



SOHAR INTERNATIONAL BANK SAOG

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

Chairman's report for the year ended 31 December 2025

Strategic execution characterized our journey in 2025. Our international ambitions, including the proposed establishment of a representative office in the Special Administrative Region Hong Kong ("Hong Kong") of the People's Republic of China and the proposed acquisition of Neo Group in Saudi Arabia, aim to strengthen Sohar International Bank SAOG's ("Bank") international connectivity and enhance shareholder value.

The Bank has remained firmly anchored within the Sultanate from both a commercial as well as social perspective. We continue to grow our domestic market share in lending supported by a strong capital and deposit base as well as increasing our support of key national initiatives across cultural, musical, sporting, and tourism platforms that enhance social vitality and advance economic diversification.

We received multiple regional and international awards and accolades in recognition of the Bank's quality of execution, innovative leadership and institutional performance. Recognition by the Central Bank of Oman ("CBO") for the successful implementation of the e-Mandate service and the Maal national payment card underscored the Bank's contribution to strengthening Oman's digital payments infrastructure.

As Oman's second largest and fastest growing Bank, we remain focused on achieving superior returns for our shareholders. Our innovation and ecosystem-led partnerships aim to deliver sustainable growth and long-term economic resilience, fully aligned with the aspirations of Oman Vision 2040.

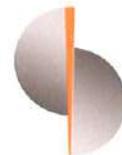
Financial Performance

The Bank's profit for the year increased 0.3% to a record **₹100.5 million**, noting that last year included a one-off gain on bargain purchase of **₹ 9.2 million**.

Total operating income increased by 3% to **₹252.5 million** with increases in other operating income offsetting a decrease in net interest income.

Total operating expenses increased by 13% to **₹111.5 million** reflecting the Bank's continued investment in our Branch operation in the KSA as well as continued strategic investments in Omani talent, technology and expanding our international reach.

Loan impairment charges and other credit risk provisions decreased by 31% to **₹ 26.2 million** compared to **₹ 37.9 million** last year.



Total assets increased by 24% to $\text{AED } 9,129$ million of which loans, advances and Islamic financing (net) increased by 35% to $\text{AED } 5,764$ million. Customer deposits increased by 18% to $\text{AED } 6,827$ million. The Bank's net loan-to-customer deposit ratio of 84% demonstrates our continued funding and liquidity strength.

The increase in total equity of 29% to $\text{AED } 1,154$ million includes $\text{AED } 200$ million from the Bank's highly successful perpetual additional tier 1 capital issuance in September 2025, positioning the Bank for future growth with a total capital ratio at year end of 17.6%.

Growth and Market Expansion

Domestically, we strengthened our physical and service footprint through the opening of the Bidayah Branch, Sohar Islamic Service Centre, and Bowsher Branch. Sector-led enablement remained central to our growth agenda, with targeted engagement across housing, agrifood, small & medium enterprises ("SME"), youth entrepreneurship, and retail, complemented by active participation in national and international investment platforms. A key milestone during the year was the Bank's designation by CBO as a Domestic Systemically Important Bank, reflecting the Bank's scale and systemic importance within the national financial ecosystem.

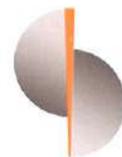
Regionally, our growth strategy accelerated with the official inauguration of our Riyadh branch, representing a milestone in expanding our GCC footprint. The proposed acquisition of Neo Group in Saudi Arabia creates a platform to accelerate GCC expansion and fintech collaboration.

Complementing this expansion, our memorandum of understanding with the East Africa Chamber of Commerce and Industry establishes a structured framework for strengthening economic cooperation with East African markets, opening new avenues for trade and investment.

The proposed establishment of a representative office in the Special Administrative Region Hong Kong ("Hong Kong") of the People's Republic of China aims to further strengthen the Bank's international connectivity opening new opportunities for our customers and the Bank.

Strategic Partnerships

Alignment with national development priorities remained a key pillar of the Bank's engagement strategy. Through our partnership with the Oman Vision 2040 Follow-up Unit, we supported coordinated engagement across priority sectors, reinforced by close collaboration with national authorities and government entities to enable critical digital and financial infrastructure.



This collaboration translated into tangible public-sector outcomes, including partnership with the Ministry of Finance to support the implementation of the Treasury Single Account, enhancing financial efficiency and transparency, and integration with the Ministry of Housing through the Aqari platform to streamline access to real estate-related financial services.

The Bank continued to expand its fintech ecosystem through targeted partnerships across health insurance, home services, microfinance, crowdfunding, insurance, real estate, and logistics. These partnerships extended the Bank's role beyond traditional banking, embedding financial services within broader commercial and lifestyle ecosystems.

The Bank also maintained a strong presence across institutional and industry platforms that facilitated knowledge exchange, investment promotion, and sectoral collaboration. Engagement through leading forums and exhibitions strengthened linkages between policymakers, the private sector, and the investment community.

Digital-First Transformation

Digital progress during the year focused on strengthening how the Bank operates, connects, and scales. Guided by a disciplined Digital-First strategy, the Bank launched more than 55 market-differentiating digital and technology capabilities, including 12 "First-in-Oman" innovations that redefined banking standards across retail, corporate, SME, and government banking. Key milestones included the introduction of Oman's first Digital Debit Card, the first and only Multi-Currency Debit Card, and the Domestic Debit Card (Maal) supporting national payment priorities.

These were complemented by pioneering platforms such as the SME Mobile Banking App, the Corporate Islamic Mobile App, Open Banking Platform, Treasury Single Account, and the evolution of the Corporate Mobile App into a comprehensive financial command center. The introduction of a unified digital identity across the Bank further enhanced customer experience and service continuity.

At an enterprise level, the Bank completed a major transition to cloud and microservices architecture and deployed an Enterprise AI Platform, embedding automation, advanced analytics, and data-led decision making at scale. These achievements translated into exceptional outcomes, with digital channels processing 99% of bank-wide transactions, corporate digital adoption growing by 179%, retail adoption by 41% and mobile payments increasing by 163%.



ESG & Sustainability

The Bank's exclusive sponsorship of the Green Hydrogen Summit Oman 2025 and the Energy Executive Circle demonstrated our support for informed dialogue on energy transition and decarbonization, aligning financial perspectives with emerging national and regional priorities.

Social impact remained focused on inclusion, resilience, and economic participation. Through the Athar Foundation, we donated an ambulance for Al Ihsan Charity and provided assistive technology to the Association for Children with Disabilities. In partnership with Muscat Municipality, we supported regulated street-vending activity through the development of a dedicated food truck site in Al Mawaleh, enabling entrepreneurial entry and small business participation. These efforts were complemented by innovative initiatives such as "The Market," which strengthens SME networks and enterprise sustainability.

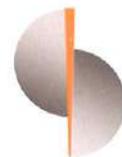
Strong governance and national alignment underpin the Bank's ESG framework. Throughout the year, we maintained high standards of regulatory compliance and institutional governance while remaining aligned with national platforms that promote transparency, resilience, and long-term economic sustainability.

Serving Our Customers

Customer acquisition and engagement were driven by differentiated product innovation and the continued evolution of our value proposition across retail, private, and institutional banking, with a clear focus on relevance, inclusion, and digital enablement. During the year, we expanded our segment-led offerings through the launch of dedicated women's banking propositions and tailored private banking solutions, alongside Digital Saver, a goal-based savings product designed to support disciplined financial planning. These initiatives were complemented by curated third-party offers and seasonal campaigns that strengthened engagement across priority customer segments.

Innovation in cards and digital payments remained a key driver of growth. We introduced Oman's first 3% Cashback Credit Card, expanded the Maal National Payment Card ecosystem, and launched Click to Pay, enhancing transaction security, convenience, and customer confidence.

Beyond core banking, we continued to broaden our proposition through the integration of lifestyle services, extending premium travel benefits such as home check-in and fast-track airport access as part of our shift toward lifestyle banking.



Our commitment to customer centricity was further reinforced through leadership engagement and alignment with industry's best practices, reflected in our participation in key customer experience platforms and forums.

Reinforcing our role in advancing Oman's capital markets and delivering high-impact, transaction-led solutions, the Bank was appointed sole issue manager for a landmark IPO that raised **₹** 128 million through an oversubscribed offering.

Serving Our Community

Through strategic sponsorships and long-term partnerships, the Bank supported initiatives that promote healthy lifestyles, community participation, youth empowerment, and social cohesion, while maintaining a strong presence across governorates and demographic segments. Flagship engagements such as the Muscat Marathon, the World Cup of Snooker – Oman, Fitbox Championship, and Winter Musandam advanced public health awareness, encouraged sports participation and supported tourism-linked economic activity.

A core pillar of our social impact agenda is the empowerment of national talent. During the year, we sponsored distinguished sports figures, including Ahmed Al Harthy, Hamed Al Harthy, and Omar Al Ghailani. We also support emerging talent, most notably Ahmed Al Salmi, a 10-year-old Omani footballer we sponsored to participate in a one-month elite development program at Atlético Madrid's Youth Academy in Spain.

Sponsorship of large national and community events, including, Muscat Nights, COMEX, Omani Night celebrations, and major performances contributed to the creative economy and enabled local businesses to benefit. Participation in Khareef Dhofar season initiatives and other regional festivals, reinforced our commitment to expand our regional inclusion.

Serving Our People

We continued to invest in Omani talent, people development, leadership capability, and workforce sustainability. Through Tomohi and other youth programs we expanded our local talent pipeline by onboarding graduates and trainees. A structured High-Potential Talent Program, aligned with global banking best practices, was launched to identify and develop future leaders, supported by proactive succession planning. Collaboration with local institutions, including College of Banking and Finance, is integral to our strategy and support of the national employment and talent development agenda.



During the year, the Bank delivered over 25,000 learning hours across multiple learning programs, reaching 2,000 employees. Initiatives such as 'Izdihar' advanced women's leadership readiness, structured retail leadership, and employee-led platforms enhanced engagement and capability. Digital enablement advanced through the deployment of AI-driven internal tools, selective process automation, and enhanced people analytics, supporting data-led decision making and operational resilience.

Recognition

I extend my heartfelt appreciation to all our stakeholders for their ongoing trust and confidence, an enduring source of strength in our journey of transformation and long-term sustainable growth. The dedication and shared purpose demonstrated by our people remain central to delivering on our strategic goals and upholding the values that define Sohar International.

I acknowledge with gratitude the vital role of our regulators, the Central Bank of Oman and the Financial Services Authority, whose strong governance, transparent frameworks, and steadfast guidance have enabled sustained progress within the sector.

On behalf of the Board of Directors and the entire team, I express our sincere gratitude to His Majesty Sultan Haitham Bin Tarik whose visionary leadership continues to guide the nation towards lasting prosperity and socio-economic advancement.

Said Mohamed Al-Aufi

Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

31 December 2024 USD'000	31 December 2025 USD'000		Note	31 December 2025 S'000	31 December 2024 S'000
ASSETS					
527,151	840,000	Cash and balances with Central Bank	6	323,400	202,953
1,459,039	1,690,756	Due from banks	7	650,941	561,730
5,503,971	5,593,605	Investment securities	8	2,153,538	2,119,029
11,090,410	14,971,179	Loans, advances and Islamic financings (net)	9	5,763,904	4,269,808
150,748	238,603	Other assets	10	91,862	58,038
7,532	7,532	Investment properties	11	2,900	2,900
193,153	196,610	Property and equipment	12	75,695	74,364
186,829	172,873	Intangible assets	13	66,556	71,929
<u>19,118,833</u>	<u>23,711,158</u>	TOTAL ASSETS		<u>9,128,796</u>	<u>7,360,751</u>
LIABILITIES					
1,481,332	2,538,904	Due to banks	14	977,478	570,313
15,005,299	17,731,945	Customer deposits	15	6,826,799	5,777,040
298,940	443,982	Other liabilities	16	170,933	115,092
<u>16,785,571</u>	<u>20,714,831</u>	TOTAL LIABILITIES		<u>7,975,210</u>	<u>6,462,445</u>
SHAREHOLDERS' EQUITY					
1,824,696	1,824,696	Share capital	17	702,508	702,508
46,852	46,852	Share premium	17	18,038	18,038
145,195	171,291	Legal reserve	18	65,947	55,900
(17,234)	4,081	Other reserves	19	1,571	(6,635)
333,753	429,927	Retained earnings		165,522	128,495
<u>2,333,262</u>	<u>2,476,847</u>	TOTAL SHAREHOLDERS' EQUITY		<u>953,586</u>	<u>898,306</u>
-	519,481	Perpetual additional tier 1 capital securities	20	200,000	-
<u>2,333,262</u>	<u>2,996,327</u>	TOTAL EQUITY		<u>1,153,586</u>	<u>898,306</u>
<u>19,118,833</u>	<u>23,711,158</u>	TOTAL LIABILITIES AND EQUITY		<u>9,128,796</u>	<u>7,360,751</u>
1,473,865	1,794,616	CONTINGENT LIABILITIES	21.a	690,927	567,438
2,278,478	3,816,673	COMMITMENTS	21.b	1,469,419	877,214
Cents	Cents			Baisa	Baisa
35.3	37.4	Net assets per share	23	144.1	135.8

These financial statements were approved and authorised for issue by the Board of Directors on 29 January 2026 and signed on their behalf by:


Chairman


Board member

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2025**

31 December 2024	31 December 2025		Note	31 December 2025	31 December 2024
USD'000	USD'000			ﷲ'000	ﷲ'000
816,774 (375,112)	829,187 (432,195)	Interest income	24	319,237	314,458
		Interest expense	25	(166,395)	(144,418)
441,662	396,992	Net interest income		152,842	170,040
95,590 (67,140)	111,870 (74,018)	Income from Islamic financing and investments	26	43,070	36,802
		Distribution to depositors	26	(28,497)	(25,849)
28,449	37,852	Net income from Islamic financing and investments		14,573	10,953
470,112	434,844	Net interest income and net income from Islamic financing and investments		167,415	180,993
166,112	220,940	Other operating income	27	85,062	63,953
636,223	655,784	TOTAL OPERATING INCOME		252,477	244,946
(152,018) (90,800) (12,790)	(160,296) (116,242) (13,156)	Staff costs		(61,714)	(58,527)
		Other operating expenses	28	(44,753)	(34,958)
		Depreciation	12	(5,065)	(4,924)
(255,608)	(289,694)	TOTAL OPERATING EXPENSES		(111,532)	(98,409)
380,615	366,091	NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		140,945	146,537
23,984	-	Gain on bargain purchase	40	-	9,234
(98,338)	(68,135)	Loan impairment charges and other credit risk provisions (net)	29	(26,232)	(37,860)
306,261 (46,052)	297,956 (37,003)	PROFIT BEFORE TAX		114,713	117,911
		Income tax expense	30.a	(14,246)	(17,730)
260,209	260,953	PROFIT FOR THE YEAR		100,467	100,181
(2,878)	20,686	Items that will not be reclassified to profit and loss		7,964	(1,108)
		Revaluation gain/(loss) on equity instruments held at fair value through other comprehensive income (FVOCI)			
(2,878)	20,686	OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		7,964	(1,108)
257,331	281,639	TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF INCOME TAX		108,431	99,073
257,331	281,639	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		108,431	99,073
260,209	260,953	PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		100,467	100,181
Cents 4.42	Cents 3.94	Basic and diluted earnings per share for the year	31	Baisa 15.15	Baisa 17.02

