BANK MUSCAT SAOG

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

BANK MUSCAT SAOG

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

Contents **Page**

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Independent auditors' report

To the Shareholders of Bank Muscat SAOG

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Continued on page 3

Continued from page 2

Key Audit Matters (continued)

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

See notes 3.5, 4(a), 7 and 41.2 to the consolidated financial statements.

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

Continued on page 4

Continued from page 3

Key Audit Matters (continued)

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

See notes 3.5, 4(a), 7 and 41.2 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
	• Performing credit assessments for a sample of selected customers, including Stage 3 customers, to test the appropriateness of the credit grades, including staging, assessing the financial performance of the borrower, source of repayment through discounted cash flows including collateral and other relevant risk factors by analysing financial information, assumptions and professional judgement applied by the Group, and as necessary, challenging the appropriateness of the ECL calculation for a sample of borrowers. • Assessing the adequacy of the Group's disclosures by reference to the requirements of the relevant accounting standards.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 February 2024.

Other Information

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

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

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

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

Continued on page 5

Continued from page 4

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

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

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

Continued on page 6

Continued from page 5

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Kenneth Macfarlane
Date: 5 March 2025

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BANK MUSCAT SAOG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	2024 RO 000's	2023 RO 000's
ASSETS			
Cash and balances with Central Banks	5	**476,739**	772,340
Due from banks	6	**714,791**	869,704
Loans and advances	7	**8,616,285**	8,350,080
Islamic financing receivables	7	**1,621,163**	1,527,030
Investment securities	9	**2,107,980**	1,866,955
Investment in an associate	10	**9,660**	8,889
Other assets	8	**277,792**	201,073
Property, equipment and software	11	**87,545**	77,300
TOTAL ASSETS		**13,911,955**	13,673,371
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks	14	**978,178**	1,100,089
Customers' deposits	15	**8,193,168**	8,170,075
Islamic customers' deposits	15	**1,583,900**	1,267,717
Sukuk	16	**16,842**	45,869
Euro medium term notes	17	**195,139**	195,139
Other liabilities	18	**430,737**	477,998
Taxation	19	**69,158**	61,629
Total liabilities		**11,467,122**	11,318,516
EQUITY			
Equity attributable to equity holders of parent			
Share capital	20	**750,640**	750,640
Share premium	21	**156,215**	156,215
General reserve	22	**410,258**	410,258
Legal reserve	22	**183,032**	160,474
Revaluation reserve	11	**4,904**	4,904
Cumulative changes in fair value		**43,806**	41,825
Foreign currency translation reserve		**(3,690)**	(3,642)
Cash flow hedge reserve	37	**5,901**	3,254
Impairment reserve / restructured loan reserve	23	**-**	2,136
Retained earnings		**388,447**	323,471
Total equity attributable to the equity holders		**1,939,513**	1,849,535
Perpetual Tier I capital	24	**505,320**	505,320
Total equity		**2,444,833**	2,354,855
TOTAL LIABILITIES AND EQUITY		**13,911,955**	13,673,371
Net assets per share	26	**RO 0.258**	RO 0.246
Contingent liabilities and commitments	27	**1,811,518**	1,669,583

The consolidated financial statements were authorised on 04 MAR 2025 for issue in accordance with a resolution of the Board of Directors.

Chairman	Director	Chief Executive Officer

The attached notes 1 to 45 form part of these consolidated financial statements.

BANK MUSCAT SAOG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Notes	**2024 RO 000's**	2023 RO 000's
Interest income	*28*	**609,855**	561,188
Interest expense	*29*	**(245,305)**	(223,441)
Net interest income		**364,550**	337,747
Income from Islamic financing / investments	*28*	**101,270**	97,850
Distribution to depositors	*29*	**(68,119)**	(60,775)
Net income from Islamic financing		**33,151**	37,075
Net interest income and income from Islamic financing		**397,701**	374,822
Commission and fee income (net)	*30*	**96,119**	93,045
Other operating income	*31*	**48,885**	44,954
OPERATING INCOME		**542,705**	512,821
OPERATING EXPENSES			
Other operating expenses	*32*	**(187,995)**	(176,435)
Depreciation	*11&12*	**(21,267)**	(19,954)
		(209,262)	(196,389)
Share of results from an associate	*10*	**996**	450
Net impairment losses on financial assets	*41*	**(64,406)**	(64,662)
		(272,672)	(260,601)
PROFIT BEFORE TAXATION		**270,033**	252,220
Tax expense	*19*	**(44,453)**	(39,774)
PROFIT FOR THE YEAR		**225,580**	212,446
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Net other comprehensive income / (expense) to be reclassified to profit or loss in subsequent periods, net of tax:			
Translation of net investments in foreign operations		**(48)**	239
Change in fair value of FVOCI debt investments	*19*	**212**	2,910
Share of other comprehensive income (expense) of an associate	*10*	**72**	(61)
Effective portion of hedge	*37*	**3,603**	5,333
Gains on hedge reclassified to profit or loss	*37*	**(956)**	(2,079)
		2,883	6,342
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Change in fair value of FVOCI equity investments	*19*	**1,485**	39,640
		1,485	39,640
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**4,368**	45,982
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**229,948**	258,428
Total comprehensive income attributable to:			
Equity holders of Parent Company		**229,948**	258,428
Profit attributable to:			
Equity holders of Parent Company		**225,580**	212,446
Earnings per share:			
Basic and diluted	*34*	**RO 0.027**	RO 0.025

The attached notes 1 to 45 form part of these consolidated financial statements.

BANK MUSCAT SAOG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

		Attributable to equity holders of parent												
2024	*Notes*	***Share capital RO 000's***	***Share premium RO 000's***	***General reserve RO 000's***	***Legal reserve RO 000's***	***Revaluation reserve RO 000's***	***Cash flow hedge reserve RO 000's***	***Cumulative changes in fair value RO 000's***	***Foreign currency translation reserve RO 000's***	***Impairment reserve / restructured loan reserve RO 000's***	***Retained earnings RO 000's***	***Total RO 000's***	***Perpetual Tier I capital RO 000's***	***Total RO 000's***
Balance at 1 January 2024		**750,640**	**156,215**	**410,258**	**160,474**	**4,904**	**3,254**	**41,825**	**(3,642)**	**2,136**	**323,471**	**1,849,535**	**505,320**	**2,354,855**
Profit for the year		-	-	-	-	-	-	-	-	-	225,580	225,580	-	225,580
Other comprehensive income (expense)		-	-	-	-	-	2,647	1,769	(48)	-	-	4,368	-	4,368
Total comprehensive income (expense)		-	-	-	-	-	2,647	1,769	(48)	-	225,580	229,948	-	229,948
Transfer within equity upon disposal of FVOCI equity investments	*9*	-	-	-	-	-	-	212	-	-	(212)	-	-	-
Dividends paid	*25*	-	-	-	-	-	-	-	-	-	(116,349)	(116,349)	-	(116,349)
Transfer to legal reserve	*22*	-	-	-	22,558	-	-	-	-	-	(22,558)	-	-	-
Transfer from restructured loan reserve to retained earnings	*23*	-	-	-	-	-	-	-	-	(2,136)	2,136	-	-	-
Interest on Perpetual Tier I capital	*24*	-	-	-	-	-	-	-	-	-	(23,621)	(23,621)	-	(23,621)
Balance at 31 December 2024		**750,640**	**156,215**	**410,258**	**183,032**	**4,904**	**5,901**	**43,806**	**(3,690)**	**-**	**388,447**	**1,939,513**	**505,320**	**2,444,833**

BANK MUSCAT SAOG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

		Attributable to equity holders of parent												
2023	*Notes*	***Share capital RO 000's***	***Share premium RO 000's***	***General reserve RO 000's***	***Legal reserve RO 000's***	***Revaluation reserve RO 000's***	***Cash flow hedge reserve RO 000's***	***Cumulative changes in fair value RO 000's***	***Foreign currency translation reserve RO 000's***	***Impairment reserve / restructured loan reserve RO 000's***	***Retained earnings RO 000's***	***Total RO 000's***	***Perpetual Tier I capital RO 000's***	***Total RO 000's***
Balance at 1 January 2023		750,640	156,215	410,258	139,229	4,904	-	(587)	(3,881)	2,330	267,696	1,726,804	505,320	2,232,124
Profit for the year		-	-	-	-	-	-	-	-	-	212,446	212,446	-	212,446
Other comprehensive income		-	-	-	-	-	3,254	42,489	239	-	-	45,982	-	45,982
Total comprehensive income		-	-	-	-	-	3,254	42,489	239	-	212,446	258,428	-	258,428
Transfer within equity upon disposal of FVOCI equity investments	*9*	-	-	-	-	-	-	(77)	-	-	77	-	-	-
Dividends paid	*25*	-	-	-	-	-	-	-	-	-	(112,596)	(112,596)	-	(112,596)
Transfer to legal reserve	*22*	-	-	-	21,245	-	-	-	-	-	(21,245)	-	-	-
Transfer from restructured loan reserve to retained earnings		-	-	-	-	-	-	-	-	(194)	194	-	-	-
Interest on Perpetual Tier I capital	*24*	-	-	-	-	-	-	-	-	-	(23,101)	(23,101)	-	(23,101)
Balance at 31 December 2023		750,640	156,215	410,258	160,474	4,904	3,254	41,825	(3,642)	2,136	323,471	1,849,535	505,320	2,354,855

The attached notes 1 to 45 form part of these consolidated financial statements.

BANK MUSCAT SAOG

CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOWS
For the year ended 31 December 2024

	Notes	2024 RO 000's	2023 RO 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		**270,033**	252,220
Adjustments for :			
Depreciation	*11*	**21,267**	19,954
Net impairment losses on financial assets	*41*	**64,406**	64,662
Share of results from associates	*10*	**(996)**	(450)
Loss on sale of property and equipment	*11*	**563**	1
Profit on sale of investments	*31*	**(368)**	(1,021)
Dividends income	*31*	**(11,877)**	(7,337)
Operating profit before working capital changes		**343,028**	328,029
Due from banks		**4,609**	66,238
Loans and advances		**(327,914)**	(415,793)
Islamic financing receivables		**(105,906)**	(93,030)
Other assets		**(76,795)**	(22,416)
Deposits from banks		**(121,911)**	95,983
Customers' deposits		**23,093**	760,108
Islamic customers' deposits		**316,183**	30,863
Other liabilities		**(44,945)**	51,476
Cash from operations		**9,442**	801,458
Income taxes paid		**(36,552)**	(33,643)
Net cash (used in) / from operating activities		**(27,110)**	767,815
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend from an associate	*10*	**297**	295
Dividend received		**11,645**	7,385
Purchase of investments		**(546,858)**	(321,675)
Proceeds from sale / maturity of investments		**224,417**	340,806
Purchase of property and equipment	*11*	**(23,473)**	(21,875)
Proceeds from sale of property and equipment	*11*	**-**	3
Net cash (used in) / from investing activities		**(333,972)**	4,939
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(116,349)**	(112,596)
Interest on perpetual Tier I capital		**(23,621)**	(23,101)
Repayment of Euro medium term notes	*17*	**-**	(192,500)
Repayment of Sukuk	*16*	**(45,597)**	-
Issuance of Sukuk	*16*	**16,525**	-
Net cash used in financing activities		**(169,042)**	(328,197)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(530,124)**	444,557
Cash and cash equivalents at 1 January		**1,760,708**	1,316,151
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*33*	**1,230,584**	1,760,708

Interest income and income from Islamic financing / investments received was RO 700.117 million (2023: RO 652.277 million) and interest expense and distribution to depositors paid was RO 290.322 million (2023: RO 254.317 million). These form part of operating cash flows of the Bank.

For details of non-cash transactions refer note 10 and note 20.

The attached notes 1 to 45 form part of these consolidated financial statements.

1 Legal status and principal activities

Bank Muscat SAOG (the Group, the Bank or the Parent Company) is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial and investment banking activities through a network of 190 branches (2023 - 181 branches) within the Sultanate of Oman and one branch each in Riyadh, Kingdom of Saudi Arabia and Kuwait. The Bank has representative offices in Dubai, United Arab Emirates, Singapore and Iran. The Bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank has its primary listing on the Muscat Stock Exchange. The Bank operates in 6 countries (2023 - 6 countries) and employed 4,400 employees as of 31 December 2024 (2023: 4,203).

During 2013, the Parent Company inaugurated "Meethaq Islamic banking window" (“Meethaq”) in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari’a rules and regulations. Meethaq operates under an Islamic banking license granted by the CBO on 13 January 2013. Meethaq’s Shari’a Supervisory Board is entrusted to ensure Meethaq's adherence to Shari’a rules and principles in its transactions and activities. The principal activities of Meethaq include: accepting customer deposits; providing Shari'a compliant financing based on various Shari'a compliant modes; undertaking Shari'a compliant investment activities permitted under the CBO's Regulated Islamic Banking Services as defined in the licensing framework. As of 31 December 2024, Meethaq has 32 branches (2023 - 28 branches) in the Sultanate of Oman.

2 Basis of preparation

2.1 Statement of compliance

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

The Islamic window operation of the Parent Company; "Meethaq" uses Financial Accounting Standards ("FAS"), issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), for preparation and reporting of its financial information. Meethaq's financial information is included in the results of the Bank, after adjusting for financial reporting differences, if any, between AAOIFI and IFRS.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, modified to include the application of fair value measurements that are required or allowed by relevant accounting standards. The consolidated statement of financial position is presented in descending order of liquidity as this presentation is more appropriate to the Group’s operations.

For the ease of users, relevant balances of Meethaq are separately presented in these consolidated financial statements wherever applicable. A complete set of carve out financial statements of Meethaq, prepared under AAOIFI, is included in the Group’s annual report.

The FSA of the Sultanate of Oman requires all Public Joint Stock Companies to disclose the financials of the Parent Company in a separate column in the financial statements vide circular E/2/2007 dated 21 January 2007.

The Group has fully owned Special Purpose Vehicles (“SPVs”) in the following entities namely, Muscat Real Estate Company registered in Kingdom of Saudi Arabia, BM Innovate Limited registered in Cayman Islands, Meethaq Sukuk Company LLC registered in Oman and BM SIP Ltd registered in Cayman Islands.

The size, operations, and financial statements of the above SPVs are not material to the consolidated financial statements of the Group. Hence, financial statements of the Parent Company have not been provided in a separate column in these consolidated financial statements.

2 Basis of preparation (continued)

2.3 Functional and presentation currency

These consolidated financial statements are presented in Rial Omani, which is the Parent company's functional currency. All financial information presented in Rial Omani has been rounded to the nearest thousand, unless otherwise stated.

2.4 New standards, implementations and amendments in existing standards

(a) New and amended standards, interpretations and amendments adopted by the Group

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these consolidated financial statements. Other amendments and interpretations apply for the first time in 2024, but do not have an impact on the Group's consolidated financial statements.

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

The effects of the above amendments are not material to these consolidated financial statements.

(b) New standards, interpretations and amendments issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

2.5 Consolidation

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries (refer note 2.2). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee that significantly affect their returns)

2 Basis of preparation (continued)

2.5 Consolidation (continued)

(a) Basis of consolidation (continued)

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the Group in transactions where the non-controlling interests are acquired or sold without loss of control.

When the Group ceases to have control or significant influence, any retained interest in the entity is measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Basis of preparation (continued)

2.5 Consolidation (continued)

(c) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment is recognised in the profit or loss.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investment in associates is disclosed in note 10.

3 Material accounting policies

3.1 Application of accounting policies

The Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated financial statements.

3.2 Revenue from Contracts with Customers

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. Specifically, the standard introduces a 5 step approach to revenue recognition:

3 Material accounting policies (continued)

3.2 Revenue from Contracts with Customers (continued)

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**	**Revenue Recognition**
Transactional services	The services include opening, closing and maintenance of deposit accounts, cheque issuance, clearing, deposit and payments transactions, remittances, safe deposit lockers. It also include card and e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place.	The Group recognises revenue on completion of service or proportionate completion basis or satisfaction of performance obligation as per the terms of contract.
Trade services	The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Income is recognised on service completion basis or time proportionate basis over the period of contract.
Syndication and other loan related services	The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	The Group recognises revenue on completion of service basis or on time proportion basis.
Advisory and asset management services	Advisory services include advising for debt syndications, fund raising, financial structuring etc. This also includes business restructuring services like advising for mergers and acquisitions, joint ventures, bid process etc. Advisory fees are charged to the customer's account on milestone completion basis or over the period of contract in line with the terms and conditions of contract. Asset management services cover: a) portfolio management services including managing investment portfolios primarily for institutional clients for investing into local, regional and international listed equities, fixed income securities, commodities, currencies, derivatives, structured products b) Fund Management includes structuring, setting up and ongoing management of fund and its investments either in Oman or in other jurisdictions as per business requirements and activities c) Ancillary services including custody services, trade executions etc. Private Equity business cover structuring of funds, mobilization of capital for Funds and investment management of funds. Fees for asset management services and private equity are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Advisory income is recognised on satisfaction of performance obligation at a point in time or over a period of time or on achievement of agreed milestones as per contract. Asset management income is recognised on time proportion basis or on completion of performance obligations as per the terms of the contract.

3 Material accounting policies (continued)

3.3 Foreign currency translation

(i) Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income (FVOCI), are included in other comprehensive income.

(iv) On consolidation, the assets and liabilities of foreign operations are translated into Rial Omani at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss in other operating expenses or other operating income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

3.4 Revenue and expense recognition

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

3.4.1 Interest

Effective interest rate (EIR)

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

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

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3 Material accounting policies (continued)

3.4 Revenue and expense recognition (continued)

3.4.1 Interest (continued)

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

For information on when financial assets are credit-impaired, see Note 3.6.

Presentation

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

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

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss (FVTPL) are presented in net income from other financial instruments at FVTPL.

3.4.2 Fees and commission

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

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

3 Material accounting policies (continued)

3.4 Revenue and expense recognition (continued)

3.4.2 Fees and commission (continued)

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

3.4.3 Dividends

Dividend income is recognised in the consolidated statement of comprehensive income in ‘Other operating income’, when the Group’s right to receive the dividend is established.

3.5 Financial assets and liabilities

3.5.1 Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

3.5.2 Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

3 Material accounting policies (continued)

3.5 Financial assets and liabilities (continued)

3.5.2 Classification (continued)

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

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

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

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

3 Material accounting policies (continued)

3.5 Financial assets and liabilities (continued)

3.5.2 Classification (continued)

(a) Loans and advances

'Loans and advances' and 'Islamic financing receivables' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's consolidated financial statements.

(b) Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

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

- interest revenue using the effective interest method;
- ECL and reversals; and foreign exchange gains and losses.

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

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Reclassifications

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

3.5.3 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

3 Material accounting policies (continued)

3.5 Financial assets and liabilities (continued)

3.5.3 Derivative financial instruments and hedging activities (continued)

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
(ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);or
(iii) hedges of a net investment in a foreign operation (net investment hedge).

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the profit or loss within 'Other operating income'.

(a) Hedge documentation, effectiveness assessment, and discontinuation

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio). Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

When the hedging instrument or instruments have been sold or terminated, or when a hedging relationship no longer meets the risk management objective or the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.

3.5.4 Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.5.5 Derecognition

(i) Financial assets

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

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

3 Material accounting policies (continued)

3.5 Financial assets and liabilities (continued)

3.5.5 Derecognition (continued)

(i) Financial assets (continued)

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

(ii) Financial liabilities

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

3.5.6 Modifications of financial assets and financial liabilities

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

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

3.5.7 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a Group of similar transactions.

3.5.8 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

3 Material accounting policies (continued)

3.5 Financial assets and liabilities (continued)

3.5.9 Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Details are set out in note 42.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

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

Investment in equity and debt securities

For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market prices (active market) at the close of business on the reporting date.

3 Material accounting policies (continued)

3.5 Financial assets and liabilities (continued)

3.5.9 Fair value measurement (continued)

Investment in equity and debt securities (continued)

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Fair value measurement of derivatives

The fair value of forward contracts/options and others are estimated based on observable market inputs for such contracts as on the reporting date.

The fair value of interest rate/cross currency swaps are arrived at by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instrument at measurement date.

The fair value of options is determined based on its intrinsic values, term to maturity and implied volatility.

3.6 Identification and measurement of impairment of financial assets

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

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments. Loss allowances are measured 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; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

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

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

Also see Credit risk note 41.2

Restructured financial assets

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

3 Material accounting policies (continued)

3.6 Identification and measurement of impairment of financial assets (continued)

Restructured financial assets (continued)

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, any loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision under other liabilities;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

3 Material accounting policies (continued)

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances, treasury bills and money market placements and deposits maturing within three months of the date of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.8 Due from banks

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

3.9 Property, equipment and software

Items of property and equipment are measured at cost less accumulated depreciation and impairment loss. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Computer software costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the costs beyond one year are recognised as an intangible asset. Computer software costs recognised as an asset are amortised using the straight-line method over the estimated useful life of 5-10 years. Revaluations of freehold land and buildings are carried out every five years on an open market value for existing use basis, by an independent valuer. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the consolidated statement of comprehensive income. On disposal the related revaluation surplus is transferred directly to retained earnings. Transfers from revaluation surplus to retained earnings are not made through consolidated statement of comprehensive income. The revaluation reserve is not available for distribution until the related asset is disposed.

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

	Years
Buildings	20 - 50
Furniture, fixtures and equipment	5 - 10
Motor vehicles	3 - 5

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

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

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

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

3.10 Collateral pending sale

The Group occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the outstanding amount of the related loans and advances or the fair value of the collateral held. Gains or losses on disposal and unrealised losses on revaluation are recognised in the consolidated statement of comprehensive income.

3 Material accounting policies (continued)

3.11 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments,* is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

3.12 Deposits

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

3.13 Income tax

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

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

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

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

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

3.14 Fiduciary assets

The Group provides trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

3 Material accounting policies (continued)

3.15 Acceptances

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

3.16 Repurchase and resale agreements

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

3.17 Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

3.18 Leases

(i) The Group's leasing activities and how these are accounted for

The Bank leases various offices, storage facilities, and retail space for its branches. Rental contracts are typically made for fixed periods of 1 to 5 years.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

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

The Group uses the rate which approximates to the risk free rate adjusted for its credit risk, lease tenure and collateral if any.

Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss in other operating expenses as "finance charges on lease" over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

The right-of-use assets are depreciated over the lease term on a straight-line basis, unless the lease term is higher than the asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Group does not have any significant low-value assets as of the respective reporting date.

3 Material accounting policies (continued)

3.18 Leases (continued)

(ii) Extension and termination options

Extension and termination options are included in a number of leases across the Group. The majority of extension and termination options held are exercisable by the Group and by the respective lessor. Extension options are not included in the lease term only if the lease is reasonably certain to be extended (or not terminated). The Group considers several factors to determine the lease term, as mentioned in IFRS 16.

3.19 Employees' end of service benefits

Contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as expense in the consolidated statement of comprehensive income when accrued.

The Group's obligation in respect of non-Omani end of service benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in current and prior periods.

3.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group, after interest on perpetual tier 1 capital, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Group, after interest on perpetual tier 1 capital, and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes.

3.21 Share capital

Ordinary shares with discretionary dividends and other eligible shares / instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3.22 Borrowings

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

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

3.23 Dividend on ordinary shares

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

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

3.24 Directors' remuneration

The board of directors' remuneration is accrued within the limits specified by the Financial Services Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman. These costs are recorded as expenses in the period in which they are incurred.

4. Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in this note. Specific fair value estimates are disclosed in note 42.

The Group's significant accounting estimates were on:

(a) Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI 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 41.2.7.

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 the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at December 31, 2024 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	At 31 December 2024		*At 31 December 2023*	
Sensitivity of impairment estimates	***ECL RO 000's***	***Impact on ECL RO 000's***	*ECL RO 000's*	*Impact on ECL RO 000's*
ECL on non-impaired financial assets under IFRS9	344,042	-	297,226	-
Simulations				
Upside case - 100% weighted	337,609	(6,433)	289,859	(7,367)
Base case - 100% weighted	341,696	(2,346)	294,061	(3,165)
Downside scenario - 100% weighted	353,603	9,561	308,814	11,588

For computation of ECL, the Group considers three scenario viz. base case, upside case and downside case with weightage of 40%, 30% and 30% respectively. For further information on the key indicators, refer to note 41.2.7.

(b) Fair value of derivatives and other financial instruments

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

The sensitivity analysis of the fair value of derivatives and other financial instruments is shown in note 42, fair value information.

4. Critical accounting estimates and judgements (Continued)

(c) Taxes

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

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

A table showing the impact of change in tax is as follows:

	At 31 December 2024		*At 31 December 2023*	
	% of change		*% of change*	*Change*
Sensitivity of assumptions used in the tax calculations	***(+/-)***	***Change (+/-)***	*(+/-)*	*(+/-)*
		RO 000's		*RO 000's*
Change in tax expense	**5%**	**2,223**	5%	1,989

Accordingly, the table showing the impact of change in deferred tax by 5 per cent is as follows:

	At 31 December 2024		*At 31 December 2023*	
	% of change		*% of change*	*Change*
Deferred tax asset/ liability (net)	***(+/-)***	***Change (+/-)***	*(+/-)*	*(+/-)*
		RO 000's		*RO 000's*
Impact of change	**5%**	**(180)**	5%	(88)

(d) Assessment of significant influence

Certain judgments were involved in assessment of significant influence that the Group has on SICO BSC (c), even though the Group holds less than the 20% voting rights. For more information, refer note 10.

(e) Going concern

The Group'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 Group's ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on the going concern basis.

5. Cash and balances with Central Banks

	2024	2023
	RO 000's	RO 000's
Cash	**217,982**	196,854
Capital deposit with Central Banks	**500**	500
Other balances with Central Banks	**233,669**	360,884
Placements with Central Banks	**24,588**	214,109
	476,739	772,347
Less: impairment loss allowance	**-**	(7)
	476,739	772,340

5. Cash and balances with Central Banks (continued)

The movement in impairment loss allowance is analysed below:

	2024 RO 000's	2023 RO 000's
At 1 January	**7**	7
Reversed during the year	**(7)**	-
At 31 December	**-**	7

The capital deposit with the Central Banks cannot be withdrawn without the approval of the respective Central Bank. During the year, the average minimum balance to be kept with Central Banks as statutory reserves was RO 322.3 million (2023: RO 304.8 million).

6. Due from banks

	2024 RO 000's	2023 RO 000's
At amortised cost		
Nostro balances	**52,301**	222,043
Inter-bank placements	**534,392**	439,636
Loans to banks	**77,654**	139,837
	664,347	801,516
At FVOCI		
Loans to banks	**55,812**	72,900
	720,159	874,416
Less: impairment loss allowance	**(5,368)**	(4,712)
	714,791	869,704

The movement in impairment loss allowance is analysed below:

	2024 RO 000's	2023 RO 000's
At 1 January	**4,712**	4,880
Provided / (released) during the year	**657**	(169)
Others	**(1)**	1
At 31 December	**5,368**	4,712

7. Loans and advances / Islamic financing receivables

Loans and advances measured at amortised cost

	2024 RO 000's	2023 RO 000's
Loans	**4,264,504**	4,161,060
Overdrafts and credit cards	**353,003**	316,800
Loans against trust receipts	**184,467**	200,993
Bills purchased and discounted	**212,834**	205,111
Other advances	**210,304**	218,836
Personal and housing loans	**3,961,061**	3,737,183
	9,186,173	8,839,983
Less: impairment loss allowance	**(569,888)**	(489,903)
	8,616,285	8,350,080

7. Loans and advances / Islamic financing receivables (continued)

Islamic financing receivables measured at amortised cost

	2024 RO 000's	2023 RO 000's
Housing finance	550,802	537,997
Consumer finance	65,752	60,151
Corporate finance	1,094,190	1,004,306
	1,710,744	1,602,454
Less: impairment loss allowance	(89,581)	(75,424)
	1,621,163	1,527,030

The movement in impairment loss allowance is analysed below:

	2024 RO 000's	2023 RO 000's
At 1 January	565,327	557,664
Impairment for credit losses	102,315	81,353
Interest reserved during the year	25,720	26,928
Recoveries from impairment for credit losses	(27,335)	(32,149)
Reserve interest recovered during the year	(4,195)	(4,082)
Written off during the year	(3,538)	(4,324)
Transfer from / (to) memorandum portfolio	1,182	(60,045)
Foreign currency translation difference	(16)	(17)
Other movements	9	(1)
At 31 December	659,469	565,327

As of 31 December 2024, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 420.4 million (2023 – RO 394.2 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

8. Other assets

	2024 RO 000's	2023 RO 000's
Acceptances (note 18)	92,801	132,926
Less: impairment loss allowance	(1,598)	(1,524)
Net Acceptances	91,203	131,402
Other debtors and prepaid expenses	30,304	40,566
Positive fair value of derivatives (note 37)	26,680	22,676
Deferred tax asset (note 19)	1,370	1,741
Others	128,135	4,588
Collateral pending sale (net)	100	100
	277,792	201,073

The movement in provision for impairment for acceptances is analysed below:

	2024 RO 000's	2023 RO 000's
At 1 January	1,524	254
Provided during the year	74	1,271
Others	-	(1)
At 31 December	1,598	1,524

9. Investment securities

	FVTPL *RO 000's*	*FVOCI* *RO 000's*	*Amortised Cost* *RO 000's*	*Total* *RO 000's*
As at 31 December 2024				
Quoted equities:				
Foreign securities	611	169,500	-	170,111
Other services sector	-	52,151	-	52,151
Unit funds	8,799	-	-	8,799
Financial services sector	-	9,773	-	9,773
Industrial sector	-	1,048	-	1,048
Unquoted equities:				
Foreign securities	14,894	-	-	14,894
Local securities	3,562	1,258	-	4,820
Equity investments	**27,866**	**233,730**	**-**	**261,596**
Quoted debt:				
Government bonds	-	2,354	1,110,190	1,112,544
Treasury Bills	-	-	99,781	99,781
Foreign bonds	-	118,718	-	118,718
Local bonds	-	97,130	71,017	168,147
Unquoted debt:				
Treasury bills	-	-	350,018	350,018
Gross debt investments	**-**	**218,202**	**1,631,006**	**1,849,208**
Less: impairment loss allowance	-	(2,378)	(446)	(2,824)
Debt investments	**-**	**215,824**	**1,630,560**	**1,846,384**
Investments securities	**27,866**	**449,554**	**1,630,560**	**2,107,980**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

9. Investment securities (continued)

	FVTPL RO 000's	*FVOCI RO 000's*	*Amortised Cost RO 000's*	*Total RO 000's*
As at 31 December 2023				
Quoted equities:				
Foreign securities	1,175	148,198	-	149,373
Other services sector	-	28,383	-	28,383
Unit funds	4,817	-	-	4,817
Financial services sector	-	3,531	-	3,531
Industrial sector	-	1,163	-	1,163
Unquoted equities:				
Foreign securities	10,987	-	-	10,987
Local securities	4,167	1,546	-	5,713
Equity investments	21,146	182,821	-	203,967
Quoted debt:				
Government bonds	-	3,327	962,687	966,014
Treasury Bills	-	-	245,419	245,419
Foreign bonds	-	39,252	-	39,252
Local bonds	-	59,778	65,626	125,404
Unquoted debt:				
Treasury bills	-	-	289,249	289,249
Gross debt investments	-	102,357	1,562,981	1,665,338
Less: impairment loss allowance	-	(1,134)	(1,216)	(2,350)
Debt investments	-	101,223	1,561,765	1,662,988
Investments securities	21,146	284,044	1,561,765	1,866,955

The movement in impairment of debt investments is summarised as follows:

	2024 RO 000's	2023 RO 000's
At 1 January	**2,350**	3,743
Provided / (released) during the year	**474**	(1,392)
Exchange difference / others	**-**	(1)
At 31 December	**2,824**	2,350

The movements in investment securities are summarised as follows:

	FVOCI Debt investments RO 000's	***FVOCI Equity investments RO 000's***	***Amortised cost RO 000's***	***FVTPL RO 000's***	***Total RO 000's***
At 1 January 2024	**101,223**	**182,821**	**1,561,765**	**21,146**	**1,866,955**
Exchange differences	**-**	**13**	**-**	**(76)**	**(63)**
Additions	**133,368**	**59,201**	**4,430,105**	**102,618**	**4,725,292**
Disposals and redemption	**(19,286)**	**(10,861)**	**(4,361,459)**	**(96,453)**	**(4,488,059)**
Gain from changes in fair value	**273**	**2,768**	**-**	**(760)**	**2,281**
Provision for impairment losses	**(1,244)**	**-**	**770**	**-**	**(474)**
Amortisation of discount / premium	**309**	**-**	**(613)**	**-**	**(304)**
Movement in accrued interest	**1,444**	**-**	**(8)**	**-**	**1,436**
Realised (loss) / gain on sale	**(263)**	**(212)**	**-**	**1,391**	**916**
At 31 December 2024	**215,824**	**233,730**	**1,630,560**	**27,866**	**2,107,980**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

9. Investment securities (continued)

	FVOCI Debt investments RO 000's	*FVOCI Equity investments RO 000's*	*Amortised cost RO 000's*	*FVTPL RO 000's*	*Total RO 000's*
At 1 January 2023	102,425	118,546	1,335,169	15,844	1,571,984
Exchange differences	-	(292)	10	(5)	(287)
Additions	19,146	37,138	3,654,624	5,676	3,716,584
Disposals and redemption	(23,432)	(19,507)	(3,427,469)	(1,592)	(3,472,000)
Gain from changes in fair value	3,137	46,859	-	862	50,858
Provision for impairment losses	142	-	1,250	-	1,392
Amortisation of discount / premium	102	-	(693)	-	(591)
Movement in accrued interest	(95)	-	(1,121)	-	(1,216)
Realised (loss) / gain on sale	(202)	77	(5)	361	231
At 31 December 2023	101,223	182,821	1,561,765	21,146	1,866,955

10. Investment in an associate

SICO BSC (c) (“SICO”)

The Bank holds 13.14 per cent stake (2023: 13.14 per cent) in SICO as at the reporting date. The carrying value of the investment in SICO as at 31 December was as follows:

	2024 RO 000’s	2023 RO 000’s
At 1 January	**8,889**	8,795
Dividend received	**(297)**	(295)
Share of results	**996**	450
Share of other comprehensive income	**72**	(61)
At 31 December	**9,660**	8,889

The associate accounting for SICO has been performed for the 12 month period from 1 October 2023 – 30 September 2024. (2023: 1 October 2022 – 30 September 2023). The one quarter lag is not material to these consolidated financial statements.

