



بنك عُمان العربي
OMAN ARAB BANK

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

OMAN ARAB BANK SAOG

Consolidated and separate financial statements For the year ended 31 December 2025

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CHAIRMAN'S REPORT – 2025

Dear Shareholders,

I am pleased to present to you the financial results of Oman Arab Bank SAOG (OAB) for the year 2025.

OPERATING ENVIRONMENT

During 2025, the Sultanate of Oman continued to demonstrate economic resilience, supported by prudent fiscal management, steady growth in non-oil sectors, and ongoing structural reforms aligned with Oman Vision 2040. Government initiatives to stimulate investment, enhance private sector participation, and advance economic diversification contributed to a stable operating environment for the banking sector. Continued focus on infrastructure development, renewable energy, logistics, and digital transformation, creating opportunities across corporate, SME, and retail segments. Within this context, the banking sector remained well-capitalized and resilient, enabling financial institutions to support national development priorities while maintaining strong risk management and sustainable growth.

Inflationary pressures remained broadly contained, while monetary and regulatory frameworks continued to support financial stability and credit discipline. Accelerated investment in digital infrastructure and financial technology further reshaped customer behavior and service delivery models across the sector, requiring banks to balance growth ambitions with agility, innovation, and disciplined execution amid evolving risk dynamics.

Oman's improving macroeconomic fundamentals were reinforced by positive sovereign credit rating actions during the year. Fitch Ratings upgraded the Sultanate's long-term foreign-currency rating to BBB- with a stable outlook, while Standard & Poor's affirmed Oman's investment-grade rating at BBB- with a stable outlook. These developments reflected strengthened fiscal discipline, declining public debt levels, and improved economic resilience, supporting investor confidence and a favourable operating environment for the banking sector.

CONSOLIDATED FINANCIAL PERFORMANCE

The Bank's recorded net profit after tax of **₹ 34.4 million** for the year ended 31 December 2025, up 13% compared to **₹ 30.4 million** in 2024.

Net interest income from conventional banking and net income from Islamic financing stood at **₹ 112.6 million** for the year ended 31 December 2025, up 13% compared to **₹ 99.5 million** in 2024 due to an increase in interest and financing income by 3% coupled with decrease in interest and profit expense by 4%.

Operating income increased by 10% to **₹ 139.0 million** for the year ended 31 December 2025 compared to **₹ 126.5 million** in 2024, while operating expenses increased at a slower rate of 4% to reach **₹ 75.2 million** compared to **₹ 72.2 million** in 2024. This has led to a healthy growth in operating profit which grew 17% to reach **₹ 63.7 million** in 2025 compared to **₹ 54.3 million** for the last year. Net allowances for expected credit losses recorded **₹ 22.9 million** in 2025 compared to **₹ 18.1 million** in 2024.

Net loans and advances, including Islamic finance, grew 7% to **₹ 3,720 million** compared to **₹ 3,491 million** at 31 December 2024, while customer deposits reached **₹ 3,775 million** by the end of 2025, up 6% compared to **₹ 3,572 million** at 31 December 2024.

PERFORMANCE OF THE PARENT COMPANY

The parent company recorded a net profit after tax of **₹ 34.7 million** for the year ended 31 December 2025, up 13% compared to **₹ 30.7 million** in 2024. Interest income grew 1%, driven by higher investments, loans and advances, while interest expense decreased by 7% due to a favourable change in the deposit mix and an increase in current accounts and savings accounts. Operating income reached **₹ 112.7 million** for the year ended 31 December 2025, up 11% compared to **₹ 101.4 million** in 2024, driven by 12% growth in net interest income and an increase in share of profit from subsidiary by 20%. Operating expenses increased by 5% to reach **₹ 55.2 million** for the year ended 31 December 2025 compared to **₹ 52.6** in 2024 while operating profit recorded an increase of 18%. Net allowances for expected credit losses increased by 31% to record **₹ 18.5 million** for the year ended 31 December 2025 compared to **₹ 14.1 million** in 2024.

Net loans and advances stood at **₹ 2,514 million** at 31 December 2025, compared to **₹ 2,391 million** for the same period last year. Customer deposits reached **₹ 2,495 million** at 31 December 2025 compared to **₹ 2,467 million** at 31 December 2024. A key highlight of the Parent Company's performance was the successful completion of the **₹ 50 million** rights issue, which strengthened the Bank's capital base.

PERFORMANCE OF ALIZZ ISLAMIC BANK

Alizz Islamic Bank's net profit grew by 20% to **₹ 12.0 million** for the year ended 31 December 2025 compared to **₹ 10.0 million** in 2024. Net financing receivables increased by 10% and reached **₹ 1,206 million** at 31 December 2025 compared to **₹ 1,100 million** for the same period last year. Customer deposits reached **₹ 1,280 million** at 31 December 2025, up 16% compared to **₹ 1,104 million** at 31 December 2024.

