

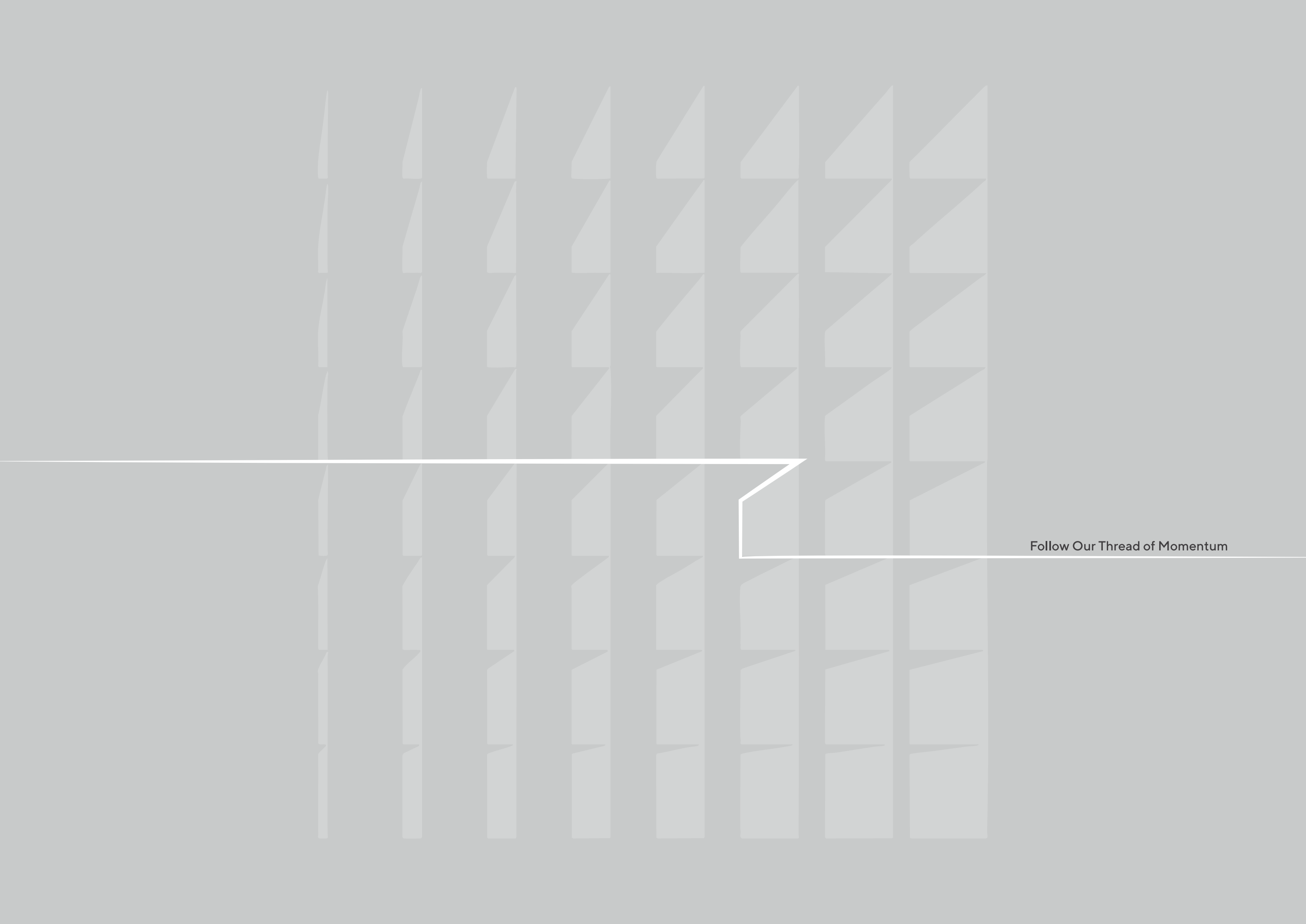
MOMENTUM

R I S I N G

THIS IS OUR **VELOCITY**
THIS IS OUR **TRAJECTORY**
THIS IS **MOMENTUM RISING**



A N N U A L R E P O R T 2 0 2 5



Follow Our Thread of Momentum



HIS MAJESTY
SULTAN HAITHAM BIN TARIK

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

SPEECH OF HIS MAJESTY
SULTAN HAITHAM BIN TARIK

11 January 2025

VISION & VALUES



OUR VISION

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

ROOTED IN OMAN.

Moving Forward.

OUR VALUES



Be straight-up

Act with honesty, courage,
and kindness.



Be open-minded

Listen openly, encourage ideas,
embrace innovation, welcome
feedback.



Do the right thing

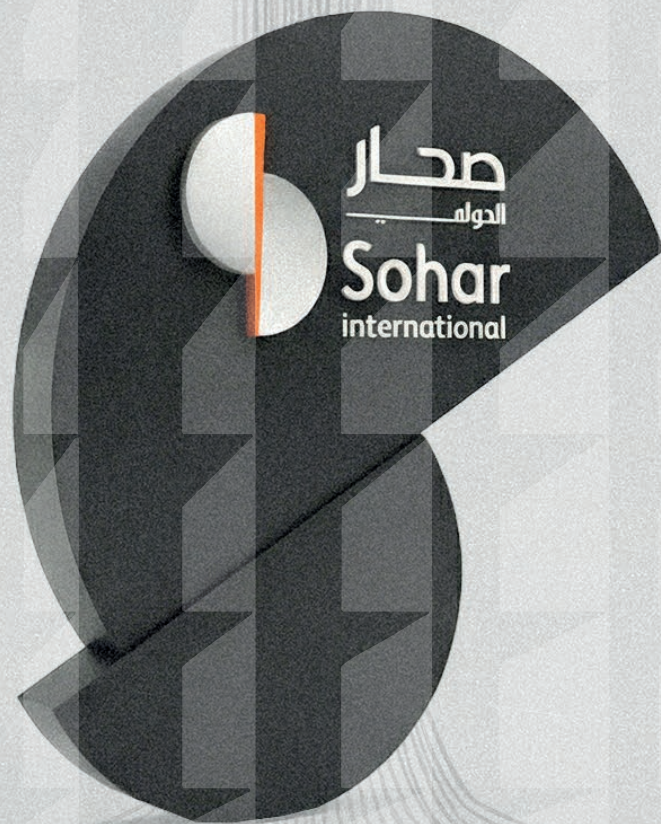
Take responsibility, make the
tough calls, think of others.



Make it better

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

INTRODUCTION



**Momentum is built through
direction, continuity, and
forward movement.**

As Oman advances through a period of national transformation, progress is shaped by institutions that invest with purpose, govern with discipline, and plan beyond the immediate horizon. Through steady advancement, informed decision-making, and consistent execution, we continue to strengthen resilience, enable growth, and support an economy that moves forward with confidence.

THIS IS MOMENTUM RISING.

This is Sohar International.

AWARDS



**Contribution to Capital
Markets Development Award**

MEIRA Annual Conference 2025



Alam Al-Iktisaad Awards 2025

Leadership in Enabling National Initiatives and Progress



IFN Awards

Most Innovative Islamic Bank in Oman



Employer Branding Awards

Middle East Best Employer Brand



New Age Banking Summit

Best Bank – Growth



New Age Banking Summit

Most Innovative CSR Initiative



Leading Corporate for Investor Relations in the Financial Sector award

MEIRA Annual Conference 2025



Alam Al-Iktisaad Awards 2025

Best Performing Company



DLive Awards

Bank of the Year in
Digital Innovation

Oman CX Forum

CX Team of the Year



New Age Banking Summit

Best Digital Transformation Initiative



IFN Awards

IPO Deal of the Year 2024



Apex Media Awards

Oman's Most Trusted Brand 2024

IMPACT THAT MOVES
the Nation Forward

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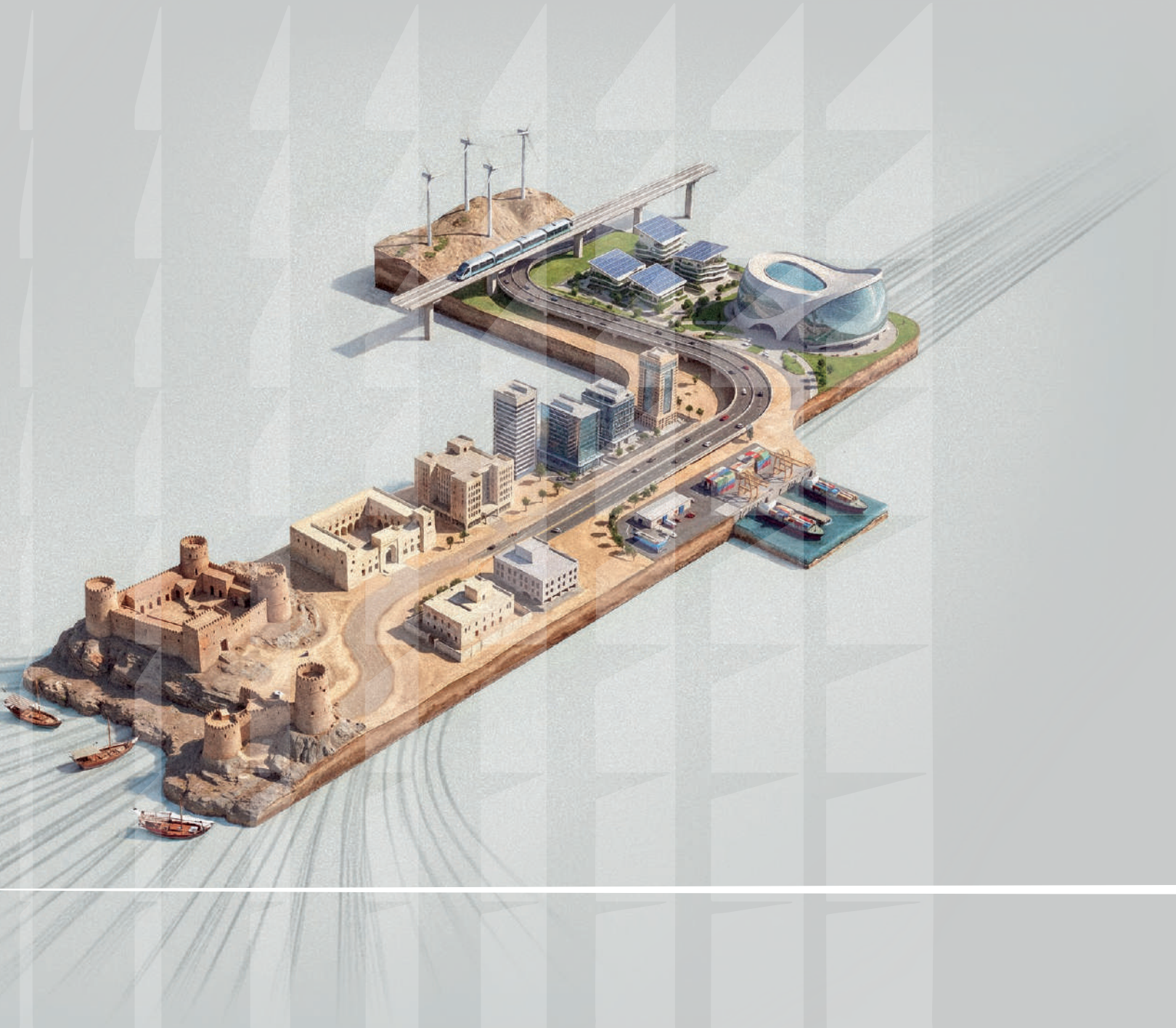
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BOARD OF DIRECTORS



BOARD OF
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GUIDING PROGRESS
with National Purpose



SAID MOHAMED AL-AUFI
Chairman



**TAREQ MOHAMED
AL MUGHEIRY**
Deputy Chairman



**SALIM MOHAMED
AL MASHAIKHI**
Director



SAID AHMED SAFRAR
Director



**SHEIKH AIMEN AHMED
SULTAN AL HOSNI**
Director



**GHUSEN HILAL ABDULLA
AL ABRI**
Director



**AHMED DAWOOD
AL BUSAIDI**
Director

CHAIRMAN'S REPORT

PERSPECTIVE SHAPED
by Responsibility to Oman

CHAIRMAN'S REPORT



Said Mohamed Al-Aufi

Strategic execution characterised 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 the 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 **₹ 9,129 million** of which loans, advances and Islamic financing (net) increased by 35% to **₹ 5,764 million**. Customer deposits increased by 18% to **₹ 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 **₹ 1,154 million** includes **₹ 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 Bowsheer 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 decarbonisation, 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 Athman 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 Loyal Muscat, COMEX, Omani Night celebrations, and major performances such as the Abdul Majeed Abdullah concert, 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.

CORPORATE GOVERNANCE



STABILITY THAT
Sustains Progress

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DISCLOSURES
SOHAR ISLAMIC

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

Private and confidential
Our ref.: aud/pg/ma/25431/26

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

To the Board of Directors of Sohar International Bank SAOG

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

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

Responsibilities of Sohar International Bank SAOG

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

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

Practitioners' Responsibilities

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

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

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



Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

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

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

Procedures and Findings

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

S. No	Procedures	Findings
1	We checked that the corporate governance report (the Report) issued by the Board of Directors includes as a minimum, all items suggested by FSA to be covered by the Report as detailed in the Annexure 3 of the Code by comparing the Report with such suggested content in the Annexure 3. With respect to the procedure above, we have not checked the completeness of the information presented in the Report.	No exceptions noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by Sohar International Bank SAOG Board of Directors for the year ended 31 December 2025. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2025.	No exceptions noted.

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

KPMG



KPMG LLC
Date: 9 March 2026
Muscat, Oman

Enclosures:
Sohar International Bank SAOG Corporate Governance Report

1. PHILOSOPHY ON CORPORATE GOVERNANCE:

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

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

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

The Bank’s Corporate Governance Framework requires that the Board of Directors, and the Shari’a ‘Supervisory Board (“SSB”) for its Islamic Banking Window (Sohar Islamic), and management shall:

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

2. BOARD OF DIRECTORS:

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

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

2.1 Composition and classification of the Board:

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

Table 1: Composition and classification of the Board

Name of Director	Category	Represents
Said Mohamed Al-Aufi / Chairman	Non-Executive	Independent
Tareq Al Mugheiry / Deputy Chairman	Non-Executive	Independent
Said Ahmed Safrar	Non-Executive	Independent
Salim Mohammed Al Mashaikhi	Non-Executive	Independent
Ahmed Said Al Mashani ¹	Non-Executive	Non-Independent
Bipin Dharamsey Nensey ²	Non-Executive	Independent
Ahmed Al Busaidi	Non-Executive	Independent
Ghusen Hilal Al Abri ³	Non-Executive	Non-Independent
Sheikh Aimen Ahmed Al Hosni ⁴	Non-Executive	Independent

1 His term expired on 26th of March 2025.

2 His term expired on 26th of March 2025.

3 Was elected on 26th of March 2025.

4 Was elected on 26th of March 2025.

2. BOARD OF DIRECTORS (CONTINUED)

2.2 Profile of Directors:

Said Mohamed Al-Aufi – Chairman

Said Mohamed Al Aufi is the Chief Executive Officer of an investment fund company owned by the Government of the Sultanate of Oman that manages a multi-asset class portfolio in the Financial Services, Fintech, Technology and Commodities sectors. Earlier, Said Al Aufi worked in the Asset Allocation and Business Strategy team in the Oman Investment Authority (“OIA”).

He has a Double Degree in Commercial Law & Banking and Finance from Monash University in Australia, he is a Chartered Financial Analyst “CFA” and Chartered Alternative Investment Analyst “CAIA”. He has also completed several executive management programs in the areas of executive leadership, Blockchain, Cryptocurrency, Fintech, Artificial Intelligence, Internet of Things (IoT) and Venture Capital. He holds various Board memberships in multiple sectors.

Tareq Al Mugheiry – Deputy Chairman

Tareq Al Mugheiry is the Chief Investment Officer of Oman Investment Corporation SAOC (OIC). Prior to joining OIC, Tareq Al Mugheiry worked with several international companies including Philips Electronics in corporate strategy and mergers & acquisitions; J.P. Morgan in investment banking covering the European technology sector; and Oman LNG’s project finance team. He holds a Bachelor of Law (LLB) and Bachelor of Commerce (B. Com) from the University of Western Australia.

In addition to his role as Deputy Chairman of Sohar International’s Board of Directors, He is a member of the Credit Approval Committee (CAC), and the Executive Nomination and Remuneration committee (ENRC).

Said Ahmed Safrar – Director

Said Ahmed Safrar holds a Master’s in Business Administration (MBA) from the University of Hull in the UK, a Business Management Diploma from King’s College Bournemouth in the UK and a specialised Diploma from the Arab Academy for Banking and Financial Science in Jordan. Said Safrar has over 24 years of experience in the Banking and Telecommunications Sector, he is Board member of The Financial Corporation (FINCORP) and Dhofar Power, currently He holds the position of Chief Executive Officer of Dhofar International Development and Investment Holding Co SAOG (DIDIC).

In addition to his role as a member of Sohar International’s Board of Directors, He is the Chairman of the Credit Approval Committee (CAC) and member of Executive, Nomination and Remuneration committee (ENRC).

Salim Mohamed Masaud Al Mashaikhi – Director

Salim Mohamed Masaud Al Mashikhi holds a Bachelor’s Degree in Mathematics, and has retired from the Royal Court Affairs, with an experience exceeding 33 years.

In addition to his role as a member of Sohar International’s Board of Directors, he is the Chairman of the Board Audit Committee, and a member in the Board Risk and Compliance Committee (BRCC).

Ahmed Said Mustahil Al Mashani – Director

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

Bipin Dharamsey Nensey – Director

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

Ahmed Dawood Al Busaidi – Director

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

2. BOARD OF DIRECTORS (CONTINUED)

2.2 Profile of Directors (continued)

Sheikh Aimen Ahmed Sultan Al Hosni - Director

Sheikh Aimen Ahmed Sultan Al Hosni holds extensive leadership experience spanning over two decades across the aviation, insurance, investment, and financial services sectors. He has served in chairmanship and Board membership roles at both local and international levels, demonstrating a strategic vision focused on operational efficiency, infrastructure development, and service excellence. Furthermore, Sheikh Aimen Al Hosni led Oman Airports, steering the organisation toward global recognition through award-winning service quality and continuous development. His expertise in strategic planning and execution, combined with his commitment to adopting the latest technologies and best practices, ensures exceptional travel experience for passengers while contributing to the economic growth of the Sultanate. Beyond his corporate leadership, Sheikh Aimen Al Hosni distinguished himself through his academic involvement as a lecturer in human resources, contributing to knowledge transfer and skills development. He also played a prominent role in the sports sector as the President of Al-Khaboura Sports Club, where he made significant contributions to the advancement of sports. His commitment to both professional and public service enhances his standing as a prominent figure in the Omani aviation sector and the broader economic landscape.

2.3 Board of Directors – Executive Powers:

Sohar International’s Board of Directors:

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

During the year under review, the Board has:

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

The Board of Directors has approved the Standards of Professional Conduct, which cover the standards of conduct expected by the Directors and the Senior Management of the Bank. The purpose of this Code is to articulate the highest standards of honesty, integrity, ethical and law-abiding behavior. The Board has approved the Quarterly Reports released in 2025 and recommended the annual financial statements and report to the shareholders for approval and have reported about the ongoing status of the Bank with supporting assumptions and qualifications as necessary. The Board has taken steps to comply with rules, regulations and best international practice, reviewing compliance reports prepared by the Bank’s management of all applicable provisions of the law. Sohar International’s Board of Directors has exercised all such powers and performed all such acts as the Board is authorised to exercise and do. The Bank prepares a Management Discussion and Analysis report which is included as a separate section in the Annual Report.

2.4 Meetings and Remuneration of the Board:

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

2. BOARD OF DIRECTORS (CONTINUED)

2.4 Meetings and Remuneration of the Board (continued)

Table 2: Sitting fees paid to Directors during 2025 are given below:

Sl. No	Name	Sitting fees paid during 2025
1	Said Mohamed Al-Aufi	10,000
2	Tareq Mohamed Al Mugheiry	10,000
3	Said Ahmed Safrar	10,000
4	Salim Mohamed Al Mashaikhi	10,000
5	Ahmed Said Al Mashani	2,100
6	Bipin Dharamsey Nensey	2,100
7	Ahmed Al Busaidi	10,000
8	Ghusen Hilal Al Abri	8,100
9	Sheikh Aimen Ahmed Al Hosni	9,300
Total:		₹ 71,600

The total number of meetings of the full Board during the year 2025 was 8. The maximum interval between any two meetings followed rule (10) of the 2nd principle of the FSA’s Code of Corporate Governance, which requires meetings to be held within a maximum time gap of four months. The dates of the meetings of the Board of Directors, and its sub-committees during the year 2025, along with attendance in each meeting, are presented separately in the following tables.

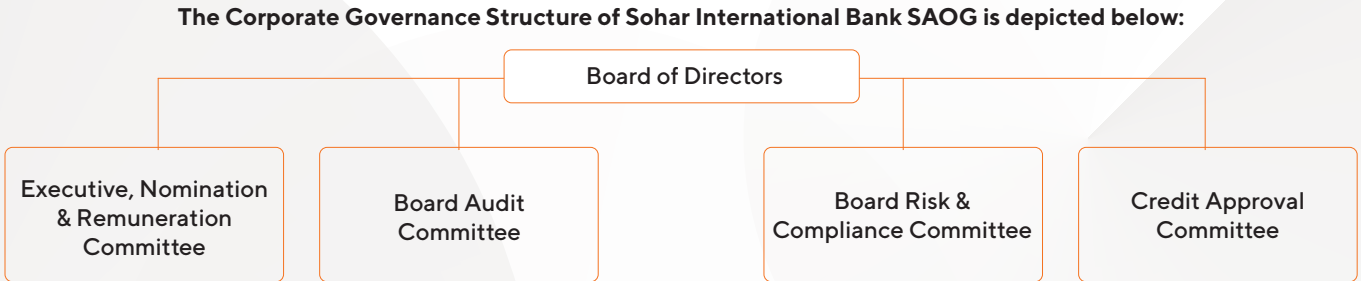
Meetings of Board of Directors held in 2025 and dates on which they were held								
Name of Director	1 Jan	28 Jan	26 March	07 April	30 April	27 July	28 Oct	14 Dec
Said Mohamed Al-Aufi	✓	✓	✓	✓	✓	✓	✓	✓
Tareq Al Mugheiry	✓	✓	✓	✓	✓	✓	✓	✓
Said Ahmed Safrar	✓	✓	✓	✓	✓	✓	✓	✓
Salim Al Mashaikhi	✓	✓	✓	✓	✓	✓	✓	✓
Ahmed Said Al Mashani	✓	✓	-	-	-	-	-	-
Bipin Dharamsey	✓	✓	-	-	-	-	-	-
Ahmed Al Busaidi	✓	✓	✓	✓	✓	✓	✓	✓
Ghusen Hilal Al Abri	-	-	✓	✓	✓	✓	✓	✓
Sheikh Aimen Al Hosni	-	-	✓	✓	✓	✓	✓	✓

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

An amount of **₹ 300,000** was paid in 2025 as Board remuneration for the year ended 31st December 2024. The remuneration paid was within the limit prescribed under applicable laws and regulations.

2.5 Committees of the Board

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



2. BOARD OF DIRECTORS (CONTINUED)

2.5 Committees of the Board (continued)

Table 3: Board Sub-Committees meetings held in 2025 / Number of meetings attended					
Name of Director	Executive, Nomination & Remuneration Committee (ENRC)	Board Audit Committee (BAC)	Credit Approval Committee (CAC)	Board Risk & Compliance Committee (BRCC)	Attendance of AGM – March 2025
Said Mohamed Al-Aufi	6	4	-	-	Present
Tareq Al Mugheiry	6	-	7	-	Present
Said Ahmed Safrar	6	-	7	-	Present
Salim Al Mashaikhi	-	4	-	3	Present
Ahmed Said Al Mashani	-	1	-	-	Absent
Bipin Dharamsey Nensey	-	-	1	-	Absent
Ahmed Al Busaidi	3	3	-	3	Present
Ghusen Hilal Al Abri	3	-	-	3	Present
Sheikh Aimen Al Hosni	3	-	6	-	Present

2.5a Executive Nomination & Remuneration Committee:

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

ENRC Meetings held in 2025 and dates on which they were held						
Name of Director	1 st of Jan	28 th of Jan	23 rd of March	30 th of April	28 th of Oct	14 th of Dec
Said Mohamed Al-Aufi	✓	✓	✓	✓	✓	✓
Said Ahmed Safrar	✓	✓	✓	✓	✓	✓
Tareq Al Mugheiry	✓	✓	✓	✓	✓	✓
Ahmed Al Busaidi	✓	✓	✓	-	-	-
Ghusen Al Abri	-	-	-	✓	✓	✓
Sheikh Aimen Al Hosni	-	-	-	✓	✓	✓

2.5b Board Audit Committee (BAC):

The main functions of the Board Audit Committee are to assess and review the financial reporting system of the Bank to ensure that the financial statements are correct, sufficient and credible. The Committee reviews with management the quarterly and annual financial statements before their submission to the Board for adoption. The Committee also reviews the adequacy of internal control systems and structure of Internal Audit Department. The Committee also holds discussions with the internal auditors / external auditors on significant findings on the control environment. The role of Chief Internal Auditor is to provide assurance that the management control framework used within the Bank is operating effectively. The Chief Internal Auditor reports directly to the Board Audit Committee.

BAC Meetings held in 2025 and dates on which they were held				
Name of Director	28 January	27 April	27 July	28 October
Salim Al Mashaikhi (Chairman)	✓	✓	✓	✓
Said Mohamed Al-Aufi	✓	✓	✓	✓
Ahmed Said Al Mashani	✓	-	-	-
Ahmed Al Busaidi	-	✓	✓	✓

2. BOARD OF DIRECTORS (CONTINUED)

2.5 Committees of the Board (continued)

2.6c Credit Approval Committee:

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

CAC Meetings held in 2025 and dates on which they were held							
Name of Director	5 th of Feb	22 nd of April	22 nd of May	3 rd of Aug	10 th of Sep	29 th of Oct	28 th of Dec
Said Safrar (Chairman)	✓	✓	✓	✓	✓	✓	✓
Tareq Al Mugheiry	✓	✓	✓	✓	✓	✓	✓
Bipin Dharamsey	✓	-	-	-	-	-	-
Sheikh Aimen Al Hosni	-	✓	✓	✓	✓	✓	✓

2.6d Board Risk & Compliance Committee:

The Board Risk & Compliance Committee (BRCC) assists the Board discharge its responsibilities of oversight and governance in relation to the risk performance of the Bank. The Committee is responsible, among other things, for making recommendations to the Board on the risk appetite of the Bank in relation to credit, interest rate, market, liquidity and operational risk. The Committee ensures the implementation of a risk strategy and policy in addition to ensuring that a robust risk framework is in place within the Bank, which optimises the quality and return on deployment of assets. The Committee also provides guidance and direction on all credit, market, interest rate, liquidity and operational risk policy matters. The Committee also reviews the adequacy of regulatory compliance, regulatory reporting. The role of Chief Compliance Officer is to ensure that the Bank complies with all the laws, rules and regulations as applicable under the regulatory framework in the Sultanate of Oman, and international best practice.

BRCC Meetings held in 2025 and dates on which they were held			
Name of Director	24 th of April	27 th of Aug	15 th of Dec
Ahmed Al Busaidi (Chairman)	✓	✓	✓
Salim Al Mashaikhi	✓	✓	✓
Ghusen Al Abri	✓	✓	✓

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

Biography of Shari'a Supervisory Board Members:

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

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

Sheikh Nasser Yousuf Al Azri (Deputy Chairman)

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

Dr. Mohammad Abdul Rahim Sultan Al Olama (Member)

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

Shari'a Supervisory Board attendance & remuneration for 2025

Table 5: Attendance & Remuneration – Shari’a Supervisory Board for year 2025							
Name of Shari’a Board Members	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Attended	Meeting allowance (ﷲ)	Annual Remuneration (ﷲ)
Sheikh Al-Mu'tasim Al Maawali	✓	✓	✓	✓	✓	500	20,000
Sheikh Nasser Yousuf Al Azri	✓	✓	✓	✓	4	500	20,000
Dr. Mohammad Abdul Rahim Sultan Al Olama	✓	✓	✓	✓	4	500	20,000

4. MANAGEMENT TEAM:

Management of the Bank has been entrusted by the Board to the Bank's Management Team. The Management Team keeps the Board of Directors informed on all issues concerning the operations of the Bank and takes directions from the Board on matters that concern and affect the business of the Bank, and the objectives it should pursue. In the interest of good governance, the management team places all key information before the Board, where it forms part of the agenda papers.

4.1 Profile Senior Management Team (as of December 31st, 2025):

Abdulwahid Mohamed Al Murshidi

Chief Executive Officer

Abdulwahid Mohamed Al Murshidi has been a driving force at Sohar International since July 2019, steering the Bank through a period of accelerated growth, transformation, and strategic repositioning. Under his leadership, Sohar International has emerged as one of Oman's fastest-growing financial institutions and a trusted national strategic partner, playing a pivotal role in advancing the ambitions of Oman Vision 2040. His leadership is defined by a clear long-term vision focused on sustainable value creation, innovation-led growth, and institutional excellence. Al Murshidi is deeply committed to strengthening the Bank's resilience and future readiness, championing digital transformation, responsible banking practices, and a performance-driven culture that consistently delivers value to customers, shareholders, and the wider economy. His strategic approach balances growth with governance, innovation with discipline, and ambition with sustainability.

With more than 22 years of experience across core banking disciplines—including Audit, Finance, Investment, and Islamic Banking—he brings a holistic and forward-looking perspective to leadership. Prior to joining Sohar International, he held senior executive roles within the banking sector, where he played a central role in reinforcing governance frameworks, building institutional capabilities, advancing customer-centric operating models, and embedding a culture of innovation, accountability, and high performance. He holds an Executive MBA from London Business School and a Bachelor of Science Degree from Sultan Qaboos University (SQU), reflecting a strong academic foundation that underpins his strategic thinking and leadership philosophy. Al Murshidi's career is marked by a continuous commitment to professional development, global best practices, and leading with purpose to shape a resilient and competitive financial institution that is future ready.

Khalid Al Guthami

Country Chief Executive Officer of KSA Branch

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

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

Khalil Salim Al Hedaifi

Chief Government & Private Banking Officer

Khalil Salim Al Hedaifi joined Sohar International in October 2018 as the Chief Retail Banking Officer. One of his key responsibilities is to develop the Bank's business franchise. With over 19 years of experience, Khalil Al Hedaifi is a dynamic leader with pioneering experience in achieving business growth objectives in mid-sized as well as large, established organisations. His vast experience brings him expertise in banking business in general and in areas of Retail Banking, Wealth Management, Strategic Planning, Product Management, and People Management. He started his career in the year 2000 with a local bank in Oman and has worked with other national and international banks in Oman and Qatar throughout his professional life before joining Sohar International as the Retail Banking Division Head. Khalil Al Hedaifi holds an MBA Degree from Northampton University and has also received an Administration Certificate from Oxford Cambridge and RSA.

Dr. Manish Dhameja⁵

Chief Wholesale Banking Officer

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

⁵ Resigned on 27th of April 2025.

4. MANAGEMENT TEAM (CONTINUED)

4.1 Profile Senior Management Team (as of December 31st, 2025) (continued)

Aziz Al Jahdhami

Chief International Banking Officer

Aziz Al Jahdhami has joined Sohar International in December 2018 and is currently serving as the Chief International Banking Officer at Sohar International. He is a highly experienced banking professional. With a career spanning over 15 years in the banking industry, He has developed a strong expertise in various aspects of Wealth Management, Private Banking, and Investment Management. His proven track record & achievements in these areas have been instrumental in the growth of several local and international banks. Aziz Al Jahdhami holds two Executive Management certifications from prestigious institutions such as the University of Cambridge and the London Business School. These qualifications have further enhanced his skills and knowledge in managing financial institutions effectively. Additionally, he has also achieved both Undergraduate and Postgraduate Degrees from the University of London in the United Kingdom.

Abdul Qadir Al Sumali

Chief Retail & Premier Banking Officer

Abdul Qadir Al Sumali joined Sohar International in August 2023 as Chief Retail & Premier Banking Officer. With over 25 years of experience, Abdul Qadir Al Sumali is an experienced banker with vast knowledge and expertise in field of Retail Banking. Prior to joining Sohar International, Abdul Qadir Al Sumali was General Manager and the Head of Wealth and Personal Banking at one of the prominent local banks and has made notable contributions in the retail banking business. He is a knowledgeable leader with rich experience who combines his passion for customers and investing in people with personal integrity and discipline. He holds an MBA from Durham University Business School, United Kingdom.

Sajeel Bashiruddin

Chief Technology & Digital Officer

Sajeel Bashiruddin joined Sohar International in 2021 and currently holds the Chief Technology & Digital Officer role, wherein he is responsible for Information Technology, Enterprise Project Management Office, FinTech & spearheading Digital Banking functions of the Bank to drive Digital Transformation. With over 20 years of experience, Sajeel Bashiruddin reserves an entrepreneurial spirit and has led large-scale digital transformation in the sector. While strategy development, leadership, and innovation are key areas he places increased emphasis on, he has also introduced new digital revenue streams via Fintech partnerships, led cohesive digital ecosystem transformations, spearheaded business expansions and led transitions to be a data-driven organisation. He started his career in 2003 and have held key positions in banks in the Kingdom of Saudi Arabia and Oman. He holds a Master's Degree in Computer Applications, Bachelor's Degree in Business Management and is also a Certified Artificial Intelligence Business Professional.

Craig Barrington Bell

Chief Financial Officer

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

Majid Nasser Al Busaidi

Chief Risk Officer

Majid Nasser Al Busaidi joined Sohar International in November 2020 as Chief Risk Officer. He has over 17 years of professional experience across different functions of the Banking sector. His experiences and responsibilities include developing risk management strategies, overseeing and assessing the Bank's risk mitigations both internally and externally, and reporting to the Board of Directors. Prior to his role in Sohar International, he was Heading the Division of Credit Review in a popular Omani bank. Majid Al Busaidi holds a Bachelor Degree in Finance from College of Economy and Political Studies at Sultan Qaboos University (SQU).

Khalid Khalfan Al Subhi

Chief Compliance Officer

Khalid Khalfan Al Subhi joined Sohar International in December 2016. He has over 19 years of extensive experience as a Central Banker in various areas like banking, insurance and administration. His experience and responsibilities included conducting risk-based examinations/audits, corporate governance, Capital adequacy, various business processes, control framework, and much more. Khalid Khalfan Al Subhi holds a Bachelor's Degree in Banking and Financial Sciences (CBFS) from the Arab Academy for Banking and Financial Sciences, and has completed his Higher Diploma in Administrative Procedures from the South Devon College, UK.

4. MANAGEMENT TEAM (CONTINUED)

4.1 Profile Senior Management Team (as of December 31st, 2025) (continued)

Hamood Khalfan Al Aisri

Chief Internal Auditor

Hamood Khalfan Badar Al Aisri is a qualified Chartered Certified Accountant with over 25 years of professional experience across different functions of the Banking sector. He has been associated with Sohar International since December 2020 and prior to his current role in Sohar International, he was Chief Internal Auditor in one of the local banks. Hamood Khalfan Badar Al Aisri holds Senior Leadership qualification from London Business School, and Islamic Financial qualification from Chartered Institute of Investment & Security – UK.

Mahira Saleh Al Raisi

Chief People Officer

Mahira Saleh Al Raisi joined Sohar International in October 2007 and currently holds the Chief People Officer role. With extensive experience of over 21 years in managing Human Resources in the Banking sector, she has supported the achievement of the Bank's strategy successfully through the deployment of the best Human Capital Management Policies & Practices in line with the Bank's strategic objectives. Responsible for developing and executing Human Resource Strategy in support of the overall business plans, specifically in the areas of talent acquisition, talent management, succession planning, change management, Organisational & performance management, capability development and total rewards. Mahira Saleh Al Raisi holds a Bachelors Degree and Diploma in Human Resources Management & Development from University of Leicester-UK. She also holds a Post Graduate Diploma in Management from Institute of Leadership & Management and Leading Strategy Execution Certificate in Financial Services from Harvard Business. She is the Deputy Chairman of Human Resources Committee of Oman Banker's Association. She is also a member of College Advisory Committee in College of Banking and Financial Studies in Oman.

Hamood Abdullah Al Sawai

Chief Operating Officer

Hamood Abdullah Al Sawai joined Sohar International in December 2021 as Chief Operations Officer. With over 22 years of experience, Hamood Abdullah Al Sawai is an experienced banker with vast knowledge and expertise in field of Operations. Prior to joining Sohar International, he was the Deputy General Manager at one of the prominent local banks and has made notable contributions in conceptualising and implementing robust strategies to enhance operational efficiencies. He is a knowledgeable leader with rich experience who combines the values of the business & technical expertise, with his personal integrity and commitment. Hamood Abdullah Al Sawai holds an MBA Degree from Bedfordshire University and has completed his Bachelor's in Finance & Investment from Cairo University.

Elsamawal Abdulhadi Idris

Chief Legal & Governance Officer

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

Dr. Saud Al Shidhani

Chief Corporate Services Officer

Dr. Saud Al Shidhani joined Sohar International in August 2023 as Chief Transformation Officer. With a seasoned banking professional with over 25 years of experience in the industry, Dr. Saud Al Shidhani is an experienced banker with vast knowledge and expertise in various areas of banking including risk management, retail business, overseas operations, cost management, business excellence & technology. Prior to joining Sohar International, Dr. Saud Al Shidhani was the Chief Operating Officer at one of the prominent local banks and has made notable contributions in streamlining operational efficiency and driving digital transformation initiatives. Dr. Saud Al Shidhani holds a PHD in Accounting and Finance from the University of Cambridge, an MBA Degree from the College of Banking Oman and a Diploma in Banking and Finance from Binary University.

Dr. Mazin Mahmood Al Raisi

Chief Marketing Officer

Dr. Mazin Mahmood Al Raisi is the Chief Marketing Officer at Sohar International, a role he assumed in 2022. With over 25 years of experience, Dr. Mazin has been a driving force in shaping the Bank's marketing journey since joining in 2007, where he was among the key individuals who established the Marketing Department. He played a pivotal role in the successful launch of Bank Sohar and Sohar Islamic, and later in the major rebranding project that transformed Bank Sohar into Sohar International – conceptualising innovative strategies to strengthen its brand presence across diverse markets. Recognised for his passion, professionalism, and leadership, Dr. Mazin's contributions have been instrumental in positioning Sohar International as one of Oman's most progressive financial brands. He also leads the Bank's Corporate Social Responsibility initiatives, fostering partnerships that create lasting impact within the community. Dr. Mazin holds a Doctorate in Business Administration (DBA) from Coventry University in the United Kingdom. He also holds an MBA from the University of Strathclyde, UK, and a Bachelor's Degree in Marketing from the University of Missouri, St. Louis, USA. In addition, he is a certified brand manager and has completed an executive marketing program at the London Business School.

4. MANAGEMENT TEAM (CONTINUED)

4.1 Profile Senior Management Team (as of December 31st, 2025) (continued)

Eng. Aisha Al Saifi⁶

Chief Transformation Officer

Eng. Aisha brings with her extensive international experience in business development, project management, and the development of integrated value propositions, alongside hands-on expertise in the strategic management of multi-disciplinary organisations. Throughout her career, she has held senior leadership roles at Royal HaskoningDHV, ASYAD Group, and the Nazdaher Program. Her global exposure includes leading major infrastructure and economic strategy projects and restructuring operating models to drive organisational transformation. She is an engineer by background, a Chevening Scholar, and a graduate of the National CEO Programme from the Royal Academy of Management. She also holds a Master's Degree in International Development.

Saeed Ali Hamdan Al Hinai

Group Treasurer

Saeed Ali Hamdan Al Hinai is a seasoned banking professional with over 30 years of experience in corporate banking, investments, and treasury management. As Sr. EVP & Head of Global Markets at Sohar International, he leads treasury operations, liquidity management, and financial risk strategies. Over the course of his career, he has held various leadership roles across the banking sector. He also chairs the Treasurer Committee at the Oman Bankers Association (OBA) and serves as Vice President of the ACIFM Oman Chapter, actively contributing to the advancement of treasury practices in the region. Saeed Ali Hamdan Al Hinai holds an MBA in Finance and Sustainability from the University of Cumbria, UK and is a PhD candidate in Business Administration at the University of Northampton.

Hisham Hassan Moosa

Senior Executive Vice President & Head – Project Financing and Global Banking

Hisham Hassan Moosa joined Sohar International in May 2023 and currently serves as the Sr. EVP & Head – Project Financing and Global Banking. With nearly two decades of experience, he has developed deep expertise in wholesale banking, risk management, and financial institutional relationships. Prior to joining Sohar International, he held several senior leadership roles in the financial sector, where he managed multi-billion-dollar corporate portfolios, arranged major syndication deals, and played a pivotal role in credit and relationship management. Hisham Hassan Moosa holds a Bachelor of Science in Accounting from Sultan Qaboos University and a Postgraduate Certificate in Finance and Management from the University of Bradford. He is also a Certified Credit Analyst by Moody's Analytics and a registered faculty member at the College of Banking and Financial Studies (CBFS).

Abbas Hassan Al Lawati

Senior Executive Vice President & Head – Investment Banking, FIG and International Operations

Abbas Hassan Al Lawati is a highly experienced investment banking professional with over 20 years of expertise in capital markets, financial advisory, and strategic transactions. Serving the Bank for more than five years, he currently holds the position of Senior Executive Vice President & Head – Investment Banking, FIG and International Operations, where he plays a key role in driving complex, high-impact financial initiatives across the region. Throughout his career, He has led and advised on some of Oman's most significant financial transactions, including the country's largest IPO, major private equity deals, sovereign sukuk issuances, and fintech acquisitions. His areas of expertise span mergers and acquisitions, capital markets, financial restructuring, and strategic advisory. Abbas Hassan Al Lawati holds an MBA in Strategy and Entrepreneurship from IE Business School in Madrid. He earned his Bachelor's Degree in accounting and finance from the American University of Sharjah.

Ali Taqi Jaafar Hassan

Senior Executive Vice President & Head – Commercial Banking

Ali Taqi Jaafar Hassan joined Sohar International in August 2023 and is currently serving as the Sr. EVP & Head of Commercial Banking. He is a seasoned banking professional with over a decade of leadership experience in corporate and commercial banking across Oman's financial sector. Prior to joining Sohar International, he held key leadership roles in the banking industry, where he played a central role in corporate banking, trade finance, and major integration processes. He holds an MBA and a B.Sc. (Hons) Degree in Accounting and Finance from the University of Bradford, UK and is recognised for his expertise in strategic planning, credit risk, and governance.

Fahad Akbar Al Zadjali

Head of Sohar Islamic

Fahad Akbar Al Zadjali joined Sohar International in 2007 and is currently serving as the Head of Sohar Islamic. With a career spanning over 25 years in the banking sector, he has accumulated extensive expertise in both conventional and Islamic banking, specialising in business and product development as well as credit administration. Prior to his current role, Fahad Akbar Al Zadjali led Sohar Islamic's Retail Division, where he played a pivotal role in driving growth and operational excellence. His leadership has played a role in guiding Sohar Islamic's progress, contributing to its growth and development over the past decade. Fahad Akbar Al Zadjali's leadership is characterised by a strategic planning, exceptional ability to foster cross-departmental collaboration, and a steadfast commitment to organisational success. He is recognised for his ability to build strong relationships and his proven track record of delivering results in challenging and competitive environments. Academically, Fahad Akbar Al Zadjali holds an MBA from Buckinghamshire University, UK, and has completed advanced qualifications in strategic management and leadership from ILM and OTHM, UK.

4. MANAGEMENT TEAM (CONTINUED)

4.2 Remuneration of senior managers for the year 2025:

The total remuneration paid/accrued to the top management executives of the Bank for the year 2025 was **﷮** 2,868,830. This remuneration includes salary, allowances, gratuity, pensions and performance related incentives.

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

The Board of Directors is elected by the shareholders of the Bank at the Annual General Meeting. The term of office of the Board of Directors is for a maximum period of three years, subject to re-election. The Board reports to the shareholders at the Annual General Meeting (AGM) or specially convened general meetings of the shareholders. The meetings of the shareholders are convened after giving adequate notice and with detailed agenda notes being sent to them. The Board comprised of seven members, elected by the shareholders at the Bank's AGM on 31 March 2025 for a period of three years. The Board exercised its right to appoint alternate directors to fill vacant seats on the Board.

