,000	300
15	Other contractual funding obligations	-	-
16	Other contingent funding obligations	3,788	189
17	TOTAL CASH OUTFLOWS	791,797	162,030
Cash Inflows			
18	Secured lending (e.g. reverse repos)		
19	Inflows from fully performing exposures	108,530	59,908
20	Other cash inflows	165,528	86,814
21	TOTAL CASH INFLOWS	274,058	146,722
22	TOTAL HQLA		87,278
23	TOTAL NET CASH OUTFLOWS		40,508
24	LIQUIDITY COVERAGE RATIO (%)		215.46%

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as at 31 December 2024

19. NET STABLE FUNDING RATIO (NSFR): Common Disclosure Template

The below Net Stable Funding Ratio (NSFR) disclosure is presented for year ended 31 December 2024 and prepared in accordance with the requirements of the CBO letter vide circular reference 1147 issued on October 26, 2016.

31 December 2024

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>= 1 Year	Weighted Value
ASF ITEM						
1	Capital	89,590	-	-	-	89,590
2	Regulatory Capital	89,590				89,590
3	Retail Deposits and Deposits from small Business Customers	321,599	125,805	119,535	39,998	554,673
4	Stable Deposit	83,533	2,587	2,453	1,553	85,697
5	Less Stable Deposit	238,067	123,219	117,082	38,445	468,976
6	Wholesale Funding	69,389	3,088	12,893	7,194	49,879
7	Operational	-				-
7	Other Wholesale Funding	69,389	3,088	12,893	7,194	49,879
8	All other liabilities and equities not included in above categories	47,661	-	-	-	-
9	Total ASF					694,142
RSF ITEMS						
10	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	2,294
11	Deposits held at other financial institutions for operational purposes	63,271	-	-	-	31,635
12	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
13	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	-	-	-	404,168	343,543
13	With a risk weight of less than or equal to 35% under the Basel II Standardized approach for credit risk	-	124,157	18,129	-	71,143
14	Performing residential mortgages, of which: With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	102,862	66,861
15	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	15,930	13,540
16	All other assets not included in the above categories	-	-	-	805	805
17	Off-balance sheet items	-	19,775	5,221	20,098	2,255
18	Total RSF					532,076
19	NET STABLE FUNDING RATIO					130.46%

BASEL II PILLAR III AND BASEL III Disclosures

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

The Basel II Pillar III disclosures are prepared in accordance with the requirements of Basel II Pillar III disclosures as set out in the CBO circular BM1009 and BM1027.

Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated march 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated October 26, 2016.

For ahli islamic



Hamdan Ali Nasser Al Hinai

Chairman

Date: 29 January 2025