SOHAR INTERNATIONAL BANK SAOG

Subject to CBO approval



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

₹'000

		Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	TOTAL SHAREHOLDERS' EQUITY	Perpetual tier 1 capital securities	TOTAL EQUITY
Balance as at 1 January 2025	Note	702,508	18,038	55,900	(6,635)	128,495	898,306	-	898,306
Profit for the year		-	-	-	-	100,467	100,467	-	100,467
Other comprehensive income for the year		-	-	-	7,964	-	7,964	-	7,964
Total comprehensive income for the year, net of income tax					7,964	100,467	108,431	-	108,431
Transfer to legal reserve	18	-	-	10,047	-	(10,047)	-	-	-
Transaction with equity holders of the Bank:									
Issue of perpetual AT1 securities	20	-	-	-	-	-	-	200,000	200,000
Issue expenses - perpetual AT1 securities		-	-	-	-	(213)	(213)	-	(213)
Reclassification of net change in fair value of equity instruments upon de-recognition		-	-	-	242	(242)	-	-	-
Dividends paid for the year 2024		-	-	-	-	(52,938)	(52,938)	-	(52,938)
Balance as at 31 December 2025		702,508	18,038	65,947	1,571	165,522	953,586	200,000	1,153,586
Balance as at 31 December 2025 (USD'000s)		1,824,696	46,852	171,291	4,081	429,927	2,476,847	519,481	2,996,327

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

SOHAR INTERNATIONAL BANK SAOG

Subject to CBO approval



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

₹'000

		Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	TOTAL SHAREHOLDERS' EQUITY	Perpetual tier 1 capital securities	TOTAL EQUITY
Balance as at 1 January 2024	Note	561,572	18,038	44,910	(5,527)	83,081	702,074	100,000	802,074
Profit for the year		-	-	-	-	100,181	100,181	-	100,181
Other comprehensive income for the year		-	-	-	(1,108)	-	(1,108)	-	(1,108)
Total comprehensive income for the year, net of income tax		-	-	-	(1,108)	100,181	99,073	-	99,073
Transfer to legal reserve	18	-	-	10,018	-	(10,018)	-	-	-
Transactions with equity holders of the Bank:									
Issue of ordinary shares	17	130,000	-	-	-	-	130,000	-	130,000
Issue of bonus shares	17	10,936	-	-	-	(10,936)	-	-	-
Dividend paid for the year 2023		-	-	-	-	(30,073)	(30,073)	-	(30,073)
Interest paid - perpetual AT1 securities	20	-	-	-	-	(3,740)	(3,740)	-	(3,740)
Rights issue expenses surplus		-	-	972	-	-	972	-	972
Repayment of perpetual AT1 securities		-	-	-	-	-	-	(100,000)	(100,000)
Balance as at 31 December 2024		702,508	18,038	55,900	(6,635)	128,495	898,306	-	898,306
Balance as at 31 December 2024 (USD'000s)		1,824,696	46,852	145,195	(17,234)	333,753	2,333,262	-	2,333,262

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025**

31 December 2024 USD'000	31 December 2025 USD'000		Note	31 December 2025 S'000	31 December 2024 S'000
		OPERATING ACTIVITIES			
306,261	297,956	Profit before tax		114,713	117,911
		Adjustments for:			
19,636	21,112	Depreciation and amortisation of right-to-use assets	12	8,128	7,560
14,410	13,956	Amortisation of intangible asset	13	5,373	5,548
98,338	68,135	Loan impairment charges and other credit risk provisions (net)	29	26,232	37,860
(1,696)	(15,213)	(Gain) on investments securities	27	(5,857)	(653)
(23,984)	-	Gain on bargain purchase	40	-	(9,234)
412,966	385,945	Cash from operating activities before changes in operating assets and liabilities		148,589	158,992
100,400	(578,704)	Due from banks		(222,801)	38,654
(1,001,340)	(3,945,582)	Loans, advances and Islamic financings (net)		(1,519,049)	(385,516)
(9,273))	(73,125)	Other assets		(28,153)	(3,570)
(274,823)	654,130	Due to banks		251,840	(105,807)
1,750,636	2,726,647	Customer deposits		1,049,759	673,995
(34,319)	112,605	Other liabilities		43,353	(13,213)
944,247	(718,082)	Net cash (used) / from operating activities		(276,462)	363,535
(774)	(41,434)	Income tax paid	30.b	(15,952)	(298)
943,473	(759,516)	Net cash (used) / from operating activities		(292,414)	363,237
		INVESTING ACTIVITIES			
(198,608)	(843,597)	Purchase of investment securities		(324,785)	(76,465)
300,670	306,171	Proceeds from sale/maturity of investment securities		117,876	115,758
(16,504)	(24,621)	Purchase of property and equipment	12	(9,479)	(6,353)
85,558	(562,047)	Net cash (used) / from investing activities		(216,388)	32,940
		FINANCING ACTIVITIES			
(78,112)	(137,501)	Dividends paid		(52,938)	(30,073)
337,662	-	- Rights issue of ordinary shares		-	130,000
2,525	-	- Rights issue expenses surplus		-	972
(259,740)	-	- Redemption of perpetual additional tier 1 capital securities		-	(100,000)
-	519,481	Issue of perpetual additional tier 1 capital securities		200,000	-
(9,714)	(553)	Issue expense perpetual additional tier 1 capital securities		(213)	-
	-	- Interest paid on perpetual additional tier 1 capital securities		-	(3,740)
(7,379)	381,427	Net cash (used) / from financing activities		146,849	(2,841)
1,021,652	(940,138)	NET CHANGE IN CASH AND CASH EQUIVALENTS		(361,953)	393,336
5,041,909	6,063,561	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,334,471	1,941,135
6,063,561	5,123,425	CASH AND CASH EQUIVALENTS AT END OF YEAR		1,972,518	2,334,471
		Represented by:			
525,834	838,683	Cash and available balance with Central Bank	6	322,893	202,446
1,202,311	854,681	Due from banks with original maturity (OM) of 90 days or less		329,052	462,890
-	(403,683)	Due to banks with original maturity (OM) of 90 days or less		(155,418)	-
4,335,416	3,833,744	Investment securities with OM of 90 days or less	8.2	1,475,991	1,669,135
6,063,561	5,123,425			1,972,518	2,334,471

Interest income received was S 262.77 million (2024: S 237.04 million) and interest expense paid was S 153.53 million (2024: S 193.99 million). These form part of operating cash flows of the Bank.

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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1. Legal status and principal activities

1.1 Sohar International Bank SAOG

Sohar International Bank SAOG ("the Bank" or "Parent Company") together with its subsidiaries ("the Group"), formerly Bank Sohar SAOG, was established in the Sultanate of Oman on 4 March 2007 as a public joint stock company and is primarily engaged in commercial, investment and Islamic banking through a network of 55 commercial banking branches and 20 Islamic banking branches within the Sultanate of Oman. The Bank operates under commercial, investment and an Islamic banking licence issued by the Central Bank of Oman ("CBO") and is covered by its deposit insurance scheme. The Bank started commercial operations from 9 April 2007. The registered address of the Bank is PO Box 44, Hai Al Mina, Postal Code 114, Muscat, Sultanate of Oman. The Bank has its primary listing on the Muscat Stock Exchange.

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

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

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

The Parent Company incorporated a wholly owned and controlled special purpose vehicle ("SPV") in the Cayman Islands, Sohar International Netting SPV Limited. The SPV was established for specific treasury and risk management purposes, including facilitating the contractual offset of counterparty gains and losses arising from derivative transactions in circumstances where netting is not permitted under Omani law for swap transactions with bank counterparties. As at the reporting date, the SPV had not commenced operations and had not entered any transactions. The SPV held no assets or liabilities and recorded no income or expenses for the period. Accordingly, the SPV had no impact on the Bank's consolidated financial position, financial performance, or cash flows for the year ended 31 December 2025.

As at 31 December 2025, the Bank operated in 2 countries (31 December 2024: 2 countries) and employed 1,715 employees (31 December 2024: 1,548).

2. Basis of preparation

2.1 Statement of compliance

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

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

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

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

2.2 Basis of measurement

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

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****ر.ع.د'000****2. Basis of preparation (continued)****2.3 Functional and presentation currency**

The financial statements have been prepared in accordance with IFRS and are presented in Omani Rial (ر.ع.د).

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

The USD-converted figures are derived using 1 USD = 0.385 ر.ع.د for the statement of financial position, the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2025 and 31 December 2024.

2.4 Use of estimates and judgements

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

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

2.5 Going concern

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

2.6 Business combinations

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

The comparative information for the year ended 31 December 2024 includes a gain on bargain purchase arising from the finalisation of fair values in respect of a business combination completed in 2023 with HBON. No business combinations occurred during the year ended 31 December 2025.

The Board of Directors of the Bank ("the Board"), in the meeting held on 7th of April 2025, resolved to send a letter of intent to the Board of Directors of Ahli Bank SAOG ("Ahli Bank") to explore the possibility of a merger between the two banks. The letter of intent proposes a merger by incorporation, pursuant to which all assets and liabilities of Ahli Bank, on completion of the transaction, would be transferred to the Bank. Shareholders of Ahli Bank would receive a share consideration in Sohar International, with a share swap ratio based on the respective book value of Ahli Bank and the Bank as disclosed in the audited financial statements for both banks at financial year ended 31st December 2024. On 10th of April 2025, the Board received a notification of acceptance from the Board of Directors of Ahli Bank of the merger proposal set out in the letter of intent. Completion of the proposed merger would be subject to satisfactory completion by both banks of due diligence, the negotiation and execution of a formal and binding merger agreement, regulatory approvals, Board approvals and shareholder approvals. Since both banks have not received necessary regulatory approvals so far to progress further with the merger now, the Board decided on the 22nd of June 2025 to postpone the discussion of the proposed merger with the Board of Directors of Ahli Bank for the time being.

In August 2025, the Bank announced its intention, subject to CBO approval, to enter a non-binding Memorandum of Understanding (MOU) with Neo Group Limited UAE (the "Seller") who owns 80% equity stake in Neo Group Limited KSA (the "Target"). Pursuant to this the Bank would explore the possibility of acquiring a majority stake of up to 55% in the Target from the Seller (the "Intended Acquisition"). The Target is a financial institution established and registered in the Kingdom of Saudi Arabia and has obtained regulatory licenses from the Capital Market Authority of Saudi Arabia to conduct asset management, and financial advisory services. This intended acquisition forms part of the Bank's strategy to strengthen Oman's representation in regional financial markets. The intended acquisition will be subject to completion of due diligence in a manner satisfactory to the Bank, negotiation and execution of definitive agreements, and receipt of required regulatory, corporate, and other mandatory approvals as may be required in both the Sultanate of Oman and the Kingdom of Saudi Arabia.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****2. Basis of preparation (continued)****2.6 Business combinations (continued)**

In August 2025, the Bank announced its intention, subject to CBO approval, to make a non-binding offer of up to 100% stake in Insurance House LLC (“Bima”) (the “Proposed Transaction”). Bima is Oman’s first fully digital insurance portal licensed by the Financial Services Authority (“FSA”), enabling customers to compare and purchase a range of insurance products; (including motor, travel, domestic, medical, and credit life) from multiple insurers through an intuitive online platform. This Proposed Transaction forms part of the Bank’s vision of becoming a world-class service company that helps customers, community, and people to prosper and grow. The Proposed Transaction will be subject to completion of due diligence in a manner satisfactory to the Bank, negotiation and execution of definitive agreements, and receipt of required regulatory, corporate, and other mandatory approvals as may be required.

In December 2025, the bank received the Central Bank of Oman’s initial approval to open a representative office in the Special Administrative Region Hong Kong (“Hong Kong”) of the People’s Republic of China. The initial approval is subject to obtainment of all necessary approvals, licenses and clearance from the relevant authorities in Hong Kong, and compliance with law in both the Sultanate of Oman and Hong Kong.

3. Application of new and revised International Financial Reporting Standards (IFRS)**3.1 New and revised IFRS applied with no material effect on the consolidated financial statements**

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in the condensed consolidated interim financial information. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability.

3.2 New and revised IFRSs in issue but not yet effective

The Bank has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

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

In May 2024, the IAASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7.

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

- a) Recognition and derecognition, including accounting for settlement of financial liabilities using electronic payments systems; and
- b) Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

- *IFRS 18 Presentation and Disclosure in Financial Statements*

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

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

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

- *Other accounting standards*

- a) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7); and
- b) Annual Improvements to IFRS Accounting Standards – Volume 11

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****3 Application of new and revised International Financial Reporting Standards (IFRS) (continued)****3.2b. Other accounting standards**

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

3.3 ECL provisions and management overlays

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

Assessing future economic conditions and the potential adverse impact on customers is highly judgmental. The Bank continues to assess on a regular basis the adequacy of its ECL provisioning guided by CBO regulations as well as standards issued by the IASB.

The Bank has included within its loan impairment charges and other credit risk provisions (net) a significant element of management overlay, adopting prudence and being proactive, in considering potential impacts of circumstances such as lag effect of past increases in interest rates on borrowers, increasing global and regional geopolitical events and applying expert credit judgement in relation to other evolving credit risks not reflected within its standard credit models.

Accounting for modification loss:

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

4. Material accounting policies

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

4.1 Foreign currency transactions and balances

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

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

4.2 Revenue and expense recognition**4.2a Interest income and expense**

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

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

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

4.2b Fair value gains and losses

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

4.2c Dividend income

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.2d Fees and commission**

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

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

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

4.2e Provisions

A provision is recognised if, because of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are equivalent to the amortised value of the future liabilities which is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

4.2f Offsetting of income and expense

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

4.3 Financial instruments**4.3a Date of recognition and initial measurement**

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

4.3b Day 1 profit or loss

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

4.3c Measurement categories of financial assets and liabilities

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

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

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3c Measurement categories of financial assets and liabilities (continued)***(i) Due from banks, loans, advances and financings and financial investments at amortised cost*

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

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

The details of these conditions are outlined below.