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

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

6. DIVIDEND POLICY:

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

7. STATEMENT OF COMPLIANCE:

The Board of Directors of the Bank have been appointed in line with the guidelines of the Commercial Companies Law of Oman and in accordance with the regulations of the Central Bank of Oman. The Board of Directors has complied with all the guidelines for the appointment of Directors prescribed by the Commercial Companies Law of Oman and the Central Bank of Oman's regulations with reference to eligibility. The Board of Directors of the Bank consists of seven directors from among shareholders and non-shareholders. The Directors of the Bank affirm that no member of the Board:

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

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

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

In the last three years, the Bank paid a total amount of **﷮** 241,600 in penalties to both the Central Bank of Oman "CBO" and the Financial Services Authority "FSA". The Bank has addressed the issues and is taking time-bound rectification measures.

8. CHANNELS OF CONTACT WITH SHAREHOLDERS AND INVESTORS:

Sohar International has endeavored to establish meaningful relations with its shareholders and investors. The Bank is committed to ensure timely disclosure and communication of all material to the shareholders and the market regulators. The Bank has provided investor-related information in the quarterly, half-yearly reports and the Annual Report as per the statutory guidelines and the terms of the Bank's listing agreement. The Annual Report includes, *inter alia*, the report of the Board of Directors, Corporate Governance report, Management Discussion and Analysis report and the Audited Financial results. The management has taken responsibility for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report of the Bank. The summary of the Annual Report will be sent to all shareholders of the Bank in line with the rules for the same as stipulated by the Financial Services Authority. Additionally, the Bank has posted the financial statements on its website www.sib.om.

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

8.1 Sohar International Shares – Market Price

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

Table 6: Sohar International Shares - Market Price				
Month 2025	Sohar International Share Price [؄]			MSX Banks & Investment Index Closing [؄]
	High	Low	Closing	
January	0.141	0.139	0.140	7824.033
February	0.135	0.130	0.135	7739.695
March	0.130	0.127	0.130	7690.733
April	0.132	0.131	0.131	7641.100
May	0.142	0.141	0.141	7941.945
June	0.141	0.139	0.141	7849.626
July	0.143	0.140	0.142	8120.054
August	0.147	0.145	0.145	8372.129
September	0.148	0.145	0.146	8524.917
October	0.162	0.160	0.160	9228.599
November	0.158	0.154	0.158	9212.147
December	0.159	0.156	0.158	9908.904

8.2 Distribution of share ownership:

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).

As of 31 December 2025, the following shareholders held 5% or more of the Bank’s capital:

Name of Shareholder	Holding (%)
Royal Affairs Court	19.406 %
Dhofar International Development & Investment Co (SAOG)	13.119 %
The Seventh Moon Investments LLC	6.388 %
Neptune National Investments LLC	5.526 %
Western Sea Investments LLC	5.378 %

9. STATUTORY ACCOUNTS:

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

10. AUDITOR’S PROFILE:

About KPMG

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

During the year 2025 an amount of [؄] 170,420 was charged by external auditors against the audit and tax related services rendered by them to the organisation ([؄] 92,220 for audit of bank’s conventional and Islamic banking operations, [؄] 15,900 for Shari’a audit, [؄] 20,800 for Audit of KSA Branch, [؄] 20,140 for certifications and other agreed upon procedures, and [؄] 21,360 for half-yearly review of financial statements of the Bank.

11. RIGHTS OF SHAREHOLDERS:

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

12. RELATED PARTY TRANSACTIONS, DEALINGS AND POLICY:

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

13. CONCLUSION:

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

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

MANAGEMENT



TRANSLATING AMBITION INTO
Forward Momentum

BOARD OF
DIRECTORS

CORPORATE
GOVERNANCE

MANAGEMENT

FINANCIAL
STATEMENTS
SOHAR
INTERNATIONAL

REGULATORY
DISCLOSURES
SOHAR
INTERNATIONAL

SOHAR ISLAMIC

FINANCIAL
STATEMENTS
SOHAR ISLAMIC

REGULATORY
DISCLOSURES
SOHAR ISLAMIC

CONTACTS



ABDULWAHID MOHAMED AL MURSHIDI
Chief Executive Officer



SAJEEL BASHIRUDDIN
Chief Technology & Digital Officer



HAMOOD ABDULLAH AL SAWAI
Chief Operating Officer



KHALID KHALFAN AL SUBHI
Chief Compliance Officer



KHALIL SALIM AL HEDAIFI
Chief Government & Private
Banking Officer



ABDUL QADIR AL SUMALI
Chief Retail & Premier
Banking Officer



CRAIG BARRINGTON BELL
Chief Financial Officer



DR. MAZIN MAHMOOD AL RAISI
Chief Marketing Officer



ENG. AISHA AL SAIFI
Chief Transformation Officer



**ELSAMAWAL ABDULHADI
IDRIS MOHAMMED**
Chief Legal & Governance Officer



MAJID NASSER AL BUSAIDI
Chief Risk Officer



HAMOOD KHALFAN BADAR AL AISRI
Chief Internal Auditor



MAHIRA SALEH AL RAISI
Chief People Officer



SAEED ALI HAMDAN AL HINAI
Group Treasurer



HISHAM HASSAN MOOSA
Senior Executive Vice President & Head -
Project Financing and Global Banking



ABBAS HASSAN AL LAWATI
Senior Executive Vice President & Head -
Investment Banking & FIG



KHALID AL GUTHAMI
Country Chief Executive Officer
of KSA branch



AZIZ AL JAHDHANI
Chief International Banking Officer



ALI TAQI JAAFAR HASSAN
Senior Executive Vice President & Head -
Commercial Banking



FAHAD AKBAR AL ZADJALI
Head of Sohar Islamic

MANAGEMENT DISCUSSION AND ANALYSIS



GLOBAL ECONOMY

The global outlook for 2026 is shaped by a climate of cautious optimism amid heightened uncertainty. While opportunities for growth continue to emerge across several regions, the global economy remains sensitive to evolving geopolitical developments, shifting trade dynamics, and the pace of monetary policy adjustments. As a result, policymakers and market participants are approaching the year with measured expectations, carefully assessing risks while navigating a complex and rapidly evolving environment.

Divergence continues to shape the global landscape, with advanced and emerging economies navigating different growth trajectories amid varying fiscal capacities, monetary conditions, and structural priorities. Advanced markets are contending with the effects of elevated debt levels and tighter financial environments, while many emerging economies are drawing momentum from domestic demand, expanding services sectors, and targeted public investment. This multi-speed environment is influencing capital flows, investment appetite, and cross-border financial dynamics, reinforcing the importance of adaptive economic strategies.

Geopolitical realignments remain a central force influencing global trade and supply-chain design. Businesses and governments continued to accelerate diversification efforts in 2025 to mitigate external shocks, prompting shifts in trade routes, manufacturing hubs, and energy demand patterns. These adjustments, though gradual, are creating opportunities in logistics, industrial modernisation, and reconfigured energy systems.

Fiscal consolidation remains a central focus for many economies as governments work to balance growth-supportive spending with long-term debt sustainability. At the same time, environmental commitments and the global shift toward low-carbon development continue to influence investment priorities, with climate-focused financing steadily expanding across public and private sectors. Parallel to these efforts, rapid advancements in artificial intelligence, automation, and digital infrastructure are reshaping productivity models, intensifying technological competition, and driving significant changes in workforce capabilities worldwide.

GCC ECONOMY

The macroeconomic landscape across the GCC remains steady at the start of 2026, supported by ongoing diversification efforts and strengthened policy frameworks. Growth across the region continues to be driven by robust performance in sectors such as tourism, logistics, manufacturing, and financial services, reflecting long-term investment programs and the progressive advancement of transformation initiatives.

Non-oil GDP continues to play an increasingly central role in regional performance, highlighting the momentum of transformation agendas being pursued across GCC nations. These efforts aim to strengthen private-sector participation, enhance the business environment, and build more competitive and innovative economies capable of withstanding shifts in global demand and energy markets.

Fiscal policy remains a key anchor of stability. Governments across the region continue to prioritise spending efficiency, strategic investment, and prudent debt management. Substantial financial buffers and accumulated public assets further enhance the GCC's resilience and its capacity to navigate external volatility.

Investment entities across the region also play an important role in shaping long-term economic direction, deploying capital toward global opportunities as well as domestic priorities in technology, infrastructure, advanced industries, and emerging clean-energy segments, including renewables and green-hydrogen development. At the same time, accelerated development of digital infrastructure and the expansion of fintech ecosystems are strengthening financial inclusion, improving service accessibility, and supporting the region's transition toward more technologically enabled growth.

Regional growth prospects will be shaped by the GCC's continued policy execution, the strengthening of domestic economic engines, and the region's ability to leverage stable energy markets while advancing diversification priorities.

OMAN ECONOMY

Oman's economic landscape is shaped by steady structural progress and a strengthening foundation for long-term, broad-based development. The country's growth trajectory increasingly reflects advances in institutional frameworks, sectoral capabilities, and an operating environment that is becoming more dynamic and conducive to investment.

National priorities under Oman Vision 2040 continue to guide the direction of economic transformation, with policy efforts focused on enhancing resilience, improving regulatory efficiency, and enabling a more agile private sector. Rising levels of private investment and growing interest from foreign investors are contributing to the expansion of productive capacity, supported by clearer investment pathways and a business climate designed to attract high-quality, long-term capital.

Sectoral development remains an important pillar of diversification. Manufacturing is broadening into higher-value segments, while Oman's strategically located ports and logistics assets reinforce its position as a regional distribution and trade hub. Food security, agri-tech, and fisheries have also gained strategic momentum, supported by targeted initiatives aimed at strengthening supply chains, promoting sustainable practices, and building long-term national resilience.

Tourism and services continue to support economic activity through expanding hospitality, cultural, and leisure offerings. At the same time, progress in renewable energy and emerging green-hydrogen opportunities highlights Oman's commitment to developing future-oriented industries aligned with global energy transitions.

Fiscal governance remains central to macroeconomic stability, with disciplined expenditure management, improved revenue systems, and medium-term frameworks strengthening long-term sustainability. Stable inflation, targeted regulatory reforms, and ongoing enhancements in digital and administrative systems reinforce policy predictability and investor confidence.

Investments in human capital, entrepreneurship, and digital transformation continue to advance Oman's evolution toward a more productive, innovation-driven economy. These developments, alongside rising private-sector participation and consistent execution of national priorities, emphasise a confident and resilient outlook for 2026.

OMAN BANKING SECTOR

Year 2026 begins on a stable and resilient footing, supported by sound balance sheets, healthy liquidity positions, and continued improvements in asset quality. The sector operates under a well-established regulatory framework overseen by the Central Bank of Oman (CBO), whose emphasis on prudent supervision, disciplined capitalisation standards, and forward-looking regulatory development continues to reinforce financial stability.

Credit activity remains supported by steady demand across key areas of the non-oil economy, with financing directed toward manufacturing, trade, transport, and a wide range of service industries. Lending to households and small and medium enterprises continues to expand in line with broader economic needs, supported by strengthened credit practices and a more diversified portfolio structure across banks.

Islamic banking maintains its growth trajectory within the dual-banking framework, supported by rising customer adoption, broader product suites, and continued institutional maturity. The segment's growing contribution to system-wide assets reflects both market demand and the sound regulatory environment guiding Shari'a-compliant financial services.

The regulatory landscape continues to evolve, with the CBO advancing initiatives that support a more dynamic and future-oriented financial system. Recent developments in open banking and fintech enablement are promoting greater competition and innovation within the sector, while enhanced supervisory approaches—particularly in areas linked to ESG considerations—are contributing to more transparent and resilient financial practices. These efforts reflect a broader shift toward regulatory frameworks that encourage responsible growth, strengthen consumer protection, and ensure that technological progress is aligned with long-term financial stability.

Digital transformation remains a defining trend, as banks further develop digital channels, strengthen cybersecurity, and integrate technology-driven improvements. These efforts are complemented by expanding capabilities in data intelligence and automation, supporting more responsive and efficient service models across the sector.

Sustainability-linked financing is increasingly gaining attention across commercial and Islamic institutions, reflecting a gradual integration of environmental and social considerations within credit decisions and product design.

Liquidity conditions remain comfortable, supported by effective balance-sheet management and a stable deposit base. Strong governance practices, transparent reporting standards, and disciplined provisioning continue to define sector performance and uphold the integrity of the financial system.

The sector continues to evolve in line with regulatory expectations and market needs, reflecting the steady modernisation of financial services and the growing sophistication of Oman's broader economic landscape.

FINANCIAL PERFORMANCE

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

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

Total operating expenses increased by 13% to **ﷵ** 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 **ﷵ** 26.2 million compared to **ﷵ** 37.9 million last year.

Total assets increased by 24% to **ﷵ** 9,129 million of which loans, advances and Islamic financing (net) increased by 35% to **ﷵ** 5,764 million. Customer deposits increased by 18% to **ﷵ** 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 **ﷵ** 1,154 million includes **ﷵ** 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%.

SUSTAINABLE GROWTH & STRATEGY

A significant milestone in Sohar International’s growth journey during the year was the official inauguration of its Riyadh branch, marking the Bank’s first full international branch presence. This expansion strengthened the Bank’s regional footprint and enabled deeper engagement with one of the GCC’s most dynamic and rapidly evolving markets, supporting cross-border trade, investment flows, and regional connectivity in line with the outward-looking economic objectives of Oman Vision 2040. The branch enhances Sohar International’s capacity to support clients operating across Oman and Saudi Arabia through trade finance, treasury, and transaction banking services, while contributing to revenue diversification and regional client acquisition.

Building on this momentum, Sohar International further expanded its international outreach through its presence in the Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China—one of the world’s leading financial centres and a strategic gateway to Asian markets. This step further reinforces the Bank’s role in facilitating trade corridors between Oman and Asia, supporting clients engaged in import-export activities, structured trade solutions, and cross-border investments. The Hong Kong presence strengthens the Bank’s ability to connect Omani businesses with global supply chains and capital flows, aligning with Oman Vision 2040’s objectives of economic diversification and enhanced global integration.

This outward expansion has been matched by strong market recognition, with Sohar International’s market capitalisation growing by 202% between 2021 and 2025. This sustained upward trajectory reflects robust financial performance, disciplined strategic execution, and growing investor confidence in the Bank’s long-term value creation and growth strategy.

Further reinforcing its cross-border strategy, Sohar International signed a strategic Memorandum of Understanding with the East African Chamber of Commerce, Industry and Agriculture (EACCIA), under which the Bank serves as the preferred banking partner for Chamber members operating in Oman. Through this partnership, Sohar International enhances financial connectivity, facilitates investment flows, and strengthens economic cooperation between Oman and East African markets, supporting the broader diversification and global integration priorities of Oman Vision 2040.

This strong international expansion and market recognition have been underpinned by solid core business performance in 2025. Sohar International recorded loan growth of 35% and deposit growth of 18.2%, reflecting accelerated asset expansion supported by a well-balanced funding base. This disciplined growth demonstrates the Bank’s ability to scale sustainably while preserving liquidity strength.

In parallel, the Bank achieved the highest market share gains in both loans and deposits since the beginning of the year on an annualised basis, reinforcing its position as one of the fastest-growing institutions in the market. These gains highlight effective strategy execution, successful client acquisition across key segments, and deepening customer confidence—further strengthening Sohar International’s competitive standing and long-term growth trajectory.

PIONEERING OMAN’S DIGITAL TRANSFORMATION

During 2025, Sohar International reinforced its position as Oman’s definitive digital banking leader through the launch of more than 55 market-differentiating digital and technology capabilities. These included the Sultanate’s first Digital Debit Card, the first and only Multi-Currency Debit Card, the Digital Prepaid Card with instant issuance, and the Domestic Debit Card (Maal), contributing directly to national payments resilience in line with Central Bank of Oman objectives. Collectively, these initiatives set new benchmarks for accessibility, security, and customer empowerment within Oman’s financial sector.

Digital Innovation and Customer Platforms

The Bank delivered significant enhancements across retail and Islamic digital platforms, with the progressive rollout of new features designed to deepen functionality and improve user experience. The introduction of goal-based savings functionality empowered customers to plan and track financial objectives more effectively, while a broader suite of enhancements introduced earlier in the year — including expanded account-management tools, consolidated bill payments, automated recurring transfers, and additional lifestyle-linked digital features — further enriched everyday banking journeys. Rising adoption and transaction volumes across digital channels continued to reflect strong customer confidence and the sustained success of the Bank’s digital-migration strategy, with the proportion of mobile and online transactions reaching record levels by the end of the year.

The Bank broadened its digital ecosystem through new product introductions and strategic integrations. Google Pay was activated to enhance digital payment convenience, making the Bank the first local institution to enable all digital payment channels. In addition, the rollout of the E-Mandate (Direct Debit) product digitised and streamlined recurring debit collections for both retail and corporate clients, automating what was traditionally a manual process and enhancing convenience, security, and operational efficiency. The development of the Aqari Platform, in collaboration with the Ministry of Housing and Urban Planning, further demonstrated the Bank’s commitment to supporting nationally aligned digital initiatives.

The scale of adoption continued to validate the Bank’s digital-first strategy. Retail digital users increased by over 40% year-on-year, while corporate digital platform usage grew by almost 180%, reflecting strong enterprise uptake of mobile-first and API-enabled banking solutions. Within Wholesale Banking, digital penetration reached record levels, with the majority of remittances and transactional activity processed through digital channels, reinforcing Sohar International’s leadership in enterprise digitalisation.

Institutional and Enterprise Digitalisation

Corporate and SME digital solutions advanced further with the launch of an enhanced Corporate Mobile App, delivering a comprehensive suite of business banking capabilities, including transaction initiation, salary and bill payments, and real-time visibility across operations. Designed to meet the evolving needs of both corporate and small and medium enterprise clients, the app provides a secure, mobile-first platform that strengthens transparency and operational efficiency for businesses of all sizes. Improvements to Internet Banking, including real-time tracking of international transfers, further enhanced visibility and operational effectiveness for commercial clients.

The Bank’s payments and cash-management franchise continued to record strong momentum during the year. Growth in corporate card usage reached record levels, with transaction volumes exceeding 200 million, reflecting increased adoption of the Bank’s corporate payment solutions. In parallel, large-scale virtual account mandates were secured from leading corporate entities, while the deployment of more than 600 point-of-sale terminals across nationwide retail networks further strengthened the Bank’s acquiring and merchant-payments capabilities. Collectively, these initiatives reinforced payments and transaction banking as a core engine of fee-based income growth and liquidity generation.

Sohar International solidified its role in Oman’s evolving open-banking landscape through the launch of its Open Banking platform, facilitating secure, consent-based integrations with third parties. The expansion of the Bank’s API ecosystem supported embedded finance capabilities and created new opportunities for collaboration with fintech partners, accelerating the development of innovative, customer-centric financial solutions.

The Bank showcased AI-driven innovations at COMEX 2025 and continued to invest in emerging technologies, automation, and advanced analytics. These capabilities are enhancing personalisation, improving internal efficiencies, and strengthening data-driven decision making, positioning Sohar International to meet evolving market expectations and capitalise on future digital opportunities.

Fintech Partnerships and Ecosystem Expansion

Sohar International significantly expanded its fintech ecosystem during 2025, reinforcing its role as a key enabler of innovation within Oman’s digital economy. Through a series of strategic memoranda of understanding and platform integrations, the Bank partnered with fintech companies across digital payments, crowdfunding, e-commerce, logistics, insurance, and real estate, supporting the delivery of embedded financial services beyond traditional banking channels.

Leveraging its Open Banking infrastructure and API-enabled architecture, Sohar International integrated with platforms such as Mamun (crowdfunding), Behar (digital marketplace), Gift and Antom (digital payments), Bima (insurance), and Kushki (e-commerce), enabling new use cases across lending, payments, and customer acquisition. These partnerships expanded access to financial services, supported SME growth, and enhanced customer convenience through seamless, ecosystem-driven experiences.

The Bank also strengthened its presence across sector-specific ecosystems including logistics, tourism, telecommunications, and real estate, embedding financial services directly into digital platforms and enabling new transaction flows and deposit generation opportunities.

Collectively, dozens of fintech partnerships were established during the year, reinforcing Sohar International’s position as a leading platform-enabled bank and advancing its contribution to Oman’s digital transformation and innovation agenda.

Unified Digital Experience and Cybersecurity

Sohar International deepened its online presence with a unified corporate website redesign for Sohar International and Sohar Islamic, delivering improved accessibility, consistent navigation, and a modernised user interface. Cybersecurity remained central to the Bank’s digital agenda, with enhancements including ISO 27001 certification, advanced monitoring systems, and reinforced data-protection measures to safeguard customer information and maintain system integrity.

CUSTOMER CENTRICITY

At Sohar International, the customer remains central to strategic decision-making, shaping how products are designed, relationships are built, and services are delivered across every segment of the Bank. Rather than a segmented approach, the Bank’s customer strategy is anchored in lifecycle relevance, institutional partnership, and experience consistency, ensuring that financial solutions evolve alongside customer needs while reinforcing trust, accessibility, and long-term value creation.

These customer propositions were supported by enterprise-wide transformation initiatives aimed at strengthening service quality, frontline capability, and experience consistency. During the year, the Bank integrated the Contact Centre into the Customer Experience function under the Transformation portfolio, enhancing end-to-end ownership of customer journeys across physical and digital channels. This was further reinforced through the establishment of the Enterprise Quality Control function, ensuring that customer needs are systematically translated into reliable products, services, and delivery standards across retail, Islamic, and corporate segments.

Retail Banking

In Retail and Premier Banking, Sohar International continued to refine propositions that align financial solutions with key life stages and evolving customer expectations. The introduction of expatriate housing loans expanded access to home ownership, supporting the real estate sector while contributing to broader economic diversification objectives under Oman Vision 2040. Complementing this, the Bank enhanced auto-financing solutions with competitive pricing and flexible tenures, responding to changing mobility needs across customer segments.

A strong emphasis was placed on inclusive and purpose-driven propositions. The launch of ‘Be Zahiya’ and ‘Zahiya Plus’ marked a strategic step in redefining women’s banking in Oman, offering a holistic ecosystem that supports financial independence, lifestyle aspirations, and long-term financial planning. Youth and early financial engagement were similarly prioritised through enhancements to the Student Account and minor account propositions, complemented by targeted lifestyle offers and merchant discounts aimed at strengthening financial literacy, engagement, and disciplined saving habits from an early age.

Value-led engagement remained central to customer acquisition and retention strategies. Campaigns such as the 3% Cashback Credit Card initiative, delivered in partnership with Visa, demonstrated strong customer response, while time-bound promotional campaigns, including cashback-based card offers introduced during national occasions, further reinforced card usage and

transactional engagement. Digital-first products, including the Digital Prepaid Card with instant issuance, enhanced convenience and payment flexibility, while the introduction of Visa Click-to-Pay strengthened secure, frictionless online payment experiences. Strategic partnerships continued to enrich customer offerings, including collaboration with MetLife Gulf to introduce protection and savings solutions, and with SalamAir to deliver tangible lifestyle benefits through domestic travel privileges.

Through Sohar Islamic, the Bank continued to expand its Shari'a-compliant retail propositions, launching Signature, Gold, and Platinum Credit Cards alongside a tailored Salary Advance solution for government employees. These offerings were complemented by card-linked promotional and cashback initiatives, reinforcing value-driven engagement while ensuring that ethical banking solutions remain competitive, accessible, and aligned with evolving lifestyle needs.

The Private Banking proposition advanced into a more integrated and relationship-led ecosystem, catering to high-net-worth and ultra-high-net-worth individuals with bespoke financial solutions. By combining wealth advisory, curated lifestyle privileges, and multi-generational legacy planning, Sohar International strengthened its premium positioning while reinforcing long-term client relationships through selective strategic partnerships and personalised engagement models.

Corporate & Government Banking

Corporate Banking remains a core pillar of Sohar International's business model, reflecting the Bank's role in supporting national development, enabling large-scale economic activity, and deepening financial intermediation across the public and private sectors. Through its Government, Corporate, and SME Banking business lines, the Bank delivers integrated financial solutions that combine balance-sheet strength, transaction-banking capability, and advisory expertise to support priority sectors aligned with Oman Vision 2040. During the year, Sohar International continued to strengthen its institutional relevance by expanding House-Bank relationships, executing complex financings, and advancing public-sector financial governance, reinforcing its position as a trusted partner to government entities, corporates, and growing enterprises.

In parallel, Sohar International continued to play a pivotal role in financing nationally significant industrial and resource-development projects aligned with Oman Vision 2040, reinforcing growth through participation in sectors critical to long-term economic diversification and sustainability. Acting as Mandated Lead Arranger, the Bank led the USD 500 million green financing for United Solar Polysilicon, supporting the development of the largest polysilicon manufacturing facility outside China. This landmark transaction reinforces Oman's position within the global renewable energy value chain and advances the objectives of Oman Vision 2040 across renewable energy, advanced manufacturing, and green industrial development. It also demonstrates the Bank's capability to structure complex, sustainability-linked financing solutions that enable strategically significant projects. The Bank also led the USD 100 million financing for Mazoon Mining's Project Nohas, supporting the extraction of copper and gold reserves in Yanqal and enabling the monetisation of strategic natural resources. This project contributes directly to the Vision's goals of economic diversification, export expansion, and the development of non-hydrocarbon sectors, while enhancing domestic value creation and long-term fiscal sustainability.

Beyond structured lending, Sohar International's leadership in investment and capital-market services remained an integral component of its growth profile and contribution to national economic development. As Investment Manager of the Pearl REIF fund, the Bank continued to provide investors with access to diversified, Shari'a-compliant real estate investment opportunities, supporting capital mobilisation into priority asset classes aligned with long-term urban and economic development objectives under Oman Vision 2040. In equity capital markets, Sohar International acted as the sole Issue Manager for Asyad Shipping's Initial Public Offering, the second largest IPO in the country and one of the region's leading maritime logistics offerings. The IPO successfully raised ^{OMR} 128 million through an oversubscribed issuance, reflecting strong investor confidence and reinforcing the Bank's role in deepening capital markets, advancing privatisation initiatives, and enabling the growth ambitions of national and regional champions in line with the Vision's strategic priorities.

In Government Banking, Sohar International achieved significant scale and reinforced its institutional relevance as a trusted financial partner to ministries, authorities, and public-sector entities. Total government and public-sector deposits reached ^{OMR} 1.51 billion by November 2025, reflecting 78% year-to-date growth, while 16 ministries were onboarded as House-Bank clients. Near-complete digital transaction penetration across government accounts strengthened efficiency, transparency, and control, reinforcing the Bank's role in advancing public-sector digital transformation and operational modernisation.

A structured government-banking framework enabled streamlined engagement across multiple stakeholders, underpinned by centralised service models, digital enablement, and integrated transaction banking solutions. Further strengthening national financial governance, Sohar International signed a Memorandum of Understanding with the Ministry of Finance to implement the Treasury Single Account (TSA) initiative. As the first and only bank in Oman to deliver a full-scale rollout, the Bank played a pivotal role in enhancing public-sector liquidity management, operational efficiency, and fiscal oversight through centralised treasury processes.

To complement its Government Banking mandate, Sohar International established a dedicated Government Investment Advisory (GIA) capability, expanding its role beyond traditional banking into strategic advisory and capital mobilisation. By year-end, the unit had developed a pipeline of 15 advisory and fundraising transactions with an estimated aggregate value of approximately ^{OMR} 40 million, spanning real estate, tourism, healthcare, technology, and financial services. This capability strengthens the Bank's contribution to public-private collaboration, investment facilitation, and long-term economic development aligned with national priorities.

Across Corporate Banking, Sohar International continued to strengthen its role as a financial partner to large corporates and institutional clients, delivering growth aligned with national development priorities and Oman Vision 2040. The Bank played a pivotal role in financing nationally and regionally significant infrastructure and industrial projects. A landmark achievement during the year was the signing of a USD 500 million financing agreement with the Gulf Cooperation Council Interconnection Authority (GCCIA) to support the Oman-GCC Electrical Interconnection Project, a transformative initiative enhancing regional energy security, grid resilience, and long-term sustainability. Domestically, the Bank extended an ^{OMR} 63 million credit facility to Al Mouj Muscat, supporting a flagship urban development that contributes to modern infrastructure expansion, tourism growth, and economic diversification.

In parallel, Sohar International led financing for strategically important industrial and resource-development projects. Acting as Mandated Lead Arranger, the Bank structured the USD 500 million green financing for United Solar Polysilicon, supporting the development of the largest polysilicon manufacturing facility outside China and reinforcing Oman's positioning within the global renewable-energy value chain. The Bank also led the USD 100 million financing for Mazoon Mining's Project Nohas, supporting copper and gold extraction in Yanqal and enabling the monetisation of strategic natural resources that contribute directly to export growth, industrial diversification, and fiscal sustainability. These transactions reflect the Bank's capability in executing complex, long-tenor financings while managing sectoral risk within a disciplined credit framework.

This execution strength translated into solid financial momentum across wholesale and corporate portfolios. During the year, Sohar International recorded a 62% year-on-year increase in new credit limits, with more than two-thirds of facilities extended to new-to-bank clients. Funded assets expanded steadily, while deposits grew by 17%, driven predominantly by CASA balances as House-Bank relationships deepened across corporate and institutional segments.

Across Small & Medium Enterprises (SME), Sohar International deepened its role as a growth partner to enterprises operating across priority sectors of the economy. Participation in structured development and supply-chain-linked financing programs strengthened SME access to capital, particularly through anchor-led and development-backed initiatives that integrate SMEs into larger economic ecosystems. Escrow-based real-estate banking solutions further enhanced transparency and trust for developers and end customers, supporting responsible growth across the construction and property value chain.

SME growth was further supported by enhanced payments, cash-management, and transaction-banking capabilities, enabling businesses to optimise liquidity, improve receivables efficiency, and manage day-to-day operations more effectively. These solutions strengthened recurring deposit inflows and reinforced the Bank's role as a primary financial partner to SMEs, supporting their scalability and long-term sustainability within Oman's evolving economic landscape.

Branch and Channel Optimisation

Complementing digital expansion, the Bank continues to optimise its physical footprint to ensure accessibility and relevance. Strategic branch relocations to high-traffic commercial areas, alongside selective branch openings, enhanced customer convenience while aligning distribution channels with evolving usage patterns and service expectations.

During 2025, Sohar International continued to adopt a disciplined approach to branch and channel optimisation, ensuring that its physical footprint remains aligned with evolving customer behaviors, service expectations, and geographic demand. While the Bank's growth strategy increasingly prioritises digital channels, selective investments in the branch network were undertaken to enhance accessibility and customer experience in key locations.

As part of this approach, Sohar Islamic expanded its domestic footprint with the opening of new branches in strategic locations, including the inauguration of a new branch in Wilayat Bowsher, strengthening access to Shari'a-compliant banking services within the Muscat Governorate. Additional branch expansions were also announced across priority governorates, reinforcing Sohar Islamic's commitment to extending ethical, customer-centric financial solutions closer to the communities it serves.

In parallel, both Sohar International and Sohar Islamic continued to optimise their existing branch network through targeted enhancements, service upgrades, and channel alignment initiatives, ensuring that physical branches complement the Bank's rapidly expanding digital ecosystem. This balanced approach enables consistent service delivery across touchpoints while supporting long-term efficiency, accessibility, and customer convenience.

Service Quality and Experience Excellence

At Sohar International, enterprise-wide transformation initiatives were undertaken to strengthen service quality, frontline capability, and experience consistency. During the year, the Bank integrated the Contact Centre into the Customer Experience function under the Transformation portfolio, strengthening end-to-end ownership of customer journeys across both physical and digital channels. This was further reinforced by the establishment of the Enterprise Quality Control function, ensuring that customer insights are systematically translated into reliable products, services, and consistent delivery standards across retail, Islamic, and corporate segments.

Underpinning all customer segments is a disciplined focus on service quality and experience governance. Sohar International enhanced service delivery through centralised service frameworks, structured engagement models, and improved coordination across channels, ensuring consistency regardless of customer segment or touchpoint.

Customer experience governance was further strengthened through enterprise quality-control mechanisms, structured feedback validation, and disciplined service assurance frameworks spanning retail, Islamic, and contact-center operations. The introduction of a robust complaint-management and service-recovery framework enabled the resolution of over 90% of customer cases within service-level timelines, reinforcing transparency, accountability, and operational integrity. The rollout of the Voice of Customer initiative further embedded continuous feedback into service design, supporting a culture of responsiveness and ongoing improvement.

Service performance continued to exceed internal benchmarks. Customer Satisfaction (CSAT) reached 88%, and contact-center response rates averaged 92%, supported by disciplined service governance and enterprise-wide quality assurance. These outcomes reinforce the Bank's commitment to experience excellence across retail, Islamic, and corporate customer journeys.

EMPHASISING A PEOPLE-FIRST PHILOSOPHY

Sohar International's people-first philosophy remains integral to its long-term strategy, reflecting the Bank's conviction that sustainable performance is driven by the strength, adaptability, and engagement of its workforce. Through 2025, this philosophy continued to evolve beyond traditional talent development, placing greater emphasis on building organisational capability, leadership depth, and a culture that supports disciplined execution and continuous transformation.

Empowering Talent and Continuous Learning

Throughout the year, the Bank strengthened its approach to workforce development by aligning learning, technology, and leadership accountability with strategic priorities. Investment in digital enablement played a central role in this evolution, with tools such as Sohar|GPT, enhancing access to institutional knowledge and supporting more confident, informed service delivery across functions. This was reinforced by the continued development of the Sohar|Digital Academy, which remains a key platform for professional growth, technical upskilling, and role-specific capability building as the Bank adapts to a more digital and data-driven operating environment.

Capability building remained a strategic priority throughout the year. Sohar International delivered more than 25,000 learning hours across nearly 1,900 learners, supported by the Sohar Digital Academy and targeted leadership-development programs. A total of over 470 leadership and professional-development initiatives were conducted, strengthening execution capability, succession readiness, and enterprise leadership depth across the organisation.

Leadership development and succession planning were approached as long-term enablers of organisational resilience. Structured programs for high-potential talent, combined with the further maturation of succession and leadership continuity frameworks supported by the 9-Box methodology, helped ensure a sustainable pipeline of future leaders. These initiatives were complemented by collaboration with local institutions, aiding the development of market-ready Omani talent and reinforcing alignment with national human-capital objectives. At an enterprise level, transformation enablement frameworks strengthened execution discipline, embedding governance, cross-functional accountability, and change adoption into the Bank's operating model.

Advancing Leadership and Inclusion

Advancing inclusive leadership continues to be a core dimension of the Bank's people strategy. Through initiatives such as the latest edition of the 'Izdihaar' Women's Leadership Program, Sohar International reinforced its commitment to strengthening diversity, equity, and inclusion across leadership pathways. This focus reflects a broader effort to cultivate leadership models that are representative, future-oriented, and aligned with the Bank's evolving strategic ambitions.

In parallel, the 'Tomohi' program continued to play an important role in developing young Omani professionals through structured learning and mentorship. Its integration with the Ministry of Labor's Tawteen platform expanded accessibility and strengthened the Bank's contribution to national workforce development. Leadership development was further broadened across retail and enterprise populations, supported by accessible leadership engagement and employee-led capability-building initiatives that encourage shared ownership of growth and performance.

Employee Experience and Engagement

Sohar International continued to enhance employee experience as a foundation for sustained engagement. Flexible work arrangements, centralised service delivery, and increased digital enablement supported work-life balance while preserving operational efficiency. Progress in Omanisation remained steady, underpinned by targeted recruitment, career development, and mentorship programs aligned with national priorities.

A disciplined performance-management framework, supported by clearly defined KPIs and digital rewards and recognition mechanisms, reinforced a culture of accountability and continuous improvement. Ongoing feedback, wellness initiatives, and inclusion-driven engagement efforts further strengthened employee connection to the organisation and its strategic direction. These measures reflect the Bank's commitment to fostering a motivated, capable, and future-ready workforce that ultimately contributes to long-term value creation.

COMMITMENT TO SOCIETY AND NATIONAL ENGAGEMENT

Sohar International's engagement with society is anchored in its role as a national financial institution and reflects a deliberate strategy to generate long-term economic and social value. The Bank's approach is structured around two complementary pillars: direct community investment, focused on social inclusion and livelihood development; and strategic sponsorships and partnerships, designed to support national priorities while strengthening institutional relationships and business connectivity.

Community Investment and Social Impact

Sohar International's community philanthropy initiatives are designed to deliver measurable, outcome-driven impact, with a focus on financial inclusion, capability building, and the promotion of sustainable livelihoods. During the year, total community investment amounted to **﷮** 370,452, supporting community programs that address structural social needs while strengthening economic participation across diverse segments of society.

A key area of focus was livelihood sustainability and economic inclusion. The Bank launched an interest-free micro-financing initiative with a dedicated fund of **﷮** 100,000, benefiting 45 artisanal fishermen across Al Jazer, Shuwaymiyah, and Al Ashkharah. Implemented in partnership with the Ministry of Agriculture, Fisheries and Water Resources and the Bahar Platform, the initiative enabled beneficiaries to procure essential equipment, improve operational readiness, and access digital marketplaces, supporting income stability and long-term resilience.

In parallel, Sohar International advanced inclusive empowerment initiatives targeting underrepresented groups. In collaboration with the Ministry of Social Development, the Bank supported 40 Omani women with disabilities through home-based income-generating projects spanning textile handicrafts, tailoring, perfume production, and date packaging. The program focused on skills development, self-reliance, and sustainable household income generation.

Youth employability was further supported through the Tamkeen Training Program, implemented with Dar Al Atta Association, which equipped job seekers from low-income backgrounds with vocational skills across healthcare-related specialisations. The program was structured to enhance employability and align participant capabilities with market demand.

Women's economic participation remained a strategic priority. Through the Women SME Development Program, delivered in partnership with Sharakah, Sohar International supported a number of women-owned SMEs, resulting in an average revenue growth of 83% among participating businesses. Complementing this, the Bank served as Gold Sponsor of the Fashion Future Program in partnership with Dar Al Aseel, empowering a number of young Omani women through industry-specific training and international exposure, with the third edition scheduled for launch in 2026.

The Bank also deepened its contribution to Islamic social finance, supporting Zakat committees, Awqaf institutions, and endowment foundations. Initiatives included the opening of several Zakat committee accounts, enhanced Awqaf deposit mobilisation, targeted Hajj and Umrah support for low-income beneficiaries, and the establishment of endowment-linked structures to support SMEs and entrepreneurs.

Financial literacy and social awareness were reinforced through workshops delivered during Global Money Week, equipping young Omanis with practical financial skills and promoting responsible money management as a foundation for long-term economic participation.

SPONSORSHIPS, PARTNERSHIPS, AND NATIONAL ENGAGEMENT

In parallel with its structured community investment framework, Sohar International continued to implement a disciplined and strategically aligned sponsorship portfolio, supporting nationally significant platforms and sectoral initiatives that contribute directly to Oman's economic diversification, youth development, cultural continuity, and institutional advancement. Each engagement was evaluated against clear commercial and reputational criteria to ensure alignment with the Bank's long-term strategic objectives and Oman Vision 2040 priorities.

Supporting Sports and Youth Empowerment

Sport and youth engagement remained a cornerstone of the Bank's national contribution strategy. During the year, Sohar International supported major national and international sporting platforms, including the Muscat Marathon 2026, IRONMAN 70.3 Muscat, OCL 2025 Matches, the Oman World Cup of Snookers 2025, and the 52nd Muscat Open Golf Championship. The bank also partnered in dynamic youth-centric sporting initiatives such as Red Bull Four 2 Score, the Professional Academy of Football, and the Football Training Camp in Spain 2025 by Sporta Sport, reinforcing its commitment to structured athletic development and international exposure for Omani talent.

Beyond competitive sport, the Bank extended its support to youth development and leadership platforms including the DARB Youth Event, the Sharaka Graduation Program, the Tomohi Graduation Ceremony, and institutional induction initiatives such as the Induction Program for New Joiners (Batch 2). Through these engagements, Sohar International actively contributed to fostering leadership capability, teamwork, discipline, and professional readiness among emerging generations.

Enabling Cultural Enrichment and National Identity

In line with its commitment to preserving and promoting Oman's cultural heritage, Sohar International supported several nationally significant festivals and creative platforms. The bank formalised its engagement in the Khareef Dhofar Festival, including associated destination programs and the Refill 3 Event, as well as the Hamra Al Duroo Festival, and heritage-focused exhibitions such as the Honey and Dates Exhibition.

Support was also extended to creative and artistic platforms including the Al Den International Theatre Closing Ceremony, the Fashion Future Program Graduation Ceremony, and the Future Fashion Forward Graduation Signing Ceremony, contributing to the development of Oman's growing creative economy. Engagement with academic and institutional platforms, including events at the College of Medicine & Health Sciences, further reinforced the Bank's role in supporting intellectual dialogue and institutional collaboration.

Through these initiatives, Sohar International strengthened cultural expression, enabled community participation, and reinforced national identity across multiple sectors.

Promoting Tourism and Destination Development

Recognising tourism as a strategic pillar under Oman Vision 2040, Sohar International supported initiatives designed to enhance destination visibility and local economic ecosystems. The Bank sponsored tourist mobility vehicles in Nizwa Souq, contributing directly to visitor accessibility in heritage locations. Seasonal destination programming during Khareef Dhofar, as well as roadshows in Salalah Garden and Samahram Resort, further supported regional tourism flows.

Engagements such as the Green Mobility Event, Oman Balloons, and partnerships linked to Al Mouj Events and the Oman Motor Show 2025 reinforced the Bank's participation in tourism-linked experiential platforms. Collaboration initiatives including the Jet Bridges partnership with Oman Airports supported infrastructure-linked visibility and enhanced institutional connectivity within the broader tourism ecosystem.

Through these targeted interventions, the Bank contributed to strengthening destination-led economic activity and supporting SMEs and hospitality-linked sectors.

Advancing Economic Development and Institutional Collaboration

Sohar International maintained a strong presence across high-impact economic, financial, and innovation platforms. The Bank participated in and supported leading industry forums including the COMEX Global Technology Show, the NEW AGE BANKING SUMMIT 2025, the Business Leadership Summit 2025, the Oman CEO Forum, the Bonds, Loans & Sukuk Middle East 2025

Conference, and the Oman Petroleum & Energy Show (OPES). These platforms enabled structured dialogue around financial innovation, capital markets development, digital transformation, and sectoral growth.

The Bank further reinforced institutional collaboration through formal agreements and signing ceremonies, including the MOU with the Ministry of Culture, Sports and Youth, the MOU with OPAL, the MOU – Sidrah 4.0, the MOU with the Public Authority of Special Economic Zones & Free Zones, the MOU with Aliph Capital, the Sohar-IFC Signing Ceremony, the GCCIA Signing Ceremony, and the financing agreement with LIVA Insurance Group. These partnerships reflect the Bank’s role as a structured financial enabler across public and private sector ecosystems.

Additional engagement in employment and entrepreneurship platforms such as the Oman Career Fair – 2nd Edition and sector-focused exhibitions further supported SME development and national workforce integration.

Supporting Healthcare, Social Infrastructure, and Community Wellbeing

Beyond events and forums, Sohar International contributed to initiatives delivering direct and measurable societal impact. The bank supported the Interior Fit-Out Works for the Blood Bank Centre at Al Araiimi Boulevard (Al Khoudh), strengthening healthcare infrastructure accessibility. Community health and protection initiatives included support for the Blood Donation Award, the National Panel on Mental Health and Addiction, Patient Safety Day at Khoula Hospital, the Oman Cancer Association, and broader awareness initiatives such as the AIDS Walkathon and the Safety Awareness Campaign for Children.

The Bank also extended support to institutional social protection mechanisms through its sponsorship of the Social Protection Fund, reinforcing national wellbeing priorities and inclusive support structures.

Integrated Value Creation

Collectively, Sohar International’s sponsorships and partnerships reflect a structured and performance-aligned national engagement model – one that integrates social responsibility with commercial relevance and institutional sustainability. By deliberately aligning sponsorship decisions with Oman Vision 2040 objectives, sectoral growth priorities, and community development outcomes, the Bank continues to reinforce trust, enable inclusive growth, and contribute meaningfully to Oman’s long-term development agenda while maintaining disciplined governance and strategic coherence.

ESG: TODAY’S COMMITMENT FOR A SUSTAINABLE FUTURE

Sohar International’s Environmental, Social, and Governance (ESG) progress during the year was reflected in measurable outcomes across social impact, governance, and environmental performance. On the social front, the Bank maintained a 95% Omanisation rate, supported by continued investment in human capital, with employees averaging 3.2 learning days per year and a low staff turnover rate of 4.4%, underscoring workforce stability and engagement. Customer outcomes remained strong, with an 88% customer satisfaction rate, while community engagement totaled **﷮** 370,452 in direct community investment. Financial inclusion remained a priority, with **﷮** 152 million in SME lending, representing 2.75% of the Bank’s total lending portfolio, supporting entrepreneurship and economic participation across priority sectors.