Financial information relating to the associate as at 30 September is summarized as follows:

	2024 RO 000’s	2023 RO 000’s
Total assets	**389,716**	379,066
Total liabilities	**314,324**	309,607
Issued share capital	**45,061**	45,061
Operating income	**16,918**	12,467
Total expenses	**(11,598)**	(10,247)
Net profit after tax	**5,320**	2,220

11. Property, equipment and software

	Property, equipment and software RO 000's	*Right-of-use assets (note 12) RO 000's*	*Total RO 000's*
At 31 December 2024			
Gross Book value	**198,952**	**60,054**	**259,006**
Accumulated Depreciation	**(150,561)**	**(20,900)**	**(171,461)**
Net book value	**48,391**	**39,154**	**87,545**
Depreciation charge for the year	**14,782**	**6,485**	**21,267**
At 31 December 2023			
Gross Book value	178,437	55,529	233,966
Accumulated Depreciation	(138,187)	(18,479)	(156,666)
Net book value	40,250	37,050	77,300
Depreciation charge for the year	13,686	6,268	19,954

The details of property, equipment and software are given below:

	Land and buildings RO 000's	*Furniture, fixtures and equipment RO 000's*	*Motor vehicles RO 000's*	*Total RO 000's*
Cost or valuation:				
At 1 January 2024	10,715	166,824	898	178,437
Additions during the year	-	23,473	-	23,473
Disposals	-	(2,671)	(287)	(2,958)
At 31 December 2024	**10,715**	**187,626**	**611**	**198,952**
Accumulated depreciation:				
At 1 January 2024	5,584	131,818	785	138,187
Charge for the year	197	14,518	67	14,782
Disposals	-	(2,107)	(288)	(2,395)
Translation adjustment	-	(13)	-	(13)
At 31 December 2024	**5,781**	**144,216**	**564**	**150,561**
Net book value:				
At 31 December 2024	**4,934**	**43,410**	**47**	**48,391**

11. Property, equipment and software (continued)

	Land and buildings RO 000's	*Furniture, fixtures and equipment RO 000's*	*Motor vehicles RO 000's*	*Total RO 000's*
Cost or valuation:				
At 1 January 2023	10,715	145,549	898	157,162
Additions during the year	-	21,872	-	21,872
Disposals	-	(595)	-	(595)
Translation adjustment	-	(2)	-	(2)
At 31 December 2023	10,715	166,824	898	178,437
Accumulated depreciation:				
At 1 January 2023	5,388	118,991	711	125,090
Charge for the year	196	13,416	74	13,686
Disposals	-	(591)	-	(591)
Translation adjustment	-	2	-	2
At 31 December 2023	5,584	131,818	785	138,187
Net book value:				
At 31 December 2023	5,131	35,006	113	40,250

Cost of furniture, fixtures and equipment above includes acquired software of RO 92.657 million (2023: RO 77.125 million). Accumulated depreciation of the same is RO 68.006 million (2023: RO 59.814 million).

The Bank has a policy to revalue its owned land and buildings at the end of every five years. In accordance with the Bank's policy, the owned land and buildings were revalued during 2023 by independent professional valuers on an open market basis. The value ascertained by the independent professional valuers is not materially different from the existing carrying value and accordingly, no adjustment has been made in these consolidated financial statements. Had the freehold land and buildings been carried at cost less depreciation, the carrying amount would have been RO 2.774 million (2023: RO 2.774 million).

During the year 2024, the Bank has recognised deferred tax liability on the outstanding balance of revaluation reserve of RO nil (2023: RO nil) in other comprehensive income.

12. Right of use assets

The Bank had entered into a lease agreement with a third party (a quasi-government entity) to lease a purpose built head office which was constructed for exclusive use of the Bank. The construction of the building was completed in 2009. The lease is for a period of 50 years. The annual lease payment of the building for the initial 25 years is RO 2.7 million. Subsequently, for the next 10 years, the annual rent will increase by 25% to RO 3.4 million. From 36th year onwards, the annual rent will further increase by 10% to RO 3.7 million. This building is included in the right of use assets and the corresponding lease liability is included in lease liabilities (refer note 13).

	Land and buildings RO 000's	*Furniture, fixtures and equipment RO 000's*	*Motor vehicles RO 000's*	*Total RO 000's*
Cost or valuation:				
At 1 January 2024	**51,272**	**2,907**	**1,350**	**55,529**
Additions during the year	**7,330**	**-**	**1,259**	**8,589**
Leases closed during the year	**(3,298)**	**(452)**	**(313)**	**(4,063)**
Translation Adjustment	**(1)**	**-**	**-**	**(1)**
At 31 December 2024	**55,303**	**2,455**	**2,296**	**60,054**
Accumulated depreciation:				
At 1 January 2024	**17,088**	**1,013**	**378**	**18,479**
Charge for the year	**5,466**	**470**	**549**	**6,485**
Leases closed during the year	**(3,298)**	**(453)**	**(313)**	**(4,064)**
At 31 December 2024	**19,256**	**1,030**	**614**	**20,900**
Net book value:				
At 31 December 2024	**36,047**	**1,425**	**1,682**	**39,154**
Cost or valuation:				
At 1 January 2023	51,991	3,287	776	56,054
Additions during the year	4,475	1,682	926	7,083
Leases closed during the year	(5,192)	(2,062)	(352)	(7,606)
Translation Adjustment	(2)	-	-	(2)
At 31 December 2023	51,272	2,907	1,350	55,529
Accumulated depreciation:				
At 1 January 2023	17,176	2,428	218	19,822
Charge for the year	5,109	647	512	6,268
Leases closed during the year	(5,192)	(2,062)	(352)	(7,606)
Translation Adjustment	(5)	-	-	(5)
At 31 December 2023	17,088	1,013	378	18,479
Net book value:				
At 31 December 2023	34,184	1,894	972	37,050

13. Lease liabilities

The lease liabilities as at 31 December 2024 and 2023 are presented as below:

	2024 RO 000's	2023 RO 000's
At 1 January	**48,795**	47,169
Additions during the year	**8,589**	7,083
Finance charges on lease (note 32)	**3,423**	3,251
Lease payments	**(8,971)**	(8,708)
At 31 December	**51,836**	48,795
Less: prepaid expenses	**(2,991)**	(3,273)
Lease liabilities (note 18)	**48,845**	45,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

13. Lease liabilities (continued)

	2024 RO 000's	2023 RO 000's
Lease liabilities		
Current	**1,925**	70
Non current	**46,920**	45,452
	48,845	45,522
Expense relating to short-term leases	**1,094**	1,789

The following table shows the maturity analysis of lease liabilities:

	Less than 1 year RO 000's	Between 1 and 2 years RO 000's	Between 2 and 5 years RO 000's	More than 5 years RO 000's	Total RO 000's
As at 31 December 2024					
Total minimum lease payments	**8,214**	**5,990**	**12,995**	**105,435**	**132,634**
Less: Amounts representing finance charges	**(3,298)**	**(3,111)**	**(8,744)**	**(65,645)**	**(80,798)**
Lease liabilities	**4,916**	**2,879**	**4,251**	**39,790**	**51,836**
As at 31 December 2023					
Total minimum lease payments	6,532	5,138	12,156	108,411	132,237
Less: Amounts representing finance charges	(3,189)	(3,056)	(8,729)	(68,468)	(83,442)
Lease liabilities	3,343	2,082	3,427	39,943	48,795

14. Deposits from banks

	2024 RO 000's	2023 RO 000's
Inter bank borrowings	**350,591**	299,562
Vostro balances	**63,461**	51,991
Other money market deposits	**564,126**	748,536
	978,178	1,100,089

15. Customers' deposits

Customers' deposits – Conventional

	2024 RO 000's	2023 RO 000's
Deposit accounts	**2,851,535**	2,683,746
Savings accounts	**3,112,239**	2,940,248
Current accounts	**1,736,252**	1,872,498
Call accounts	**445,197**	628,958
Margin accounts	**47,945**	44,625
	8,193,168	8,170,075

Customers' deposits – Islamic

	2024 RO 000's	2023 RO 000's
Deposit accounts	**993,388**	790,246
Savings accounts	**288,893**	276,221
Current accounts	**91,658**	91,716
Call accounts	**203,665**	28,253
Margin accounts	**6,296**	81,281
	1,583,900	1,267,717

As on the reporting date, deposits from Ministries and other Government organisations represent 32.7% of the total customer deposits (2023: 32.6%).

16. Sukuk

The Sukuk Al Musharaka Certificates program of Bank's Islamic window is managed through a special purpose vehicle (SPV), Meethaq Sukuk Company LLC which is the issuer and trustee of the program.

Under the program, the third series of certificates were issued in March 2024 amounting to RO 16.525 million (face value RO 1 per certificate) and has a tenor of five years. The profit on Sukuk is payable bi-annually and it is listed in Muscat Stock Exchange. Details of Sukuk issuance is as follows:

Issued in	Expected Annual Profit rate	Maturity	2024 RO 000's	2023 RO 000's
May 2019	5.50%	May 2024	**-**	45,597
March 2024	5.75%	March 2029	**16,525**	-
Accrued profit			**317**	272
			16,842	45,869

The second series amounting to RO 45.597 million was repaid on maturity in May 2024.

17. Euro medium term notes

Euro medium term notes are issued by the Parent Company under its Euro medium term note programme and are denominated in US Dollars. These are non-convertible, unsecured and listed on Irish stock exchange. During the year, notes amounting to RO nil (2023: RO nil) were issued and RO nil million (2023: RO 192.5 million) matured.
Details of the notes are as follows:

Issued in	Coupon rate	Maturity	2024 RO 000's	2023 RO 000's
March 2021	4.750%	March 2026	**192,500**	192,500
Accrued interest			**2,639**	2,639
			195,139	195,139

18. Other liabilities

	2024 RO 000's	2023 RO 000's
Other liabilities and accrued expenses	**198,226**	186,195
Acceptances (note 8)	**92,801**	132,926
Impairment on financial guarantees	**40,977**	53,476
Impairment on undrawn commitments and unutilised limits	**12,410**	10,196
Lease liabilities (note 13)	**48,845**	45,522
Negative fair value of derivatives (note 37)	**16,197**	28,777
Unearned discount and interest	**8,869**	10,484
Employee end of service benefits	**7,450**	6,925
Deferred tax liability (note 19)	**4,962**	3,497
	430,737	477,998

The charge for the year and amounts paid in respect of employees' end of service benefits were RO 1.175 million (2023: RO 1.060 million) and RO 0.650 million (2023: RO 0.890 million), respectively.

The movements in impairment loss allowance on financial guarantees / undrawn commitments and unutilised limits are analysed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

18. Other liabilities (continued)

Impairment on financial guarantees

	2024 RO 000's	2023 RO 000's
At 1 January	**53,476**	41,313
(Reversed) / provided during the year	**(12,489)**	12,171
Exchange differences / others	**(10)**	(8)
At 31 December	**40,977**	53,476

Impairment on undrawn commitments and unutilised limits

	2024 RO 000's	2023 RO 000's
At 1 January	**10,196**	6,022
Provided during the year	**2,215**	4,174
Exchange differences / others	**(1)**	-
At 31 December	**12,410**	10,196

19. Taxation

	2024 RO 000's	2023 RO 000's
Current liability:		
Current year	**50,188**	45,749
Prior years	**18,970**	15,880
	69,158	61,629

	2024 RO 000's	2023 RO 000's
Statement of comprehensive income:		
Current year	**50,188**	45,749
Prior years	**(5,536)**	(6,184)
	44,652	39,565
Relating to origination and reversal of temporary differences	**(199)**	209
	44,453	39,774

(i) The tax rate applicable to the Parent Company is 15% (2023: 15%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 16.46% (2023: 15.77%).

The difference between the applicable tax rate of 15% (2023: 15%) and effective tax rate of 16.46% (2023: 15.77%) arises due to tax effect of income not considered to be taxable and expenses not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

(ii) The reconciliation of taxation on the accounting profit before tax for the year at RO 270.033 million (2023: RO 252.22 million) and the taxation charge in the consolidated financial statements is as follows:

	2024 RO 000's	2023 RO 000's
Tax charge at 15% (2023:15%) on accounting profit before tax	**40,505**	37,833
Add tax effect of:		
Income not taxable	**(699)**	(249)
Expenses not deductible or deferred	**9,362**	7,518
Foreign taxes on foreign-sourced income	**1,020**	647
Relating to origination and reversal of temporary differences	**(199)**	209
Reversal of provision for prior years	**(5,536)**	(6,184)
Tax charge as per statement of comprehensive income	**44,453**	39,774

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

19. Taxation (continued)

(iii) The deferred tax asset / liability has been recognised at the effective tax rate of 15% (2023 - 15%).

Deferred tax asset / (liability) in the statement of financial position and the deferred tax credit / (charge) in the statement of comprehensive income relates to the tax effect of provisions, right-of-use assets, changes in fair value of FVOCI investments and accelerated depreciation.

Deferred Tax Asset	***At 1 January 2024 RO 000's***	***(Charged) / reversal to statement of comprehensive income RO 000's***	***(Charged) / reversal to statement of other comprehensive income RO 000's***	***31 December 2024 RO 000's***
Asset:				
Tax effect of provisions	**2,910**	**238**	**-**	**3,148**
Tax effect of right-of-use assets	**58**	**13**	**-**	**71**
Liability:				
Tax effect of accelerated tax depreciation	**(1,227)**	**(622)**	**-**	**(1,849)**
	1,741	**(371)**	**-**	**1,370**

Deferred Tax Asset	*At 1 January 2023 RO 000's*	*(Charged) / reversal to statement of comprehensive income RO 000's*	*(Charged) / reversal to statement of other comprehensive income RO 000's*	*31 December 2023 RO 000's*
Asset:				
Tax effect of provisions	3,006	(96)	-	2,910
Tax effect of right-of-use assets	61	(3)	-	58
Change in fair value of investments	5,315	-	(5,315)	-
Liability:				
Tax effect of accelerated tax depreciation	(1,117)	(110)	-	(1,227)
	7,265	(209)	(5,315)	1,741

During the year, the Group charged deferred tax asset through comprehensive income of RO 0.371 million (2023: RO 0.209 million) relating to provisions, right-of-use assets and depreciation. The deferred tax (charge) / reversal is netted off from respective other comprehensive income components.

During the year, the Group credited deferred tax asset through other comprehensive income of RO nil (2023: RO 5.315 million) relating to fair value changes of FVOCI investments. The deferred tax charged / (reversal) is netted off from respective other comprehensive income components.

Deferred Tax Liability	**1 January 2024 RO 000's**	**Tax (charge)/ credit RO 000's**	**31 December 2024 RO 000's**	1 January 2023 RO 000's	Tax (charge)/ credit RO 000's	31 December 2023 RO 000's
Revaluation reserve	**866**	**-**	**866**	866	-	866
Cash flow hedge reserve	**574**	**467**	**1,041**	-	574	574
Change in fair value of investments	**2,057**	**998**	**3,055**	-	2,057	2,057
	3,497	**1,465**	**4,962**	866	2,631	3,497

19. Taxation (continued)

During the year, the Group charged deferred tax liability of RO 1.465 million (2023: RO 2.631 million) relating to revaluation reserve, which may be taxable in the future. The deferred tax charge is netted off from respective other comprehensive income components.

The tax (charge) / credit relating to components of other comprehensive income is as follows:

	31 December 2024			31 December 2023		
	Before tax RO 000's	**Tax (charge)/ credit RO 000's**	**After tax RO 000's**	Before tax RO 000's	Tax (charge)/ credit RO 000's	After tax RO 000's
Translation of net investments in foreign operations	**(48)**	**-**	**(48)**	239	-	239
Change in fair value of hedge	**3,114**	**(467)**	**2,647**	3,828	(574)	3,254
Change in fair value of investments	**2,695**	**(998)**	**1,697**	49,922	(7,372)	42,550
Share of other comprehensive income of associate	**72**	**-**	**72**	(61)	-	(61)
	5,833	**(1,465)**	**4,368**	53,928	(7,946)	45,982

The Bank's tax assessments have been completed by the tax authorities in Oman up to tax year 2020. The Bank filed an objection against certain adjustments carried out in tax assessments issued for tax years 2017 to 2020 and a decision was issued rejecting the same. The Bank has filed an appeal against the objection decision with the Tax Grievance Committee. These adjustments have been adequately provided for in these consolidated financial statements.

20. Share capital

Share capital

The authorised share capital of the Bank is 8,000,000,000 shares of RO 0.100 each (2023: 8,000,000,000 of RO 0.100 each). At 31 December 2024, 7,506,397,062 shares of RO 0.100 each (2023: 7,506,397,062 shares of RO 0.100 each) have been issued and fully paid. The Bank's shares are listed in Muscat, Bahrain and London stock exchanges. Listing in London stock exchange is through Global Depository Receipts issued by the Bank.

The shareholding structure of the Bank as at 31 December is as follows:

Investor Name	Ownership Percentage (%)	
	2024	2023
Royal Court Affairs	**27.31%**	27.31%
Ominvest Group	**15.00%**	15.00%
Muscat Overseas Group	**5.67%**	5.74%
Social Protection Fund	**4.99%**	-
Pension Funds Trust Accounts	**19.64%**	-
Civil Services Employees' Pension Fund	**-**	7.87%
Ministry of Defense Pension Fund	**-**	6.49%
Public Authority for Social Insurance	**-**	6.05%
Others*	**27.39%**	31.54%
Total	**100.00%**	100.00%

* The other shareholdings of the Bank are widely spread.

21. Share premium

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

22. Legal and general reserves

(i) Legal reserve

In accordance with the Omani Commercial Companies Law of 2019, the Parent Company is required to transfer 10 percent of its profit for the year to legal reserve until the accumulated balance of the reserve equals one third of the Parent Company's paid up share capital.

(ii) General reserve

The general reserve is established to support the operations and the capital structure of the Group.

23. Impairment reserve / reserve for restructured loans

(i) Impairment reserve

As per the CBO circular BM 1149, in the year of adoption, if IFRS 9 based provision for impairment is lower than the provision for impairment as per regulatory guidelines, the excess, shall be transferred as an appropriation from net profit after taxes to a regulatory reserve "Impairment reserve" under Parent Company's equity. In subsequent years, if IFRS 9 based provision for impairment (i.e. charge to the profit or loss) is lower than provision for impairment as per regulatory guidelines, the shortfall shall be transferred as an appropriation from net profit after taxes to aforementioned impairment reserve.

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

(ii) Reserve for restructured loans

The Parent Company has created a reserve for restructured accounts in accordance with CBO regulations. This reserve represents provisions on performing but restructured loans. This reserve is not available for regulatory capital or distribution of dividends. The reserve will be released to retained earnings on satisfactory performance of these accounts as per regulatory guidelines.

The Bank held restructured loan reserve of RO 2.136 million as at 31 December 2023. This balance has been transferred to retained earnings during the year 2024.

24. Perpetual Tier I Capital

The perpetual tier I capital constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. They do not have a fixed or final redemption date. They are first callable by the Bank after a minimum of 5 years from the instrument date and thereafter in accordance with the terms of the agreement and subject to prior approval of the CBO. They bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate for first 5 years. Thereafter the interest rate will be reset as per the terms of the agreement. Interest will be payable semi-annually in arrears and treated as deduction from equity. Interest will be paid exclusively out of the distributable profits of the Bank, and shall not be cumulative, and any interest which is not paid will not accumulate or compound. The holder will have no right to receive such unpaid interest in the future, even if interest is paid in respect of any subsequent period. The Instrument meets all requirements of Additional Equity Tier 1 (AET 1) issuance mandated by Basel and Central Bank of Oman norms.

24. Perpetual Tier I Capital (continued)

Details of Perpetual Tier I capital is shown below:

Instrument type	Coupon rate	Issued in	2024 RO 000's	2023 RO 000's
Perpetual Capital Deposit	6.20%	Apr-2017	**130,000**	130,000
Perpetual bonds	4.25%	Nov-2022	**375,320**	375,320
			505,320	505,320

The perpetual bonds are listed in Muscat Stock Exchange.

25. Proposed dividends

For 2024, the Board of Directors has proposed a dividend of 16.5% in the form of cash. Thus, shareholders would receive cash dividend of RO 0.0165 per ordinary share of RO 0.100 each aggregating to RO 123.856 million on Bank's existing share capital. The proposed cash dividend is subject to formal approval of the Annual General Meeting of the shareholders and approval of regulatory authorities.

For 2023, the Board of Directors had proposed a dividend 15.5% in the form of cash which was approved by the shareholders in the annual general meeting held on 26 March 2024. Thus shareholders received cash dividend of RO 0.0155 per ordinary share of RO 0.100 each aggregating to RO 116.349 million on Bank's existing share capital.

26. Net assets per share

The calculation of net assets per share is based on net assets as at 31 December 2024 attributable to ordinary shareholders of RO 1,939.513 million (2023: RO 1,849.535 million) and on 7,506,397,062 ordinary shares (2023: 7,506,397,062 ordinary shares) being the number of shares outstanding as at 31 December 2024.

27. Contingent liabilities and commitments

(i) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2024. Management is of the view that these claims are not probable or material.

(ii) Credit related commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees which are designed to meet the requirements of the Bank's customers.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and require the payment of a fee.

Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash obligations.

Standby letters of credit and guarantees commit the Parent Company to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Irrevocable credit commitments at the reporting date amounted to RO 258.572 million (2023: RO 196.0 million).

As of the reporting date, commitments on behalf of customers consisted of the following:

27. Contingent liabilities and commitments (continued)

(ii) Credit related commitments (continued)

	2024 RO 000's	2023 RO 000's
Letters of credit	**517,178**	429,455
Guarantees	**1,294,340**	1,240,128
	1,811,518	1,669,583

(iii) Capital commitments

As of the reporting date, capital commitments were as follows:

	2024 RO 000's	2023 RO 000's
Purchase of property and equipment	**1,543**	1,278

(iv) As of the reporting date, the Group has not pledged any of its assets as security (2023: no assets pledged), except as reported in note 38.

(v) As of the reporting date, the amount payable on partly paid investments in shares held by the Group was RO 8.1 million (2023: RO 8.9 million).

28. Interest income / income from Islamic financing / investments

	2024 RO 000's	2023 RO 000's
Loans and advances	**492,943**	462,712
Due from banks	**43,697**	38,729
Investments	**73,215**	59,747
	609,855	561,188
Islamic financing receivables	**88,963**	87,782
Islamic due from banks	**1,959**	1,375
Islamic investment	**10,348**	8,693
	101,270	97,850
	711,125	659,038

Effective annual rates on yielding assets are provided in note 41.4.4.

29. Interest expense / distribution to depositors

	2024 RO 000's	2023 RO 000's
Customers' deposits	**190,745**	163,100
Bank borrowings	**45,262**	48,995
Euro medium term notes	**9,298**	11,346
	245,305	223,441
Islamic customers' deposits	**52,188**	41,272
Sukuk	**1,692**	2,523
Islamic bank borrowings	**14,239**	16,980
	68,119	60,775
	313,424	284,216

Interest expense on bank borrowings include gains on recycling of cash flow hedge from other comprehensive income of RO 4.144 million (2023: RO 2.446 million), net of deferred tax RO 0.956 million (2023: RO 2.079 million).

Effective annual rate of interest-bearing liabilities are provided in note 41.4.4.

30. Commission and fee income (net)

	2024 RO 000's	2023 RO 000's
Transactional income	**86,903**	79,276
Trade income	**13,160**	13,241
Syndication and other loan related income	**14,857**	13,479
Advisory, asset management and private equity services related income	**14,542**	12,056
	129,462	118,052
Fees and commission expense	**(33,343)**	(25,007)
	96,119	93,045

31. Other operating income

	2024 RO 000's	2023 RO 000's
Foreign exchange	**36,379**	35,642
Changes in fair value of financial assets	**(760)**	862
Net realised gain on sale of fair value investments	**1,128**	159
Dividend income	**11,877**	7,337
Other income	**261**	954
	48,885	44,954

Dividend income recognised on FVOCI investments during the year ended 31 December 2024 is RO 11.452 million (2023: RO 6.958 million), out of which RO 0.249 million (2023: RO 0.708 million) pertains to investments sold during the year.

32. Other operating expenses

	2024 RO 000's	2023 RO 000's
Employees' salaries	**80,618**	75,807
Other staff costs	**31,538**	30,044
Contribution to social insurance schemes	**7,403**	6,843
Employees' end of service benefits	**1,175**	1,060
	120,734	113,754
Administrative expenses	**55,602**	50,762
Occupancy costs	**7,852**	8,280
Finance charges on lease (note 13)	**3,423**	3,251
Directors' remuneration	**384**	388
	187,995	176,435

33. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	2024 RO 000's	2023 RO 000's
Due from banks	**304,546**	454,193
Cash and balances with Central Banks	**476,239**	771,847
Treasury bills	**449,799**	534,668
	1,230,584	1,760,708

Corresponding figures for 2023 have been reclassified in order to conform to the presentation for the current year.

34. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year after interest on perpetual tier 1 capital, by the weighted average number of shares outstanding during the year as follows:

	2024	2023
Profit attributable to ordinary shareholders of parent company for basic earnings per share (RO 000's)	**225,580**	212,446
Less: interest on Perpetual Tier I capital (RO 000's)	**(23,621)**	(23,101)
	201,959	189,345
Weighted average number of ordinary shares in issue during the year (in 000's)	**7,506,397**	7,506,397
Basic earnings per share (RO)	**0.027**	0.025

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the years.

The weighted number of ordinary shares (in 000’s) have been calculated as follows:

	2024	2023
At 1 January	**7,506,397**	7,506,397
Weighted average number of ordinary shares	**7,506,397**	7,506,397

35. Related party transactions

In the ordinary course of business, the Group conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The Group engages in transactions with related parties only on arm’s length terms and in accordance with relevant laws and regulations. Terms of these transactions are approved by the Bank’s Board and Management. The balances in respect of related parties included in the consolidated statement of financial position as at the reporting date are as follows:

	2024 RO 000’s	2023 RO 000’s
a) Directors and senior management		
Loans and advances	**526**	756
Current, deposit and other accounts	**3,103**	2,818
b) Major shareholders and others		
Loans and advances		
- Shareholders holding 20% or more interest in the Bank and their related entities	**31,806**	47,023
- Other related parties	**116,269**	149,635
	148,075	196,658
Current, deposit and other accounts		
- Shareholders holding 20% or more interest in the Bank and their related entities	**10,938**	11,741
- Other related parties	**32,593**	24,421
	43,531	36,162
Customers' liabilities under documentary credits, guarantees and other commitments		
- Shareholders holding 20% or more interest in the Bank and their related entities	**-**	-
- Other related parties	**5,030**	6,228
	5,030	6,228

The income and expenses in respect of the related parties included in the consolidated financial statements are as follows:

35. Related party transactions (continued)

	2024 RO 000's	2023 RO 000's
a) Directors and senior management		
Interest income	**25**	33
Interest expense	**112**	86
Directors' remuneration	**300**	300
Directors' sitting fees	**84**	88
b) Major shareholders and others		
Interest income		
- Shareholders holding 20% or more interest in the Bank and their related entities	**1,562**	1,668
- Other related parties	**6,835**	8,283
	8,397	9,951
Interest expense		
- Shareholders holding 20% or more interest in the Bank and their related entities	**244**	185
- Other related parties	**973**	520
	1,217	705

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

Loans, advances or receivables and non-funded exposure due from related parties or holders of 10 percent or more of Banks shares, or their family members, less all provisions and write-offs, are further analysed as follows:

	2024 RO 000's	2023 RO 000's
Royal Court Affairs	**31,806**	47,023
Ominvest Group	**79,118**	124,973
H.E. Sheikh Mustahail Ahmed Al Mashani group companies	**42,372**	31,205
Others	**335**	441
	153,631	203,642

Interest expense incurred on deposits:

Items of expense which were paid to related parties or holders of 10 percent or more of the Bank's shares, or their family members, during the year can be further analysed as follows:

	2024 RO 000's	2023 RO 000's
Royal Court Affairs	**244**	185
Ominvest Group	**631**	265
H.E. Sheikh Mustahail Ahmed Al Mashani group companies	**342**	255
Others	**112**	86
	1,329	791

Key management compensation

Key management comprises of members of the management executive committee for the purposes of IAS 24 'Related Party Disclosures'.