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

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

- *Business model assessment*

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

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

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

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

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

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

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3c Measurement categories of financial assets and liabilities (continued)**

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

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

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

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

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

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

Embedded derivatives:

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

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

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

(iii) Debt instruments at FVOCI

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

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

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

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3c Measurement categories of financial assets and liabilities (continued)***(iv) Equity instruments at FVOCI*

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI.

(v) Debt issued and other borrowed funds

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

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

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

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities or financial assets, or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

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

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

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

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

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

(viii) Financial liabilities

A financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Under IFRS 9 fair value changes are generally presented as follows:

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3d De-recognition***(i) Financial assets*

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

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

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

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

(ii) Financial liabilities

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

4.3e Offsetting of financial assets and financial liabilities

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

4.3f Impairment of financial assets

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

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(i) Measurement of ECL

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3f Impairment of financial assets (continued)***(ii) Overview of the ECL principles*

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

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

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

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

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

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

Stage 1

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

Stage 2

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

Stage 3

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3f Impairment of financial assets (continued)****Movement between the stages***(iii) The calculation of ECL*

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

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

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

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

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

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

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

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

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

(v) Debt instruments measured at FVOCI

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

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

₪'000

4. Material accounting policies (continued)

4.3 Financial instruments (continued)

4.3f Impairment of financial assets (continued)

(vii) Credit cards and other revolving facilities

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

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

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

(viii) Forward looking information

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

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

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

(ix) Collateral valuation

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

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

(x) Write-offs

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3g Restructured financial assets**

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

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

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

4.3h Amortised cost measurement

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

4.3i Fair value measurement

A few of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on several accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.3 Financial instruments (continued)****4.3i Fair value measurement (continued)**

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

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

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

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

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

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

4.3j Cash and cash equivalents

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

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

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

4.3k Acceptances

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

4.3l Derivatives held for risk management purposes

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

(i) Fair value hedge

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
₹'000
4. Material accounting policies (continued)
4.3 Financial instruments (continued)
4.3l Derivatives held for risk management purpose (continued)
(ii) Cash flow hedge

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

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

(iii) Other non-trading derivative

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

4.3m Reclassifications

The Bank does not reclassify its financial assets after their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2025 (2024: Nil)

4.3n Modifications of financial assets and liabilities
Financial assets

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

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

Financial liabilities

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

4.4 Property and equipment

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.4 Property and equipment (continued)**

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

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

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

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

4.5 Investment properties

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

4.6 Goodwill and acquired intangibles

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

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

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

The estimated useful life of the intangibles is 15 years.

4.7 Deposits, debt securities issued and subordinated liabilities

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

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

4.8 Taxation

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

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

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****ﷲ'000****4. Material accounting policies (continued)****4.9 Leases**

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

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

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

4.10 Employee benefits**4.10a Terminal benefits**

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

4.10b Short term benefits

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

4.10c Compensation Deferment Policy

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

4.11 Earnings per share

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****4. Material accounting policies (continued)****4.12 Dividends on ordinary shares**

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

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

4.13 Segmental reporting

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

4.14 Directors' remuneration and sitting fees

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

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

- Will not exceed in total ₹ 300,000 where realised net profits equal or exceed the profits realised in the previous financial year and there is no accumulated losses or losses in the capital.
- Will not exceed in total ₹ 150,000 where realised net profits are less than the profits realised in the previous financial year and no losses in the capital.

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

4.15 Perpetual tier I capital securities

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

5. Critical accounting estimates and judgements

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

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

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

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

- The Bank's internal credit grading model, which assigns PD to the individual grades.
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****ﷲ'000****5. Critical accounting estimates and judgements****5.1 Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology (continued)**

- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PD, EAD and LGD.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

5.2 Fair value of derivatives and other financial instruments

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

5.3 Fair value estimation of unquoted securities

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

5.4 Taxation

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

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

5.5 Determination of lease term

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

₪'000

6. Cash and balances with Central Bank

	31 December 2025	31 December 2024
Cash	47,215	47,537
Balance with CBO	275,678	154,909
	<u>322,893</u>	<u>202,446</u>
Capital deposit with CBO	507	507
	<u>323,400</u>	<u>202,953</u>

- (i) The capital deposit with CBO is restricted and cannot be withdrawn without CBO approval.
- (ii) Average minimum balance to be kept with CBO as statutory reserves during the year is ₪200.4 million (2024: ₪194.6 million).

7. Due from banks

	31 December 2025	31 December 2024
<i>Local currency:</i>		
Money market placements	74,346	121,160
<i>Foreign currency:</i>		
Money market placements	517,144	395,188
Demand balances	59,600	45,873
	<u>651,090</u>	<u>562,221</u>
Gross carrying amount	651,090	562,221
Less: ECL provision	(149)	(491)
	<u>650,941</u>	<u>561,730</u>

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

	31 December 2025				31 December 2024
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	562,221	-	-	562,221	652,500
New assets originated or purchased	88,869	-	-	88,869	-
Assets derecognised or matured	<u>88,869</u>	<u>-</u>	<u>-</u>	<u>88,869</u>	<u>(90,279)</u>
Gross carrying amount	<u>651,090</u>	<u>-</u>	<u>-</u>	<u>651,090</u>	<u>562,221</u>
	31 December 2025				31 December 2024
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	491	-	-	491	496
Net impairment charge/(release) (Note: 29)	(342)	-	-	(342)	(5)
	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>	<u>491</u>
ECL provision	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>	<u>491</u>

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8. Investment securities

	31 December 2025	31 December 2024
Equity investments:		
Held at FVOCI	58,537	21,276
Held at FVTPL	515	599
Total equity investments	59,052	21,875
Debt investments:		
Held at FVTPL	37,657	37,682
Held at FVOCI	1,519,141	1,689,123
Held at amortised cost	538,399	370,537
Less: ECL provision	(711)	(188)
Held at amortised cost (net)	537,688	370,349
Total debt investments	2,094,486	2,097,154
Total investment securities	2,153,538	2,119,029

8.1 Held at FVTPL

	31 December 2025	31 December 2024
Unquoted equity investment - Oman		
Service sector	515	500
Quoted equity investments – Foreign		
Service sector	-	99
Quoted debt investments – Oman		
Government development bonds (GDB)	37,657	37,682
	38,172	38,281

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8. Investment securities (continued)
8.2 Held at FVOCI

	Carrying / fair value 31 December 2025	Cost 31 December 2025	Carrying / fair value 31 December 2024	Cost 31 December 2024
Quoted equity investments – Oman				
Service Sector	45,485	38,777	8,224	9,726
Unquoted equity investments – Oman				
Service sector	13,052	13,229	13,052	13,229
Total equity investments	<u>58,537</u>	<u>52,006</u>	<u>21,276</u>	<u>22,955</u>
Unquoted debt investments (Original maturity of 90 days or less)				
Treasury bills – Oman	228,730	231,200	159,849	161,910
Treasury bills - Foreign	1,247,261	1,250,789	1,509,286	1,514,405
	<u>1,475,991</u>	<u>1,481,989</u>	<u>1,669,135</u>	<u>1,676,315</u>
Sovereign sukuk (Quoted) – Oman	43,150	43,031	19,988	19,988
Total debt investments	<u>1,519,141</u>	<u>1,525,020</u>	<u>1,689,123</u>	<u>1,696,303</u>
	<u><u>1,577,678</u></u>	<u><u>1,577,026</u></u>	<u><u>1,710,399</u></u>	<u><u>1,719,258</u></u>

USD Treasury bills of ₹383.7 million (31 December 2024: ₹354.2 million) are assigned as collateral against USD borrowings of ₹354.2 million (31 December 2024: ₹354.2 million).

8.3 Held at amortised cost

	31 December 2025	31 December 2024
Quoted debt investments – Oman		
Government Development Bonds	365,174	313,992
Corporate sukuk – Oman	15,451	14,814
Corporate bond – Foreign	18,024	22,023
Treasury bills – Foreign	10,215	5,736
Sovereign sukuk – Oman	45,013	13,972
Sovereign sukuk – Foreign	84,522	-
	<u>538,399</u>	<u>370,537</u>
Less: ECL provision	(711)	(188)
	<u><u>537,688</u></u>	<u><u>370,349</u></u>

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FOR THE YEAR ENDED 31 DECEMBER 2025**
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8. Investment securities (continued)
8.3 Held at amortised cost (continued)

Analysis of changes in the fair value and the corresponding ECL provision on debt investments classified as held at amortised cost:

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	362,314	8,223	-	370,537
Purchased	279,468	-	-	279,468
Matured	(60,357)	-	-	(60,357)
Sold	(48,512)	(2,737)	-	(51,249)
Transfers to stage 2	(9,923)	9,923	-	-
Gross carrying amount	522,990	15,409	-	538,399
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	97	91	-	188
Net impairment charge (Note: 29)	(50)	573	-	523
ECL	47	664	-	711

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	387,810	8,223	-	396,033
Purchased	47,089	-	-	47,089
Matured	(11,117)	-	-	(11,117)
Sold	(61,468)	-	-	(61,468)
Gross carrying amount	362,314	8,223	-	370,537

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

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9. Loans, advances and Islamic financings (net)

	31 December 2025	31 December 2024
Corporate	4,542,638	3,224,445
Retail	1,598,752	1,392,215
Gross loans, advances and Islamic financings	<u>6,141,390</u>	<u>4,616,660</u>
Less: ECL provision	(299,147)	(274,961)
Less: Contractual interest/profit not recognised	(78,339)	(71,891)
	<u>(377,486)</u>	<u>(346,852)</u>
	<u><u>5,763,904</u></u>	<u><u>4,269,808</u></u>

Gross loans, advances and Islamic financings include ₹784.03 million (31 December 2024: ₹687.93 million) through Islamic financing activities.

Gross Loans, advances and Islamic financings comprise:

	31 December 2025	31 December 2024
Loans	5,523,068	4,004,756
Overdrafts	404,420	367,661
Loans against trust receipts	189,606	228,293
Bills discounted	24,296	15,950
Gross loans, advances and Islamic financings	<u><u>6,141,390</u></u>	<u><u>4,616,660</u></u>

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
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9. Loans, advances and Islamic financings (net) (continued)

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

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	3,721,395	676,211	219,054	4,616,660
New assets originated/additions	1,860,131	163,435	95,381	2,118,947
Assets derecognised or repaid	(379,375)	(174,228)	(39,875)	(593,478)
Loans (written off) / recovered (net)	-	-	(739)	(739)
Transfers to Stage 1	22,350	(14,744)	(7,606)	-
Transfers to Stage 2	(260,309)	261,180	(871)	-
Transfers to Stage 3	(8,441)	(8,791)	17,232	-
Gross carrying amount	4,955,751	903,063	282,576	6,141,390
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	18,495	161,739	94,727	274,961
Impairment charge (Note:29)	11,640	15,443	37,681	64,764
Impairment release	(3,390)	(29,014)	(7,434)	(39,838)
Net impairment charge / (release) (Note: 29)	8,250	(13,571)	30,247	24,926
Loans (written off) / recovered (net)	-	-	(739)	(739)
Transfers to Stage 1	3,272	(302)	(2,970)	-
Transfers to Stage 2	(2,458)	2,792	(334)	-
Transfers to Stage 3	(183)	(402)	585	-
ECL provision	27,376	150,256	121,516	299,147
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	3,428,928	578,852	200,601	4,208,381
New assets originated/additions	686,939	33,255	13,743	733,937
Assets derecognised or repaid	(284,385)	(26,950)	(14,657)	(325,992)
Loans (written off) / recovered (net)	-	-	334	334
Transfers to Stage 1	42,053	(39,387)	(2,666)	-
Transfers to Stage 2	(135,526)	136,454	(928)	-
Transfers to Stage 3	(16,614)	(6,013)	22,627	-
Gross carrying amount	3,721,395	676,211	219,054	4,616,660
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	18,216	131,317	87,497	237,030
Impairment charge (Note:29)	2,234	33,605	16,460	52,299
Impairment release	(3,448)	(1,506)	(10,447)	(15,401)
Net impairment charge / (release) (Note: 29)	(1,214)	32,099	6,013	36,898
Loans (written off) / recovered (net)	-	-	1,033	1,033
Transfers to Stage 1	2,432	(1,361)	(1,071)	-
Transfers to Stage 2	(177)	309	(132)	-
Transfers to Stage 3	(762)	(625)	1,387	-
ECL provision	18,495	161,739	94,727	274,961

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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9. Loans, advances and Islamic financings (net) (continued)

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

	31 December 2025	31 December 2024
Balance at beginning of year	71,891	50,159
Not recognised during the year	26,388	22,696
Written back due to recovery/write off	(19,940)	(964)
	<u>78,339</u>	<u>71,891</u>

All loans, advances and Islamic financings require payment of interest, some at fixed rates and others at rates that reprice prior to maturity. Interest reserve account is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and financings that are impaired. As of 31 December 2025, loans, advances and Islamic financings on which interest was not being accrued or where interest was reserved amounted to ₹283 million. (31 December 2024: ₹219 million).

Concentration of gross loans and advances by economic sector:

	31 December 2025	31 December 2024
Personal	1,598,752	1,392,215
Services	856,062	657,831
Construction	525,839	493,205
Manufacturing	708,154	470,246
Wholesale and retail	450,004	441,565
Mining and quarrying	453,774	271,113
Electricity, gas and water	489,805	245,755
Government	276,397	219,428
International trade	134,189	176,125
Financial institutions	383,688	103,643
Transport and communication	194,493	102,832
Agriculture and allied activities	34,314	23,160
Non – resident	357	11,580
Other	35,562	7,962
	<u>6,141,390</u>	<u>4,616,660</u>

10. Other assets

	31 December 2025	31 December 2024
Acceptances	34,083	21,200
Prepayments	6,272	2,128
Receivables	15,896	10,279
Positive fair value of derivatives (Note: 36.2)	1,199	11,086
Others	34,412	13,345
	<u>91,862</u>	<u>58,038</u>

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11. Investment properties

Investment properties represent two vacant plots of land granted by the Government of Sultanate of Oman in 2008. The estimated fair value as at 31 December 2025 is in line with the carrying value.