From a governance and ESG oversight perspective, Sohar International achieved several key milestones. 100% of employees formally acknowledged the Code of Conduct, reinforcing ethical standards and accountability across the organisation. During the year, the ESG Policy was approved by the Board, accompanied by enhancements to the Bank’s ESG Framework. The Bank also completed its first Double Materiality Assessment, covering both impact and financial materiality, strengthening the integration of ESG considerations into strategy and risk management. Sustainable finance capabilities were further advanced through the introduction of a Sustainable Financing Framework and the implementation of an Environmental and Social Management System (ESMS) endorsed by the International Finance Corporation (IFC). In addition, the Bank secured an **﷮** 76.98 million green loan from IFC, supporting the expansion of sustainable financing activities. In March 2025, Sohar International Bank SAOG was designated as a Domestic Systemically Important Bank (D-SIB) by the Central Bank of Oman, reinforcing its governance responsibilities and systemic relevance.

Environmental performance was supported by continued measurement and targeted action. The Bank reported an emissions intensity of 0.52 kg CO₂e per **﷮** 1 of pre-tax profit, reflecting improved efficiency relative to scale. During the year, Sohar International expanded emissions measurement to include selected Scope 3 categories, covering waste, paper consumption, and employee commuting. In sustainable infrastructure finance, the Bank supported climate resilience through a **﷮** 192.45 million loan for smart electricity grid development, contributing to climate-risk mitigation and energy system resilience. Operationally, renewable energy adoption increased, with 6% of total electricity consumption sourced from solar energy, supporting the Bank’s transition toward lower-carbon operations.

A YEAR OF DISTINCTION

In 2025, Sohar International’s strategic execution, institutional strength, and market leadership were recognised through 14 prestigious local, regional, and international awards, spanning capital markets, innovation, brand trust, investor relations, digital transformation, and transaction-led growth. These high-credibility accolades provide independent validation of the Bank’s disciplined growth strategy, its ability to deliver complex mandates, and its role in enabling nationally significant initiatives.

The Bank’s capital markets capabilities were prominently recognised by Islamic Finance News (IFN), which awarded Sohar International and Sohar Islamic the IPO Deal of the Year for managing the region’s largest public offering, raising **﷮** 1.7 billion. Acknowledging innovation and differentiation, Sohar Islamic was also named Most Innovative Islamic Bank in Oman by IFN, recognising its leadership in advancing Shari’a-compliant financial solutions supported by digital capability and product innovation.

Brand strength and institutional trust remained defining themes throughout the year. Sohar International was honored as Oman’s Most Trusted Brand 2024 in the Local Bank category, reaffirming the Bank’s sustained focus on transparency, service quality, and long-term relationship building. This credibility was further reinforced through its inclusion in Forbes Middle East’s Top 100 Listed Companies, reflecting strong market standing, scale, and consistent financial performance within the regional banking landscape.

The Bank’s broader performance and national relevance were further recognised at the 14th Alam Al Iktisaad Awards, where Sohar International was awarded Best Performing Company – Large Cap and recognised for its Leadership in Enabling National Initiatives. These distinctions highlight the Bank’s ability to balance robust financial results with meaningful contribution to national development priorities, reinforcing its role as a systemically important institution within Oman’s economic landscape. This momentum continued at the Oman Banking Awards, where Sohar International received multiple honors, including Best Digital Transformation Initiative and Best Bank – Growth, underscoring its ability to translate strategic investments into scalable growth and operational excellence. Its digital leadership was further affirmed with the Bank of the Year in Digital Innovation award at the DLive Awards 2025, recognising enterprise-wide digital transformation and user-centric banking solutions across retail, corporate, and institutional segments.

Sohar International’s commitment to transparency and stakeholder engagement was also recognised internationally at the MEIRA Annual Conference 2025, where it received the award for Leading Corporate for Investor Relations in the Financial Sector, reflecting the strength of its investor engagement practices, disclosure standards, and disciplined market communication.

In parallel, the Bank’s transaction-led growth and product performance were acknowledged through industry partnerships. Recognition at the Visa Awards for Highest Growth in Corporate Card Business in Oman underscored Sohar International’s success in expanding its corporate payments franchise. Further reinforcing its experience-led differentiation, the Bank was named Best Customer Experience Team in Oman at the inaugural Oman CX Forum, highlighting the strength of its service governance, feedback frameworks, and customer experience delivery across channels.

As Sohar International continues to navigate an evolving economic and regulatory environment, the scale, consistency, and diversity of these recognitions reinforce its position as a leading financial institution delivering sustainable value to shareholders, customers, and the nation.

WAY FORWARD

Looking ahead, Sohar International enters 2026 from a position of strengthened scale, resilient balance-sheet capacity, and reinforced institutional relevance. While the macroeconomic environment points to gradual global stabilisation, it remains defined by a multi-speed growth landscape, evolving geopolitical dynamics, and continued sensitivity to interest-rate paths and capital-flow conditions. Within the GCC and Oman, diversification momentum, policy stability, and growing non-oil activity provide a constructive foundation for continued expansion, while the banking sector’s solid liquidity and improving asset quality support sustainable credit growth. Against this backdrop, the Bank’s priorities for the year ahead will be anchored in disciplined execution—balancing growth ambition with prudent risk management, capital strength, and operational resilience.

From a financial perspective, management will remain focused on strengthening earnings sustainability through a balanced mix of net interest income optimisation and fee-based revenues. Maintaining a strong liquidity position and prudent funding profile will continue to be a core management priority, supported by deepened CASA mobilisation and expanded House-Bank relationships across corporate and institutional segments. Capital management will remain central to supporting scalable growth, ensuring the Bank continues to maintain strong buffers and flexibility to capture high-quality opportunities across Oman and the wider region.

Strategically, Sohar International will continue to develop its regional platform and international connectivity through a measured and governance-led approach. The Bank’s presence in the Kingdom of Saudi Arabia will remain a key growth lever as the Riyadh branch matures, enabling deeper client engagement, increased cross-border transaction flows, and diversified revenue generation across the GCC corridor. Complementing its regional expansion, Sohar International is also strengthening its international footprint through its presence in Hong Kong (“Hong Kong”), one of the world’s leading financial centres and a critical gateway to Asian and global markets. The Hong Kong platform enhances the Bank’s ability to facilitate trade finance, correspondent banking, and cross-border investment flows between Oman, the GCC, and Asia. It also supports Omani corporates seeking access to Asian supply chains and capital markets, while enabling Asian investors and institutions to connect with emerging opportunities in Oman and the wider region. In parallel, the Bank will continue to pursue opportunities that enhance access to international markets and strengthen ecosystem partnerships, supporting long-term competitiveness and cross-border business origination across priority corridors spanning the GCC, Asia, and other strategic growth markets.

In Oman, the Bank will continue to prioritise growth aligned with Vision 2040 through targeted financing across strategic sectors, including infrastructure, industrial development, energy resilience, logistics, manufacturing, and sustainable resource development. Corporate and project finance execution will remain focused on transactions that strengthen national productive capacity and economic diversification, supported by disciplined portfolio management and sector concentration controls. In SME segment, the Bank will continue to expand structured and supply-chain-linked financing programs that integrate SMEs into large economic ecosystems, while enhancing advisory-led engagement and transaction-banking solutions that improve operating efficiency for growing businesses.

Government and institutional banking will remain a critical pillar of the Bank’s strategy, building on the scale achieved through deepened public-sector relationships and advanced transaction penetration. Management will continue to strengthen centralised service models, expand digital enablement across institutional clients, and deepen the Bank’s role in public-sector financial efficiency and governance through high-impact national initiatives. The Government Investment Advisory capability will be further positioned as a strategic enabler to support capital structuring, investment mobilisation, and public-private collaboration aligned with national priorities.

Digital leadership will remain a defining engine of competitiveness in 2026. Building on the strong momentum achieved through accelerated capability releases and rising adoption, management’s focus will shift increasingly toward enterprise-wide digital execution that enhances scalability, reduces friction, and strengthens service consistency across customer segments. Priorities

will include further modernisation of digital channels, continued development of open-platform capabilities, deeper integration of data intelligence and automation, and strengthening cybersecurity resilience to protect customer trust and system integrity as digital volumes continue to grow.

Retail Banking will remain a central pillar of sustainable growth, with continued focus on deepening customer relationships, expanding wallet share, and delivering differentiated value propositions aligned to evolving customer expectations. The Bank will continue to strengthen its Private Banking proposition, enhancing its offering for high-net-worth and affluent clients through personalised advisory, tailored wealth solutions, and exclusive lifestyle and investment services. This segment represents a strategic opportunity to deepen long-term relationships while reinforcing the Bank's position as a trusted partner for wealth preservation and growth.

At the same time, the Bank is witnessing strong momentum in female banking, reflecting increasing financial participation and entrepreneurship among women across Oman. Dedicated propositions, tailored financial solutions, and experience-led engagement models will continue to support this important and growing segment, enabling greater financial inclusion while unlocking new avenues for sustainable retail growth.

Islamic Banking will also remain a key opportunity within the retail segment, supported through Sohar Islamic. The Bank will continue to expand its Shari'a-compliant product suite, enhance customer awareness, and strengthen accessibility across channels to meet growing demand for ethical and Shari'a-aligned financial solutions. This will further position Sohar International to capture growth in one of the fastest-expanding segments of the banking market.

Customer centricity will remain embedded across all segments through lifecycle-led propositions, experience governance, and disciplined service assurance. The Bank will continue to strengthen cross-channel consistency, deepen relationship-based engagement for priority segments, and sustain improvements in complaint management, quality control, and customer feedback loops. In parallel, branch and channel optimisation will continue to follow a disciplined model—preserving accessibility where it matters, while ensuring that distribution economics remain aligned with changing customer behaviour and increasing digital adoption.

Across the organisation, sustained execution in 2026 will be underpinned by continued investment in people capability and operating discipline. Management will prioritise leadership depth, skills development, and performance accountability to ensure the organisation remains agile, customer-focused, and transformation-ready. At the same time, the Bank will continue to reinforce responsible banking practices through measurable progress in sustainability-linked financing, operational resource efficiency, and governance maturity—ensuring long-term resilience and alignment with stakeholder expectations.

Overall, Sohar International's way forward is defined by strategic continuity and execution intensity: protecting balance-sheet strength, expanding regional relevance, deepening customer and institutional partnerships, and advancing digital and operational capability. This approach positions the Bank to deliver resilient performance, strengthen long-term competitiveness, and continue creating sustainable value for shareholders, customers, and the national economy.

ENHANCING ACCESSIBILITY AND INCLUSION

Sohar International continues to demonstrate a strong and consistent commitment to maintaining the highest standards of regulatory compliance. The Bank ensures full alignment of its operations with all applicable regulatory requirements, including the Financial Consumer Protections Regulatory Framework and other relevant regulations. This commitment is reflected through continued enhancement to policies, procedures and operational practices, supported by ongoing initiatives to strengthen consumer awareness across both conventional and Islamic banking services.

In 2025, Sohar International achieved remarkable progress in promoting financial inclusion and elevating customer experience. The opening of a new branch in Bidiyah and Mazyouna and the relocation of the branch to Wadi Tayeen, upgraded a "Customer Service Unit" to a full service branch in Al Saada, this enhanced accessibility for customers. Additionally, 3 ATMs were enhanced to offer foreign currency withdrawals in AED – Dibba, Madha and Khassab. Several services were developed on the Sohar International Mobile Banking Application. We have introduced the Maal national payment card, which offers smoother and more secure financial transactions within the Sultanate of Oman.

Sohar International re-launched Metlife high value insurance Products, "Be Zahya" proposition was launched for female clients, preferential auto finance rates for electric cars. Student/youth, multiple roadshows were conducted at Universities aiming to onboard new students accounts. Sohar International launched a debt relief program totaling ~~2.1~~ 2.1 million to alleviate the financial burden on eligible Omani customers who met specified criterion including but not limited to financial, social and health-related challenges. This initiative is aligned with Oman's sustainable development goals and Oman Vision 2040.

Sohar International has been championing financial literacy and wellbeing. Our team has been delivering the training to all parts of Oman – Muscat, Al Batinah, Ad Dhahirah, Ad Dhakhiliya, Musandam and Dhofar– for various government and private sector organisations (including educational institutions). Each session has approximately 50 attendees and we cover topics, such as understanding savings, investments, debt management, budgeting, and discussing saving habits.

Sohar International undertaken to extend financial services to underserved Financing, started a pilot for loans to fishermen in 4Q25. It is under assessment, and if the basis performance meets expectations, it will be further extended to a wider population in the sector.

In Islamic banking, the Bank made significant advancements in expanding and enhancing its services. A new branch was established in Bidiyah with a strategic location as a step in strengthening presence and enhancing the banking experience for our customers. Several services were developed in Sohar Islamic Mobile Banking Applications, customers can now utilise these services through our Digital channels. Saham branch was relocated to ensure easy accessibility for our customers and equipped to support customers with disability. Sohar Islamic has relaunched its Ijara Education Finance service, offering students flexible solutions for their educational needs. In line with its Sustainable Environment pillar, Sohar Islamic also provides preferential auto finance rates for eco-friendly vehicles, supporting clean energy initiatives and contributing to diversification, energy security, and green hydrogen development under Oman Vision 2040.

Additionally, the Sohar Islamic Student Account has been revamped to meet students' needs, featuring free ATM withdrawals across Oman, no minimum balance requirement, and no annual card fees.

The Bank has been championing financial literacy. Our team has been delivering the training to all parts of Oman – Muscat, Al Batinah, Ad Dhahirah, Ad Dhakhiliya, Musandam and Dhofar– for various government and private sector organisation (including educational institutions).

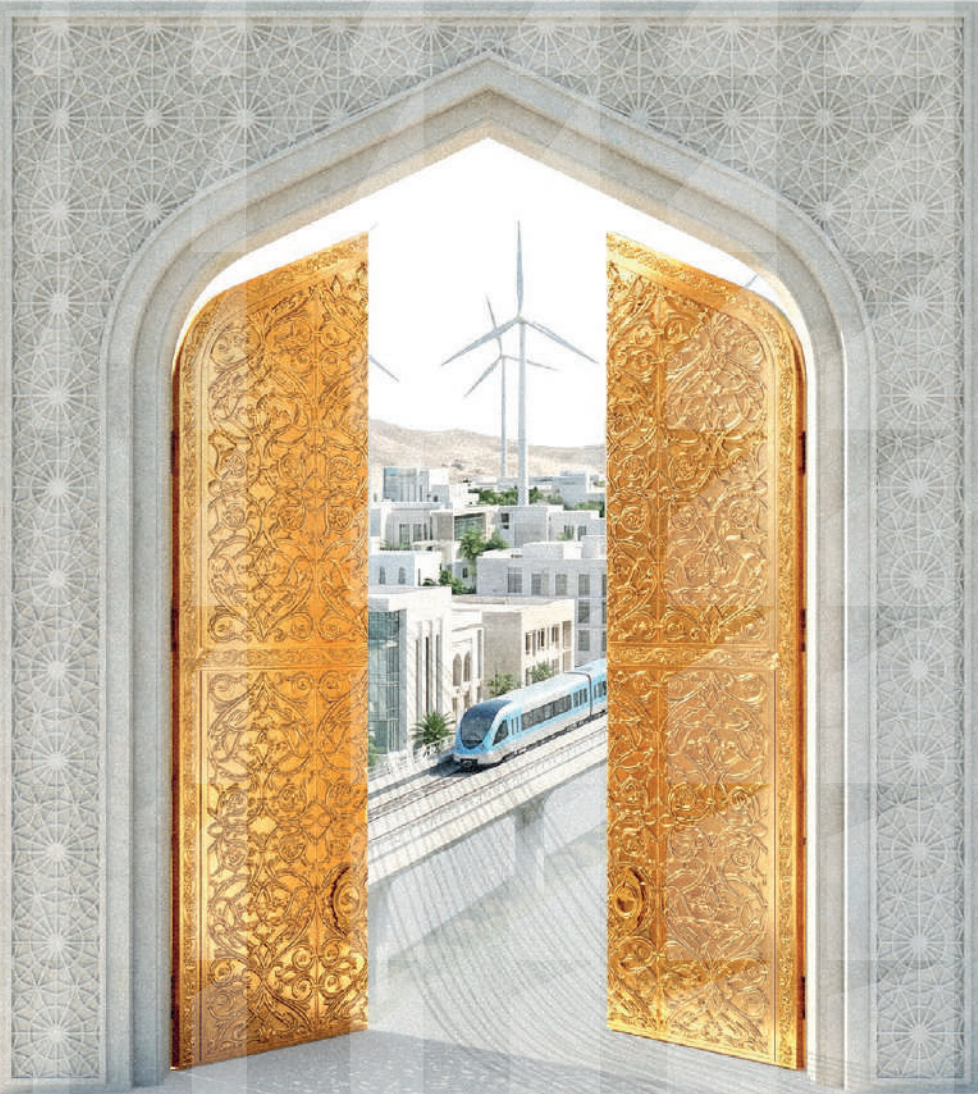
BUSINESS CONTINUITY MANAGEMENT STATEMENT



The Bank has established a Business Continuity Management (BCM) Program designed to minimise service disruption and the potential impact on the Bank, our customers and our staff. This includes a BCM Policy that is approved by our Board together with written Business Continuity and Disaster Recovery plans (DRPs) and procedures that are subject to periodic independent review. Although the specific details of our BCM arrangements are confidential for security reasons, the Bank maintains Business Continuity Plans (BCPs) that address risk scenarios and events of varying scope including, but not exclusively, loss of services or infrastructure, denial of access, cyber-attack, pandemics and regional crises. Sohar International BCPs are focused on maintaining critical processes, including treasury, capital & liquidity and payment services, providing customers with uninterrupted access to their funds and maintaining effective communications with our customers, staff and other stakeholders.

FINANCIAL STATEMENTS

SOHAR INTERNATIONAL



CAPITAL POWERING
Tomorrow's Oman

BOARD OF
DIRECTORS

CORPORATE
GOVERNANCE

MANAGEMENT

FINANCIAL
STATEMENTS
SOHAR
INTERNATIONAL

REGULATORY
DISCLOSURES
SOHAR
INTERNATIONAL

SOHAR ISLAMIC

FINANCIAL
STATEMENTS
SOHAR ISLAMIC

REGULATORY
DISCLOSURES
SOHAR ISLAMIC

CONTACTS



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

Independent auditors' report

To the Shareholders of Sohar International Bank SAOG

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sohar International Bank SAOG ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

Continued on page 2



Continued from page 1

Key Audit Matters (continued)

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

See notes 4.3(f), 5.1, 9, 21,29, 32 and 37.1 to the consolidated financial statements.

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

Continued on page 3

Continued from page 2

Key Audit Matters (continued)

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

See notes 4.3(f), 5.1, 9, 21,29, 32 and 37.1 to the consolidated financial statements.

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

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Report, Management Discussion and Analysis Report, Corporate Governance Report, Financial statements of the Sohar Islamic Banking Window, Basel II and III – Pillar III Report of the Group and Basel II and III – Pillar III Report of the Sohar Islamic Banking Window, which we obtained prior to the date of this auditors' report, and the 2025 Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information, and we do not and will not express any form of assurance conclusion thereon. We have, however, performed an assurance engagement on the Separate Financial Statements of Sohar Islamic that forms part of the other information, and provided a separate conclusion on the basis set out in our report on those Separate Financial Statements that is included within the other information.

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

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

When we read the remaining section of other information to be included in the Bank's 2025 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Continued on page 4

Continued from page 3

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Continued on page 5

Continued from page 4

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

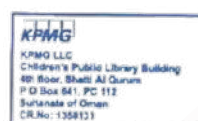
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law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

Report on Other Legal and Regulatory Requirements

Further, we report that these consolidated financial statements as at and for the year ended 31 December 2025, comply, in all material respects, with the:

- relevant requirements of the Financial Services Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

Paritosh Gambhir
Date: 10 March 2026



KPMG
KPMG LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

31 December 2024 USD'000	31 December 2025 USD'000		31 December 2025 ₹'000	31 December 2024 ₹'000
		Note		
	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
19,118,833	23,711,158	TOTAL ASSETS	9,128,796	7,360,751
	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
16,785,571	20,714,831	TOTAL LIABILITIES	7,975,210	6,462,445
	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
2,333,262	2,476,847	TOTAL SHAREHOLDERS' EQUITY	953,586	898,306
-	519,481	Perpetual additional tier 1 capital securities 20	200,000	-
2,333,262	2,996,328	TOTAL EQUITY	1,153,586	898,306
19,118,833	23,711,158	TOTAL LIABILITIES AND EQUITY	9,128,796	7,360,751
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

[Signature]

Board member

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

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

31 December 2024	31 December 2025		31 December 2025	31 December 2024
USD'000	USD'000	Note	₹'000	₹'000
816,774	829,187	Interest income	319,237	314,458
(375,112)	(432,195)	Interest expense	(166,395)	(144,418)
441,662	396,992	Net interest income	152,842	170,040
95,590	111,870	Income from Islamic financing and investments	43,070	36,802
(67,140)	(74,018)	Distribution to depositors	(28,497)	(25,849)
28,450	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	85,062	63,953
636,223	655,784	TOTAL OPERATING INCOME	252,477	244,946
(152,018)	(160,296)	Staff costs	(61,714)	(58,527)
(90,800)	(116,242)	Other operating expenses	(44,753)	(34,958)
(12,790)	(13,156)	Depreciation	(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	-	9,234
(98,338)	(68,135)	Loan impairment charges and other credit risk provisions (net)	(26,232)	(37,860)
306,261	297,956	PROFIT BEFORE TAX	114,713	117,911
(46,052)	(37,003)	Income tax expense	(14,246)	(17,730)
260,209	260,953	PROFIT FOR THE YEAR	100,467	100,181
		Items that will not be reclassified to profit and loss		
(2,878)	20,686	Revaluation gain/(loss) on equity instruments held at fair value through other comprehensive income (FVOCI)	7,964	(1,108)
(2,878)	20,686	OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	7,964	(1,108)
		TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
257,331	281,639	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	Cents		Baisa	Baisa
4.42	3.94	Basic and diluted earnings per share for the year	15.15	17.02

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025 (₹'000)

	TOTAL EQUITY	Perpetual tier 1 capital securities	Total Shareholders Equity	Retained earnings	Other reserves	Legal reserve	Share premium	Share capital
Balance as at 1 January 2025	898,306	-	898,306	128,495	(6,635)	55,900	18,038	702,508
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	108,431	-	108,431	100,467	7,964	-	-	-
Transfer to legal reserve	-	-	-	(10,047)	-	10,047	-	-
Transaction with equity holders of the Bank:								
Issue of perpetual AT1 securities	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	1,153,586	200,000	953,586	165,522	1,571	65,947	18,038	702,508
Balance as at 31 December 2025 (USD'000s)	2,996,327	519,481	2,476,847	429,927	4,081	171,291	46,852	1,824,696

Note

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Profit for the year

Other comprehensive income for the year

Total comprehensive income for the year, net of income tax

Transfer to legal reserve

Transaction with equity holders of the Bank:

Issue of perpetual AT1 securities

Issue expenses - perpetual AT1 securities

Reclassification of net change in fair value of equity instruments upon de-recognition

Dividends paid for the year 2024

Balance as at 31 December 2025

Balance as at 31 December 2025 (USD'000s)

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

		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 ATI securities	20	-	-	-	-	(3,740)	(3,740)	-	(3,740)
Rights issue expenses surplus		-	-	972	-	-	972	-	972
Repayment of perpetual ATI 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

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025					
31 December 2024	31 December 2025			31 December 2025	31 December 2024
USD'000	USD'000	OPERATING ACTIVITIES	Note	₹'000	₹'000
306,261	297,956	Profit before tax		114,713	117,911
		Adjustments for:			
21,135	21,112	Depreciation and amortisation of right-to-use assets	12	8,128	8,137
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)
414,465	385,946	Cash from operating activities before changes in operating assets and liabilities		148,589	159,569
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)	1,057,813	Due to banks		407,258	(105,807)
1,750,636	2,726,647	Customer deposits		1,049,759	673,995
(35,818)	112,605	Other liabilities		43,353	(13,790)
944,247	(314,401)	Net cash (used) / from operating activities		(121,044)	363,535
(774)	(41,434)	Income tax paid	30.b	(15,952)	(298)
943,473	(355,834)	Net cash (used) / from operating activities		(136,996)	363,237
		INVESTING ACTIVITIES			
(198,608)	(843,597)	Purchase of investment securities		(324,785)	(75,887)
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)	(6,931)
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)	-
(7,379)	-	- Interest paid on perpetual additional tier 1 capital securities		-	(3,740)
1,021,652	381,427	Net cash (used) / from financing activities		146,849	(2,841)
5,041,909	(536,455)	NET CHANGE IN CASH AND CASH EQUIVALENTS		(206,535)	393,336
6,063,561	6,063,561	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,334,471	1,941,135
		CASH AND CASH EQUIVALENTS AT END OF YEAR		2,127,936	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
4,335,416	3,833,743	Investment securities with OM of 90 days or less	8.2	1,475,991	1,669,135
6,063,561	5,527,106			2,127,936	2,334,471

Interest income received was ₹ 262.77 million (2024: ₹ 237.04 million) and interest expense paid was ₹ 153.53 million (2024: ₹ 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

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 Organisation for Islamic Financial Institutions (AAOIFI), the Shari’a Rules and Principles as determined by the Shari’a 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.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of measurement (continued)

- Financial assets classified at fair value through other comprehensive income (FVOCI) are measured at fair value.

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

2.3 Functional and presentation currency

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

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

The USD-converted figures are derived using 1 USD = ﷮ 0.385 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.

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.

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

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

3.3 ECL provisions

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.

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.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Revenue and expense recognition (continued)

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.

(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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

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

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 or 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.

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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

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

(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.

(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.

(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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

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

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

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

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

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

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

(viii) Financial liabilities

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

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

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

4.3d Derecognition

(i) Financial assets

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

- The rights to receive cash flows from the asset have expired; 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 derecognition 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3e Offsetting of financial assets and financial liabilities

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

4.3f Impairment of financial assets

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

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

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

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

(i) Measurement of ECL

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

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

(ii) Overview of the ECL principles

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

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

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

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

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

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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3f Impairment of financial assets (continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3f Impairment of financial assets (continued)

Movement between the stages (continued)

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

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

(vii) Credit cards and other revolving facilities

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

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

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

(viii) Forward looking information

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

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

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

(ix) Collateral valuation

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

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

(x) Write-offs

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

4. 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 derecognised and ECL are measured as follows.

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

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 remeasured or reassessed 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

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.

(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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

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 derecognition 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

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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.6 Goodwill and acquired intangibles (continued)

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.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 ~~35~~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.

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:

- a) Will not exceed in total ~~300~~300,000 where realised net profits equal or exceed the profits realised in the previous financial year and there is no accumulated losses or losses in the capital.
- b) Will not exceed in total ~~150~~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~~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.
- 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.5 Determination of lease term (continued)

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.

6. CASH AND BALANCES WITH CENTRAL BANK

	31 December 2025 ₹'000	31 December 2024 ₹'000
Cash	47,215	47,537
Balance with CBO	275,678	154,909
	322,893	202,446
Capital deposit with CBO	507	507
	323,400	202,953

- (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 ₹'000	31 December 2024 ₹'000
<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
Gross carrying amount	651,090	562,221
Less: ECL provision	(149)	(491)
	650,941	561,730

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

7. DUE FROM BANKS (CONTINUED)

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

	31 December 2025				31 December 2024
		₹'000			₹'000
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	562,221	-	-	562,221	652,500
New assets originated or purchased					-
Assets derecognised or matured	88,869	-	-	88,869	(90,279)
Gross carrying amount	651,090	-	-	651,090	562,221

	31 December 2025				31 December 2024
		₹'000			₹'000
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	491	-	-	491	496
Net impairment charge/(release) (Note: 29)	(342)	-	-	(342)	(5)
ECL provision	149	-	-	149	491

8. INVESTMENT SECURITIES

	31 December 2025	31 December 2024
	₹'000	₹'000
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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. INVESTMENT SECURITIES (CONTINUED)

8.1 Held at FVTPL

	31 December 2025	31 December 2024
	₹'000	₹'000
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

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
	₹'000	₹'000	₹'000	₹'000
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	58,537	52,006	21,276	22,955
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
	1,475,991	1,481,989	1,669,135	1,676,315
Sovereign sukuk (Quoted) - Oman	43,150	43,031	19,988	19,988
Total debt investments	1,519,141	1,525,020	1,689,123	1,696,303
	1,577,678	1,577,026	1,710,399	1,719,258

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).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. INVESTMENT SECURITIES (CONTINUED)

8.3 Held at amortised cost

	31 December 2025 ₹'000	31 December 2024 ₹'000
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	-
	538,399	370,537
Less: ECL provision	(711)	(188)
	537,688	370,349

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

	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
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 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
At 1 January 2025	97	91	-	188
Net impairment charge (Note: 29)	(50)	573	-	523
ECL	47	664	-	711

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. INVESTMENT SECURITIES (CONTINUED)

8.3 Held at amortised cost (continued)

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

9. LOANS, ADVANCES AND ISLAMIC FINANCINGS (NET)

	31 December 2025 ₹'000	31 December 2024 ₹'000
Corporate	4,542,638	3,224,445
Retail	1,598,752	1,392,215
Gross loans, advances and Islamic financings	6,141,390	4,616,660
Less: ECL provision	(299,147)	(274,961)
Less: Contractual interest/profit not recognised	(78,339)	(71,891)
	(377,486)	(346,852)
	5,763,904	4,269,808

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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

Gross Loans, advances and Islamic financings comprise:

	31 December 2025 ₹'000	31 December 2024 ₹'000
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	6,141,390	4,616,660

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

	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
At 1 January 2025	3,721,395	676,211	219,054	4,616,660
New assets originated/additions	1,860,212	57,142	36,075	1,953,429
Assets derecognised or repaid	(379,364)	(8,721)	(39,875)	(427,960)
Loans (written off) / recovered (net)	-	-	(739)	(739)
Transfers to Stage 1	22,268	(14,744)	(7,524)	-
Transfers to Stage 2	(260,319)	261,188	(869)	-
Transfers to Stage 3	(8,441)	(68,013)	76,454	-
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)	11,689	16,537	36,539	64,765
Impairment release	(3,390)	(29,014)	(7,435)	(39,839)
Net impairment charge / (release) (Note: 29)	8,299	(12,477)	29,104	24,926
Loans (written off) / recovered (net)	-	-	(739)	(739)
Transfers to Stage 1	3,224	(302)	(2,922)	-
Transfers to Stage 2	(2,459)	2,793	(334)	-
Transfers to Stage 3	(183)	(1,497)	1,680	-
ECL provision	27,376	150,256	121,516	299,148

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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

	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
At 1 January 2024	3,428,928	578,852	200,601	4,208,381
New assets originated/additions	686,939	33,255	13,743	733,937
Assets derecognised or repaid	(284,385)	(26,950)	(14,657)	(325,992)
Loans (written off) / recovered (net)	-	-	334	334
Transfers to Stage 1	42,053	(39,387)	(2,666)	-
Transfers to Stage 2	(135,526)	136,454	(928)	-
Transfers to Stage 3	(16,614)	(6,013)	22,627	-
Gross carrying amount	3,721,395	676,211	219,054	4,616,660
	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	18,216	131,317	87,497	237,030
Impairment charge (Note:29)	2,234	33,605	16,460	52,299
Impairment release	(3,448)	(1,506)	(10,447)	(15,401)
Net impairment charge / (release) (Note: 29)	(1,214)	32,099	6,013	36,898
Loans (written off) / recovered (net)	-	-	1,033	1,033
Transfers to Stage 1	2,432	(1,361)	(1,071)	-
Transfers to Stage 2	(177)	309	(132)	-
Transfers to Stage 3	(762)	(625)	1,387	-
ECL provision	18,495	161,739	94,727	274,961

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

	31 December 2025 ₹'000	31 December 2024 ₹'000
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)
Balance at end of the year	78,339	71,891

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).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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

Concentration of gross loans and advances by economic sector:

	31 December 2025 ₹'000	31 December 2024 ₹'000
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 ₹'000	31 December 2024 ₹'000
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>

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

12. PROPERTY AND EQUIPMENT

	Freehold land & Buildings ₹'000	Software ₹'000	Furniture, fixtures and office equipment ₹'000	Motor vehicles ₹'000	Right-to- use assets ₹'000	Capital work –in- progress ₹'000	Total ₹'000
Cost:							
1 January 2025	51,264	33,564	40,106	949	24,812	8,569	159,264
Net additions/(disposals)	-	2,982	1,574	56	4,367	500	9,479
Transfers	-	21	-	-	-	(21)	-
Written off	(1,339)	-	(702)	(52)	(42)	-	(2,135)
As at 31 December 2025	<u>49,925</u>	<u>36,567</u>	<u>40,978</u>	<u>953</u>	<u>29,137</u>	<u>9,048</u>	<u>166,609</u>
Accumulated depreciation:							
1 January 2025	14,568	19,254	33,264	874	16,940	-	84,900
Depreciation	97	2,594	2,336	38	-	-	5,065
Amortisation	-	-	-	-	3,063	-	3,063
Transfers/(disposals)	(1,331)	-	(690)	(52)	(42)	-	(2,115)
As at 31 December 2025	<u>13,334</u>	<u>21,848</u>	<u>34,910</u>	<u>860</u>	<u>19,961</u>	<u>-</u>	<u>90,913</u>
Net book value as at 31 December 2025	<u>36,591</u>	<u>14,719</u>	<u>6,068</u>	<u>93</u>	<u>9,176</u>	<u>9,048</u>	<u>75,695</u>

	Freehold land & Buildings ₹'000	Software ₹'000	Furniture, fixtures and office equipment ₹'000	Motor vehicles ₹'000	Right-to- use assets ₹'000	Capital work –in- progress ₹'000	Total ₹'000
Cost:							
1 January 2024	51,264	29,468	38,785	949	20,968	10,899	152,333
Net additions/(disposals)	-	1,745	1,321	-	3,844	21	6,931
Transfers	-	2,351	-	-	-	(2,351)	-
As at 31 December 2024	<u>51,264</u>	<u>33,564</u>	<u>40,106</u>	<u>949</u>	<u>24,812</u>	<u>8,569</u>	<u>159,264</u>
Accumulated depreciation:							
1 January 2024	14,470	16,900	30,824	842	13,727	-	76,763
Depreciation	98	2,354	2,440	32	-	-	4,924
Amortisation	-	-	-	-	3,213	-	3,213
As at 31 December 2024	<u>14,568</u>	<u>19,254</u>	<u>33,264</u>	<u>874</u>	<u>16,940</u>	<u>-</u>	<u>84,900</u>
Net book value as at 31 December 2024	<u>36,696</u>	<u>14,310</u>	<u>6,842</u>	<u>75</u>	<u>7,872</u>	<u>8,569</u>	<u>74,364</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000	31 December 2024 ₹'000
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 ₹'000	31 December 2024 ₹'000
<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).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

15. CUSTOMER DEPOSITS

	31 December 2025			31 December 2024		
	Conventional banking ₹'000	Islamic banking ₹'000	Total ₹'000	Conventional banking ₹'000	Islamic banking ₹'000	Total ₹'000
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

16. OTHER LIABILITIES

	31 December 2025 ₹'000	31 December 2024 ₹'000
	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	21 2,889	1,754
financial guarantees & acceptances		
Negative fair value of derivatives	36.2 252	641
	170,933	115,092
<i>Staff entitlements:</i>		
End of service benefits	1,410	1,515
Other liabilities	1,110	1,797
	2,520	3,312
<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)
	1,410	1,515

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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	100	100

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.

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 ~~₹~~ '000	Fair value reserve ~~₹~~ '000	Impairment reserve ~~₹~~ '000	Fair value reserve on acquisition ~~₹~~ '000	Total ~~₹~~ '000
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 derecognition	-	242	-	-	242
Balance as at 31 December 2025	988	6,530	5,464	(11,411)	1,571

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

19 OTHER RESERVES (CONTINUED)

	General reserve ~~₹~~ '000	Fair value reserve ~~₹~~ '000	Impairment reserve ~~₹~~ '000	Fair value reserve on acquisition ~~₹~~ '000	Total ~~₹~~ '000
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.

20. PERPETUAL ADDITIONAL TIER 1 CAPITAL SECURITIES (PERPETUAL AT1 SECURITIES)

On 24th 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 31st 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 14th 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 31st December 2025 (31st 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

21. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

21.a Contingent liabilities (continued)

	31 December 2025 ₹'000	31 December 2024 ₹'000
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 ₹'000	31 December 2024 ₹'000
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 ₹'000	31 December 2024 ₹'000
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>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
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	1,158	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 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
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
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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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 ~~₹~~953.585 million as at 31 December 2025 (31 December 2024: ~~₹~~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
	~~₹~~ '000	~~₹~~ '000
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
	~~₹~~ '000	~~₹~~ '000
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
	~~₹~~ '000	~~₹~~ '000
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>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

27. OTHER OPERATING INCOME

	31 December 2025	31 December 2024
	~~₹~~ '000	~~₹~~ '000
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
	~~₹~~ '000	~~₹~~ '000
Operating and administration costs	33,634	23,761
Amortisation of intangible asset (Note: 13)	5,373	5,548
Amortisation of right-to-use assets (Note: 12)	3,063	3,213
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

	Note:	31 December 2025	31 December 2024
		~~₹~~ '000	~~₹~~ '000
Net impairment charge/(release):			
Loans, advances and Islamic financings (net)	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>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000	31 December 2024 ₹'000
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)
	14,246	17,730
Income tax expense movements:		
Current year	14,927	18,635
Deferred tax	(681)	(905)
Income tax expense	14,246	17,730

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 ₹'000	31 December 2024 ₹'000
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)
Balance at the end of the year	23,490	24,515

30.c Deferred tax liability (net)

	31 December 2025 ₹'000	31 December 2024 ₹'000
Balance at the beginning of the year	11,608	10,893
Current year	(681)	(905)
Arising from gain on bargain purchase	-	1,620
Balance at the end of the year	10,927	11,608
Deferred tax asset	(2,401)	(864)
Deferred tax liability	13,328	12,472
Balance at the end of the year	10,927	11,608

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000	31 December 2024 ₹'000
Profit for the year	100,467	100,181
Interest paid on perpetual AT1 securities	-	(3,740)
Issue expense on perpetual AT1 securities	(213)	-
Profit for the year attributable to equity holders	100,254	96,441
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)	15.15	17.02

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 ₹'000	CBO Provision ⁽ⁱ⁾ ₹'000	IFRS 9 Provisions ₹'000	Difference ₹'000	Net carrying amount ₹'000	CBO Reserve interest ⁽ⁱⁱ⁾ ₹'000
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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Classification:		Gross Carrying amount ₹'000	CBO Provision ⁽ⁱ⁾ ₹'000	IFRS 9 Provisions ₹'000	Difference ₹'000	Net carrying amount ₹'000	CBO Reserve interest ⁽ⁱⁱⁱ⁾ ₹'000
CBO	IFRS 9						
		(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.

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 ₹'000	IFRS 9 ₹'000	Difference ₹'000
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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

	CBO ₹'000	IFRS 9 ₹'000	Difference ₹'000
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 ₹'000	IFRS 9 ₹'000	CBO ₹'000	IFRS 9 ₹'000
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	349,284

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 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
At 1 January 2025	19,893	162,045	95,456	277,394
Impairment charge	13,017	17,298	36,592	66,907
Impairment release	(4,009)	(29,184)	(7,482)	(40,675)
(Written off)/Recovered (net)	-	-	(729)	(729)
Transfers to Stage 1	3,220	(313)	(2,907)	-
Transfers to Stage 2	(2,459)	2,793	(334)	-
Transfers to Stage 3	(187)	(1,508)	1,695	-
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 capitalisation and payment deferrals. A loan continues to be presented as restructured until maturity, early repayment, or write-off.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

32. IMPAIRMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2025

Classification:		Gross Carrying amount ₹'000	CBO Provision ₹'000	IFRS 9 Provisions ₹'000	Difference ₹'000	Net carrying amount ₹'000
CBO	IFRS 9					
Classified as performing	Stage 1	59,509	1,043	58	985	59,451
	Stage 2	313,283	2,859	21,562	(18,703)	291,721
	Stage 3	780	566	68	498	712
	Sub Total	373,572	4,468	21,688	(17,220)	351,884
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	77,864	801	18,864	(18,063)	59,000
	Sub Total	77,864	801	18,864	(18,063)	59,000
Total	Stage 1	59,509	1,043	58	985	59,451
	Stage 2	313,283	2,859	21,562	(18,703)	291,721
	Stage 3	78,644	1,367	18,932	(17,565)	59,712
Total		451,436	5,269	40,552	(35,283)	410,884

31 December 2024						
Classification:		Gross Carrying amount ₹'000	CBO Provision ₹'000	IFRS 9 Provisions ₹'000	Difference ₹'000	Net carrying amount ₹'000
CBO	IFRS 9					
Classified as performing	Stage 1	142,746	1,859	2,593	(734)	140,154
	Stage 2	236,900	6,708	22,241	(15,533)	214,659
	Stage 3	-	-	-	-	-
	Sub Total	379,646	8,567	24,834	(16,267)	354,813
Classified as non-performing	Stage 1	-	-	-	-	-
	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
Total	Stage 1	142,746	1,859	2,593	(734)	140,154
	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

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).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000	FVOCI ₹'000	FVTPL ₹'000	Total Carrying value ₹'000	Total Fair value ₹'000
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 ₹'000	FVOCI ₹'000	FVTPL ₹'000	Total Carrying value ₹'000	Total Fair value ₹'000
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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000	Positive FV of derivatives ₹'000	Negative FV of derivatives ₹'000	Customer deposits ₹'000	Total ₹'000
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 ₹'000	Positive FV of derivatives ₹'000	Negative FV of derivatives ₹'000	Customer deposits ₹'000	Total ₹'000
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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 AED'000	31 December 2024 AED'000
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 AED'000	31 December 2024 AED'000
Loans, advances and Islamic financings	2,137	1,231
Customer Deposits	402	178

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 AED'000	31 December 2024 AED'000
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 Bank's shares are as follows:

	31 December 2025 AED'000	31 December 2024 AED'000
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 AED1,453 million (31 December 2024: AED1,173 million).

36. DERIVATIVES

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

36.1 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.

36. DERIVATIVES (CONTINUED)

36.2 Derivatives held or issued for hedging purposes (continued)

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

36.3 Fair value hedges

36.3a Interest rate swaps

The Bank has entered into fixed-for-floating interest rate swap amounting to AED224.320 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 Cossmpliance 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.

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. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 POCL 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.

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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

Management of credit risk (continued)

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 ₹'000	Impact on ECL ₹'000	ECL ₹'000	Impact on ECL ₹'000
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.

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 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 A'000	Past due but not impaired A'000	Credit impaired A'000	Total A'000
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 (Grades1-5)	<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>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

	Performing A'000	Past due but not impaired A'000	Credit impaired A'000	Total A'000
31 December 2024				
Loans, advances and Islamic financings - corporate				
Performing loans (Grades 1-5)	2,136,221	75,247	-	2,211,468
Performing loans (Grades 6)	250,651	260,682	-	511,333
Performing loans (Grades 7)	-	327,093	-	327,093
Non-performing loans (Grades 8-10)	-	-	174,551	174,551
	<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	-	1,347,712
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>1,392,214</u>
Total gross loans, advances and Islamic financings	<u>3,721,396</u>	<u>676,210</u>	<u>219,053</u>	<u>4,616,659</u>
Credit related contingent items				
Performing loans (Grades 1-5)	1,216,170	14,756	-	1,230,926
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>562,221</u>
Investment securities (Grades1-5)	<u>362,314</u>	<u>8,223</u>	-	<u>370,537</u>
Cash and balances (BBB-)	<u>202,953</u>	-	-	<u>202,953</u>
Other assets (unrated)	<u>58,038</u>	-	-	<u>58,038</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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
	£’000	£’000
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
	£’000	£’000
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.

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

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. The Bank has adopted Vasicek framework to transform through the cycle PD estimates into conditional PiT PDs.

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, utilise 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%

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

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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

Economic variable assumptions (continued)

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

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

Loss Given Default

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

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

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

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

Significant Increase in Credit Risk

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

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

- Inadequate or unreliable financial or other information such as unavailability of audited financial statements and non-cooperation by borrower in matters pertaining to documentation.
- Borrower is subject to litigation by third parties that may have a significant impact on his financial position.
- Frequent changes in key senior management personnel without acceptable successors or professional management.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1b Exposure to credit risk (continued)

Significant Increase in Credit Risk (continued)

- Significant Intra Group transfer of funds without underlying transactions.
- Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.
- Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/ financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.
- 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.
- A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.
- 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
- 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000	31 December 2024 ₹'000
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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1d Settlement risk

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

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

37.1e Concentrations

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

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

Concentration of the gross credit exposure:

	31 December 2025			31 December 2024		
	Loans, advances and financings ₹'000	Due from banks ₹'000	Debt securities ₹'000	Loans, advances and financings ₹'000	Due from banks ₹'000	Debt securities ₹'000
Concentration by sector						
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	-
	6,141,390	651,091	2,095,197	4,616,660	562,222	2,077,166
Concentration by location						
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	-
	6,141,390	651,091	2,095,197	4,616,660	562,222	2,077,166

Refer note 9 for analysis by economic sector

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

37.1e 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.