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

35. Related party transactions (continued)

Key management compensation (continued)

	2024 RO 000's	2023 RO 000's
Loans and advances	**80**	143
Current, deposit and other accounts	**2,199**	2,351

The income and expenses in respect of these related parties included in the consolidated financial statements are as follows:

	2024 RO 000's	2023 RO 000's
Interest income	**3**	5
Interest expenditure	**101**	82
Salaries and other short-term benefits	**2,827**	2,914
Post-employment benefits	**38**	38

The amounts disclosed in the table are the amounts accrued / paid to key management personnel. Certain components of key management compensation are paid on deferral basis, as per regulatory guidelines.

36. Fiduciary activities

The Group's fiduciary activities consist of investment management activities conducted as trustee and manager for a number of investment funds and individuals. The aggregate amounts of funds managed, which are not included in the Group's statement of financial position, are as follows:

	2024 RO 000's	2023 RO 000's
Funds under management	**1,246,323**	1,003,374

Involvement with unconsolidated structured entities

The Group's fiduciary activities consist of investment management activities conducted as trustee and manager for a number of investment funds and individuals.

The following table describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

	2024 RO 000's	2023 RO 000's
Funds under management	**307,709**	196,299

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held.

	2024 RO 000's	2023 RO 000's
Carrying amount of funds invested	**8,577**	6,262

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The following table sets out information in respect of structured entities that the Group sponsors, but in which the Group does not have an interest.

36. Fiduciary activities (continued)

	2024 RO 000's	2023 RO 000's
Funds under management	**241,540**	201,460
Commission and fees	**278**	241

37. Derivatives

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

Derivative product types

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Forward rate agreements are effectively tailor-made interest rate futures which fix a forward rate of interest on a notional loan, for an agreed period of time starting on a specified future date.

Interest rate swaps are contractual agreements between two parties to exchange interest differentials based on a specific notional amount. Counter parties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

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

Derivatives held or issued for hedging purposes

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

The Group uses forward foreign exchange contracts and swaps to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the changes in the cash flow arising from certain fixed interest rate loans and deposits.

For interest rate risks strategic hedging is carried out by monitoring the repricing of financial assets and liabilities and entering into interest rate swaps to hedge a proportion of the interest rate exposure. As strategic hedging does not qualify for hedge accounting, the related derivatives are accounted for as regular derivative transactions.

The Group had also entered into interest rate swaps that are designated as cash flow hedges for hedging the cash flow volatility risk on its Bank borrowing and loan portfolio. The cumulative change in the fair value of the hedged liabilities or assets attributable to the risk hedged is recorded as part of their respective carrying values and are accordingly presented in statement of financial position.

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

37. Derivatives (continued)

31 December 2024						***RO 000's***
	Positive fair value (note 8)	***Negative fair value (note 18)***	***Notional Amount total***	***Notional amounts by term to maturity within 3 months***	***4-12 months***	***> 12 months***
Cash flow hedge	**6,943**	**-**	**288,750**	**-**	**-**	**288,750**
Interest rate swaps	**10,508**	**10,391**	**365,902**	**-**	**25,052**	**340,850**
Commodities purchase contracts	**856**	**2,564**	**89,770**	**50,381**	**38,216**	**1,173**
Commodities sale contracts	**2,607**	**826**	**89,771**	**50,382**	**38,216**	**1,173**
Forward purchase contracts	**7**	**2,332**	**1,028,911**	**203,598**	**521,074**	**304,239**
Forward sales contracts	**5,759**	**84**	**1,024,664**	**200,310**	**520,887**	**303,467**
Total	**26,680**	**16,197**	**2,887,768**	**504,671**	**1,143,445**	**1,239,652**

31 December 2023						*RO 000's*
	Positive fair value (note 8)	*Negative fair value (note 18)*	*Notional Amount total*	*Notional amounts by term to maturity within 3 months*	*4-12 months*	*> 12 months*
Cash flow hedge	3,828	-	192,500	-	-	192,500
Interest rate swaps	13,210	13,080	456,106	46,721	1,976	407,409
Commodities purchase contracts	2,194	61	64,598	54,534	9,742	322
Commodities sale contracts	68	2,158	64,597	54,534	9,741	322
Forward purchase contracts	2,058	755	1,539,330	924,980	142,394	471,956
Forward sales contracts	1,318	12,723	1,547,492	934,144	142,047	471,301
Total	22,676	28,777	3,864,623	2,014,913	305,900	1,543,810

Cash flow hedge reserve (CFHR)

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

In 2024, the Bank entered into an Interest Rates Swap (IRS) agreement to hedge a pool of SOFR linked US$ loans amounting to RO 96.250 million (USD 250 million) at market competitive swap rates. Similarly, in 2023, the Bank had entered into an Interest Rates Swap (IRS) agreement to hedge a pool of bank borrowings amounting to RO 192.500 million (USD 500 million) at market competitive swap rates.

Details of the hedges are as under

Hedged instrument	SOFR linked pool of Bank borrowing and Loan portfolio
Hedging instrument	For US$ loans hedge, pay floating and receive fixed For US$ bank borrowing, receive floating and pay fixed
Hedge risk	Interest rate risk fluctuations of SOFR

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

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. The Bank uses Dollar offset test (DOT) to measure the hedge effectiveness. Dollar offset is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument with the change in fair value or cash flows of the hedged item attributable to the hedged risk. The fair value calculated under the DOT also considers necessary credit risk adjustments that reflect the credit risk of the Bank and of the counterparty.

37. Derivatives (continued)

Hedge effectiveness (continued)

Under the DOT, the Bank applies Hypothetical Derivative Method to value the hedged item. This approach requires creating a hypothetical instrument that models the hedged risk. Such instrument matches all the critical terms of the hedged item, so that changes in the fair value of such hypothetical instrument can be regarded as equivalent to changes in fair value of the hedged item.

Once the Bank has determined the change in fair value of the hypothetical swap and the change in the fair value of the actual swap, it would use this data to measure the ineffectiveness in the hedging relationship. As per IFRS 9 Para 6.5.11, the amount of any hedge ineffectiveness recognized in profit or loss is calculated as cumulative excess gain or loss on the hedging instrument over the cumulative change in fair value of the hedged item. The effective portion of hedge, net of tax is recognised in the cash flow hedge reserve.

Based on the DOT, the hedge effective ratio as at the reporting date is 100 per cent.

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

	2024 **RO 000's**	2023 RO 000's
At 1 January	**3,254**	-
Change in fair value during the year	**3,114**	3,828
Less: related deferred tax liabilities (note 19)	**(467)**	(574)
At 31 December	**5,901**	3,254

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

	2024 **RO 000's**	2023 RO 000's
Effective portion of hedge recognized during the year	**3,603**	5,333
Less: Gains on hedge recycled to profit or loss	**(956)**	(2,079)
Change in fair value of cash flow hedge during the year	**2,647**	3,254

38. Repurchase agreements

The following table provides outstanding value of securities sold and corresponding liabilities as at the reporting date in the statement of financial position:

	2024 **RO 000's**	2023 RO 000's
Investment securities sold under repo transactions	-	45,083

The following table shows the corresponding liabilities under the above repo transactions:

	2024 **RO 000's**	2023 RO 000's
Due from banks	-	28,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

39. Geographical distribution of assets and liabilities

The geographical distribution of assets and liabilities was as follows:

At 31 December 2024	***Sultanate of Oman RO 000's***	***Other GCC countries RO 000's***	***Europe RO 000's***	***United States of America RO 000's***	***Others RO 000's***	***Total RO 000's***
Cash and balances with Central Banks	**440,283**	**36,456**	**-**	**-**	**-**	**476,739**
Due from banks	**49,055**	**380,309**	**143,628**	**29,557**	**112,242**	**714,791**
Loans and advances	**9,793,756**	**362,058**	**1,861**	**-**	**79,773**	**10,237,448**
Investments	**1,692,903**	**196,195**	**8,133**	**9,345**	**211,064**	**2,117,640**
Property and equipment and other assets	**354,287**	**11,050**	**-**	**-**	**-**	**365,337**
Total assets	**12,330,284**	**986,068**	**153,622**	**38,902**	**403,079**	**13,911,955**
Deposits from banks	**92,546**	**540,135**	**39,346**	**170**	**305,981**	**978,178**
Customers' deposits	**9,576,840**	**186,654**	**1,471**	**1,052**	**11,051**	**9,777,068**
Euro medium term notes / Sukuk	**16,842**	**-**	**195,139**	**-**	**-**	**211,981**
Other liabilities and taxation	**470,961**	**28,934**	**-**	**-**	**-**	**499,895**
Shareholders' funds	**2,444,833**	**-**	**-**	**-**	**-**	**2,444,833**
Total liabilities and equity	**12,602,022**	**755,723**	**235,956**	**1,222**	**317,032**	**13,911,955**

At 31 December 2023	*Sultanate of Oman RO 000's*	*Other GCC countries RO 000's*	*Europe RO 000's*	*United States of America RO 000's*	*Others RO 000's*	*Total RO 000's*
Cash and balances with Central Banks	686,724	85,616	-	-	-	772,340
Due from banks	93,265	372,605	55,984	193,087	154,763	869,704
Loans and advances	9,516,750	298,297	15,300	-	46,763	9,877,110
Investments	1,411,783	175,920	2,767	7,891	277,483	1,875,844
Property and equipment and other assets	273,795	4,578	-	-	-	278,373
Total assets	11,982,317	937,016	74,051	200,978	479,009	13,673,371
Deposits from banks	80,822	712,763	53,225	2,582	250,697	1,100,089
Customers' deposits	9,024,142	402,897	654	467	9,632	9,437,792
Euro medium term notes / Sukuk	45,869	-	195,139	-	-	241,008
Other liabilities and taxation	521,300	18,327	-	-	-	539,627
Shareholders' funds	2,354,855	-	-	-	-	2,354,855
Total liabilities and equity	12,026,988	1,133,987	249,018	3,049	260,329	13,673,371

40. Segmental information

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions. The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of whole bank in Oman and International markets. The Oman market is further segregated into corporate, consumer, wholesale and Islamic banking, as all of these business lines are located in Oman. Segment information in respect of geographical locations is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

40. Segmental information (continued)

For the year ended 31 December:

	2024 Oman RO 000's	*2024 International RO 000's*	*2024 Total RO 000's*	*2023 Oman RO 000's*	*2023 International RO 000's*	*2023 Total RO 000's*
Interest income	**595,488**	**14,367**	**609,855**	547,825	13,363	561,188
Interest expense	**(236,428)**	**(8,877)**	**(245,305)**	(216,124)	(7,317)	(223,441)
Income from Islamic financing / investments	**101,270**	**-**	**101,270**	97,850	-	97,850
Distribution to depositors	**(68,119)**	**-**	**(68,119)**	(60,775)	-	(60,775)
Commission and fee income (net)	**94,118**	**2,001**	**96,119**	91,842	1,203	93,045
Other operating income	**45,455**	**3,430**	**48,885**	42,663	2,291	44,954
Operating income	**531,784**	**10,921**	**542,705**	503,281	9,540	512,821
Other operating expenses	**(184,329)**	**(3,666)**	**(187,995)**	(172,832)	(3,603)	(176,435)
Depreciation	**(20,986)**	**(281)**	**(21,267)**	(19,729)	(225)	(19,954)
Net impairment losses on financial assets	**(66,554)**	**2,148**	**(64,406)**	(64,444)	(218)	(64,662)
Share of income from an associate	**-**	**996**	**996**	-	450	450
Tax expense	**(43,433)**	**(1,020)**	**(44,453)**	(39,127)	(647)	(39,774)
Total	**(315,302)**	**(1,823)**	**(317,125)**	(296,132)	(4,243)	(300,375)
Profit for the year	**216,482**	**9,098**	**225,580**	207,149	5,297	212,446
Total assets	**13,606,770**	**305,185**	**13,911,955**	13,334,153	339,218	13,673,371
Total liabilities	**11,296,311**	**170,811**	**11,467,122**	11,102,867	215,649	11,318,516
Capital expenses	**23,201**	**272**	**23,473**	21,621	251	21,872

The Group reports the segment information by the following business segments viz. Corporate, Consumer, Wholesale, International and Islamic Banking. The following table shows the distribution of the Group's operating income, profit and total assets by business segments:

- Corporate banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposit taking, trade finance, foreign exchange, transaction banking, cash management and other related services;
- Personal banking provides a diversified range of products and services to individuals, including consumer loans, credit cards, deposit accounts including saving deposits, foreign exchange, e-banking, remittances, bancassurance, premier banking and other branch-related services;
- Wholesale Banking includes treasury, financial institutions, investments, advisory, and asset management services;
- International banking includes activities of overseas branches, representative offices, and strategic investment outside Oman. International banking includes overseas operations and cost allocations from Oman operations.
- Islamic banking represents the banking activities of the Bank's Islamic window in Oman.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

40. Segmental information (continued)

31 December 2024	---*Conventional banking*				---		
	Corporate Banking RO 000's	*Personal Banking RO 000's*	*Wholesale Banking RO 000's*	*International Banking RO 000's*	*Subtotal RO 000's*	*Islamic Banking RO 000's*	*Total RO 000's*
Net interest income	**139,205**	**175,167**	**44,671**	**5,507**	**364,550**	**-**	**364,550**
Net income from Islamic financing	**-**	**-**	**-**	**-**	**-**	**33,151**	**33,151**
Commission, fees and other income (net)	**21,868**	**66,532**	**46,507**	**4,688**	**139,595**	**5,409**	**145,004**
Operating income	**161,073**	**241,699**	**91,178**	**10,195**	**504,145**	**38,560**	**542,705**
Operating expenses (incl. depreciation)	**(37,017)**	**(133,527)**	**(17,871)**	**(5,577)**	**(193,992)**	**(15,270)**	**(209,262)**
Net impairment losses on financial assets	**(39,193)**	**(13,929)**	**(681)**	**1,855**	**(51,948)**	**(12,458)**	**(64,406)**
Share of income from associates	**-**	**-**	**-**	**996**	**996**	**-**	**996**
Tax expense	**(14,096)**	**(15,654)**	**(12,063)**	**(1,020)**	**(42,833)**	**(1,620)**	**(44,453)**
	(90,306)	**(163,110)**	**(30,615)**	**(3,746)**	**(287,777)**	**(29,348)**	**(317,125)**
Profit for the year	**70,767**	**78,589**	**60,563**	**6,449**	**216,368**	**9,212**	**225,580**
Total assets	**4,514,899**	**4,167,597**	**2,937,979**	**303,711**	**11,924,186**	**1,987,769**	**13,911,955**
Total liabilities	**4,145,922**	**4,289,109**	**1,078,763**	**191,921**	**9,705,715**	**1,761,407**	**11,467,122**

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

40. Segmental information (continued)

31 December 2023	*Conventional banking* Corporate Banking RO 000's	*Conventional banking* Personal Banking RO 000's	*Conventional banking* Wholesale Banking RO 000's	*Conventional banking* International Banking RO 000's	*Conventional banking* Subtotal RO 000's	*Islamic Banking RO 000's*	*Total RO 000's*
Net interest income	118,940	167,779	44,983	6,045	337,747	-	337,747
Net income from Islamic financing	-	-	-	-	-	37,075	37,075
Commission, fees and other income (net)	21,204	64,534	43,775	3,494	133,007	4,992	137,999
Operating income	140,144	232,313	88,758	9,539	470,754	42,067	512,821
Operating expenses (incl. depreciation)	(34,989)	(123,634)	(17,264)	(5,678)	(181,565)	(14,824)	(196,389)
Net impairment losses on financial assets	(35,815)	(12,257)	654	(628)	(48,046)	(16,616)	(64,662)
Share of income from associates	-	-	-	450	450	-	450
Tax expense	(10,939)	(15,210)	(11,382)	(647)	(38,178)	(1,596)	(39,774)
	(81,743)	(151,101)	(27,992)	(6,503)	(267,339)	(33,036)	(300,375)
Profit (loss) for the year	58,401	81,212	60,766	3,036	203,415	9,031	212,446
Total assets	4,445,018	3,937,668	3,140,322	323,371	11,846,379	1,826,992	13,673,371
Total liabilities	4,090,342	4,272,272	1,125,509	221,524	9,709,647	1,608,869	11,318,516

Disaggregated revenues

IFRS15 requires the disclosure of disaggregated revenue from contracts with customers for major products / service lines. The below table provides disaggregation of commission and fee income (net) and other operating income into contract income and non-contract income within Group's reportable segments. Contract income is further segregated based on the products and services:

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

40. Segmental information (continued)

Commission and fee income (net) and other operating income	***Corporate Banking RO 000's***	***Personal Banking RO 000's***	***Wholesale Banking RO 000's***	***International Banking RO 000's***	***Subtotal RO 000's***	***Islamic Banking RO 000's***	***Total RO 000's***
2024							
Contract income							
Transactional income	**2,914**	**80,490**	**1,259**	**72**	**84,735**	**2,168**	**86,903**
Trade income	**7,970**	**692**	**2,588**	**1,460**	**12,710**	**450**	**13,160**
Syndication and other loan related income	**8,428**	**4,308**	**456**	**481**	**13,673**	**1,184**	**14,857**
Advisory, Asset Management and Private Equity services related income	**-**	**2,276**	**12,045**	**-**	**14,321**	**221**	**14,542**
Total contract income	**19,312**	**87,766**	**16,348**	**2,013**	**125,439**	**4,023**	**129,462**
Non-contract income	**2,556**	**8,030**	**34,209**	**2,681**	**47,476**	**1,409**	**48,885**
	21,868	**95,796**	**50,557**	**4,694**	**172,915**	**5,432**	**178,347**
Fees and commission expense	**-**	**(29,264)**	**(4,050)**	**(6)**	**(33,320)**	**(23)**	**(33,343)**
Commission, fees and other income (net)	**21,868**	**66,532**	**46,507**	**4,688**	**139,595**	**5,409**	**145,004**
2023							
Transactional income	2,569	73,255	1,159	81	77,064	2,212	79,276
Trade income	8,236	835	2,859	873	12,803	438	13,241
Syndication and other loan related income	7,832	3,677	451	256	12,216	1,263	13,479
Advisory, Asset Management and Private Equity services related income	-	1,704	10,274	-	11,978	78	12,056
Total contract income	18,637	79,471	14,743	1,210	114,061	3,991	118,052
Non contract income	2,567	7,764	31,267	2,291	43,889	1,065	44,954
	21,204	87,235	46,010	3,501	157,950	5,056	163,006
Fees and commission expense	-	(22,701)	(2,235)	(7)	(24,943)	(64)	(25,007)
Commission, fees and other income (net)	21,204	64,534	43,775	3,494	133,007	4,992	137,999

The Group has contract assets and contract liabilities amounting to RO 7.876 million (2023: RO 7.747 million) and RO 4.963 million (2023: RO 6.348 million) respectively. No impairment losses have been recognised relating to the contract assets (2023: RO nil). Further, the contracts do not have a significant financing component. The contract liabilities primarily relate to the non-refundable fees received from customers where revenue is recognised over a period of time as mentioned in note 3.2. The amount of RO 1.45 million (2023: RO 0.577 million) recognised in contract liabilities at the beginning of the period has been recognised as revenue for the year ended 31 December 2024.Management expects revenue from the remaining performance obligations will be recognised as 37% in 2025, 36% in 2026 and 27% in 2027. The revenue from contracts with customers does not include revenue recognised from performance obligations satisfied in previous periods.

41. Financial risk management

41.1 Introduction and overview

Risk Management is a process by which the Group identifies key risks by applying consistent risk measurement techniques, 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 Group operates within the risk appetite levels set by its Board of Directors while various business functions pursue their objective of maximizing the risk adjusted returns ensuring fair balance between risk and reward. In the Group, risk is defined as the potential for loss or an undesirable outcome in relation to expected earnings, capital adequacy or liquidity, leading to volatility in earnings. The Bank has exposure to the following core risks:

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

Risk management is the overall responsibility of the Group's Board of Directors and managed through the Board Risk Committee (BRC). The Board of Directors reviews and approves the risk management strategy and defines the risk appetite of the Group. To facilitate achievement of the Group's strategic objectives within the Board approved risk appetite, the Group has established a Management Risk Committee (MRC). The Management Risk Committee provides recommendations to the Board of Directors through BRC on the risk-reward strategy, risk appetite, policies and framework for managing various risks. For the purpose of day-to-day management of risks, the Group has established an independent Risk Management Department (RMD), which objectively reviews and ensures that the various functions of the Group operate in compliance with the risk parameters set by the Board of Directors. The Risk Management Department acts independently of the business with direct reporting to the Board of Directors.

The risk appetite in various business areas is defined and communicated through a well-established Enterprise-wide risk policy. Enterprise wide risks are managed with the objective of maximising risk adjusted returns through a well-defined risk management framework. The Group's risk policy, approved by the Board of Directors, analyses and sets risk limits/thresholds for Credit, Market, Liquidity, Operational and other risks. The risk levels of each of these categories is measured and monitored on a continuous basis and compliance to prescribed risk levels is reported on a regular basis. This ensures prudent management of risks assumed by the Group in its normal course of business. The risk policy is updated regularly, based on changes in Group's strategy/ organisational goals, regulatory guidelines, analysis of the economic trends and the operating environment in the countries where the Group operates.

The Group's risk management processes have proven to be effective throughout the year and remains well supported by a strong risk culture. The Group's Board has remained closely involved with key risk management initiatives, ensuring effective management of the Group's risks, maintenance of appropriate levels of liquidity and capital in line with the evolving requirements.

The Group recognises risk management process as a key to achieve its objective of enhancing shareholder value and as an area of core competence. It continues to invest in enhancing its risk management capabilities, to ensure that it is able to deliver on its growth plans while managing the underlying risks in an effective manner.

41.2 Credit risk

41.2.1 Management of credit risk

Credit risk is the potential loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligations in accordance with the agreed terms. It includes the below sub types:

- Sovereign/ Country risk
- Counterparty Risk
- Settlement risk

The function of credit risk management is to maximise the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Credit risk makes up the largest part of the Group's risk exposure.

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.1 Management of credit risk (continued)

Risk limit control and mitigation policies

The credit risk management process in the Group begins with the risk policy, which defines indicators to address different dimensions of credit risk including credit concentration risk, single borrower limit etc. For each of the indicator, the Group has set for itself, clear and well-defined limit and trigger point. Compliance with the various indicators is monitored and reported on a regular basis and exceptions, if any are escalated to enable remedial actions.

- All credit processes – Approval, disbursal, administration, classification, recoveries and write-off – all are governed by the Group's credit manual which is reviewed by Risk Management department and approved by appropriate approval authorities. The credit policy stipulates clear guidelines for each of these functions and the lending authority at various levels as stipulated in appropriate 'Lending Authority Limits'.

- All Corporate lending proposals, where the proposed credit limit for a borrower or related Group exceeds a threshold, are submitted for approval/renewal to the appropriate authority after an independent review by the Risk Management Department whose comments are incorporated into the proposal.

- All Corporate relationships are reviewed at least once a year. Retail portfolio, including credit cards and mortgage portfolio, is reviewed on a portfolio basis at a product level at least once a year.

- Concentration of exposure to counterparties, geographies and sector are governed and monitored according to regulatory norms and limits prescribed in the Group's risk policy.

- The analysis of large customers at group level is conducted on a regular basis. The lending division undertakes account updates, monitoring and management of exposures on a continuous basis. Industry and sectoral analysis, benchmark reports are analysed as a part of credit risk management process to understand the trends in industry.

- Credit exposures are risk rated to provide support for credit decisions. The portfolio is analysed based on risk grades and risk grade migration to focus on management of prevalent credit risk.

- Retail portfolio is rated using a score card.

A robust collateral management system is in place to mitigate any credit risk. The Group has a strong credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collateral. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants.

The Group executes Credit Support annex to the International Swaps and Derivatives Association (ISDA) document with major counterparty banks to mitigate credit risk arising out of change in the value of underlying for the derivative exposures. The Treasury Middle office undertakes daily valuation of all the derivative deals and raises appropriate margin calls.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances, is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.2 Credit quality analysis

Loans and advances include Islamic financing receivables. All loans and advances of the Group are regularly monitored to ensure compliance with the stipulated repayment terms. Those loans and advances are classified into one of the 5 risk classification categories: Standard, Special Mention, Substandard, Doubtful, and Loss – as stipulated by Central Bank of Oman regulations and guidelines. The responsibility for identifying problem accounts and classifying them rests with business line function.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

As required under IFRS 9, the Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: Financial instruments which are not credit impaired and for which the credit risk has not increased significantly since initial recognition are classified as Stage 1. When a Credit Facility is first recognised, the Group recognises a loss allowance based on 12 month ECL.

- Stage 2: Financial instruments having Significant Increase in Credit Risk ("SICR") since origination will be classified under Stage 2 (if not impaired). When a Credit Facility has shown a significant increase in credit risk since origination, the Group records a loss allowance for the life time (LT) ECL; and

- Stage 3: All credit facilities that are credit impaired either at origination or at reporting date (for e.g. in default stage) i.e. having objective evidence of default / credit impaired, shall be classified under Stage 3. Credit Facilities, considered as credit-impaired, are those facilities where any payment of principal or interest is overdue by more than 89 days. Besides quantitative and qualitative criteria are also applied for assigning Stage 3. In such cases, the Group records a loss allowance for the LTECL.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.2 Credit quality analysis (continued)

2023 Total RO 000's	2023 Stage 3 RO 000's	2023 Stage 2 RO 000's	2023 Stage 1 RO 000's	As at 31 December	2024 Stage 1 RO 000's	2024 Stage 2 RO 000's	2024 Stage 3 RO 000's	2024 Total RO 000's
				Gross exposure				
575,493	-	-	575,493	Central Bank balances	258,757	-	-	258,757
874,416	-	2,408	872,008	Due from banks	719,145	1,014	-	720,159
10,442,437	394,212	1,533,621	8,514,604	Loans and advances	8,893,107	1,583,378	420,432	10,896,917
102,357	-	1,034	101,323	Investment securities at FVOCI	218,148	54	-	218,202
1,562,981	-	-	1,562,981	Investment securities at amortised cost	1,625,644	5,362	-	1,631,006
13,557,684	394,212	1,537,063	11,626,409	**Total funded gross exposure**	**11,714,801**	**1,589,808**	**420,432**	**13,725,041**
1,669,583	26,825	423,045	1,219,713	Financial guarantee contracts	1,329,262	458,924	23,332	1,811,518
132,926	91	22,759	110,076	Acceptances	69,209	23,533	59	92,801
2,310,124	-	262,883	2,047,241	Loan commitment/unutilised limits	2,416,924	467,253	-	2,884,177
4,112,633	26,916	708,687	3,377,030	**Total non-funded gross exposure**	**3,815,395**	**949,710**	**23,391**	**4,788,496**
17,670,317	421,128	2,245,750	15,003,439	**Total gross exposure**	**15,530,196**	**2,539,518**	**443,823**	**18,513,537**
				Impairment				
7	-	-	7	Central Bank balances	-	-	-	-
4,712	-	47	4,665	Due from banks	5,357	11	-	5,368
565,327	316,993	213,835	34,499	Loans and advances	33,083	269,788	356,598	659,469
1,134	-	769	365	Investment securities at FVOCI	2,378	-	-	2,378
1,216	-	-	1,216	Investment securities at amortised cost	357	89	-	446
572,396	316,993	214,651	40,752	**Total funded impairment**	**41,175**	**269,888**	**356,598**	**667,661**
53,476	23,314	25,522	4,640	Financial guarantee contracts	4,243	14,780	21,954	40,977
1,524	59	919	546	Acceptances	501	1,045	52	1,598
10,196	-	5,979	4,217	Loan commitment/unutilised limits	4,930	7,480	-	12,410
65,196	23,373	32,420	9,403	**Total non-funded impairment**	**9,674**	**23,305**	**22,006**	**54,985**
637,592	340,366	247,071	50,155	**Total impairment**	**50,849**	**293,193**	**378,604**	**722,646**
				Net exposure				
575,486	-	-	575,486	Central Bank balances	258,757	-	-	258,757
869,704	-	2,361	867,343	Due from banks	713,788	1,003	-	714,791
9,877,110	77,219	1,319,786	8,480,105	Loans and advances	8,860,024	1,313,590	63,834	10,237,448
101,223	-	265	100,958	Investment securities at FVOCI	215,770	54	-	215,824
1,561,765	-	-	1,561,765	Investment securities at amortised cost	1,625,287	5,273	-	1,630,560
12,985,288	77,219	1,322,412	11,585,657	**Total funded net exposure**	**11,673,626**	**1,319,920**	**63,834**	**13,057,380**
1,616,107	3,511	397,523	1,215,073	Financial guarantee contracts	1,325,019	444,144	1,378	1,770,541
131,402	32	21,840	109,530	Acceptances	68,708	22,488	7	91,203
2,299,928	-	256,904	2,043,024	Loan commitment/unutilised limits	2,411,994	459,773	-	2,871,767
4,047,437	3,543	676,267	3,367,627	**Total net non-funded exposure**	**3,805,721**	**926,405**	**1,385**	**4,733,511**
17,032,725	80,762	1,998,679	14,953,284	**Total net exposure**	**15,479,347**	**2,246,325**	**65,219**	**17,790,891**

Stage 1: 83.9% (2023: 84.9%)of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.
Stage 2: 13.7% (2023: 12.7%) of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.
Stage 3: 2.4% (2023: 2.4%) of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.2 Credit quality analysis (continued)

Net impairment losses on financial assets

Details of net impairment losses on financial assets charged in income statement is set out as follows:

	2024 RO 000's	2023 RO 000's
(Impairment) / reversal of impairment for credit losses:		
Due from banks	**(657)**	169
Cash and Central bank balances	**7**	-
Loans and advances to customers	**(102,315)**	(81,353)
Financial guarantees	**12,489**	(12,171)
Acceptances	**(74)**	(1,271)
Loan commitments/ unutilised limits	**(2,215)**	(4,174)
Investments	**(474)**	1,392
	(93,239)	(97,408)
Recoveries from impairment of loans and advances and Islamic financing	**27,335**	32,149
Recoveries from loans previously written off	**1,498**	597
	28,833	32,746
	(64,406)	(64,662)

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

The maximum credit risk equivalents relating to off-balance sheet items calculated as per Basel III guidelines are as follows:

	2024 RO 000's	2023 RO 000's
Financial guarantees	**321,336**	378,622
Other credit related liabilities	**636,513**	583,107
Loan commitments	**80,671**	59,355
	1,038,520	1,021,084

The above table represents a worst case scenario of credit risk exposure as of 31 December 2024 and 2023, without taking into account of any collateral held or other credit enhancements attached.