12. Property and equipment

	Freehold land & Buildings	Software	Furniture, fixtures and office equipment	Motor vehicles	Right-to-use assets	Capital work –in-progress	Total
Cost:							
1 January 2025	51,265	34,713	39,825	1,178	23,779	8,175	158,935
Net additions/(disposals)	-	3,033	1,571	56	4,367	450	9,479
Written off	(1,339)	-	(702)	(52)	(42)	-	(2,135)
As at 31 December 2025	49,926	37,746	40,694	1,182	28,104	8,625	166,277
Accumulated depreciation:							
1 January 2025	14,525	19,369	33,209	1,104	16,364	-	84,571
Depreciation	97	2,595	2,335	38	-	-	5,065
Amortisation	-	-	-	-	3,063	-	3,063
Transfers/(disposals)	(1,332)	-	(691)	(52)	(42)	-	(2,117)
As at 31 December 2025	13,290	21,964	34,853	1,090	19,385	-	90,582
Net book value as at 31 December 2025	36,636	15,783	5,840	92	8,719	8,625	75,695

	Freehold land & Buildings	Software	Furniture, fixtures and office equipment	Motor vehicles	Right-to-use assets	Capital work – in-progress	Total
Cost:							
1 January 2024	51,265	29,481	39,163	1,178	20,968	10,526	152,581
Net additions/(disposals)	-	2,881	662	-	2,811	-	6,354
Transfers	-	2,351	-	-	-	(2,351)	-
As at 31 December 2024	51,265	34,713	39,825	1,178	23,779	8,175	158,935
Accumulated depreciation:							
1 January 2024	14,427	16,911	30,873	1,072	13,728	-	77,011
Depreciation	98	2,458	2,336	32	-	-	4,924
Amortisation	-	-	-	-	2,636	-	2,636
As at 31 December 2024	14,525	19,369	33,209	1,104	16,364	-	84,571
Net book value as at 31 December 2024	36,740	15,344	6,615	74	7,415	8,175	74,364

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13. Intangible assets

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

	31 December 2025	31 December 2024
Cost:		
1 January 2025	79,174	68,311
Assets acquired on business combination (Note: 40)	-	10,863
As at 31 December 2025	79,174	79,174
Amortisation:		
1 January 2025	7,245	1,697
Amortisation during the period (Note: 28)	5,373	5,548
As at 31 December 2025	12,618	7,245
Net book value as at 31 December 2025	66,556	71,929

14. Due to banks

	31 December 2025	31 December 2024
<i>Local currency:</i>		
Money market borrowings	27,117	-
Demand balances	39,715	31,723
	66,832	31,723
<i>Foreign currency:</i>		
Money market borrowings	683,278	500,905
Demand balances	227,368	37,685
	910,646	538,590
	977,478	570,313

Foreign currency money market borrowings include bank borrowings amounting to ₪354.2 million (December 2024: ₪354.2 million) with underlying collateral in the form of USD Treasury bills of ₪387.2 million (December 2024: ₪354.2 million).

15. Customer deposits

	31 December 2025			31 December 2024		
	Conventional banking	Islamic banking	Total	Conventional banking	Islamic banking	Total
Demand deposits	2,896,354	309,923	3,206,277	2,682,958	174,128	2,857,086
Term deposits	2,083,958	302,879	2,386,837	1,522,152	310,412	1,832,564
Saving deposits	950,930	249,149	1,200,079	863,053	210,794	1,073,847
Margin accounts	28,477	5,129	33,606	11,416	2,127	13,543
Total	5,959,719	867,080	6,826,799	5,079,579	697,461	5,777,040

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16. Other liabilities

		31 December 2025	31 December 2024
	Note:		
Other accruals and provisions		86,224	45,049
Income tax provision	30.b	23,490	24,515
Acceptances		34,083	21,200
Deferred tax liability (net)	30.c	10,927	11,608
Staff entitlements		2,520	3,312
Lease liability on right-of-use assets		10,548	7,013
ECL provision on loan commitments financial guarantees & acceptances	21	2,889	1,754
Negative fair value of derivatives	36.2	252	641
		<u>170,933</u>	<u>115,092</u>
<i>Staff entitlements:</i>			
End of service benefits		1,410	1,515
Other liabilities		1,110	1,797
		<u>2,520</u>	<u>3,312</u>
<i>Movement in the end of service benefits liability</i>			
At 1 January		1,515	1,429
Expenses recognised in the profit or loss		640	368
End of service benefits paid		(745)	(282)
		<u>1,410</u>	<u>1,515</u>

17. Share capital and share premium

The authorised share capital of the Bank is ₹ 1 billion (31 December 2024: ₹ 1 billion). The issued shares of the Bank are 6,617,246,270 shares (31 December 2024: 6,617,246,270 shares). The fully paid-up capital of the Bank is ₹ 702.508 million (31 December 2024: ₹ 702.508 million).

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

	2025 (%)	2024 (%)
Royal Court Affairs	19.4	19.4
Dhofar International Development and Investment Holding Co SAOG	13.1	13.1
The Seventh Moon Investment LLC	6.4	6.4
Neptune National Investments LLC	5.5	5.5
Western Sea Investments LLC	5.4	5.4
Others (widely spread)	50.2	50.2
Total	<u>100</u>	<u>100</u>

Share premium of ₹ 18.038 million (31 Dec. 2024: ₹ 18.038 million) represents premium collected on rights shares issued prior to 2019.

17.a Proposed dividend

For the year ended 31 December 2025, the Board propose a total shareholder return comprising a combination of cash dividends and Mandatory Convertible Bonds ("MCBs"), subject to shareholder and regulatory approvals. The Board propose a cash dividend of 4 baisa per share amounting to ₹ 26.469 million (31 December 2024: cash dividend of 8 baisa per share amounting to ₹ 52.94 million) and the issuance of Mandatory Convertible Bonds (MCB's) of 4 baisa per share amounting to ₹ 26.469 million. The proposed cash dividend is a deduction from CET 1 capital for the purpose of calculating the Bank's capital adequacy ratios (note 38). MCBs issued to shareholders represents a capital transaction funded from retained earnings or other equity reserves as approved by CBO. The issuance of MCBs will result in a reclassification within equity to AT1 Capital Securities until converted into ordinary shares of the Bank, CET1 capital, in accordance with the approved terms and conditions.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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18. Legal reserve

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

19 Other reserves

	General reserve	Fair value reserve	Impairment reserve	Fair value reserve on acquisition	Total
Balance as at 1 January 2025	988	(1,676)	5,464	(11,411)	(6,635)
Net changes in fair value of equity and debt instruments at FVOCI	-	7,964	-	-	7,964
Re-class of net changes in FV of equity instruments upon de-recognition	-	242	-	-	242
Balance as at 31 December 2025	988	6,530	5,464	(11,411)	1,571

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

19.a General reserve

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

19.b Fair value reserve

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

19.c Impairment reserve

As per the CBO circular BM 1149, in the year of adoption, if IFRS 9 based provision for impairment is lower than the provision for the impairment as per regulatory guidelines, the excess, shall be transferred as appropriation from profit for the year to a regulatory reserve "Impairment reserve" under shareholder's equity. In subsequent years, if IFRS 9 based provision for impairment is lower than provision for impairment as regulatory guidelines, the excess shall be transferred as appropriation from profit for the year to the Impairment reserve.

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

19.d Fair value reserve on acquisition

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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20. Perpetual Additional Tier 1 Capital Securities (Perpetual AT1 Securities)

On 24 September 2025, the Bank issued perpetual AT1 securities amounting to ₹200 million. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 6.75% with interest rate reset at five-year intervals. The interest is payable semi-annually in arrears and treated as a deduction from equity. No interest was paid for the year ended 31 December 2025.

On 28th February 2024 the Bank, at its discretion and after prior consent from the relevant regulatory authority, exercised its option to redeem in full on the first Call Date, being 14 March 2024, perpetual AT1 securities amounting to ₹100 million originally issued on 14th March 2019. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.50% with interest rate reset at five-year intervals. The interest is payable semi-annually in arrears and treated as a deduction from equity. No interest was paid for the period ended 31 December 2025 (31 December 2024: ₹3.740 million) and is recognised in the statement of changes in equity.

21. Contingent liabilities and commitments

21.a Contingent liabilities

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

	31 December 2025	31 December 2024
Guarantees	621,534	503,920
Documentary letters of credit	69,393	63,518
	<u>690,927</u>	<u>567,438</u>

21.b Commitments

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

	31 December 2025	31 December 2024
Capital commitments	4,030	2,597
Credit related commitments	1,465,389	874,617
	<u>1,469,419</u>	<u>877,214</u>

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

	31 December 2025	31 December 2024
Contingent liabilities	690,927	567,438
Credit related commitments	1,465,389	874,617
Acceptances	34,083	21,200
Gross carrying amount	<u>2,190,399</u>	<u>1,463,255</u>

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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21. Contingent liabilities and commitments (continued)

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

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	1,426,992	34,641	1,622	1,463,255
Additions during the year	856,653	7,143	714	864,510
Derecognised or repaid	(102,157)	(33,943)	(1,275)	(137,375)
Transfers to Stage 1	3,450	(3,057)	(393)	-
Transfers to Stage 2	(23,306)	23,310	(4)	-
Transfers to Stage 3	(416)	(78)	494	-
As at 31 December 2025	2,161,216	28,016	1,168	2,190,400
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	810	215	729	1,754
Expected credit losses recognised	1,307	170	76	1,553
Recoveries from expected credit losses	(211)	(170)	(47)	(428)
Net impairment charge/ (release) (Note: 29)	1,096	-	29	1,125
Written off	-	-	10	10
Transfers to Stage 1	14	(6)	(8)	-
Transfers to Stage 2	(13)	13	-	-
Transfers to Stage 3	(4)	(11)	15	-
As at 31 December 2025	1,903	211	775	2,889
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	1,618,895	56,515	2,777	1,678,187
Additions during the year	573,875	-	-	573,875
Derecognised or repaid	(752,798)	(34,595)	(1,414)	(788,807)
Transfers to Stage 1	13,000	(12,795)	(205)	-
Transfers to Stage 2	(25,515)	25,516	(1)	-
Transfers to Stage 3	(465)	-	465	-
As at 31 December 2024	1,426,992	34,641	1,622	1,463,255
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	741	477	354	1,572
Expected credit losses recognised	600	131	476	1,207
Recoveries from expected credit losses	(198)	(114)	(8)	(320)
Net impairment charge/ (release) (Note: 29)	402	17	468	887
Written off	-	-	(705)	(705)
Transfers to Stage 1	149	(50)	(99)	-
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	(481)	(230)	711	-
As at 31 December 2024	810	215	729	1,754

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22. Litigation

Litigation is a common occurrence in the Banking industry due to the nature of the business it undertakes. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes provision for such loss within its financial statements. No provision (2024: Nil) has been made as at 31 December 2025, as professional advice indicates that it is unlikely that any significant loss will arise.

23. Net assets per share

The calculation of net assets per share is based on net assets of ~~ﷲ~~953.585 million as at 31 December 2025 (31 December 2024: ~~ﷲ~~898.306 million) attributable to ordinary shareholders of 6,617,246,270 ordinary shares (31 December 2024: 6,617,246,270 ordinary shares), being the number of shares outstanding as at 31 December 2025.

24. Interest income

	31 December 2025	31 December 2024
Loans and advances	227,157	196,529
Investment securities	66,050	92,682
Due from banks	26,030	25,247
	<u>319,237</u>	<u>314,458</u>

25. Interest expense

	31 December 2025	31 December 2024
Customer deposits	139,322	112,382
Due to banks	27,073	32,036
	<u>166,395</u>	<u>144,418</u>

26. Net income from Islamic financing and investments

Gross income

	31 December 2025	31 December 2024
Financings	36,712	31,484
Due from banks	2,347	3,788
Investment securities	4,011	1,530
	<u>43,070</u>	<u>36,802</u>

Profit paid

Customer deposits	28,048	24,921
Due to banks	449	928
	<u>28,497</u>	<u>25,849</u>
Net income from Islamic financing and investments	<u>14,573</u>	<u>10,953</u>

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27. Other operating income

	31 December 2025	31 December 2024
Fee and commission income	57,355	43,223
Fee and commission expense	(5,470)	(4,561)
Net gains from foreign exchange	25,073	24,380
Fixed assets written off	(20)	-
Dividend income	2,262	253
Bad debt recovery	4	5
Net realised gains on investments	5,881	129
Unrealised gain/(loss) on FVTPL investments	(24)	524
Realised gain/(loss) on FVTPL investments	1	-
	<u>85,062</u>	<u>63,953</u>

28. Other operating expenses

	31 December 2025	31 December 2024
Operating and administration costs	33,634	24,338
Amortisation of intangible asset (Note: 13)	5,373	5,548
Amortisation of right-to-use assets (Note: 12)	3,063	2,636
Occupancy cost	2,237	2,020
Directors' remuneration	300	300
Directors sitting fees	72	65
Shari'a supervisory board remuneration and sitting fees	74	51
	<u>44,753</u>	<u>34,958</u>

29. Loan impairment charges and other credit risk provisions, net

		31 December 2025	31 December 2024
Net impairment charge/(release):			
Loans, advances and Islamic financings (net)	Note: 9	24,926	36,898
Contingent liabilities and commitments	21	1,125	887
Due from banks	7	(342)	(5)
Debt securities at amortised cost	8.3	523	80
		<u>26,232</u>	<u>37,860</u>

30. Taxation

30.a Income tax expense

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

	31 December 2025	31 December 2024
Profit before tax for the year	114,713	117,911
Income tax @ 15%	17,207	17,687
Tax impact of:		
Non-deductible expenses/losses	792	141
Tax exempt income	(3,753)	(98)
	<u>14,246</u>	<u>17,730</u>
Income tax expense movements:		
Current year	14,927	18,635
Deferred tax	(681)	(905)
Income tax expense	<u>14,246</u>	<u>17,730</u>

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30.b Income tax provision

Tax assessments of the Bank until 2022 have been completed. The Bank is of the opinion that additional taxes, if any, related to the open tax year 2023 and 2024 would not be significant to the financial position of the Bank as at 31 December 2025.