37.1f 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

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, prioritise 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

37.2a Exposure to liquidity risk

	Carrying amount ₹'000	Gross nominal outflow ₹'000	Within 3 months ₹'000	3 - 12 months ₹'000	Over 1 year ₹'000
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 ₹'000	Gross nominal outflow ₹'000	Within 3 months ₹'000	3 - 12 months ₹'000	Over 1 year ₹'000
31 December 2024					
Non-derivative liabilities					
Due to banks	570,313	634,003	109,776	137,744	386,483
Customer deposits	5,777,040	5,885,511	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 ₹'000	31 December 2024 ₹'000
LCR	185.8%	177.2%
LCR (average for the quarter)	140.8%	170.0%
NSFR	115.1%	132.0%
Leverage ratio	11.0%	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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 A'000	Four months to 12 months A'000	Over one year A'000	Non-sensitive to interest rate A'000	Total A'000
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	-	-

	Effective annual interest rate %	Within three months A'000	Four months to 12 months A'000	Over one year A'000	Non-sensitive to interest rate A'000	Total A'000
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	-	-

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 A’000	31 December 2024 A’000
Net interest income (including Islamic financing)	167,415	180,993
Total Regulatory Capital (note 38)	1,066,696	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	0.49%	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	0.98%	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	1.95%	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 a 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 A’000	31 December 2024 A’000
Oman	1,622	279
Other Gulf Co-operation Council (GCC) countries	-	4

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 A’000	31 December 2024 A’000
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.

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, the 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 optimisation of risk-reward trade-off, by aligning risk taking and strategic planning.

It is pertinent to note that the 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, the 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, the 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, the 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 the Bank's non-financial risk areas, namely Operational Risk, Compliance Risk, Information Security Risk and Legal Risk and further ensure appropriate Management actions are undertaken where necessary. For the purpose, the Operational Risk Management Department submits periodic reports to both MRC and BRC and discusses various key issues, incidents and emerging risks along with mitigation measures which are in place.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.5 Third Party Risk Management

The Bank has successfully established a comprehensive Third-Party Risk Management (TPRM) framework that centralises oversight and standardises third-party risk assessment methodologies across all business units. This foundational framework provides a clear, consistent approach to managing the risks associated with all the 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 minimise 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 S'000	31 December 2024 S'000
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)
Regulatory adjustments:		
Intangible ⁽²⁾	(56,573)	(61,140)
Fair value losses	(847)	(1,723)
Deferred tax asset	(2,401)	-
Others	(21,406)	-
Total CET 1 capital	833,895	778,717
Additional Tier 1 capital		
Perpetual tier 1 capital securities	200,000	-
Total Tier 1 capital	1,033,895	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	1,066,696	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	13.49%	16.41%
Total tier I capital expressed as a percentage of total risk weighted assets	16.72%	16.41%
Total regulatory capital expressed as a percentage of total risk weighted assets	17.25%	17.32%

⁽¹⁾ Retained earnings for the year 2025 is stated after deducting proposed cash dividend of S' 26.469 million (31 December 2024: S' 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

39. SEGMENTAL INFORMATION (CONTINUED)

	Retail Banking ﷲ'000	Wholesale Banking ﷲ'000	Islamic Banking ﷲ'000	KSA Branch ﷲ'000	Head Office ﷲ'000	Total ﷲ'000
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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

39. SEGMENTAL INFORMATION (CONTINUED)

	Retail Banking ﷲ'000	Wholesale Banking ﷲ'000	Islamic Banking ﷲ'000	KSA Branch ﷲ'000	Head Office ﷲ'000	Total ﷲ'000
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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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 ₹'000
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
Total assets	2,258,860
Liabilities	
Due to banks	65,728
Customer deposits	1,654,871
Other liabilities	94,329
Total liabilities	1,814,928
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)
Fair value of shares issued	94,805
Cash	248,142
Total consideration paid (b)	342,947
Gain on bargain purchase (a) – (b)	100,985
Recognised in the statement of comprehensive income	
For the year ended 31 December 2023	91,751
For the year ended 31 December 2024	9,234
	100,985

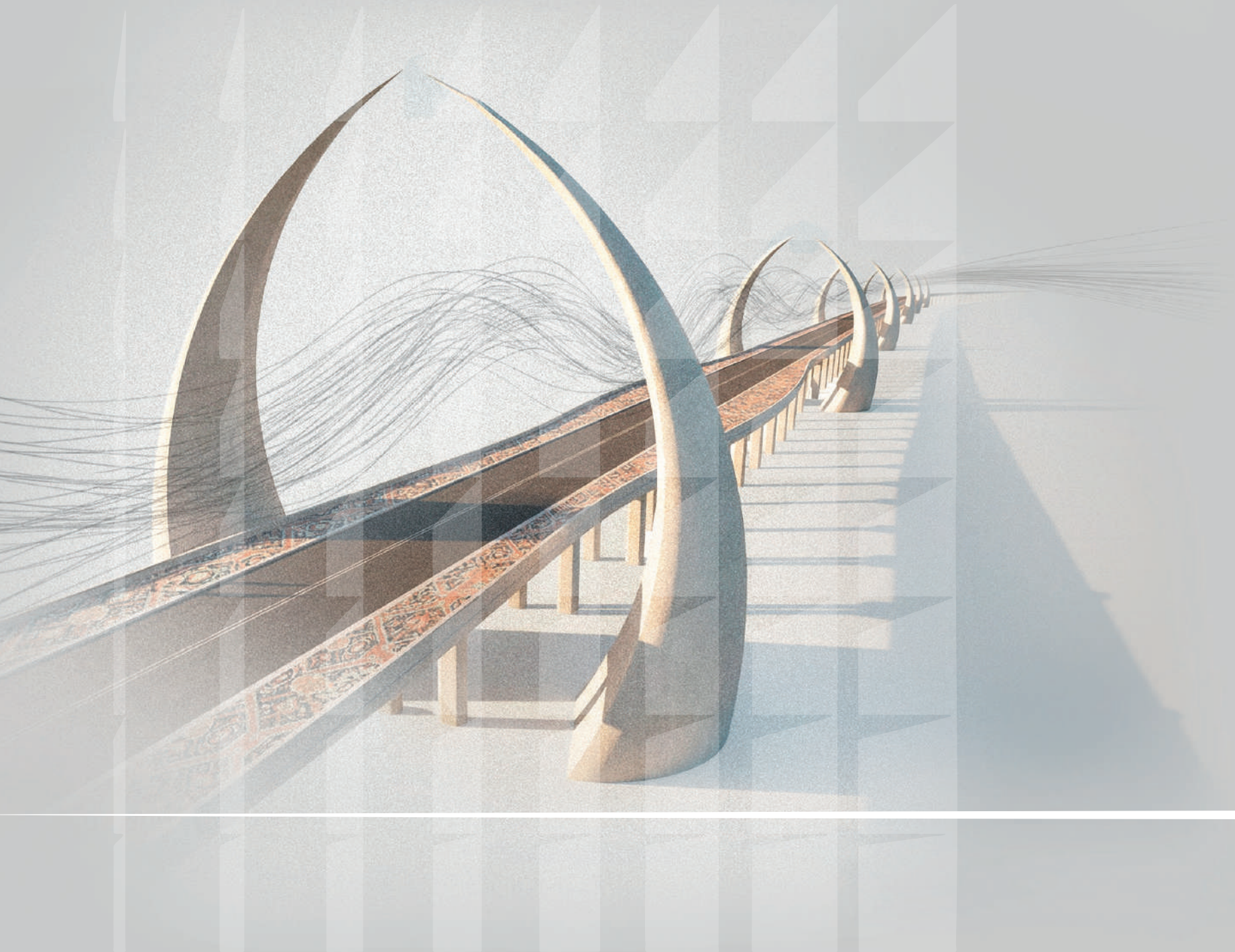
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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.

REGULATORY DISCLOSURES

SOHAR INTERNATIONAL



SAFEGUARDING THE
Path to Stability

BOARD OF
DIRECTORS

CORPORATE
GOVERNANCE

MANAGEMENT

FINANCIAL
STATEMENTS
SOHAR
INTERNATIONAL

REGULATORY
DISCLOSURES
SOHAR
INTERNATIONAL

SOHAR ISLAMIC

FINANCIAL
STATEMENTS
SOHAR ISLAMIC

REGULATORY
DISCLOSURES
SOHAR ISLAMIC

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Agreed-Upon Procedures Report on Sohar International Bank SAOG's Basel II - Pillar III and Basel III Disclosures

To the Board of Directors of Sohar International Bank SAOG

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

Our report is solely for the purpose of assisting Sohar International Bank SAOG for evaluating the compliance with the disclosure requirements set out in the Central Bank of Oman's ("the CBO") Circular No. BM 1009 dated 13 September 2006 and Circular No. BM 1114 dated 17 November 2013 and may not be suitable for another purpose. This report is intended solely for Sohar International Bank SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of Sohar International Bank SAOG

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

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

Practitioners' Responsibilities

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

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

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



Sohar International Bank SAOG
Agreed Upon Procedures: Basel II and
III – Pillar III Disclosures

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

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

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

Procedures and Findings

We have performed the procedures described in Appendix I, which are included in BM 1027 dated 4 December 2007 issued by CBO and which were agreed upon with Sohar International Bank SAOG in terms of the engagement letter dated 1 January 2025.

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



KPMG LLC
Date: 10 March 2026
Muscat, Oman

Enclosures:

Sohar International Bank SAOG's Basel II – Pillar III and Basel III Disclosures

Appendix I

S. No	Procedures	Findings
1	Checked that the Basel II – Pillar III Disclosures and Basel III related disclosures (“the Disclosures”) of Sohar International Bank SAOG (“Bank”) includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2025 (the “Summary”). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Disclosures.	No exceptions noted
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2025. Checked that the following items are separately disclosed in the calculation: a) paid-up share capital/common stock b) reserves c) minority interests in the equity of subsidiaries (if any) d) innovative instruments e) other capital instruments f) regulatory calculation differences deducted from Tier 1 capital g) other items Further, checked that the following items have been deducted from the Tier 1 capital: a) goodwill, b) deferred taxation; c) investments	No exceptions noted
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached.	No exceptions noted
4	Agreed to the Bank’s audited financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: a) on-balance sheet items b) off-balance sheet items c) derivative financial instruments	No exceptions noted
5	Checked that the risk weights assigned by management on banking and trading books are in accordance with BM 1009.	No exceptions noted
6	Checked the mathematical accuracy of the summary disclosure prepared by the Bank.	No exceptions noted
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and Bank records.	No exceptions noted
9	Checked whether any content of the Disclosures are: a) internally inconsistent with other parts of the Disclosures. b) in respect of narrative items, inconsistent with numerical data in the Disclosures. c) inconsistent with the audited financial statements of the Bank.	No exceptions noted

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REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK AS AT 31 DECEMBER 2025

1. PURPOSE AND BASIS OF REGULATORY DISCLOSURES

The following disclosures are being made in accordance with the revised capital adequacy rules under the Basel II & Basel III framework issued by the Central Bank of Oman (CBO) through circular number BM 1009 dated 13 September 2006 and BM 1114 dated 17 November 2013. The CBO guidelines for banks are structured around three pillars such as the Pillar I Minimum Capital Requirements, the Pillar II Supervisory review process and the Pillar III the Market discipline. Pillar III disclosures complement Pillar I and Pillar II. The disclosures aim to provide market participants material qualitative and quantitative information about Sohar International Bank’s (the Bank) risk management processes, risk exposures, risk management strategies and processes of capital adequacy status.

2. SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

The Bank has no subsidiaries or significant investments. However, the Bank has introduced Islamic Banking through an Islamic window named as “Sohar Islamic”. Accordingly, the information in the document pertains to the consolidated entity i.e., for both conventional banking & Islamic window. The disclosure pertaining to the Window is provided separately.

3. INTRODUCTION AND OVERVIEW

The Bank’s business model requires the Bank to identify, assess, measure, aggregate and manage the risks, and to allocate capital among the Bank’s businesses. The Bank’s material risks can be categorised as financial risks and non-financial risks. Financial risk comprises credit risk (including default, transaction, settlement, exposure, country, mitigation, and concentration risks), market risk (including interest-rate, foreign exchange and investment price risk), liquidity risk and business (strategic) risk. Non-financial risk comprises operational risks and reputational risks (including compliance risk, legal risk, fraud risk, and security risk).

The Bank manages identification, assessment and mitigation of top and emerging risks through an internal governance process and also with the use of risk management tools and processes. The Bank’s approach to risk identification and impact assessment aims to ensure that the Bank mitigates the impact of these risks in its financial results, long term strategic goals and reputation.

4. RISK MANAGEMENT PROCESS & FRAMEWORK

Overall risk management strategy of the Bank is based on the following three pillars:

- (i) Risk governance: That defines roles and responsibilities with respect to approval, reporting and escalations.
- (ii) Oversight: Carry on periodic portfolio reviews and ensure various Board and senior management level risk reporting to ensure sound monitoring of Risk.
- (iii) Control: includes a range of policies encompassing all risk-taking businesses, which are updated and reviewed regularly.

The overall responsibility of risk management lies with the Bank’s Board of Directors managed through Board Risk Committee (BRC). The Board regularly monitors the risk and capital profile. For the purpose of day-to-day management of risks, the Bank has created an independent Risk Management Department (RMD). The RMD objectively reviews and ensures that the various functions of the Bank operate within the risk parameters set by the BRC. RMD ensures prudent management of risks assumed by the Bank in its normal course of business. Further, the Bank through the Management Risk Committee (MRC) ensures that all the key non-financial risks which predominantly that the Bank faces are addressed and also to ensure that the Bank’s strategic objectives are achieved within the Board approved risk appetite.

Risk and capital are managed through a framework of principles, policies, organisational structures, measurement and monitoring processes. Responsible stakeholders ensure that such risks are closely aligned with the activities of the divisions and business units. The Bank operates on a Three Lines of Defense risk management model in which risk taking, risk monitoring and risk reporting responsibilities are clearly defined.

Defense line	I	II	III
Role	Risk	Risk Review	Assurance
Stakeholders	Business	Risk Management & Compliance	Internal Audit
	Generate risks in line with Risk Appetite	Risk measurement, risk monitoring and risk reporting	Assure alignment with risk appetite and risk strategy
Process	Transparent and complete disclosure of all risks	Escalate breaches / deviations / concerns for action	Major deviations analysed & escalates non-alignment
	Pro-active post approval monitoring	Facilitate Risk Appetite framework	Major losses analysed and recommended corrective actions

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

4. RISK MANAGEMENT PROCESS & FRAMEWORK (CONTINUED)

Risk Management is an enterprise-wide responsibility. The roles and responsibilities are clearly segregated and thus three lines of defense promotes transparency, accountability and consistency between various stakeholders.

5. RISK APPETITE

The Bank maintains a prudent and disciplined approach to risk taking through a well-defined Risk Appetite Statement, comprehensive set of risk management policies & processes and involvement of professionally qualified risk personnel with appropriate skills.

Risk Appetite Framework is a critical tool for banks to manage their risks and achieve their strategic objectives. Effective implementation of a Risk Appetite Framework can aid banks manage their risks more effectively and make informed decision making in pursuit of achieving their long-term objectives.

Risk appetite is the amount of risk an organisation is willing to take in pursuit of achieving its strategic objectives. Risk appetite is also construed as the maximum amount of residual risk a bank is willing to accept after controls and other measures have been put in place. Risk tolerance, by contrast, is the amount of deviation from its risk appetite that a bank is willing to achieve a specific objective based on parameters that include industry’s best standards or those based on the Bank’s specific parameters.

Risk appetite is an integral component of enterprise risk management and is generally influenced by a wide variety of factors, including the following:

- Culture of an organisation
- Industry
- Competition
- Growth objectives being pursued
- Financial strength

With the above view, the Bank maintains a risk appetite framework that enables the Bank to carry risks according to its risk capacity and monitor various risks against the internal and regulatory risk thresholds. Risk appetite statements are complemented by a number of specific risk metrics and tolerances which assist management in assessing whether outcomes are consistent with the Bank’s risk appetite. These are usually quantitative and/or qualitative for each of its principal risks.

The qualitative aspects represent the Bank’s business model which is based on the fundamental principles that ensures sustainability, growth and profitability. The quantitative aspects consist of key metrics that covers the areas such as credit risk, market risk, liquidity risk operational risk, capital and so on.

The business activities of the Bank underpin the following set of principles:

Regulatory: Adherence and compliance with local supervisory and applicable international regulations

Investor Confidence: The Bank promotes economic growth by reinforcing the trust and confidence of the Bank’s shareholders and investors.

Rating Agency Confidence: The Bank to maintain a favorable credit rating from external credit rating agencies by maintaining strong capital adequacy ratio, sound risk management practices and adequate liquidity buffer.

Liquidity: The Bank shall ensure that it has sufficient liquidity buffer in order to meet all funding obligations from its depositors and creditors.

Reputation: This is the risk of damage to the Bank’s brand and its subsequent impact on earnings, capital and liquidity. The Bank’s reputation is founded on the trust of customers, shareholders, employees, regulators and the public. The Bank shall always endeavor to maintain its reputation and perception to all stakeholders and associated parties.

The risk appetite thresholds and actual positions are updated and monitored on a monthly basis at management level and quarterly basis at Board Risk Committee (BRC) level. The breach of thresholds is escalated to management and or to Board, according to the level of breach, to decide the corrective remedial action. The risk appetite framework is reviewed and updated annually based on the evolving business environment, regulatory changes, business strategy and objectives. The outcome of the updated framework is shared with BRC.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

6. CAPITAL STRUCTURE

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).

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.

	2025 ~~₹~~ ’000
Tier 1 capital	
Paid-up share capital	702,508
Share premium	18,038
Legal reserve	65,947
General reserve	988
Retained earnings	139,052
Fair value reserve on acquisition	(11,411)
Other prudential regulatory adjustments	(21,406)
Other amounts deducted from Tier 1 capital including intangible, deferred tax and fair value losses on investments	(59,821)
Total amount of Tier 1 capital	855,301
Perpetual tier 1 capital securities	200,000
Total amount of Tier 2 capital	32,801
Total eligible capital	1,066,696

The Bank has adopted the standardised approach for credit risk and basic indicator approach for operational risk and standardised duration approach for market risk under the Basel II regulations, as prescribed by the CBO for all banks operating in Oman with effect from 1 January 2007.

The Bank’s capital adequacy ratio, calculated according to guidelines set by the Bank of International Settlements (BIS) as adopted by CBO was 17.25 %. While the international requirement as per BIS is 8%, the CBO’s regulations stipulate that local banks maintain a minimum capital adequacy ratio of 11% and an additional 2.5% towards capital conservation buffer.

The Bank’s strategy is to maintain adequate capital to allow the Bank to operate under adverse market conditions and which can absorb unforeseen losses.

The Bank is designated as Domestic Systematically Important Bank (“D-SIB”) in Oman by CBO in March 2025. This designation reflects the growth and importance of Sohar International domestically and comes with an enhanced regulatory and supervisory regime and requirements to address any systemic or structural regulatory issues.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

7. CAPITAL DISCLOSURE

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) through which senior management assesses the Bank’s capital against its risk profile. Asset Liability Committee (ALCO) is the forum in which the capital adequacy is assessed, based on the next quarter’s business forecast and the risk profile envisaged. CBO, vide circular BM 1114 dated November 17, 2013, has issued guidelines on Regulatory Capital under Basel III and on composition of Capital disclosure requirements.

Total and Tier 1 Capital Ratio, Risk Weighted Assets				₹'000
S. No.	Details	Gross Balances (Book Value)	Net Balances (Book Value)*	Risk Weighted Assets
1	On-balance sheet items	9,406,105	9,217,944	5,079,152
2	Off-balance sheet items	573,309	573,037	395,545
3	Derivatives	24,006	24,006	36,009
4	Total for Credit Risk	10,003,420	9,814,987	5,510,706
5	Market Risk		-	234,684
6	Operations Risk		-	436,618
7	Total Risk Weighted Assets		9,814,987	6,182,008
8	Tier 1 capital		1,033,895	
9	Tier 2 capital		32,801	
10	Total Regulatory Capital		1,066,696	
10.1	Capital requirement for credit risk			743,945
10.2	Capital requirement for market risk			31,682
10.3	Capital requirement for operational risk			58,943
11	Total required capital			834,570
12	Tier 1 Ratio			16.72%
13	Total capital Ratio			17.25%
*	Net of provisions reserve interest and eligible collaterals			

The capital adequacy ratio is calculated in accordance with the Basel II & Basel III norms as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by Central Bank of Oman are available at investor relations section of the Bank’s website.

8. RISK EXPOSURE AND ASSESSMENT

8.1 Management of risk in Sohar International Bank - approach and policy

The Bank’s activities expose it to a variety of financial risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank’s aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank’s financial performance.

The risks in the Bank are managed through a “Three Lines of Defense model”, with all Businesses acting as the front line by owning the respective risks and managing them. The second line of defense comprises Risk, Compliance and legal. While Risk provides “Functional Leadership” to the businesses by educating and training them on the policies, processes and controls set by Risk and also identifying risks, measuring and reporting to the management. Compliance ensures application of all the policies and processes conform with the current regulatory guidelines and applicable laws of Oman. Internal Audit acts as the third line of defense through reviews and exercising oversight of the first two lines of defense. The review findings act as a risk reporting tool for the Board and as inputs for upgrading of processes and plugging gaps in controls by Risk. Thus an “Integrated Risk Management” practice is followed by Sohar International Bank.

The Risk department prepares a comprehensive risk profile of the Bank at the least quarterly covering credit risk, market risk and operational risk. In addition to standalone risk, risk at the portfolio level, risk movement across the portfolio etc. are tracked. The risk profile indicates the state of various risks and risk recommendations for mitigation and control of risk. The report is placed before the top management every month and quarterly to the Board Risk Committee.

The Bank’s philosophy is to undertake risks which are well understood and within the laid down risk appetite of the Bank.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.2 Credit risk management

Credit risk is the risk that a customer or a counterparty fails to perform under its contractual payment obligations thus causing the Bank to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk faced by the Bank in its banking, investment and treasury activities, both on- and off-balance sheet.

The credit risk management framework of the Bank encompasses credit risk governance structure, credit risk appetite, credit risk strategies and lending policies that are fully compliant with the CBO regulations.

Credit risk is managed at three stages - at the origination stage, approval stage and at the transaction/portfolio monitoring stage.

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The credit risk assessment includes among others, generating internal credit risk rating for each counterparty using the Bank’s internal obligor rating tool. Only those clients/counterparties with acceptable ratings as per the Bank’s wholesale lending policy are considered for credit approval subject to internal approval guidelines. For cross border transactions, an analysis of country risk is also conducted.

The Bank has a credit approval delegation matrix in place approved by the Board of Directors, which is risk sensitised and backed by strong governance.

For retail loans products the Board has approved policies for various retail lending products based on approval parameters.

The Bank follows standardised approach for Credit Risk with risk weights as recommended by the CBO.

8.3 Credit risk measurement

The Bank measures credit risk in terms of asset quality using two primary measures, the provisioning ratio and the non-performing loans ratio. The provisioning ratio is total ECLs as a percentage of non-Performing total loans. The non-performing loans ratio is the ratio of nonperforming loans as a percentage of total loans. Further, the risk movement is tracked through portfolio analysis with focus on concentrations.

The Bank strictly adheres to the extant regulatory guidelines of assigning risk weights to its credit exposures based on counterparties involved and risk weights for funded and non-funded exposures after application of credit conversion factors. It has adopted standardised approach in computing capital adequacy.

8.3.1 Counterparty Credit Risk (CCR)

Basel defined CCR as the risk that the counterparty to a financial contract such as Foreign Exchange Forwards, Swaps, Interest Rate Swaps and/or other derivatives transaction could default before the final settlement of the transaction’s cash flow. An economic loss would occur if the transaction or a portfolio of transactions with the counterparty has a positive economic value at the time of default. Thus, the Bank’s CCR includes exposure to sovereigns, banks and corporates of other countries.

The bank has an extensive due diligence process for assessing, measuring and reporting the counterparty credit risk. The Bank manages counter party credit risk through a comprehensive framework covering governance, measurement, limits, mitigation and ongoing monitoring. Prior to transacting, the Bank performs counter party due diligence (including financial strength, internal rating/credit assessment, legal capacity and documentation readiness) and establishes counter party and product limits Exposures are measured using Current Exposure (Replacement cost plus Potential Future Exposure) over the life of the transaction with recognition of legally enforceable netting and eligible collateral wherever applicable. CCR is mitigated through close out netting arrangements, collateral margining requirements and other credit enhancements.

8.3.2 Settlement Risk

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

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

Definitions of past due and impaired

The classification of credit exposures is considered by the Bank for identifying impaired credit facilities, as per CBO circular number BM 977 dated 25 September 2004.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.4 Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure.

		﷮ '000			
S. No.	Type of credit exposure	Average gross exposure		Total gross exposure	
		2025	2024	2025	2024
		﷮ '000	﷮ '000	﷮ '000	﷮ '000
1	Overdrafts	386,041	359,703	404,420	367,661
2	Personal loans	1,495,483	1,480,115	1,598,752	1,392,215
3	Loans against trust receipts	208,950	221,709	189,606	228,293
4	Other loans	3,268,429	2,336,709	3,924,316	2,612,541
5	Bills purchased /discounted	20,123	14,287	24,296	15,950
	Total	5,379,026	4,412,523	6,141,390	4,616,660

8.5 Geographic distribution of total gross exposures, broken down in significant areas by major type of credit exposure.

		﷮ '000			
S. No.	Types of credit exposure	Oman	Other GCC countries	Others	Total
1	Overdrafts	404,420	-	-	404,420
2	Personal loans	1,598,752	-	-	1,598,752
3	Loans against trust receipts	189,606	-	-	189,606
4	Other loans	3,390,396	456,253	77,667	3,924,316
5	Bills purchased /discounted	24,296	-	-	24,296
	Total	5,607,470	456,253	77,667	6,141,390

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.6 Industry or counter party type distribution of total gross exposures, broken down by major types of Credit exposure.

		﷮ '000					
S. No.	Economic sector	Overdraft	Loans	Bills purchased / discounted	Loans against trust receipts	Total	Off-balance sheet exposure
1	Import & export trade	5,232	61,544	12,958	54,454	134,188	2,841
2	Wholesale & retail trade	19,431	379,576	3,155	47,842	450,004	86,803
3	Mining & quarrying	5,185	424,424	-	24,165	453,774	3,552
4	Construction	43,848	459,731	3,283	18,978	525,840	112,902
5	Manufacturing	50,603	621,055	165	36,331	708,154	42,735
6	Electricity, gas and water	41,062	366,209	-	4,867	412,138	31,244
7	Transport and communication	927	193,556	10	-	194,493	22,473
8	Financial institutions	1,268	382,420	-	-	383,688	287,540
9	Services	59,917	794,274	217	1,654	856,062	76,673
10	Personal loans	55,647	1,543,105	-	-	1,598,752	-
11	Agriculture and allied activities	4,408	28,591	-	1,315	34,314	1,012
12	Government	116,511	159,886	-	-	276,397	-
13	Non-resident lending	-	77,667	357	-	78,024	-
14	All others	381	31,030	4,151	-	35,562	23,152
	Total	404,420	5,523,068	24,296	189,606	6,141,390	690,927

8.7 Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposures.

		﷮ '000					
S. No.	Time band	Overdraft	Loans8	Bills purchased / discounted	Loans against trust receipts	Total	Off -balance sheet exposure
1	up to 1 month	404,420	318,012	8,925	45,430	776,787	36,071
2	1 - 3 months	-	193,560	9,898	74,528	277,986	89,092
3	3 - 6 months	-	129,444	5,473	56,896	191,813	215,204
4	6 - 9 months	-	156,749	-	12,752	169,501	59,277
5	9 - 12 months	-	166,713	-	-	166,713	27,410
6	1 - 3 years	-	1,073,181	-	-	1,073,181	71,339
7	3 - 5 years	-	1,261,398	-	-	1,261,398	56,902
8	Over 5 years	-	2,224,011	-	-	2,224,011	135,632
9	Total	404,420	5,523,068	24,296	189,606	6,141,390	690,927

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.8 Total loans breakdown by major industry or counter party type

		Provisions held						
		Gross loans	Of which NPLs as per IFRS 9	Performing loans	Stage1 and Stage 2	Stage 3	Reserve interest	Provisions made during the year
S. No.	Economic sector							
1	Import Trade	134,188	1,741	132,447	5,713	914	1,472	569
2	Wholesale & Retail Trade	450,004	51,514	398,490	36,068	21,201	14,877	1,909
3	Mining & Quarrying	453,774	-	453,774	3,087	-	837	1,925
4	Construction	525,840	86,209	439,631	98,892	38,153	18,295	2,231
5	Manufacturing	708,154	57,626	650,528	9,119	26,126	20,156	3,004
6	Electricity, gas and water	412,138	1,035	411,103	948	510	567	1,748
7	Transport and Communication	194,493	8,196	186,297	1,241	2,983	1,598	825
8	Financial Institutions	383,688	-	383,688	1,889	-	-	1,628
9	Services	856,062	22,340	833,722	12,637	7,689	8,317	3,631
10	Personal Loans	1,598,752	52,404	1,546,348	7,680	23,077	11,179	6,782
11	Agriculture and Allied Activities	34,314	963	33,351	139	510	1,037	146
12	Government	276,397	-	276,397	-	-	-	1,172
13	Non-Resident Lending	78,024	357	77,667	140	269	-	331
14	All Others	35,562	190	35,372	78	83	4	151
Total		6,141,390	282,575	5,858,815	177,631	121,515	78,339	26,052

8.9 Amount of impaired loans broken down by significant geographic areas including with the amounts of specific and general allowances related to each geographical area.

		Provisions held						Advances written off during the year
		Gross loans	Of which NPLs as per IFRS 9	Stage 1and stage 2	Stage 3	Reserve interest	Total Provisions	
S. No.	Countries							
1	Oman	5,607,470	282,576	176,672	121,516	78,339	377,486	739
2	Other GCC countries	456,253	-	819	-	-	-	-
3	OECD countries	77,667	-	140	-	-	-	-
Total		6,141,390	282,576	177,631	121,516	78,339	377,486	739

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

8. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

8.10 Movements of gross loans

		Performing loans			Non-Performing loans	Total
		Stage 1	Stage 2	Stage 3		
S.No	Details					
1	Opening balance	3,721,395	676,211	219,054		4,616,660
2	New assets originated/additions	1,860,212	57,142	36,075		1,953,429
3	Assets derecognised or repaid	(379,364)	(8,721)	(39,875)		(427,960)
4	Transfer between stages	(246,492)	178,431	68,061		-
5	Loans (written off) / recovered (net)	-	-	(739)		(739)
6	Closing balance	4,955,751	903,063	282,576		6,141,390
7	Provisions held	27,376	150,256	121,516		299,147
8	Reserve interest	-	-	78,339		78,339

9. CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

9.1 Qualitative disclosures: For portfolios under standardised approach

The Bank is following standardised approach in assessing regulatory capital for credit risk. For sovereign risk (i.e. claims on the Sultanate of Oman or the Central Bank of Oman in OMR or foreign currency,) zero risk weight is applied, whereas for other sovereign risk and central banks' exposures, the exposure will be risk weighted appropriately within a range of 0% to 100% based on the rating awarded by Eligible Credit Assessment Institution (ECAI) approved by CBO like, Moody's Standard & Poor, Fitch and Capital Intelligence. For exposures on banks, the risk weight applied depends on the rating of the banks, subject to the respective country rating. In the absence of external ratings for most of the corporate, the Bank treats them as unrated and applies 100% risk weight on their funded exposures. On the off-balance sheet exposures, the relevant credit conversion factors are applied and aggregated to banks or the corporate, as the case may be, and then the risk weight is applied as stated above. Unavailed or yet to be disbursed exposures are taken under commitments and risk weights assigned as permitted by the CBO guidelines.

9.2 Quantitative disclosures

The Bank is following a uniform approach of considering all corporates as unrated and applying 100% risk weights.

10. CREDIT RISK MITIGATION: DISCLOSURE FOR STANDARDISED APPROACH

The Bank's collateral management framework is integrated with the overall framework of Wholesale Lending policy that lets out the parameters and criteria for the acceptance of collateral and its management. The Bank does not make use of netting whether on or off-balance sheet. The Bank's wholesale lending policy specifies the acceptable types of collateral and source of valuation and frequency of revaluation as once in three years for mortgaged properties and shares are valued on monthly basis unless where there is a high volatility situation where the shares shall be valued at shorter intervals. The frequency is subject to changes as may be modified/ permitted by the regulator from time to time. The main types of acceptable collaterals are cash deposits, equity shares listed in the Muscat Securities Market and mortgages. The main type of guarantors are individuals and corporates. The Bank is taking only the cash deposits and equity shares for the purpose of credit risk mitigation under comprehensive approach.

	Gross credit Exposure before CCF, CRM and Provisions	Eligible financial Collateral (after Application of Haircuts)
1. Claims on Sovereigns	2,844,800	-
2. Claims on Banks	613,055	-
3. Claims on Corporates	2,129,124	6,341
4. Retail	1,622,187	(1375)
5. Other Exposures	313,302	-
Total	7,522,468	4,966

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

11. MARKET RISK

Market risk is defined as potential losses on account of changes in market variables. The sources of market risks are changes in interest rate, 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.

11.1 Market and Liquidity Risk Management Framework

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

The Bank predominantly faces two types of market risks:

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

Market and Liquidity Risk Management 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

Market risk management monitors the following limits and approved thresholds :

- Regulatory limits and Internal Limits based on the Bank’s Risk Appetite
- Interest Rate Risk Limits
- Position and dealer Limits
- Stop Loss limits
- Foreign Exchange limits
- Concentration Limits (Country exposure limits)

11.2 Foreign Exchange Risk:

Foreign exchange risk is the potential adverse impact on earnings and market value of currency holdings due to changes in foreign exchange rates. Foreign exchange risk management in the 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.

The Bank had the following net open positions denominated in foreign currencies as of Dec 2025:

	Assets	Liabilities	Net
	FCY’ 000	FCY’ 000	(liabilities)/assets
	FCY’ 000	FCY’ 000	FCY’ 000
US Dollar	7,688,336	7,999,293	(310,957)
Euro	1,749,390	1,754,882	(5,492)
UAE Dirhams	2,492,488	2,395,681	96,807
Japanese Yen	29,508,420	29,507,929	491
Swiss Franc	7,957	7,974	(17)
Pound Sterling	107,524	107,516	8
Indian Rupee	283,593	85,883	197,710

The Bank applies Basel II standardised approach for market risk capital allocation for foreign exchange risk. Market risk capital for the Bank’s foreign exchange position as at the end of 2025 is ~~18.8~~ 18.8 million.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

11. MARKET RISK (CONTINUED)

11.3 Investment Price Risk

Investment price risk is the risk of decline in the market value of the Group’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 of Directors and are subject to rigorous due diligence.

Investment limits such as position limits, exposure limits, stop loss limits, sectorial limits are defined in various policies enabling proper risk management of the Bank’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 Bank’s Investment Policy.

11.4 Interest Rate Risk

Interest rate risk arises from the adverse impact on the Bank’s financial position because of change in market interest rates. The trading book impact is reflected by way of change in the value of investments. The banking book impact is reflected through the change in Net Interest Income (NII) and Economic Value of Equity (EVE). The bank’s Asset Liability Committee (ALCO) is responsible for managing interest rate risk. Regular reports to ALCO 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 provides 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 books are periodically assessed via hedge effectiveness testing.

11.4.1 Interest Rate Risk in Banking Book (IRRBB)

Interest rate risk in the banking book refers to the potential adverse financial impact on the Bank’s banking book from changes in interest rates. The Bank carries various assets, liabilities and off-balance sheet items across markets, maturities and benchmarks exposing it to risks from changing interest rates. The Bank’s objective is to maintain IRRBB within tolerable limits.

The Bank manages short term interest rate impact through earnings-based measures and long-term interest rate impact through economic value-based measures. The bank measures the change in Economic Value of Equity (“EVE”) as the maximum decrease of the banking book economic value under the 6 standard scenarios prescribed by Basel guidelines. The bank maintains economic capital for IRRBB under Pillar II based on the outcome.

11.5 Derivatives

The Bank enters into derivative deals with counterparties based on their financial strength and understanding of derivative products and their risks. The Bank offers interest rate and foreign exchange derivatives to its clients for hedging purposes. Such products are offered according to the client’s hedging requirements and underlying exposures. Interest rate swaps for the customer are covered back-to-back with an interbank counterparty.

The market risk team shall propose appropriate limit for derivative products in line with the global best practices. Such limits are monitored against the exposures and breaches are escalated for corrective action. The Mark To Market valuation (MTM) of derivatives is measured on daily basis. The Bank has executed ISDA and Credit Support Annexure (CSA) with some of the counterparties and variation margins are exchanged based on the MTM and CSA thresholds.

The Bank also undertakes interest rate derivative to manage its own interest rate risk by way of Interest Rate Swaps, Forward Rate Agreements and so on. The transactions are executed after deliberation and direction from the Bank’s ALCO. Hedge effectiveness for such interest rate derivative is performed periodically and necessary accounting entries are posted as per IFRS hedge accounting guidelines.

12. LIQUIDITY RISK

Liquidity risk is the risk the arises from the Bank’s potential inability either to meet all payment obligations or only being able to meet such obligations at higher cost. It is the current and prospective risk to the Bank’s earnings and equity arising out of inability to meet the obligations as and when they become due. The objective of the Bank’s liquidity risk management framework is to ensure that the Bank can meet all its payment obligations as and when it is due and thus managing the Bank’s liquidity and funding risks within the Board approved risk appetite. The bank shall identify all material sources of liquidity and funding risks and assess appropriate levels of required Liquid Assets Buffers and contingency funding actions. The Bank’s treasury is mandated to manage the overall liquidity and funding position for the Bank under the guidance and supervision of the ALCO. The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration and to ensure that the Bank is fully prepared to meet any unforeseen stress conditions. The Bank uses the following tools to manage liquidity and funding:

Liquidity gaps in line with regulatory and internal thresholds

- Periodic stress testing and simulation of liquidity buffer to ensure “crisis survivability”
- Liquidity Early Warning Indicators have established and deliberated at ALCO
- Compliance and adequate maintenance of regulatory ratios such as LCR and NSFR

The Bank’s risk management performs periodic stress testing and simulation of liquidity buffer and all the material cash inflows and outflows that impact the Bank’s liquidity. The simulation results are presented to ALCO for deliberation and further action plan. In addition, the Bank performs liquidity scenario analysis and based on the outcome the Bank provides economic capital under Pillar II as part of ICAAP submission.

12.1 Basel III Liquidity Ratios

Liquidity Coverage Ratio (LCR): LCR measures the stock of unencumbered High Quality Liquid Assets (HQLA) against short-term obligations (30 days). The Bank maintains LCR in excess of the regulatory requirement.

Net Stable Funding Ratio (NSFR): NSFR regulation seeks that the Bank diversify its funding sources and reduce their dependency on short-term wholesale markets. The ratio compares the stock of available Stable Funding against Required Stable Funding. The Bank maintains adequate NSFR ratio above the regulatory threshold to avoid any funding mismatch. The Bank is compliant with the Basel III Liquidity Norms and ratios as at 31 December 2025 are hereunder:

Liquidity Ratio	Ratio as at 31 December 2025	Regulatory Threshold
LCR	185.8%	100%
NSFR	115.1%	100%

13. OPERATIONAL RISK

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems or from external events. It includes Legal risk, but not limited to fines, penalties or punitive damages, however, excludes Strategic and Reputational Risk.

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

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 the Bank’s overall standards in the following areas for management of operational risk:

- Clear reporting lines
- Delegation of authority
- Appropriate segregation of duties and authorisation of transactions through a maker checker and authorisation matrix, as deemed relevant
- Ownership, reconciliation and monitoring of accounts
- Documentation of controls and processes
- Compliance with regulatory and other legal requirements
- Periodic assessment of the operational risks and evaluating the adequacy of controls and procedures to address the risks identified
- Documented processes and controls for all material activities of the Bank

13. OPERATIONAL RISK (CONTINUED)

- Timely reporting of operational risk incidents / operational losses and remedial action
- Development of adequate contingency plans
- Training, skill up gradation and professional development
- Ethical and business standards; and
- Risk transfer through insurance, wherever desirable

It may be noted that compliance with the Bank’s standards is supported by a programme of periodic reviews undertaken by Internal Audit department which includes both 1st and 2nd Line of Defence. The results of internal audit are discussed with the business unit heads and summary observations of audit are placed to Audit Committee and Senior Management of the Bank for corrective action.

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

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

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

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK
AS AT 31 DECEMBER 2025

13. OPERATIONAL RISK (CONTINUED)

Third Party Risk Management

The Bank has successfully established a comprehensive Third-Party Risk Management (TPRM) framework that centralises oversight and standardises third-party risk assessment methodologies across all business units. This foundational framework provides a clear, consistent approach to managing the risks associated with all the 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.