41.2.3 Impaired loans and securities

Impaired loans and securities are those for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan and security agreements. Those loans are categorised either as sub-standard, doubtful or loss in the internal credit risk system and as Stage 3 under IFRS 9.

41.2.4 Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group.

41.2.5 Write-off policy

The Group writes off a loan or security and any related allowances for impairment when the Group determines that the loan or security is uncollectible. This determination is reached after considering factors such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure or legal measures to recover the dues. For smaller balance standardised loans, charge off decisions generally based on a product specific past due status and borrower's capacity to repay the loan.

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.6 Analysis of impairment and collateral

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

	Loans and advances and Islamic financing to customers	
	2024	2023
	RO 000's	RO 000's
Against individually impaired		
Property	**150,125**	139,783
Equities	**766**	744
Others	**6,747**	11264
	157,638	151,791
Against past due but not impaired		
Property	**258,139**	385,264
Equities	**15,378**	18,776
Others	**1,542**	14,849
	275,059	418,889
Against neither past due nor impaired		
Property	**6,856,844**	6,193,326
Equities	**387,055**	390,114
Others	**767,280**	990,222
	8,011,179	7,573,662
	8,443,876	8,144,342

(b) *Repossessed collateral*

The Group obtains assets by taking possession of collateral held as security. The carrying value of collateral held for sale as at 31 December 2024 is as follows:

	2024	2023
	RO 000's	RO 000's
Nature of assets		
Residential / commercial property	**100**	100

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the statement of financial position within other assets.

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.6.

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets

Credit risk grades

Each exposure is allocated to a rating scale for individual risk assessment based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Further, a master scale is employed across all different rating scales used by the Group. Its main purpose is to make risk assessment comparable across various segments or products.

A master scale is a scale of credit risk grades, typically denominated by a combination of numbers, letters or both, which represent the relative credit risk assigned to each class or grade. It typically composed of a quantitative and a qualitative component that are indicative of risk of default.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the periodic review of customers' files, status of the industry, press articles, economic condition, changes in external credit ratings, and other internal and external information.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. Performance and default information about its credit risk exposures is collected and analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. Statistical models are employed to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP, oil prices, equity index, etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Determining whether credit risk has increased significantly

Significant Increase in Credit Risk (SICR) Criteria

Under IFRS 9, Stage 2 consists of facilities that have undergone SICR since initial recognition (unless they are classified under low credit risk at reporting date). For these exposures, Lifetime ECL is recognised.

Non-Retail Portfolio

Qualitative Criteria

- Individual Assessment of any Non Retail exposure belonging to list of Top 20 borrowers.
- Special Mention accounts, contracts having specific provision and not in Stage 3 & contracts having interest in suspense and not in Stage 3.
- Qualitative criteria as prescribed by Central Bank of Oman vide circular BM1149 dated 13 April 2017 and other related regulatory guidelines.

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

Non-Retail Portfolio (continued)

Quantitative Criteria

- The initial and reporting ratings of a contract are compared to determine significant increase of credit risk (SICR). A downgrade within the investment grade category requires a drop of at least four rating grades to trigger SICR. A transition from investment grade to sub-investment grade, or a downgrade within the sub-investment grade category, requires a drop of at least one rating grade. Contracts with strong initial ratings will require bigger downgrades to trigger SICR while contracts with weaker initial ratings would trigger SICR with smaller downward movements.
- Days past due based: Any facility which has been more than 30 days delinquent & restructured accounts would be assigned to Stage 2.

Retail Portfolio

Any facility which has been more than 30 days delinquent & restructured accounts would be assigned to Stage 2.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

Loans to customers in financial difficulties are renegotiated to maximise collection opportunities and minimise the risk of default. Loan modification is granted on a selective basis, if the debtor is currently in default on its debt, or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The policy applies to retail and corporate portfolios. The Audit Committee regularly reviews reports on modification activities.

For financial assets modified as part of policy, the estimate of PD reflects whether the modification has improved or restored ability to collect interest and principal and the Group's previous experience of similar modification action. As part of this process, the borrower's payment performance is evaluated against the modified contractual terms and considers various behavioural indicators.

Generally, modification is a qualitative indicator of a significant increase in credit risk and an expectation of modification may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12 month ECL.

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

Definition of default

A financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 89 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

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

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

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

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

Incorporation of forward-looking information

Forward-looking information is incorporated into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios is formulated. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities in the countries where the Group operates, supranational organisations, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. For computation of ECL, the Group considers three scenario viz. base case, upside case and downside case with weightage of 40%, 30% and 30% respectively. The economic scenarios includes the following ranges of key indicators for Oman, Saudi Arabia and Kuwait.

	Units of Measurement	**2025**	**2026**
As at 31 December 2024			
Brent Crude Oil Price	(USD per bbl)	74.12	68.96
Oman Gross Domestic Product	(RO Bn)	36.74	37.77
Consumer Price Index	Index	108.35	110.31
Exports of Goods and Services	(USD Bn)	37.57	37.90
Oman Share Price Index	Index	4,921.07	4,736.91
Saudi Arabia Gross Domestic Product	(SAR Bn)	3,671.22	3,780.31
Saudi Arabia Share Price Index	Index	11,613.93	11,350.89
Kuwait Share Price Index	Index	102.65	100.22

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

Incorporation of forward-looking information (continued)

	Units of Measurement	**2024**	**2025**
As at 31 December 2023			
Brent Crude Oil Price	(USD per bbl)	83.09	74.31
Oman Gross Domestic Product	(RO Bn)	33.95	34.83
Consumer Price Index	Index	113.15	114.87
Exports of Goods and Services	(USD Bn)	39.12	39.57
Oman Share Price Index	Index	4,445.66	4,208.56
Saudi Arabia Gross Domestic Product	(SAR Bn)	3,062.16	3,194.94
Saudi Arabia Share Price Index	Index	11,119.10	11,490.99
Kuwait Share Price Index	Index	101.86	103.08

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 years.

Measurement of ECL

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 as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties.

The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. EAD is derived from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

Measurement of ECL (continued)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, ECL is measured considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, a longer period is considered. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, ECL is measured over a period based on behavioural pattern of the portfolio which may be longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

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

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

Methodology for Computation of Expected Credit Losses

IFRS 9 requires 12 month expected credit loss provision for all accounts in Stage 1 and lifetime expected credit losses for all other accounts.

12 Month Expected Credit Loss

12 month credit loss refer to the portion of expected credit loss resulting from possible default events within 12 months after reporting date.

Lifetime Expected Credit Loss

Lifetime losses result from all possible default events over the expected life of the financial instrument after the reporting date. The lifetime refers to the loan tenure of the financial instrument.

Calculating expected credit losses is a multi-step process. The process followed for Non retail and Retail exposures is given below:

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

Non-Retail Exposure:

The following is the broad methodology for calculation of ECL for non retail exposures:

1. Inputs in ECL calculation include contractual terms, cash flows, EIR, Country and Industry risk factors, correlation to systemic risks and Moody's equivalent Through the cycle (TTC) ratings on origination and reporting dates

2. TTC Moody's Rating are converted to Point in time (PIT) Unconditional PD term structure using Moody's EDF9 model that incorporates country and industry factors.

3. Moody's RiskCalc model was adapted to Group's non-retail portfolio to calculate Unconditional PIT LGD.

4. Using Moody's GCorr model, 3 macroeconomic scenarios (Baseline, Upside and Downside) and the weight for each scenario are specified. The weights assigned are 40%, 30% & 30% for Baseline, Upside and Downside respectively. The macro variables used for Bank Muscat are Oil price, Oman Equity, KSA Equity, Kuwait Equity and KSA GDP.

5. PIT Unconditional PD is converted into 12 month and lifetime Conditional PIT PD and PIT Unconditional LGD is converted into PIT Conditional LGD using GCorr Macro model for each scenario mentioned above.

6. Using the scenario weights mentioned above, scenario-weighted average Conditional PIT PD is calculated. Scenario-weighted average conditional PIT PD is then converted to an equivalent credit rating using Moody's implied rating process.

7. Instrument-level contractual terms are used to generate cash flow which are discounted at the effective interest rates to get exposure at default (EAD). Some instruments have irregular cash flows and hence custom cash flows are input directly in to the tool.

8. ECL Calculation
12 month ECL = 12 month PD X LGD X Discounted EAD
Lifetime ECL = Lifetime PD X LGD X Discounted EAD

9. Final ECL
For all Stage 1 instruments, Final ECL is equal to 12 month ECL calculated as above
For all Stage 2 and Stage 3 instruments, Final ECL is equal to Lifetime ECL calculated as above

Retail Exposures:

The following is the broad methodology for calculation of ECL for retail exposures:

1. Individual and loan characteristics are used to develop PD models for each retail portfolio.

2. Historical portfolio write-off information is used to build LGD models for each retail portfolio.

3. Detailed payment schedules are used for EAD computation. In case detailed payment schedules are not available, linear amortization to the maturity date is used to compute the exposure at a particular forecast date.

4. ECL Calculation
12 month ECL = 12 month PD X LGD X Discounted EAD
Lifetime ECL = Lifetime PD X LGD X Discounted EAD

5. Final ECL
For all Stage 1 instruments, Final ECL is equal to 12 month ECL calculated as above.
For all Stage 2 and Stage 3 instruments, Final ECL is equal to Lifetime ECL calculated as above.

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

An analysis of movement in the gross exposure balances for the year ended 31 December 2024 is set out in the following tables by class of financial assets:

2023					2024			
Total RO 000's	Stage 3 RO 000's	Stage 2 RO 000's	Stage 1 RO 000's		Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
				Opening Balance as at 1 January				
708,834	-	-	708,834	Cash and balances with Central Banks	575,493	-	-	575,493
646,360	-	20,088	626,272	Due from banks	872,008	2,408	-	874,416
4,184,951	102,066	64,734	4,018,151	Retail loans and advances to customers	4,273,921	37,680	72,488	4,384,089
5,789,607	268,954	1,804,876	3,715,777	Corporate loans and advances to customers	4,240,683	1,495,941	321,724	6,058,348
103,702	-	972	102,730	Investment at FVOCI	101,323	1,034	-	102,357
1,337,635	-	12,185	1,325,450	Investment at amortised cost	1,562,981	-	-	1,562,981
1,630,064	32,247	420,766	1,177,051	Financial guarantee contracts	1,219,713	423,045	26,825	1,669,583
109,146	50	38,280	70,816	Acceptances	110,076	22,759	91	132,926
1,999,886	-	307,660	1,692,226	Loan commitment/unutilised limits	2,047,241	262,883	-	2,310,124
16,510,185	403,317	2,669,561	13,437,307	**Total**	15,003,439	2,245,750	421,128	17,670,317
				Net transfer between stages				
-	-	-	-	Cash and balances with Central Banks	-	-	-	-
-	-	1,612	(1,612)	Due from banks	(136)	136	-	-
-	14,128	(22,162)	8,034	Retail loans and advances to customers	(16,266)	(429)	16,695	-
-	88,097	483,343	(571,440)	Corporate loans and advances to customers	(552,006)	527,964	24,042	-
-	-	49	(49)	Investment at FVOCI	939	(939)	-	-
-	-	-	-	Investment at amortised cost	(5,005)	5,005	-	-
-	3,152	207,118	(210,270)	Financial guarantee contracts	(252,099)	251,643	456	-
-	41	22,759	(22,800)	Acceptances	(23,486)	23,477	9	-
-	2,848	(5,156)	2,308	Loan commitment/unutilised limits	(200,321)	199,543	778	-
-	108,266	687,563	(795,829)	**Total**	(1,048,380)	1,006,400	41,980	-
				Re-measurement of outstanding				
(133,341)	-	-	(133,341)	Cash and balances with Central Banks	(316,736)	-	-	(316,736)
228,056	-	(19,292)	247,348	Due from banks	(152,727)	(1,530)	-	(154,257)
229,155	(13,689)	(4,892)	247,736	Retail loans and advances to customers	265,409	(4,080)	(10,591)	250,738
303,093	(975)	(792,278)	1,096,346	Corporate loans and advances to customers	681,366	(473,698)	(1,570)	206,098
(1,345)	-	13	(1,358)	Investment at FVOCI	115,886	(41)	-	115,845
225,346	-	(12,185)	237,531	Investment at amortised cost	67,668	357	-	68,025
39,519	(8,574)	(204,839)	252,932	Financial guarantee contracts	361,648	(215,764)	(3,949)	141,935
23,780	-	(38,280)	62,060	Acceptances	(17,381)	(22,703)	(41)	(40,125)
310,238	(2,848)	(39,621)	352,707	Loan commitment/unutilised limits	570,004	4,827	(778)	574,053
1,224,501	(26,086)	(1,111,374)	2,361,961	**Total**	1,575,137	(712,632)	(16,929)	845,576
				Write off for the period				
(30,017)	(30,017)	-	-	Retail loans and advances to customers	-	-	(180)	(180)
(34,352)	(34,352)	-	-	Corporate loans and advances to customers	-	-	(2,176)	(2,176)
(64,369)	(64,369)	-	-	**Total**	-	-	(2,356)	(2,356)
				Closing Balance as at 31 December				
575,493	-	-	575,493	Cash and balances with Central Banks	258,757	-	-	258,757
874,416	-	2,408	872,008	Due from banks	719,145	1,014	-	720,159
4,384,089	72,488	37,680	4,273,921	Retail loans and advances to customers	4,523,064	33,171	78,412	4,634,647
6,058,348	321,724	1,495,941	4,240,683	Corporate loans and advances to customers	4,370,043	1,550,207	342,020	6,262,270
102,357	-	1,034	101,323	Investment at FVOCI	218,148	54	-	218,202
1,562,981	-	-	1,562,981	Investment at amortised cost	1,625,644	5,362	-	1,631,006
1,669,583	26,825	423,045	1,219,713	Financial guarantee contracts	1,329,262	458,924	23,332	1,811,518
132,926	91	22,759	110,076	Acceptances	69,209	23,533	59	92,801
2,310,124	-	262,883	2,047,241	Loan commitment/unutilised limits	2,416,924	467,253	-	2,884,177
17,670,317	421,128	2,245,750	15,003,439	**Total**	15,530,196	2,539,518	443,823	18,513,537

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

An analysis of movement in the expected credit losses for the year ended 31 December 2024 is set out in the following tables by class of financial assets:

	2023				2024			
Total RO 000's	*Stage 3 RO 000's*	*Stage 2 RO 000's*	*Stage 1 RO 000's*		***Stage 1 RO 000's***	***Stage 2 RO 000's***	***Stage 3 RO 000's***	***Total RO 000's***
				Opening Balance as at 1 January				
7	-	-	7	Cash and balances with Central Banks	**7**	**-**	**-**	**7**
4,880	-	3,530	1,350	Due from banks	**4,665**	**47**	**-**	**4,712**
104,752	94,042	3,302	7,408	Retail loans and advances to customers	**8,866**	**6,381**	**65,044**	**80,291**
452,912	214,269	228,249	10,394	Corporate loans and advances to customers	**25,633**	**207,454**	**251,949**	**485,036**
1,277	-	774	503	Investment at FVOCI	**365**	**769**	**-**	**1,134**
2,466	-	641	1,825	Investment at amortised cost	**1,216**	**-**	**-**	**1,216**
41,313	27,962	11,154	2,197	Financial guarantee contracts	**4,640**	**25,522**	**23,314**	**53,476**
254	50	100	104	Acceptances	**546**	**919**	**59**	**1,524**
6,022	-	2,156	3,866	Loan commitment/unutilised limits	**4,217**	**5,979**	**-**	**10,196**
613,883	336,323	249,906	27,654	**Total**	**50,155**	**247,071**	**340,366**	**637,592**
				Net transfer between stages				
-	-	-	-	Cash and balances with Central Banks	**-**	**-**	**-**	**-**
-	-	27	(27)	Due from banks	**-**	**-**	**-**	**-**
-	627	(1,351)	724	Retail loans and advances to customers	**940**	**(1,451)**	**511**	**-**
-	13,472	27,395	(40,867)	Corporate loans and advances to customers	**24,159**	**(27,408)**	**3,249**	**-**
-	-	(25)	25	Investment at FVOCI	**17**	**(17)**	**-**	**-**
-	-	-	-	Investment at amortised cost	**89**	**(89)**	**-**	**-**
-	35	6,832	(6,867)	Financial guarantee contracts	**7,798**	**(7,980)**	**182**	**-**
-	-	919	(919)	Acceptances	**1,045**	**(1,045)**	**-**	**-**
-	39	2,325	(2,364)	Loan commitment/unutilised limits	**1,348**	**(1,362)**	**14**	**-**
-	14,173	36,122	(50,295)	**Total**	**35,396**	**(39,352)**	**3,956**	**-**
				Impairment charged to income statement				
-	-	-	-	Cash and balances with Central Banks	**(7)**	**-**	**-**	**(7)**
(168)	-	(3,510)	3,342	Due from banks	**692**	**(36)**	**-**	**656**
7,253	2,089	4,430	734	Retail loans and advances to customers	**(771)**	**18,477**	**2,647**	**20,353**
41,933	40,992	(55,165)	56,106	Corporate loans and advances to customers	**(25,744)**	**66,612**	**13,752**	**54,620**
(143)	-	20	(163)	Investment at FVOCI	**1,996**	**(752)**	**-**	**1,244**
(1,250)	-	(641)	(609)	Investment at amortised cost	**(948)**	**178**	**-**	**(770)**
12,163	(4,683)	7,536	9,310	Financial guarantee contracts	**(8,195)**	**(2,762)**	**(1,542)**	**(12,499)**
1,270	9	(100)	1,361	Acceptances	**(1,090)**	**1,171**	**(7)**	**74**
4,174	(39)	1,498	2,715	Loan commitment/unutilised limits	**(635)**	**2,863**	**(14)**	**2,214**
65,232	38,368	(45,932)	72,796	**Total**	**(34,702)**	**85,751**	**14,836**	**65,885**
				Interest reserve charged to interest income				
(1,697)	(1,697)	-	-	Retail loans and advances to customers	**-**	**-**	**1,290**	**1,290**
24,543	17,568	6,975	-	Corporate loans and advances to customers	**-**	**(277)**	**20,512**	**20,235**
22,846	15,871	6,975	-	**Total**	**-**	**(277)**	**21,802**	**21,525**
				Write off for the period				
(30,017)	(30,017)	-	-	Retail loans and advances to customers	**-**	**-**	**(180)**	**(180)**
(34,352)	(34,352)	-	-	Corporate loans and advances to customers	**-**	**-**	**(2,176)**	**(2,176)**
(64,369)	(64,369)	-	-	**Total**	**-**	**-**	**(2,356)**	**(2,356)**
				Closing Balance as at 31 December				
7	-	-	7	Cash and balances with Central Banks	**-**	**-**	**-**	**-**
4,712	-	47	4,665	Due from banks	**5,357**	**11**	**-**	**5,368**
80,291	65,044	6,381	8,866	Retail loans and advances to customers	**9,035**	**23,407**	**69,312**	**101,754**
485,036	251,949	207,454	25,633	Corporate loans and advances to customers	**24,048**	**246,381**	**287,286**	**557,715**
1,134	-	769	365	Investment at FVOCI	**2,378**	**-**	**-**	**2,378**
1,216	-	-	1,216	Investment at amortised cost	**357**	**89**	**-**	**446**
53,476	23,314	25,522	4,640	Financial guarantee contracts	**4,243**	**14,780**	**21,954**	**40,977**
1,524	59	919	546	Acceptances	**501**	**1,045**	**52**	**1,598**
10,196	-	5,979	4,217	Loan commitment/unutilised limits	**4,930**	**7,480**	**-**	**12,410**
637,592	340,366	247,071	50,155	**Total**	**50,849**	**293,193**	**378,604**	**722,646**

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

An analysis of credit quality of gross exposures as at 31 December 2024 is set out in the following tables by class of financial assets:

2023					*2024*			
Total RO 000's	*Stage 3 RO 000's*	*Stage 2 RO 000's*	*Stage 1 RO 000's*		***Stage 1 RO 000's***	***Stage 2 RO 000's***	***Stage 3 RO 000's***	***Total RO 000's***
				Central Bank balances				
430,867	-	-	430,867	High Grade (Aaa to Baa3)	**253,367**	**-**	**-**	**253,367**
71,476	-	-	71,476	Standard Grade (Ba1 to Ba2)	**5,390**	**-**	**-**	**5,390**
73,150	-	-	73,150	Satisfactory Grade (Ba3 to Caa3)	**-**	**-**	**-**	**-**
575,493	-	-	575,493	**Total**	**258,757**	**-**	**-**	**258,757**
				Due from Banks				
636,978	-	24	636,954	High Grade (Aaa to Baa3)	**522,985**	**-**	**-**	**522,985**
182,866	-	-	182,866	Standard Grade (Ba1 to Ba2)	**147,590**	**-**	**-**	**147,590**
54,572	-	2,384	52,188	Satisfactory Grade (Ba3 to Caa3)	**48,570**	**1,014**	**-**	**49,584**
874,416	-	2,408	872,008	**Total**	**719,145**	**1,014**	**-**	**720,159**
				Retail Loans and Advances				
2,834,533	-	136	2,834,397	High Grade (Aaa to Baa3)	**3,001,613**	**-**	**-**	**3,001,613**
1,292,145	-	1,157	1,290,988	Standard Grade (Ba1 to Ba2)	**1,373,436**	**877**	**-**	**1,374,313**
184,952	29	36,387	148,536	Satisfactory Grade (Ba3 to Caa3)	**148,015**	**32,294**	**26**	**180,335**
72,459	72,459	-	-	Non Performing	**-**	**-**	**78,386**	**78,386**
4,384,089	72,488	37,680	4,273,921	**Total**	**4,523,064**	**33,171**	**78,412**	**4,634,647**
				Corporate Loans and Advances				
2,198,487	-	125,315	2,073,172	High Grade (Aaa to Baa3)	**2,525,393**	**184,008**	**-**	**2,709,401**
1,315,434	-	238,887	1,076,547	Standard Grade (Ba1 to Ba2)	**1,116,298**	**308,709**	**-**	**1,425,007**
2,222,703	-	1,131,739	1,090,964	Satisfactory Grade (Ba3 to Caa3)	**728,352**	**1,057,490**	**-**	**1,785,842**
321,724	321,724	-	-	Non Performing	**-**	**-**	**342,020**	**342,020**
6,058,348	321,724	1,495,941	4,240,683	**Total**	**4,370,043**	**1,550,207**	**342,020**	**6,262,270**
				Investment at FVOCI				
45,831	-	-	45,831	High Grade (Aaa to Baa3)	**44,110**	**-**	**-**	**44,110**
15,378	-	45	15,333	Standard Grade (Ba1 to Ba2)	**106,301**	**1**	**-**	**106,302**
41,148	-	989	40,159	Satisfactory Grade (Ba3 to Caa3)	**67,737**	**53**	**-**	**67,790**
102,357	-	1,034	101,323	**Total**	**218,148**	**54**	**-**	**218,202**
				Investment at amortised cost				
278,868	-	-	278,868	High Grade (Aaa to Baa3)	**323,352**	**-**	**-**	**323,352**
7,940	-	-	7,940	Standard Grade (Ba1 to Ba2)	**817,177**	**-**	**-**	**817,177**
1,276,173	-	-	1,276,173	Satisfactory Grade (Ba3 to Caa3)	**485,115**	**5,362**	**-**	**490,477**
1,562,981	-	-	1,562,981	**Total**	**1,625,644**	**5,362**	**-**	**1,631,006**
				Financial guarantee contracts				
1,004,076	-	111,536	892,540	High Grade (Aaa to Baa3)	**799,308**	**85,178**	**-**	**884,486**
242,713	-	90,800	151,913	Standard Grade (Ba1 to Ba2)	**395,193**	**121,735**	**-**	**516,928**
395,969	-	220,709	175,260	Satisfactory Grade (Ba3 to Caa3)	**134,761**	**252,011**	**-**	**386,772**
26,825	26,825	-	-	Non Performing	**-**	**-**	**23,332**	**23,332**
1,669,583	26,825	423,045	1,219,713	**Total**	**1,329,262**	**458,924**	**23,332**	**1,811,518**
				Acceptances				
98,035	-	5,997	92,038	High Grade (Aaa to Baa3)	**50,784**	**1,353**	**-**	**52,137**
23,475	-	7,249	16,226	Standard Grade (Ba1 to Ba2)	**16,595**	**12,714**	**-**	**29,309**
11,325	-	9,513	1,812	Satisfactory Grade (Ba3 to Caa3)	**1,830**	**9,466**	**-**	**11,296**
91	91	-	-	Non Performing	**-**	**-**	**59**	**59**
132,926	91	22,759	110,076	**Total**	**69,209**	**23,533**	**59**	**92,801**
				Loan commitment/unutilised limits				
1,536,280	-	104,107	1,432,173	High Grade (Aaa to Baa3)	**1,703,888**	**221,896**	**-**	**1,925,784**
347,733	-	64,115	283,618	Standard Grade (Ba1 to Ba2)	**540,276**	**162,357**	**-**	**702,633**
426,111	-	94,661	331,450	Satisfactory Grade (Ba3 to Caa3)	**172,760**	**83,000**	**-**	**255,760**
2,310,124	-	262,883	2,047,241	**Total**	**2,416,924**	**467,253**	**-**	**2,884,177**
				Gross exposure				
9,063,955	-	347,115	8,716,840	High Grade (Aaa to Baa3)	**9,224,800**	**492,435**	**-**	**9,717,235**
3,499,160	-	402,253	3,096,907	Standard Grade (Ba1 to Ba2)	**4,518,256**	**606,393**	**-**	**5,124,649**
4,686,103	29	1,496,382	3,189,692	Satisfactory Grade (Ba3 to Caa3)	**1,787,140**	**1,440,690**	**26**	**3,227,856**
421,099	421,099	-	-	Non Performing	**-**	**-**	**443,797**	**443,797**
17,670,317	421,128	2,245,750	15,003,439	**Total gross exposure**	**15,530,196**	**2,539,518**	**443,823**	**18,513,537**

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

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

Assets classification as per		*2024*							*2023*							
CBO Norms	***IFRS9***	***Gross amount RO 000's***	***Provision as per CBO norms RO 000's***	***Reserve interest as per CBO norms RO 000's***	***Provision as per IFRS 9 RO 000's***	***Difference RO 000's***	***Net carrying amount RO 000's***	***Interest recognised as per IFRS 9 RO 000's***	*Gross amount RO 000's*	*Provision as per CBO norms RO 000's*	*Reserve interest as per CBO norms RO 000's*	*Provision as per IFRS 9 RO 000's*	*Difference RO 000's*	*Net carrying amount RO 000's*	*Interest recognised as per IFRS 9 RO 000's*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7 = 4+5-6)*	*(8 = 3-6)*	*(9)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7 = 4+5-6)*	*(8 = 3-6)*	*(9)*
Standard	Stage 1	**9,612,252**	**135,259**	**-**	**38,440**	**96,819**	**9,573,812**	**-**	9,386,612	129,130	-	39,164	89,966	9,347,448	-
	Stage 2	**1,218,718**	**12,278**	**-**	**172,058**	**(159,780)**	**1,046,660**	**-**	1,133,237	11,568	-	139,732	(128,164)	993,505	-
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
		10,830,970	**147,537**	**-**	**210,498**	**(62,961)**	**10,620,472**	**-**	10,519,849	140,698	-	178,896	(38,198)	10,340,953	-
Special mention	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
	Stage 2	**365,674**	**8,477**	**1,222**	**97,741**	**(88,042)**	**267,933**	**-**	402,792	9,241	279	74,150	(64,630)	328,642	-
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
		365,674	**8,477**	**1,222**	**97,741**	**(88,042)**	**267,933**	**-**	402,792	9,241	279	74,150	(64,630)	328,642	-
Substandard	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
	Stage 3	**20,987**	**5,049**	**789**	**5,838**	**-**	**15,149**	**-**	42,531	10,500	548	13,320	(2,272)	29,211	-
		20,987	**5,049**	**789**	**5,838**	**-**	**15,149**	**-**	42,531	10,500	548	13,320	(2,272)	29,211	-
Doubtful	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
	Stage 3	**28,079**	**12,534**	**1,318**	**18,184**	**(4,332)**	**9,895**	**-**	61,566	24,084	2,129	41,509	(15,296)	20,057	-
		28,079	**12,534**	**1,318**	**18,184**	**(4,332)**	**9,895**	**-**	61,566	24,084	2,129	41,509	(15,296)	20,057	-
Loss	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
	Stage 3	**394,757**	**278,198**	**76,385**	**354,582**	**1**	**40,175**	**-**	317,031	228,624	56,913	285,537	-	31,494	-
		394,757	**278,198**	**76,385**	**354,582**	**1**	**40,175**	**-**	317,031	228,624	56,913	285,537	-	31,494	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	**5,917,944**	**-**	**-**	**12,409**	**(12,409)**	**5,905,535**	**-**	5,616,827	-	-	10,991	(10,991)	5,605,836	-
	Stage 2	**955,126**	**-**	**-**	**23,394**	**(23,394)**	**931,732**	**-**	709,721	-	-	33,189	(33,189)	676,532	-
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
		6,873,070	**-**	**-**	**35,803**	**(35,803)**	**6,837,267**	**-**	6,326,548	-	-	44,180	(44,180)	6,282,368	-
Total	Stage 1	**15,530,196**	**135,259**	**-**	**50,849**	**84,410**	**15,479,347**	**-**	15,003,439	129,130	-	50,155	78,975	14,953,284	-
	Stage 2	**2,539,518**	**20,755**	**1,222**	**293,193**	**(271,216)**	**2,246,325**	**-**	2,245,750	20,809	279	247,071	(225,983)	1,998,679	-
	Stage 3	**443,823**	**295,781**	**78,492**	**378,604**	**(4,331)**	**65,219**	**-**	421,128	263,208	59,590	340,366	(17,568)	80,762	-
		18,513,537	**451,795**	**79,714**	**722,646**	**(191,137)**	**17,790,891**	**-**	17,670,317	413,147	59,869	637,592	(164,576)	17,032,725	-

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

Loans with renegotiated terms

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

Assets classification as per		2024							2023						
***CBO Norms** (1)*	***IFRS9** (2)*	***Gross amount RO 000's** (3)*	***Provision as per CBO norms* RO 000's** (4)*	***Reserve interest as per CBO norms RO 000's** (5)*	***Provision as per IFRS 9 RO 000's** (6)*	***Difference RO 000's** (7 = 4+5-6)*	***Net carrying amount RO 000's** (8 = 3-6)*	***Interest recognised as per IFRS 9 RO 000's** (9)*	*Gross amount RO 000's (3)*	*Provision as per CBO norms* RO 000's (4)*	*Reserve interest as per CBO norms RO 000's (5)*	*Provision as per IFRS 9 RO 000's (6)*	*Difference RO 000's (7 = 4+5-6)*	*Net carrying amount RO 000's (8 = 3-6)*	*Interest recognised as per IFRS 9 RO 000's (9)*
Classified as performing	Stage 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Stage 2	**62,113**	**621**	-	**6,288**	**(5,667)**	**55,825**	-	33,074	331	-	1,092	(761)	31,982	-
	Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		62,113	**621**	-	**6,288**	**(5,667)**	**55,825**	-	33,074	331	-	1,092	(761)	31,982	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Stage 3	**103,918**	**68,685**	**12,028**	**85,026**	**(4,313)**	**18,892**	-	98,921	68,962	9,140	80,343	(2,241)	18,578	-
		103,918	**68,685**	**12,028**	**85,026**	**(4,313)**	**18,892**	-	98,921	68,962	9,140	80,343	(2,241)	18,578	-
Total	Stage 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Stage 2	**62,113**	**621**	-	**6,288**	**(5,667)**	**55,825**	-	33,074	331	-	1,092	(761)	31,982	-
	Stage 3	**103,918**	**68,685**	**12,028**	**85,026**	**(4,313)**	**18,892**	-	98,921	68,962	9,140	80,343	(2,241)	18,578	-
		166,031	**69,306**	**12,028**	**91,314**	**(9,980)**	**74,717**	-	131,995	69,293	9,140	81,435	(3,002)	50,560	-

* Provision required as per CBO norms includes reserve for restructured loans

In addition to the above, loan outstanding of customers whose credit facilities were rescheduled as per the COVID19 guidelines of Central Bank of Oman amounted to RO 814.071 million (Stage 1: RO 90.919 million, Stage 2: RO 655.995 million and Stage 3: RO 67.157 million) with an impairment allowance of RO 184.233 million (Stage 1: RO 4.282 million, Stage 2: RO 126.345 million, Stage 3: RO 53.606 million). In 2023, loan outstanding of customers whose credit facilities were rescheduled as per the COVID19 guidelines of Central Bank of Oman amounted to RO 976.781 million (Stage 1: RO 141.298 million, Stage 2: RO 777.597 million and Stage 3: RO 57.886 million) with an impairment allowance of RO 125.532 million (Stage 1: RO 2.527 million, Stage 2: RO 91.939 million and Stage 3: RO 31.066 million). Additionally, the Bank held restructured loan reserve of RO 2.136 million as at 31 December 2023. This balance has been transferred to retained earnings during the year 2024.