	31 December 2025	31 December 2024
Balance at the beginning of the year	24,515	6,178
Charge during the year	14,927	18,635
Paid during the year	(15,952)	(298)
	<u>23,490</u>	<u>24,515</u>

30.c Deferred tax liability (net)

	31 December 2025	31 December 2024
Balance at the beginning of the year	11,608	10,893
Current year	(681)	(905)
Arising from gain on bargain purchase	-	1,620
	<u>10,927</u>	<u>11,608</u>
Deferred tax asset	(2,401)	(864)
Deferred tax liability	13,328	12,472
	<u>10,927</u>	<u>11,608</u>

31. Basic and diluted earnings per share

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

	31 December 2025	31 December 2024
Profit for the year	100,467	100,181
Interest paid on perpetual AT1 securities	-	(3,740)
Issue expense on perpetual AT1 securities	(213)	-
	<u>100,254</u>	<u>96,441</u>
Weighted average number of shares outstanding during the year (in '000)	6,617,246	5,665,929
Basic earnings per share for the year (baisa)	<u>15.15</u>	<u>17.02</u>

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32. Impairment of financial instruments

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

31 December 2025 Classification:		Gross Carrying amount	CBO Provision ⁽ⁱⁱ⁾	IFRS 9 Provisions	Difference	Net carrying amount	CBO Reserve interest ⁽ⁱⁱⁱ⁾	
CBO	IFRS 9	(1)	(2)	(3)	(4) = (2)-(3)	(5) = (1)-(3)		
Standard	Stage 1	4,954,751	51,294	27,342	23,952	4,927,409	-	
	Stage 2	102,281	1,075	98,968	(97,893)	3,313	-	
	Stage 3	-	-	-	-	-	-	
Sub Total		5,057,032	52,369	126,310	(73,941)	4,930,722	-	
Special mention	Stage 1	1,000	18	34	(16)	966	-	
	Stage 2	800,782	7,493	66,844	(59,351)	733,938	15,556	
	Stage 3	32	1	15	(14)	17	-	
Sub Total		801,814	7,512	66,893	(59,381)	734,921	15,556	
Sub standard	Stage 1	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	
	Stage 3	77,745	2,755	36,546	(33,791)	41,199	3,136	
Sub Total		77,745	2,755	36,546	(33,791)	41,199	3,136	
Doubtful	Stage 1	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	
	Stage 3	8,639	3,373	2,989	384	5,650	282	
Sub Total		8,639	3,373	2,989	384	5,650	282	
Loss	Stage 1	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	
	Stage 3	196,160	193,357	144,748	48,609	51,412	59,364	
Sub Total		196,160	193,357	144,748	48,609	51,412	59,364	
Gross Loans, advances and Islamic financings								
	Stage 1	4,955,751	51,312	27,376	23,936	4,928,375	-	
	Stage 2	903,063	8,568	165,812	(157,244)	737,251	15,556	
	Stage 3	282,576	199,486	184,298	15,188	98,278	62,782	
Sub Total		6,141,390	259,366	377,486	(118,120)	5,763,904	78,338	
Due from banks, Investment securities, Loan commitments & Financial Guarantees ⁽ⁱ⁾	Stage 1	4,950,436	-	2,099	(2,078)	4,948,209	-	
	Stage 2	43,425	-	875	(896)	42,529	-	
	Stage 3	1,168	-	775	(775)	393	-	
Sub Total		4,995,029	-	3,749	(3,749)	4,991,131	-	
		Stage 1	9,906,187	51,312	29,475	21,858	9,876,584	-
		Stage 2	946,488	8,568	166,687	(158,140)	779,780	15,556
		Stage 3	283,744	199,486	185,073	14,413	98,671	62,782
Total		11,136,419	259,366	381,235	(121,869)	10,755,035	78,338	

⁽ⁱ⁾Other items not covered under CBO circular BM 977 and related instructions.

⁽ⁱⁱ⁾CBO reserve interest equals IFRS 9 interest in suspense / contractual interest and profit rate not recognised.

⁽ⁱⁱⁱ⁾CBO provisions exclude reserve interest / contractual interest and profit rate not recognised.

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32. Impairment of financial instruments (continued)

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

⁽ⁱ⁾ Other items not covered under CBO circular BM 977 and related instructions.

⁽ⁱⁱ⁾ CBO reserve interest equals IFRS 9 interest in suspense / contractual interest and profit rate not recognised.

⁽ⁱⁱⁱ⁾ CBO provisions exclude reserve interest / contractual interest and profit rate not recognised.

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32. Impairment of financial instruments (continued)

In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of impact of taxation, will be transferred to an impairment reserve as an appropriation from the retained earnings. The Bank generally transfers this amount at year end, if applicable.

CBO circular BSD/CB & FLC/2022/001, provided temporary dispensation from the requirement for the year ended 31 December 2025.

	CBO	IFRS 9	Difference
31 December 2025			
Loan impairment charges and other credit risk provisions (net)	26,232	26,232	-
Total ECL provision and contractual interest/profit rate not recognised	337,704	381,235	43,531
Gross NPL ratio	4.60	4.60	-
Net NPL ratio	0.35	1.71	1.36

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

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

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

	31 December 2025		31 December 2024	
	CBO	IFRS 9	CBO	IFRS 9
Gross loans advances and Islamic financings	259,366	299,148	203,357	274,961
Due from banks	-	149	-	491
Investment securities (amortised cost)	-	711	-	188
Loan commitments and financial guarantees	-	2,889	-	1,754
Total ECL	259,366	302,897	203,357	277,394
Contractual interest/profit rate not recognised	78,338	78,338	71,890	71,890
Total ECL provision and contractual interest/profit rate not recognised	337,704	381,235	275,247	349,285

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32. Impairment of financial instruments (continued)

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

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	19,893	162,045	95,456	277,394
Impairment charge	12,968	16,204	37,734	66,906
Impairment release	(4,009)	(29,184)	(7,481)	(40,674)
(Written off)/Recovered (net)	-	-	(729)	(729)
Transfers to Stage 1	3,268	(313)	(2,955)	-
Transfers to Stage 2	(2,458)	2,792	(334)	-
Transfers to Stage 3	(187)	(413)	600	-
Total ECL provision	29,475	151,131	122,291	302,897

Restructured loans:

Restructured loans are defined as loans, advances, and Islamic financings whose original terms have been altered due to financial difficulties of the borrower. Modifications may involve reduced interest rates, extended maturity dates, principal forgiveness or reduction, interest capitalization and payment deferrals. A loan continues to be presented as restructured until maturity, early repayment, or write-off.

31 December 2025

Classification:		Gross Carrying amount	CBO Provision	IFRS 9 Provisions	Difference	Net carrying amount
CBO	IFRS 9					
	Stage 1	58,411	1,024	58	966	58,353
	Stage 2	336,167	3,088	21,562	(18,474)	314,605
Classified as performing	Stage 3	780	566	68	498	712
Sub Total		395,358	4,678	21,688	(17,010)	373,670
	Stage 1	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-
	Stage 3	54,980	28,390	18,864	9,526	36,116
Sub Total		54,980	28,390	18,864	9,526	36,116
	Stage 1	58,411	1,024	58	966	58,353
Total	Stage 2	336,167	3,088	21,562	(18,474)	314,605
	Stage 3	55,760	28,956	18,932	10,024	36,828
Total		450,338	33,068	40,552	(7,484)	409,786

Classification:		Gross Carrying amount	CBO Provision	IFRS 9 Provisions	Difference	Net carrying amount
CBO	IFRS 9					
31 December 2024	Stage 1	142,746	1,859	2,593	(734)	140,154
	Stage 2	236,900	6,708	22,241	(15,533)	214,659
Classified as performing	Stage 3	-	-	-	-	-
Sub Total		379,646	8,567	24,834	(16,267)	354,813
	Stage 1	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-
	Stage 3	58,627	21,548	33,215	(11,667)	25,412
Sub Total		58,627	21,548	33,215	(11,667)	25,412
	Stage 1	142,746	1,859	2,593	(734)	140,154
Total	Stage 2	236,900	6,708	22,241	(15,533)	214,659
	Stage 3	58,627	21,548	33,215	(11,667)	25,412
Total		438,273	30,115	58,049	(27,934)	380,225

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In addition to the above, loan outstandings of customers whose credit facilities were rescheduled as per the COVID19 guidelines of CBO amount to 340,469 (Stage 1: 33,638 Stage 2: 280,514, Stage 3: 26,317) with an impairment allowance of 42,966 (Stage 1: 765, Stage 2: 25,931, Stage 3: 16,270). In 2024, loan outstandings of customers whose credit facilities were rescheduled as per the COVID19 guidelines of CBO amount to 349,189 (Stage 1: 126,203, Stage 2: 219,820, Stage 3: 3,166) with an impairment allowance of 28,838 (Stage 1: 1,834, Stage 2: 26,307, Stage 3: 697).

33. Fair value of financial instruments

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

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

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

Level 1: quoted prices in active markets for the same instrument without modification or repacking.

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

Estimation of fair values

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

Loans, advances and financings

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

Investment securities carried at amortised cost and derivatives

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

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

Bank and customer deposits

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

Other on-balance sheet financial instruments

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

Off-balance sheet financial instruments

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

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33. Fair value of financial instruments (continued)

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

At 31 December 2025	Amortised cost	FVOCI	FVTPL	Total Carrying value	Total Fair value
Assets					
Cash and balances with Central Bank	323,400	-	-	323,400	323,400
Due from banks	650,941	-	-	650,941	650,941
Investment securities	537,688	1,577,678	38,172	2,153,538	2,153,538
Loans, advances and Islamic financings (net)	5,763,904	-	-	5,763,904	5,761,535
Other assets (excluding prepayments)	85,185	-	456	85,641	85,641
Total	7,361,118	1,577,678	38,628	8,977,424	8,975,055
Liabilities					
Due to banks	977,478	-	-	977,478	977,478
Customer deposits	6,749,799	-	77,000	6,826,799	6,893,355
Other liabilities (excluding accruals and provisions)	84,457	-	252	84,709	84,709
Total	7,811,734	-	77,252	7,888,986	7,955,542

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

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33. Fair value of financial instruments (continued)

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

31 December 2025	Investment securities	Positive FV of derivatives	Negative FV of derivatives	Customer deposits	Total
Level 1	31,243	-	-	-	31,243
Level 2	1,584,092	456	252	77,000	1,661,800
Level 3	515	-	-	-	515
	<u>1,615,850</u>	<u>456</u>	<u>252</u>	<u>77,000</u>	<u>1,693,558</u>
31 December 2024	Investment securities	Positive FV of derivatives	Negative FV of derivatives	Customer deposits	Total
Level 1	4,396	-	-	-	4,396
Level 2	1,743,784	268	641	115,500	1,860,193
Level 3	498	-	-	-	498
	<u>1,748,678</u>	<u>268</u>	<u>641</u>	<u>115,500</u>	<u>1,865,087</u>

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

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34. Related party transactions

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

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

	31 December 2025	31 December 2024
Directors & senior management		
Loans, advances and Islamic financings	7,324	4,884
Deposits	3,229	3,528
Interest income	84	156
Interest expense	12	33
Directors' sitting fees and remuneration	372	365
Shari'a Supervisory Board members	74	51
Other related parties		
Loans, advances and Islamic financing	77,487	91,253
Deposits	9,793	10,654
Interest income	1,455	3,487
Interest expense	95	220

Key management compensation:

Key management comprises of 7 (2024: 7) senior management executives. The Bank considers these members to be key management personnel for the purpose of IAS 24 Related Party Disclosures.

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

	31 December 2025	31 December 2024
Loans, advances and Islamic financings	2,137	1,231
Customer Deposits	402	178

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34. Related party transactions (continued)

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

	31 December 2025	31 December 2024
Interest income	6	36
Interest expense	-	1
Salaries and other short-term benefits ⁽¹⁾	2,734	3,658
Post-employment benefits	44	52

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

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

	31 December 2025	31 December 2024
Loans, advances and Islamic financing	20,206	16,978
Deposits	141	92
Interest income	19	668

As at 31 December 2025, no loans to related parties are classified under stage 3 (31 December 2024: Nil)

35. Fiduciary activities

The Bank's fiduciary activities consist of portfolio and investment management and custodial services. The aggregated assets under management, which are not included in the Bank's statement of financial position as at 31 December 2025 is S 1,453 million (31 December 2024: S 1,173 million).

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
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36. Derivatives

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

36.1 Derivative product types

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

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

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

36.2 Derivatives held or issued for hedging purposes

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

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

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

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

At 31 December 2025	Positive FV	Negative FV	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	397	29	1,446,344	1,059,329	353,134	33,881
Forward foreign exchange sales contracts	754	188	1,446,980	1,060,181	353,190	33,609
Interest rate swaps	48	35	77,000	-	-	77,000
Total	1,199	252				

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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36. Derivatives (continued)

36.3 Fair value hedges

36.3a Interest rate swaps

The bank has entered into fixed-for-floating interest rate swap amounting to ₹224.320 million to manage the exposure for changes in fair value due to movements in market interest rates on certain fixed rate customer deposits which are not measured at FVTPL.

37. Financial risk management

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

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

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

Executive Nomination & Remuneration Committee

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

Board Audit Committee

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

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

Credit Approval Committee

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

Board Risk Committee

The Board Risk Committee provides oversight and direction over the Bank's enterprise wide risk governance and ensures that the Risk Profile of the Bank remains aligned to the Board Approved Risk Appetite Statement. The BRC assists the Board in providing an independent oversight of the Bank's overall Risk Governance and Risk Management Framework. The BRC oversees material risk types including Credit, Market, Liquidity, Operational, Compliance, Information Security/Cybersecurity, Model and Legal Risks by challenging the adequacy of Risk identification, measurement, monitoring & control and by ensuring effective remediation of significant issues. The BRC reviews major exposures and concentrations and ensures that the Stress Testing, ICAAP, Recovery Planning are robust and aligned to the Bank's strategy. The committee reviews and recommends to the Board the Risk Appetite Statement and Key Risk Policies and monitors management's performance against the approved Risk Appetite, Risk Limits and Early Warning Indicators.

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

BRC also oversees the independence and effectiveness of the Risk Management function (including CRO's mandate and reporting lines) and ensures the Bank maintains a strong risk culture, effective risk controls and regulatory compliance across the bank.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****37. Financial risk management (continued)**

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

37.1 Credit risk

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

Management of credit risk

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

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

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

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

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

Accounting for modification loss

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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37. Financial risk management (continued)

37.1 Credit risk (continued)

Management of credit risk (continued)

Post-model adjustments and management overlays

Post Model Adjustments (PMA) and Management Overlays under IFRS 9 are applied to ensure that ECL estimates appropriately reflect current conditions and forward-looking information where Model Outputs are not fully able to capture emerging risks, data limitations and/or exceptional events. Such adjustments are used in a controlled and transparent manner, supported by documented rationale, defined methodologies (qualitative/quantitative) and clear linkage to the observable indicators such as macroeconomic developments, sectoral stress, concentrations, collaterals and their valuation, Warning Signals and Portfolio performance trends. Where appropriate, the Bank adjusts its ECL outside the Bank's regular modelling process to reflect management judgments in the form of management overlays, to reflect such unforeseen and evolving credit risks not otherwise captured within the modelling parameters.