Business Continuity

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

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

Exposure to interest rate risk – Annexure 1

	2025 ₹'000
Net interest income	167,415
Capital	1,066,696
Based on 50 bps interest rate shock	
Impact of 50 bps interest rate shock	5,209
Impact as % to net interest income	3.11%
Impact as % to capital	0.49%
Based on 100 bps interest rate shock	
Impact of 100 bps interest rate shock	10,418
Impact as % to net interest income	6.22%
Impact as % to capital	0.98%
Based on 200 bps interest rate shock	
Impact of 200 bps interest rate shock	20,835
Impact as % to net interest income	12.45%
Impact as % to capital	1.95%

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2024

STATEMENT ON SENSITIVITY OF ASSETS AND LIABILITIES (SAL)
Annexure 2

₹'000																
No.	Inflows (Assets and OBS)	Overnight	1-7 Day	8-14 Day	1 Month	2 Month	3 Month	6 Month	6-9 Month	9-12 Month	1-2 Year	2-3 Year	3-5 Year	> 5 Year	Non Sensitive	Total
1	Balances due from Other Banks	4,193	312,030	15,815	42,771	95,982	30,795	86,903	-	-	-	-	-	-	59,857	648,346
2	Investments (Excl. Equity Investments)	-	67,194	129,486	453,378	457,256	394,333	48,413	54,601	18,619	53,997	121,290	187,276	96,847	64,002	2,146,693
3	Loans and Advances (net of ECL)	677,685	257,769	134,672	407,403	403,933	853,805	461,992	551,233	172,790	689,282	296,561	115,143	62,572	27,000	5,111,838
4	Bills of Exchange & Promissory Notes (Closed Ended)	68	3,874	25,790	15,240	24,670	60,952	58,270	15,801	-	-	-	-	-	-	204,663
5	Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	61,429	61,429
6	Overdrafts and Credit Cards Total Excluding NPA	-	-	-	-	-	-	-	-	315,330	-	-	-	-	-	315,330
7	Cash On Hand	-	-	-	-	-	-	-	-	-	-	-	-	-	47,215	47,215
8	Deposits with CBO	-	-	-	-	-	-	-	-	-	-	-	-	-	276,185	276,185
9	NPAs	-	-	-	-	-	-	-	-	-	-	-	-	5,824	74,517	80,341
10	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	145,151	145,151
11	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	98,132	98,132
	Total	681,945	640,868	305,763	918,791	981,840	1,339,884	655,578	621,635	506,739	743,279	417,851	302,419	165,243	853,487	9,135,323
No.	Outflows (Liabilities and OBS)	Overnight	1-7 Day	8-14 Day	1 Month	2 Month	3 Month	6 Month	6-9 Month	9-12 Month	1-2 Year	2-3 Year	3-5 Year	> 5 Year	Non Sensitive	Total
1	Time Deposits	1,105	55,566	31,786	109,005	129,982	247,302	773,065	420,659	301,441	194,415	18,244	65,524	-	-	2,348,094
2	Balances due to Other Banks	-	105,779	27,246	66,944	279,344	169,787	44,275	15,711	-	57,750	-	77,000	-	132,333	976,169
3	Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	45,512	45,512
4	Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	920,597	920,597
5	Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	67,516	67,516
6	Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	65,312	65,312
7	Others (Current Year's Profit/Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	99,624	99,624
8	Other Liabilities with no maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	175,934	175,934
9	Other Deposits (Margin)	-	-	-	-	-	-	-	-	-	-	-	-	-	33,606	33,606
10	Current & Call	10,830	39,331	78,652	1,543,232	150	150	468	483	500	2,206	2,281	-	-	1,523,797	3,202,078
11	Savings	8,305	58,135	116,270	510,886	-	-	-	-	-	-	-	-	-	505,271	1,198,867
	Total	20,240	258,811	253,954	2,230,067	409,477	417,238	817,808	436,853	301,941	254,371	20,524	142,524	-	3,569,500	9,133,308

₹ '000																
No.	Inflow (Assets and OBS)	Overnight	1-7 Day	8-14 Day	1 Month	2 Month	3 Month	6 Month	6-9 Month	9-12 Month	1-2 Year	2-3 Year	3-5 Year	> 5 Year	Non Sensitive	Total
1	Balances due from Other Banks	64,050	312,030	15,815	42,771	95,982	30,795	86,903	-	-	-	-	-	-	-	648,346
2	Investments (Excl. Equity Investments)	-	67,194	129,486	453,378	457,256	394,333	48,413	54,601	18,619	53,997	121,290	187,276	96,847	-	2,082,691
3	Loans and Advances (net of ECL)	34,145	19,920	16,115	242,616	70,966	111,022	130,425	140,772	171,649	451,140	583,025	1,146,028	1,994,015	-	5,111,838
4	Bills of Exchange & Promissory Notes (Closed Ended)	68	3,874	25,790	15,240	24,670	60,952	58,270	3,669	-	-	-	-	-	-	192,531
5	Spot and Forward Purchases	-	32,034	7,581	3,880	1,323	1,587	10,459	28,908	25,578	2,935	4,557	-	-	-	118,841
6	Swaps (including IRS)	-	376,055	175,214	127,450	39,655	133,455	243,562	69,300	85,248	78,353	-	-	-	-	1,328,291
7	Accrued Interest	482	1,358	639	2,584	2,167	1,994	885	665	452	3,431	2,344	12,353	32,077	-	61,429
8	LC' & LG's (Closed Ended) with Maturity	10,331	911	2,887	12,719	32,222	56,665	216,161	57,518	28,826	47,420	36,148	30,750	56,002	-	588,560
9	Undrawn Exposure (Syn Loans)	-	-	-	-	-	-	6,762	-	-	-	-	-	42,879	-	49,642
	Total	109,076	813,376	373,526	900,636	724,240	790,803	801,839	355,433	330,373	637,276	747,363	1,376,407	2,221,820	-	10,182,169
No.	Outflows (Liabilities and OBS)	Overnight	1-7 Day	8-14 Day	1 Month	2 Month	3 Month	6 Month	6-9 Month	9-12 Month	1-2 Year	2-3 Year	3-5 Year	> 5 Year	Non Sensitive	Total
1	Time Deposits	1,105	55,566	31,786	109,005	129,982	247,302	773,065	420,659	301,441	194,415	18,244	65,524	-	-	2,348,094
2	Balances due to Other Banks	132,333	78,532	-	12,223	170,360	33,556	44,275	15,711	-	411,950	-	77,000	-	-	975,940
3	Spot and Forward Sales	-	32,013	7,561	3,894	1,313	1,580	10,454	28,875	25,664	2,837	4,547	-	-	-	118,738
4	Swaps (including IRS)	-	376,919	175,228	127,477	39,658	133,474	243,553	69,300	85,249	78,205	-	-	-	-	1,329,064
5	Interest Payable	2,084	1,116	394	1,290	3,601	1,487	12,345	5,890	3,926	10,690	299	2,389	-	-	45,512
6	LC' & LG's (Closed Ended) with Maturity	10,331	911	2,887	12,719	32,222	56,665	216,161	57,518	28,826	47,420	36,148	30,750	56,002	-	588,560
7	Undrawn Exposure (Syn Loans)	49,642	-	-	-	-	-	-	-	-	-	-	-	-	-	2,348,094
	Total	195,495	545,058	217,856	266,608	377,136	474,064	1,299,853	597,953	445,106	745,517	59,238	175,663	56,002	5,455,549	195,495

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF
REGULATORY ADJUSTMENTS 31 DECEMBER 2025

₹ '000		
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	720,546
2	Retained earnings	139,053
3	Accumulated other comprehensive income (and other reserves)	55,524
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
	Public sector capital injections grandfathered until 1 January 2018	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	915,123
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	57,420
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,401
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	21,406
13	Securitisation gain on sale (as set out in paragraph 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage Servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	81,227
29	Common Equity Tier 1 capital (CET1)	833,896

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF
REGULATORY ADJUSTMENTS 31 DECEMBER 2025 (CONTINUED)

		€'000
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	200,000
31	of which: classified as equity under applicable accounting standards 5	200,000
32	of which: classified as liabilities under applicable accounting standards 6	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	200,000
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	200,000
45	Tier 1 capital (T1 = CET1 + AT1)	1,033,896
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	3,320
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	29,481
51	Tier 2 capital before regulatory adjustments	32,801

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF
REGULATORY ADJUSTMENTS 31 DECEMBER 2025 (CONTINUED)

		€'000
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	32,801
59	Total capital (TC = T1 + T2)	1,066,697
Risk Weighted Assets		
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
60	Total risk weighted assets (60a+60b+60c)	6,182,008
60a	Of which: Credit risk weighted assets	5,510,706
60b	Of which: Market risk weighted assets	234,684
60c	Of which: Operational risk weighted assets	436,618
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.49
62	Tier 1 (as a percentage of risk weighted assets)	16.72
63	Total capital (as a percentage of risk weighted assets)	17.25
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	8.25%
65	of which: capital conservation buffer requirement	2.50%
66	of which: bank specific countercyclical buffer requirement	-
67	of which: D-SIB/G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	5.19

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

BASEL III COMMON DISCLOSURE TEMPLATE TO BE USED DURING THE TRANSITION OF
REGULATORY ADJUSTMENTS 31 DECEMBER 2025 (CONTINUED)

		₹'000
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	8,250
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	10,250
71	National total capital minimum ratio (if different from Basel 3 minimum)	12,250
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	29,481
77	Cap on inclusion of provisions in Tier 2 under standardised approach	137,768
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS AT 31 DECEMBER 2025

Step 1:	(₹'000)	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at December 2025	As at December 2025
Assets		
Cash and balances with Central Bank of Oman	323,400	323,400
Certificates of deposit	-	-
Due from banks	650,941	650,941
Loans and advances	5,763,904	5,763,904
Investments in securities	2,153,538	2,153,538
Loans and advances to banks	-	-
Property and equipment	145,151	145,151
Deferred tax assets	-	-
Other assets	91,862	91,862
Total assets	9,128,796	9,128,796
Liabilities		
Due to banks	977,478	977,478
Customer deposits	6,826,799	6,826,799
Certificates of deposit	-	-
Current and deferred tax liabilities	-	-
Other liabilities	197,402	197,402
Subordinated Debts	-	-
Compulsory Convertible bonds	-	-
Total liabilities	8,001,679	8,001,679
Shareholders' Equity		
Paid-up share capital	702,508	702,508
Share premium	18,038	18,038
Legal reserve	65,947	65,947
General reserve	988	988
Retained earnings	139,053	139,053
Cumulative changes in fair value of investments	6,530	6,530
Subordinated debt reserve	-	-
Impairment reserve	5,464	5,464
Special Reserve	(11,411)	(11,411)
Perpetual Tier 1 Capital Securities	200,000	200,000
Total shareholders' equity	1,127,117	1,127,117
Total liability and shareholders' funds	9,128,796	9,128,796

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS AT 31 DECEMBER 2025 (CONTINUED)

Step 2 :	(₨ '000)		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 2025	As at December 2025	
Assets			
Cash and balances with CBO	323,400	323,400	
Balance with banks and money at call and short notice	650,941	650,941	
Investments :	2,153,538	2,153,538	
Of which Held to Maturity	537,688	537,688	
Out of investments in Held to Maturity:			
Investments in subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Of which Available for Sale	1,577,678	1,577,678	
Out of investments in Available for Sale: Investments in Subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Held for Trading	38,172	38,172	
Loans and advances	5,763,808	5,763,808	
Of which:			
Loans and advances to domestic banks	-	-	
Loans and advances to non-resident banks	-	-	
Loans and advances to domestic customers	4,762,035	4,762,035	
Loans and advances to non-resident Customers for domestic operations	-	-	
Loans and advances to non-resident Customers for operations abroad	78,024	78,024	
Loans and advances to SMEs	139,711	139,711	
Financing from Islamic banking window	784,038	784,038	
Fixed assets	145,151	145,151	
Other assets of which:	91,930	91,930	
Goodwill and intangible assets out of which:			
Goodwill	-	-	
Other intangibles (excluding MSRs)	-	-	
Deferred tax assets	-	-	
Goodwill on consolidation	-	-	
Debit balance in Profit & Loss account	-	-	
Total Assets	9,128,796	9,128,796	
Capital & Liabilities			
Paid-up Capital	720,546	720,546	
Of which:			
Amount eligible for CET1	720,546	720,546	
Amount eligible for AT1	200,000	200,000	
Reserves & Surplus	206,571	206,571	
Out of which			

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS AT 31 DECEMBER 2025 (CONTINUED)

Step 2 : (continued)	(₨ '000)		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 2025	As at December 2025	
Retained earnings*	139,053	139,053	b
Other Reserves	60,988	60,988	
Cumulative changes in fair value of investments	6,530	6,530	
Out of which :			
Losses from fair value of investments	-	-	a
Gains from fair value of investments	-	-	
Haircut of 55% on Gains	-	-	
Total Capital	1,127,117	1,127,117	
Deposits :	6,826,799	6,826,799	
Of which:	-	-	
Deposits from banks	-	-	
Customer deposits	5,959,719	5,959,719	
Deposits of Islamic Banking window	867,080	867,080	
Other deposits(please specify)	-	-	
Borrowings	977,478	977,478	
Of which: From CBO	-	-	
From banks	977,478	977,478	
From other institutions & agencies	-	-	
Borrowings in the form of bonds, Debentures and sukuku	-	-	
Others (Subordinated debt)	-	-	
Other liabilities & provisions** Of which:	197,402	197,402	
Out of which : DTLs related to Investments	-	-	
Out of which : DTAs related to Investments	-	-	
Out of which : DTLs related to Fixed Assets	-	-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
TOTAL	9,128,796	9,128,796	

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS AT 31 DECEMBER 2025 (CONTINUED)

Step 3 :

(¢'000)

Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	720,546	
2	Retained earnings	139,053	b
3	Accumulated other comprehensive income (and other reserves)	55,524	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory adjustments	915,123	
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	(59,821)	
9	Losses from fair value of investments		a
10	DTA related to Investments	-	
11	Common Equity Tier 1 capital (CET1)	833,896	

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

MAIN FEATURES TEMPLATE OF CAPITAL INSTRUMENTS - AS AT 31 DECEMBER 2025

1	Issuer	SOHAR INTERNATIONAL
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN OM0000003398
3	Governing law(s) of the instrument <i>Regulatory treatment</i>	Banking Law of Oman / Commercial Companies Law
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Equity Shares
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	¢ 702.508 Million
9	Par value of instrument	¢ 702.508 Million
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	3-Jan-07
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
Coupons / dividends		
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NO
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
30	Write-down feature	NO
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to the Compulsorily Convertible bonds issued by the Bank
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	NA

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

BASEL III LEVERAGE RATIO FRAMEWORK AND DISCLOSURE REQUIREMENTS - REPORTS FOR
QUARTER ENDED 31 DECEMBER 2025

(All amounts in ₪'000)			
Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure			
(Please refer to paragraph 52 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)			
Item	Current Quarter	Previous Quarter	
1 Total consolidated assets as per published financial statements	9,128,796	8,323,519	
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	
4 Adjustments for derivative financial instruments	743	(47,579)	
5 Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-	
6 Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of offbalance sheet exposures)	302,625	272,463	
7 Other adjustments	(72,977)	44,283	
8 Leverage ratio exposure	9,359,187	8,592,686	
Table 2: Leverage ratio common disclosure template			
(Please refer to paragraph 53 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)			
Item	Current Quarter	Previous Quarter	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	7,652,062	6,792,619	
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(81,227)	(60,253)	
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	7,570,835	6,732,366	
Derivative Exposures			
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	-	-	
5 Add-on amounts for PFE associated with all derivatives transactions	-	-	
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	
8 (Exempted CCP leg of client-cleared trade exposures)	-	-	
9 Adjusted effective notional amount of written credit derivatives	-	-	
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	
11 Total derivative exposures (sum of lines 4 to 10)	-	-	
Securities financing transaction exposures			
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,486,206	1,588,577	
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(479)	(720)	
14 CCR exposure for SFT assets	-	-	
15 Agent transaction exposures	-	-	
16 Total securities financing transaction exposures (sum of lines 12 to 15)	1,485,727	1,587,857	
Other Off-balance sheet exposures			
17 Off-balance sheet exposure at gross notional amount	3,549,688	3,069,758	
18 (Adjustments for conversion to credit equivalent amounts)	(3,247,063)	(2,797,295)	
19 Off-balance sheet items (sum of lines 17 and 18)	302,625	272,463	
Capital and total exposures			
20 Tier 1 capital	1,033,896	980,975	
21 Total exposures (sum of lines 3, 11, 16 and 19)	9,359,187	8,592,686	
Leverage Ratio			
22 Basel III leverage ratio (%)	11.0	11.4	

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

LCR DISCLOSURES FOR THE PERIOD ENDED 31 DECEMBER 2025

(All amounts in ₪'000)			
		Total Unweighted Value (average)*	Total Weighted Value (average)**
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	-	2,024,675
Cash Outflows			
2	Retail deposits and deposits from small business	1,290,685	92,067
3	Stable deposits	531,568	16,155
4	Less stable deposits	759,117	75,912
5	Unsecured wholesale funding, of which:	3,464,668	1,527,496
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	3,464,668	1,527,496
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which	147,143	14,272
11	Outflows related to derivative exposures and other collateral requirements	60	60
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	147,083	14,212
14	Other contractual funding obligations	7,824	7,824
15	Other contingent funding obligations	792,964	39,648
16	TOTAL CASH OUTFLOWS		1,681,307
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	794,795	592,932
19	Other cash inflows	53,919	(882)
20	TOTAL CASH INFLOWS	848,714	592,050
		Total Adjusted Value***	
21	TOTAL HQLA		2,024,675
22	TOTAL NET CASH OUTFLOWS		1,089,257
23	LIQUIDITY COVERAGE RATIO (%)		185.88

* Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows) except where otherwise mentioned in the circular and LCR template.

** Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

*** Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

NSFR DISCLOSURES (CIS) ENDING 31 DECEMBER 2025

		Unweighted value by residual maturity				₹'000
ASF Item		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
1	Capital:	1,066,697	-	-	-	1,066,697
2	Regulatory capital	1,033,896	-	-	-	1,033,896
3	Other capital instruments	32,801	-	-	-	32,801
4	Retail deposits and deposits from small business customers	1,025,499	83,153	194,344	104,082	1,287,868
business customers:						
5	Stable deposits	404,924	3,546	17,541	3,934	408,448
6	Less stable deposits	620,575	79,607	176,804	100,148	879,420
7	Wholesale funding:	72,750	2,917,272	1,573,155	236,738	2,518,269
8	Operational deposits	-	-	442,789	-	221,394
9	Other wholesale funding	72,750	2,917,272	1,130,366	236,738	2,296,875
10	Liabilities with matching interdependent assets					
11	Other liabilities:	820,892	-	36,350.42	997,863	975,788
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in above categories	820,892	-	36,350	997,863	975,788
14	Total ASF					5,848,622
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	124,979
16	Deposits held at other financial institutions for operational purposes	54,801	-	-	-	27,401
17	Performing loans and securities:	28,954	617,201	790,395	4,657,479	4,344,735
18	Performing loans to financial institutions secured by Level 1 HQLA	-	575,635	-	-	86,345
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	31,854	87,186	-	55,905
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	13,599	9,436	703,127	3,697,857	3,470,472
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	277	83	959,622	718,961
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	277	83	959,622	718,961
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	15,355	-	-	-	13,052
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other Assets:	369,734	-	67,085	131,802	535,052
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	369,734	-	67,085	131,802	535,052
32	Off-balance sheet items		880,594	59,453	-	47,002
33	TOTAL RSF					5,079,265
34	NET STABLE FUNDING RATIO (%)					115.15

SOHAR ISLAMIC



PURPOSE-DRIVEN GROWTH
in Motion

BOARD OF
DIRECTORS

CORPORATE
GOVERNANCE

MANAGEMENT

FINANCIAL
STATEMENTS
SOHAR
INTERNATIONAL

REGULATORY
DISCLOSURES
SOHAR
INTERNATIONAL

SOHAR ISLAMIC

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ETHICAL FOUNDATIONS

Guiding Progress



**SHEIKH AL-MU'TASIM SAID
AL MAAWALI**
Chairman



**SHEIKH NASSER YOUSUF
AL AZRI**
Deputy Chairman



**DR. MUHAMMAD ABDUL
RAHIM SULTAN AL OLAMA**
Member



بسم الله الرحمن الرحيم

الحمد لله رب العالمين

والصلاة والسلام على رسول الله الأمين سيدنا محمد وعلى آله وصحبه أجمعين

In The Name of Allah, Most Gracious, Most Merciful.

Peace and Blessings Be Upon His Messenger.

To the Shareholders of Sohar International,

السلام عليكم ورحمة الله وبركاته

In compliance with the letter of appointment, we are required to submit the following report for the operations of Sohar Islamic (the Window) during the year 2025 for the period from 01/01/2025 to 31/12/2025:

The Shari'a Supervisory Board monitored the operations of the Window through the Shari'a Department between the period of January 1st, 2025 and December 31st, 2025, to ascertain the Window's adherence to the provisions and principles of Islamic Shari'a as expounded by the Shari'a Supervisory Board. The Shari'a Supervisory Board's monitoring function included the checking of documents and procedures to scrutinise operations carried out by the Window, either directly or through the Shari'a Audit Unit. We planned with the Shari'a Audit Unit to carry out monitoring functions by obtaining all the information and clarifications that were deemed necessary to confirm that the Window did not violate the principles and provisions of Islamic Shari'a as elaborated by the Shari'a Supervisory Board. The Shari'a Audit Unit audited the Window's transactions and submitted a report to the Shari'a Supervisory Board. The report confirmed the Window's commitment and conformity to the Shari'a Supervisory Board's opinions. It held four meetings throughout the year ended December 31, 2025 and replied to the inquiries, in addition to approving investment opportunities presented by the Management.



The Shari'a Supervisory Board believes that:

1. Contracts, operations and transactions conducted by the Window throughout the year ending December 31, 2025 were in accordance with the standard contracts pre-approved by the Shari'a Supervisory Board in general, what was observed in some transactions in terms of violations or errors were directed in their regard.
2. The distribution of profit on investment accounts was in compliance with the basis and principles approved by the Shari'a Supervisory Board.
3. All earnings which have been realised from sources or by means not in compliance to Islamic Shari'a rules have been disbursed to the charity account under the supervision and guidelines of the Shari'a Supervisory Board.
4. The Shari'a Supervisory Board created, developed, reviewed and approved all products, financing structures and contracts of transactions that were presented to them.
5. The Shari'a Board stresses the need for the executive management to continue working on developing their employees to enable them to perform their duties efficiently and to avoid Shari'a violations.

Shari'a Supervisory Board Members

Dr. Mohammad Abdul Rahim
Sultan Al Olama
Member

Sheikh Nasser Yousuf Al Azri
Deputy Chairman

Sheikh Al Muatasim Said Al Maawali
Chairman



Shari'a Supervisory Board Sohar Islamic

بسم الله الرحمن الرحيم

الحمد لله، والصلاة والسلام على سيدنا محمد رسول الله – صلى الله عليه وآله وصحبه وسلم، وبعد:

The Shari'a Supervisory Board was presented with the "Infinite" Individual Credit Card product to:

Introduction:

Credit cards are financial tools that provide individuals with a means to pay and withdraw cash interest-free, the ability to pay online, manage expenses, and track spending. These cards are managed under the Al-Qard Al-Hasan and Ijarah contracts where fixed fees are charged for services rendered to the customer, and interest is not charged on the amounts due.

The Decision:

The Sohar Islamic's Shari'a Supervisory Board has reviewed the product and approved its use within the aforementioned controls. The fees for this card are for services provided and are not interest-based, and no interest is charged on due amounts. Therefore, it is Shari'a-compliant.

والله أعلم بالصواب، وصلى الله وسلم على نبينا محمد وعلى آله وصحبه أجمعين.

Shari'a Supervisory Board Members

Dr. Mohammad Abdul Rahim
Sultan Al Olama
Member

Sheikh Nasser Yousuf Al Azri
Deputy Chairman

Sheikh Al Muatasim Said Al Maawali
Chairman



Shari'a Supervisory Board Sohar Islamic

بسم الله الرحمن الرحيم

الحمد لله، والصلاة والسلام على سيدنا محمد رسول الله – صلى الله عليه وآله وصحبه وسلم، وبعد:

The Shari'a Supervisory Board was presented with the Foreign Currency Debit Card product:

Introduction:

The Foreign Currency Debit Card that allows its holder to make purchases and cash withdrawals in the foreign currencies linked to the foreign currency account in the Bank. When the card is used, the amount will be directly debited from the customer account linked to it.

The Decision:

The Shari'a Supervisory Board of Sohar Islamic has reviewed the product. Its opinion is that the product is permissible according to Shari'a, as the card is used to fulfil the customer's obligations from their foreign currency account. Additionally, the product does not include any fees that are incompatible with Islamic Shari'a.

والله أعلم بالصواب، وصلى الله وسلم على نبينا محمد وعلى آله وصحبه أجمعين.

Shari'a Supervisory Board Members

Dr. Mohammad Abdul Rahim
Sultan Al Olama
Member

Sheikh Nasser Yousuf Al Azri
Deputy Chairman

Sheikh Al Muatasim Said Al Maawali
Chairman



Shari'a Supervisory Board Sohar Islamic

بسم الله الرحمن الرحيم

الحمد لله، والصلاة والسلام على سيدنا محمد رسول الله – صلى الله عليه وآله وصحبه وسلم، وبعد:

The Shari'a Supervisory Board was presented with the Preload Corporate Card product without any credit:

Introduction:

The Preload Corporate Card are cards Prepaid/charged with an advance amount without a credit provided by the Bank. This balance is used for purchases, cash withdrawals, online payments and expense management. Fees may be applicable for the services provided.

The Decision:

The Shari'a Supervisory Board of Sohar Islamic has reviewed the product and approved its use within the aforementioned approved control managed by corporate company. The fees for this card are for the services provided and therefore are not usurious (interest-based). So, the product is compatible with the provisions and principles of Islamic Shari'a.

والله أعلم بالصواب، وصلى الله وسلم على نبينا محمد وعلى آله وصحبه أجمعين.

Shari'a Supervisory Board Members

Dr. Mohammad Abdul Rahim
Sultan Al Olama
Member

Sheikh Nasser Yousuf Al Azri
Deputy Chairman

Sheikh Al Muatasim Said Al Maawali
Chairman

FINANCIAL STATEMENTS

SOHAR ISLAMIC



ENDURING VALUE
Built Over Time

BOARD OF DIRECTORS

CORPORATE GOVERNANCE

MANAGEMENT

FINANCIAL STATEMENTS
SOHAR INTERNATIONAL

REGULATORY DISCLOSURES
SOHAR INTERNATIONAL

SOHAR ISLAMIC

FINANCIAL STATEMENTS
SOHAR ISLAMIC

REGULATORY DISCLOSURES
SOHAR ISLAMIC

CONTACTS



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

Independent auditors' report

To the Shareholders of Sohar International Bank SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sohar Islamic Banking (the "Islamic Window"), which comprise the statement of financial position as at 31 December 2025, the statements of comprehensive income, income and attribution related to quasi-equity, changes in owners' equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Islamic window as at 31 December 2025, and results of its operations, income and attribution related to quasi-equity, changes in owners' equity and its cash flows for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Central Bank of Oman (the "CBO").

In our opinion, the Islamic Window has also complied with the Islamic Shari'a Principles and Rules as determined by the Islamic Window's Shari'a Supervisory Board during the year ended 31 December 2025.

Basis for Opinion

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

Continued on page 2



Responsibilities of the Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Continued on page 3



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

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

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

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

Date: 10 March 2026



KPMG
KPMG LLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		31 December 2025	31 December 2024
	Note	₹'000	₹'000
ASSETS			
Cash and balances with Central Bank	5	40,407	23,304
Receivables from financial institutions	6	21,581	71,774
Investment securities	7	145,119	45,244
Murabaha receivables	8.a	23,625	22,850
Ijarah muntahia bittamleek	8.b	80,951	87,850
Istisna followed by ijarah muntahia bittamleek	8.c	147,394	116,931
Diminishing musharka	8.d	282,402	220,724
Qard hasan financing	8.e	20	26
Wakala bil istithmar	8.f	203,372	204,846
Property and equipment	9	3,075	2,387
Other assets	10	47,510	30,753
TOTAL ASSETS		995,456	826,689
LIABILITIES			
Current and other accounts	11	173,640	58,590
Due to financial institutions	12	9,756	5,304
Other liabilities	13	19,164	5,789
TOTAL LIABILITIES		202,560	69,683
QUASI-EQUITY			
Participatory investment accounts	14	694,605	666,640
TOTAL QUASI-EQUITY		694,605	666,640
OWNER'S EQUITY			
Allocated capital	15.a	66,500	66,500
Legal reserve	15.b	134	134
General reserve	15.c	988	988
Fair value reserve	15.d	230	(452)
Impairment reserve	15.e	2,753	2,555
Retained earnings		27,686	20,641
TOTAL OWNER'S EQUITY		98,291	90,366
TOTAL LIABILITIES, QUASI-EQUITY AND OWNER'S EQUITY		995,456	826,689
CONTINGENT LIABILITIES AND COMMITMENTS			
	16	113,685	110,409

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


Chairman


Board member

The accompanying notes 1 to 30 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

		31 December 2025 S'000	31 December 2024 S'000
	Note		
Income from financing activities	19	36,711	31,484
Income from investing activities	20	6,359	5,318
Net income from financing and investing activities		43,070	36,802
Other operating income	22	4,514	5,035
TOTAL OPERATING INCOME		47,584	41,837
Staff costs		(5,215)	(4,255)
Other operating expenses	23	(3,108)	(2,070)
Depreciation	9	(233)	(208)
TOTAL OPERATING EXPENSE		(8,556)	(6,533)
NET OPERATING INCOME BEFORE IMPAIRMENT		39,028	35,304
Impairment charges (net)	24	(2,010)	(1,096)
NET OPERATING INCOME		37,018	34,208
Profit attributed to quasi-equity	21	(28,497)	(25,849)
PROFIT FOR THE YEAR BEFORE TAX		8,521	8,359
Income tax expense		(1,278)	(1,254)
PROFIT FOR THE YEAR		7,243	7,105
Items that will not be reclassified to profit and loss			
Revaluation loss on equity instruments held at fair value through other comprehensive income (FVOCI)		682	(496)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		682	(496)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		7,925	6,609

The accompanying notes 1 to 30 form an integral part of these financial statements.

STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

		31 December 2025 S'000	31 December 2024 S'000
	Note		
Profit for the year before profit attributed to quasi-equity after tax		35,740	32,954
Less: income not attributed to quasi-equity		(18,809)	(15,717)
Add: expenses not attributed to quasi-equity		11,844	8,883
Profit attributed to quasi-equity before Mudaraba income		28,775	26,120
Mudarib's share		(278)	(271)
Profit attributed to quasi-equity	21	28,497	25,849

The accompanying notes 1 to 30 form an integral part of these financial statements.

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

	Allocated capital <u>₹'000</u>	Legal reserve <u>₹'000</u>	General reserve <u>₹'000</u>	Impairment reserve <u>₹'000</u>	Fair value reserve <u>₹'000</u>	Retained earnings <u>₹'000</u>	Total <u>₹'000</u>
Balance as at 1 January 2025	66,500	134	988	2,555	(452)	20,641	90,366
Profit for the year	-	-	-	-	-	7,243	7,243
Other comprehensive loss for the year	-	-	-	-	682	-	682
Total comprehensive income for the year, net of income tax	66,500	134	988	2,555	230	27,884	98,291
Transfer to Impairment reserve	-	-	-	198	-	(198)	-
Capital allocation	-	-	-	-	-	-	-
Balance as at 31 December 2025	<u>66,500</u>	<u>134</u>	<u>988</u>	<u>2,753</u>	<u>230</u>	<u>27,686</u>	<u>98,291</u>

	Allocated capital <u>₹'000</u>	Legal reserve <u>₹'000</u>	General reserve <u>₹'000</u>	Impairment reserve <u>₹'000</u>	Fair value reserve <u>₹'000</u>	Retained earnings <u>₹'000</u>	Total <u>₹'000</u>
Balance as at 1 January 2024	51,500	134	988	1,641	44	14,450	68,757
Profit for the year	-	-	-	-	-	7,105	7,105
Other comprehensive loss for the year	-	-	-	-	(496)	-	(496)
Total comprehensive income for the year, net of income tax	-	-	-	-	(496)	7,105	6,609
Transfer to Impairment reserve	-	-	-	914	-	(914)	-
Capital allocation	15,000	-	-	-	-	-	15,000
Balance as at 31 December 2024	<u>66,500</u>	<u>134</u>	<u>988</u>	<u>2,555</u>	<u>(452)</u>	<u>20,641</u>	<u>90,366</u>

The accompanying notes 1 to 30 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	31 December 2025 <u>₹'000</u>	31 December 2024 <u>₹'000</u>
OPERATING ACTIVITIES			
Profit before tax		7,243	7,105
<i>Adjustments for:</i>			
Depreciation	9	233	208
Tax expense		1,278	1,254
Impairment charges (net)	24	2,010	1,096
Income from investment activities	20	(4,012)	(1,530)
Cash from operating activities before changes in operating assets and liabilities		6,752	8,133
Murabaha receivables		(775)	8,617
Ijarah muntahia bittamleek		6,899	5,860
Istisna followed by ijarah muntahia bittamleek		(30,463)	(14,023)
Diminishing musharka		(61,678)	30,306
Qard hasan financing		6	7
Wakala bil istithmar		1,474	(183,914)
Current and other accounts		115,050	(7,057)
Other assets		(16,757)	(8,031)
Other liabilities		15,250	(1,912)
Net cash used in operating activities		35,758	(162,014)
INVESTING ACTIVITIES			
Purchase of investment securities		(98,647)	(32,374)
Sale / matured investment securities		388	11,117
Acquisition of property and equipment		(1,411)	(235)
Income received on investments		(1,595)	953
Net cash from investing activities		(101,265)	(20,539)
FINANCING ACTIVITIES			
Quasi-equity participatory investment accounts		32,417	205,622
Proceed from allocation of capital		-	15,000
Net cash from financing activities		32,417	220,622
NET CHANGE IN CASH AND CASH EQUIVALENTS		(33,090)	38,069
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR		95,078	57,009
CASH AND CASH EQUIVALENTS AT END OF YEAR		61,988	95,078
REPRESENTING:			
Cash and balances with Central Bank	5	40,407	23,304
Receivables from financial institutions with maturity up to 90 days	6	21,581	71,774
		61,988	95,078

The accompanying notes 1 to 30 form an integral part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Sohar International Bank SAOG (the Owner / Head Office / the Bank) (previously ‘Bank Sohar SAOG) under an Islamic Banking License issued by the Central Bank of Oman (CBO) on 30 April 2013, carries out Islamic banking operations and other financial trading activities in accordance with Islamic Shari’a rules and regulations under the name of “Sohar Islamic” (the Window). The Window’s Shari’a Supervisory Board is entrusted to ensure the Window’s adherence to Shari’a rules and principles in its transactions and activities. As required under clauses 3.5.1.2 and 3.5.1.3 of Title 1, ‘Licensing Requirements’ of Islamic Banking Regulatory Framework (IBRF) issued by CBO, the head office assigned **﷮** 66.5 million (refer note 15.a) to the Window as Share capital.

The Window does not operate as a separate legal entity. The separate financial statements of the Window has been prepared to comply with the requirement of Articles 1.5.1.2 to 1.5.1.4 of Title 2 ‘General Obligations and Governance’ of IBRF issued by CBO.

The Window offers a full range of Islamic banking services and products. The principal activities of the Window include accepting Shari’a compliant customer deposits, providing Shari’a compliant financing and undertaking investment activities and providing commercial banking services and other investment activities permitted under IBRF.

The Window employed 197 employees as of 31 December 2025 (31 December 2024: 183) the Window has 20 branches within the Sultanate of Oman.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements for the Window are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as modified by CBO, the Islamic Shari’a rules and principles as determined by the Shari’a Supervisory Board of the Window and Islamic Banking Regulatory Framework issued by CBO. In accordance with the requirement of AAOIFI, for matters not covered by FAS, the Window uses standards issued by the International Accounting Standards Board (IASB) and the interpretations released by the International Financial Reporting Interpretations Committee and will be replaced later by FAS when an applicable FAS is issued.

These financial statements pertain to the Window’s operations only and do not include financial results of the Bank. Statement of changes in restricted investment amount, statement of sources of funds in zakah and statement of sources and uses of funds in Qard Fund have not been presented as these are not applicable / relevant to Window’s operations. Complete set of financial statements of the Bank is presented separately.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for derivative financial instruments and investments which have been measured at fair value. These financial statements are presented in **﷮**, which is the Window’s functional currency. All financial information presented in **﷮** has been rounded off to the nearest thousand.

2.3 Use of judgments and estimates

In preparation of the Window’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 financing and receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Estimates considered by the Window to have a significant risk of material adjustment in subsequent periods are discussed in note 4.

2.4 New standards, amendments and interpretations effective in 2025

For the year ended 31 December 2025, Sohar Islamic has adopted all the new and revised amendments in standards issued by the AAOIFI that are relevant to its operations and effective for periods beginning on 1 January 2025.

2. BASIS OF PREPARATION (CONTINUED)

2.4 New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2024 (continued)

2.4.1 Standards, amendments and interpretations effective in 2025

No new standard(s) and amendment(s) are applied by the Islamic Window for the first time for its annual reporting period commencing from 1 January 2025.

2.4.2 Standards issued but not effective from 1 January 2025

• **FAS 45 Quasi-Equity (Including Investment Accounts)**

AAOIFI had issued Financial Accounting Standard (FAS) 45 “Quasi-Equity (Including Investment Accounts)” during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting “quasi-equity” instruments in the financial statements of Islamic Financial Institutions “IFIs”.

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner’s equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt. The Window does not expect any significant impact on the adoption of this standard.

• **FAS 46 Off-Balance-Sheet Assets Under Management**

AAOIFI had issued Financial Accounting Standard (“FAS”) 46 “Off-Balance-Sheet Assets Under Management” during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari’a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management. This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants’ Takaful fund and / or participants’ investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 “Quasi-Equity (Including Investment Accounts)”. The Window does not expect any significant impact on the adoption of this standard.

• **FAS 47 Transfer of Assets Between Investment Pools**

AAOIFI had issued Financial Accounting Standard (“FAS”) 47 “Transfer of Assets Between Investment Pools” during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution. The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification. The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. The Window does not expect any significant impact on the adoption of this standard.

2. BASIS OF PREPARATION (CONTINUED)

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

2.4.2 Standards issued but not effective from 1 January 2025 (continued)

• FAS 48 Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorises them into: a) Promotional Gifts, where entitlement to gifts is declared instantly; b) Promotional Prizes, that are announced in advance to be awarded at a future date; and c) Loyalty Programs, where the obligation is accumulated over the period. This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt. The Bank does not expect any significant impact on the adoption of this standard.

• FAS 49 Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 49 Financial Reporting for institutions Operating in Hyperinflationary Economies in 2024. The objective of this standard is to establish the principles of financial reporting for the institutions applying AAOIFI FASs operating in hyperinflationary economies, duly considering the relevant Shari'a principles and rules and their unique business models. This standard applies to the institutions preparing financial statements in line with the requirements of AAOIFI FASs, whose functional currency is the currency of a hyperinflationary economy. The standard will be effective from the financial periods beginning on or after 1 January 2026 with earlier adoption being permitted. Based on the initial review, Management believes that there is no significant impact on Sohar Islamic's financial statements.

• FAS 51 Participatory Ventures

AAOIFI has issued FAS 51 Participatory Ventures in 2025. The objective of this standard is to prescribe the principles of accounting and financial reporting for the participatory ventures. This standard applies to participatory ventures, in respect of accounting and financial reporting by the investor(s), the working partner(s), as well as the participatory ventures. Participatory venture is a business venture constituted based on a Shari'a-compliant participatory structure, being a virtual entity but not a legal entity, including Musharaka and Mudaraba (or any similar structure creating a Shari'a-compliant partnership, irrespective of the nomenclature). The standard will be effective from the financial periods beginning on or after 1 January 2027 with earlier adoption being permitted. Based on the initial review, Management believes that there is no significant impact on Sohar Islamic's financial statements.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of the financial statements are set out below.

3.1 Cash and cash equivalents

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

3.2 Foreign currency transactions

Transactions in foreign currencies are translated into functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective profits and payments during the period, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the period. The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income, except for non-monetary financial assets, such as equities classified as fair value through other comprehensive income, which are included in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.3 Financing assets

Financing assets comprise Shari'a-compliant financing provided by the Window with fixed or determinable payments. These include financing provided through murabaha, mudaraba, musharaka, musawama, ijarah, istisna and other modes of Islamic financing. Financing assets are stated at their amortised cost less expected credit loss allowance (if any).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financing assets (continued)

Murabaha receivables

Murabaha receivables are sales on deferred terms. The Window arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and selling it to the murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in instalments by the murabeh over the agreed period. Murabaha receivables are stated net of deferred profits and expected credit loss allowance (if any). Any promise made by potential murabeh is considered obligatory.

Mudaraba

Mudaraba is stated at the fair value of consideration given less any expected credit loss allowance.

Mudaraba is a form of partnership between work and capital in which the Window contributes capital. Mudaraba capital provided by the Window at inception in kind (if other than cash) is measured at the fair value of the assets. If the valuation of assets results in difference between fair value and book value, such difference is recognised as profit or loss to the Window.

In case mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of mudarib, then such losses are deducted from mudaraba capital and are treated as loss to the Window. In case of termination or liquidation, unpaid portion by mudarib is recognised as receivable due from mudarib.

Musharaka

Musharaka contracts represents a partnership between the Window and a customer whereby each party contributes to the capital in equal or varying proportions to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall share profits or losses. These are stated at the fair value of consideration given less any amounts written off and provision for expected credit loss allowance, if any. In diminishing musharaka based transactions, the Window enters into a musharaka based on shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilisation of the Window's musharaka share by the customer.

Ijarah muntahia bittamleek

These are initially recorded at cost including initial direct costs. Ijarah muntahia bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah installments are settled.

Depreciation is charged on ijarah muntahia bittamleek assets at rates calculated to write off the cost of each asset over its lease term.

Ijarah income receivables represent outstanding rentals at the end of the year less any expected credit loss allowance. The ijarah income receivable is classified under other asset.

Istisna followed by ijarah muntahia bittamleek

Istisna followed by ijarah muntahia bittamleek is construction finance product in which property is developed under istisna contract between customer and the Window. The Window develops the property and then after completion of construction the property is leased to customer under ijarah muntahia bittamleek contract. During construction customer pays the advance rentals.

Salam

In a salam contract a buyer pays in advance for a specified quantity and quality of a commodity, deliverable on a specific date, at an agreed spot price. Salam is particularly applicable to seasonal agricultural purchases and can be used as a means of financing production. The price is paid at the time of the contract but the delivery would take place at a future date which enables an entrepreneur to sell his output to the Window at a price determined in advance. However, at the time of sale all specifications, quality and quantity of the commodity must be determined to avoid any ambiguity which could become a cause of dispute. Furthermore, date and time of delivery must also be agreed upon but can be changed with mutual consent of the parties. Salam contracts are recognised on the date at which they are originated and are carried at their cost less expected credit loss allowance, if any.

Diminishing Musharakah

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financing assets (continued)

Wakala Bil Istithmar

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

3.4 Investment securities

(i) Classification

Unless the irrevocable initial recognition choices provided below are exercised, the Window shall classify investments subject to this standard as subsequently measured at either (i) amortised cost, (ii) fair value through other comprehensive income or, (iii) fair value through income statement, on the basis of both the Window’s business model for managing investments and the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic contracts.

Investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be initially classified and measured at cost, till the time the transaction at the back-end is executed, and at amortised cost thereafter.

Investment in a non-monetary debt-type instrument or other investment instrument, may be classified under any of the three categories ((i) amortised cost, (ii) fair value through other comprehensive income or, (iii) fair value through income statement) depending on the Window’s business model.

Investment in equity-type instrument is carried as investment at fair value through income statement unless the Window make an irrevocable classification choice at initial recognition to classify this as investment at fair value through other comprehensive income. An investment held for trading purposes shall always fall in fair value through income statement classification.

(ii) Recognition and initial measurement

All investments shall be initially recognised at their value plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the statement of income when incurred. A regular way purchase of investments shall be recognised upon the transfer of control to investor.

(iii) Subsequent measurement

a) Investments at amortised cost

Investments carried at amortised cost shall be remeasured as such using the effective profit rate method. All gains or losses arising from the amortisation process and those arising from derecognition or impairment of the investment, are recognised in the consolidated statement of income. Investment carried at amortised cost shall be tested for impairment at each reporting period in accordance with FAS 30 “Impairment, credit losses and onerous commitments”.

b) Investments at fair value through income statement

Investment carried at fair value through income statement shall be re-measured at fair value at end of each reporting period. The resultant re-measurement gain or loss, if any being the difference between the carrying amount and the fair value shall be recognised in the consolidated statement of income.

c) Investments at fair value through other comprehensive income

Investment carried at fair value through other comprehensive income shall be remeasured at fair value at the end of each reporting period. The resultant remeasurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognised in equity under “fair value through other comprehensive income”. Investment carried at fair value through other comprehensive income shall be tested for impairment at each reporting period in accordance with FAS 30 “**Impairment, credit losses and onerous commitments**”.

(iv) Derecognition

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Window has transferred substantially all risk and rewards of ownership.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Other financial assets and liabilities

(i) Recognition and initial measurement

The Window initially recognises receivables from financial institutions, financing assets, customers’ current accounts, due to financial institutions and certain other assets and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Window becomes a party to the contractual provisions of the instrument.

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

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

(ii) Derecognition of financial assets and financial liabilities

The Window derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Window neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Window is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) is recognised in statement of income.

The Window enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Window neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Window continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Window retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. The Window derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3.6 Offsetting of financial assets and financial liabilities

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

3.7 Modification of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, the Window evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Window recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement.

If such a modification is carried out because of financial difficulties of the financed counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as net income from financing activities

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Modification of financial assets and liabilities (continued)

Financial liabilities

The Window derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated income statement.

3.8 Impairment of financial assets

Financial assets consist of cash and balances with banks and financial institution, receivables and musharaka financing, investments – debt type instruments at amortised cost, ijarah muntahia bittamleek and certain other assets. Balances relating to these contracts are stated net of allowance for expected credit losses.

Impairment of financial assets

The Window applies a three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: Twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk (SICR), since initial recognition, a portion of the lifetime ECLs that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract. Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between sum of the present value of all cash shortfalls and the carrying value. The cash shortfall is the difference between all contractual cash flows that are due to the Window and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date

Stage 3: Lifetime ECL – credit impaired

Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the losses for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. In this respect, the Window recognises the lifetime expected credit losses for these financing with the PD set at 100%.

Credit-impaired financial assets

At each reporting date, the Window assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the obligor or issuer;
- A breach of contract such as a default or past due event; or
- Probability that the borrower will enter bankruptcy or other financial reorganisation.

Measurement of ECL:

Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial assets (continued)

Definition of default

The Window considers a financial asset to be in default when the obligor is unlikely to pay its credit obligations to the Window in full, without recourse by the Window to actions such as liquidating collateral; or usually when the obligor is past due more than 90 days for any material credit obligation to the Window. In assessing whether a obligor is in default, the Window considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment of another obligation by the same issuer to the Window.

Probability of default

Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Window collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Window employs statistical models for analysing the data collected and generates estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Window operates.

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for ‘stage 2’.

Forward-looking information

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

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

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(Loss Given Default)

LGD is a magnitude that determines the amount of loss that will arise if the obligor was to default. This is calculated by looking at the collateral and other recourses available to the Window that can be used to recover the asset in case of default.