AWARDS AND RECOGNITIONS

Oman Arab Bank (OAB) received wide recognition during the year for its strategic excellence and strong execution across key areas. The Bank was officially honored by the Ministry of Labor for its pivotal role in enabling efficient digital government revenue collection. It also received the "Best Cybersecurity and Risk Management Implementation in Oman" award alongside regional recognition as the "Best Brand in Customer Experience for Corporate Banking," reflecting its investment in digital innovation and service quality for corporates and SME clients. In addition, OAB was recognized for its "Outstanding Commitment to SME Growth and Empowerment", reinforcing its role in supporting entrepreneurship and economic development.

Building on this momentum, OAB received national recognition for its leadership in community development and financial inclusion under the theme "From Initiatives to Empowerment," and was awarded the "Organization with Best CSR Practices" in recognition of its sustainable social impact.

During the final quarter of 2025, Oman Arab Bank continued to earn external accolades for excellence in operations and innovation. The Bank was honoured with the CXO Award, reflecting

its leadership in customer experience and organizational performance. It also received an award from STP Citibank in recognition of its strong performance and operational efficiency in transaction banking. Furthermore, the Bank's marketing and communication capabilities were acknowledged through recognition at the TOMI Awards, underscoring its ability to deliver impactful and strategically aligned campaigns.

PRODUCTS AND SERVICES

Across the first three quarters of 2025, OAB strengthened its focus on enhancing customer experience and supporting economic growth through the launch of innovative products and digital solutions. In Q1, the Bank introduced a new suite of commercial banking services, leveraging Host-to-Host and SWIFTNet connectivity, launched the Corporate Mobile Banking application, and rolled out a Virtual Account solution for brokerage firms listed on the MSX. Retail momentum was supported through targeted campaigns, including the Ramadan 'Markabati' Car Loan and a 4% cashback Eid al-Fitr Spend campaigns, while Alizz Islamic Bank partnered with Visa to launch premium shari'a-compliant premium cards with instant issuance capabilities.

Product and engagement initiatives continued in Q2 with the "Eidiyah from OAB" cashback campaign for Eid Al-Adha, rewarding credit cardholders for local and international spending. In Q3, OAB further enhanced retail offerings through the "Travel Loan," "Kharif Dhofar," and "Back to School" campaigns, alongside the introduction of "Low-Cost Remittances" to over 50 countries. During the same period, Alizz Islamic Bank expanded its digital offerings through the launch of Visa Business debit/credit cards, a new mobile app for corporate/SME customers, and a fully digital E-Mandate for Direct Debit service.

In Q4, OAB continued to expand its product portfolio with a focus on premium banking experiences and customer value. The Bank launched a limited-time promotional partnership with Hypermax, offering Visa credit cardholders instant savings on essential grocery purchases, reinforcing the Bank's commitment to value-driven, everyday banking solutions.

STRATEGIC COLLABORATIONS & PARTNERSHIPS

During the year, OAB accelerated its strategic contribution to national development, community empowerment, and digital innovation, fully aligning with Oman Vision 2040. Early-year initiatives focused on national talent development, including participation in the SQU Career Fair and the 'Ruwad Al Arabi' program, and financial inclusion, marked by a strategic partnership with Takaful Oman Insurance to integrate financial services and a key role with the FSA to launch five digital trading platforms on the MSX. The Bank continued to support economic growth through over ~~100~~ 100 million in SME financing, participation in the landmark Hafeet Rail project, and the execution of an innovative interest rate swap transaction in the oil and gas sector. In parallel, OAB launched a nationwide financial literacy program targeting SMEs to strengthen financial capability. In Q3, OAB further promoted entrepreneurship through the Tumouhi SME Development Roadshow in Salalah and financed key national transactions including the USD 1.6 billion deal to complete construction of the polysilicon plant in the Sohar Free Zone. Alizz Islamic Bank complemented these efforts through initiatives focused on environmental and social responsibility, including support for Special Olympians and participating in the Stride for Nature Charity Run.

Strategic partnerships remained central to OAB's growth agenda in the final quarter of 2025. The Bank entered into a cooperation agreement with Genacom to strengthen digital and operational

capabilities and signed a memorandum of understanding with the Omani Games and Esports Committee, supporting emerging digital sectors and youth-focused initiatives.

In the infrastructure and sustainable development space, OAB partnered with Sohar Port and Freezone to provide USD 220 million in financing, supporting one of Oman's key logistics and industrial hubs. The Bank further reinforced its role in national development through the financing and launch of the Boulevard Al Samou project, a landmark urban development delivered in collaboration with the Ministry of Housing and Urban Planning and Al Daham Real Estate.