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

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

37.1a Sensitivity of impairment estimates

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

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

	At 31 December 2025		At 31 December 2024	
	ECL	Impact on ECL	ECL	Impact on ECL
ECL on non-impaired loans under IFRS 9	313,482	-	199,994	-
Simulations				
Upside case - 100% weighted	199,193	114,289	176,093	23,901
Base case - 100% weighted	206,081	107,402	182,541	17,453
Downside scenario - 100% weighted	215,851	97,632	193,517	6,477

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

37.1b Exposure to credit risk

Low Credit Risk Exemption

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 S'000

37. Financial risk management (continued)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

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

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

	Performing	Past due but not impaired	Credit impaired	Total
31 December 2025				
Loans, advances and Islamic financings - corporate				
Performing loans (Grades 1-5)	2,926,288	95,980	-	3,022,268
Performing loans (Grades 6)	495,277	363,568	-	858,845
Performing loans (Grades 7)	116	429,621	-	429,737
Non-performing loans (Grades 8-10)	-	-	231,788	231,788
	<u>3,421,681</u>	<u>889,169</u>	<u>231,788</u>	<u>4,542,638</u>
Loans, advances and Islamic financings - retail				
Performing loans (Grades 1-7)	1,534,069	13,895	-	1,547,964
Non-performing loans (Grades 8-10)	-	-	50,788	50,788
	<u>1,534,069</u>	<u>13,895</u>	<u>50,788</u>	<u>1,598,752</u>
Total gross loans, advances and Islamic financings	<u>4,955,751</u>	<u>903,063</u>	<u>282,576</u>	<u>6,141,390</u>
Credit related contingent items				
Performing loans (Grades 1-5)	1,952,628	6,518	-	1,959,146
Performing loans (Grades 6)	208,588	13,336	-	221,924
Performing loans (Grades 7)	-	8,162	-	8,162
Non-performing loans (Grades 8-10)	-	-	1,168	1,168
Total gross contingent items to customers	<u>2,161,216</u>	<u>28,016</u>	<u>1,168</u>	<u>2,190,400</u>
Due from banks (Grades 1-5)	<u>651,090</u>	-	-	<u>651,090</u>
Investment securities (Grades 1-5)	<u>532,913</u>	<u>5,486</u>	-	<u>538,399</u>
Cash and balances (BBB-)	<u>323,400</u>	-	-	<u>323,400</u>
Other assets (unrated)	<u>91,862</u>	-	-	<u>91,862</u>

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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37. Financial risk management (continued)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

	Performing	Past due but not impaired	Credit impaired	Total
31 December 2024				
Loans, advances and Islamic financings - corporate				
Performing loans (Grades 1-5)	2,136,221	75,247	-	2,211,468
Performing loans (Grades 6)	250,651	260,682	-	511,333
Performing loans (Grades 7)	-	327,093	-	327,093
Non-performing loans (Grades 8-10)	-	-	174,551	174,551
	<u>2,386,872</u>	<u>663,022</u>	<u>174,551</u>	<u>3,224,445</u>
Loans, advances and Islamic financings - retail				
Performing loans (Grades 1-5)	1,334,524	13,188	-	1,347,713
Performing loans (Grades 6)	-	-	-	-
Performing loans (Grades 7)	-	-	-	-
Non-performing loans (Grades 8-10)	-	-	44,502	44,502
	<u>1,334,524</u>	<u>13,188</u>	<u>44,502</u>	<u>1,392,215</u>
Total gross loans, advances and Islamic financings	<u>3,721,396</u>	<u>676,210</u>	<u>219,053</u>	<u>4,616,660</u>
Credit related contingent items				
Performing loans (Grades 1-5)	1,216,170	14,756	-	1,230,927
Performing loans (Grades 6)	210,822	11,209	-	222,031
Performing loans (Grades 7)	-	8,676	-	8,676
Non-performing loans (Grades 8-10)	-	-	1,622	1,622
Total gross contingent items to customers	<u>1,426,992</u>	<u>34,641</u>	<u>1,622</u>	<u>1,463,256</u>
Due from banks (Grades 1-5)	<u>562,221</u>	<u>-</u>	<u>-</u>	<u>562,221</u>
Investment securities (Grades 1-5)	<u>362,314</u>	<u>8,223</u>	<u>-</u>	<u>370,537</u>
Cash and balances (BBB-)	<u>202,953</u>	<u>-</u>	<u>-</u>	<u>202,953</u>
Other assets (unrated)	<u>58,038</u>	<u>-</u>	<u>-</u>	<u>58,038</u>

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37. Financial risk management (continued)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

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

	31 December 2025	31 December 2024
Aaa	12,090	13,332
AA+	1,475,990	1,509,284
AA-	10,215	5,736
Ba2	5,909	5,910
Ba3	5,503	8,190
BBB-	575,516	545,482
Unrated bonds	9,263	9,217
Total	2,094,486	2,097,151

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

	31 December 2025	31 December 2024
Aaa1 to Aaa3	513,694	246,127
A1 to A3	4,563	96,260
Baa1 to Baa3	106,935	139,061
Ba1 to Ba3	18,164	63,183
B1 to Ca	7,735	17,590
Total	651,091	562,221

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****37. Financial risk management (continued)****37.1 Credit risk (continued)****37.1b Exposure to credit risk (continued)**

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

The maximum credit risk exposures relating to off-balance sheet items calculated as per Basel guidelines are provided in note 38. The amounts represented in note 38 represent a worst-case scenario of credit risk exposure as of 31 December 2025 and 2024, without considering of any collateral held or other credit enhancements attached.

Impairment assessment**Definition of default and cure**

A financial asset to be in default when:

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

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

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

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

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

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

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

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

Incorporation of forward-looking information

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

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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37. Financial risk management (continued)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

The Bank's internal rating and PD estimation process

The Bank operates separate Obligor Risk Rating models for its key portfolios in which its customers are rated from 1 to 10 using 22 internal grades. This scale is designed to provide granular differentiation of Obligor Risk across a wide range of credit qualities. Internal rating grades are assigned at origination and are reviewed at least annually, and more frequently where any material credit events arise. The Credit Risk Department within the Bank's Risk Management Group reviews and assigns/archives the final obligor rating. Granular scales were implemented in 2022 as a part of the overall enhancement to the Obligor Risk Rating framework within the bank.

The models incorporate both qualitative and quantitative drivers and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behavior. Where practical, they also build on information from Good Rating Agency.

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

Generating the term structure of Probability of Default (PD)

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

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

Internal rating grades	Internal rating grade description	PD range (%)
1	Investment Grade	0.65%
2+	Investment Grade	0.81% - 1.01%
2	Investment Grade	
2-	Investment Grade	
3+	Investment Grade	
3	Investment Grade	1.12%-1.38%
3-	Investment Grade	
4+	Investment Grade	
4	Investment Grade	1.52%-1.92%
4-	Investment Grade	
5+	Investment Grade	
5	Investment Grade	2.18%-2.67%
5-	Investment Grade	
6+	Investment Grade	
6	Investment Grade	2.90%-3.35%
6-	Investment Grade	
7+	Sub Investment Grade	
7	Sub Investment Grade	3.66%-5.86%
7-	Sub Investment Grade	
8 to 10	Non-Performing	100%

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

₹'000

37. Financial risk management (continued)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

Economic variable assumptions

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

		2025	2026	2027
a)	Public external debt/Total external debt (%)	42.70	43.50	42.89
b)	Europe Brent Spot Price FOB (Dollar per barrel) Lag3	87.68	88.11	86.47
c)	Current-account balance/GD (%) Lag4	2.10	(1.30)	(2.00)
d)	Net foreign direct investment/GDP(%) Lag 2	6.79	0.21	4.88
e)	Gross Domestic Savings/GDP (%) Lag 2	39.57	35.50	39.03

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
(**₹'000**)****37. Financial risk management (continued)****37.1 Credit risk (continued)****37.1b Exposure to credit risk (continued)****Economic variable assumptions (continued)**

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

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

Treasury, trading and interbank relationships (FIG)

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

Corporate and small business lending

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

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

Consumer lending and retail mortgages

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

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

Exposure at default

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

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

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

Loss given default

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****37. Financial risk management (continued)****37.1 Credit risk (continued)****37.1b Exposure to credit risk (continued)**

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

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

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

Significant Increase in Credit Risk

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

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

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

Model risk management:

The Bank has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS 9 accounting standards.

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

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
(₹'000)**
37. Financial risk management (continued)
37.1 Credit risk (continued)
37.1c Collateral securities

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

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

	31 December 2025	31 December 2024
Against past due but not impaired		
Property	116,544	188,823
Equity	830	7,955
Commercial mortgage	166,550	147,865
Vehicles	147	475
Fixed deposits	-	648
Total	284,071	345,766
Against past due and impaired		
Property	241,521	156,308
Commercial mortgage	178,025	162,496
Fixed deposits	315	293
Vehicles	1,317	993
Guarantees	1,740	2,238
Total	422,918	322,328
Against neither past due nor impaired		
Property	853,783	1,061,536
Commercial mortgage	572,176	456,508
Guarantees	291,319	135,397
Fixed deposits	37,253	140,352
Equity	147,567	130,401
Vehicles	17,167	15,210
Other assignments and Post dated cheques	5,083	-
Total	1,924,348	1,939,404
Total collateral held	2,631,337	2,607,498

37.1d Settlement risk

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

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

37.1e Concentrations

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
(S'000)**

37. Financial risk management (continued)

37.1 Credit risk (continued)

37.1f Concentrations (continued)

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

Concentration of the gross credit exposure:

	31 December 2025			31 December 2024		
	Loans, advances and financings	Due from banks	Debt securities	Loans, advances and financings	Due from banks	Debt securities
<u>Concentration by sector</u>						
Corporate	4,542,638	-	151,097	3,224,445	-	27,433
Personal	1,598,752	-	-	1,392,215	-	-
Sovereign	-	-	1,944,100	-	-	2,049,733
Banks	-	651,091	-	-	562,222	-
	<u>6,141,390</u>	<u>651,091</u>	<u>2,095,197</u>	<u>4,616,660</u>	<u>562,222</u>	<u>2,077,166</u>
<u>Concentration by location</u>						
Middle east	6,063,723	534,449	835,845	4,616,660	423,381	554,548
Europe	77,667	46,764	522,330	-	70,270	691,763
North America	-	36,635	737,022	-	107	830,855
Asia	-	33,243	-	-	68,464	-
	<u>6,141,390</u>	<u>651,091</u>	<u>2,095,197</u>	<u>4,616,660</u>	<u>562,222</u>	<u>2,077,166</u>

Refer note 9 for analysis by economic sector

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
(S'000)****37. Financial risk management (continued)****37.1 Credit risk (continued)****37.1f Concentrations (continued)**

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

37.1g Revenue concentration

No revenue from transactions with a single external counterparty or customer amounted to 10% or more of the Bank's total revenue for the years ending 31 December 2025 and 31 December 2024 respectively.

37.2 Liquidity risk

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

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

Management of Liquidity Risk

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

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

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

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

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

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

Key Tools and Strategies for Liquidity Management:

The bank employs a variety of tools to maintain an optimal liquidity position, including:

1. Liquidity Gap Analysis: Regular assessment of liquidity gaps using internal and regulatory benchmarks to identify mismatches in cash inflows and outflows.
2. Stress Testing and Simulations: Periodic evaluations to simulate liquidity crises and assess the bank's ability to withstand stress scenarios. This includes ensuring adequate crisis survivability buffers.
3. Liquidity Early Warning Indicators (EWIs): A set of predefined indicators monitored by ALCO to detect potential liquidity risks early and enable proactive measures.
4. Regulatory Compliance: Adherence to standards such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to maintain a strong liquidity position in line with regulatory expectations.
5. Economic Capital Assessment: As part of the Internal Capital Adequacy Assessment Process (ICAAP), the bank evaluates liquidity sensitivity and provides results to regulators, including the Central Bank

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****37. Financial risk management (continued)****37.2 Liquidity risk (continued)****37.2a Exposure to liquidity risk**

Liquidity risk exposure arises from the bank's inability to meet its financial obligations as they become due without incurring unacceptable losses or impacting the bank's financial stability. To mitigate this risk, the bank employs both the stock approach and the cash flow approach for liquidity management:

- **Stock Approach:** This method involves the monitoring of key ratios such as liquid assets to total assets, loan-to-deposit ratios, and other metrics that assess the sufficiency of available liquidity buffers against the bank's obligations.
- **Cash Flow Approach:** This approach focuses on the comprehensive tracking of cash flow mismatches. It includes the measurement of critical liquidity ratios and the evaluation of the cumulative surplus or deficit of funds across specific time horizons using a maturity ladder. This ensures an accurate assessment of liquidity gaps and facilitates proactive management.

Regulatory Compliance with Liquidity Ratios

The bank adheres to regulatory requirements set by the Central Bank of Oman (CBO) to ensure robust liquidity risk management:

1. Liquidity Coverage Ratio (LCR):

- The bank maintains a liquidity coverage ratio of at least 100% as mandated by the CBO guidelines.
- The LCR ensures that the bank holds a sufficient stock of unencumbered high-quality liquid assets (HQLA) to withstand a significant short-term liquidity stress scenario lasting up to 30 days.
- High-quality liquid assets include cash, central bank reserves, and government securities that are easily convertible into cash under stressed market conditions.

2. Net Stable Funding Ratio (NSFR):

- The bank complies with the 100% NSFR requirement, which focuses on ensuring resilience over a longer time horizon.
- The NSFR evaluates the stability of the bank's funding profile by requiring that long-term assets are supported by stable funding sources, such as customer deposits, long-term wholesale funding, and capital.

These regulatory ratios are monitored on an ongoing basis to ensure that the bank is adequately prepared for both short-term and long-term liquidity risks.

3. Lending Ratio

The lending ratio, that measures total loans and advances to customer deposits plus capital, is monitored daily in line with regulatory guidelines. Internally the lending ratio threshold is set at a more conservative level than required by regulator. On a monthly frequency the Bank also manages its liquidity risk by monitoring the liquid ratio, i.e. net liquid assets to total assets. For this purpose, net liquid assets include cash and cash equivalents and investment grade debt securities for those securities that has an active and liquid market. The Bank has taken several initiatives to increase customer deposits progressively. Under the cash flow approach, the Bank spread its assets and liabilities over various time buckets based on a residual maturity basis to ascertain liquidity gaps.

4. Liquidity Stress Testing and Contingency Planning

To further enhance liquidity risk management, the bank conducts regular stress testing to simulate extreme but plausible liquidity stress scenarios. These simulations assess the bank's ability to manage outflows under adverse conditions. The results are reviewed by the Asset and Liability Committee (ALCO) to implement any necessary contingency measures.