The Window estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For estimation of LGD, the Window considers use of any of the following methods:

- Internal default history: When data is available LGD can be estimated using the historical default information and corresponding recovery data.
- Basel LGD: Local regulatory recommended Basel LGD adjusted depending on the available collateral.
- Collateral-based LGD: For secured financing the Window uses collateral-based LGD, where the Window has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial assets (continued)

Exposure At Default (EAD)

EAD represents the expected exposure in the event of a default. The Window derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD is converted to on balance sheet equivalents.

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL. Off-balance sheet EADs do not have fixed pay-out date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the off-balance sheet exposure. The Window uses the following method to work out CCF for off-balance sheet EADs.

Regulatory CCFs - In absence of internal data, the Window uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more.

Collective ECL computation and staging

ECL on individually large exposures and credit-impaired finances are generally measured individually. For retail exposures and other exposures to small sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates obligor-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Window combines its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant Increase in Credit Risk

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. The Bank would be guided by the requirements of regulator in this regard.

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial assets (continued)

Significant Increase in Credit Risk (continued)

- 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.

Renegotiated financial assets

The contractual terms of a financing may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in a de-recognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Window renegotiates financing to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing, then such restructured accounts are categorised under stage 3.

Backward transition

FAS 30 staging model is of symmetrical nature as movement across stages is a "Two Way" phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers backwards to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to Stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up-to-date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From Stage 3 to Stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present;
- Up-to-date payment with no arrears; and
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Credit Conversion Factor

The estimation of EAD takes into account any unexpected changes in the exposure after the assessment date, including estimation of expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). The EAD is estimated using the outstanding exposure adjusted by CCF multiplied by the undrawn portion of the facilities.

The outstanding exposure is calculated as principal plus profit less expected prepayments. The undrawn portion refers to the portion of the unutilised credit limit. CCF applied to the facilities would be the higher of average behavioural utilisation over the last five years or capital charge.

Write-offs

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

3.10 Acceptances

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

3.11 Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or trading liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The treatment of changes in their fair value depends on their classification into the following categories:

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11 Derivatives held for risk management purposes (continued)

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

(iii) Other non-trading derivative

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

3.12 Property and equipment

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

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

The asset’s residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date.

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

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 Taxation

The tax return of the Window is filed at head office level and the Window is not required to file a separate return on the activities of the Islamic Banking operations. A flat corporate tax rate of 15% is applied to the Window's profit. Deferred tax assets and liabilities are recognised only at head office level.

3.14 Ijarah – Leases

FAS 32 "Ijarah" standard supersedes FAS 8 "Ijarah and Ijara Muntahia Bittamleek". FAS 32 sets out the principles for the classification, recognition, measurement, presentation and disclosure of ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its ijarah into

- a) Operating Ijarah
- b) Ijara Muntahia Biltamleek with expected transfer of ownership after the end of the ijarah term - either through sale or hiba; and
- c) Ijarah Muntahia Biltamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including diminishing musharaka ilijarah

The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognise an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a net ijarah liability, duly comprising of a) gross ijarah liability and b) deferred ijarah cost (shown as contra-liability).

a) Right-of-use asset

The Window recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment.

The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Window amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilisation of benefits from the right-of-use asset. Right-of-use asset is also subject to impairment in line with FAS 30 requirements. The carrying value of right-of-use asset is recognised under "premises and equipment" in the statement of financial position.

b) Ijarah liability

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Window recognises Ijarah liability measured at the fair value of total rentals payable for Ijarah term. Subsequently the Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortisation of deferred Ijarah cost and reduced to reflect the Ijarah rentals made. In addition, the carrying amount of Ijarah liability is remeasured if there is a modification, a change in the Ijarah term or change in the in-substance fixed lease payments. The carrying value of Ijarah liability is recognised under "Other liabilities" in the interim consolidated statement of financial position.

3.15 Employee benefits

(i) End of service benefits

End of service indemnity for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991.

Provision for end of service indemnity for non-Omani employees has been made in accordance with the terms of the Oman Labour Law 2003 and its amendments and is based on current remuneration rates and cumulative years of service at the statement of financial position date. Employees' entitlements to annual leave and leave passage are recognised when they accrue to the employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits (continued)

(ii) Short term benefits

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

A provision is recognised for the amount expected to be paid if the Window has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.16 Current and other accounts

Balances in current deposits and other accounts are recognised when received by the Window. The transactions are measured as the amount received by the Window at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

3.17 Quasi-equity

Quasi-equity is an element of the financial statements that represents participatory contributions received by an institution on a profit sharing or participation basis. It has:

- Primary characteristics of equity i.e., in case of loss (unless negligence / misconduct / breach of contractual terms is proved), the institution is not liable to return the lost funds to the fund providers and the fund providers share the residual interest in the underlying assets or business;
- Certain characteristics of a liability i.e., it has a maturity or a put option of redemption / liquidation; and
- Certain specific features i.e., the rights of the fund providers are limited only to the underlying assets or business and not on the whole of the institution, as well as, they do not have certain rights associated only with owners' equity.

All contributions of quasi-equity holders are measured by the amount received during the time of contracting. At the end of the financial period, the equity of quasi-equity holders is measured at the amount received plus accrued profit and related reserves less amounts settled.

Quasi-equity holders include participatory investment accounts (unrestricted investment accounts and other on-balance-sheet investment accounts), quasi-equity-type Sukuk and other quasi-equity.

The Window charges a management fee (Mudarib fee) to the unrestricted investment account holders. Of the total income from investments of funds, the income attributable to the unrestricted investment account holders is allocated to them after setting aside provisions, reserves (profit equalisation reserve and investment risk reserve), if any, and deducting the Window's share of income as a Mudarib. The allocation of income is determined by the management of the Window within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts.

a) Wakala as Muwakkil (Principal)

At inception of Wakala agreement, the standard requires the Window as a principal to evaluate the nature of the investment as either a) a pass-through investment; or b) wakala venture.

b) Pass-through investment

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in investment agency instruments; unless it opts to apply the Wakala venture approach.

Under this approach, the principal shall initially recognise the assets underlying the Wakala arrangement in its books of account applying the initial recognition principles as applicable in line with the respective FASs.

c) Wakala venture

These are investments, under a Wakala agency contract, in transferable instruments or the investment made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or the role of the agent is not limited whereby the agent performs a day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them. On initial recognition, these assets will be recognised at cost in Wakala venture. Subsequently, the carrying amount is adjusted to incorporate gains/losses net of agent's remuneration and impairments, if any.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Quasi-equity(continued)

d) Wakala as Wakeel (Agent)

These transactions will be recognised as an agency arrangement under an off-balance sheet approach, at inception of arrangement, since the Window does not control the related assets / business, it does not record the assets and related income and expenditure in its books of account.

The agency remuneration, including fixed and variable components thereof, will be recognised on an accrual basis, i.e. when the relevant services are provided. Any expenses, including losses reimbursable will be recognised when due.

e) Multi level arrangements

The Window maintains multi-level investment arrangements to invest funds received under “Wakala” as “Mudaraba” under express authority from Wakala account holders in its financing and investment assets. Profit is allocated to Wakala funds on the basis of their contribution in the commingled assets. An agent may maintain multi-level investment arrangements.

Under such arrangement, the Window is reinvesting Wakala funds into a secondary contract. Such secondary contracts are accounted for in line with the requirements of respective FASs in the books of the agent.

From the principal perspective, the Window has opted to use the Wakala venture approach instead of a pass-through approach given the difficulties for the Window as principal to identify in which assets the funds are invested in, and hence, the investment is accounted for applying the equity method of accounting.

From the agent perspective, a multi-level investment arrangement is maintained, whereby the Window invests funds under the investment agency into unrestricted investment arrangements, under a separate Mudaraba contract which is accounted for accordingly based on the relevant accounting standard.

3.18 Due to and receivables from financial institutions

Due to and receivables from financial institutions comprise of Nostro balances and Wakala placements. Nostro balances and Wakala placements are initially recognised at cost, being the fair value of consideration exchanged. Subsequently, they are carried at amortised cost less amounts repaid.

3.19 Income recognition

(i) Murabaha

Profit on Murabaha is recognised on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha.

(ii) Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Losses on the other hand are charged to the income statement on declaration by the Mudarib.

(iii) Musharaka

Income on musharaka is recognised when the right to receive payment is established or on distribution. In case of losses in musharaka, the Window’s share of loss is recognised to the extent that such losses are being deducted from its share of the musharaka capital.

(iv) Diminishing Musharakah

Profit on Diminishing Musharakah financings is recognised on an accrual basis.

(v) Profit on sukuks

Profit on Sukuks is recognised on an accrual basis. Where Sukuks are purchased at a premium or discount and are classified at amortised cost, those premiums / discounts are amortised over the remaining maturity, using the effective profit rate method.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.19 Income recognition (continued)

(vi) Ijarah

Ijarah rental income is recognised over the term of the lease on accrual basis and is stated net of depreciation and impairment. Income related to non performing ijarah muntahia bittamleek accounts and ijarah installments that are above 90 days is excluded from the statement of income.

(vii) Istisna followed by Ijarah muntahia bittamleek

Income for Istisna followed by Ijarah muntahia bittamleek is booked on receipt of the rentals.

(viii) Fees and commission income

Fees and commission income that are integral to the effective profit rate of a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

(ix) The Window's share of income from equity of investment accountholders (as Rabalmal and Mudarib)

Income is allocated proportionately between equity of investment accountholders and shareholders on the basis of their respective investment in the pool before allocation of the Mudarib fees. The Window’s share as a Mudarib for managing the equity of investment accountholders is accrued based on the terms and conditions of the related Mudaraba agreements.

(x) Salam

Income from salam is determined by using the percentage of completion method.

(xi) Wakala

Income from Wakala is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

(xii) Dividend income

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

(xiii) Profit on amounts receivables from financial institutions

Profit on amounts receivables from financial institutions is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit agreed with clients.

3.20 Expense recognition

Profit attributed to quasi-equity is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool i.e. “mudarib expenses”. Mudarib expenses include all expenses incurred by the Window, but excluding staff costs and other administrative expenses. The Window’s “mudarib profit” is deducted from the investor's share of income before distributing such income.

3.21 Earnings or expenditures prohibited by Shari'a

The Window records these amounts in a separate account in the other payables and is not included in the Window’s income; these amounts are distributed to charities according to the Shari’a Supervisory Board directions.

3.22 Contingent liabilities

Contingent liabilities include guarantees, letter of credit, the Window’s obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognised in the statement of financial position but are disclosed in the notes to the financial statements, unless they are remote.

3.23 Shari'a Supervisory Board

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.24 Zakah

In accordance with the article of association Zakah is payable by individual shareholders of the Window and Zakah on unrestricted investment and other accounts is the responsibility of investment accountholders.

3.25 Provisions

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

3.26 Profit equalisation reserve

Profit equalisation reserve, this is the amount appropriated out of Mudaraba income before allocating the Window's share as investment manager (Mudarib), in order to maintain a certain level of return on investment for Quasi-equity participatory investment accounts and increase share equity.

3.27 Investment risk reserve

Investment risk reserve is the amount appropriated out of profit share of the Quasi-equity participatory investment accounts after allocating the Mudarib share, in order to cushion the effects of the risk of future investment losses. The terms and conditions whereby investment risk reserve can be set aside and utilised are determined and approved by the Shari'a Supervisory Board of the Window.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Impairment losses on Financings and advances

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Fee and commission income

The recognition of fee and commission income depends on the purpose for which fees are assessed and the basis of accounting for any associated financial instrument. Management applies certain assumptions and judgements to determine the fees that are an integral part of the effective profit rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

4.3 Determination of Lease term

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

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

5. CASH AND BALANCES WITH CENTRAL BANK

	31 December 2025 S'000	31 December 2024 S'000
Balances with Central Bank	34,793	15,720
Cash	5,614	7,584
	<u>40,407</u>	<u>23,304</u>

6. RECEIVABLES FROM FINANCIAL INSTITUTIONS

	31 December 2025 S'000	31 December 2024 S'000
<i>Local currency:</i>		
Wakala Inter-bank placements	-	3,500
<i>Foreign currency:</i>		
Wakala Inter-bank placements	18,059	59,681
Demand balances	3,522	8,593
	<u>21,581</u>	<u>71,774</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

6. RECEIVABLES FROM FINANCIAL INSTITUTIONS (CONTINUED)

The analysis of changes in the gross carrying amount on receivables from financial institutions is as follows:

Gross carrying amount	Stage 1 RM'0000	Stage 2 RM'0000	Stage 3 RM'0000	Total RM'000
As at 1 January 2025	71,7744	-	-	71,774
Net change in assets	(50,193)3	-	-	(50,193)
At 31 December 2025	21,581	-	-	21,581

Gross carrying amount	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2024	18,777	-	-	18,777
Net change in assets	52,997	-	-	52,997
At 31 December 2024	71,774	-	-	71,774

7. INVESTMENT SECURITIES

	31 December 2025 RM'000	31 December 2024 RM'000
Sukuk investment (amortised cost)		
Carrying amount at amortised cost	129,942	41,662
Expected credit loss allowance	(660)	(70)
Held at amortised cost	129,282	41,592
Equity investment (FVOCI)		
Carrying amount at FVOCI	5,556	4,104
Fair value gain	230	(452)
Held at FVOCI	5,786	3,652

	31 December 2025 RM'000	31 December 2024 RM'000
Sukuk investment (FVTE)		
Held at FVOCI	10,051	-
Fair Value Loss	-	-
Expected credit loss allowance	-	-
Total	10,051	-
Total Investment securities	145,119	45,244

The Sukuk certificates are for a period of 7 years and carry profit rate of 1% - 5.5% per annum.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

7. INVESTMENT SECURITIES (CONTINUED)

Movement in expected credit loss allowance is as given below:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Balance at beginning of the year	70	-	-	70
Expected credit losses recognised		590		590
Recoveries from expected credit losses				
At 31 December 2025	70	590	-	660

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Balance at beginning of the year	-	-	-	-
Expected credit losses recognised	70	-	-	70
Recoveries from expected credit losses	-	-	-	-
At 31 December 2024	70	-	-	70

8. FINANCING ADVANCES AND OTHER RECEIVABLES

	31 December 2025 Total RM'000	31 December 2024 Total RM'000
Book value		
Murabaha receivables	23,837	23,051
Ijarah muntahia bittamleek	81,657	88,376
Istisna followed by Ijarah muntahia bittamleek	151,958	120,158
Diminishing Musharka	285,301	222,924
Qard Hasan Financing	20	26
Wakala Bil Istithmar	203,926	205,140
	746,699	659,675
Expected credit loss allowance	(6,363)	(5,074)
Contractual profit not recognised	(2,572)	(1,374)
	737,764	653,227

Additional disclosures on non-performing financing coverage as per CBO circular BM 1149 is given below:

December 2025	As per CBO RM'000	As per Window's policy RM'000	Difference RM'000
Impairment loss charged to statement of income	2,063	2,010	(53)
Provisions	10,000	7,211	(2,789)
Gross NPL ratio (percentage)*	1.04	1.04	-

*NPL ratios are calculated on the basis of funded non-performing financing and advances.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

The below table provides a comparison of provision held as per the Window's policy and required as per CBO norms:

31 December 2025	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions	Difference between CBO and Window's policy	Net carrying amount	CBO Reserve profit
CBO classification							
1	2	3	4	5	(6)=(4)-(5)	(7)=(3)-(5)	8
		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Standard	Stage 1	558,883	5,704	772	4,932	558,111	-
	Stage 2	10,382	104	46	58	10,336	-
	Stage 3	-	-	-	-	-	-
	Sub Total	569,265	5,808	818	4,990	568,447	-
Special mention	Stage 1	40	-	-	-	40	-
	Stage 2	169,654	1,652	6,201	(4,549)	163,453	1,877
	Stage 3	-	-	-	-	-	-
	Sub Total	169,694	1,652	6,201	(4,549)	163,493	1,877
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	1,178	269	123	146	1,055	2
	Sub Total	1,178	269	123	146	1,055	2
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	2,123	497	336	161	1,713	74
	Sub Total	2,123	497	336	161	1,713	74
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	4,439	1,774	1,457	317	2,982	619
	Sub Total	4,439	1,774	1,457	317	2,982	619

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

The below table provides a comparison of provision held as per the Window's policy and required as per CBO norms:

31 December 2025	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions	Difference between CBO and Window's policy	Net carrying amount	CBO Reserve profit
CBO classification							
1	2	3	4	5	(6)=(4)-(5)	(7)=(3)-(5)	8
		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Gross Financing, Advance	Stage 1	558,923	5,704	772	4,932	558,151	-
	Stage 2	180,036	1,756	6,247	(4,491)	173,789	1,877
	Stage 3	7,740	2,540	1,916	624	5,750	695
	Total	746,699	10,000	8,935	1,065	737,690	2,572
Receivables from financial institutions, investment securities and financial guarantees	Stage 1	269,526	-	187	(187)	269,339	-
	Stage 2	11,515	-	661	(661)	10,854	-
	Stage 3	5	-	-	-	5	-
	Sub Total	281,046	-	848	(848)	280,198	-
Total	Stage 1	828,449	5,704	959	4,745	827,490	-
	Stage 2	191,551	1,756	6,908	(5,152)	184,643	1,877
	Stage 3	7,745	2,540	1,916	624	5,755	695
	Total	1,027,745	10,000	9,783	217	1,017,888	2,572

Additional disclosures on non-performing financing coverage as per CBO circular BM 1149 is given below:

December 2024	As per CBO	As per Window's policy	Difference
	₹'000	₹'000	₹'000
Impairment loss charged to statement of income	1,965	1,096	(869)
Provisions	7,937	5,221	(2,716)
Gross NPL ratio (percentage)*	0.94	0.94	-

*NPL ratios are calculated on the basis of funded non-performing financing and advances.

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

The below table provides a comparison of provision held as per the Window's policy and required as per CBO norms:

31 December 2024	Window's	Gross carrying	CBO	Window's	Difference	Net carrying	CBO
CBO classification	policy	amount	Provision	policy	between CBO	amount	Reserve
1	2	3	4	5	and Window's	(7)=(3)-(5)	profit
		₹'000	₹'000	₹'000	policy	₹'000	₹'000
					(6)=(4)-(5)		
Standard	Stage 1	532,140	5,391	443	4,948	531,697	-
	Stage 2	7,535	56	88	(32)	7,447	-
	Stage 3	-	-	-	-	-	-
Sub Total		539,675	5,447	531	4,916	539,144	-
Special mention	Stage 1	46,433	464	1,803	(1,339)	44,630	-
	Stage 2	67,381	672	2,797	(2,125)	64,584	976
	Stage 3	-	-	-	-	-	-
Sub Total		113,814	1,136	4,600	(3,464)	109,214	976
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	3,261	401	292	109	2,969	12
Sub Total		3,261	401	292	109	2,969	12
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	560	173	203	(30)	334	23
Sub Total		560	173	203	(30)	334	23
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	2,365	780	822	(42)	1,543	363
Sub Total		2,365	780	822	(42)	1,543	363

The below table provides a comparison of provision held as per the Window's policy and required as per CBO norms:

31 December 2024	Window's	Gross carrying	CBO	Window's	Difference	Net carrying	CBO
CBO classification	policy	amount	Provision	policy	between CBO	amount	Reserve
	classification			Provisions	and Window's		profit
Gross Financing, Advance	Stage 1	578,573	5,855	2,246	3,609	576,327	-
	Stage 2	74,916	728	2,885	(2,157)	72,031	976
	Stage 3	6,186	1,354	1,317	37	4,846	398
Total		659,675	7,937	6,448	1,489	653,204	1,374
Receivables from financial institutions, investment securities and financial guarantees	Stage 1	227,427	-	148	(148)	227,279	-
	Stage 2	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-
Sub Total		227,427	-	148	(148)	227,279	-
Total	Stage 1	806,000	5,855	2,394	3,461	803,606	-
	Stage 2	74,916	728	2,885	(2,157)	72,031	976
	Stage 3	6,186	1,354	1,317	37	4,846	398
Total		887,102	7,937	6,596	1,341	880,483	1,374

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

The analysis of changes in the gross carrying amount and corresponding ECL allowance on financing advances and other receivables is as follows:

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
As at 1 January 2025	578,573	74,916	6,186	659,675
New assets originated / added	111,908	43,156	66	155,130
Assets derecognised or repaid-net	(131,558)	61,964	1,488	(68,106)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2025	558,923	180,036	7,740	746,699

As at 1 January 2024	438,407	60,879	2,952	502,238
New assets originated / added	225,050	19,335	-	244,385
Assets derecognised or repaid-net	(74,921)	(11,941)	(86)	(86,948)
Transfers to Stage 1	996	(966)	(30)	-
Transfers to Stage 2	(8,774)	8,774	-	-
Transfers to Stage 3	(2,185)	(1,165)	3,350	-
At 31 December 2024	578,573	74,916	6,186	659,675

ECL	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
ECL allowance as at 1 January 2025	2,246	1,909	919	5,074
Expected credit losses recognised	784	494	11	1,289
Recoveries from expected credit losses	-	-	-	-
Transfers to Stage 1	1	(1)	-	-
Transfers to Stage 2	(2,110)	2,110	-	-
Transfers to Stage 3	(149)	(142)	291	-
At 31 December 2025	772	4,370	1,221	6,363

ECL allowance as at 1 January 2024	1,915	1,681	465	4,061
Expected credit losses recognised	1,090	1,283	287	2,660
Recoveries from expected credit losses	(437)	(947)	(263)	(1,647)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(51)	51	-	-
Transfers to Stage 3	(271)	(159)	430	-
At 31 December 2024	2,246	1,909	919	5,074

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

Restructured loans

31 December 2025					Difference between CBO and Window's policy	
CBO classification	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions		Net carrying amount
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	-	-	-	-	-
	Stage 2	70,208	702	3,806	(3,104)	66,402
	Stage 3	603	566	68	498	535
Sub Total		70,811	1,268	3,874	(2,606)	66,937
Classified as non- performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	-	-	-	-	-
	Stage 2	70,208	702	3,806	(3,104)	66,402
	Stage 3	603	566	68	498	535
Total		70,811	1,268	3,874	(2,606)	66,937

Restructured loans

31 December 2024					Difference between CBO and Window's policy	
CBO classification	Window's policy classification	Gross carrying amount	CBO Provision	Window's policy Provisions		Net carrying amount
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	46,433	464	1,803	(1,339)	44,630
	Stage 2	23,940	239	1,557	(1,318)	22,383
	Stage 3	-	-	-	-	-
Sub Total		70,373	703	3,360	(2,657)	67,013
Classified as non- performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	46,433	464	1,803	(1,339)	44,630
	Stage 2	23,940	239	1,557	(1,318)	22,383
	Stage 3	-	-	-	-	-
Total		70,373	703	3,360	(2,657)	67,013

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

8.a. Murabaha receivables

	31 December 2025 ₹'000	31 December 2024 ₹'000
Book value	26,290	25,139
Deferred profit	(2,453)	(2,088)
Net book value	23,837	23,051
Expected credit loss allowance	(176)	(168)
Contractual profit not recognised	(36)	(33)
	23,625	22,850

Unamortised deferred profit

	31 December 2025 ₹'000	31 December 2024 ₹'000
Deferred profit at the beginning of the year	2,088	2,604
Profit deferred during the year on sales	5,142	2,779
Murabaha sales revenue during the year	(4,777)	(3,295)
Deferred profit at the end of the year	2,453	2,088

8.b. Ijarah muntahia bittamleek

	31 December 2025 ₹'000	31 December 2024 ₹'000
Cost	108,379	113,876
Accumulated depreciation / amortisation	(26,722)	(25,500)
Net book value	81,657	88,376
Expected credit loss allowance	(402)	(316)
Contractual profit not recognised	(304)	(210)
	80,951	87,850

8.c. Istisna followed by Ijarah muntahia bittamleek

	31 December 2025 ₹'000	31 December 2024 ₹'000
Book value	151,958	120,158
Expected credit loss allowance	(2,494)	(2,177)
Contractual profit not recognised	(2,070)	(1,050)
	147,394	116,931

8.d. Diminishing Musharka

	31 December 2025 ₹'000	31 December 2024 ₹'000
Book value	285,301	222,924
Expected credit loss allowance	(2,737)	(2,119)
Contractual profit not recognised	(162)	(81)
	282,402	220,724

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

8. FINANCING ADVANCES AND OTHER RECEIVABLES (CONTINUED)

8.e. Qard hasan financing

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Book value	20	26
Expected credit loss allowance	-	-
Contractual profit not recognised	-	-
	<u>20</u>	<u>26</u>

8.f. Wakala bil istithmar

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Book value	203,926	205,140
Expected credit loss allowance	(554)	(294)
	<u>203,372</u>	<u>204,846</u>

9. PROPERTY AND EQUIPMENT

	Right to use	Software	Furniture and fixtures	Office equipment	Motor vehicle	Capital work in-progress	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Cost:							
At 1 January 2025	3,343	1,378	1,414	780	128	68	7,111
Additions / (Disposals)	553	193	395	120	(12)	150	1,399
As at 31 December 2025	<u>3,896</u>	<u>1,571</u>	<u>1,809</u>	<u>900</u>	<u>116</u>	<u>218</u>	<u>8,510</u>
Accumulated depreciation:							
At 1 January 2025	(1,777)	(1,198)	(949)	(678)	(122)	-	(4,724)
Depreciation		(47)	(145)	(39)	(2)	-	(233)
Amortisation	(490)					-	(490)
Disposals					12	-	12
As at 31 December 2025	<u>(2,267)</u>	<u>(1,245)</u>	<u>(1,094)</u>	<u>(717)</u>	<u>(112)</u>	<u>-</u>	<u>(5,435)</u>
Net book value as at							
31 December 2025	<u>1,629</u>	<u>326</u>	<u>715</u>	<u>183</u>	<u>4</u>	<u>218</u>	<u>3,075</u>

	Right to use	Software	Furniture and fixtures	Office equipment	Motor vehicle	Capital work in-progress	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Cost:							
At 1 January 2024	2,845	1,356	1,390	770	128	1	6,490
Additions / (Disposals)	498	22	24	10	-	67	621
As at 31 December 2024	<u>3,343</u>	<u>1,378</u>	<u>1,414</u>	<u>780</u>	<u>128</u>	<u>68</u>	<u>7,111</u>
Accumulated depreciation:							
At 1 January 2024	(1,390)	(1,165)	(822)	(635)	(117)	-	(4,129)
Depreciation	-	(33)	(127)	(43)	(5)	-	(208)
Amortisation	(365)	-	-	-	-	-	(365)
Disposals	(22)	-	-	-	-	-	(22)
As at 31 December 2024	<u>(1,777)</u>	<u>(1,198)</u>	<u>(949)</u>	<u>(678)</u>	<u>(122)</u>	<u>-</u>	<u>(4,724)</u>
Net book value as at							
31 December 2024	<u>1,566</u>	<u>180</u>	<u>465</u>	<u>102</u>	<u>6</u>	<u>68</u>	<u>2,387</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

10. OTHER ASSETS

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Profit receivable	34,860	26,511
Rental receivable	2,478	1,745
Others	10,172	2,497
	<u>47,510</u>	<u>30,753</u>

11. CURRENT AND OTHER ACCOUNTS

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Current	168,511	56,463
Margin	5,129	2,127
	<u>173,640</u>	<u>58,590</u>

12. DUE TO FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Local Currency:		
Demand Balances	2,423	4,680
Foreign Currency:		
Demand Balances	7,333	624
	<u>9,756</u>	<u>5,304</u>

13. OTHER LIABILITIES

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Profit/fee payable	1	1
Staff entitlements	503	646
Payable to takaful company	660	258
Expected credit loss allowance on financing advance commitments and financial guarantees	188	78
Other accruals and provisions	17,812	4,806
	<u>19,164</u>	<u>5,789</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

13. OTHER LIABILITIES (CONTINUED)

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

Gross carrying amount	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance as at 1 January 2025	109,684	725	-	110,409
New assets originated or purchased	9,658	-	5	9,663
Assets derecognised or repaid	(7,254)	867	-	(6,387)
At 31 December 2025	112,088	1,592	5	113,685

Gross carrying amount	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance as at 1 January 2024	99,714	-	-	99,714
New assets originated or purchased	37,982	-	-	37,982
Assets derecognised or repaid	(27,287)	-	-	(27,287)
At 31 December 2024	110,409	-	-	110,409

The analysis of changes in the corresponding ECL allowance on letter of credit, financial guarantees and Commitment ECL OFF balance sheet is as follows:

ECL amount	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance as at 1 January 2025	78	-	-	78
Expected credit losses recognised	111	1	-	112
Recoveries from expected credit losses	(2)	-	-	(2)
At 31 December 2025	187	1	-	188

ECL amount	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance as at 1 January 2024	65	-	-	65
Expected credit losses recognised	13	-	-	13
At 31 December 2024	78	-	-	78

14. QUASI-EQUITY PARTICIPATORY INVESTMENT ACCOUNTS

	31 December 2025 AED'000	31 December 2024 AED'000
Mudaraba accounts	45,713	33,828
Wakala funds	648,892	632,812
	694,605	666,640

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

14. QUASI-EQUITY PARTICIPATORY INVESTMENT ACCOUNTS (CONTINUED)

14.1. Mudaraba accounts

	31 December 2025 AED'000	31 December 2024 AED'000
Saving accounts	45,713	33,828
	45,713	33,828

Term deposits are deposits which can be withdrawn with no loss of capital subject to certain conditions.

The share, as Mudarib, in the profits of equity of investment account holders is up to a maximum of 70% (2024: 70%) as per the terms of investment account holder agreements.

During the year, the Window has not charged any administrative expense to the pool.

Product	Participation factor	Rate earned Percentage
Mudaraba Saving-AED	20	0.495%
Mudaraba Saving-SAR	20	0.495%
Mudaraba Saving-AED	20	0.495%
Mudaraba Saving-USD	20	0.495%
Mudaraba Saving-GBP	20	0.495%
Mudaraba Saving-EUR	20	0.495%
Wakala Interbank Borrowing	70	4.338%
Wakala Term Deposits	80	4.952%
Wakala Call Deposits	70	4.333%
Wakala Saving Deposits	65	4.023%

Participatory investment accounts are monies invested by customers under Mudaraba to form a pool of funds. Participatory investment account's funds are commingled with the Banks's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

14.2. Wakala Funds

	31 December 2025 AED'000	31 December 2024 AED'000
At 1 January	632,812	429,853
Addition during the year	326,724	383,250
Less: Redemption during the year	(310,644)	(180,291)
At 31 December	648,892	632,812

14.2.a. Concentration of Wakala Funds

By currency type	31 December 2025 AED'000	31 December 2024 AED'000
Local currency:		
- Banks	-	3,500
- Corporates & retail	566,684	536,770
Foreign currency:		
- Banks	7,329	31,358
- Corporates & retail	74,879	61,184
	648,892	632,812

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

14. QUASI-EQUITY PARTICIPATORY INVESTMENT ACCOUNTS (CONTINUED)

14.2. Wakala Funds (continued)

14.2.a. Concentration of Wakala Funds

By Counterparty type	31 December 2025 S'000	31 December 2024 S'000
Personal	271,102	222,756
Corporates	120,709	169,155
Government	257,081	240,901
	<u>648,892</u>	<u>632,812</u>

By Geographical Region	31 December 2025 S'000	31 December 2024 S'000
Oman	641,563	631,647
Africa	7,329	1,165
	<u>648,892</u>	<u>632,812</u>

By Counterparty Type	31 December 2025 S'000	31 December 2024 S'000
Banks	7,329	34,858
Non-Banks	641,563	597,954
	<u>648,892</u>	<u>632,812</u>

14.2.b. Maturity of Wakala Funds

Wakala Funds includes various facilities with a fixed profit rate ranging from 0.5% – 6.25%. The maturity of the Wakala payables ranges from 1 week to over 5 years.

31 December 2025	Upto 1 month	1 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Wakala Inter-bank Borrowing	1,165	-	-	-	-	1,165
Wakala Term Deposits	38,317	35,933	107,179	120,629	821	302,879
Wakala Call Deposits	28,282	49,494	28,282	-	35,354	141,412
Wakala Saving Deposits	10,172	20,343	20,343	101,717	50,861	203,436
Total						648,892

31 December 2024	Upto 1 month	1 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Wakala Inter-bank Borrowing	26,614	-	1,155	-	-	27,769
Wakala Term Deposits	23,018	21,812	203,668	56,195	5,720	310,413
Wakala Call Deposits	17,650	29,416	11,766	29,416	29,416	117,664
Wakala Saving Deposits	5,312	10,618	10,618	106,176	44,242	176,966
Total						632,812

15. OWNER'S EQUITY

15.a. Allocated capital

The allocated capital remained unchanged during the year with no increase compared to the last year

15.b. Legal reserve

Legal reserve of S'134,000 (31 December 2024: S'134,000) represents the net excess amount of the issue proceeds collected by the Bank during the Window's inception in the year 2013.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

15. OWNER'S EQUITY (CONTINUED)

15.c. General reserve

General Reserve of S'988,000 (31 December 2024: S'988,000) represents the losses incurred for the year 2013 and 2014.

15.d. Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of the investment securities held as FVOCI until the investment is derecognised, sold or impaired. As at 31 December 2025 the fair value on FVOCI investments is a gain of S'230,000, (31 December 2024: loss of S'452,000).

15.e. Impairment reserve

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

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

Accordingly, for the year ended December 2025, the Window made additional S'198 million transfer to impairment reserve. The balance as on 31 December 2025 S'2,753 million (31 December 2024: S'2,555 thousand).

16. CONTINGENT LIABILITIES AND COMMITMENTS

16.a. Contingent liabilities

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

	31 December 2025 S'000	31 December 2024 S'000
Guarantees	47,456	39,867
Letter of credit	6,776	20,752
	<u>54,232</u>	<u>60,619</u>

16.b. Commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees, which are designed to meet the requirements of the Window's customers. Commitments to extend credit represent contractual, commitments to make financing and advances. Commitments generally have fixed expiry dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash obligations.

	31 December 2025 S'000	31 December 2024 S'000
Credit related commitments	59,453	49,790

17. RELATED PARTIES

In the ordinary course of business, the Window conducts transactions with certain of its Directors, shareholders, senior management, head office, Shari'a Supervisory Board (SSB), Shari'a reviewer and companies in which they have a significant influence and control. These transactions are conducted on an arm's length basis and are approved by the Window's management and Board of Directors.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

17. RELATED PARTIES (CONTINUED)

The aggregate amount of balances and the income and expenses generated with such related parties are as follows:

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Directors & Senior management		
Financing and advances (balance at end of year)	311	301
Financing and advances disbursed during the year	430	355
Financing and advances repaid during the year	119	54
Profit on financing and advances (during the year)	11	10
Deposits (balance at end of year)	538	1,069
Deposits received during the year	1,879	12,381
Deposits paid during the year	(2,130)	(13,090)
Profit expense (during the year)	(20)	(13)
Director's sitting fees and remuneration		
Shari'a Supervisory Board members	74	51
Transaction with head office		
Profit paid on wakala borrowings	(470)	(210)
Fee paid on committed line	49	(493)

The Window considers 4 (2024: 8) senior management to be key management personnel for the purposes of IAS 24 Related Party Disclosures.

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

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Financing and advances	148	51
Deposits	359	79

Key management compensation

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

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Profit on financing and advances (during the year)	5	2
Profit expense (during the year)	(14)	(3)
Salaries and other short term benefits	436	981
Post-employment benefits	19	32

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. DERIVATIVES

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

Currency forward (Wa'ad), is a unilateral agreement between parties to buy one currency against selling another currency at an agreed price for settlement at forward / future value date. The exchange rate used for the transaction is called the forward exchange rate.

It is done to hedge from exchange rate volatility risk and to manage liquidity efficiently by allowing the Window's to place / invest excess liquidity with offshore banks or to take funds from offshore banks in case of liquidity shortage.

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

As at 31 December 2025	Notional amount 000' ﷲ	Notional amounts by term to maturity		
		Within 3 months 000' ﷲ	months 12 - 3 000' ﷲ	years 5 - 1 000' ﷲ
Forward foreign exchange purchase contracts	86,665	23,100	63,565	0
Forward foreign exchange sales contracts	86,625	23,100	63,525	0

As at 31 December 2024	Notional amount ﷲ'000	Notional amounts by term to maturity		
		Within 3 months ﷲ'000	3 - 12 months ﷲ'000	1 - 5 years ﷲ'000
Forward foreign exchange purchase contracts	299,441	255,138	9,624	34,679
Forward foreign exchange sales contracts	299,382	255,107	9,625	34,650

Main counter party to forward contracts is the head office.

19. INCOME FROM FINANCING ACTIVITIES

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Murabaha receivables	4,777	3,295
Ijarah muntahia bittamleek	4,977	5,474
Istisna followed by Ijarah muntahia bittamleek	6,590	6,441
Diminishing Musharka	9,452	11,430
Wakala Bil Istithmar	10,915	4,844
	36,711	31,484

20. INCOME FROM INVESTING ACTIVITIES

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
Income from inter-bank placements with financial institutions	2,347	3,788
Income from investment in debt-type instruments	4,012	1,530
	6,359	5,318

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

21. PROFIT ATTRIBUTED TO QUASI-EQUITY

	31 December 2025	31 December 2024
	₹'000	₹'000
On Mudaraba accounts (after deducting Mudarib share)	198	398
On Wakala accounts -		
- Customers	27,850	24,523
- Banks	449	928
	28,299	25,451
	28,497	25,849

22. OTHER OPERATING INCOME

	31 December 2025	31 December 2024
	₹'000	₹'000
Foreign exchange gains – net	1,095	827
Fees and commissions – net	3,008	4,092
Dividend income	411	116
	4,514	5,035

23. OTHER OPERATING EXPENSES

	31 December 2025	31 December 2024
	₹'000	₹'000
Operating and administration costs	2,281	1,482
Amortisation of right-to-use assets	489	365
Rent and utility expenses	264	172
SSB remuneration and sitting fees	74	51
	3,108	2,070

24. IMPAIRMENT CHARGES (NET)

	31 December 2025	31 December 2024
	₹'000	₹'000
Impairment charges provided / (released) on:		
Investments & balances with banks	(590)	(70)
Off-balance sheet	(111)	(13)
Financing assets	(1,291)	(1,013)
Other Provision	(18)	-
	(2,010)	(1,096)

25. FINANCIAL RISK MANAGEMENT

25.1. Credit risk

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

25.1.a. Credit risk in financing products

Credit risk originates from the financing of receivables and leases (including but not limited to, Murabaha, Diminishing Musharaka, Istisna and Ijarah) and financing of working capital (including but not limited to Salam). The Window acts as financier, supplier, Rabb-ul-Mal and contributor of capital in Musharaka agreement. The Window is exposed to the risk of counterparty's failure to meet their obligations in terms of receiving deferred payment and making or taking delivery of an asset.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.a. Credit risk in financing products (continued)

Sohar Islamic credit risk management follows a robust framework with clearly defined lending policies that articulate the requirements for credit approvals. System of delegation of authorities ensures strong governance on approvals while an independent risk management department reviews and provides an independent opinion the credit/lending requests. Risk Ratings for eligible borrowers are generated through Moody's Credit lens.

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

- charges of assets under Murabaha agreements
- ownership / title of assets under Ijarah and Istisna financing
- ownership / title under Istisna arrangement
- title of assets under Diminishing Musharka

The Bank has deployed a Credit Lens tool which assigns risk ratings to match the client's risk profile. Risk ratings are subject to annual review by the Business units and concurrence from the Credit Risk Team.

Exposure limits are based on the aggregate exposure to counterparty and any connected entities. Corporate contracts / facilities are reviewed on an annual basis by the approving authorities as per the delegation of authorities approved by the Board of Directors.

Finances and advances of the Bank are regularly monitored to ensure compliance with the stipulated terms and conditions. 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 delay in repayment on due date the internal credit ratings / significant increase in credit risk criteria / requirements of CBO circular BM 1149, including POCl assessment. There is a dedicated team to manage stress accounts with periodic review by risk management department with Management & Board Committees oversight.

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

31 December 2025	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
₹'000									
Stage 1	21,116	68,194	54,360	220,664	20	194,569	21,581	130,069	710,573
Stage 2	2,406	11,110	95,567	61,722	-	9,231	-	9,923	189,959
Stage 3	315	2,353	2,031	2,915	-	126	-	-	7,740
Total	23,837	81,657	151,958	285,301	20	203,926	21,581	139,992	908,272

31 December 2024	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
₹'000									
Stage 1	20,314	79,090	97,897	184,567	26	196,679	71,774	41,662	692,009
Stage 2	2,421	7,561	20,839	35,634	-	8,461	-	-	74,916
Stage 3	316	1,725	1,422	2,723	-	-	-	-	6,186
Total	23,051	88,376	120,158	222,924	26	205,140	71,774	41,662	773,111

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.a. Credit risk in financing products (continued)

The table below presents an analysis of debt securities, placements and other eligible bills by rating agency designation at 31 December 2025, based on Credit Lens ratings or equivalent.

	31 December 2025	31 December 2024
	ﷲ'000	ﷲ'000
A1 to A3	84,522	7,107
Baa1 to Baa3	3	1,486
Ba1 to Ba3	18	63,181
Caa1 to Caa3	9,263	9,217
Unrated securities	5,786	3,652
Sovereign securities	45,547	32,375
	145,139	117,018

The Window performs an independent assessment based on quantitative and qualitative factors in cases where a counter party is unrated.

The Window's internal rating and PD estimation process

For exposures originated and managed under the Bank's Islamic Window, the Bank maintains a 22 grade Internal Rating Scale. 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 material credit events arise.

The Window's independent Credit Risk Department 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, utilise supplemental external information that could affect the borrower's behavior. Where practical, they also build on information from Good Rating Agency.

25.1.c. Credit rating analysis

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

Internal rating grades	Internal rating grade description	PD range (%)
1	Investment Grade	0.66%
2+	Investment Grade	
2	Investment Grade	0.81% - 1.01%
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%

Although the Bank's internal credit assessment methodology for the Islamic Window is designed and governed on a 22 grade internal rating scale, the current core systems and regulatory reporting configuration support the operational capture and reporting of ratings using ten scale rating bands.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.c Credit rating analysis (continued)

The table below shows the credit quality by class of financial asset, based on internal credit ratings:

31 December 2025	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
Gross Amount (ﷲ'000)									
Performing financing assets (Grades 1-5)									
Performing	20,847	69,211	95,103	234,592	18	150,269	21,581	130,069	721,690
Past due but not impaired	471	9,414	31,762	33,511	-	45,747	-	9,923	130,830
Total	21,318	78,625	126,865	268,103	18	196,016	21,581	139,992	852,520
Performing financing assets (Grade 6)									
Performing	608	-	23,062	7,348	-	7,736	-	-	38,754
Past due but not impaired	1,572	-	-	-	-	-	-	-	1,572
Total	2,180	-	23,062	7,348	-	7,736	-	-	40,326
Performing financing assets (Grade 7)									
Performing	-	211	-	6,935	-	48	-	-	7,194
Past due but not impaired	24	468	-	-	-	-	-	-	492
Total	24	679	-	6,935	-	48	-	-	7,686
Non-performing financing assets (Grades 8-10)									
Credit impaired	315	2,353	2,031	2,915	-	126	-	-	7,740
Total	315	2,353	2,031	2,915	-	126	-	-	7,740

The table below shows the credit quality by class of financial asset, based on internal credit ratings:

31 December 2025	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
Total financing assets									
Performing	21,455	69,422	118,165	248,875	18	158,053	21,581	130,069	767,638
Past due but not impaired	2,067	9,882	31,762	33,511	2	45,747	-	9,923	132,894
Credit impaired	315	2,353	2,031	2,915	-	126	-	-	7,740
Total	23,837	81,657	151,958	285,301	20	203,926	21,581	139,992	908,272

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.c Credit rating analysis (continued)

31 December 2024	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
Gross Amount (S'000)									
<i>Performing financing assets (Grades 1-5)</i>									
Performing	20,388	79,067	56,861	180,873	26	196,952	71,774	41,662	647,603
Past due but not impaired	82	670	210	595	-	5	-	-	1,562
Total	20,470	79,737	57,071	181,468	26	196,957	71,774	41,662	649,165
<i>Performing financing assets (Grade 6)</i>									
Performing	-	-	-	3,702	-	-	-	-	3,702
Past due but not impaired	-	-	-	244	-	-	-	-	244
Total	-	-	-	3,946	-	-	-	-	3,946
<i>Performing financing assets (Grade 7)</i>									
Past due but not impaired	2,265	6,914	61,665	34,787	-	8,183	-	-	113,814
Total	2,265	6,914	61,665	34,787	-	8,183	-	-	113,814
<i>Non-performing financing assets (Grades 8-10)</i>									
Credit impaired	316	1,725	1,422	2,723	-	-	-	-	6,186
Total	316	1,725	1,422	2,723	-	-	-	-	6,186

31 December 2024	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
<i>Total financing assets</i>									
Performing	20,388	79,067	56,861	184,575	26	196,952	71,774	41,662	651,305
Past due but not impaired	2,347	7,584	61,875	35,626	-	8,188	-	-	115,620
Credit impaired	316	1,725	1,422	2,723	-	-	-	-	6,186
Total	23,051	88,376	120,158	222,924	26	205,140	71,774	41,662	773,111

25.1.d. Write-off policy

The Window writes off a financing and advances/security balance (and any related allowances for impairment losses) when the Window determines that the financing and advances/security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer repay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financings, charge off decisions generally are based on a product specific past due status. The write-off mechanism, approving authorities and the governance on the same is duly elaborated in the Bank's wholesale lending policy.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.d. Write-off policy (continued)

An estimate of the fair value of collateral and other security enhancements held against financings and advances is shown below:

	31 December 2025 S'000	31 December 2024 S'000
Property	469,256	765,775
Vehicles	17,865	15,271
Fixed deposits	-	2,700
Other assignment & postdate cheques	5,083	-
	492,204	783,746

25.1.e. Concentrations

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

In order to avoid excessive concentrations of risk, the Window's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed through regulatory caps and internal risk appetite thresholds where ever applicable.