EVENTS AND PARTICIPATION

The Bank reinforced its focus on innovation and customer experiences. As the Official Banking Sponsor of the Muscat International Book Fair 2025, OAB introduced a fully cashless experience through the deployment of its SoftPOS solution across all vendor stalls, enabling secure cards and smartphone payments. In collaboration with Dar Al Atta'a, the Bank launched a community book donation drive, encouraging the collection of gently used books for children across Oman.

In Q4, OAB hosted the CEO Summit 2025, bringing together senior leaders and decision-makers to discuss strategic priorities and future economic trends. It also engaged broader business and public audiences through participation in Al Dar Expo and by hosting a dedicated business roundtable, reinforcing transparency and constructive dialogue.

In recognition of national leadership and contribution, the Bank honoured H.E. Mohammed Al Zubair at a special event celebrating individuals who have shaped Oman's economic, social, and cultural development. The quarter also featured the YouthVerse initiative, aimed at empowering Omani youth in creativity, technology, and esports, and concluded with an exclusive Elite client event, strengthening relationships with the Bank's premium clientele.

DEVELOPMENT OF HUMAN RESOURCES

In 2025, OAB placed strong emphasis on human capital development, employee well-being, and organizational culture, reinforcing its internal talent pipeline and national commitment. Early in the year, the Bank refreshed and launched the nine-month Al Ruwad Graduate programme for 25 young national talents, in partnership with the Ministry of Labour. Momentum continued through the year with by offering a wide range of training programs and internship opportunities, alongside the introduction of the "Junior Banker" program for students.

Employee engagement and culture were further enhanced through regular branch visits, 'Breakfast with the CEO' sessions, OAB Ramadan Football Tournament, alongside automation of HR processes to improve efficiency and employee experience. OAB also rolled out a Bank-wide Competency Framework to align employee skills with organizational goals.

Alizz Islamic Bank complemented these efforts with targeted development programs, including banking training program for non-banking professionals in Q1, and the successful graduation of multiple flagship programmes such as "Ruwad Alizz", "Tamkeen", and "Manahil Alizz". These programs, alongside youth-focused partnerships, underscored the Group's commitment to nurturing national talent in line with Oman Vision 2040.

COMMUNITY ENGAGEMENT

Throughout 2025, OAB and Alizz advanced their commitment to social responsibility and community empowerment, with a strong focus on financial inclusion, entrepreneurship, youth development and special needs support.

In the first half of the year, OAB launched a pioneering debt waiver initiative to support distressed customers and organized the annual Iftar Saem, demonstrating its commitment to social solidarity. Financial literacy and youth engagement were further strengthened through the launch of "Money Adventures for Young Savers," a nationwide financial education program developed with the Ministry of Education to reach 3,000 students. Inclusivity remained central to the Bank's efforts, with sponsorship of six Special Olympics athletes, who secured seven medals at the Turin 2025 World Winter Games, and sponsorship of "Safar" tour.

Alizz Islamic Bank complemented these initiatives through its "Sports for All" initiative, by sponsoring a full-year training program for ten Special Olympics Oman athletes. It also partnered with SQU for the GCC Sports Tournament, and continued its "Sharakah" program to provide intensive guidance to eight selected SMEs. Both banks also delivered impactful Ramadan initiatives focused on digital donations and community support.

Community engagement continued in the latter part of the year with the expansion of the *Tumouhi Sharqiya* initiative, extending SME support to the Al Sharqiya governorates. In parallel, OAB reinforced its integrated approach to community and employee wellbeing by hosting one of its SME clients, Rusayl Diagnostic Center, at its Head Office, promoting health awareness among staff while supporting local enterprise visibility.

CONCLUDING THOUGHTS

As we look ahead, we remain focused on leveraging opportunities presented by Oman's dynamic economic landscape to deliver sustainable growth. I extend my heartfelt gratitude to His Majesty Sultan Haitham bin Tarik, may the Almighty protect and preserve him, for his visionary leadership and to our shareholders, customers, and employees for their continued trust and support. Together, we will achieve new milestones and drive a prosperous future for OAB.