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.7 Exposures and ECL of financial assets (continued)

Impairment allowance

	2024			2023		
	As per CBO Norms RO 000's	*As per IFRS 9 RO 000's*	*Difference RO 000's*	*As per CBO Norms RO 000's*	*As per IFRS 9 RO 000's*	*Difference RO 000's*
Impairment loss charged to profit or loss account (net of recoveries) [1]	**64,406**	**64,406**	**-**	64,662	64,662	-
Provisions required as per CBO norms / held as per IFRS 9 [1]	**531,509**	**722,646**	**(191,137)**	473,016	637,592	(164,576)
Gross NPL ratio [2]	**3.86%**	**3.86%**	**0.00%**	3.78%	3.78%	0.00%
Net NPL ratio [2]	**0.65%**	**0.61%**	**0.04%**	0.93%	0.76%	0.17%

[1] Impairment loss and provisions held above includes unallocated provision created by the Group
[2] NPL ratios are calculated on the basis of funded non performing loans and funded exposures.

41.2.8 Concentration of credit risk

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

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or businesses. It also obtains appropriate security concentration by location for loans and advances and is measured based on the location of the Group holding the asset, which has a high co-relation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

The table below analyses the carrying value of concentration of gross exposures to customers by various sectors.

	Due from banks		*Loans and advances and Islamic financing receivables*		*Investment debt securities*		*Contingent liabilities and commitments*	
	2024 RO 000's	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*
Agriculture/allied activity	-	-	**173,434**	189,204	-	-	**3,781**	6,294
Construction	-	-	**494,238**	445,778	-	-	**554,345**	394,116
Export trade	-	-	**20,596**	62,955	-	-	**24,014**	343,765
Financial institutions	**720,159**	874,416	**314,315**	505,403	**47,147**	28,480	**376,807**	119,860
Government	-	-	**78,116**	47,321	**1,562,344**	1,500,681	**900**	935
Import trade	-	-	**606,952**	533,700	-	-	**348,871**	182,855
Manufacturing	-	-	**694,974**	872,817	-	-	**80,263**	64,952
Mining and quarrying	-	-	**728,638**	460,662	-	-	**44,719**	85,197
Real estate	-	-	**215,527**	233,011	-	-	**266**	520
Services	-	-	**778,664**	759,490	**189,052**	89,073	**194,999**	186,256
Transport	-	-	**944,123**	939,396	-	-	**63,502**	63,785
Utilities	-	-	**851,768**	766,156	**45,442**	43,442	**4,425**	18,170
Wholesale / Retail trade	-	-	**291,681**	150,026	-	-	**77,922**	123,888
Others	-	-	**73,847**	97,118	**5,223**	3,662	**36,704**	78,990
Personal / Housing Loans	-	-	**4,630,044**	4,379,400	-	-	-	-
	720,159	874,416	**10,896,917**	10,442,437	**1,849,208**	1,665,338	**1,811,518**	1,669,583

The Group monitors concentrations of credit risk by sector and by geographic location. The table below analyses the concentrations of gross exposures by various sectors:

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.2 Credit risk (continued)

41.2.8 Concentration of credit risk (continued)

	Due from banks		*Loans and advances and Islamic financing receivables*		*Investment debt securities*		*Contingent liabilities and commitments*	
	2024 RO 000's	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*
Concentration by sector								
Corporate	**-**	-	**5,874,442**	5,510,313	**239,717**	136,177	**1,433,811**	1,548,788
Sovereign	**-**	-	**78,116**	47,321	**1,562,344**	1,500,681	**900**	935
Financial institutions	**720,159**	874,416	**314,315**	505,403	**47,147**	28,480	**376,807**	119,860
Retail	**-**	-	**4,630,044**	4,379,400	**-**	-	**-**	-
	720,159	874,416	**10,896,917**	10,442,437	**1,849,208**	1,665,338	**1,811,518**	1,669,583

The table below analyses the concentration of gross exposures by various locations:

	Due from banks		*Loans and advances and Islamic financing receivables*		*Investment debt securities*		*Contingent liabilities and commitments*	
	2024 RO 000's	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*	***2024 RO 000's***	*2023 RO 000's*
Concentration by location								
Sultanate of Oman	**49,567**	97,036	**10,388,972**	10,031,233	**1,620,471**	1,370,422	**1,161,074**	1,022,615
Other GCC Countries	**383,082**	372,993	**425,959**	349,034	**25,090**	25,730	**173,201**	190,390
Europe	**144,683**	56,012	**1,861**	15,303	**-**	-	**216,869**	247,017
United States of America	**29,763**	193,236	**-**	-	**916**	929	**14,980**	10,737
Others	**113,064**	155,139	**80,125**	46,867	**202,731**	268,257	**245,394**	198,824
	720,159	874,416	**10,896,917**	10,442,437	**1,849,208**	1,665,338	**1,811,518**	1,669,583

41.2.9 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the difference in time zones of banks operating in different geographies. The Bank has set in place appropriate settlement limits and monitors the same on a continuous basis. Further, the Bank has an arrangement to settle all major foreign exchange transactions through Continuous Linked Settlements (CLS). The CLS is a Central Counterparty (CCP) which helps the bank to mitigate settlement risks.

41.3 Liquidity risk

Liquidity risk is the potential inability of the Group to meet its maturing obligations to counterparty.

41.3.1 Management of liquidity risk

Liquidity risk or funding risk arises when the Bank is unable to generate sufficient cash resources in a timely and cost-effective manner to meet obligations as they fall due and/or to fund assets growth. Such liquidity risk may arise even when the institution is solvent. Liquidity stress may be caused by counterparties withdrawing credit lines or of not rolling over existing funding or as a result of general disruption in the markets or run on Group deposits etc.

The Bank's treasury manages the liquidity on day-to-day basis under the guidance and supervision of the Asset Liability Committee (ALCO) of the Group manages the liquidity position of the Group. In order to ensure that the Group meets its financial obligations as and when they fall due and to avoid any undue concentration, sources and maturities of assets and liabilities cash flow positions are closely monitored. Liquidity risk management ensures that the Group has the ability, under varying levels of stress to efficiently and economically meet liquidity needs.

The Group consciously diversifies its funding base to include deposits raised from inter-bank, retail customer deposits, bonds and medium term funds raised through Euro medium term notes and subordinated liabilities. These together with the strength of the Group's equity and asset quality ensure that funds are available at competitive rates at all times.

41. Financial risk management (continued)

41.3 Liquidity risk (continued)

41.3.1 Management of liquidity risk (continued)

The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration and ensure a robust management of liquidity risks. The Group undertakes structural profiling based on the actual behavioral patterns of customers to study the structural liquidity position and initiate measures to fund these gaps.

The Group consciously diversifies its funding base to include deposits raised from inter-bank, retail customer deposits, bonds and medium term funds raised through Euro medium term notes and subordinated liabilities. These together with the strength of the Group's equity and asset quality ensure that funds are available at competitive rates at all times.

The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration and ensure a robust management of liquidity risks. The Group undertakes structural profiling based on the actual behavioral patterns of customers to study the structural liquidity position and initiate measures to fund these gaps.

The Group undertakes liquidity management through establishing time-band based "gap limits" and "maximum cumulative outflow" limits, development of stress testing and contingency plans to ensure "crisis survivability", various liquidity ratios/thresholds such as FI, NSFR etc.

The Group's statement on maturity of asset and liability is outlined in note 41.3.2 to the consolidated financial statements.

41.3.2 Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are the ratios of liquid assets to total deposits and liquid assets to total assets. For this purpose the liquid assets include cash and balances with Central Banks, government securities, treasury bills and due from banks. The table below provides the ratios of liquid assets to deposits from customers and liquid assets to total assets at the reporting date and during the reporting period.

	Liquid assets to total assets ratio		***Liquid assets to total deposits ratio***	
	2024	*2023*	***2024***	*2023*
As at 31 December	**18.77%**	19.26%	**25.54%**	26.61%
Average for the period	**19.56%**	18.83%	**26.66%**	25.85%
Maximum for the period	**21.43%**	20.55%	**29.68%**	28.25%
Minimum for the period	**16.92%**	16.46%	**23.02%**	22.53%

The following table sets out the Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of the Bank:

As at 31 December	**2024**	2023
LCR	**190%**	195%
NSFR	**117%**	122%

The table below analyses the Group's on and off balance sheet assets and liabilities into relevant maturity Groupings based on the remaining period at the reporting date using the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.3 Liquidity risk (continued)

41.3.2. Exposure to liquidity risk (continued)

The Group's maturity position of on and off balance sheet assets and liabilities is as follows:

	On demand or within 1 month RO 000's	*2 to 3 months RO 000's*	*4 to 12 months RO 000's*	*1 to 5 years RO 000's*	*More than 5 years RO 000's*	*Total RO 000's*
As at 31 December 2024						
Cash and balances with Central Banks	272,409	19,917	47,469	81,172	55,772	476,739
Due from banks	253,338	265,974	132,202	52,081	11,196	714,791
Loans and advances	877,714	669,797	936,447	2,593,010	5,160,480	10,237,448
Investments	608,885	184,445	336,819	791,265	196,226	2,117,640
Property and equipment and other assets	201,148	56,648	40,127	3,151	64,263	365,337
Total on balance sheet assets	2,213,494	1,196,781	1,493,064	3,520,679	5,487,937	13,911,955
Irrevocable credit commitments / invocation of guarantees	-	-	-	270,163	-	270,163
Derivatives	307,865	190,853	374,645	245,318	-	1,118,681
Total off balance sheet assets	307,865	190,853	374,645	515,481	-	1,388,844
Total assets	2,521,359	1,387,634	1,867,709	4,036,160	5,487,937	15,300,799
Future interest cash inflows	42,218	89,676	436,332	1,580,063	1,099,320	3,247,609
Deposits from banks	334,378	78,019	105,706	460,075	-	978,178
Customers' deposits*	805,816	1,171,843	2,196,700	4,109,006	1,493,703	9,777,068
Euro medium term notes / sukuk	-	-	-	211,981	-	211,981
Other liabilities and taxation	165,322	156,204	173,616	722	4,031	499,895
Total equity	-	-	-	-	2,444,833	2,444,833
Total liabilities and equity	1,305,516	1,406,066	2,476,022	4,781,784	3,942,567	13,911,955
Irrevocable credit commitments / invocation of guarantees	22,339	53,790	57,046	67,512	69,476	270,163
Derivatives	305,508	189,872	374,173	244,882	-	1,114,435
Total off balance sheet liabilities	327,847	243,662	431,219	312,394	69,476	1,384,598
Total liabilities	1,633,363	1,649,728	2,907,241	5,094,178	4,012,043	15,296,553
Future interest cash outflows	2,033	5,237	4,871	257,346	58,322	327,809
Gap (total assets – total liabilities)	887,996	(262,094)	(1,039,532)	(1,058,018)	1,475,894	4,246
Cumulative gap	887,996	625,902	(413,630)	(1,471,648)	4,246	

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.3 Liquidity risk (continued)

41.3.2. Exposure to liquidity risk (continued)

	On demand or within 1 month RO 000's	*2 to 3 months RO 000's*	*4 to 12 months RO 000's*	*1 to 5 years RO 000's*	*More than 5 years RO 000's*	*Total RO 000's*
As at 31 December 2023						
Cash and balances with Central Banks	499,625	25,671	63,668	108,705	74,671	772,340
Due from banks	375,010	113,384	276,620	90,439	14,251	869,704
Loans and advances	720,491	1,004,824	915,213	2,300,412	4,936,170	9,877,110
Investments	621,780	167,928	83,930	857,806	144,400	1,875,844
Property and equipment and other assets	137,172	41,460	29,933	935	68,873	278,373
Total on balance sheet assets	2,354,078	1,353,267	1,369,364	3,358,297	5,238,365	13,673,371
Irrevocable credit commitments / invocation of guarantees	-	-	-	206,921	-	206,921
Derivatives	435,384	543,656	468,718	156,170	-	1,603,928
Total off balance sheet assets	435,384	543,656	468,718	363,091	-	1,810,849
Total assets	2,789,462	1,896,923	1,838,082	3,721,388	5,238,365	15,484,220
Future interest cash inflows	42,075	90,791	418,697	1,501,187	1,093,603	3,146,353
Deposits from banks	240,728	15,943	171,593	671,825	-	1,100,089
Customers' deposits*	852,953	1,091,855	2,235,836	3,641,376	1,615,772	9,437,792
Euro medium term notes / sukuk	-	2,688	45,597	192,723	-	241,008
Other liabilities and taxation	229,728	120,464	183,399	513	5,523	539,627
Total equity	-	-	-	-	2,354,855	2,354,855
Total liabilities and equity	1,323,409	1,230,950	2,636,425	4,506,437	3,976,150	13,673,371
Irrevocable credit commitments / invocation of guarantees	38,037	28,160	103,053	37,671	-	206,921
Derivatives	439,827	548,534	468,030	155,698	-	1,612,089
Total off balance sheet liabilities	477,864	576,694	571,083	193,369	-	1,819,010
Total liabilities	1,801,273	1,807,644	3,207,508	4,699,806	3,976,150	15,492,381
Future interest cash outflows	1,636	4,698	8,416	303,155	53,590	371,495
Gap (total assets – total liabilities)	988,189	89,279	(1,369,426)	(978,418)	1,262,215	(8,161)
Cumulative gap	988,189	1,077,468	(291,958)	(1,270,376)	(8,161)	

The customer deposits include savings, current, call and margin accounts that have ambiguous maturities, while contractually payable on demand. Behaviorally, they are sticky in nature. In line with existing regulatory guidelines, they are categorized in the above table in the following maturity positions: on demand or within 1 month, 2 to 3 months, 4 to 12 months, 1 to 5 years, and more than 5 years with amounts: RO 610,589 thousand, RO 610,589 thousand, RO 1,195,553 thousand, RO 2,201,743 thousand, RO 1,313,671 thousand respectively, totaling to RO 5,932,145 thousand. The corresponding amounts as at 31 December 2023 in similar maturity positions were RO 647,952 thousand, RO 647,952 thousand, RO 1,254,094 thousand, RO 2,083,089 thousand and RO 1,330,713 thousand respectively, totaling to RO 5,963,800 thousand.

Contingent liabilities are bucketed on the basis of probable funding obligations based on past experiences, while contractually payable on demand.

The bank is well within the cumulative limits as prescribed by the Central Bank for liquidity gap management. Repayments of customers' deposits which are subject to notice are treated as if notice was given immediately. However, the Group expects that many customers will not request repayment on the earliest date.

Interest cash flows shown in the above tables represent inflows and outflows up to the contractual maturity of financial assets and liabilities. Mismatch in interest cash flows arise as contractual maturity of financial assets is longer than contractual maturity of financial liabilities. Historically, financial liabilities are rolled over on contractual maturity which is not considered in the future interest cash flow calculations. Furthermore, the interest cash flows do not factor in the stable nature of unambiguous maturity financial liabilities such as demand and savings accounts.

41. Financial risk management (continued)

41.4 Market risk

Market risk is the potential loss due to changes in market determined variables. It manifests through the following variables Foreign exchange risk, investment price risk, interest rate risk and commodity price risk.

41.4.1 Management of market risks

The Group sets limits for each product and risk type in order to ensure that the Group's market risk is managed well within the overall regulatory requirements set by the Central Bank of Oman and internal regulations contained in the Risk Policy. The Group does not enter into trading positions in commodities and derivatives. Limits and all internal / external guidelines are strictly adhered to, deviations, if any, are immediately escalated and action taken wherever necessary.

41.4.2 Foreign exchange risk

Foreign exchange risk is the potential adverse impact on earnings and market value of currency holdings due to changes in foreign exchange rates. Foreign exchange risk management in the Group is ensured through regular measurement and monitoring of open foreign exchange positions against approved regulatory and internal limits. Majority of the foreign exchange transactions carried out by the division are on behalf of corporate customers and are on a back-to-back basis. The treasury ensures that positions with customers are covered in the interbank market.

The Group conservatively restricts its open currency position at below 35 percent of its net worth as against the regulatory limit of 40 percent of net worth.

As at the reporting date, the Group had the following net exposures denominated in foreign currencies:

	2024 **RO 000's**	2023 RO 000's
UAE Dirham	**43,637**	5,129
US Dollar	**81,299**	80,459
Saudi Riyal	**78,329**	16,490
Qatari Riyal	**18,689**	706
Pakistani Rupee	**1,339**	1,441
Indian Rupee	**5,429**	5,085
Kuwait Dinar	**26,112**	19,571
Bahraini Dinar	**95,671**	88,641
Others	**1,937**	7,911
	352,442	225,433

Positions are monitored on a daily basis to ensure positions are maintained within the limits approved by the Central Bank of Oman. The net exposure in foreign currencies includes foreign currency exposure on investment in overseas branches, subsidiary and significant investment in certain entities of equivalent to RO 134 million (2023: RO 123 million) which are exempted from regulatory limit on foreign exchange exposure. The Group's significant portion of foreign exchange exposure is in USD and other GCC currencies which have (other than Kuwaiti Dinar) fixed parity with Omani Rial unless the peg is changed.

Exposure and sensitivity analysis:

The table below indicates the sensitivity analysis of foreign exchange exposure of the Group to changes in the non-parity foreign currency prices as at 31 December with all other variables held constant.

	2024		*2023*	
Non-parity foreign currency net assets	***% of change in the currency price (+/-)***	***Change in profit and equity (+/-) RO'000***	*% of change in the currency price (+/-)*	*Change in profit and equity (+/-) RO'000*
Indian Rupee	**10%**	**543**	10%	509
Pakistani Rupee	**10%**	**134**	10%	144
Kuwaiti Dinar	**10%**	**2,611**	10%	1,957
Others	**10%**	**194**	10%	791

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.4 Market risk (continued)

41.4.3 Investment price risk (continued)

Investment price risk is the risk of decline in the market value of the Group's portfolio as a result of diminishment in the market value of individual investments. The Group's investments are governed by the Investment Policy and Risk Policy approved by the Board of Directors and are subject to rigorous due diligence. Investment limits such as position limits, exposure limits, stop loss limits, sectorial limits are defined in various policies enabling proper risk management of the Group's investments. The Group's Investment Committee monitors the investments on a regular basis. The rating and cost vis-a-vis the market price of the instruments are monitored on daily basis and necessary actions taken to reduce exposure, if needed. Traded portfolio is revalued on daily basis and the rest at regular intervals to ensure that unrealised losses, if any, on account of reduction in the market value of the investments below their cost remain within the acceptable parameters defined in the Group's Investment Policy.

Exposure and sensitivity analysis

The Group analyses price sensitivity of the equity portfolio as follows:

(a) For the local quoted equity portfolio, based on the beta factor of the portfolio performance to the MSX30 Index performance.

(b) For the international quoted equity portfolio, based on the individual security market price movement.

The Group's market risk is affected mainly by changes to the actual market price of financial assets. Actual performance of the Group's local equity portfolio has a correlation to the performance of MSX30 Index.

The beta of the banks quoted local equity portfolio against the MSX30 Index for 2024 was 0.06 (2023: -3.05). Thus, a +/- 5% change in the value of MSX30 index may result in +/- 0.29% (2023: +/-15.27%) change in the value of bank's quoted local equity portfolio, amounting to RO 0.218 million (2023: 6.657 million) and corresponding increase or decrease in the unrealised gain recognized in the investment income / statement of other comprehensive income based on the classification of the portfolio.

International quoted equity portfolio of the bank comprises of shares listed in GCC stock markets, Indian Stock markets and other international markets. A +/-5% change in the market price of the respective securities, have resulted in change in value of the portfolio of +/- RO 15.56 million in 2024 (2023: +/-RO 8.02 million) with corresponding increase or decrease in the unrealised gain recognized in the investment income / statement of other comprehensive income based on the classification of the portfolio.

41.4.4 Interest rate risk management

Interest rate risk is the risk of adverse impact on the Group's financial position due to change in market interest rates. While the impact on the trading book is by way of change in the value of the portfolio, the banking book leads to impact on the net Interest Income (NII) and/or Economic Value of Equity (EVE). The short term impact of interest rate risk is measured by studying the impact on the NII of the Group while the long term impact is measured through the study of the impact on the Economic Value of Equity. The responsibility for interest rate risk management rests with the Group Treasury under the supervision of the Asset Liability Management Committee (ALCO). The Group's interest rate sensitivity position of assets and liabilities, based on the contractual repricing or maturity dates, whichever dates are earlier, is as follows:

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

41. Financial risk management (continued)

41.4 Market risk (continued)

41.4.4 Interest rate risk management (continued)

	Effective annual interest rate %	*Within 1 month RO 000's*	*Months 2 to 3 RO 000's*	*Months 4 to 12 RO 000's*	*Year 1 to 5 RO 000's*	*Over 5 years RO 000's*	*Non-interest Sensitive RO 000's*	*Total RO 000's*
As at 31 December 2024								
Cash and balances with Central Banks	**0-5**	**24,595**	**-**	**-**	**-**	**-**	**452,144**	**476,739**
Due from banks	**5.82**	**278,700**	**364,447**	**69,373**	**-**	**-**	**2,271**	**714,791**
Loans and advances	**5.65**	**1,143,500**	**1,080,097**	**1,337,124**	**3,042,206**	**3,634,521**	**-**	**10,237,448**
Investments	**4.49**	**357,798**	**184,445**	**337,554**	**791,265**	**198,315**	**248,263**	**2,117,640**
Property and equipment and other assets	**None**	**-**	**-**	**-**	**-**	**-**	**365,337**	**365,337**
Total on balance sheet assets		**1,804,593**	**1,628,989**	**1,744,051**	**3,833,471**	**3,832,836**	**1,068,015**	**13,911,955**
Derivatives		**307,866**	**383,353**	**399,697**	**534,881**	**147,536**	**-**	**1,773,333**
Total assets		**2,112,459**	**2,012,342**	**2,143,748**	**4,368,352**	**3,980,372**	**1,068,015**	**15,685,288**
Deposits from banks	**5.82**	**173,572**	**574,669**	**30,631**	**-**	**-**	**199,306**	**978,178**
Customers' deposits	**2.53**	**349,077**	**716,573**	**5,137,726**	**2,022,617**	**176,254**	**1,374,821**	**9,777,068**
Euro medium term notes / sukuk	**4.96**	**-**	**-**	**-**	**211,981**	**-**	**-**	**211,981**
Other liabilities and taxation	**None**	**-**	**-**	**-**	**-**	**-**	**499,895**	**499,895**
Perpetual Tier I capital	**4.75**	**-**	**-**	**-**	**505,320**	**-**	**-**	**505,320**
Shareholders' funds	**None**	**-**	**-**	**-**	**-**	**-**	**1,939,513**	**1,939,513**
Total on balance sheet liabilities and equity		**522,649**	**1,291,242**	**5,168,357**	**2,739,918**	**176,254**	**4,013,535**	**13,911,955**
Derivatives		**405,609**	**391,976**	**534,120**	**437,382**	**-**	**-**	**1,769,087**
Total liabilities		**928,258**	**1,683,218**	**5,702,477**	**3,177,300**	**176,254**	**4,013,535**	**15,681,042**
Total interest rate sensitivity gap		**1,184,201**	**329,124**	**(3,558,729)**	**1,191,052**	**3,804,118**	**(2,945,520)**	**4,246**
Cumulative interest rate sensitivity gap		**1,184,201**	**1,513,325**	**(2,045,404)**	**(854,352)**	**2,949,766**	**4,246**	

	Effective annual interest rate %	*Within 1 month RO 000's*	*Months 2 to 3 RO 000's*	*Months 4 to 12 RO 000's*	*Year 1 to 5 RO 000's*	*Over 5 years RO 000's*	*Non-interest Sensitive RO 000's*	*Total RO 000's*
As at 31 December 2023								
Cash and balances with Central Banks	0-5	131,510	4,355	6,777	-	-	629,698	772,340
Due from banks	5.27	430,474	243,916	194,177	-	19	1,118	869,704
Loans and advances	5.53	891,104	1,388,688	1,439,388	2,694,650	3,463,280	-	9,877,110
Investments	4.24	423,893	167,928	84,471	857,806	146,426	195,320	1,875,844
Property and equipment and other assets	None	-	-	-	-	-	278,373	278,373
Total on balance sheet assets		1,876,981	1,804,887	1,724,813	3,552,456	3,609,725	1,104,509	13,673,371
Derivatives		436,048	739,060	513,847	418,332	145,247	-	2,252,534
Total assets		2,313,029	2,543,947	2,238,660	3,970,788	3,754,972	1,104,509	15,925,905
Deposits from banks	6.26	353,366	578,043	165,818	-	-	2,862	1,100,089
Customers' deposits	2.28	378,621	712,149	5,438,452	1,613,079	195,695	1,099,796	9,437,792
Euro medium term notes / sukuk	5.02	-	2,688	45,597	192,723	-	-	241,008
Other liabilities and taxation	None	-	-	-	-	-	539,627	539,627
Perpetual Tier I capital	4.57	-	-	-	505,320	-	-	505,320
Shareholders' funds	None	-	-	-	-	-	1,849,535	1,849,535
Total on balance sheet liabilities and equity		731,987	1,292,880	5,649,867	2,311,122	195,695	3,491,820	13,673,371
Derivatives		439,826	551,438	513,824	610,360	145,247	-	2,260,695
Total liabilities		1,171,813	1,844,318	6,163,691	2,921,482	340,942	3,491,820	15,934,066
Total interest rate sensitivity gap		1,141,216	699,629	(3,925,031)	1,049,306	3,414,030	(2,387,311)	(8,161)
Cumulative interest rate sensitivity gap		1,141,216	1,840,845	(2,084,186)	(1,034,880)	2,379,150	(8,161)	

41. Financial risk management (continued)

41.4 Market risk (continued)

41.4.4 Interest rate risk management (continued)

The customer deposits include savings, current, call and margin accounts that have ambiguous maturities, while contractually payable on demand. Behaviorally, they are sticky in nature. In line with existing regulatory guidelines, they are categorized in the above table in the following maturity positions: on demand or within 1 month, 2 to 3 months, 4 to 12 months, 1 to 5 years, more than 5 years and Non-interest sensitive with amounts: RO 140,858 thousand, RO 140,858 thousand, RO 4,093,500 thousand, Nil, RO 176,072 thousand and RO 1,380,857 thousand respectively, totaling to RO 5,932,145 thousand. The corresponding amounts as at 31 December 2023 in similar maturity positions were RO 156,802 thousand, RO 156,802 thousand, RO 4,532,753 thousand, Nil, RO 196,002 thousand and RO 1,101,441 thousand respectively, totaling to RO 5,963,800 thousand.

(i) The repricing profile is based on the remaining period to the next interest repricing date.

(ii) An asset (or positive) gap position exists when assets reprice more quickly or in greater proportion than liabilities during a given period and tends to benefit net interest income in a rising interest rate environment. A liability (or negative) gap position exists when liabilities reprice more quickly or in greater proportion than assets during a given period and tends to benefit net interest income in a declining interest rate environment.

Re-pricing gap is the difference between interest rate sensitive assets and liabilities spread over distinct maturity bands based on residual maturity or re-pricing dates. The Group uses currency-wise and consolidated re-pricing gaps to quantify interest rate risk exposure over distinct maturities and analyse the magnitude of portfolio changes necessary to alter the existing risk profile. The distribution of assets and liabilities over these time bands is done based on the actual repricing schedules. The schedules are used as a guideline to assess interest rate risk sensitivity and to focus the efforts towards reducing the mismatch in the repricing pattern of assets and liabilities.