	December 2025							
	Murabaha receivables S'000	Ijarah muntahia bittamleek S'000	Istisna followed by Ijarah muntahia bittamleek S'000	Diminishing Musharka S'000	Qard Hasan Financing S'000	Wakala Bil Istithmar S'000	Receivables from financial institutions S'000	Debt type securities S'000
<i>Concentration by sector</i>								
Corporate	7,923	13,774	121,752	170,383	-	203,926	-	93,785
Personal	15,914	67,883	30,206	114,918	20	-	-	45,547
Banks	-	-	-	-	-	-	21,581	-
Total	23,837	81,657	151,958	285,301	20	203,926	21,581	139,332
<i>Concentration by location</i>								
Middle east	23,837	81,657	151,958	285,301	20	203,926	19,912	54,810
Europe	-	-	-	-	-	-	1,643	-
Asia	-	-	-	-	-	-	26	84,522
Total	23,837	81,657	151,958	285,301	20	203,926	21,581	139,332

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1. Credit risk (continued)

25.1.e. Concentrations (continued)

December 2024								
	Murabaha receivables ﷲ'000	Ijarah muntahia bittamleek ﷲ'000	Istisna followed by Ijarah muntahia bittamleek ﷲ'000	Diminishing Musharka ﷲ'000	Qard Hasan Financing ﷲ'000	Wakala Bil Istithmar ﷲ'000	Receivables from financial institutions ﷲ'000	Debt type securities ﷲ'000
Concentration by sector								
Corporate	10,589	14,169	87,835	173,939	-	205,140	-	41,662
Personal	12,462	74,207	32,323	48,985	26	-	-	-
Banks	-	-	-	-	-	-	71,774	-
Total	23,051	88,376	120,158	222,924	26	205,140	71,774	41,662
Concentration by location								
Middle East	23,051	88,376	120,158	222,924	26	205,140	64,508	41,662
Europe	-	-	-	-	-	-	7,266	-
Total	23,051	88,376	120,158	222,924	26	205,140	71,774	41,662

25.1.f. Sensitivity of impairment estimates

Sensitivity of impairment estimates	31 December 2025		31 December 2024	
	ECL	Impact on ECL	ECL	Impact on ECL
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
ECL on non-impaired financing under the Window's policy	5,143	NA	4,155	NA
Simulations				
Upside case - 100% weighted	4,261	882	3,600	555
Base case - 100% weighted	5,026	117	4,005	150
Downside scenario - 100% weighted	6,147	(1,004)	4,867	(712)

25.2 Liquidity risk

Liquidity risk is the risk that the Window is unable to meet the obligations as and when they fall due, in both normal and stressed conditions, or can do so only at an excessive cost. Liquidity risk may arise from unexpected withdrawals, constrained access to wholesale funding, disruptions in market liquidity affecting the ability to monetise liquid assets and/or concentrated funding profiles.

Liquidity risk is monitored on a regular basis using a combination of regulatory and internal metrics including Liquidity Coverage Ratio, Net Stable Funding Ratio, Structural Liquidity Gap Analysis, Funding Concentration Measures and Asset Encumbrance buffers. The Window's central treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, finances and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Window as a whole. The liquidity requirements of business units are met through short-term financing and advances from central treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The Window has also laid down a comprehensive liquidity contingency plan for effective management of liquidity. In this process due care is taken to ensure that the Window complies with all the CBO regulations.

All liquidity policies and procedures are subject to review and approved by Asset Liabilities Committee (ALCO). Computation of liquidity gap on maturity of assets and liabilities is provided. The computation has been prepared in accordance with guidelines provided by the regulator.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 Liquidity risk (continued)

The lending ratio, which is the ratio of the total financing to customer deposits and capital, is monitored in line with the regulatory guidelines. The Window also manages its liquidity risk on regular basis and by monitoring the liquid ratio which is a ratio of net liquid assets to total assets on a monthly basis.

Details of the reported lending and liquid ratio as at 31 December 2025 were as follows:

	31 December 2025	
	Lending ratio	Liquid ratio
Average for the year	84.16%	15.26%
Maximum for the year	86.00%	18.76%
Minimum for the year	82.31%	10.07%

31 December 2024		
	Lending ratio	Liquid ratio
Average for the year	84.85%	16.85%
Maximum for the year	86.81%	24.70%
Minimum for the year	82.33%	11.40%

The Window also monitors the liquidity through Liquidity Coverage ratio (LCR) and Net Stable Funding Ratio (NSFR). Current levels of these ratios are given below

31 December 2025		31 December 2024	
LCR	NSFR	LCR	NSFR
278.84%	134.00%	114.72%	113.16%

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

	Carrying amount ﷲ'000	Within three months ﷲ'000	Four months to 12 months ﷲ'000	One to three years ﷲ'000	More than three years ﷲ'000	Total ﷲ'000
December 2025						
Customer deposit and other accounts	173,640	72,154	59,081	267	42,138	173,640
Due to financial institutions	9,756	9,756	-	-	-	9,756
Other liabilities	19,164	-	-	-	19,164	19,164
Total Liabilities	202,560	81,910	59,081	267	61,302	202,560
Quasi-equity participatory investment accounts	694,605	130,722	313,753	140,207	109,923	694,605
	897,165	212,632	372,834	140,474	171,225	897,165

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 Liquidity risk (continued)

	Carrying amount	Within three months	Four months to 12 months	One to three years	More than three years	Total
December 2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Customer deposit and other accounts	58,590	18,791	11,417	5,759	22,623	58,590
Due to financial institutions	5,304	5,304	-	-	-	5,304
Other liabilities	5,789	-	-	-	5,789	5,789
Total Liabilities	69,683	24,095	11,417	5,759	28,412	69,683
Quasi-equity participatory investment accounts	666,640	105,034	262,219	122,450	176,937	666,640
	736,323	129,129	273,636	128,209	205,349	736,323

The Window prepares a liquidity gap report to monitor the Window’s short term liquidity position on the ﷲ denominated assets and liabilities in a time horizon spanning one month. The gap is adjusted for availability of instruments for repo or refinance and also for unutilised committed lines of credit, if any. This statement of short term liquidity is to be reported to the ALCO every month.

In addition to the above measures of liquidity, the Window also monitors the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio as per the regulator in line with Basel-III standards.

25.3. Market risk

Market risk is defined as potential losses on account of changes in market variables. The sources of market risk include changes in profit rate, equity prices and foreign exchange rates and so on. These fluctuations can significantly impact the Bank’s earnings and valuation. The Bank’s business activities, including its trading and investment portfolios, are inherently exposed to market. One of the primary objectives of the Market Risk Management is to ensure that the business units do not expose the Bank to unacceptable exposures outside of the Bank’s Board-approved risk appetite.

Sohar Islamic proactively measures and monitors the market risk in its portfolio using appropriate measurement techniques such as limits on intraday and overnight net open foreign exchange positions.

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

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

25.3.a. Market risk in financing products

Financing contracts mainly comprise ‘Murabaha receivables’ and ‘Ijara Muntahia Bittamleek’. Following are the financing related market risk:

(i) Murabaha receivables

In the case of an asset in possession for a Murabaha transaction and an asset acquired specifically for resale to a customer in a non-binding Murabaha to the purchase ordered (MPO) transaction, the asset would be treated as inventory of the Window and is subject to price risk.

(ii) Ijara Muntahia Bittamleek (IMB)

In the case of Non-binding Promise to lease an asset acquired and held for the purpose of either operating Ijara or IMB. The asset would be treated as asset owned by the Window and is subject to price risk from its acquisition date until its disposal.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.a Market risk in financing products (continued)

(iii) Musharaka Investments

Musharaka is a form of partnership between the Window and its clients whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project, whereby each of the parties become an owner of the capital on a permanent or declining basis. Profits are shared in an agreed ratio, while losses are shared in proportion to the amount of capital contributed.

25.3.b. Measurement of market risk

The Window is mainly engaged in Currency forward (Wa’ad). Such positions are mainly undertaken for customer transactions. The Window measures and controls the risk by using a limit framework. As and when the Window enters into more complex derivatives (subject to approval), it will have more sophisticated models and techniques to measure market risk, supported by a suitable mechanism.

25.3.c. Management of market risks

The Window separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include all positions arising from market making and proprietary position, together with financial assets and liabilities that are managed on a fair value basis.

The Market Risk Function covers the assessment of the market risk for treasury portfolio and non-treasury positions, evaluate / validate methods for monitoring market risk, prescribe the control processes and define the framework for risk appetite in form of limits/trigger levels. They also conduct review of the valuation models, and the conventions for various market risk factors in the valuation and risk system that are proposed by Treasury department.

The Window works with an independent Market risk (Middle Office) function within the Bank’s Risk Management Department (RMD) which is responsible for the day-to-day monitoring of treasury limit. Investment banking and FIG. The Middle-office reports adherence to set risk thresholds and escalates breaches, if any, for timely remedial action. The process ensures that the risks assumed by various front office desks are within the Board approved risk appetite and related policies of the Bank.

The market risk management monitors the following limits and thresholds:

- Regulatory Limits and Internal Limits
- Profit Rate Risk Limits
- Position and dealer Limits
- Stop Loss limits
- Foreign Exchange limits
- Concentration Limits (Country exposure limits)
- Nostro Balances

Overall authority for market risk is vested in ALCO. The risk management function is responsible for development of detailed risk management policies (subject to approval by ALCO and Risk Management Committee of the Board). The Policy is periodically reviewed to keep it up to date with the market developments.

25.3.d. Exposure to profit rate risk

Profit rate risk is the potential impact of the mismatch between the rate of return on assets and the expected rate of funding due to the sources of finance. Senior management identifies the sources of profit rate risk exposures based upon the current as well as forecasted balance sheet structure of the Window.

The profit rate risk in the Window may arise due to the following transactions:

- Murabaha transactions;
- Wakala transactions;
- Isitisna followed by Ijara Muntahia Bittamleek;
- Ijara Muntahia Bittamleek;
- Diminishing Musharka;
- Sukuk.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.d. Exposure to profit rate risk (continued)

The Window manages short term profit rate impact through earnings based measures and long term profit rate impact through economic value based measures. The Window measures the change in Economic Value of Equity (“EVE”) as the maximum decrease of the banking book economic value under the 6 standard scenarios prescribed by Basel guidelines. The Window maintains economic capital for profit rate risk in the banking book (PRRBB) under Pillar 2 based on the outcome.

The Window is not exposed to material profit rate risk as a result of mismatches in the profit rate re-pricing of assets, liabilities and equity of investment account. The profit distribution to equity of investment accountholders is based on profit sharing agreements. Therefore, Window is not subject to any significant profit rate risk.

(i) Sources of Profit Rate Risk

The different profit rate risks faced by the Window can be classified broadly into the following categories.

- Re-pricing risk which arises from timing differences in the maturity (for fixed rate) and re-pricing (for floating rate) of assets, liabilities and off balance sheet positions. As profit rates vary, these re-pricing mismatches expose the Window's income and underlying economic value to unanticipated fluctuations;
- Yield curve risk which arises when unanticipated shifts of the yield curve have adverse effects on the Window's income and/or underlying economic value;
- Basis risk which arises from imperfect correlation in the adjustment in the rate earned on products priced and the rate paid on different instruments with otherwise similar re-pricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities, and off-balance sheet instruments of similar maturities or re-pricing frequencies; and
- Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates.

(ii) Profit rate risk measurement tools

The Window uses re-pricing gap analysis for profit rate risk measurement in its book which measures the arithmetic difference between the profit-sensitive assets and liabilities of banking book in absolute terms.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.e. Exposure to profit rate risk – non-trading portfolios

The Window's profit sensitivity position based on contractual re-pricing arrangements at 31 December 2025 was as follows:

	Effective annual Profit Rate %	Within three months ₹'000	Four months to 12 months ₹'000	Over one year ₹'000	Non sensitive to profit rate ₹'000	Total ₹'000
At 31 December 2025						
Assets						
Cash and balances with central banks					40,407	40,407
Receivables from financial institutions					21,581	21,581
Investment securities	4.97	38,208	51,050	50,074	5,787	145,119
Murabaha receivables	4.79	-	-	-	23,625	23,625
Ijarah muntahia bittamleek	5.39	68,182	11,058	1,711	-	80,951
Istisna followed by Ijarah muntahia bittamleek	5.10	54,323	91,467	1,604	-	147,394
Diminishing Musharka	5.52	220,458	59,652	2,292	-	282,402
Qard Hasan Financing	-	20	-	-	-	20
Wakala Bil Istithmar	5.41	194,096	9,220	56	-	203,372
Property and equipment		-	-	-	3,075	3,075
Other assets		-	-	-	47,510	47,510
Total assets		575,287	222,447	55,737	141,985	995,456
Liabilities and equity						
Customer current accounts		-	-	-	173,640	173,640
Due to financial institutions		-	-	-	9,756	9,756
Other liabilities		-	-	-	19,164	19,164
Total liabilities		-	-	-	202,560	202,560
Quasi-equity participatory investment accounts	3.97	95,367	183,798	274,028	141,412	694,605
Total liabilities and Quasi-Equity		95,367	183,798	274,028	343,972	897,165
Total profit rate sensitivity gap		479,920	38,649	(218,291)	(201,987)	-
Cumulative profit rate sensitivity gap		479,920	518,569	300,278	98,291	-

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.e. Exposure to profit rate risk – non-trading portfolios (continued)

	Effective annual Profit Rate %	Within three months ﷼'000	Four months to 12 months ﷼'000	Over one year ﷼'000	Non sensitive to profit rate ﷼'000	Total ﷼'000
At 31 December 2024						
Assets						
Cash and balances with central banks		-	-	-	23,304	23,304
Receivables from financial institutions		-	-	-	71,774	71,774
Investment securities	6.28	-	3,018	38,574	3,652	45,244
Murabaha receivables	5.18	-	-	-	22,850	22,850
Ijarah muntahia bittamleek	5.54	79,075	7,496	1,279	-	87,850
Istisna followed by Ijarah muntahia bittamleek	5.54	96,089	19,640	1,202	-	116,931
Diminishing Musharka	6.32	184,469	34,034	2,221	-	220,724
Qard Hasan Financing	-	26	-	-	-	26
Wakala Bil Istithmar	5.74	196,386	8,460	-	-	204,846
Property and equipment		-	-	-	2,387	2,387
Other assets		-	-	-	30,753	30,753
Total assets		556,045	72,648	43,276	154,720	826,689
Liabilities and equity						
Customer current accounts		-	-	-	58,590	58,590
Due to financial institutions		-	-	-	5,304	5,304
Other liabilities		-	-	-	5,789	5,789
Total liabilities		-	-	-	69,683	69,683
Quasi-equity participatory investment accounts	4.69	385,652	223,248	57,739	-	666,640
Total liabilities and Quasi-Equity		385,652	223,248	57,739	69,683	736,324
Total profit rate sensitivity gap		170,392	(150,600)	(14,463)	85,037	-
Cumulative profit rate sensitivity gap		170,392	19,792	5,329	90,366	-

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3. Market risk (continued)

25.3.f. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits. The Window had the following net exposures denominated in foreign currencies:

	31 December 2025			31 December 2024		
	Assets	Liabilities & Quasi-Equity	Net assets	Assets	Liabilities & Quasi-Equity	Net assets
Omani Riyal (﷼)	160,951	343,276	(182,325)	200,523	454,452	(253,929)
United States Dollar	761,405	519,593	241,812	601,498	270,547	330,951
Euro	10,083	10,062	22	7,575	6,328	1,247
UAE Dirhams	56,322	23,798	32,524	16,617	4,913	11,704
Pound Sterling	486	473	13	59	35	24
Japanese Yen	753	7	746	348	8	340
Indian Rupee	5,456	-	5,456	-	-	-
Other currencies	-	-	-	69	41	28

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

Changes in the non-parity foreign currency prices as at 31 December 2025 and 2024 on net assets are considered negligible.

25.4. Operational risk

As per regulatory guidelines, operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or from external events and excludes credit, market and liquidity risks. It includes legal risk however excludes strategic and reputational risk.

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

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

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.4. Operational risk (continued)

In this regard, it has put in place a Board approved operational risk management policy & framework which ensures compliance with all applicable regulatory guidelines. The core objective of the operational risk management policy & framework is to continuously ensure that risks related to people, processes, systems and external events are adequately managed, through a set of well-defined policies and procedures / guidelines. These policies & procedures are supported with robust systems, applications & workflows, together with well training & skilled staff in respective business, operations and support divisions.

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

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

Furthermore, a structured operational risk loss event reporting process has been implemented to promptly identify and mitigate any control deficiencies / process lapses. In addition, a comprehensive Risk Control Self-Assessment (RCSA) process is in place which is conducted on a periodic basis for all critical business lines, with the aim to identify, assess, mitigate, monitor and report all key risks. In line with regulatory requirements, comprehensive operational risk incident / internal loss database is maintained, to study the loss trends and for preparing towards higher approaches for operational risk management.

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

25.4.a. Displaced commercial risk

Displaced Commercial Risk (DCR) refers to the magnitude of risks that are transferred to shareholders in order to cushion the Investment Account Holder (IAH) from bearing some or all of the risks to which they are contractually exposed in Mudaraba contracts.

Under a Mudaraba (profit sharing and loss-bearing) contract, Quasi-equity IAH are exposed to aggregate impact of risks arising from the assets in which their funds are invested, but this is managed by Sohar Islamic Window through DCR.

This risk-sharing is achieved by constituting and using various reserves such as PER, and by adjusting the Sohar Islamic Window's profit share in order to smooth the returns payable to the IAH from exposure to the volatility of aggregate returns arising from banking risks, and thereby to enable payment of returns that are competitive in the marketplace.

Sohar Islamic Window manages its displaced commercial risk as outlined in its Profit Distribution Policy. The Window foregoes its fee in case displaced commercial risk arises. The Window manages profit rates with other Islamic Windows and full-fledged Islamic/ Conventional Banks operating in Oman.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.5. Third-Party Risk Management

The Bank has successfully established a comprehensive Third-Party Risk Management (TPRM) framework that centralises oversight and standardises third-party risk assessment methodologies across all business units. This foundational framework provides a clear, consistent approach to managing the risks associated with all the 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.

25.6. Business Continuity Management

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

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

26. CAPITAL MANAGEMENT

26.1. Regulatory capital

The Window's lead regulator, CBO, sets and monitors capital requirements for the Window as a whole. In implementing current capital requirements CBO requires the Window to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Window calculates capital requirements for market risk and operational risk based upon the model prescribed by CBO as follows:

- Sovereign entities – Nil for Oman
- The Window's placements – Risk weighting based upon ratings by external credit assessment institutions as approved by CBO.
- Retail and Corporate financings – As per credit conversion factors and risk weightage prescribed by CBO.
- Off balance sheet items – As per credit conversion factors and risk weightage prescribed by CBO.

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

- Tier 1 capital, which includes allocated capital and reserves, retained earnings and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying collective impairment allowances.

Various limits are applied to elements of the capital base. The amount of innovative tier 1 investments cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated financing and advances capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances, PER and IRR that may be included as part of tier 2 capital.

Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of the Window, and certain other regulatory items.

The Window's 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 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 Window for International Settlement is as follows:

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

26. CAPITAL MANAGEMENT (CONTINUED)

26.1. Regulatory capital (continued)

	31 December 2025	31 December 2024
	₹'000	₹'000
Tier 1 capital		
Allocated capital	66,500	66,500
Legal reserve	134	134
General reserve	988	988
Retained earnings	27,686	20,641
Fair value losses	(193)	(473)
Total tier 1 capital	95,115	87,790
Tier 2 capital		
Fair value gains	190	10
Impairment allowance on portfolio basis	960	2,753
Total tier 2 capital	1,150	2,763
Total regulatory capital	96,265	90,553
Risk-weighted assets		
Credit risk	724,150	663,259
Market risk	22,348	22,250
Operational risk	29,738	24,150
Total risk-weighted assets	776,236	709,659
Capital adequacy ratio		
Total regulatory capital expressed as a percentage of total risk-weighted assets	12.40%	12.76%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	12.25%	12.37%

The capital adequacy ratio given above is calculated in accordance with the Basel II norms as adopted by CBO and IBRF.

27. SEGMENTAL INFORMATION

The activities of the Window are performed as one unit. Reporting to management is made by business unit. The Window operates solely in the Sultanate of Oman and as such no geographical segment information is presented.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

28. SOURCE AND USE OF CHARITY FUND

	31 December 2025	31 December 2024
	₹	₹
Sources of Charity Fund		
Undistributed charity funds at beginning of the year	-	-
Shari'a non-compliant income	10,952	8,051
Total sources of funds during the year	10,952	8,051
Uses of Charity Fund		
Distributed to charity organisations:		
Al Rahma Association for Motherhood and child welfare	-	(1,000)
Zakah AL Kaborah Committee	-	(1,000)
Zakah AL Mussanah Committee	-	(1,000)
Zakat Barka Committee	-	(1,000)
Dar AL Atta'a	-	(1,000)
Al Manahil Foundation	-	(1,000)
Ihsaan Association	-	(1,051)
Omani Association for the of Holy Quran	-	(1,000)
Sinaw Charity Team	(1,369)	-
Shinas Charity Team	(1,369)	-
Duqm Charity Team	(1,369)	-
Muttrah Charity Team	(1,369)	-
Quriyat Charity Team	(1,369)	-
Omani Bahjah Orphan Society	(1,369)	-
Nakhhal Charity Team	(1,369)	-
Education Endowment Foundation	(1,369)	-
Total uses of funds during the year	(10,952)	(8,051)
Undistributed charity funds at end of the year	-	-

29. OTHER DISCLOSURES

Following are the disclosures required under Islamic Banking Regulatory Framework:

- There has been no comingling of the funds.
- As of 31 December 2025, and amount of ₹ 1.504 million is payable to head office.
- During the year head office has allocated ₹ 800 thousand (2024: ₹ 800 thousand) for shared support services.
- Proposed remuneration and sitting fee of SSB board is as follows:

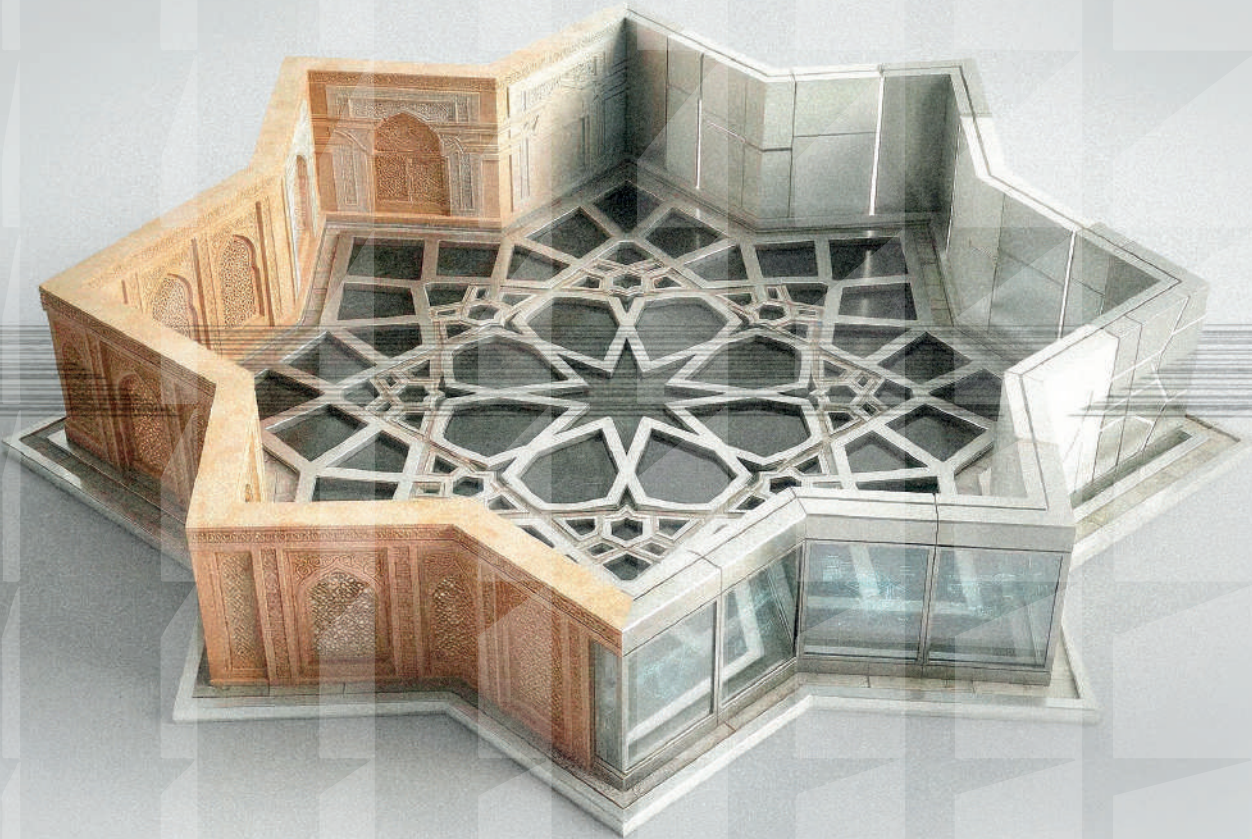
Name	Remuneration	Sitting Fee	Total
	₹	₹	₹
Sheikh Al Muatasim Said Al Maawali	20,000	2,000	22,000
Sheikh Nasser Al Azri	20,000	2,000	22,000
Dr. Mohammed Al Olama	20,000	2,000	22,000
	60,000	6,000	66,000

30. COMPARATIVE FIGURES

Certain comparative figures for 2024 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported net profit or owners' equity.

REGULATORY DISCLOSURE

UNDER BASEL II & III
SOHAR ISLAMIC



ACCOUNTABILITY in Motion

BOARD OF
DIRECTORS

CORPORATE
GOVERNANCE

MANAGEMENT

FINANCIAL
STATEMENTS
SOHAR
INTERNATIONAL

REGULATORY
DISCLOSURES
SOHAR
INTERNATIONAL

SOHAR ISLAMIC

FINANCIAL
STATEMENTS
SOHAR ISLAMIC

REGULATORY
DISCLOSURES
SOHAR ISLAMIC

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Independent auditors' report

To the Shareholders of Sohar International Bank SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sohar Islamic Banking (the "Islamic Window"), which comprise the statement of financial position as at 31 December 2025, the statements of comprehensive income, income and attribution related to quasi-equity, changes in owners' equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Islamic window as at 31 December 2025, and results of its operations, income and attribution related to quasi-equity, changes in owners' equity and its cash flows for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Central Bank of Oman (the "CBO").

In our opinion, the Islamic Window has also complied with the Islamic Shari'a Principles and Rules as determined by the Islamic Window's Shari'a Supervisory Board during the year ended 31 December 2025.

Basis for Opinion

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

Continued on page 2



Sohar Islamic Banking– Window of Sohar International Bank SAOG
Agreed Upon Procedures
Basel II – Pillar III and Basel III Disclosures

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

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

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

Procedures and Findings

We have performed the procedures described in Appendix I, which are included in BM 1027 dated 4 December 2007 issued by CBO and which were agreed upon with Islamic Window in terms of the engagement letter dated 1 January 2025.

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

KPMG



KPMG LLC
Date: 9 March 2026
Muscat, Oman

Enclosures:

Sohar Islamic Banking Basel II – Pillar III and Basel III Disclosures



Appendix I

S. No	Procedures	Findings
1	Checked that the Basel II – Pillar III Disclosures and Basel III related disclosures (“the Disclosures”) of Sohar International Bank SAOG (“Bank”) includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2025 (the “Summary”). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Disclosures.	No exceptions noted
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2025. Checked that the following items are separately disclosed in the calculation: a) paid-up share capital/common stock b) reserves c) minority interests in the equity of subsidiaries (if any) d) innovative instruments e) other capital instruments f) regulatory calculation differences deducted from Tier 1 capital g) other items Further, checked that the following items have been deducted from the Tier 1 capital: a) goodwill, b) deferred taxation; c) investments	No exceptions noted
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached.	No exceptions noted
4	Agreed to the Bank’s audited financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: a) on-balance sheet items b) off-balance sheet items c) derivative financial instruments	No exceptions noted
5	Checked that the risk weights assigned by management on banking and trading books are in accordance with BM 1009.	No exceptions noted
6	Checked the mathematical accuracy of the summary disclosure prepared by the Bank.	No exceptions noted
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and Bank records.	No exceptions noted
9	Checked whether any content of the Disclosures are: a) internally inconsistent with other parts of the Disclosures. b) in respect of narrative items, inconsistent with numerical data in the Disclosures. c) inconsistent with the audited financial statements of the Bank.	No exceptions noted

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF AS AT 31 DECEMBER 2025

1. INTRODUCTION

Sohar International Bank SAOG (the head office) under an Islamic Banking License issued by the Central Bank of Oman (CBO) on 30 April 2013, carries out Islamic banking operations and other financial trading activities in accordance with Islamic Shari'a rules and regulations under the name of “Sohar Islamic” (the Window). A separate set of financial statements is included in the consolidated financial statements of the Bank.

The following disclosures are being made in accordance with the Islamic Banking Regulatory Framework (IBRF) issued by Central Bank of Oman (CBO). These disclosures aim to provide market participants material qualitative and quantitative information about Sohar Islamic Window risk exposures, risk management strategies and processes of capital adequacy. The Window has not operated as a separate legal entity.

There is no restriction on transfer of funds between the Window and the Bank. However, as per the guidelines contained in Islamic Banking Regulatory Framework (IBRF), the Window is not permitted to place funds with the Bank.

2. CAPITAL STRUCTURE & QUASI-EQUITY

As required under clauses 3.5.1.2 and 3.5.1.3 of Title 1, Licensing Requirements of Islamic Banking Regulatory Framework, (IBRF) issued by CBO, the head office assigned **₹ 66.5 million** (2024: **₹ 66.5 million**) to the Window as assigned capital.

As per IBRF, Windows must keep minimum **₹ 10 million** as assigned capital.

	2025 ₹'000
Tier 1 capital	
Assigned capital	66,500
Legal reserve	134
General reserve	988
Retained earnings	27,686
Fair value loss	(193)
Total	95,115
Tier 2 capital	
Fair value gain	190
Impairment allowance on portfolio basis	960
Total	1,150
Total regulatory capital	96,265
 Quasi-equity participatory investment accounts	 694,605

The Window has not maintained any Profit Equalisation and Investment risk reserve.

3. CAPITAL ADEQUACY

The Window’s capital adequacy ratio, calculated according to guidelines set by the CBO guidelines. It stipulates that a minimum capital adequacy ratio of 11% should be maintained.

The Window’s lead regulator, Central Bank of Oman, sets and monitors capital requirements for the Window as a whole.

As required under clauses 3.5.1.2 and 3.5.1.3 of Title 1, Licensing Requirements of Islamic Banking Regulatory Framework, (IBRF) issued by CBO, the head office has allocated **₹ 66.5 million** to the Window as assigned capital.

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) through which senior management assesses the Bank’s capital against its risk profile. Asset Liability Committee (ALCO) is the forum in which the capital adequacy is assessed, based on the business forecast and the risk profile envisaged.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
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3. CAPITAL ADEQUACY (CONTINUED)

Total and Tier 1 Capital Ratio, Risk Weighted Assets		S'000	
S. No.	Details	Gross Balances (Book Value)	Risk Weighted Assets
		Net Balances (Book Value)*	
1	On-balance sheet items	1,000,598	676,555
2	Off – balance sheet items	69,836	47,595
3	Total for Credit Risk	1,065,292	724,150
4	Risk Weighted Asset for Market Risk		22,348
5	Risk Weighted Asset for Operational Risk		29,738
6	Total Risk Weighted Assets	1,065,292	776,236
7	Tier 1 Capital	95,115	
8	Tier 2 Capital	1,150	
9	Total Regulatory Capital	96,265	
9.1	Capital requirement for credit risk		79,657
9.2	Capital requirement for market risk		2,458
9.3	Capital requirement for operational risk		3,271
10	Total required capital		85,386
11	Tier 1 Ratio		12.25%
12	Total Capital Ratio		12.40%
*	Net of provisions		

Disclosure of Capital Requirements according to different risk categories for each Shari'a-compliant financing contract.

	S'000	
	Risk Weighted Assets	Capital Requirements
Murabaha receivables	21,183	2,330
Ijarah muntahia bittamleek	43,988	4,839
Istisna followed by ijarah muntahia bittamleek	133,062	14,637
Diminishing musharaka	206,495	22,714
Qard hasan financing	16	2
Wakala bil istithmar	203,581	22,394
Receivables from financial institutions	2,592	285
Investment securities	15,050	1,655
Other assets	50,588	5,565
Off-balance sheet	47,595	5,235
	724,150	79,656
Of above risk weighted assets funded by the quasi-equity participatory investment accounts	630,675	69,374

Assets funded by the quasi-equity are treated at par for all other assets for calculation of capital adequacy.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
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3. CAPITAL ADEQUACY (CONTINUED)

The net exposure after risk mitigation subject to Standardised Approach is as follows:

	S'000	
	Exposure	RWAs – Standardised Approach
Sovereign – carrying 0%	173,483	-
Banks	-	
carrying 20%	12,958	2,592
Corporate		
Carrying 75%	19,172	14,378
Carrying 80%	1,787	1,430
Carrying 90%	22,617	20,355
Carrying 100%	383,118	383,118
Retail – carrying 75%	8,693	6,520
Retail – carrying 100%	7,144	7,144
Claims secured by residential property – carrying 35%	175,110	61,289
Claims secured by residential property – carrying 100%	35,449	35,449
Claims secured by commercial property – carrying 100%	95,131	83,958
Non-Performing financings carrying 100%	3,947	3,947
Other Assets – carrying 0%	5,614	-
Other Assets – carrying 100%	56,375	56,375
Total On Balance Sheet	1,000,598	676,555
Off-balance Sheet Items		
carrying 50%	44,149	21,968
carrying 100%	25,687	25,627
Total Off-balance Sheet Items	69,836	47,595
Total Banking Book	1,070,434	724,150

4. DISCLOSURE FOR QUASI-EQUITY

Quasi-equity participatory investment accounts (depositors) engage in funding of Window activities on a profit and loss-bearing basis as Rabb al-Mal (investor) under a Mudaraba contract. The underlying Mudaraba contract that governs the relationship between the account holders and the Licensee.

The Window has only quasi-equity participatory investment accounts.

4.1 Participatory Investment Accounts

Participatory investment accounts under Mudaraba (profit -sharing investment contract).

Mudaraba is a contractual partnership {(Shirkat ul Aqd (contractual partnership))} for sharing in the profits, in an agreed proportion and one or more of the partner(s) contribute with their efforts while the other partner(s) provide the financial resources. The former is/are called “Mudarib”(fund manager) and the latter “Rabbul Maal”(capital provider).

The Window maintains multi-level investment arrangements to invest funds received under “Wakala” as “Mudaraba” under express authority from Wakala account holders in its financing and investment assets. Profit is allocated to Wakala funds on the basis of their contribution in the commingled assets.

4.2 Rules and Structure of Mudaraba and Shari'a Essentials

- Mudaraba means an arrangement in which a person participates with their money (called Rabbul Maal) and another with their efforts (called Mudarib) for sharing in profit from investment of these funds in an agreed manner.
- A Mudarib may be a natural person, a group of persons, or a legal entity and a corporate body.
- Rabbul Maal shall provide their investment in money or species, other than receivables, at a mutually agreed valuation. Such investment shall be placed under the absolute disposal of the Mudarib.

4. DISCLOSURE FOR QUASI-EQUITY (CONTINUED)

4.2 Rules and Structure of Mudaraba and Shari'a essentials (continued)

4. The conduct of business of Mudaraba shall be carried out exclusively by the Mudarib within the framework of mandate given in the Mudaraba agreement.
5. The profit shall be divided in strict proportion agreed at the time of contract and no party shall be entitled to a predetermined amount of return or remuneration.
6. Financial losses of the Mudaraba shall be borne solely by the Rabbul Maal, unless it is proved that the Mudaraba has been guilty of fraud, negligence or willful misconduct or has acted in contravention of the mandate.

4.3 Profit Distribution Mechanism between Shareholders & Depositors of Sohar Islamic under the Common Pool

This profit distribution mechanism sets out the Shari'a-compliant mechanism for distribution of the Net Profit Shareholders Funds and Depositors Funds, combined together in the Common Pool will be called Joint Mudaraba Capital.

Net profit will be calculated in accordance with the following formula:

$$N=G-(E+D+P)$$

Where:

‘N’ means Net Profit

‘G’ means Gross Profit

‘E’ means direct expenses in relation to the Activities (“Direct Expenses”)

‘D’ means depreciation of the investment assets (“Investment Assets”) in the Common Pool.

‘P’ means Provisions for bad and doubtful accounts

During the year no expense and provision has been allocated to the pool.

Quasi-equity participatory investment accounts are monies invested by customers under Mudaraba to form a pool of funds. Quasi-equity participatory investment account funds are commingled with the Window's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

Net Profit will be allocated to the pool participants based on the weighted average balances.

Participation factor, weights or profit sharing ratios are pre-decided by the management of the Window and are intimated to the investors before start of the month. Weighted average balance is calculated at the end of the period by multiplying the participation factor with average balance for the period.

4.3.1 Mudaraba Fee

Mudaraba fee will be deducted from allocated profit as per the pre-agreed ratio as approved by SSB which will be advised to customers through website or by posting in branches. Currently it is being fixed as:

Window – 60% Depositors – 40 %

During the year there was no change in ratios from SSB of the Window. The Window can create reserves as allowed by Shari'a and CBO for smoothing of returns to investors and risk management purposes. Two types of reserves allowed are Profit Equalisation Reserve (PER) and Investment Risk Reserve (IRR). The Window is not maintaining any reserves.

4.3.2 Assignment of a Portion of Shareholders’ Profit to Depositors

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

No Profit Equalisation Reserve and Investment Risk Reserve has been created during the year and no allocation has been made from shareholders.

The Window has not charged any administrative expense to the pool.

4. DISCLOSURE FOR QUASI-EQUITY (CONTINUED)

4.4 Quantitative Disclosures

During the year profit calculated is distributed among the participation factor declared before each profit calculation period. During the year participation factor range applied and range of rate earned are as below:

Product	Participation Factor	Average Rate Earned
Mudaraba Saving- ~~AED~~	20	0.495%
Mudaraba Saving-SAR	20	0.495%
Mudaraba Saving-AED	20	0.495%
Mudaraba Saving-USD	20	0.495%
Mudaraba Saving-GBP	20	0.495%
Mudaraba Saving-EUR	20	0.495%
Wakala Interbank Borrowing	70	4.333%
Wakala Term Deposits	80	4.952%
Wakala Call Deposits	75	4.642%
Wakala Saving Deposits	65	4.023%

Close of the year the amount of quasi-equity participatory investment accounts with respective category was:

Product	Amount ~~AED~~ '000	% of Total Quasi-equity
Mudaraba Saving- ~~AED~~	41,418	5.96%
Mudaraba Saving-SAR	7	0.00%
Mudaraba Saving-AED	140	0.02%
Mudaraba Saving-USD	4,024	0.58%
Mudaraba Saving-GBP	15	0.00%
Mudaraba Term 12 Months	110	0.02%
Wakala Interbank Borrowing	1,165	0.17%
Wakala Term Deposits	302,879	43.60%
Wakala Call Deposits	141,412	20.36%
Wakala Saving Deposits	203,436	29.29%
TOTAL	694,605	100%

Term deposits are deposits that can be withdrawn with no loss of capital subject to certain conditions.

Return on Assets & Quasi-equity:

	~~AED~~ '000				
	2025	2024	2023	2022	2021
Income on Mudaraba & Wakala Assets	36,711	31,484	24,720	19,068	16,132
Income distributed to Quasi-equity	28,497	25,849	19,581	11,916	9,815
Return on Average Mudaraba & Wakala Assets	4.92%	4.77%	4.92%	4.66%	4.97%
Return on Average Quasi-equity	4.10%	3.88%	4.24%	3.09%	3.35%

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
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4. DISCLOSURE FOR QUASI-EQUITY (CONTINUED)

4.4 Quantitative Disclosures (continued)

Assets allocated to common pool are:

			﷼'000
	Gross Exposure	ECL	Net Exposure
Murabaha receivables	23,837	(212)	23,625
Ijarah muntahia bittamleek	81,657	(706)	80,951
Istisna followed by Ijarah muntahia bittamleek	151,958	(4,564)	147,394
Diminishing Musharka	285,301	(2,899)	282,402
Qard Hasan Financing	20	-	20
Wakala Bil Istithmar	203,926	(554)	203,372
Total	746,699	(8,935)	737,764

5. RISK EXPOSURE AND ASSESSMENT

5.1 Management of Risk in Sohar Islamic - Approach and Policy

The risk management philosophy of Sohar Islamic focuses on identifying, capturing, monitoring, and managing various dimensions of risk with the primary objective of safeguarding asset values and income streams. This ensures that the interests of the head office and other stakeholders to whom Sohar Islamic owes liabilities are protected. Concurrently, the approach aims to optimise returns for the head office by maintaining risk exposure within self-imposed parameters.

Sohar Islamic offers a range of Shari'a-compliant products and services, including Term Financing, Working Capital Financing, Short-Term Financing, Corporate Deposits, and Trade Finance, Cash Management Services, and Treasury products for Corporate and SME clients. These offerings are aligned with Islamic Shari'a principles. To enhance the quality of its credit exposure, Sohar Islamic evaluates credit risk and ensures adequate security through short-term assets, plant and machinery, real estate, and other collateral. The Bank adheres to the Central Bank of Oman's (CBO) regulatory requirements, particularly for single borrower limits, and imposes additional controls to mitigate risks related to senior management or related parties.

For Consumer Finance products, which include Vehicle, Personal, and Home Financing, Sohar Islamic complies with regulatory guidelines issued by the CBO and Shari'a principles. Financing and advances are approved based on a clearly defined approval matrix, specifying limits for designated officials and the Executive Credit Committee.

Credit approvals at Sohar Islamic are guided by its Board-approved Wholesale Lending Policy and a delegation of authority framework. In Consumer Finance, the policy is designed to provide financing on a sound and collectible basis, ensuring that funds are used to serve the legitimate needs of communities, while adhering to Shari'a guidelines as approved by the Shari'a Supervisory Board.

The risk management process emphasises diversification and mitigating concentration risks. A robust internal control framework supports these efforts, encompassing periodic Business Risk Reviews, Asset Quality Reviews, Shari'a Reviews, Process Reviews, and Compliance Reviews. These reviews are conducted at both the business and senior management levels to ensure effective oversight.

The Board of Directors of the Bank holds the authority to approve all policies related to credit and risk management. The Credit Approval Committee (CAC), a sub-committee of the Board, is the highest approving authority in the Bank for credit facilities within the regulatory single borrower limits.

5.2 Strategies, Processes and Internal Controls

Sohar Islamic is exposed to various types of risk, such as market, credit, profit rate, liquidity and operational, all of which require comprehensive controls and ongoing oversight. The risk management framework of the Bank that are embedded in various risk policies comprises of management oversight and control, risk culture and ownership, risk recognition and assessment, control activities and segregation of duties, adequate information and communication channels, monitoring risk management activities and correcting deficiencies.

5.3 Credit Risk

Credit risk is the risk that a customer or a counterparty fails to perform under its contractual payment obligations thus causing the Bank to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by the Bank in its banking, investment and treasury activities, both on- and off-balance sheet. Credit risk management framework of the Bank encompasses credit risk governance structure, credit risk appetite, credit risk strategies and lending policies that are fully compliant with the CBO regulations and Shari'a Principles as may be applicable.