Sincerely,

Rashad Al Zubair
Chairman of Board of Directors

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Note	Consolidated		Parent Company	
		31-Dec-25	31-Dec-24	31-Dec-25	31-Dec-24
		﷼'000	﷼'000	﷼'000	﷼'000
Cash and balances with Central Bank of Oman	5	193,796	180,450	114,052	117,845
Due from banks	6	73,514	67,222	62,208	65,876
Loans, advances and financing to customers	7	3,720,017	3,490,871	2,513,740	2,390,677
Investment securities	8	502,492	450,320	347,508	328,419
Investment in subsidiary	9	-	-	145,941	135,095
Property and equipment	10	39,573	39,586	32,797	34,254
Intangible assets	11	5,970	6,280	-	-
Other assets	12	51,621	56,639	45,502	46,088
Total assets		4,586,983	4,291,368	3,261,748	3,118,254
Due to banks	13	23,389	54,599	22,856	31,293
Customer deposits	14	3,774,537	3,571,692	2,494,703	2,467,307
Borrowed funds	15	57,750	9,625	57,750	9,625
Other liabilities	16	75,174	79,543	61,886	64,965
Taxation	17	14,951	10,145	12,942	9,181
Total liabilities		3,945,801	3,725,604	2,650,137	2,582,371
Share capital	18	216,941	166,941	216,941	166,941
Share premium	20	36,565	36,565	36,565	36,565
Legal reserve	21	57,325	53,626	57,313	53,614
General reserve	22	25,560	25,560	25,560	25,560
Special reserve	23	3,837	3,837	3,837	3,837
Fair value reserve	24	2,547	(1,707)	2,248	(1,975)
Impairment reserve	25	20,400	16,800	20,400	16,800
Retained earnings		91,741	77,876	92,481	78,275
Shareholders' equity		454,916	379,498	455,345	379,617
Perpetual Tier 1 capital bonds and sukuk	26	186,266	186,266	156,266	156,266
Total equity		641,182	565,764	611,611	535,883
Total equity and liabilities		4,586,983	4,291,368	3,261,748	3,118,254
Net assets value per share (﷼)	35	0.227	0.227	0.227	0.227
Contingent liabilities and commitments	36	331,123	377,039	170,130	238,523

The financial statements were authorised on 27 January 2026 for issue in accordance with a resolution of the Board of Directors and signed by:

Chairman

Director

Chief Executive Officer

The accompanying notes from 1 to 44 form an integral part of these consolidated and separate financial statements.

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

	Note	Consolidated		Parent Company	
		2025	2024	2025	2024
		₹'000	₹'000	₹'000	₹'000
Interest income	27	164,024	162,482	164,373	162,191
Interest expense	28	(83,729)	(90,112)	(83,729)	(90,112)
Net interest income		80,295	72,370	80,644	72,079
Income from Islamic financing and investing activities	29	75,777	69,651	-	-
Profit paid on participatory deposits and banks	29	(43,513)	(42,514)	-	-
Net income from Islamic financing and investing activities		32,264	27,137	-	-
Net interest income and income from Islamic financing		112,559	99,507	80,644	72,079
Net fee and commission income	30	19,291	19,803	14,531	15,181
Net income from investment securities	31	1,159	577	894	422
Other operating income	32	5,975	6,578	4,652	3,751
Share of profit from subsidiary	9	-	-	12,017	10,011
Total income		138,984	126,465	112,738	101,444
Operating expenses	33	(75,244)	(72,182)	(55,222)	(52,559)
Net allowances for credit losses	40	(22,905)	(18,144)	(18,503)	(14,139)
Profit before tax		40,835	36,139	39,013	34,746
Income tax expense	17	(6,483)	(5,700)	(4,351)	(3,997)
Net Profit for the year		34,352	30,439	34,662	30,749
Other comprehensive income / (loss)					
Items that will not be reclassified subsequently to profit or loss					
- Equity investment at FVOCI – net change in fair value		2,431	(670)	1,809	(379)
- Share of OCI from subsidiary		-	-	622	(264)
Items that may be reclassified subsequently to profit or loss					
- Debt investment at FVOCI – net change in fair value		1,792	(81)	1,634	(139)
- Share of OCI from subsidiary		-	-	158	58
Other comprehensive income / (loss) for the year		4,223	(751)	4,223	(724)
Total comprehensive income for the year – net of tax		38,575	29,688	38,885	30,025
Earnings per share:					
Basic and Diluted earnings per share (₹)	34	0.011	0.011	0.012	0.011

The accompanying notes from 1 to 44 form an integral part of these consolidated and separate financial statements.

Oman Arab Bank SAOG

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

		Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds and sukuk	Total
Consolidated	Note	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Balance at 1 January 2024		166,941	36,565	50,551	25,560	3,837	(1,075)	9,130	79,217	370,726	146,250	516,976
Net Profit for the year		-	-	-	-	-	-	-	30,439	30,439	-	30,439
Unrealised gain on FVOCI investments		-	-	-	-	-	(751)	-	-	(751)	-	(751)
Total comprehensive income		-	-	-	-	-	(751)	-	30,439	29,688	-	29,688
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Realised loss on FVOCI investments		-	-	-	-	-	119	-	(119)	-	-	-
Transfer to legal reserve	21	-	-	3,075	-	-	-	-	(3,075)	-	-	-
Additional Tier 1 capital bonds and sukuk	26	-	-	-	-	-	-	-	(10,016)	(10,016)	40,016	30,000
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(51)	(51)	-	(51)
Interest on Perpetual Tier 1 capital bonds and sukuk	26	-	-	-	-	-	-	-	(10,849)	(10,849)	-	(10,849)
Transfer to impairment reserve	25	-	-	-	-	-	-	7,670	(7,670)	-	-	-
At 31 December 2024		166,941	36,565	53,626	25,560	3,837	(1,707)	16,800	77,876	379,498	186,266	565,764

		Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds and sukuk	Total
Consolidated	Note	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Balance at 1 January 2025		166,941	36,565	53,626	25,560	3,837	(1,707)	16,800	77,876	379,498	186,266	565,764
Net Profit for the year		-	-	-	-	-	-	-	34,352	34,352	-	34,352
Unrealised gain on FVOCI investments		-	-	-	-	-	4,223	-	-	4,223	-	4,223
Total comprehensive income		-	-	-	-	-	4,223	-	34,352	38,575	-	38,575
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Realised loss on FVOCI investments		-	-	-	-	-	31	-	(31)	-	-	-
Transfer to legal reserve	21	-	-	3,466	-	-	-	-	(3,466)	-	-	-
Additional Tier 1 capital bonds and sukuk	26	-	-	-	-	-	-	-	-	-	-	-
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	-	-	-	-
Interest on Perpetual Tier 1 capital bonds and sukuk	26	-	-	-	-	-	-	-	(13,390)	(13,390)	-	(13,390)
Issue of share capital		50,000	-	233	-	-	-	-	-	50,233	-	50,233
Transfer to impairment reserve	25	-	-	-	-	-	-	3,600	(3,600)	-	-	-
At 31 December 2025		216,941	36,565	57,325	25,560	3,837	2,547	20,400	91,741	454,916	186,266	641,182

The accompanying notes from 1 to 44 form an integral part of these consolidated and separate financial statements.

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

		Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds and sukuk	Total
Parent Company	Note	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Balance at 1 January 2024		166,941	36,565	48,707	25,560	3,837	(1,198)	9,130	62,819	352,361	146,250	498,611
Impact of change in accounting policy		-	-	1,832	-	-	(145)	-	16,460	18,147	-	18,147
Restated balance at 1 January 2024		166,941	36,565	50,539	25,560	3,837	(1,343)	9,130	79,279	370,508	146,250	516,758
Net Profit for the year		-	-	-	-	-	-	-	30,749	30,749	-	30,749
Unrealised loss on FVOCI investments		-	-	-	-	-	(724)	-	-	(724)	-	(724)
Total comprehensive income		-	-	-	-	-	(724)	-	30,749	30,025	-	30,025
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Realised gain on FVOCI investments		-	-	-	-	-	92	-	(92)	-	-	-
Transfer to legal reserve	21	-	-	3,075	-	-	-	-	(3,075)	-	-	-
Additional Tier 1 capital bonds	26	-	-	-	-	-	-	-	(10,016)	(10,016)	10,016	-
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	(51)	(51)	-	(51)
Interest on Perpetual Tier 1 capital bonds	26	-	-	-	-	-	-	-	(10,849)	(10,849)	-	(10,849)
Transfer to impairment reserve	25	-	-	-	-	-	-	7,670	(7,670)	-	-	-
At 31 December 2024		166,941	36,565	53,614	25,560	3,837	(1,975)	16,800	78,275	379,617	156,266	535,883
		Share capital	Share premium	Legal reserve	General reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds and sukuk	Total
Parent Company	Note	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Balance at 1 January 2025		166,941	36,565	53,614	25,560	3,837	(1,975)	16,800	78,275	379,617	156,266	535,883
Net Profit for the year		-	-	-	-	-	-	-	34,662	34,662	-	34,662
Unrealised loss on FVOCI investments		-	-	-	-	-	4,223	-	-	4,223	-	4,223
Total comprehensive income		-	-	-	-	-	4,223	-	34,662	38,885	-	38,885
Dividends paid	19	-	-	-	-	-	-	-	-	-	-	-
Realised gain on FVOCI investments		-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	21	-	-	3,466	-	-	-	-	(3,466)	-	-	-
Share of profit paid on subsidiary Tier 1 capital bonds		-	-	-	-	-	-	-	(1,950)	(1,950)	-	(1,950)
Additional Tier 1 capital bonds	26	-	-	-	-	-	-	-	-	-	-	-
Issuance cost of Perpetual Tier 1 capital		-	-	-	-	-	-	-	-	-	-	-
Interest on Perpetual Tier 1 capital bonds	26	-	-	-	-	-	-	-	(11,440)	(11,440)	-	(11,440)
Issue of share capital		50,000	-	233	-	-	-	-	-	50,233	-	50,233
Transfer to impairment reserve	25	-	-	-	-	-	-	3,600	(3,600)	-	-	-
At 31 December 2025		216,941	36,565	57,313	25,560	3,837	2,248	20,400	92,481	455,345	156,266	611,611