The Group uses simulation reports as an effective tool for understanding risk exposure under variety of interest rate scenarios. These reports help ALCO to understand the direction of interest rate risk in the Group and decide on the appropriate strategy and hedging mechanism for managing it. The Group's current on- and off-balance sheet exposures are evaluated under static environment to quantify potential effect of external interest rate shocks on the earnings and economic value of equity at risk, using assumptions about future course of interest rates and changes in Group's business profile.

Economic Value of Equity (EVE) is the present value of all asset cash flows subtracted by the present value of all liability cash flows. By calculating the EVE the Group is able to show the effect of different interest rate changes on its total capital. This is a key tool that allows Group to prepare against constantly changing interest rates. The impact of interest rate changes on EVE is monitored by recognising the changes in the value of assets and liabilities for a given change in the market interest rate. The interest rate risk management is facilitated by limits of 5% NII impact and 20% impact on EVE for a 200 basis points shock.

An analysis of the Group's sensitivity to an increase or decrease in market interest rates is as follows:

As at 31 December	***2024***	***2024***	*2023*	*2023*
	RO 000's	***RO 000's***	*RO 000's*	*RO 000's*
	+200 bps	**-200 bps**	+200 bps	-200 bps
Impact on Net Interest income	**195**	**(9,359)**	997	(10,263)
Impact on Economic Value	**(242,125)**	**732,518**	(188,243)	626,787

41.5 Commodity Price Risk

As part of its treasury operations, the Group offers commodities hedging facility to its clients. Customers of the Group who are exposed to commodities such as base metals, energy and agri products are provided with solutions to hedge their exposure. The Group covers all its commodity exposures back-to-back in the interbank market. The Group operates in the commodities market purely as a provider of hedging facilities and does not either trade in commodities or bullion or run any open positions in commodities. Customers of the Group are sanctioned a transaction volume limit based on their turn-over/ orders as well as a Variation Margin limit is applied to mitigate any mark-to-mark related credit exposures for the Group. The transaction volume limit is to restrict the total outstanding contracts value to the business requirement of the customer and the variation margin limit is to protect the Group from excessive credit risk due to adverse price movement in the underlying commodity prices. Margin calls for additional collateral or cash deposits is demanded from customers on the breach of the Variation Margin limit. The treasury middle-office monitors customers' positions and MTMs on daily basis.

41. Financial risk management (continued)

41.6 Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. Operational risk could turn into an Operational Loss if not effectively managed.

The Bank's Operational Risk Management Department "ORMD" is responsible for managing the operational risk profile of the Bank. It devises the risk management framework, policies and tools to govern and manage inherent operational risks in the Group's activities and operations by implementing regulatory/ Basel guidelines and the best practices in the industry. Operational risk is controlled through strong internal controls such as transactions verification, identify verification & authentication, access restrictions, dual custody, transactions limits, well-defined segregation of duties and reporting lines, detailed operational manuals and standards.

ORMD monitors the movements in the operational risk profile of the Group. Deviations are analyzed and root cause with recommendations are raised and discussed with appropriate management actions, periodically and on ad-hoc basis. For this purpose, the Group keeps a centralized repository of all operational risk events encountered by the Group's departments and branches. Opportunities of automating Group's activities, to enhance operations efficiency and reduce human errors, are always looked for and explored. Adoption of risk management culture is a key successful element for managing risks, therefore, ORMD conducts regular trainings to stakeholders in order to disseminate risk awareness. To minimize the impact of operational risks events, the Group ensures a fully functional IT Disaster recovery system, comprehensive insurance arrangements, up-to-date documentation and effective implementation of Business Continuity Plan.

Business units, as first layer of defence, have the primary responsibility of identifying, assessing, managing, and reporting the operational risks that are inherent in their respective products, activities, processes and systems. Business are required to conduct the Risk Control Self-assessment (RCSA) annually or whenever a new product is launched, system / process is changed, or material external risk emerges, alongside with the embedding of effective and efficient internal controls into all of their operations and activities, with consistent implementation of the approved operating policies and procedures.

Operational risk management function, as a second layer of defence, have the primary responsibility to pursue the achievement of the aforementioned operational risk management objectives through facilitating the necessary tools, challenging business units, monitoring the operational risk profile, and reporting drifts to Management for action.

While the Internal Audit function, as a third layer of defence, is the primary responsible for the independent validation of the overall effectiveness and efficiency of the operational risk management framework and its implementation.

The Management Risk Committee is the primary oversight body for managing operational risk. The committee is represented by various business and control functions and is responsible for ensuring that the Bank has adequate and sound risk management framework, policies, processes that govern the identification, evaluation and management of operational risks, in line with the BASEL requirements, best practices, and regulatory directives & guidelines.

Business Continuity Management (BCM)

BCM is the planning, implementation and management to ensure that the Group can continue to operate at least at a pre-determined level following a significant unplanned event or major operational disruption. The Group ensures that its systems and procedures are resilient in potential situations of failure. The Group has put in place Business Continuity Plans (BCP) for each critical department as well as every branch to ensure that its business runs effectively in the event of most unforeseen disasters as required by the CBO Business Continuity Guidelines, the Basel Committee Joint Forum High-level principles for business continuity and international business continuity standards. The Protective Services Committee is entrusted with the responsibility of formulating, adopting, implementing, testing and maintaining a robust BCP for the Group. It continuously reviews and agrees to the business continuity strategy. It also ensures that planning and maintenance responsibilities are assigned, understood and implemented across the business. The Group's recovery centre has the capability to meet any unforeseen disaster and ensure continual operational capability in the event of a major operational disruption. To ensure proper functioning of Business Recovery Centre (BRC), all departments of the Group are required to complete bi-annual testing to ensure that it will operate successfully in emergencies.

41. Financial risk management (continued)

41.7 Capital management

41.7.1 Regulatory capital

The Parent Company's regulator, Central Bank of Oman (CBO), sets and monitors capital requirements for the Parent Company as a whole. In implementing Basel III's capital requirement, the CBO requires the Parent Company to maintain a minimum of 14.5% ratio of total capital to total risk-weighted assets. The Group's regulatory capital as per Basel III regulations is grouped into Tier 1 and Tier 2 capital:

- Tier I capital, includes Common equity Tier 1 Capital (CET1) comprising of ordinary share capital, share premium, distributable and non-distributable reserves and retained earnings (net of proposed dividend) after deducting carrying value of investment in associates, carrying value of strategic investments and other prudential valuation adjustments in line with Basel III guidelines. Further Tier 1 capital includes Additional Tier 1 Capital (AT1) in form of Basel III compliant perpetual bonds.

- Tier II capital includes qualifying subordinated liabilities, General loan loss impairment / ECL provision (Stage 1 and 2) and the element of the fair value reserve relating to unrealised gains on equity instruments classified as FVOCI;

Various limits are applied to elements of the capital base. The qualifying Tier II cannot exceed Tier I capital, amount of collective impairment allowances that may be included as part of Tier II capital is limited to 1.25 percent of the total credit risk-weighted assets. Further incremental Stage 2 ECL as on December 31, 2022 over Stage 2 ECL as on December 31, 2019, qualifies as Tier II capital with gradual phase out by 2024.

Capital adequacy indicates the ability of the Group in meeting any contingency without compromising the interest of the depositors and to provide credit across the business cycles. Sufficient capital in relation to the risk profile of the Group's assets helps promote financial stability and confidence of the stakeholders and creditors. The Group aims to maximise the shareholders' value through an optimal capital structure that protects the stakeholders' interests under most extreme stress situations, provides sufficient room for growth while meeting the regulatory requirements and at the same time gives a reasonable return to the shareholders. The Group has a forward looking capital policy which considers the current risk, planned growth and an assessment of the emerging risk for the forecasted period.

While risk coverage is the prime factor influencing capital retention, the Group is conscious of the fact that as a business entity, its capital needs to be serviced and a comfortable rate of return needs to be provided to the shareholders. Excessive capital will dilute the return on capital and this in turn can exert pressure for profitability, propelling business asset growth resulting in the Group assuming higher levels of risk. Hence, with regards to the retention of capital, the Group's policy is governed by the need for adequately providing for associated risks and the needs for servicing the capital retained. During the year, as part of capital optimisation plan the shareholders of the bank approved one-off dividend in the form of bonus shares and perpetual bonds to the existing shareholders Refer to note 20 for details.

The Group utilises Additional Tier 1 (AT1) and raises share capital as and when the need arises. The Group's strong and diverse shareholder profile gives the Group the necessary confidence in its ability to raise capital when it is needed.

The Group desires to move to more advanced approaches for measuring credit risk, market risk and operational risk and has put in place a 'building block' approach. A road map has been laid down for each core area of risk viz. credit, market, operational. Progress has been made in line with the road map and is being monitored on a continuous basis and reported.

Basel III regulatory reporting

The Central Bank of Oman has issued final guidelines on the implementation of the new capital norms along with the phase-in arrangements and reporting norms. The group remains strongly capitalised and is ahead of the transitional phase-in arrangements.

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

41. Financial risk management (continued)

41.7 Capital management (continued)

41.7.2 Capital adequacy

The following table sets out the capital adequacy position of the Group:

	2024 RO'000	2023 RO'000
Common Equity Tier 1 (CET1) capital:		
Instruments and reserves		
Share capital	**750,640**	750,640
Share premium	**156,215**	156,215
Legal reserve	**183,032**	160,474
General reserve	**410,258**	410,258
Retained earnings (after proposed cash dividend)	**264,591**	207,122
Total	**1,764,736**	1,684,709
Less: Regulatory adjustments		
Cumulative loss on fair value	**(11,827)**	(9,258)
Foreign currency translation reserve	**(3,690)**	(3,642)
Significant investments in the common stock of banking, financial and insurance entities	**(42,398)**	(48,820)
Total regulatory adjustments to CET1	**(57,915)**	(61,720)
Total Common Equity Tier 1 capital (CET1)	**1,706,821**	1,622,989
Additional Tier 1 capital (AT1)	**505,320**	505,320
Total Tier 1 capital (T1 = CET1 + AT1)	**2,212,141**	2,128,309
Tier 2 capital: instruments and provisions		
Cumulative change in fair value (45%)	**2,365**	2,094
General Loan loss impairment	**88,510**	107,027
Tier 2 capital (T2)	**90,875**	109,121
Total Regulatory Capital (TC = T1 + T2)	**2,303,016**	2,237,430
Total risk weighted assets	**11,504,174**	10,545,917
Credit risk weighted assets	**10,044,480**	9,536,196
Market risk weighted assets	**499,966**	110,847
Operational risk weighted assets	**959,728**	898,874
Capital ratios (expressed as a % of total risk weighted assets)		
Common Equity Tier 1	**14.84%**	15.39%
Tier 1	**19.23%**	20.18%
Total capital	**20.02%**	21.22%

The Bank has applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of above filter on the bank's regulatory capital is 33 bps (2023: 54 bps).

The total regulatory capital adequacy ratio of 20.02% (2023: 21.22%) is after considering the proposed cash dividend of 16.5% (2023: 15.5%). The total capital adequacy ratio pre-consideration of dividend would be 21.10% (2023: 22.32%).

41. Financial risk management (continued)

41.7 Capital management (continued)

41.7.3 Internal Capital Adequacy Assessment Process (ICAAP):

Apart from the regulatory capital which is based on the guidelines issued by Central Bank of Oman, the Group has in place Internal Capital Adequacy Assessment Process (ICAAP) which provides an assessment of the Group's actual capital adequacy based on advanced Economic Capital measure. ICAAP incorporates the impact of residual risk including business risk, concentration risk, correlation risk, Interest Rate Risk on Banking Book (IRRBB) along with the core risks. The purpose of the Group's ICAAP is not only to provide a detailed assessment of its current capital adequacy, but also to estimate future capital adequacy ratios in line with approved business plans in order to evaluate their validity from a risk perspective. The overall framework has introduced a structured methodology for a comprehensive forward-looking assessment of capital based on the Group's risk profile. It will scrutinize the current business model of the Group and may lead to corresponding adjustments if the inherent risk goes beyond the Group's risk appetite. The business plan will be updated at least annually on a rolling basis for forward-looking period of 5 years. On an annual basis, ICAAP is approved by the Board of Directors and then submitted to Central Bank annually. On a quarterly basis, reporting is done to the Board of Directors on the adequacy of capital. The Group believes that its current and foreseen capital supply is suitable to support its business strategy.

The forward looking assessment of capital adequacy has helped the Group to plan ahead for capital management.

41.7.4 Capital allocation

The allocation of capital between specific business units and activities is, to large extent, driven by optimisation of the return on capital allocated. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular business units or activities, it is not the sole basis used for decision making. Other factors such as synergies between the units or activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives are taken in to account while allocating capital.

42. Fair value information

Based on the valuation methodology outlined below, the fair values of all on-balance sheet financial instruments at reporting dates are considered by the Board and Management not to be materially different to their book values:

As at 31 December 2024	Notes	*Designated as FVTPL RO 000's*	*Designated as FVOCI RO 000's*	*Amortised cost RO 000's*	*Total carrying value RO 000's*	*Fair value RO 000's*	*Level*
Cash and balances with Central Banks	5	-	-	**476,739**	**476,739**	**476,739**	**3**
Due from banks	6	-	**55,812**	**658,979**	**714,791**	**725,753**	**2,3**
Loans and advances and Islamic financing receivables	7	-	-	**10,237,448**	**10,237,448**	**9,989,651**	**3**
Investment securities	9	**27,866**	**449,554**	**1,630,560**	**2,107,980**	**2,109,880**	**1,2,3**
Positive fair value of derivatives	37	**26,680**	-	-	**26,680**	**26,680**	**2**
		54,546	**505,366**	**13,003,726**	**13,563,638**	**13,328,703**	
Deposits from banks	14	-	-	**978,178**	**978,178**	**989,687**	**3**
Customers' deposits and Islamic customer deposits	15	-	-	**9,777,068**	**9,777,068**	**10,037,515**	**3**
Sukuk	16	-	-	**16,842**	**16,842**	**16,842**	**1**
Euro medium term notes	17	-	-	**195,139**	**195,139**	**201,314**	**1**
Negative fair value of derivatives	37	**16,197**	-	-	**16,197**	**16,197**	**2**
		16,197	-	**10,967,227**	**10,983,424**	**11,261,555**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

42. Fair value information (continued)

As at 31 December 2023	*Notes*	*Designated as FVTPL RO 000's*	*Designated as FVOCI RO 000's*	*Amortised cost RO 000's*	*Total carrying value RO 000's*	*Fair value RO 000's*	*Level*
Cash and balances with Central Banks	5	-	-	772,340	772,340	772,340	3
Due from banks	6	-	72,900	796,804	869,704	877,999	2,3
Loans and advances and Islamic financing receivables	7	-	-	9,877,110	9,877,110	9,425,770	3
Investment securities	9	21,146	284,044	1,561,765	1,866,955	1,864,848	1,2,3
Positive fair value of derivatives	37	22,676	-	-	22,676	22,676	2
		43,822	356,944	13,008,019	13,408,785	12,963,633	
Deposits from banks	14	-	-	1,100,089	1,100,089	1,132,792	3
Customers' deposits and Islamic customer deposits	15	-	-	9,437,792	9,437,792	9,674,136	3
Sukuk	16	-	-	45,869	45,869	45,869	1
Euro medium term notes	17	-	-	195,139	195,139	202,834	1
Negative fair value of derivatives	37	28,777	-	-	28,777	28,777	2
		28,777	-	10,778,889	10,807,666	11,084,408	

Effective 1 January 2010, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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 following table presents the Group's assets and liabilities that are measured at fair value at 31 December:

	2024				*2023*			
	Level 1 RO'000s	***Level 2 RO'000s***	***Level 3 RO'000s***	***Total RO'000s***	*Level 1 RO 000's*	*Level 2 RO 000's*	*Level 3 RO 000's*	*Total RO 000's*
Assets								
Derivatives	**-**	**26,680**	**-**	**26,680**	-	22,676	-	22,676
FVOCI Due from banks	**-**	**55,812**	**-**	**55,812**		72,900		72,900
FVTPL Equity	**9,410**	**-**	**18,456**	**27,866**	5,992	-	15,154	21,146
FVOCI Equity	**232,472**	**-**	**1,258**	**233,730**	181,275	-	1,546	182,821
FVOCI Debt	**215,824**	**-**	**-**	**215,824**	101,223	-	-	101,223
	457,706	**82,492**	**19,714**	**559,912**	288,490	95,576	16,700	400,766
Liabilities								
Derivatives	**-**	**16,197**	**-**	**16,197**	-	28,777	-	28,777

There are no transfers between levels of fair value measurement hierarchy during the years 2024 and 2023.

A table showing the impact of change in estimates by 5% on the Group's assets and liabilities that are measured at fair value at 31 December, on the other comprehensive income is as follows:

BANK MUSCAT SAOG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2024

42. Fair value information (continued)

	2024				*2023*			
	Level 1 RO'000s	***Level 2 RO'000s***	***Level 3 RO'000s***	***Total RO'000s***	*Level 1 RO 000's*	*Level 2 RO 000's*	*Level 3 RO 000's*	*Total RO 000's*
Assets								
Derivatives	-	**1,334**	-	**1,334**	-	1,134	-	1,134
FVOCI Due from banks	-	**2,791**	-	**2,791**	-	3,645	-	3,645
FVTPL Equity	**471**	-	**923**	**1,394**	300	-	758	1,058
FVOCI Equity	**11,624**	-	**63**	**11,687**	9,064	-	77	9,141
FVOCI Debt	**10,791**	-	-	**10,791**	5,061	-	-	5,061
	22,886	**4,125**	**986**	**27,997**	14,425	4,779	835	20,039
Liabilities								
Derivatives	-	**810**	-	**810**	-	1,439	-	1,439

	2024			2023		
	FVOCI Equity *RO'000s*	**FVTPL Equity *RO'000s***	**Total *RO'000s***	FVOCI Equity *RO 000's*	FVTPL Equity *RO 000's*	Total *RO 000's*
At 1 January	**1,546**	**15,154**	**16,700**	1,592	12,318	13,910
Realised gain on sale	-	**1,392**	**1,392**	(43)	324	281
Gain/(loss) from change in fair value	**(288)**	**(154)**	**(442)**	10	47	57
Additions	-	**4,653**	**4,653**	-	3,897	3,897
Disposals and redemption	-	**(2,513)**	**(2,513)**	(2)	(1,427)	(1,429)
Accrued interest	-	-	-	-	-	-
Impairment on investments	-	-	-	-	-	-
Amortization	-	-	-	-	-	-
Exchange differences	-	**(76)**	**(76)**	(11)	(5)	(16)
At 31 December	**1,258**	**18,456**	**19,714**	1,546	15,154	16,700

As of 31 December 2024, 11% (2023: 14%) of level 3 equity securities were valued on the basis of fair valuation carried out in accordance with appropriate valuation techniques based on income approach (discounting of cash flows), market approach (using prices or other relevant information generated by market transactions of identical or similar entities), cost approach or a combination thereof. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, using the best information available in the circumstances. These might include banks own data and would consider all information about market participant assumptions that is reasonably available. As of 31 December 2024, 89% (2023: 86%) of the level 3 equity securities were valued on the basis of latest available capital accounts statements of the investee companies received from independent fund managers as at 30 September 2024 or at a later date and adjusted for subsequent cash flows till 31 December 2024 or based on net asset values received from independent fund managers as at 30 September 2024 or at a later date.

The debt investments were valued on fair value basis. Valuation is based on Risk adjusted discount rate (yield) considering a reasonable range of estimates. A significant decrease in the credit quality would result in a lower fair value with significant increase in the spread above the risk-free rate and vice-versa. The Group holds adequate provisioning on the above investments as of the reporting date.

42.1 Estimation of fair values

The following summarises major methods and assumptions used in estimating the fair values of assets and liabilities:

42. Fair value information (continued)

42.1 Estimation of fair values (continued)

42.1.1 Loans and advances

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

42.1.2 Investments and derivatives fair values

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

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

42.1 Estimation of fair values

42.1.3 Fair value through OCI and fair value through profit or loss investments

Fair values for quoted investments are based on quoted bid prices as at the reporting date. Unquoted equity investments are carried at fair values, measured in accordance with appropriate valuation techniques based on income , market, cost approaches or a combination thereof or on the basis of latest available capital accounts statements or net asset values of the investee companies received from independent fund managers and adjusted for subsequent cash flows up to the reporting date.

42.1.4 Bank and customer deposits

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

42.1.5 Off-balance sheet financial instruments

No fair value adjustment is made with respect to credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams materially reflect contractual fees and commissions actually charged at the reporting date for agreements of similar credit standing and maturity. Foreign exchange contracts are valued based on market prices. The market value adjustments in respect of foreign exchange contracts are included in the book values of other assets and other liabilities.

43. Macroeconomic uncertainties

Geopolitical uncertainty

Wars in certain countries around the world have triggered a number of IFRS accounting considerations affecting the financial statements. Sanctions have been imposed on countries, entities and individuals. The ongoing situation, together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources, will directly impact entities that have significant operations or exposures in, or to, these countries.

Though the Group's direct exposure to countries directly involved in the recent international disputes is non-existent, the Group's operations are partially concentrated in economies that are relatively dependent on the price of crude oil and accordingly, the Group has considered any potential impact of current economic uncertainties in the inputs for the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

Climate related risks

The Bank and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Bank is currently under progress in embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and maintaining policies, processes and controls to incorporate climate risks in the management of principal risk categories.

In addition, the Bank is currently evaluation its model landscape to incorporate climate-related risks and their impact on borrower's credit risk. The Bank is also under progress in the development of climate risk scenarios that will be used to assess the impact of climate risk on forward-looking information; and in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

44. Comparative figures

Certain corresponding figures for 2023 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or equity.

45. Subsequent events after reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

BANK MUSCAT SAOG - MEETHAQ

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

Principal place of business:

Building No.120/4, Block No.311
Street No.62, Airport Heights
Seeb,
Sultanate of Oman

Registered address:

P.O Box 134
Ruwi 112
Sultanate of Oman

BANK MUSCAT SAOG - MEETHAQ
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

Contents	**Page**

Report of Meethaq's Shari'a Supervisory Board ("SSB")

"In the name of Allah, The Beneficent, The Merciful"

To the Shareholders of Bank Muscat SAOG,

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh,

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Meethaq – the licensed Islamic banking window of bank muscat SAOG ("Meethaq") – during the period ended 31 December 2024. We have also conducted our review to form an opinion as to whether Meethaq has complied with Shari'a principles and also with the specific Fatawa, ruling and guidelines issued by us (which are made available at the following Meethaq's website: **https://www.meethaq.om/en/about/Pages/Knowledge-Center.aspx)**

Meethaq's management is responsible for ensuring that it conducts its business in accordance with Shari'a principles. Our responsibility is to form an independent opinion based on our review of the operations of Meethaq & report to you.

We conducted our review, which included examining – on a sample test basis – of each type of transaction, the relevant documentation and procedures adopted by Meethaq.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary or advisabel to provide us with sufficient evidence to give reasonable assurance that Meethaq has not violated Shari'a principles.

In our opinion:

a) The contracts, transactions and dealings entered into by Meethaq during the year ended 31 December 2024 are in compliance with Shari'a principles;
b) The allocation of profit and charging of losses relating to Meethaq's investment accounts conforms to the basis that had been approved by us in accordance with Shari'a principles;
c) All earnings that have been realized from sources or by means prohibited by the Shari'a principles have been credited to the Charity Fund at Meethaq for disbursement to charitable causes;
d) The Bank's management is not authorized to pay Zakat on behalf of the shareholders, and therefore the responsibility for payment of Zakat lies with the shareholders.

We wish to thank the Board of Directors and Executive Management for their due care to comply with the Shari'a principles. We sincerely wish the shareholders all the best, Meethaq's customers all blessings, and this beloved country all prosperity.

We beg Allah the Almighty to grant us all success and straight-forwardness.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

HE Dr. Ahmed Rufai Mohammed
SSB Member

HE Walid bin Sulaiman bin Hamid Al-Qurri
SSB Member

هيئة الرقابة الشرعية
Shari'a Supervisory Board

HE Prof. Dr. Abdulaziz Khalifa Hamad Alqassar
SSB Member

HE Datuk Prof. Dr. Mohamad Akram Bin Laldin
SSB Vice Chairman

HE Dr. Abdullah bin Mubarak bin Saif Al Abri
SSB Chairman

26 Rajab 1446 / 26 January 2025
Muscat, the Sultanate of Oman.

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بنك مسقط
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Independent auditors' report

To the Shareholders of Bank Muscat SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Meethaq Islamic Banking (the "Islamic Window"), which comprise the statement of financial position as at 31 December 2024, the statements of comprehensive income, changes in owners' equity, cash flows, and sources and uses of charity fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

In our opinion, the Islamic Window has also complied with the Islamic Shari'a Principles and Rules as determined by the Islamic Window's Shari'a Supervisory Board during the year ended 31 December 2024.

Basis for Opinion

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

Other matter

The financial statements of the Islamic Window for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 February 2024.

Continued on page 4

Continued from page 3

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the Islamic Window's undertaking to operate in accordance with Islamic Shari'a Rules and Principles as determined by the Islamic Window's Shari'a Supervisory Board.

The Board of Directors is also responsible for the preparation and fair presentation of the financial statements in accordance with FAS as modified by CBO, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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

Continued on page 5

Continued from page 4

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

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

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

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

KPMG

5 March 2025

KPMG LLC

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

BANK MUSCAT SAOG - MEETHAQ
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	*2024 RO'000*	*2023 RO'000*
ASSETS			
Cash		**5,778**	4,347
Balances with Central Bank of Oman	4	**26,800**	102,082
Receivable from and participatory investments with FIs	5	**48,285**	16,004
Receivables- Trade based modes	6	**113,019**	103,180
Participatory Investments	7	**1,313,493**	1,225,987
Ijarah Muntahia Bittamleek	8	**194,651**	197,863
Investments in Shares and Sukuk	9	**280,503**	173,634
Property and equipment	10	**4,572**	2,153
Other assets	11	**668**	1,741
TOTAL ASSETS		**1,987,769**	1,826,991
LIABILITIES, QUASI EQUITY AND OWNER'S EQUITY			
LIABILITIES			
Due to FIs	12	**77,385**	80,083
Current accounts		**62,014**	134,560
Sukuk- Liability type	13	**16,842**	45,869
Other liabilities	14	**20,841**	23,416
TOTAL LIABILITIES		**177,082**	283,928
QUASI EQUITY	15	**1,584,325**	1,324,940
OWNER'S EQUITY			
Allocated share capital		**120,000**	120,000
Retained earnings		**110,860**	101,771
Investment fair value reserve		**(4,498)**	(3,648)
Total owner's equity		**226,362**	218,123
TOTAL LIABILITIES, QUASI EQUITY AND OWNER'S EQUITY		**1,987,769**	1,826,991
CONTINGENT LIABILITIES AND COMMITMENTS	16	**57,971**	34,867

These financial statements were authorized for issue on 04 MAR 2025 in accordance with a resolution of the Board of Directors.

Chairman **Director** **Chief Executive Officer**

The notes 1 to 27 form an integral part of these financials

BANK MUSCAT SAOG - MEETHAQ
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	*2024* *RO'000*	*2023* *RO'000*
Income			
Income from Islamic finance and investments	17	**100,444**	97,055
Return on equity of participatory investment accountholders before Meethaq's share as a Mudarib		**(67,860)**	(57,312)
Meethaq's share as a Mudarib		**9,077**	4,293
Net income attributable to Quasi equity		**(58,783)**	(53,019)
Meethaq's share of income as a Mudarib and Rab almal		**41,661**	44,036
Profit paid on Sukuk		**(1,692)**	(2,523)
Net profit on due to FIs		**(5,684)**	(3,857)
		34,285	37,656
Other income	18	**4,275**	4,417
Net operating income		**38,560**	42,073
Operating expenses			
Staff expenses		**(7,617)**	(7,155)
Occupancy costs		**(951)**	(1,023)
Depreciation	10	**(1,613)**	(1,250)
Administrative expenses		**(5,089)**	(5,401)
		(15,270)	(14,829)
Net income before provisions and taxation		**23,290**	27,244
Net impairment losses on financial assets	19	**(12,457)**	(16,616)
Net income before taxation		**10,833**	10,628
Taxation		**(1,621)**	(1,597)
Net income for the year		**9,212**	9,031
Other comprehensive expense for the year			
Item which shall not be reclassified to income statement			
Fair value change on investments carried at fair value through other comprehensive income		**(850)**	(766)
Other Comprehensive expense for the year		**(850)**	(766)
Total comprehensive income for the year		**8,362**	8,265

The notes 1 to 27 form an integral part of these financials

BANK MUSCAT SAOG - MEETHAQ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	***2024 RO'000***	*2023 RO'000*
OPERATING ACTIVITIES			
Net income before taxation		**10,833**	10,628
Adjustment for:			
Depreciation	10	**1,613**	1,250
Net Impairment for credit losses	19	**12,457**	16,616
Gain on sale of investments		**(41)**	(45)
Dividends received		**(1,092)**	(535)
Profit equalization reserve	15.1	**(750)**	(224)
Investment risk reserve	15.2	**-**	18
Operating profit before changes in operating assets and liabilities		**23,020**	27,708
Net changes in operating assets and liabilities:			
Receivables- Trade based modes		**(9,630)**	(19,799)
Participatory Investments		**(100,082)**	(27,859)
Ijarah Muntahia Bittamleek		**2,482**	(45,370)
Receivable from and participatory investments with FIs		**25**	(25)
Other assets		**1,124**	(741)
Current accounts		**(72,546)**	(4,100)
Due to FIs		**(2,698)**	24,251
Other liabilities		**(7,450)**	111
Net cash used in operating activities		**(165,755)**	(45,824)
INVESTING ACTIVITIES			
Dividends received		**1,041**	546
Purchase of investments		**(224,886)**	(8,660)
Proceeds from sale of investments		**117,849**	12,560
Purchase of property and equipment		**(882)**	126
Net cash (used) / from in investing activities		**(106,878)**	4,572
FINANCING ACTIVITIES			
Sukuk issued during the year		**16,525**	-
Sukuk matured during the year		**(45,597)**	-
Quasi equity		**260,135**	88,759
Net cash from financing activity		**231,063**	88,759
Net change in cash and cash equivalents		**(41,570)**	47,507
Cash and cash equivalents at the beginning of the year		**122,433**	74,926
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**80,863**	122,433
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash		**5,778**	4,347
Balances with Central Bank of Oman		**26,800**	102,082
Receivable from and participatory investments with FIs		**48,285**	16,004
		80,863	122,433

Profit received during the year was RO 95.86 million (2023: RO 92.031 million) and Profit paid was RO 67.883 million (2023: RO 50.666 million). These form part of operating cash flows of the Meethaq.