The bank also maintains a Liquidity Contingency Plan (LCP) to address unexpected liquidity crises. The LCP outlines the actions required to secure additional funding, prioritize essential payments, and preserve the bank's reputation during periods of stress.

The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) is calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The complete disclosures required under these circulars are available on the Investor Relations page of the Bank's website.

The maturity profile of the Bank's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. Gross nominal outflow includes contractual interest to maturity.

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**
₹'000
37. Financial risk management (continued)
37.2 Liquidity risk (continued)
37.2a Exposure to liquidity risk

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 December 2025					
Non – derivative liabilities					
Due to banks	977,478	1,008,002	431,480	62,596	513,926
Customer deposits	6,826,799	6,875,342	4,622,218	1,567,913	685,211
Other liabilities	170,933	170,933	170,933	-	-
Total	7,975,210	8,054,277	5,224,631	1,630,509	1,199,137

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 December 2024					
Non – derivative liabilities					
Due to banks	570,313	634,003	109,776	137,744	386,483
Customer deposits	5,777,040	5,885,511	3,952,044	940,050	993,417
Other liabilities	115,092	115,092	115,092	-	-
Total	6,462,445	6,634,606	4,176,912	1,077,794	1,379,900

The Bank also monitors the liquidity ratio through Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

	31 December 2025	31 December 2024
LCR	185.8%	177.2%
LCR (average for the quarter)	140.8%	170.0%
NSFR	116.2%	132.0%
Leverage ratio	11.5%	11.1%

The LCR and NSFR is calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The complete disclosures required under these circulars are available on the Investor Relations page of the Bank's website.

37.3 Market risk

Market risk is defined as potential losses on account of changes in market variables. The sources of market risks are changes in interest rate, equity prices and foreign exchange rates and so on. These fluctuations can significantly impact on the bank's earnings and valuation. The bank's business activities, including its trading and investment portfolios, are inherently exposed to market risk.

Measurement and management of market risk

The primary objectives of the Market and Liquidity Risk Management, as part of the bank's independent Risk Management function, is to lay down market risk management guidelines for Treasury, Forex, Equity and Derivative operations of the Bank. It serves to outline the Bank's risk appetite and risk philosophy in respect of Treasury / Forex / Equity / Derivative operations, and the controls that are considered essential for the management of market risks. Market and Liquidity Risk Management works closely together with first line of defence ("the business units") and other control and support groups to achieve this objective.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

₹'000

37. Financial risk management (continued)

37.3 Market risk (continued)

The Bank predominantly faces two types of market risks:

1. Trading market risk arises primarily through the market-making activities. This involves taking positions in currencies, debt, equity or related securities.
2. Non-trading market risk arises from market movements in the Bank's banking book and from off-balance sheet items. This includes interest rate risk, credit spread risk, investment risk, foreign exchange risk and commodity price risk.

Market and Liquidity Risk Management is managed well within the overall regulatory requirements set by the Central Bank of Oman and internal regulations contained in the Risk Policy. Limits and all internal / external guidelines are strictly adhered to, deviations, if any, are immediately escalated and action taken wherever necessary.

37.3a Measurement of Market and Liquidity Risk Management

The market risk management monitor the following limits and approved / thresholds:

- Regulatory limits and Internal Limits set based on the Bank's Risk Appetite Framework
- Interest Rate Risk Limits
- Position and dealer Limits
- Stop Loss limits
- Foreign Exchange limits
- Concentration Limits (Country exposure limits)
- NostProperty, Equipment and Fixtures Balances

The risk management function is responsible for development of detailed risk management policies (subject to approval by ALCO and BRC). The market and liquidity risk policy is periodically reviewed and updated based on the evolving business environment and regulatory changes.

Interest rate risk arises from the adverse impact on the Bank's financial position because of change in market interest rates. The trading book impact is reflected by way of change in the value of investments. The banking book impact is reflected through the change in Net Interest Income (NII) and Economic Value of Equity (EVE). The Bank's Asset Liability Committee (ALCO) is responsible for managing interest rate risk. Regular reports to ALCO report include interest rate risk reports, currency wise as well as consolidated balance sheet positions, liquidity gaps and measurement of NII and EVE. The ALCO regularly reviews the reports and provide direction to treasury to manage interest rate risk. Further key information related to interest rate risk is periodically reported to the Bank's Board Risk Committee (BRC). Hedge transactions for banking book are periodically assessed via hedge effectiveness testing.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

₹'000

37. Financial risk management (continued)

37.3 Market risk (continued)

37.3a Exposure to Interest Rate Risk – non trading portfolios

Interest rate sensitivity position based on contractual re-pricing arrangements:

	Effective annual interest rate %	Within three months	Four months to 12 months	Over one year	Non- sensitive to interest rate	Total
31 December 2025						
Assets						
Cash and balances with Central Banks	0.01	7	-	-	323,393	323,400
Due from banks	3.91	504,181	86,903	-	59,857	650,941
Investment securities	3.89	1,508,492	121,633	458,620	64,793	2,153,538
Loans, advances and Islamic financings (net)	5.11	1,756,976	603,740	3,271,777	131,411	5,763,904
Other assets	-	-	-	-	91,862	91,862
Investment properties	-	-	-	-	2,900	2,900
Property and equipment	-	-	-	-	75,695	75,695
Intangible assets	-	-	-	-	66,556	66,556
Total assets		3,769,656	812,276	3,730,397	816,467	9,128,796
Liabilities and equity						
Due to banks	4.31	502,553	59,986	405,183	9,756	977,478
Customer deposits	2.73	2,951,736	1,526,579	283,530	2,064,954	6,826,799
Other liabilities	-	-	-	-	170,933	170,933
Total equity	-	-	-	-	1,153,586	1,153,586
Total liabilities and equity		3,454,289	1,586,565	688,713	3,399,229	9,128,796
Interest sensitivity gap		315,367	(774,289)	3,041,684	(2,582,762)	-
Cumulative Gap		315,367	(458,922)	2,582,762	-	-
31 December 2024						
Assets						
Cash and balances with Central Banks	0.01	7	-	-	202,946	202,953
Due from banks	4.65	441,706	73,865	-	46,159	561,730
Investment securities	4.79	1,638,136	160,830	298,260	21,803	2,119,029
Loans, advances and Islamic financings (net)	5.27	1,918,284	599,236	1,730,474	21,813	4,269,808
Other assets	-	-	-	-	58,038	58,038
Investment properties	-	-	-	-	2,900	2,900
Property and equipment	-	-	-	-	74,364	74,364
Intangible assets	-	-	-	-	71,929	71,929
Total assets		3,998,133	834,431	2,028,734	499,452	7,360,751
Liabilities and equity						
Due to banks	4.62	372,927	140,450	-	56,936	570,313
Customer deposits	2.51	1,199,003	742,765	706,177	3,129,095	5,777,040
Other liabilities	-	-	-	-	115,092	115,092
Total equity	-	-	-	-	898,306	898,306
Total liabilities and equity		1,571,930	883,215	706,177	4,199,429	7,360,751
Interest sensitivity gap		2,426,203	(48,784)	1,322,557	(3,699,977)	-
Cumulative Gap		2,426,203	2,377,419	3,699,977	-	-

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

₹'000

37. Financial risk management (continued)

37.3 Market risk (continued)

37.3a Exposure to interest rate risk – non trading portfolios (continued)

Interest rate risk is managed by taking views on interest rate movements for the year and realigning the portfolios and covenants of lending, so as to be proactive and minimise adverse effects. The benchmark presently available in Oman is the 28-day CBO rates. The trend of the weighted average interest on loans and cost of deposits for the year is provided below:

2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lending rate	5.73%	5.69%	5.65%	5.67%	5.65%	5.60%	5.64%	5.60%	5.56%	5.54%	5.52%	n/a
Deposit rate	2.50%	2.62%	2.58%	2.49%	2.52%	2.53%	2.55%	2.50%	2.51%	2.51%	2.45%	n/a
n/a* (not available)												
2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lending rate	5.79%	5.75%	5.81%	5.84%	5.86%	5.80%	5.80%	5.82%	5.80%	5.82%	5.83%	5.77%
Deposit rate	2.65%	2.65%	2.71%	2.57%	2.63%	2.65%	2.67%	2.66%	2.67%	2.60%	2.67%	2.53%

Overview of Interest Rate Risk Management

Interest rate risk is a critical component of market risk management and arises primarily from the mismatch between the bank's interest-earning assets and interest-bearing liabilities. This mismatch can lead to fluctuations in the bank's earnings and economic value due to changes in market interest rates. Effective management of interest rate risk is essential to ensure the stability of the bank's financial performance and safeguard its capital position.

Approaches to Managing Interest Rate Risk

The bank employs two key approaches to measure and manage interest rate risk in its non-trading portfolios:

- Earnings Approach:**
 - This approach focuses on the short-term impact of changes in interest rates on the Net Interest Income (NII) of the bank.
 - By assessing the sensitivity of NII to interest rate shocks, the bank evaluates its ability to absorb potential declines in income caused by unfavourable interest rate movements.
 - The earnings perspective helps in identifying immediate corrective actions, such as rebalancing assets and liabilities, to maintain stable profitability.
- Economic Value Approach:**
 - This approach examines the longer-term impact of interest rate fluctuations on the Economic Value of Equity (EVE).
 - It assesses the present value of the bank's assets and liabilities, quantifying the changes in their value due to variations in interest rates.
 - By focusing on the economic value, this method provides a comprehensive view of the potential long-term implications of interest rate risk on the bank's financial stability.

Key Components of Interest Rate Risk Monitoring

To manage interest rate risk effectively, the bank employs the following tools and practices:

- Repricing Gap Analysis:**
 - The bank regularly analyses the mismatch between the maturity and repricing schedules of assets and liabilities to identify potential risks arising from interest rate changes.
- Scenario and Stress Testing:**
 - Quantitative models are used to measure the sensitivity of NII and EVE to parallel and non-parallel shifts in the yield curve.
 - The bank conducts periodic stress testing to evaluate its resilience under adverse interest rate scenarios. These tests help in understanding the impact of extreme but plausible market conditions.
- Hedging Strategies:**
 - Where necessary, the bank employs hedging instruments such as interest rate swaps and options to mitigate the impact of adverse rate movements on earnings and capital.
- ALCO Oversight:** • The Asset and Liability Committee (ALCO) regularly reviews interest rate risk metrics, provides strategic guidance, and ensures that exposures remain within Board-approved limits and regulatory thresholds.

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
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37. Financial risk management (continued)

37.3 Market risk (continued)

37.3a Exposure to interest rate risk – non trading portfolios (continued)

The Basel-II Accord recommended that banks should assess the impact of interest rate risk by applying a 50,100 and 200 bps interest rate sensitivity and accordingly the impact of interest rate shock on the Bank's earnings and capital is provided below:

	31 December 2025	31 December 2024
Net interest income (including Islamic financing)	167,415	180,993
Total Regulatory Capital (note 38)	1,088,102	821,929
Based on 50 bps interest rate shock		
Impact of 50 bps interest rate shock	5,209	11,643
Impact as % to net interest income	3.11%	6.43%
Impact as % to capital	0.48%	1.42%
Based on 100 bps interest rate shock		
Impact of 100 bps interest rate shock	10,418	23,286
Impact as % to net interest income	6.22%	12.87%
Impact as % to capital	0.96%	2.83%
Based on 200 bps interest rate shock		
Impact of 200 bps interest rate shock	20,835	46,574
Impact as % to net interest income	12.45%	25.73%
Impact as % to capital	1.91%	5.67%

37.3b Exposure to other market risks

Investment price risk is the risk of decline in the market value of the Bank's portfolio as a result of deterioration in the market value of individual investments. The Bank's investments are governed by the Investment Policy and Risk Policy approved by the Board 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 Banks's investments. The investment committee comprises of the Bank's senior management, monitors investments on a periodic 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 Banks's Investment Policy.

Security by country

	Changes in fair value +/- 5%	
	31 December 2025	31 December 2024
Oman	1,622	279
Other Gulf Co-operation Council (GCC) countries	-	4

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
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(AED'000)**

37. Financial risk management (continued)

37.3 Market risk (continued)

37.3b Exposure to other market risks (continued)

Currency risk

The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. These are also governed by the CBO regulations.

Currency 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 bank 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.

	31 December 2025			31 December 2024		
	Assets FCY' 000	Liabilities FCY' 000	Net (liabilities)/assets FCY' 000	Assets FCY' 000	Liabilities FCY' 000	Net (liabilities)/assets FCY' 000
US Dollar	7,688,336	7,999,293	(310,957)	8,914,502	8,469,796	444,706
UAE Dirhams	2,492,488	2,395,681	96,807	6,200,623	6,297,125	(96,502)
Euro	1,749,390	1,754,882	(5,492)	1,875,303	1,875,941	(638)
Japanese Yen	29,508,420	29,507,929	491	791,555	775,077	16,478
Pound Sterling	107,524	107,516	8	287,422	287,138	284
Swiss Franc	7,957	7,974	(17)	165,713	165,150	563
Indian Rupee	283,593	85,883	197,710	73,074	1,128	71,946

Changes in fair value +/- 5%

	31 December 2025	31 December 2024
Currency risk	441.95	481.59

37.4 Operational risk

As per Regulatory guidelines operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or from external events and excludes credit, market and liquidity risks. It includes Legal Risk however excludes Strategic and Reputational Risk.

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****37. Financial risk management (continued)****37.4 Operational risk (continued)**

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

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

In this regard, Bank has put in place a Board approved Operational Risk Management Policy & Framework (ORMF) which ensures compliance with all applicable local Regulatory guidelines as well as global standards, stipulated in the Basel Committee on Banking Supervision (BCBS). The core objective of the Operational Risk Management Policy & Framework is to continuously ensure that risks related to people, processes, systems and external events are adequately managed, through a set of well-defined policies and procedures / guidelines. These policies & procedures in the Bank are supported with robust systems, applications & workflows, together with well training & skilled staff in respective business, operations and support divisions.

The Bank has an independent Operational Risk Management Department, reporting to Chief Risk Officer (CRO) and it is adequately staffed, comprising of specialised resources / staff with adequate levels of experience and knowledge in different areas of banking business, wherein the Head of Operational Risk is directly involved in the recruitment, objective setting and appraisal of the staff. For effective management of Operational Risk, the core Operational Risk Management Department staff / risk officers, closely interacts / collaborates with Risk & Control Managers (RCM) from 1st and 2nd Line, who are nominated staff within all critical lines of business & operations, and responsible for ensuring Operational Risk policy requirements are adequately adhered, thereby improving the overarching internal control environment in the Bank. These RCMs acts as subject matter experts with deep technical and functional knowledge along with adequate understanding of Bank's Operational Risk Policy & Regulatory requirements, and together with core Operational Risk Management Department, they regularly oversee, support and challenge activities of business and operations and ensures optimization of risk –reward trade-off, by aligning risk taking and strategic planning.