The accompanying notes from 1 to 44 form an integral part of these consolidated and separate financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Consolidated		Parent Company	
		31-Dec-25	31-Dec-24	31-Dec-25	31-Dec-24
		₹'000	₹'000	₹'000	₹'000
Operating activities:					
Profit before tax		40,835	36,139	39,013	34,746
Adjustments:					
Share of profit from Subsidiary		-	-	(12,017)	(10,011)
Depreciation	33	8,955	9,878	7,109	7,458
Amortization	33	310	310	-	-
Net impairment for credit losses		22,905	18,144	18,503	14,139
Dividend income	31	(1,091)	(556)	(845)	(409)
Profit on sale of property and equipment		(12)	-	(12)	-
Profit on sale of amortised cost investments	31	(19)	(8)	-	-
Changes in fair value of financial assets at FVTPL	31	(49)	(13)	(49)	(13)
Operating cashflow before working capital changes		71,834	63,893	51,702	45,910
Loans, advances and financing to customers		(251,780)	(190,096)	(141,320)	(81,231)
Due from banks		(7,716)	15,400	-	15,400
Due to banks		(31,230)	6,971	(8,437)	(935)
Other assets		1,421	(14,614)	(2,642)	(9,160)
Customer deposits		202,845	176,919	27,396	96,538
Other liabilities		(2,314)	9,037	(1,424)	4,293
Cash (used in) / from operation activities		(16,940)	67,511	(74,725)	70,815
Tax paid		(2,009)	-	(944)	-
Net cash (used in) / from operating activities		(18,948)	67,511	(75,669)	70,815
Investing activities:					
Purchase of investments		(1,422,516)	(107,028)	(1,245,106)	(28,241)
Proceeds from sale/maturities of investments		1,376,401	62,007	1,231,281	32,429
Purchase of property and equipment		(7,107)	(5,158)	(3,817)	(3,108)
Proceeds from sale of property and equipment		12	-	12	-
Dividend Income		1,091	556	845	409
Net cash (used in) / from investing activities		(52,119)	(49,623)	(16,785)	1,489
Financing activities:					
Proceeds from issuance of share capital		50,233	-	50,233	-
Proceeds from issuance of Perpetual Tier 1 capital bonds and sukuk		-	30,000	-	-
Borrowed funds		48,125	9,625	48,125	9,625
Interest on Perpetual Tier 1 capital bonds		(13,390)	(10,849)	(11,440)	(10,849)
Additional Tier 1 issuance cost		-	(51)	-	(51)
Net cash from / (used in) financing activities		84,968	28,725	86,918	(1,275)
Net increase / (decrease) in cash and cash equivalents		13,900	46,613	(5,536)	71,029
Cash and cash equivalents at the beginning of the year		327,409	280,796	263,976	192,947
Cash and cash equivalents at the end of the year	37	341,309	327,409	258,440	263,976
Operational cash flows from interest					
Interest and financing income received		240,492	231,021	167,683	160,260
Interest and profit paid		(133,117)	(133,264)	(89,702)	(91,472)

The accompanying notes from 1 to 44 form an integral part of these consolidated and separate financial statements.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Oman Arab Bank SAOG (the Parent Company or the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company (SAOC). On 6 July 2020, Oman Arab Bank SAOC acquired Alizz Islamic Bank SAOC (AIB) and become a public joint stock company (SAOG) and was listed on the Muscat Stock Exchange (MSX). The Parent Company is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the Bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Sultanate of Oman. The Parent Company was a subsidiary of Oman International Development and Investment Company SAOG up to 29 June 2020. On 30 June 2020, Oman Arab Bank SAOG became a subsidiary of Arab Bank PLC, an entity listed in Jordan.

The consolidated financial statements as at and for the year ended 31 December 2025 comprises the results of the Parent Company and Alizz Islamic Bank SAOC (AIB) (the Subsidiary). The details of the subsidiary are provided in note 9.

The Subsidiary prepares its own separate set of financial statements in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Sharia Rules and Principles as determined by the Sharia Supervisory Board (the "SSB") and other applicable requirements of the CBO. The Subsidiary's financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these consolidated financial statements.

The Parent Company and the Subsidiary together are referred to as 'the Group' or 'the Bank'.

2. ACCOUNTING POLICIES

2.1. Statement of compliance

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

The FSA requires that all Public Joint Stock Companies disclose the financial statements of the Parent Company in a separate column in the consolidated financial statements (via circular E/2/2007 from 21 January 2007).

The Bank presents its statement of financial position in descending order of liquidity, as this presentation is more appropriate to the Bank's operations.