The notes 1 to 27 form an integral part of these financials

BANK MUSCAT SAOG - MEETHAQ
STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Allocated share capital RO'000	*Retained earnings RO'000*	*Reserve for restructured finance RO'000*	*Investment fair value reserve RO'000*	*Total owner's equity RO'000*
Balance at 1 January 2024	**120,000**	**101,771**	**-**	**(3,648)**	**218,123**
Net income for the year	**-**	**9,212**	**-**	**-**	**9,212**
Fair value change on investments carried at fair value through other comprehensive income	**-**	**-**	**-**	**(973)**	**(973)**
Realized (loss) on equity type investments	**-**	**(123)**	**-**	**123**	**-**
Balance at 31 December 2024	**120,000**	**110,860**	**-**	**(4,498)**	**226,362**
Balance at 1 January 2023	120,000	92,583	157	(2,882)	209,858
Net income for the year	-	9,031	-	-	9,031
Fair value change on investments carried at fair value through other comprehensive income	-	-	-	(766)	(766)
Transferred from Reserve for restructured finance	-	157	(157)	-	-
Balance at 31 December 2023	120,000	101,771	-	(3,648)	218,123

The notes 1 to 27 form an integral part of these financials

BANK MUSCAT SAOG - MEETHAQ
STATEMENT OF SOURCES AND USES OF CHARITY FUND
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	***2024*** ***RO'000***	*2023* *RO'000*
Sources of charity fund			
Charity funds at beginning of the year		**22**	8
Proceeds of committed charity		**28**	37
Dividend purification		**19**	5
Total sources of funds during the year		**69**	50
Uses of charity fund			
Distributed to charity organizations		**(40)**	(28)
Total uses of funds during the year		**(40)**	(28)
Undistributed charity fund at end of the year	13	**29**	22

The notes 1 to 27 form an integral part of these financials

1 Legal status and principal activities

bank muscat SAOG (the "Bank" or the "Head office") established "Meethaq Islamic banking window" ("Meethaq") in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari'a rules and Principales. Meethaq operates under an Islamic banking licence granted by the Central Bank of Oman ("the CBO") on 13 January 2013. Meethaq's Shari'a Supervisory Board (SSB) is entrusted to ensure Meethaq's adherence to Shari'a rules and principles in its transactions and activities. SSB reports to the Board of Directors of the Bank. A report of the SSB on the Shari'a compliance of the operations carried out by Meethaq during the year is included in the annual report of the Bank.

Meethaq offers a full range of Islamic banking services and products. The principal activities of Meethaq include: accepting Shari'a compliant customer deposits; providing Shari'a compliant financing based on various Shari'a compliant modes; undertaking investment activities; providing commercial banking services and other investment activities permitted under the CBO's Regulated Islamic Banking Services as defined in the licensing framework. As of 31 December 2024, Meethaq has 32 operating branches in the Sultanate of Oman (2023: 28 branches) and its registered address is P.O. Box 134, Ruwi, P C 112, Sultanate of Oman. Meethaq employed 267 employees as of 31 December 2024 (2023: 268)

The window is not a separate legal entity, the separate financial statements of Meethaq 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 Islamic Banking Regulatory Framework (IBRF) issued by Central Bank of Oman.

2 Basis of preparation

2.1 Statement of compliance

In accordance with the requirements of Section 1.2 of Title 3 of the IBRF issued by CBO, the financial statements are prepared in accordance with Financial Accounting Standards (FAS), as modified by CBO, issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Meethaq 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).

2.2 Basis of measurement

The financial statements are prepared under historical cost basis convention modified to include the application of fair value measurement that are required or allowed by relevant accounting standards.

2.3 Functional and presentation currency

The financial statements are presented in Rial Omani (RO) which is Meethaq's functional currency. All financial information presented in Rial Omani has been rounded to the nearest thousands, unless otherwise stated.

2.4 New Standards, implementations and amendments in existing standards

The Window has adopted all of the new and revised standards and interpretations issued that are relevant to its operations and effective for periods beginning on or after 1 January 2024.

FAS 40 "Financial Reporting for Islamic Finance Windows" was issued in 2021. The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in form of Islamic finance window). This standard is effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted. This Standard does not any impact on the financial statements of Meethaq.

The revised FAS 1 "General Presentation and Disclosures in the Financial Statements" describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. The Islamic financial institutions are required to publish periodic financial statements to satisfy the common information needs of the users, as described in the conceptual framework. This standard sets out the overall requirements for presentation of financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari'ah principles and rules and comparability with the institution's financial statements of previous periods, and the financial statements of other institutions. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2024. Early adoption of the standard is permitted. The Standard does not have an impact on the financial statements of Meethaq.

2 Basis of preparation (continued)

2.4 New Standards, implementations and amendments in existing standards (continued)

New Standards issued not yet effective

AAOIFI issued **FAS 45 "Quasi - Equity (Including Investment Accounts)"** in 2023. 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 Islamic financial institutions. Quasi - Equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Window's management is currently assessing the impact of the above standard on the financial statements of the Meethaq.

FAS 46 "Off - Balance - Sheet Assets Under Management" was issued in 2023. The objective of this standard is to establish the principles of financial reporting related off - balance - sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Window's management is currently assessing the impact of the above standard on the financial statements of the Meethaq.

AAOIFI issued **FAS 47 "Transfer of Assets between Investment Pools"** in 2023. The objective of this standard is to establish the 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 1 January 2026 with early adoption permitted. The Window's management is currently assessing the impact of the above standard on the financial statements of the Meethaq .

3 Accounting policies

3.1 Significant accounting policies

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

3.1.1 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances with Central bank of Oman, due from/to bank. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.1.2 Receivable from and participatory investments with FIs

Due from banks comprise of receivables under Wakala contracts and Nostro balances. Wakala contracts are recognised at fair value of consideration paid less amounts settled, if any. Profits on Wakala balances are received as per the respective agreement. Nostro balances are current accounts of Meethaq with other financial institutions.

3.1.3 Murabaha receivables

Murabaha receivables are stated net of deferred profits, amounts written off and provision for impairment, if any. Murabaha receivables are sales on deferred payment terms. Meethaq arranges a murabaha transaction by buying an asset (which represents the object of the murabaha) and then sells this asset to murabeh (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is repaid in installments by the murabeh over the agreed period. Promise made in the murabaha to the purchase orderer is binding upon the customer.

3.1.4 Musharaka

Musharaka contract represents a partnership between Meethaq and a customer whereby each party contributes to the capital in equal or varying proportions to develop a new asset or share in an existing one, and whereby each of the party becomes an owner of the capital on a permanent or declining basis and shall have a share of profits or losses. These are stated at the fair value of consideration given less any amounts written off and provision for impairment, if any. In Diminishing Musharaka based transactions, Meethaq enters into a Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payment agreement on Ijara basis for the utilisation of Meethaq’s Musharaka share by the customer. Over the tenor, one partner’s investment in the partnership declines on account of the other partner’s increase in the partnership investment through repayment of the former partner’s share.

3.1.5 Ijarah Muntahia Bittamleek

Ijarah assets (Ijarah Muntahia Bittamleek) are stated at cost less accumulated depreciation and any impairment in value. Under the terms of lease, the legal title of the assets passes at the end of the lease term, provided that all the lease installments are settled. Depreciation is calculated on systematic basis to reduce the cost of leased assets over the period of lease. The Meethaq assesses at each reporting date whether there is objective evidence that these assets are impaired. Impairment losses are measured as the difference between the carrying amount of the asset (including lease rental receivables) and the estimated recoverable amount. Impairment losses, if any, are recognised in the income statement.

3.1.6 Wakala Bil Istithmar

An agreement between two parties whereby one party is a fund owner (the "Muwakkil") who provides a certain amount of money (the "Wakala capital") to an agent (the "Wakeel"), who invests the Wakala capital in a Shari'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. In financing contracts, Meethaq is Muwakkil and the corresponding party is agent of the bank.

3.1.7 Istisna'a

Istisna'a is a sales contract in which the Meethaq acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to acquire a product based on the specification received from the purchaser, for an agreed upon price.

3.1.8 Ujra Credit cards

Credit cards provide a revolving credit facility within the credit limit and credit period determined by the issuer of card. Meethaq credit cards are based on the concept of Qard Hassan and Ujra . The holder of a card can utilize the limit to pay for purchase of goods and services and to withdraw cash. The bank charges the customers a fixed monthly fee (fees vary depending upon the type of card) irrespective of the amount utilized for the services / facilities associated with the card. The bank may refund the Ujrah fee back to customers if due amount is paid on or before the due date. Ujra Fee is recognized to income when not returned back to customers.

3.1.9 Sukuk

Sukuk are the asset backed, Shari'a a compliant trust certificates. Musharaka Sukuk are certificates of equal value representing ownership of asset. Sukuk are recognized at amount of proceeds minus issuance cost collected from the investors. Profits are recognized periodically till maturity subject to terms and conditions of issuing documents.

3.1.10 Investments

Investments comprise of equity type instruments carried at fair value through equity or statement of income and debt type instruments carried at fair value through equity or at amortised cost.

All investments, are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment, except in the case of investment carried at fair value through statement of income, if any.

Equity/ debt type instruments at fair value through other comprehensive income

Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owner's equity and quasi equityuntil the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owner's equity or quasi equityis recognised in the statement of income. Where a reliable measure of fair value for equity instruments is not available, these are measured at cost. Impairment losses on instruments carried at fair value through equity are not reversed through the statement of income.

Equity/debt type instruments at fair value through statement of income

Subsequent to acquisition, investments designated at fair value through statement of income are re-measured at fair value with unrealised gains or losses recognised in the statement of income. All other gains or losses arising from these investments are also recognised in the statement of income.

3 Accounting policies (continued)

3.1 Significant accounting policies (continued)

3.1.10 Investments (continued)

Debt-type instruments at amortised cost

Investments which have fixed or determinable payments and where Meethaq has both the intent and ability to hold to maturity are classified as debt type instrument carried at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such type of instruments is recognised in the statement of income, when the instruments are de-recognised or impaired.

3.1.11 Derivative financial instruments

Meethaq holds derivative financial instruments (Waa'd based) to hedge its foreign currency exposures. However, it does not apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at reporting date and the resultant gains and losses for the financial year are recognised in the statement of income.

3.1.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The cost of additions and major improvements are capitalised. Maintenance and repairs are charged to the statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Furniture, fixtures and equipment	5 - 10
Hardware and software	5 - 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.1.13 Due to FIs under Wakala

Due to FIs and financial institutions comprise of payables under Wakala contracts. These are recognised at fair value of consideration received less amounts settled, if any. Profits on these accounts are paid as per the respective agreement. Under these contracts, the bank acts as agent and corresponding bank is Muwakkil.

3.1.14 Current accounts

Current accounts are funds received under Qard whereby the principal amount is guaranteed to be repaid by Meethaq. These funds are neither entitled to any profit nor bear any losses. Current accounts are stated at fair value of consideration received less amounts settled, if any.

3.1.15 Quasi Equity

Quasi-equity is an element of the financial statements that represents participatory contributions received by Meethaq on a profit sharing or participation basis. It includes participatory investment accountholders where funds are obtained on the basis of Mudaraba and borrowings from banks under Wakalah mode. There is no restriction on Meethaq for the use of the funds received from particpatory investment account holders. All contributions of quasi-equity holders are measured by the amount received during the time of contracting. At the end of the financial period, the equity of quasi-equity holders is measured at the amount received plus accrued profit and related reserves less amounts settled .

3.1.16 Investment risk reserve

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

3 Accounting policies (continued)

3.1 Significant accounting policies (continued)

3.1.17 Profit equalisation reserve

Meethaq appropriates a certain amount in excess of the profit to be distributed to quasi equitybefore taking into consideration the Mudarib share of income. This is used to maintain a certain level of return on investment for quasi equity.

3.1.18 Revenue recognition

Murabaha receivables

Profit on murabaha receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised by proportionately allocating the attributable profits over the deferred period whereby each financial period carries its portion of profits irrespective of when the cash is received, net of suspended profit.

Musharaka

Income on Musharaka is recognised when the right to receive payment is established or when distribution is made, net of suspended profit.

Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek assets is recognised on a time-apportioned basis over the lease term, net of depreciation. Income related to non-performing Ijarah Muntahia Bittamleek assets is excluded from statement of income.

Wakala Bil Istithmar

Wakala profit is usually reliably estimated and is internally accounted for on time-apportioned basis over the Wakala tenure based on the Wakala capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala agreement, otherwise the loss would be borne by the Muwakkil.

Istisna’a

Istisna’a revenue is the total price agreed between the seller and purchaser including the Meethaq’s profit margin. The profit is recognised based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Meethaq’s estimated cost.

Profit suspension

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

Meethaq's share of income from quasi equity(as Rabalmal and Mudarib)

Income is allocated proportionately between quasi equityand shareholders on the basis of their respective investment in the pool before allocation of the mudarib fees. Meethaq’s share as a mudarib for managing the quasi equityis accrued based on the terms and conditions of the related mudaraba agreements.

Fees and commission income

Fees and commission income is recognised when earned. Commission on letters of credit and letters of guarantee are recognized as income over the period of the transaction. Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognized when the Islamic Window has fulfilled all its obligations in connection with the related transaction or is amortized over the period of respective financing transaction.

Investment income

Income from investments at amortised cost is recognised on a time-proportionate basis based on underlying rate of return. Dividend income is recognised when the Meethaq’s right to receive the payment is established.

3 Accounting policies (continued)

3.1 Significant accounting policies (continued)

3.1.19 Return on quasi equity

Return on equity of investment accountholders is calculated based on the income generated from jointly financed assets after deducting the expenses related to investment pool (pool expenses). Pool expenses include all direct expenses incurred by Meethaq, including specific provisions. Meethaq's "mudarib share of income" is deducted from the investors' share of income before distributing such income.

3.1.20 Taxation

Taxation is calculated and paid by the Head office on an overall basis. Taxation expense in the financial statements represents allocation of such taxation to the Meethaq. Deferred tax assets and liabilities are recognised only at head office level.

3.1.21 Provisions

Provisions are recognised when Meethaq 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.

3.1.22 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 derecognized when:

(i) The right to receive cash flows from the asset has expired;

(ii) Meethaq 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

(iii) Meethaq 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.

3.1.23 Identification and measurement of impairment assets

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

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

Detailed policy is given in note 3.6 of financial statements of bank muscat.

3.1.24 Earnings prohibited by Shari'a

Meethaq is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income, if any, is credited to a charity fund where Meethaq uses these funds for social welfare activities.

3 Accounting policies (continued)

3.1 Significant accounting policies (continued)

3.1.25 Foreign currencies

Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

3.1.26 Employees' end of service benefits

Contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as expense in the statement of income when accrued. Meethaq's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in current and prior periods. This amount is accrued and recognised as an expense in the statement of income.

3.1.27 Joint and self-financed

Assets that are jointly owned by Meethaq and the quasi equityare classified under the caption "jointly financed" in the financial statements. Assets that are financed solely by Meethaq, if any, are classified under "self-financed".

3.1.28 Zakah

Meethaq is not required to pay Zakah on behalf of shareholders and investment account holders. It is the responsibility of shareholders and investment account holders to pay Zakah.

3.1.29 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legal or religious enforceable right to set off the recognised amounts and Meethaq intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.1.30 Commingling of funds

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

3.1.31 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 value 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.

3 Accounting policies (continued)

3.1 Significant accounting policies (continued)

3.1.32 Right-of use assets and Ijarah liability

a) Right-of-use asset
The Window recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Window amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use asset is also subject to impairment in line with FAS 30 requirements. The carrying value of right-of-use asset is recognised under "Property and equipment " in the statement of financial position.

b) Ijarah liability
At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Window recognises Ijarah liability measured at the fair value of total rentals payable for Ijarah term. After the commencement date, the amount of Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortisation of deferred Ijarah cost and reduced to reflect the Ijarah rentals made. In addition, the carrying amount of Ijarah liability is remeasured if there is a modification, a change in the Ijarah term or change in the in-substance fixed lease payments. The carrying value of Ijarah liability is recognised under "Other liabilities" in the statement of financial position.

3.2 Significant accounting judgments and estimates

The preparation of Meethaq's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The most significant use of judgments and estimates is as follows:

(a) Identification and measurement of impairment of financial assets
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI 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).

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 the measurement of ECL;
• Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
• Establishing groups of similar financial assets for the purposes of measuring ECL.

The following table shows a comparison of the Meethaq's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under FAS 30 as at 31 December based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%:

Sensitivity of impairment estimates	***ECL RO 000's 2024***	*ECL RO 000's 2023*	***Impact on ECL RO 000's 2024***	*Impact on ECL RO 000's 2023*
ECL on non-impaired financing	**50,035**	39,753	**-**	-
Simulations				
Upside case - 100% weighted	**48,476**	38,536	**(1,559)**	(1,216)
Base case - 100% weighted	**49,687**	39,306	**(348)**	(446)
Downside scenario - 100% weighted	**52,057**	41,564	**2,022**	1,812

3 Accounting policies (continued)

3.2 Significant accounting judgments and estimates (continued)

(b) Liquidity

Meethaq manages its liquidity through consideration of the maturity profile of its assets, liabilities and investment accounts which is set out in the liquidity risk disclosures. This is requires judgment when determining the maturity of assets, liabilities and investment accounts with no specific maturities.

(c) Classification of investments

Management decides on acquisition of:

- An equity type financial asset, whether it should be carried at fair value through equity or through statement of income, and
- For a debt type financial asset, whether it should be carried at amortized cost or at fair value through equity.

4 Balances with Central Bank of Oman

	2024 RO'000	2023 RO'000
Placements with Central Bank	**5,390**	73,150
Other Balances with Central Bank	**21,410**	28,937
Total	**26,800**	102,087
Less: Impairment loss allownce	**-**	(5)
	26,800	102,082

5 Receivable from and participatory investments with FIs

	2024 RO'000	2023 RO'000
Due from banks under Wakala	**46,166**	12,750
Nostro current accounts	**2,421**	3,255
Total	**48,587**	16,005
Less: Impairment loss allownce	**(302)**	(1)
	48,285	16,004

6 Receivables- Trade based modes (Jointly Financed)

	2024 RO'000	2023 RO'000
Murabaha receivables	**97,795**	92,729
Deferred profit (note 6.1)	**(9,097)**	(8,046)
Less: Impairment loss allownce	**(1,632)**	(1,555)
Net murabaha receivables	**87,066**	83,128
Receivables under Ujrah	**4,261**	3,370
Istisna receivables	**22,069**	17,758
Less: Impairment loss allownce	**(377)**	(1,076)
	113,019	103,180

Murabaha receivables include RO 18.2 Million (2023: RO 28.8 Million) for unsecured Murabaha receivables.

6.1 Movement in deferred profit

	2024 RO'000	2023 RO'000
Deferred profit opening balance	**(8,046)**	(6,886)
Murabaha sales during the year	**(104,942)**	(95,174)
Murabaha cost of sales	**98,885**	90,063
Deferred profit transferred to earned profit	**5,006**	3,951
Deferred profit closing balance	**(9,097)**	(8,046)

7 Participatory Investments (Jointly Financed)

	2024	2023
	RO'000	RO'000
Musharaka	**1,092,182**	1,068,784
Wakala Bil Istithmar	**275,488**	198,421
	1,367,670	1,267,205
Less: Impairment loss allownce	**(54,177)**	(41,218)
	1,313,493	1,225,987

8 Ijarah Muntahia Bittamleek (Jointly Financed)

	2024	2023
	RO'000	RO'000
Cost, net of accumulated depreciation	**228,046**	229,438
Less: Impairment loss allownce	**(33,395)**	(31,575)
	194,651	197,863

9 Investments in shares and sukuks

	2024	2023
	RO'000	RO'000
Equity type investments at fair value through other comprehensive income		
Shares - Jointly financed	**25,171**	14,621
Equity type investments at fair value through statement of income		
Shares - Jointly financed	**2,481**	1,468
Debt type investment at fair value through other comprehensive income		
Sukuk - Jointly financed	**87,416**	4,973
Debt type investments at amortised cost		
Sukuk - Jointly financed	**165,591**	152,580
	280,659	173,642
Impairment for investments	**(156)**	(8)
Investments (net)	**280,503**	173,634

9 Investments in shares and sukuk (continued)

The movement in investment securities is summarized as follows:

	2024		
	Equity type investment RO'000	***Debt type investment RO'000***	***Total RO'000***
At 1 January 2024	**16,089**	**157,545**	**173,634**
Additions	**15,342**	**209,544**	**224,886**
Disposal and redemption	**(2,811)**	**(115,038)**	**(117,849)**
Gain/(loss) from change in fair value	**(845)**	**(5)**	**(850)**
Reversal of impairment losses		**(148)**	**(148)**
Amortization of discount / premium	**-**	**(88)**	**(88)**
Realized loss	**(123)**	**41**	**(82)**
Profit receivable	**-**	**1,000**	**1,000**
At 31 December 2024	**27,652**	**252,851**	**280,503**

	2023		
	Equity type investment RO'000	*Debt type investment RO'000*	*Total RO'000*
At 1 January 2023	11,473	166,893	178,366
Additions	5,994	2,666	8,660
Disposal and redemption	(630)	(11,930)	(12,560)
Gain/(loss) from change in fair value	(750)	38	(712)
Reversal of impairment losses	-	654	654
Amortization of discount / premium	-	(90)	(90)
Realized loss	2	(5)	(3)
Profit receivable	-	(681)	(681)
At 31 December 2023	16,089	157,545	173,634

The movement in impairment of investment securities is summarized as follows:

	2024 ***RO'000***	2023 *RO'000*
At 1 January	**8**	662
Provided during the year	**148**	-
Reversal during the year	**-**	(654)
At 31 December	**156**	8

Equity type investments at fair value through equity is carried at fair value and includes a mark to market loss of RO 4.49 Million (2023: Loss of 3.68 million).

10 Property and equipment

	Property & equipment (note 10.1) RO'000	*Right-of-use assets (note 10.2) RO'000*	*Total RO'000*
At 31 December 2024			
Gross book value	**12,942**	**2,288**	**15,230**
Accumulated Depreciation	**9,926**	**1,029**	**10,658**
Net book value	**3,313**	**1,259**	**4,572**
Depreciation charge for the year	**990**	**623**	**1,613**

	Property & equipment (note 10.1) RO'000	*Right-of-use assets (note 10.2) RO'000*	*Total RO'000*
At 31 December 2023			
Gross book value	9,792	1,851	11,643
Accumulated Depreciation	8,639	851	9,490
Net book value	1,153	1,000	2,153
Depreciation charge for the year	653	597	1,250

10.1 Property & equipment

	2024			
	Furniture and Fixtures RO'000	*Equipment RO'000*	*Hardware and software RO'000*	*Total RO'000*
Cost:				
At 1 January 2024	**3,614**	**1,136**	**5,042**	**9,792**
Additions	**267**	**61**	**2,822**	**3,150**
At 31 December 2024	**3,881**	**1,197**	**7,864**	**12,942**
Accumulated depreciation:				
At 1 January 2024	**3,145**	**955**	**4,539**	**8,639**
Provided during the year	**149**	**71**	**770**	**990**
At 31 December 2024	**3,294**	**1,026**	**5,309**	**9,629**
Net book values:				
At 31 December 2024	**587**	**171**	**2,555**	**3,313**

10 Property and equipment (continued)

10.1 Property & equipment (continued)

	2023			
	Furniture and Fixtures RO'000	*Equipment RO'000*	*Hardware and software RO'000*	*Total RO'000*
Cost:				
At 1 January 2023	3,273	1,026	4,837	9,136
Additions	341	110	225	676
Disposals	-	-	(20)	(20)
At 31 December 2023	3,614	1,136	5,042	9,792
Accumulated depreciation:				
At 1 January 2023	3,001	895	4,110	8,006
Provided during the year	144	60	449	653
Disposals	-	-	(20)	(20)
At 31 December 2023	3,145	955	4,539	8,639
Net book values:				
At 31 December 2023	469	181	503	1,153

10.2 Right-of-use assets

Land and building

	2024	*2023*
	RO'000	*RO'000*
Cost:		
At 1 January	**1,851**	1,730
Additions during the year	**881**	634
Lease closure	**(444)**	(513)
At 31 December	**2,288**	1,851
Accumulated Depreciation:		
At 1 January	**851**	765
Depreciation for the year	**623**	597
Depreciation on lease closure	**(445)**	(511)
At 31 December	**1,029**	851
Net book value at 31 December	**1,259**	1,000

10.3 Movement in lease liabilities and net Ijara liabilities relating to right-of-use assets (land and building) along with maturity profile of these liabilities are as follows:

	2024	*2023*
	RO'000	*RO'000*
Lease liabilities at 1 January	**1,036**	1,002
Additions during the year	**881**	634
Profit payments during the year	**66**	50
Lease payments during the year	**(683)**	(650)
Lease liabilities At 31 December	**1,300**	1,036

Net Ijara Liabilities along with maturity profile of these liabilities are as follows:

	Due within 12 months RO'000	***Between 1 and 2 years RO'000***	***Between 2 and 5 years RO'000***	***Due in more than 5 years RO'000***	***Total RO'000***
Gross Ijara Liabilities	682	325	339	61	**1,407**
Finance charges	(49)	(25)	(30)	(3)	**(107)**
Net Ijara Liabilities	**633**	**300**	**309**	**58**	**1,300**

11 Other assets

	2024	*2023*
	RO'000	*RO'000*
Prepayments	**345**	912
Others	**323**	829
	668	1,741

12 Due to FIs

	2024	*2023*
	RO'000	*RO'000*
Due to Head office and affiliates	**19,336**	51,143
Due to other banks	**58,049**	28,940
	77,385	80,083

13 Sukuk- liability type

Meethaq - Islamic Banking Window of Bank Muscat S.A.O.G (Meethaq) started its Sukuk Al Musharaka Certificates programme in June 2017. An SPV was formed for this purpose (Meethaq Sukuk Company LLC) which is the issuer and trustee of Sukuk program.

As part of the program, the first series of certificates was issued in June 2017 amounting to RO 44.6 Million (face value RO 1.000 per certificate) and matured in June 2022. The second series of certificates was issued in May 2019 amounting to RO 45.6 Million (face value RO 1.000 per certificate) and has a tenor of five years. The third series of certificates was issued in March 2024 amounting to RO 16.5 Million (face value RO 1.000 per certificate) and has a tenor of five years. The profit on Sukuk is payable bi-annually and it is listed in Muscat Stock Exchange.

Listed Sukuk - Muscat Stock Exchange

	Expected Annaul Profit Rate	***Maturity***	***2024 RO'000***	*2023 RO'000*
Sukuk matured during the year	5.50%	May-2024	**-**	45,597
Sukuk Issued during the year	5.75%	Mar-2029	**16,525**	-
Profit payable			**317**	272
			16,842	45,869

14 Other liabilities

	2024	*2023*
	RO'000	*RO'000*
Provision for taxation	**5,525**	3,907
Unearned income and Fees	**2,459**	2,723
Impairment on non-funded exposures	**1,788**	1,996
Lease Liabilities- (Note 10.3)	**1,300**	1,035
Payable to Head Office	**6,483**	1,207
Others	**3,286**	12,548
	20,841	23,416

Others include charity payable of RO 29K (2023 - RO 22K) which has been accumulated during the year.

Meethaq is not a separate taxable entity. The tax is calculated and paid on an overall basis by the head office. Based on the effective tax rate, Head office has allocated a taxation provision to Meethaq. During the year, RO NIL has been paid to head office towards payment of prior years tax dues (2023: RO 5.76M)

15 Quasi equity

Quasi equity is commingled with Meethaq's funds and utilised in the business of Meethaq according to the weights of each type of fund. These weights are declared by Meethaq at the beginning of each month. Mudarib expenses are charged to the pool which include all direct expenses incurred by Meethaq, including impairment provisions. Meethaq's effective share in profits as Mudarib for the period was 13.38% (2023: 7.49%). The rate of return on each type of investment account is disclosed by Meethaq on a monthly basis. As of 31 December, the analysis of quasi equityis as follows:

	2024 ***RO'000***	*2023* *RO'000*
Deposits from banks- under Wakalah	**61,556**	190,150
Deposits from customers:		
Saving accounts	**288,893**	276,221
Fixed term accounts	**993,388**	790,246
Call accounts	**203,665**	28,253
Other deposits	**35,940**	38,437
Total	**1,521,886**	1,133,157
Profit equalization reserve (note 15.1)	**612**	1,362
Investment risk reserve (note 15.2)	**271**	271
	1,584,325	1,324,940

15.1 Movement in profit equalization reserve

	2024 ***RO'000***	*2023* *RO'000*
Balance as at 1 January	**1,362**	1,586
Apportioned during the year	**-**	840
Amount utilised during the year	**(750)**	(1,064)
Balance at 31 December	**612**	1,362

15.2 Movement in investment risk reserve

	2024 ***RO'000***	*2023* *RO'000*
Balance as at 1 January	**271**	253
Apportioned during the year	**-**	229
Amount utilised during the year	**-**	(211)
Balance at 31 December	**271**	271

16 Contingencies and commitments

	2024 ***RO'000***	*2023* *RO'000*
Guarantees	**43,312**	26,515
Letters of credit	**14,659**	8,352
	57,971	34,867

17 Income from Islamic finance and investments

	2024	*2023*
	RO'000	*RO'000*
Murabaha receivables	**5,006**	3,951
Musharaka	**60,645**	63,476
Ijarah Muntahia Bittamleek	**10,315**	10,040
Wakala Bil Istithmar	**12,023**	9,651
Istisna	**974**	664
Investments	**11,481**	9,273
	100,444	97,055

18 Other income

	2024	*2023*
	RO'000	*RO'000*
Fee and commission	**2,575**	2,439
Foreign exchange gain - net	**276**	493
Handling commission	**1,182**	1,269
Service fee and other	**242**	216
	4,275	4,417

19 Provision for impairment

Movement in provision for impairment for Islamic financing is analyzed below:

	2024	*2023*
	RO'000	*RO'000*
At 1 January	**75,424**	58,529
Impairment for credit losses	**13,078**	17,046
Recoveries from impairment for credit losses	**(858)**	(1,624)
Written off during the year	**-**	-
Transfer from / (to) memorandum portfolio	**1,937**	1,473
At 31 December	**89,581**	75,424

Details of credit impairment charged in income statement is set out below:

Details of credit impairment charged to/(Reversed) from statement of comprehensive income is as follow:

	2024	*2023*
	RO'000	*RO'000*
Impairment for Islamic financing	**13,078**	17,046
(Reversal) / Impairment for un-funded exposure	**(206)**	1,843
Impairment for balances with Central bank	**(6)**	5
Impairment for due from banks	**301**	-
Impairment / (Reversal) for Investment	**148**	(654)
Recoveries from impairment for credit losses	**(858)**	(1,624)
	12,457	16,616

20 Segmental information and geographical distribution of assets and liabilities

The activities of Meethaq are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant. Further, Meethaq operates solely in the Sultanate of Oman, therefore, most of assets and liabilities are in Sultanate of Oman expect the following:

2023					2024			
Sultanate of Oman RO'000	*Other GCC RO'000*	*Others RO'000*	*Total RO'000*		***Sultanate of Oman RO'000***	***Other GCC RO'000***	***Others RO'000***	***Total RO'000***
5,443	7,696	2,865	16,004	Receivable from and participatory investments with FIs	**5,285**	**41,517**	**1,483**	**48,285**
164,824	8,810	-	173,634	Investments in shares and sukuks	**194,702**	**85,806**	-	**280,508**
170,267	16,506	2,865	189,638	**Total**	**199,987**	**127,323**	**1,483**	**328,793**
51,143	28,940	-	80,083	Due to FIs	**19,336**	**58,049**	-	**77,385**
1,192,745	132,195	-	1,324,940	Equity of IAH	**1,545,772**	**38,553**	-	**1,584,325**
1,243,888	161,135	-	1,405,023	**Total**	**1,565,108**	**96,602**	-	**1,661,710**

21 Related party transactions

Related parties comprise of the Head office, directors and key management personnel of Meethaq and the Head office, close members of their families, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Bank, members of Shari'a Supervisory Board (SSB) and external auditors.