It is pertinent to note that Bank has implemented all key control measures necessary to mitigate Operational Risk, which includes but not limited to, adequate segregation of duties, access control, robust change management governance, sound business continuity planning and physical security controls, alongside Data back, disaster recovery measures and need-based staff training & awareness.

Furthermore, Bank has implemented a structured Operational Risk Loss Event reporting process/system to promptly identify and mitigate any control deficiencies/process lapses. In addition, the Bank has a comprehensive Risk Control Self-assessment (RCSA) process in place which is conducted on periodic basis for all critical business lines, with the aim to identify, assess, mitigate, monitor and report all key risks. In line with Regulatory requirements, Bank maintains a comprehensive Operational Risk incident / internal loss database, duly categorising them as per BCBS requirements to study the loss trends and for preparing towards higher approaches for Operational Risk Management.

With respect to Management and Board oversight, Bank has instituted a strong governance framework through formulation of committees at different levels, for effective management and implementation of ORMF. In this regard, at Board level, the Board Risk Committee (BRC), has been delegated the task of implementing and effective ORMF within the Bank, while at the Executive Management level, the Management Risk Committee (MRC) is responsible to periodically review, monitor and provide suitable guidance/instruction on bank's non-financial risk areas, namely Operational Risk, Compliance Risk, Information Security Risk and Legal Risk and further ensure appropriate Management actions are undertaken where necessary. For the purpose, the Operational Risk Management Department submits periodic reports to both MRC and BRC and discusses various key issues, incidents and emerging risks along with mitigation measures which are in place.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2025****₹'000****37. Financial risk management (continued)****37.5 Third Party Risk Management**

The Bank has successfully established a comprehensive Third-Party Risk Management (TPRM) framework that centralizes oversight and standardizes third-party risk assessment methodologies across all business units. This foundational framework provides a clear, consistent approach to managing the risks associated with all Bank's third parties and ensuring alignment with evolving regulatory standards and guidelines.

To support this framework and ensure continuous accountability, the Bank has also instituted a formal governance and reporting structure. This framework provides senior management with clear insights into our third-party exposure, ensuring that material risks are promptly identified, escalated, and managed effectively within the Bank's established risk appetite.

37.6 Business Continuity Management

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

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

38. Capital management

The Bank's lead regulator, the CBO, sets and monitors the capital requirements for the Bank as a whole. In implementing current capital requirements CBO requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank calculates capital requirements for market risk and operational risk based upon the model prescribed by the CBO as follows:

- Claims against sovereign entities in the respective national currencies – Nil
- Claims against sovereign entities in other currencies – 100% risk weighting is applied as prescribed by the CBO
- Retail and Corporate loans – In the absence of credit rating model 100% risk weighting is applied
- Off balance sheet items – As per credit conversion factors and risk weighting prescribed by the CBO

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital includes ordinary share capital, share premium, perpetual tier 1 capital securities classified as innovative Tier 1 securities, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes qualifying subordinated liabilities, collective impairment allowances and unrealised losses on equity instruments classified as available for sale investments.

Various limits are applied to elements of the capital base. The amount of innovative tier 1 securities cannot exceed 15 per cent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 per cent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The capital adequacy ratio is calculated in accordance with Basel II & Basel III requirements as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by CBO are available on the Investor Relations page of the Bank's website.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

₹'000

38. Capital management (continued)

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off-balance sheet exposures weighted according to broad categories of risk. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	31 December 2025	31 December 2024
CET 1 capital		
Ordinary share capital	702,508	702,508
Share premium	18,038	18,038
Legal reserve	65,947	55,900
General reserve	988	988
Retained earnings ⁽¹⁾	139,052	75,557
Fair value reserve on acquisition	(11,411)	(11,411)
Intangible ⁽²⁾	(56,573)	(61,140)
Fair value losses	(847)	(1,723)
Deferred tax asset	(2,401)	-
Total CET 1 capital	855,301	778,717
Additional Tier 1 capital		
Perpetual tier 1 capital securities	200,000	-
Total Tier 1 capital	1,055,301	778,717
Tier 2 capital		
Impairment allowance on portfolio basis	29,481	43,191
Fair value gains	3,320	21
Total Tier 2 capital	32,801	43,212
Total regulatory capital	1,088,102	821,929
Risk weighted assets		
Credit risk	5,510,706	4,188,315
Market risk	234,684	189,749
Operational risk	436,618	367,264
Total risk weighted assets	6,182,008	4,745,328
Capital adequacy ratio		
Total CET 1 capital expressed as a percentage of total risk weighted assets	13.84%	16.41%
Total tier I capital expressed as a percentage of total risk weighted assets	17.07%	16.41%
Total regulatory capital expressed as a percentage of total risk weighted assets	17.60%	17.32%

⁽¹⁾ Retained earnings for the year 2025 is stated after deducting proposed cash dividend of ₹26.469 million (31 December 2024: ₹52.94 million). The proposed MCB is not included in the capital ratios.

⁽²⁾ Intangible assets net of deferred tax liability is a deduction from CET1 capital.

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
(₹'000)****39. Segment information is presented in respect of the Bank's operating segments as follows:**

The Chief Executive Officer monitors the performance of the following key business segments.

Retail Banking:

Retail banking offers individual customers a wide range of products and services including current and term deposits, housing finance, personal loans, insurance, credit cards, foreign exchange and wealth management products delivering a superior customer experience through the Bank's extensive branch network and market leading digital channels.

- **Retail & Premier Banking:** delivers retail products and services to a wide base of individual customers including its Premier customer segment.
- **Wealth Management:** delivers retail products and services as well as wealth management advisory to high-net-worth individuals (HNWI).

Wholesale Banking:

Wholesale banking offers its diversified customer base a wide range of products and services including loans, working capital facilities, term deposits, trade financing, cash management, custodial services, treasury, investment banking and funds management, delivered through its dedicated and specialised customer and product groups:

- **Corporate Banking:** delivers wholesale products and services to large corporates as well as small and medium sized enterprises (SME).
- **Investment Banking:** provides debt capital markets advisory, custodial services, and funds management across all wholesale banking customers in addition to managing the Bank's proprietary investment portfolio.
- **Government & Private Banking:** provides customised value-added products and services to the unique needs of government ministries, public enterprises, NGOs, and ultra-high net worth individuals (UHNWI).
- **International Banking:** provides advisory services to foreign investors seeking to enter the Omani market through direct investments in addition to providing a range of personalised and customised financial solutions to family offices and non-residents.
- **Global Markets:** provides money market, foreign exchange, and derivative products to wholesale banking customers. The treasury team also manages the Bank's overall balance sheet funding, liquidity, and market risk position.

Islamic Banking:

The Islamic Banking Window ("Sohar Islamic") offers a full range of Islamic banking services and products to individuals and corporates. The principal activities of the window include accepting Shari'a compliant customer deposits, providing Shari'a compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Istisna'a, Salam and providing commercial banking services, investment and other activities permitted under Islamic Banking Regulatory Framework (IBRF).

KSA Branch:

The Bank established a Branch in the Kingdom of Saudi Arabia (KSA) in 2023. The KSA Branch currently provides Wholesale Banking services.

Head Office:

Head office includes all assets, liabilities, and equity not directly attributable to business segments. Profit and Loss includes those items that are not directly attributable to business segments.

Transfer pricing between business segments is on an arm's length basis in a similar manner to transactions with third parties. Net interest income by segment includes the allocation, based on Risk Weighted Assets, of the notional capital benefit.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
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₹'000
39. Segmental information (continued)

	Retail Banking	Wholesale Banking	Islamic Banking	KSA Branch	Head Office	Total
31 December 2025						
PROFIT AND LOSS						
Net interest income	46,737	98,618	-	7,487	-	152,842
Net income from Islamic financing and investments	-		14,573	-	-	14,573
Other operating income	16,350	62,738	4,514	1,460	-	85,062
Total Operating Income	63,087	161,356	19,087	8,947	-	252,477
Total Operating Expenses	(40,999)	(53,919)	(8,556)	(8,058)	-	(111,532)
Net Operating Income Before Impairment Provisions	22,088	107,437	10,531	889	-	140,945
Loan impairment charges and other credit risk provisions (net)	(381)	(23,035)	(2,010)	(806)	-	(26,232)
Profit before tax	21,707	84,402	8,521	83	-	114,713
Income tax expense	(3,256)	(11,470)	(1,278)	1,758	-	(14,246)
Profit for the year	18,451	72,932	7,243	1,841	-	100,467
Other comprehensive income	-	7,282	682	-	-	7,964
Total comprehensive income	18,451	80,214	7,925	1,841	-	108,431
FINANCIAL POSITION						
Assets						
Cash and balances with Central Bank	-	282,976	40,407	17	-	323,400
Due from banks	-	485,039	21,581	144,321	-	650,941
Investment securities	-	1,998,204	145,119	10,215	-	2,153,538
Loans, advances and Islamic financings (net)	1,330,829	3,125,012	775,102	532,961	-	5,763,904
Other assets	-	34,539	10,171	2,417	44,735	91,862
Investment properties	-	-	-	-	2,900	2,900
Property and equipment	-	-	3,075	2,475	70,145	75,695
Intangible assets	26,622	39,934	-	-	-	66,556
TOTAL ASSETS	1,357,451	5,965,704	995,455	692,406	117,780	9,128,796
Liabilities						
Due to banks	-	820,895	10,921	145,662	-	977,478
Customer deposits	1,060,828	4,388,400	867,080	510,491	-	6,826,799
Other liabilities	-	32,822	19,162	4,793	114,156	170,933
TOTAL LIABILITIES	1,060,828	5,242,117	897,163	660,946	114,156	7,975,210
Internal Funding (net)	296,623	723,587	-	31,460	(1,051,670)	-
TOTAL EQUITY	-	-	98,292	-	1,055,294	1,153,586
TOTAL LIABILITIES & EQUITY	1,357,451	5,965,704	995,455	692,406	117,780	9,128,796

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
₹'000
39. Segmental information (continued)

	Retail Banking	Wholesale Banking	Islamic Banking	KSA Branch	Head Office	Total
31 December 2024						
PROFIT AND LOSS						
Net interest income	35,778	133,718	-	544	-	170,040
Net income from Islamic financing and investments	-	-	10,953	-	-	10,953
Other operating income	17,572	41,271	5,035	75	-	63,953
Total Operating Income	53,350	174,989	15,988	619	-	244,946
Total Operating Expenses	(36,276)	(51,178)	(6,533)	(4,422)	-	(98,409)
Net Operating Income Before Impairment Provisions	17,074	123,811	9,455	(3,803)	-	146,537
Loan impairment charges and other credit risk provisions (net)	(2,268)	(34,302)	(1,096)	(194)	-	(37,860)
Gain on bargain purchase	-	-	-	-	9,234	9,234
Profit before tax	14,806	89,509	8,359	(3,997)	9,234	117,911
Income tax expense	(2,221)	(14,255)	(1,254)	-	-	(17,730)
Profit for the year	12,585	75,254	7,105	(3,997)	9,234	100,181
Other comprehensive income/(loss)	-	(612)	(496)	-	-	(1,108)
Total comprehensive income	12,585	74,642	6,609	(3,997)	9,234	99,073
FINANCIAL POSITION						
Assets						
Cash and balances with Central Bank	-	179,180	23,304	469	-	202,953
Due from banks	-	489,878	71,774	78	-	561,730
Investment securities	-	2,068,049	45,244	5,736	-	2,119,029
Loans, advances and Islamic financings (net)	1,192,828	2,312,266	681,482	83,232	-	4,269,808
Other assets	-	21,468	2,498	564	33,439	57,969
Investment properties	-	-	-	-	2,900	2,900
Property and equipment	-	-	2,387	2,667	69,310	74,364
Intangible assets	28,799	43,199	-	-	-	71,998
TOTAL ASSETS	1,221,627	5,114,040	826,689	92,746	105,649	7,360,751
Liabilities						
Due to banks	-	556,046	14,173	94	-	570,313
Customer deposits	1,083,534	3,994,315	697,461	1,730	-	5,777,040
Other liabilities	-	20,627	5,790	1,903	86,772	115,092
TOTAL LIABILITIES	1,083,534	4,570,988	717,424	3,727	86,772	6,462,445
Internal Funding (net)	138,093	543,052	18,900	89,019	(789,064)	-
TOTAL EQUITY	-	-	90,365	-	807,941	898,306
TOTAL LIABILITIES & EQUITY	1,221,627	5,114,040	826,689	92,746	105,649	7,360,751

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
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₹'000
40. Business combination – Purchase consideration and identifiable net assets acquired

The merger by incorporation with HBON has been accounted for using the acquisition method of accounting. Accordingly, assets acquired, liabilities assumed, and consideration exchanged are recorded at estimated fair value on the acquisition date.

The purchase consideration (also referred to as “purchase price”) has been allocated to the acquired assets and liabilities using their fair values at the merger date. The calculation of the purchase consideration and its allocation to the net assets of the merged entity is based on their respective fair values as of the merger date and the resulting gain on bargain purchase is detailed below.

Gain on bargain purchase represents the difference between purchase consideration and fair value of identifiable net assets.

The fair value of identifiable assets and liabilities of HBON as at 31 December 2024 are as follows:

	31 December 2024
Assets	
Cash and balances with Central Bank	456,817
Due from banks	477,913
Investment securities	62,087
Loans and advances (net)	1,123,979
Other assets	38,913
Property and equipment	19,977
Intangible assets (Note 13)	79,174
	<u>2,258,860</u>
Liabilities	
Due to banks	65,728
Customer deposits	1,654,871
Other liabilities	94,329
	<u>1,814,928</u>
Fair value of net identifiable assets at merger date (a)	443,932
Less: Consideration for the merger	
Ordinary shares	106,216
Fair value reserve on acquisition	(11,411)
	<u>94,805</u>
Fair value of shares issued	248,142
Cash	<u>342,947</u>
Total consideration paid (b)	342,947
Gain on bargain purchase (a) – (b)	<u>100,985</u>
Recognized in the statement of comprehensive income	
For the year ended 31 December 2023	91,751
For the year ended 31 December 2024	9,234
	<u>100,985</u>

41. Comparative figures

Certain comparative figures for 2024 have been reclassified to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit for the year or shareholders’ equity.