2.2. Basis of measurement

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial instruments at fair value through profit or loss (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

2.3. Functional and presentation currency

The financial statements are presented in Rial Omani ("ر.ع."), which is the Bank's functional (currency of primary economic environment in which the Bank operates), rounded to the nearest thousand unless otherwise stated.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION

2.4. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

2.5. New and amended IFRS applied with no material effect on the financial statements' operations

In the current year, the Bank has applied the following amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2025.

- Amendment to IAS 21 - Lack of Exchangeability

The application of above revised standard has no impact on the amount reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

2.6. New and amended IFRSs in issue but not yet effective and not early adopted

The Bank has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
Annual Improvements to IFRS Accounting Standards –Volume 11	1 January 2026
Contracts referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 - Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendment in IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate/joint venture	Effective date deferred indefinitely. However, early adoption is still permitted.

The Bank anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments as highlighted in previous paragraphs, may have no material impact on the financial statements of the Bank in the period of initial application.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION

2.7. Consolidation

The consolidated financial statements comprise the financial statements of Oman Arab Bank SAOG ("Parent Company") and its fully owned subsidiary as at 31 December 2025. The Bank owns 100% of the equity in AIB and has control of the subsidiary. IFRS 10 introduces a control model that focuses on whether the Bank has power over the investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect those returns.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

a) Business combinations

The Group accounts for business combination using the acquisition method, when the acquired set of activities meet the definition of a business and control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the statement of profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date when control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group acquires control until the date when the Group ceases to control the subsidiary.

c) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

e) Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the years presented in these financial statements. The material accounting policies adopted in preparation of these financial statements are as follows:

3.1. Financial Instruments

3.1.1. Recognition

All financial instruments are recognised initially at fair value plus or minus, for instruments not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issuance. For FVTPL instruments, the transaction costs are expensed into profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability (transaction price) in an orderly transaction between market participants at the measurement date. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Loans and advances, deposits, debt securities issued and subordinated liabilities are initially recognised on the date on which they originated. All regular way purchases and sales of financial assets are recognised on the settlement date, i.e., the date the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2. Classification and measurement

Financial assets are classified into one of the following categories:

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

(a) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions. Example of these assets are most of loans & advances, due from banks and some debt securities.

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI").



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.2. Classification and measurement

These instruments are initially measured at fair value plus direct transaction cost and subsequently at amortised cost using the effective interest rate method.

(b) Debt securities measured at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions. This category comprises primary debt securities.

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

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

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

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



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.3. Classification and measurement

Business Model Assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the 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 Group's original expectations, the Group 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 where 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.

Cash Flow Characteristic Test – SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period 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 loans for which the Bank has the option to propose 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 the minimum 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.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.3. Classification and measurement

(c) Equity investments at FVTPL

All equity investments are measured at fair value through profit or loss, except for those investments for which the bank has elected to present value changes in other comprehensive income at initial recognition (*see point d below*). Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

(d) Equity instruments at FVOCI

At initial recognition, the bank may elect to classify some equity instruments, which are not held for trading, as equity instruments measured at FVOCI. This election is made on an instrument by instrument basis, available only at initial recognition and is irrevocable. Gains and losses on these equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(e) Financial instruments designated at FVTPL

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by the bank upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. The bank can only designate an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis, available only at initial recognition and is irrevocable.

- The designation removes or significantly reduces an accounting mismatch;
- When a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- Where the financial liability contains one or more non-closely related embedded derivatives.

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

Financial guarantees are initially recognised in the financial statements at fair value (with provisions), being the premium received. Subsequent to 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 income statement, under IFRS 9 – an ECL provision.

The premium received is recognised in the income statement in 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. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.3. Classification and measurement

(g) Derivative financial instruments and hedging activities

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

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

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in profit or loss within 'Other operating income'.

Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the profit or loss in other operating income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the profit or loss in other operating income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the profit or loss.

Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in other operating income in the profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.3. Classification and measurement

(h) Financial liabilities

Financial liabilities, other than loan commitments and financial guarantees, are initially recognised at fair value and subsequently measured at amortised cost or at FVTPL when they are held for trading.

3.1.4 Reclassifications

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

3.1.5 Derecognition

(a) 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 financial asset have expired; or
- The bank has transferred its contractual 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 the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the bank's continuing involvement in the asset. In such 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 the Group could be required to repay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Pass-through arrangements are transactions whereby the bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The bank must remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.6. Derecognition

(a) Financial assets

De-recognition due to substantial modification of terms and conditions

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, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In such case, the original financial asset is derecognised and a new financial asset is recognised at fair value. An example to that would be a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be purchased or originated credit impaired ("POCI").

When assessing whether to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss (see point 3.1.5 below), to the extent that an impairment loss has not already been recorded.