The significant balances with related parties at 31 December were as follows:

	2024 RO'000	*2023 RO'000*
Statement of financial position		
Due to FIs- Head office	**19,336**	51,143
Other liabilities- Head office	**12,009**	5,114
	31,345	56,257

The transactions with the related parties included in the statement of income for the year ended 31 December 2024 and 2023 are as follows:

	2024 RO'000	*2023 RO'000*
Statement of income		
Profit on due to FIs- Head office	**2,938**	3,328
Remuneration and expense reimbursements of Sharia Supervisory Board (SSB)	**76**	75
	3,014	3,403

22 Derivative financial instruments

	Positive fair Value	*Negative FV Value*	*Notional amount total*	*Notional amounts by term to maturity*		
				within 3 months	*4-12 months*	*> 12 months*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*	
31 December 2024						
Forward purchase contracts	**-**	**-**	**590,000**	**275,000**	**315,000**	**-**
Forward sales contracts	**-**	**-**	**590,000**	**275,000**	**315,000**	**-**
Total (RO'000)	**-**	**-**	**1,180,000**	**550,000**	**630,000**	**-**
31 December 2023						
Forward purchase contracts	-	26	363,804	36,677	252,127	75,000
Forward sales contracts	91	-	363,725	36,575	252,150	75,000
Total (RO'000)	91	26	727,529	73,252	504,277	150,000

23 Risk management

Meethaq's risk management is centralized at the level of Head office. It is a process whereby the Head office identifies key risks, applies consistent, understandable risk measures, and chooses which risks to reduce and which to hold and 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 Meethaq operates within the risk appetite levels set by the Bank's Board of Directors while pursuing its objective of maximizing the risk adjusted returns. The overall risk management philosophy of the Bank is disclosed in the consolidated financial statements of the Bank. Specific disclosures pertaining to the following risks, for which Meethaq is exposed, are given below:

(a) Liquidity risk

Liquidity risk is the risk that Meethaq will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Meethaq Asset Liability sub-committee (MALCO) of the Bank manages the liquidity position of Meethaq. In order to ensure that Meethaq meets its financial obligations as and when they fall due, cash flow positions are closely monitored. If required, Meethaq, being a window operation of the Bank, obtains funding from the Head office.

The table below summarizes the maturity profile of Meethaq's assets, liabilities and investment accounts as of 31 December 2024 based on expected periods to cash conversion from the statement of financial position date:

31 December 2024	*On demand or within 3 months RO'000*	*4 to 12 months RO'000*	*1 to 5 years RO'000*	*More than 5 years RO'000*	*Total RO'000*
Assets					
Cash and balances with Central Bank of Oman	**14,630**	**4,529**	**7,959**	**5,460**	**32,578**
Receivable from and participatory investments with FIs	**48,285**	**-**	**-**	**-**	**48,285**
Receivables- Trade based modes	**27,488**	**41,627**	**37,264**	**6,640**	**113,019**
Participatory Investments	**37,067**	**72,825**	**319,969**	**883,632**	**1,313,493**
Ijarah Muntahia Bittamleek	**6,452**	**19,400**	**88,131**	**80,668**	**194,651**
Investments in shares and sukuks	**70,851**	**84,243**	**90,423**	**34,986**	**280,503**
Property and equipment	**-**	**-**	**-**	**4,572**	**4,572**
Other assets	**668**	**-**	**-**	**-**	**668**
Total assets	**205,441**	**222,624**	**543,746**	**1,015,958**	**1,987,769**

23 Risk management (continued)

(a) Liquidity risk (continued)

31 December 2024	***On demand or within 3 months***	***4 to 12 months***	***1 to 5 years***	***More than 5 years***	***Total***
Liabilities, quasi equity and owner's equity					
Due to FIs	**50,805**	**26,580**	**-**	**-**	**77,385**
Current accounts	**22,278**	**25,812**	**-**	**13,924**	**62,014**
Sukuk- liability type	**-**	**-**	**16,842**	**-**	**16,842**
Other liabilities	**12,688**	**8,153**	**-**	**-**	**20,841**
Total liabilities	**85,771**	**60,545**	**16,842**	**13,924**	**177,082**
Quasi equity	**149,994**	**382,645**	**875,887**	**175,799**	**1,584,325**
Total owner's equity	**-**	**-**	**-**	**226,362**	**226,362**
Total liabilities, quasi equity and owner's equity	**235,765**	**443,190**	**892,729**	**416,085**	**1,987,769**
Net gap	**(27,372)**	**(220,566)**	**(348,983)**	**596,921**	**-**
Cumulative net gap	**(27,372)**	**(247,938)**	**(596,921)**	**-**	**-**

31 December 2023	*On demand or within 3 months RO'000*	*4 to 12 months RO'000*	*1 to 5 years RO'000*	*More than 5 years RO'000*	*Total RO'000*
Assets					
Cash and balances with Central Bank of Oman	82,076	6,147	10,802	7,404	106,429
Receivable from and participatory investments with FIs	15,979	6	-	19	16,004
Receivables- Trade based modes	27,736	35,981	33,597	5,866	103,180
Participatory Investments	86,297	80,541	289,288	769,861	1,225,987
Ijarah Muntahia Bittamleek	2,119	18,800	84,200	92,744	197,863
Investments in shares and sukuks	9,827	28,690	116,507	18,610	173,634
Property and equipment	-	-	-	2,153	2,153
Other assets	1,741	-	-	-	1,741
Total assets	225,775	170,165	534,394	896,657	1,826,991
Liabilities, quasi equity and owner's equity					
Due to FIs	50,805	29,278	-	-	80,083
Current accounts	53,947	47,025	-	33,588	134,560
Sukuk- liability type	-	45,869	-	-	45,869
Other liabilities	14,960	8,456	-	-	23,416
Total liabilities	119,712	130,628	-	33,588	283,928
Quasi Equity	95,985	561,280	543,103	124,572	1,324,940
Total owner's equity	-	-	-	218,123	218,123
Total liabilities, quasi equity and owner's equity	215,697	691,908	543,103	376,283	1,826,991
Net gap	10,078	(521,743)	(8,709)	520,374	-
Cumulative net gap	10,078	(511,665)	(520,374)	-	-

23 Risk management (continued)

(b) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates.

Profit rate risk

Profit rate risk is the risk that Meethaq will incur a financial loss as a result of mismatch in the profit rate on Meethaq's assets and liabilities.

The profit distribution to Investment Accounts is based on profit sharing agreements. Therefore, Meethaq is not subject to any significant profit rate risk. However, the profit sharing agreements will result in Displaced Commercial Risk (DCR) when Meethaq's results do not allow Meethaq to distribute profits in line with the market rates. To cater against DCR, Meethaq creates profit equalisation reserve as disclosed in note 14.

Effective profit rates on profit bearing assets, liabilities and quasi equityas of 31 December 2024 and 2023 are as follows:

	2024	2023
Assets:		
Financing	**5.70%**	5.69%
Receivable from and participatory investments with FIs	**4.77%**	4.21%
Investments in shares and sukuk	**5.38%**	5.37%
Liabilities:		
Due to FIs	**6.30%**	6.92%
Sukuk- liability type	**5.62%**	5.57%
Quasi Equity	**4.20%**	4.00%

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure that they are maintained within established approved limits. The following table summarises the exposure by currency as of 31 December:

	2024		
	Assets RO'000	***Liabilities RO'000***	***Net RO'000***
US Dollars	**608,021**	**560,571**	**47,450**
Euro	**40**	**8**	**32**
Great Britain Pound	**3**	**-**	**3**
UAE Dirham	**406**	**52**	**354**
Others	**437**	**-**	**437**
	2023		
	Assets RO'000	*Liabilities RO'000*	*Net RO'000*
US Dollars	395,925	453,101	(57,176)
Euro	151	108	43
Great Britain Pound	18	-	18
UAE Dirham	250	96	154
Others	35	-	35

Foreign currency risk sensitivity analysis

A 5% change in foreign exchange rates, with all other variables held constant, will have an impact of RO 2.4 Million on Meethaq's statement of income (2023 - RO 2.8 Million).

23 Risk management (continued)

(b) Market risk

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. A 10% change in equity indices will have an impact of RO 2.5 million on the equity of Meethaq (2023 - RO 1.46 Million).

(c) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. Meethaq credit risk is managed by monitoring credit exposures, continually assessing the creditworthiness of counterparties, and by entering into collateral agreements in the form of mortgages, pledge of assets and personal guarantees. Detailed collateral management policy of the bank is given in note 41.2.1 of the financial statements of Bank.

Meethaq classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: Financial instruments which are not credit impaired and for which the credit risk has not increased significantly since initial recognition are classified as Stage1. When a Credit Facility is first recognised, the Meethaq recognizes a loss allowance based on 12 months ECL.

- Stage 2: Financial instruments having Significant Increase in Credit Risk ("SICR") since origination will be classified under Stage 2 (if not impaired). When a Credit Facility has shown a significant increase in credit risk since origination, Meethaq records a loss allowance for the life time (LT) ECL; and

- Stage 3: All Credit Facilities that are credit impaired either at origination or at reporting date (for e.g. in default stage) i.e. having objective evidence of default / credit impaired, shall be classified under Stage 3. Credit Facilities, considered as credit-impaired, are those facilities where any payment of principal or profit is overdue by more than 90 days. Besides quantitative and qualitative criteria are also applied for assigning stage 3. In such cases, Meethaq records a loss allowance for the LT ECL.

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt type investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

23 Risk management (continued)

(c) Credit risk (continued)

The gross exposure of the financial assets along with reconciliations from the opening to the closing balance by class of financial instruments are as follows:

2023					**2024**			
Stage 1	*Stage 2*	*Stage 3*	*Total*		***Stage 1***	***Stage 2***	***Stage 3***	***Total***
RO 000's	*RO 000's*	*RO 000's*	*RO 000's*		***RO 000's***	***RO 000's***	***RO 000's***	***RO 000's***
				Opening balance as at 1 January				
69,362	-	-	69,362	Balances with Central Bank	102,082	-	-	102,082
1,170	266	-	1,436	Receivable from and participatory investments with FIs	16,003	2	-	16,005
561,038	2,441	2,388	565,867	Retail financing	593,563	2,099	2,486	598,148
340,020	592,777	9,289	942,086	Corporate Financing	461,869	501,141	41,296	1004,306
154,967	11,925	-	166,892	Investments	157,545	-	-	157,545
30,621	598	18	31,237	Letters of credit/Guarantees	25,465	9,384	18	34,867
12,247	5,533	-	17,780	Financing commitments / Unutilized limits	103,135	14,518	-	117,653
1,169,425	613,540	11,695	1,794,660	**Total**	**1,459,662**	**527,144**	**43,800**	**2,030,606**
				Net transfer between stages				
-	-	-	-	Balances with Central Bank	**-**	**-**	**-**	**-**
-	-	-	-	Receivable from and participatory investments with FIs	**(1)**	**1**	**-**	**-**
59	(205)	146	-	Retail financing	**(685)**	**(303)**	**988**	**-**
(21,788)	(7,859)	29,647	-	Corporate Financing	**(65,483)**	**61,848**	**3,635**	**-**
-	-	-	-	Investments	**(5,005)**	**5,005**	**-**	**-**
(493)	475	18	-	Letters of credit/Guarantees	**(24,778)**	**24,778**	**-**	**-**
(9,310)	9,310	-	-	Financing commitments / Unutilized limits	**(56,850)**	**56,680**	**170**	**-**
(31,532)	1,721	29,811	-	**Total**	**(152,802)**	**148,009**	**4,793**	**-**
				Re-measurement of outstanding				
32,720	-	-	32,720	Balances with Central Bank	**26,800**	**-**	**-**	**26,800**
14,833	(264)	-	14,569	Receivable from and participatory investments with FIs	**32,564**	**18**	**-**	**32,582**
32,466	(137)	(48)	32,281	Retail financing	**18,945**	**(269)**	**(270)**	**18,406**
143,637	(83,777)	2,360	62,220	Corporate Financing	**161,937**	**(72,846)**	**793**	**89,884**
2,578	(11,925)	-	(9,347)	Investments	**95,421**	**-**	**-**	**95,421**
(4,663)	8,311	(18)	3,630	Letters of credit/Guarantees	**25,320**	**(2,198)**	**(18)**	**23,104**
100,198	(325)	-	99,873	Financing commitments / Unutilized limits	**201,778**	**9,032**	**(170)**	**210,640**
321,769	(88,117)	2,294	235,946	**Total**	**460,683**	**(66,263)**	**335**	**394,755**
				Closing Balance as at 31 December				
73,150	-	-	73,150	Balances with Central Bank	**26,800**	**-**	**-**	**26,800**
16,003	2	-	16,005	Receivable from and participatory investments with FIs	**48,566**	**21**	**-**	**48,587**
593,563	2,099	2,486	598,148	Retail financing	**611,823**	**1,527**	**3,204**	**616,554**
461,869	501,141	41,296	1,004,306	Corporate Financing	**558,323**	**490,143**	**45,724**	**1,094,190**
157,545	-	-	157,545	Investments	**247,961**	**5,005**	**-**	**252,966**
25,465	9,384	18	34,867	Letters of credit/Guarantees	**26,007**	**31,964**	**-**	**57,971**
103,135	14,518	-	117,653	Financing commitments / Unutilized limits	**248,063**	**80,230**	**-**	**328,293**
1,459,662	527,144	43,800	2,030,606	**Total**	**1,767,543**	**608,890**	**48,928**	**2,425,361**

23 Risk management (continued)

***(c) Credit risk* (continued)**

Loss Allowance

The following tables shows reconciliations from the opening to the closing balance of the loss allowance for Total Islamic Financing

2023 Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's		***2024* Stage 1 RO 000's**	**Stage 2 RO 000's**	**Stage 3 RO 000's**	**Total RO 000's**
				Opening Balance as at 1 January				
-	-	-	-	Balances with Central Bank	5	-	-	5
1	-	-	1	Receivable from and participatory investments with FIs	-	1	-	1
939	56	2,056	3,051	Retail financing	1,273	38	2,249	3,560
1,199	51,128	3,151	55,478	Corporate Financing	3,222	35,220	33,422	71,864
18	644	-	662	Investments	8	-	-	8
41	4	4	49	Letters of credit/Guarantees	477	1,197	10	1,684
81	21	1	103	Financing commitments/Unutilized limits	208	103	1	312
2,279	51,853	5,212	59,344	**Total**	5,193	36,559	35,682	77,434
				Net transfer between stages				
-	-	-	-	Balances with Central Bank	-	-	-	-
(26)	26	-	-	Receivable from and participatory investments with FIs	-	-	-	-
(577)	577	-	-	Retail financing	14	(21)	7	-
(41,008)	41,008	-	-	Corporate Financing	1,095	(1,251)	156	-
-	-	-	-	Investments	89	(89)	-	-
(1,197)	1,197	-	-	Letters of credit/Guarantees	413	(415)	-	(2)
(140)	140	-	-	Financing commitments/Unutilized limits	102	(103)	2	1
(42,948)	42,948	-	-	**Total**	1,713	(1,879)	165	(1)
				Impairment charged to income statement				
5	-	-	5	Balances with Central Bank	(5)	-	-	(5)
26	(26)	-	-	Receivable from and participatory investments with FIs	302	(1)	-	301
911	(595)	182	498	Retail financing	(35)	4,419	477	4,861
43,031	(56,489)	28,382	14,924	Corporate Financing	(887)	6,948	1,298	7,359
(10)	(644)	-	(654)	Investments	(29)	177	-	148
1,633	(4)	6	1,635	Letters of credit/Guarantees	(753)	(250)	(10)	(1,013)
267	(58)	-	209	Financing commitments/Unutilized limits	562	247	(3)	806
45,863	(57,816)	28,570	16,617	**Total**	(845)	11,540	1,762	12,457
				Profit reserve charged to income statement/write offs				
-	-	11	11	Retail financing	-	-	18	18
-	(427)	1,889	1,462	Corporate Financing	-	-	1,919	1,919
-	(427)	1,900	1,473	**Total**	-	-	1,937	1,937
				Closing Balance as at 31 December				
5	-	-	5	Balances with Central Bank	-	-	-	-
-	1	-	1	Receivable from and participatory investments with FIs	302	-	-	302
1,273	38	2,249	3,560	Retail financing	1,252	4,436	2,751	8,439
3,222	35,220	33,422	71,864	Corporate Financing	3,430	40,917	36,795	81,142
8	-	-	8	Investments	68	88	-	156
477	1,197	10	1,684	Letters of credit/Guarantees	137	532	-	669
208	103	1	312	Financing commitments/Unutilized limits	872	247	-	1,119
5,193	36,559	35,682	77,434	**Total**	**6,061**	**46,220**	**39,546**	**91,827**

23 Risk management (continued)

(c) Credit risk (continued)

Amounts arising from ECL (continued)

Comparison of provision hel on Islamic Financing as per FAS 30 and required as per CBO norms are as follows:

31 December 2024

Asset classification as per CBO Norms	*Asset classification as per FAS 30*	*Gross carrying amount*	*Provision required as per CBO Norms*	*Provision held as per FAS 30*	*Difference between CBO provision required and Provision held*	*Net carrying amount*	*Profit recognized as per FAS 30*	*Reserve profit as per CBO norms*
1	2	3	4	5	(6)=(4)-(5)	(7)=(3)-(5)	8	9
	Stage 1	**1,170,146**	**17,820**	**4,682**	**(13,138)**	**1,165,464**	-	-
Standard	Stage 2	**372,345**	**4,932**	**33,656**	**28,724**	**338,689**	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		**1,542,491**	**22,752**	**38,338**	**15,586**	**1,504,153**	-	-
	Stage 1	-	-	-	-	-	-	-
Special Mention	Stage 2	**119,325**	**1,198**	**11,697**	**10,499**	**107,628**	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		**119,325**	**1,198**	**11,697**	**10,499**	**107,628**	-	-
	Stage 1	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-
	Stage 3	**3,985**	**1,069**	**1,069**	-	**2,916**	**98**	**98**
Sub Total		**3,985**	**1,069**	**1,069**	-	**2,916**	**98**	**98**
	Stage 1	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-
	Stage 3	**518**	**217**	**217**	-	**301**	**10**	**10**
Sub Total		**518**	**217**	**217**	-	**301**	**10**	**10**
	Stage 1	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-
	Stage 3	**44,425**	**38,260**	**38,260**	-	**6,165**	**4,652**	**4,652**
Sub Total		**44,425**	**38,260**	**38,260**	-	**6,165**	**4,652**	**4,652**
Other items not covered under	Stage 1	**597,397**	-	**1,379**	**1,379**	**596,018**	-	-
CBO circular BM 977 and related	Stage 2	**117,220**	-	**867**	**867**	**116,353**	-	-
instructions	Stage 3	-		-	-	-		
Sub Total		**714,617**	-	**2,246**	**2,246**	**712,371**	-	-
	Stage 1	**1,767,543**	**17,820**	**6,061**	**(11,759)**	**1,761,482**	-	-
Total	Stage 2	**608,890**	**6,130**	**46,220**	**40,090**	**562,670**	-	-
	Stage 3	**48,928**	**39,546**	**39,546**	-	**9,382**	**4,760**	**4,760**
		2,425,361	**63,496**	**91,827**	**28,331**	**2,333,534**	**4,760**	**4,760**

23 Risk management (continued)

(c) Credit risk (continued) *Amounts arising from ECL (continued)*

31 December 2023

Asset classification as per CBO Norms	*Asset classification as per FAS 30*	*Gross carrying amount*	*Provision required as per CBO Norms*	*Provision held as per FAS 30*	*Difference between CBO provision required and Provision held*	*Net carrying amount*	*Profit recognized as per FAS 30*	*Reserve profit as per CBO norms*
1	2	3	4	5	(6)=(4)-(5)	(7)=(3)-(5)	8	9
	Stage 1	1,055,432	16,490	4,494	(11,996)	1,050,938	-	-
Standard	Stage 2	378,259	5,053	26,694	21,641	351,565	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		1,433,691	21,543	31,188	9,645	1,402,503	-	-
	Stage 1	-	-	-	-	-	-	-
Special Mention	Stage 2	124,981	1,255	8,564	7,309	116,417	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		124,981	1,255	8,564	7,309	116,417		-
	Stage 1	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,715	452	452	-	1,263	31	31
Sub Total		1,715	452	452	-	1,263	31	31
	Stage 1	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-
	Stage 3	31,602	28,520	28,520	-	3,082	1,480	1,480
Sub Total		31,602	28,520	28,520	-	3,082	1,480	1,480
	Stage 1	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-
	Stage 3	10,465	6,705	6,705	-	3,760	1,283	1,283
Sub Total		10,465	6,705	6,705	-	3,760	1,283	1,283
Other items not covered under	Stage 1	404,230	-	693	693	403,537	-	-
CBO circular BM 977 and related	Stage 2	23,904	-	1,301	1,301	22,603	-	-
instructions	Stage 3	18	-	11	11	7	-	-
Sub Total		428,152	-	2,005	2,005	426,147	-	-
	Stage 1	1,459,662	16,490	5,187	(11,303)	1,454,475	-	-
Total	Stage 2	527,144	6,308	36,559	30,251	490,585	-	-
	Stage 3	43,800	35,677	35,688	11	8,112	2,794	2,794
		2,030,606	58,475	77,434	18,959	1,953,172	2,794	2,794

23 Risk management (continued)

***(a) Credit risk* (continued)**

Amounts arising from ECL (continued)

Comparison of provision held as per FAS 30 and required as per CBO norms - as at 31 December 2024

	As per CBO norms		***AS per FAS 30***		***Difference***	
	2024 RO'000	*2023 RO'000*	***2024 RO'000***	*2023 RO'000*	***2024 RO'000***	*2023 RO'000*
Impairment loss charged to profit and loss account	**12,457**	16,616	**12,457**	16,616	**-**	-
Provisions required as per CBO norms/held as per FAS 30	**63,496**	58,475	**91,827**	77,434	**28,331**	18,959
Gross NPL ratio	**2.86%**	2.73%	**2.86%**	2.73%	**-**	-
Net NPL ratio	**0.55%**	0.51%	**0.55%**	0.51%	**-**	-

Stage 1: 73 % of gross exposure in scope for FAS 30 is in Stage 1 and has not experienced a significant increase in credit risk since origination (2023 - 71%).

Stage 2: 25% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination (2023- 26%).

Stage 3: 2% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets (2023- 3%).

23 Risk management (continued)

(c) Credit risk (continued)

Concentration of Credit Risk

The table below analyses the concentration of financial assets by various sectors

	Due from banks		*Islamic Financing*		*Debt type securities*		*Financing commitments & Guarantees issued*	
	2024	*2023*	**2024**	*2023*	**2024**	*2023*	**2024**	*2023*
	RO'000	*RO'000*	***RO'000***	*RO'000*	***RO'000***	*RO'000*	***RO'000***	*RO'000*
Gross amount/ Commitments &Guarantees	**48,587**	16,005	**1,710,744**	1,602,453	**253,007**	1,57,552	**386,264**	152,520
Concentration by sector								
Corporate:								
Services	**-**	-	**147,487**	174,791	**-**	-	**86,014**	22,966
Mining and quarrying	**-**	-	**148,271**	94,356	**-**	-	**40,100**	-
Manufacture	**-**	-	**206,200**	158,728	**-**	-	**113,823**	38,311
Wholesale and retail trade	**-**	-	**36,836**	36,742	**-**	-	**10,008**	2,505
Import trade	**-**	-	**53**	75	**-**	-	**36,645**	11,419
Utilities	**-**	-	**-**	-	**-**	-	**72**	56,132
Transport & Communication	**-**	-	**181,402**	188,987	**-**	-	**-**	-
Construction & related activities	**-**	-	**190,478**	178,994	**-**	-	**99,409**	19,720
Agriculture and allied activities	**-**	-	**161,708**	171,633	**-**	-	**-**	-
Others	**-**	-	**-**	-	**99,473**	4,019	**-**	-
Sovereign:								-
Government	**-**	-	**-**	-	**153,534**	153,534	**-**	532
Financial institutions	**48,587**	16,005		-	**-**	-	**193**	935
Retail:								
Personal and housing finance	**-**	-	**616,554**	598,148	**-**	-	**-**	-
Gross amount	**48,587**	16,005	**1,688,989**	1,602,454	**253,007**	157,553	**386,264**	152,520
Expected credit losses(ECL)	**(302)**	(1)	**(89,581)**	(75,424)	**(156)**	(8)	**(1,788)**	(1,996)
Net carrying amount	**48,285**	16,004	**1,599,408**	1,527,030	**252,851**	157,545	**384,476**	150,524

23 Risk management (continued)

(d) Operational risk

Operational risk is the deficiencies in information systems/internal controls or uncontrollable external events that will result in loss. The risk is associated with human error, systems failure and inadequate procedures or control and external causes. As per the Basel Committee on grouping Supervision (BCBS), operational risk is the risk of monetary losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

As the management of all other risks, operational risk for Meethaq is managed centrally at the Head office level. The detailed operational risk management approach is disclosed in the consolidated financial statements of Bank.

24 Capital management

Central Bank of Oman (CBO), sets and monitors capital requirements for the Bank as whole as well as individually for Meethaq being a window operation. A minimum of 11% ratio of total capital to total risk-weighted assets ratio is required to be maintained by Meethaq. The regulatory capital of Meethaq is analyzed into the following tiers:

- Tier I capital, includes Common equity Tier 1 Capital (CET1) comprising of capital allocated by Head office, reserves and retained earnings .
- Tier II includes General impairment losses/ ECL provision (Stage 1 and 2) and the element of the fair value reserve relating to unrealized gains on equity instruments classified as FVOCI

Various limits are applied to elements of the capital base. The qualifying Tier II cannot exceed Tier I capital, amount of collective impairment allowances that may be included as part of Tier II capital is limited to 1.25 percent of the total credit risk-weighted assets. Further incremental Stage 2 ECL as on December 31, 2022 over Stage 2 ECL as on December 31, 2019, qualifies as Tier II capital with gradual phase out by 2024

The following table sets out the capital adequacy position of Meethaq:

	2024	*2023*
	RO'000	*RO'000*
Tier I Capital	**226,077**	218,050
Tier II Capital	**12,234**	13,513
Total regulatory capital	**238,311**	231,563
Risk weighted assets (RWA)		
Credit risk	**1,378,244**	1,182,658
Market risk	**33,410**	44,440
Operational Risk	**76,158**	75,797
Total RWA	**1,487,812**	1,302,895
Capital ratios		
Total capital as a % of total RWA	**16.02%**	17.77%
Total tier I capital as a % of total RWA	**15.20%**	16.74%

25 Fair value of assets and liabilities

Following is an overview of carrying value of financial assets and liabilities held by Meethaq as of reporting date which, in the opinion of the management, are not materially different from the fair value:

31 December 2024

	Carrying amount RO'000	***Fair value RO'000***
Assets:		
Placements with Central Bank	**5,390**	**5,390**
Receivable from and participatory investments with FIs	**48,285**	**48,285**
Receivables- Trade based modes	**113,019**	**108,036**
Participatory Investments	**1,313,493**	**1,255,582**
Ijarah Muntahia Bittamleek	**194,651**	**186,069**
Investments in Shares and Sukuk	**280,503**	**280,659**
Other assets	**668**	**668**
Total	**1,956,009**	**1,884,689**
Liabilities:		
Due to FIs	**77,385**	**77,385**
Current accounts	**62,014**	**62,014**
Other liabilities	**8,811**	**8,811**
Sukuk- Liability type	**16,842**	**16,842**
Quasi Equity	**1,584,325**	**1,622,623**
Total	**1,749,377**	**1,787,675**

31 December 2023

	Carrying amount RO'000	*Fair value RO'000*
Assets:		
Placements with Central Bank	73,150	73,145
Receivable from and participatory investments with FIs	16,004	16,004
Receivables- Trade based modes	103,180	98,465
Participatory Investments	1,225,987	1,169,965
Ijarah Muntahia Bittamleek	197,863	188,822
Investments in Shares and Sukuk	173,634	173,642
Other assets	1,741	1,741
Total	1,791,559	1,721,784
Liabilities:		
Due to FIs	80,083	80,083
Current accounts	134,560	134,560
Other liabilities	20,693	20,693
Sukuk- Liability type	45,869	45,869
Quasi Equity	1,324,940	1,358,120
Total	1,606,145	1,639,325

25 Fair value of assets and liabilities (continued)

Fair value hierarchy

Fair values of quoted securities/sukuks are derived from quoted market prices in active markets, if available. For unquoted securities/sukuks, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December 2024:

31 December 2024

	Level 1 RO'000	***Level 3 RO'000***	***Total RO'000***
Investments carried at fair value through equity			
Quoted securities	**112,587**	**-**	**112,587**
Unquoted securities	**-**	**-**	**-**
Investments carried at fair value through P&L			
Quoted securities	**983**	**-**	**983**
Unquoted securities	**-**	**1,498**	**1,498**
	113,570	**1,498**	**115,068**

31 December 2023

	Level 1 RO'000	*Level 3 RO'000*	*Total RO'000*
Investments carried at fair value through equity			
Quoted securities	19,881	-	19,881
Unquoted securities			
Investments carried at fair value through P&L			
Quoted securities	709	-	709
Unquoted securities	-	472	472
	20,590	472	21,062

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

Level 3 equity securities are valued on the basis of fair valuation provided by investment managers.

26 Fiduciary activities

These activities consist of investment management activities conducted under Wakalah agreements (Non-Discretionary) with the customers. The aggregate amounts of funds managed are as follows:

	2024 RO'000	*2023 RO'000*
Funds under management	**45,964**	41,905

27 Comparative figures

Certain corresponding figures for 2023 have been reclassified in order to conform with the presentation for the current year. Such reclassifications are not considered material and do not affect previously reported net income or owners' equity.