Credit risk is managed at three stages - at the origination stage, approval stage and at the transaction/portfolio monitoring stage.

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5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.3 Credit Risk (continued)

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The credit risk assessment includes among others, generating internal credit risk rating for each counterparty using the Bank's internal obligor rating tool. Only those clients/counterparties with acceptable ratings as per the Bank's wholesale lending policy are considered for credit approval subject to internal approval guidelines. For cross border transactions, an analysis of country risk is also conducted. Credit approval delegation matrix approved by the Board of Birectors is in place, which is risk sensitised and backed by strong governance.

For retail financing products the Board has approved policies and / or product programs for various retail financing products based on approval parameters.

The Bank follows standardised approach for Credit Risk Capital charge with risk weights as recommended by the CBO.

31 December 2025	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt type securities	Total
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Neither past due not impaired	21,455	69,422	118,165	248,875	18	158,053	21,581	130,069	767,638
Past due but not impaired	2,067	9,882	31,762	33,511	2	45,747	-	9,923	132,894
Past due and impaired	315	2,353	2,031	2,915	-	126	-	-	7,740
Total	23,837	81,657	151,958	285,301	20	203,926	21,581	139,992	908,272

Definitions of past due and impaired

The classification of credit exposures is considered by the Window for identifying impaired credit facilities, as per CBO circular number BM 977 dated 25 September 2004.

5.4 Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure

		Average Gross Exposure		Total Gross Exposure
S. No.	Type of Credit Exposure	2025	2025	2025
		﷼'000	﷼'000	%
1	Murabaha receivables	27,752	23,837	2.62%
2	Ijarah muntahia bittamleek	87,824	81,657	8.99%
3	Istisna followed by Ijarah muntahia bittamleek	127,281	151,958	16.73%
4	Diminishing Musharka	269,248	285,301	31.41%
5	Qard Hasan Financing	27	20	0.00%
6	Wakala Bil Istithmar	112,339	203,926	22.45%
7	Receivables from financial institutions	20,179	21,581	2.38%
8	Debt-type investments	81,941	139,992	15.41%
	Total	726,591	908,272	100%

Percentage of gross financing for each category of counterparty to gross financing

	2025	
	﷼'000	%
Corporate	517,758	69.34%
Retail	228,941	30.66%
Total	746,699	100.00%

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5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.4.1 Geographic distribution of gross exposures, broken down in significant areas by major type of credit exposure

				﷼'000
S. No.	Type of Credit Exposure	Oman	Other GCC Countries	Total
1	Murabaha receivables	23,837	-	23,837
2	Ijarah muntahia bittamleek	81,657	-	81,657
3	Istisna followed by Ijarah muntahia bittamleek	151,958	-	151,958
4	Diminishing Musharka	285,301	-	285,301
5	Qard Hasan Financing	20	-	20
6	Wakala Bil Istithmar	203,926	-	203,926
7	Receivables from financial institutions	21,581	-	21,581
8	Debt-type investments	55,470	84,522	139,992
Total		823,750	84,522	908,272

5.4.2 Industry or counter party type distribution of gross exposures, broken down by major types of Credit exposure

﷼'000											
S. No.	Economic sector	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt-type investments	Total	Off-balance sheet exposure
1	Import trade	1,572	-	-	-	-	-	-	-	1,572	2,841
2	Construction	-	7,108	46,450	47,504	-	-	-	10,051	111,113	3,640
3	Manufacturing	6,125	-	51,492	13,767	-	46,019	-	-	117,403	2,745
4	Financial institutions	-	-	-	-	-	-	-	-	-	12,985
5	Service	226	6,666	23,811	109,111	-	157,907	-	-	297,721	32,021
6	Personal financing	15,914	67,883	30,205	114,919	20	-	-	-	228,941	-
7	Government	-	-	-	-	-	-	-	129,941	129,941	-
8	Others	-	-	-	-	-	-	21,581	-	21,581	-
Total		23,837	81,657	151,958	285,301	20	203,926	21,581	139,992	908,272	54,232

5.4.3 Residual contractual maturity breakdown of the whole portfolio, broken down by major types of gross credit exposures

﷼'000											
S. No.	Time band	Murabaha receivables	Ijarah muntahia bittamleek	Istisna followed by Ijarah muntahia bittamleek	Diminishing Musharka	Qard Hasan Financing	Wakala Bil Istithmar	Receivables from financial institutions	Debt-type investments	Total	Off-balance Sheet Exposure
1	up to 1 month	6,252	56	13,436	715	-	18,219	38,678	38,208	115,564	3,387
2	1 - 3 months	1,342	0	5	0	-	480	1,827	46,314	49,968	4,351
3	3 - 6 months	324	47	0	14	-	770	1,155	-	2,310	30,896
4	6 - 9 months	72	13	53	0	-	-	138	-	276	2,188
5	9 - 12 months	106	65	29,281	8	1	-	29,461	-	58,922	2,440
6	1 - 3 years	2,109	1,546	937	19,292	-	4,057	27,941	-	55,882	272
7	3 - 5 years	7,088	8,802	13,466	61,380	19	83,930	174,683	-	349,368	5,453
8	Over 5 years	6,544	71,128	94,780	203,892	-	96,470	472,816	55,470	1,001,100	5,245
9	Total	23,837	81,657	151,958	285,301	20	203,926	746,699	139,992	1,633,390	54,232

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
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5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.4.4 Amount of impaired financing and advances and, if available, past due financing and advances provided separately broken down by significant geographic areas including, if practical, the amounts of specific and general allowances related to each geographical area

﷼'000							
S. No.	Countries	Gross Exposures		Provisions Held			Provision made during the year
		Gross financing	Out of which: Stage 3	Stage 1&2	Stage 3	Reserve Profit	
1	Oman	746,699	7,740	5,143	1,221	2,572	(1,290)
2	Other GCC	-	-	-	-	-	-
Total		746,699	7,740	5,143	1,221	2,572	(1,290)

5.4.5 Movements of gross financing and advances

﷼'000				
Details	Stage 1	Stage 2	Stage 3	Total
Opening balance	578,573	74,916	6,186	659,675
Migration / changes (+ / -)	(69,663)	67,869	1,794	-
New financing / added	111,908	43,156	66	155,130
Recovery of financing	(61,895)	(5,905)	(306)	(68,106)
Closing balance	558,923	180,036	7,740	746,699
Total ECL	772	4,370	1,221	6,636
Reserve profit	-	1,877	695	2,572

5.4.6 Credit risk: Disclosures for portfolios subject to the Standardised approach

5.4.6.1 Qualitative disclosures: For portfolios under Standardised approach

The Window is following a standardised approach in assessing regulatory capital for credit risk. For sovereign risk, zero risk weight is applied, as permitted under this approach, whereas for exposures on banks, the risk weight applied depends on the rating of the banks by Eligible Credit Assessment Institution (ECAI) approved by CBO like, Moody's, Standard & Poor, Fitch, and Capital Intelligence, subject to the respective country rating. In the absence of external ratings for most of the corporate, the Bank treats them as unrated and applies 100% risk weight on their funded exposures. On the off-balance sheet exposures, the relevant credit conversion factors are applied and aggregated to banks or the corporate, as the case may be, and then the risk weight is applied as stated above. Unavailed or yet to be disbursed exposures are taken under commitments and risk weights assigned as permitted by the IBRF.

5.4.6.2 Quantitative disclosures

Credit Rating Analysis

The table below presents an analysis of debt securities, treasury bills, gross placements and other eligible bills by rating agency designation at 31 December 2025, based on Moody's ratings or equivalent.

		2025
		﷼'000
A1 to A3		84,522
Baa1 to Baa3		3
Ba1 to Ba3		18
Caa1 to Caa3		9,263
Unrated securities		5,786
Sovereign securities		45,547
		145,139

The Window performs an independent assessment based on quantitative and qualitative factors in cases where a counter party is unrated.

The Window is following a uniform approach of considering all corporates as unrated and applying 100% risk weights.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.4.6.3 Credit risk mitigation: Disclosure for standardised approach

The Window does not make use of netting whether on-or off-balance sheet.

5.5 Profit Rate Risk in Banking Book

Profit rate risk is the potential impact of the mismatch between the rate of return on assets and the expected rate of funding due to the sources of finance. Senior management identifies the sources of profit rate risk exposures based upon the current as well as forecasted balance sheet structure of the Window. The profit rate risk in the Window may arise due to the following transactions:

- Murabaha transactions;
- Wakala transactions;
- Ijara Muntahia Bittamleek;
- Diminishing Musharka
- Sukuk; and
- Investments.

The Window manages short term profit rate impact through earnings based measures and long term profit rate impact through economic value based measures. The Window measures the change in Economic Value of Equity (“EVE”) as the maximum decrease of the banking book economic value under the 6 standard scenarios prescribed by Basel guidelines. The Window maintains economic capital for PRRBB under Pillar II based on the outcome.

The Window is not exposed to material profit rate risk as a result of mismatches of profit rate re-pricing of assets, liabilities and quasi-equity participatory investment accounts the profit distribution to quasi-equity participatory investment accounts is based on profit sharing agreements. Therefore, the Window is not subject to any significant profit rate risk.

5.5.1 Sources of Profit Rate Risk

The different profit rate risks faced by the Window can be classified broadly into the following categories.

- Re-pricing risk which arises from timing differences in the maturity (for fixed rate) and repricing (for floating rate) of assets, liabilities and off balance sheet positions. As profit rates vary, these re-pricing mismatches expose the Window’s income and underlying economic value to unanticipated fluctuations;
- Yield curve risk which arises when unanticipated shifts of the yield curve have adverse effects on the Window’s income and/or underlying economic value;
- Basis risk which arises from imperfect correlation in the adjustment in the rate earned on products priced and the rate paid on different instruments with otherwise similar repricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities, and off balance sheet instruments of similar maturities or repricing frequencies; and
- Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor’s rates.

5.5.2 Profit Rate Risk Measurement Tools

The Window uses re-pricing gap analysis for profit rate risk measurement in its book which measures the arithmetic difference between the profit sensitive assets and liabilities of banking book in absolute terms.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.5 Profit Rate Risk in Banking Book (continued)

5.5.3 Exposure to Profit Rate Risk – Non-Trading Portfolios

The Window’s profit sensitivity position based on contractual repricing arrangements at 31 December, 2025 was as follows:

	Effective annual Profit Rate %	Within three months ₹’000	Four months to 12 months ₹’000	Over one year ₹’000	Non sensitive to profit rate ₹’000	Total ₹’000
At 31 December 2025						
Assets						
Cash and balances with central banks		-	-	-	40,407	40,407
Due from banks		-	-	-	21,581	21,581
Investment securities	4.97	38,208	51,050	50,074	5,787	145,119
Murabaha receivables	4.79	-	-	-	23,625	23,625
Ijarah muntahia bittamleek	5.39	68,182	11,058	1,711	-	80,951
Istisna followed by Ijarah muntahia bittamleek	5.10	54,323	91,467	1,604	-	147,394
Diminishing Musharka	5.52	220,458	59,652	2,292	-	282,402
Qard Hasan Financing	-	20	-	-	-	20
Wakala Bil Istithmar	5.41	194,096	9,220	56	-	203,372
Property and equipment		-	-	-	3,075	3,075
Other assets		-	-	-	47,510	47,510
Total assets		575,287	222,447	55,737	141,985	995,456
Liabilities and equity						
Customer current accounts		-	-	-	173,640	173,640
Due to banks and financial institutions		-	-	-	9,756	9,756
Other liabilities		-	-	-	19,164	19,164
Total liabilities		-	-	-	202,560	202,560
Quasi-equity participatory investment accounts	3.97	95,367	183,798	274,028	141,412	694,605
Total liabilities and quasi-equity		95,367	183,798	274,028	343,972	897,165
Total profit rate sensitivity gap		479,920	38,649	(218,291)	(201,987)	-
Cumulative profit rate sensitivity gap		479,920	518,569	300,278	98,291	-

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
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5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.6 Liquidity Risk

The Window’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet all its payment obligations as and when it is due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank’s reputation.

Central treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, financing and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Window as a whole. The liquidity requirements of business units are met through short-term financing and advances from central treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The Window has also laid down a comprehensive liquidity contingency plan for effective management of liquidity. In this process due care is taken to ensure that the Window complies with all the CBO regulations.

All liquidity policies and procedures are subject to review and approved by Asset Liabilities Committee (ALCO). Computation of liquidity gap on maturity of assets and liabilities is provided. The computation has been prepared in accordance with guidelines provided in Circular BM 955 dated 7 May, 2003.

5.6.1 Exposure to Liquidity Risk

The lending ratio, which is the ratio of the total financings and advances to customer deposits and capital, is monitored in line with the regulatory guidelines. Internally the lending ratio is set at a more conservative basis than required by regulation. The Window also manages its liquidity risk on regular basis and by monitoring the liquid ratio which is a ratio of net liquid assets to total assets on a monthly basis. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market.

Details of the reported lending and liquid ratio as at 31 December, 2025 were as follows:

	2025	
	Lending ratio	Liquid ratio
Average for the year	84.16%	15.26%
Maximum for the year	86.00%	18.76%
Minimum for the year	82.31%	10.07%

The table below summarises the maturity profile of the Window’s liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Window’s deposit retention history and the availability of liquid funds.

	Carrying amount	Within three months	Four months to 12 months	One to three years	More than three years	Total
Dec 2025	₹’000	₹’000	₹’000	₹’000	₹’000	₹’000
Customer deposit and other accounts	173,640	72,154	59,081	267	42,138	173,640
Due to banks and financial institutions	9,756	9,756	-	-	-	9,756
Other liabilities	19,164	-	-	-	19,164	19,164
Total liabilities	202,560	81,910	59,081	267	61,302	202,560
Quasi-equity participatory investment accounts	694,605	130,722	313,753	140,207	109,923	694,605
	897,165	212,632	372,834	140,474	171,225	897,165

The Window prepares a liquidity gap report to monitor the Window’s short term liquidity position on the ₹ denominated assets and liabilities in a time horizon spanning one month. The gap is adjusted for availability of instruments for repo or refinance and also for unavailed committed lines of credit, if any. This statement of short term liquidity is to be reported to the ALCO every month.

The Window's exposure to profit rate risk has been further elaborated in Annexures 1 and 2.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.6 Liquidity risk (continued)

5.6.2 Liquidity Coverage Ratio and Net Stable Funding Ratio

The Window also monitors the liquidity through Liquidity Coverage ratio (LCR) and Net Stable Funding Ratio (NSFR). Current levels of these ratios are given below

Liquidity Coverage ratio:

		₹’000	
		Total Unweighted Value (average)	Total Weighted Value(average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	Es	173,065
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	311,474	22,648
3	Stable deposits	124,234	3,924
4	Less stable deposits	187,240	18,724
5	Unsecured wholesale funding, of which:	222,934	95,720
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	222,934	95,720
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which	59,453	5,466
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	59,453	5,466
14	Other contractual funding obligations	3,948	3,948
15	Other contingent funding obligations	54,232	2,712
16	TOTAL CASH OUTFLOWS		130,493
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	108,627	68,428
19	Other cash inflows	3,521	-
20	TOTAL CASH INFLOWS	112,148	68,428
			Total Adjusted Value
21	TOTAL HQLA		173,065
22	TOTAL NET CASH OUTFLOWS		62,065
23	LIQUIDITY COVERAGE RATIO (%)		278.84

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.6 Liquidity risk (continued)

5.6.2 Liquidity Coverage Ratio and Net Stable Funding Ratio (continued)

Net Stable Funding ratio:

		Unweighted value by residual maturity				₹'000
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
1	Capital:	96,265	-	-	-	96,265
2	Regulatory capital	95,115	-	-	-	95,115
3	Other capital instruments	1,150	-	-	-	1,150
4	Retail deposits and deposits from small business customers	54,052	74,253	107,179	93,531	296,113
5	Stable deposits					
6	Less stable deposits	54,052	74,253	107,179	93,531	296,113
7	Wholesale funding:	72,750	2,051	256	-	37,529
8	Operational deposits					
9	Other wholesale funding	72,750	2,051	256	-	37,529
10	Liabilities with matching interdependent assets					
11	Other liabilities:				495,118	463,008
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in above categories	-	-	-	495,118	463,008
14	Total ASF (Available stable funding)	-	-	-	-	892,915
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	9,382
16	Deposits held at other financial institutions for operational purposes	3,521	-	-	-	1,761
17	Performing financings and securities:	15,335	9,436	-	583,676	484,633
18	Performing financings to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing financings to financial institutions secured by non- Level 1 HQLA and unsecured performing financings to financial institutions	-	-	-	-	-
20	Performing financings to non-financial corporate clients, financings to retail and small business customers, and financings to sovereigns, central banks and PSEs, of which	-	9,436	-	129,793	85,781
21	With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	453,883	385,801
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	453,883	385,801
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	13,052
25	Assets with matching interdependent liabilities					
26	Other Assets:	-	-	67,085	131,802	165,345
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	-	-	67,085	131,802	165,345
32	Off-balance sheet items	-	-	59,453	-	5,684
33	TOTAL RSF	-	-	-	-	666,804
34	NET STABLE FUNDING RATIO (%)	-	-	-	-	133.91

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.7 Market Risk

Market risk is defined as potential losses because of changes in market variables. The sources of market risk include changes in profit rate, equity prices and foreign exchange rates, and so on. These fluctuations can significantly impact the Bank's earnings and valuation. The Bank's business activities, including its trading and investment portfolios, are inherently exposed to market risk. One of the primary objectives of the Market Risk Management, is to ensure that the business units do not expose the Bank to unacceptable exposures outside of the Bank's Board-approved risk appetite.

Market risk is relevant to banking book and trading book but its measurement and management might differ in each book.

Sohar Islamic proactively measures and monitors the market risk in its portfolio using appropriate measurement techniques such as limits on intraday and overnight net open foreign exchange positions.

5.7.1 Market Risk in Trading Book

Market risk incorporates a range of risks, but the principal elements are profit rate risk and foreign exchange risk.

Treasury business is conducted within approved market risk limits.

Limits are set among others for the below:

- Foreign exchange risk
- Approved dealing products
- Approved dealing currencies
- Maximum tenor

The Assets and Liability Committee (ALCO) conducts periodical meetings to discuss the mismatches in assets and liabilities and assesses the profit rate risk, foreign exchange risk and liquidity risk that Sohar Islamic is exposed to, so as to take steps to manage such risks. With the guidance of ALCO, the Window's treasury manages profit rate and foreign exchange risks, adhering to the policy guidelines, which stipulate appropriate limits.

The capital charge for the applicable market risk is furnished below:

	₹'000
Profit rate position risk	-
Equity position risk	-
Foreign exchange risk	1,788
Commodity risk	-

5.7.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

5.8 Operational risk

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

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

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

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.8 Operational Risk (continued)

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

In this regard, it has put in place a Board-approved Operational Risk Management Policy & Framework which ensures compliance with all applicable regulatory guidelines. The core objective of the Operational Risk Management Policy & Framework is to continuously ensure that risks related to people, processes, systems and external events are adequately managed, through a set of well-defined policies and procedures / guidelines. These policies & procedures are supported with robust systems, applications & workflows, together with well-trained & skilled staff in respective business, operations and support divisions.

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

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

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

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

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.8 Operational Risk (continued)

5.8.1 Quantitative Disclosure – Operational Risk

	₹'000			
Details	2023	2024	2025	Average
Net income from financing and investing activities	7,425	10,953	14,573	10,984
Other Operating Income	3,210	5,035	4,514	4,253
Contractual profit not recognised – addition / (release)	119	1,132	1,198	816
(-) Income derived from Takaful	(190)	(42)	(354)	(195)
(+) Realised Loss on sale of amortised cost / FVOCI Investments	12	-	-	4
Total	10,576	17,078	19,931	15,862
Capital charge at 15%				2,379
Operational Risk RWA at 12.5				29,738

5.9 Third-party Risk Management

The Bank has successfully established a comprehensive Third-party Risk Management (TPRM) framework that centralises oversight and standardises third-party risk assessment methodologies across all business units. This foundational framework provides a clear, consistent approach to managing the risks associated with all the 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.

5.10 Business Continuity

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

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

5.11 Displaced Commercial Risk

Displaced Commercial Risk ("DCR") refers to the magnitude of risks that are transferred to shareholders in order to cushion the quasi-equity participatory investment accounts from bearing some or all of the risks to which they are contractually exposed in Mudaraba contracts.

Under a Mudaraba (profit sharing and loss-bearing) contract, quasi-equity participatory investment accounts are exposed to aggregate impact of risks arising from the assets in which their funds are invested, but this is managed by the Sohar Islamic Window through DCR.

This risk-sharing is achieved by constituting and using various reserves such as PER, and by adjusting the Sohar Islamic Window's profit share in order to smooth the returns payable to the quasi-equity participatory investment accounts from exposure to the volatility of aggregate returns arising from banking risks, and thereby to enable payment of returns that are competitive in the marketplace.

The Sohar Islamic Window manages its displaced commercial risk as outlined in its Profit Distribution Policy. The Window foregoes its fee in case displaced commercial risk arises. The Window manages profit rates with other Islamic Windows and full-fledged Islamic/ Conventional Banks operating in Oman.

5. RISK EXPOSURE AND ASSESSMENT (CONTINUED)

5.12 Contract Specific Risk

In each type of Islamic Financing, the asset is exposed to a varying mix of credit and market risk and accordingly capital is required to be allocated for such risk exposures.

As of reporting date, financing assets only carry credit risk and accordingly capital is allocated as per the required regulations by CBO. The current product mix does not change the nature of risk according to the stage of contract.

Disclosure of Capital Requirements according to different risk categories for each Shari'a-compliant financing contract.

		ﷲ'000
	Risk Weighted Assets	Capital Requirements
Murabaha receivables	21,183	2,330
Ijarah muntahia bittamleek	43,988	4,839
Istisna followed by Ijarah muntahia bittamleek	133,062	14,637
Diminishing Musharaka	206,495	22,714
Qard Hasan Financing	16	2
Wakala Bil Istithmar	203,581	22,394
Placements with banks	2,592	285
Investments	15,050	1,656
Others	50,588	5,565
Off Balance sheet	47,595	5,235
	724,150	79,657

6. SHARI'A GOVERNANCE

A Shari'a governance framework has been implemented in the Window whose main objective of is to ensure Shari'a compliance at all times. The key elements of Shari'a governance framework of the Window are as follows:

- i. Shari'a Supervisory Board (SSB)
- ii. Internal Reviewer who has the overall responsibility to undertake and monitor Shari'a Compliance, Shari'a Audit and training functions in accordance with IBRF.

Compliance with Shari'a (as manifested by the guidelines and Fatawa issued by the SSB) and as stipulated in IBRF is mandatory and is being done through review and approval of the contracts, agreements, policies, procedures, products, reports (profit distribution calculations), etc.

The Window ensures that the operations of the Islamic Banking Window are conducted in Shari'a compliance and controlled manner by following policies and procedures:

- a) An appropriate Shari'a governance framework in compliance with IBRF, AAOIFI governance standards and guidelines and directives issued by SSB is maintained;
- b) Key duties and functions are segregated. An independent executive is designated with the responsibility for Shari'a compliance and audit;
- c) Policies and procedures manuals and documentation in relation to our products, operations, compliance, trainings, and internal controls are maintained and available to relevant staff;
- d) Shari'a audit reports are submitted to the SSB in line with the agreed annual plan.
- e) Islamic Banking Window assets are kept separate and distinct from conventional assets;
- f) The Window cannot place funds with the conventional banks including Sohar International.
- g) The Window management ensures that staff for certain key functions reporting to their respective department heads with dotted line reporting to the Head of The Window.
- h) The Window has dedicated staff for business functions, such as retail, corporate, treasury, etc. and the staff reports to the Chief Islamic Banking Officer.
- i) The core banking system adopted by the Window is capable of recognising the unique nature of Islamic Banking contracts, transactions and processes.

Shari'a audits are conducted on quarterly basis in accordance with IBRF and submitted to SSB for its review and guidance. SSB has issued its annual report for 2025 on Shari'a compliance of the Window and did not report any violations and did not direct any amount to Charity Account.

Internal Shari'a Reviewer oversees the Shari'a training plans and schedule for the Licensee. During the year 2024, training programs were conducted for the staff and public, such as colleges and companies.

Related parties' transactions with SSB is disclosed in notes of financial statements.

6. SHARI'A GOVERNANCE (CONTINUED)

6.1 Profile of the Shari'a Supervisory Board

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

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

Sheikh Nasser Yousuf Al Azri (Deputy Chairman)

Sheikh Nasser is working as the secretary to the Grand Mufti of the Sultanate of Oman in the Fatwa Section at the Grand Mufti's Office. He is also an active member of several committees at the Ministry responsible for Mosques, Zakat, Hajj, Publications and Book Revision. Prior to his current capacity, Sheikh Al Azri held a number of prestigious positions including Judge Assistant at the Ministry of Justice and a Researcher for Islamic affairs in fatwa's at the Ministry of Endowments and Religious Affairs.

Sheikh Al Azri has extensive knowledge and expertise in Islamic and judiciary laws. He has also authored several papers and research studies, and attended prominent Islamic conferences such as those held by the International Islamic Fiqh Academy. He received a High Diploma Degree in Jurisprudence from the Institute of Shari'a Sciences in Oman.

Dr. Muhammad Abdul Rahim Sultan Al Olama (Member)

Dr. Muhammad Abdul Rahim Sultan Al Olama was a Professor of Jurisprudence and its Fundamentals at the College of Law at United Arab Emirates University in Al Ain, in addition he is a certified expert in Shari'a-compliant financial affairs. He chairs the Shari'a committee of Zakat Fund in the United Arab Emirates. He has published books and articles on various jurisprudential topics, especially Islamic banking transactions in their contemporary form. He has also presented a series of research papers in various international forums and conferences related to this field.

His Eminence is a member of Shari'a Supervisory Boards of Islamic financial institutions and Takaful companies including Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Noor Takaful & Mawarid Finance Company.

He holds a PhD in Comparative Islamic Jurisprudence from Umm Al-Qura University in Makkah, the Kingdom of Saudi Arabia.

6.2 Remuneration to SSB

	2025		ﷲ
	Remuneration	Sitting Fee	Total
Sheikh Al-Mu'tasim Said Al Maawali	20,000	2,000	22,000
Sheikh Nasser Al Azri	20,000	2,000	22,000
Dr. Mohammed Al Olama	20,000	2,000	22,000
	60,000	6,000	66,000

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6. SHARI'A GOVERNANCE (CONTINUED)

6.3 Shari'a Supervisory Board’s meetings and attendance

Members Name	25-May-25	17-Aug-25	17-Nov-25	29-Jan-26	Attended
Sheikh Al Muatasim Said Al Maawali	✓	✓	✓	✓	4
Sheikh Nasser Al Azri	✓	✓	✓	✓	4
Dr. Mohammed Al Olama	✓	✓	✓	✓	4

7. CORPORATE SOCIAL RESPONSIBILITY

Sohar Islamic conducts customer awareness program on Islamic banking, and also supports social activities in many various field such as sports, conferences etc.

8. OTHER DISCLOSURES

Following are the disclosures required under Islamic Banking Regulatory Framework:

- There has been no commingling of the funds.
- As of 31 December, 2025 and amount of  1,512 is payable to head office.
- The charity fund account has been utilised to collect any over dues penalties from several products. As per the directive of the SSB members the funds were handed over to the following:
 - Sinaw Charity Team.
 - Shinas Charity Team.
 - Duqm Charity Team.
 - Muttrah Charity Team.
 - Quriyat Volunteer Team.
 - Omani Bahjah Orphan Society.
 - Nakhal Charity.
 - Education Endowment Foundation.

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

STATEMENT ON SENSITIVITY OF ASSETS AND LIABILITIES (SAL)
Annexure 1

Annexure 1

Description	Time Bands													Non-sensitive	Total
	Days			Months			Years								
	Overnight	1-7 D	8-14 D	15 D-1 M	1-2 M	2-3 M	3-6 M	6-9 M	9 M-1 Y	1-2 Y	2-3 Y	3-5 Y	>5 Y		
A. Cash Inflows															
Balances Due from HO/Affiliates/Branches															
Balances Due from Other Banks															
Investments															
Loans and Advances (net of ECL)															
Bills of Exchange & Promissory Notes															
Other Assets															
Spot and Forward Purchases															
Swaps (including IRS)															
Cash on Hand															
Accrued Interest															
NPAs															
Reverse Repo's															
Deposits with Central Bank															
Overdrafts and Credit Cards															
Fixed Assets															
Total Cash Inflows															
B. Cash Outflow															
Time Deposits															
Balances Due to HO/Affiliates/Branches															
Balances Due to Other Banks															
Certificate of Deposits															
Other Borrowings															
Spot and Forward Sales															
Swaps (Including IRS)															
Repos															
Interest Payable															
Capital															
Reserves															
Retained Earnings															
Others (Current Year's Profit/Loss)															
Other Liabilities with no maturity															
Other Deposits (Margin)															
Current & Call															
Saving Deposits															
Total Cash Outflows															
C. Mismatch															
Items															

₹ '0000

Statement on Sensitivity of Assets and Liabilities (Only)

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

EXPOSURE TO PROFIT RATE RISK – ANNEXURE 2

	2025 ₹ '000
Net Profit Income	14,573
Capital	90,553
Based on 50 bps Profit rate shock	
Impact of 50 bps profit rate shock	(33.25)
Impact as % to Net profit	(0.23%)
Impact as % to Captial	(0.04%)
Based on 100 bps Profit rate shock	
Impact of 100 bps profit rate shock	(67)
Impact as % to Net profit	(0.46%)
Impact as % to Captial	(0.07%)
Based on 200 bps Profit rate shock	
Impact of 200 bps profit rate shock	(133)
Impact as % to Net loss	(0.91%)
Impact as % to Captial	(0.15%)

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

STATEMENT ON MATURITY OF ASSETS AND LIABILITIES (MAL)
Annexure 3

₹ '000

Description	Residual Maturity - Buckets												
	Days			Months			Years						
	overnight	1-7 D	8-14 D	15 D-1 M	1-2 M	2-3 M	3-6 M	6-9 M	9 M - 1 Y	1-2 Y	2-3 Y	3-5 Y	>5 Y
A. Cash Inflows													
Balances Due from HO/Affiliates/Branches													
Balances Due from Other Banks	7,716	13,865	-	-	-	-	-	-	-	-	-	-	-
Investments (Excl. Equity Investments)	-	-	-	-	38,208	46,314	-	2,025	2,711	-	-	33,892	16,181
Loans and Advances (Net of ECL)	33,952	3,349	736	141	1,595	231	1,098	95	29,423	18,250	9,372	16,9228	464,470
Bills of Exchange & Promissory Notes (Closed Ended)													
Other Assets													
Spot and Forward Purchases	-	-	3,850	-	-	19,250	9,625	28,908	25,032	-	-	-	-
Swaps (Including IRS)													
Committed Lines of Credit													
Accrued Interest	286	2	-	3	4	1	13	10	9	1,938	137	7,860	27,075
LCs and LGs (Closed Ended) with Maturity	10,313	9	12	1,775	714	324	1,704	234	380	1,779	15,243	4,743	35
Reverse Repo's													
Unutilised Portion of Overdraft and Loans & Advances													
Undrawn Exposure (Syn Loans)													
Total Cash Inflows	52,267	17,225	4,598	1,919	40,521	66,120	12,440	31,272	57,555	21,967	24,752	215,723	507,761
B. Cash Outflow													
Time Deposits	5	22,488	9,798	6,026	4,631	5,128	26,177	107,179	93,531	18,947	8,151	821	-
Balances Due to HO/Affiliates/Branches	1,512	-	-	-	-	-	-	-	-	-	-	-	-
Balances Due to Other Banks	9,756	-	-	1,164	-	-	-	-	-	-	-	-	-
Certificate of Deposits													
Other Borrowings													
Spot and Forward Sales	-	-	3,850	-	-	19,250	9,625	28,875	25,025	-	-	-	-
Swaps (Including IRS)													
Repos													
Interest Payable													
LCs and LGs (Closed Ended) with Maturity													
Unutilised portion of Overdraft and Loans & Advances													
Undrawn Exposure (Syn Loans)													
Total Cash Outflows	11,273	22,488	13,648	7,190	4,631	24,378	35,802	136,054	118,556	18,947	8,151	821	-
C. Mismatch	40,994	(5,263)	(9,050)	(5,271)	35,890	41,742	(23,362)	(104,782)	(61,001)	3,020	16,601	214,902	507,761
													401,940
													652,181

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

STATEMENT ON MATURITY OF ASSETS AND LIABILITIES (MAL) (CONTINUED)

Annexure 3 OMR'000

Items	Amounts
CET-1 Capital	95,115
Additional Tier-1 Capital	-
Tier-2 Capital	1,150
Total Eligible Capital	96,882

Items Having No Maturity	
Name	Amount
Non-maturity Assets	
Equity Investments	5,787
Overdrafts and Credit Cards Total Excluding NPA	
Cash On Hand	5,614
Deposits with CBO	34,793
NPA's	5,824
Fixed Assets	3,075
Other Assets with no Maturity	10,172
Open Ended Bills of Exchange & Promissory notes	
Off Balance Sheet	
LCs and LGs (Open Ended Contract) - Off-balance Sheet	16,967
Total NM Assets	82,232
Non-maturity Liabilities	
Current Deposits	168,511
Demand Deposits	141,412
Savings Deposits	249,146
Other Deposits (Margin)	5,129
Other Liabilities with no Maturity	17,650
Capital	66,500
Reserves	4,105
Retained Earnings	20,443
Others (Current Year's Profit/Loss)	7,243
Total NM Liabilities	680,139

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS OF DECEMBER 2025

Step 1: OMR'000

	Balance sheet as in published financial statements As at December 2025	Under regulatory scope of consolidation As at December 2025
Assets		
Cash and balances with Central Bank of Oman	40,407	40,407
Certificates of Deposit	-	-
Due from Banks	21,581	21,581
Financing and Advances	737,764	737,764
Investments in Securities	145,119	145,119
Loans and Advances to Banks	-	-
Property and Equipment	3,075	3,075
Deferred Tax Sssets	-	-
Other Assets	47,510	47,510
Total Assets	995,456	995,456
Liabilities		
Due to Banks	10,921	10,921
Customer Deposits	867,080	867,080
Current and Deferred Tax Liabilities	-	-
Other Liabilities	19,164	19,164
Subordinated Debts		-
Compulsory Convertible Bonds		-
Total liabilities	897,165	897,165
Shareholders' Equity		-
Paid-up Share Capital	66,500	66,500
Share Premium	-	-
Legal Reserve	134	134
General Reserve	988	988
Impairment Reserve	2,753	2,753
Retained Earnings	27,686	27,686
Cumulative Changes in Fair Value of Investments	230	230
Subordinated Debt Reserve	-	-
Total Shareholders' Equity	98,291	98,291
Total liability and Shareholders' Funds	995,456	995,456

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS OF DEC ' 2025

Step 2 :	Rp'000		
	Balance sheet as in published financial statements As at December 2025	Under regulatory scope of consolidation As at December 2025	Reference
Assets			
Cash and balances with CBO	40,407	40,407	
Balance with Banks and Money at Call and Short Notice	21,581	21,581	
Investments:	145,119	145,119	
Of which Held to Maturity	-	-	
Out of Investments in Held to Maturity:			
Investments in Subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Of which Available for Sale	NA	NA	
Out of investments in Available for Sale: Investments in Subsidiaries	NA	NA	
Investments in Associates and Joint Ventures	NA	NA	
Held for Trading	145,119	145,119	
Loans and Advances	737,764	737,764	
Of which:			
Loans and Advances to Domestic Banks	-	-	
Loans and Advances to Non-Resident Banks		-	
Loans and Advances to Domestic Customers	716,236	716,236	
Loans and Advances to Non-Resident Customers for Domestic Operations		-	
Loans and Advances to Non-Resident Customers for Operations Abroad	-	-	
Loans and Advances to SMEs	21,528	21,528	
Financing from Islamic Banking Window	-	-	
Fixed Assets	3,075	3,075	
Other Assets of Which:	47,510	47,510	
Goodwill and Intangible Assets Out of Which:			
Goodwill	-	-	
Other Intangibles (Excluding MSRs)	-	-	
Deferred tax Assets	-	-	
Goodwill on Consolidation	-	-	
Debit Balance in Profit & Loss Account	-	-	
Total Assets	995,456	995,456	
Capital & Liabilities			

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS OF DECEMBER 2025

Step 2 :	Rp'000		
	Balance sheet as in published financial statements As at December 2025	Under regulatory scope of consolidation As at December 2025	Reference
Paid-up Capital	66,500	66,500	
Of which:			
Amount eligible for CET1	66,500	66,500	
Amount eligible for AT1	-	-	
Reserves & Surplus	1,122	1,122	
Out of which:			
Retained earnings	27,686	27,686	
Other Reserves	2,753	2,753	
Cumulative changes in fair value of investments	-	-	
Out of which:			
Losses from fair value of investments	-	-	
Gains from fair value of investments	230	230	a
Haircut of 55% on Gains	NA	NA	
Total Capital	98,291	98,291	
Deposits :	867,080	867,080	
Of which:			
Deposits from banks	-	-	
Customer deposits	867,080	867,080	
Deposits of Islamic Banking window			
Other deposits (please specify)	-	-	
Borrowings	10,921	10,921	
Of which:			
From CBO	-	-	
From banks	10,921	10,921	
From other institutions & agencies	-	-	
Borrowings in the form of bonds, debentures and sukuku	-	-	
Others (Subordinated debt)	-	-	
Other liabilities & provisions	19,164	19,164	
Of which:			
Out of which : DTAs related to Investments			
Out of which : DTLs related to Investments			b
Out of which : DTLs related to Fixed Assets		-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
TOTAL	995,456	995,456	

REGULATORY DISCLOSURES UNDER BASEL II & BASEL III FRAMEWORK & IBRF
AS AT 31 DECEMBER 2025

RECONCILIATION TEMPLATE - AS OF DECEMBER 2025 (CONTINUED)

Step 3: ₹'000

		Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	66,500	
2	Retained earnings	27,686	
3	Accumulated other comprehensive income (and other reserves)	1,122	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	95,308	
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Losses from fair value of investments	-	a
10	DTL related to Investments	-	b
11	Common Equity Tier 1 capital (CET1)	95,308	

CONTACTS



CONNECTING OMAN
Forward

BOARD OF
DIRECTORS

CORPORATE
GOVERNANCE

MANAGEMENT

FINANCIAL
STATEMENTS
SOHAR
INTERNATIONAL

REGULATORY
DISCLOSURES
SOHAR
INTERNATIONAL

SOHAR ISLAMIC

FINANCIAL
STATEMENTS
SOHAR ISLAMIC

REGULATORY
DISCLOSURES
SOHAR ISLAMIC

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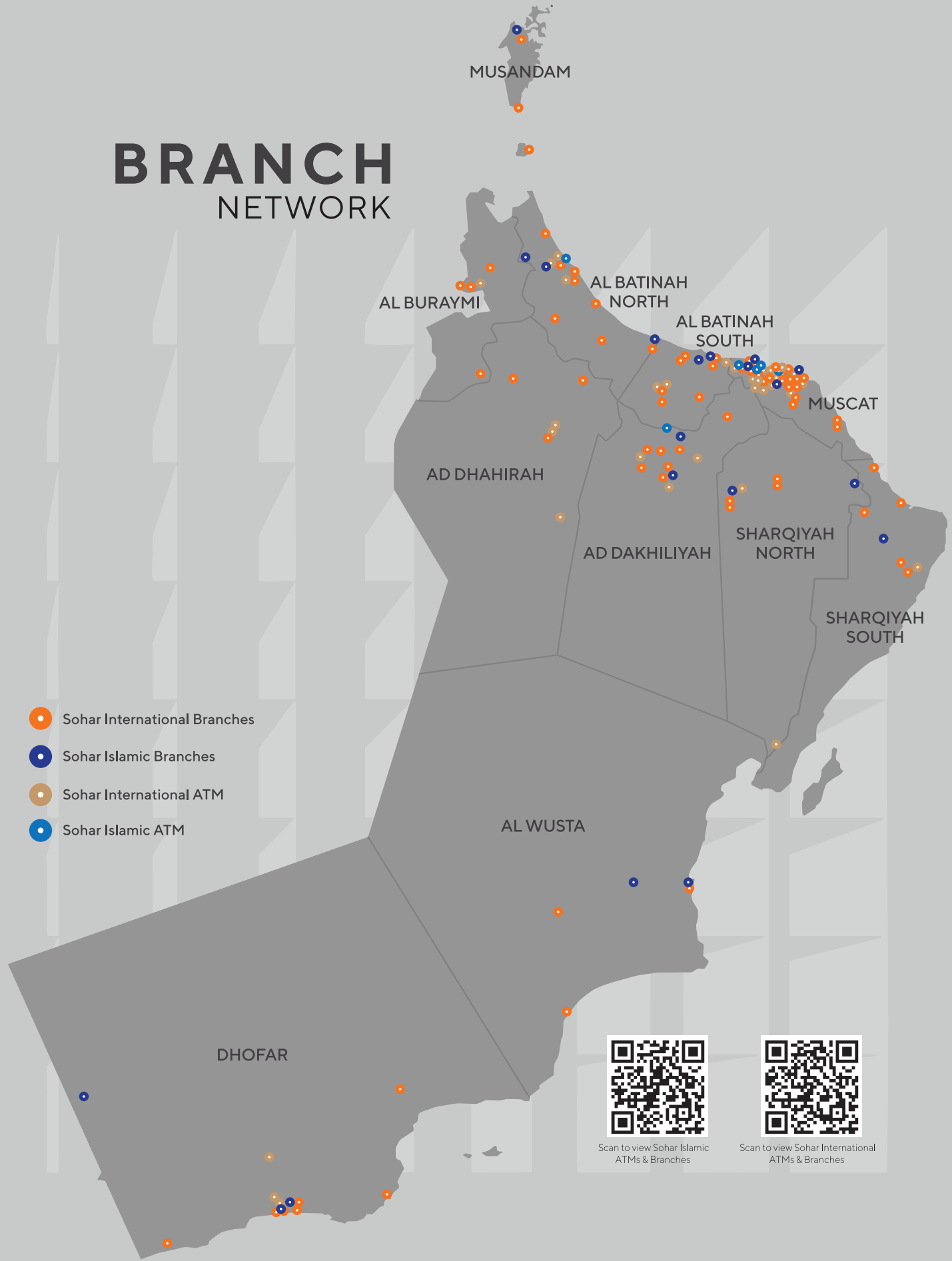
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BRANCH NETWORK



SOHAR INTERNATIONAL BRANCH NETWORK

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Al Amrat Branch +968 24878565	Bousher Branch +968 24091579	Dauhat Al Adab St Branch +968 24480269	MBD Branch +968 24730077	Mina Al Fahal Branch +968 21011206	Oman Avenues Mall Branch +968 24597005
Quriyat Branch +968 24845090	Qurum Bridge Branch +968 21011101	Seeb Market Branch +968 24422771	Shatti Al Qurum Branch +968 24091550	Wadi Al Udhaiba St Branch +968 921013323	

AL BATINAH NORTH

Al Khabourah Branch +968 21013252	Saham Branch +968 26854972	Shinas Branch +968 21013252	Sohar Humber Branch +968 21013828	Sohar Industrial Estate Branch +968 921013747	Sohar Al Wiqaybah St Branch +968 26842709
Suwaiq Branch +968 26860019	Wadi Hibi Branch +968 26748282				

AL BATINAH SOUTH

Al Musanah Branch +968 26971196	Barka Branch +968 26883583	Rustaq Branch +968 26875012
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DHOFAR

Dhalkut Branch +968 21013641	Marmul Branch +968 21013401	Sadah Branch +968 21011257	Salalah 23rd July Branch +968 23297197	Salalah Rubat St Branch +968 21011154
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SHARQIYAH NORTH

Bidiyah Branch +968 21011047	Ibra Branch +968 21012402	Jalan Bani Bu Ali Branch +968 21012431	Sinaw Branch +968 25524233	Wadi Al Tayeen Branch +968 21011051
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SHARQIYAH SOUTH

Sur Branch +968 21011265	Tiwi Branch +968 21012261	Wadi Bani Khalid Branch +968 21012253
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AD DAKHILIYAH

Bahla Branch +968 21012232	Firq (Nizwa) Branch +968 21011424	Nizwa Branch +968 21012292	Samail Branch +968 21011392
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MUSANDAM

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AD DHAHIRAH

AL WUSTA

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Mabellah Branch +968 24463118	Quriyat Branch +968 21011113				

AL BATINAH NORTH

Saham Branch +968 21011241	Sohar Branch +968 26 642440	Suwaiq Branch +968 21011464
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DHOFAR

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