(b) Financial liabilities

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

3.1.7. Modifications of financial assets and financial liabilities

(a) Financial assets

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 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 profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

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



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.7. Modification of financial assets and financial liabilities

(b) Financial liabilities

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.1.8. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.1.9. Amortised cost measurement

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

3.1.10. Fair value measurement

A number 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 a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes to the financial statements 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, assuming that market participants act in their economic best interest.

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

The 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.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.1. Financial Instruments

3.1.11. Fair value measurement

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 year.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured. 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 the purpose of fair value disclosures, the Bank 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.

3.2. Impairment

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

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Loan commitments when there is a present obligation to extend credit; and
- Financial guarantee contracts issued.

(a) Measurement of ECL

ECL are a probability-weighted present value 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 bank 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;
- Unutilized 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; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

(b) General approach

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

The 12-month ECL 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 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

All financial assets are classified into Stage 1, Stage 2, and Stage 3, as described below:

(i) Stage 1:

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Stage 2:

Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure.

(iii) Stage 3:

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

(c) The calculation of ECL

ECL is calculated 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 the bank in accordance with the contract and the cash flows that the bank expects to receive. The key elements for the ECL calculations are as follows:



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

(c) The calculation of ECL

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- 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 profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- 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, if any. It is usually expressed as a percentage of the EAD.

ECL is then calculated based on the below:

- 12 month ECL = 12 month PD X LGD X EAD
- Lifetime ECL = Lifetime PD X LGD X EAD

(d) Restructured financial assets

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

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

(e) Credit-impaired financial assets

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

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

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

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



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

(f) 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 and included in other liabilities.

(g) Experienced credit judgement

The Bank's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting years.

(h) Write off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the 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. Recoveries resulting from the bank's enforcement activities will result in impairment gain, which will be presented in net allowance for credit losses in the income statement.

3.2.1. Impairment of financial assets

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 number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with 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 Bank's internal credit grading model
- 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 Lifetime Expected Credit Losses (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 GDB levels and collateral values, and the effect on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The bank reviews its loan portfolios to assess impairment at least on a monthly basis.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.2. Impairment

3.2.2. Impairment of non-financial assets

The bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

3.3. Renegotiated loans and modification of loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. Modification of loans is accounted according to IFRS 9. IFRS 9 contains guidance on non-substantial modifications and the accounting in such cases. It states that costs or fees incurred are adjusted against the instruments are amortised over the remaining term. Adjustments to amortised cost in such cases should be recognised in profit or loss, according to which the liability should be restated to its revised future cash flows discounted by the original EIR. For substantial modification, the initial liability has to be extinguished and a new liability recognised at its fair value as of the date of the modification, using the effective market interest rate. The difference between this initial fair value of the new liability and the carrying amount of the liability derecognised is recognised as a gain or loss upon extinguishment. All fees incurred are immediately expensed.

3.4. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and other financial institutions, treasury bills and money market placements, deposits and certificates of deposit maturing within three months of the date of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Restricted bank balances and deposits which are not available to meet Bank's short-term commitments are excluded from cash and cash equivalents.

3.5. Due from banks

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

3.6. Investment in subsidiary

In Parent Company financial statements, investment in subsidiary is stated based on equity method. Under this method, the investment is initially recognized at cost and subsequently adjusted for the post-acquisition changes in the Parent Company's share of the net assets of the subsidiary. The Parent Company's share of the profit or loss of the subsidiary is recognized in the profit or loss. Distributions received from the subsidiary reduce the carrying amount of the investment.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.7. Repurchase and resale agreements

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

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

3.8. Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and advances and they are sold as soon as practicable. Real estate is stated at the lower of the net carrying value of the related loans and advances before de-recognition and the current fair value of such assets. Gains or losses on disposal and unrealised losses on revaluation are recognised in the statement of profit or loss. These are reported as repossessed collateral under other assets and are fair valued on a periodic basis at level 3 of fair value hierarchy by the valuation company as per the Bank's approved panel. These properties are not in use by the Bank for their operations.

3.9. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 11. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.10. Property and equipment

Property and equipment are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on the assets except land is calculated using the straight-line basis to allocate their cost over the estimated useful lives, as follows:

Item	Years
Building	25
Leasehold improvements	Lease period or 5 years whichever is less
Equipment, furniture and fixtures	3-10
Computer equipment and Software	5
Motor vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the profit or loss when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.11. Leases

The bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

(a) Bank as a lessee

The bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(b) Right-of-use assets

The Bank 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 assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. Leases are recorded as liabilities, at the present value of the future lease payments, along with an asset reflecting the right of use asset (ROU) over the lease term.

- Lease terms, lease payments to be made over time and incremental borrowing rate will be identified from lease agreements.
- The right of use asset will be depreciated to zero based on the useful life of the leased asset. This may or may not be the same date as the accounting lease end date.
- The right-of-use assets are subject to impairment in line with the Bank's policy as described in Impairment of non-financial assets.
- Lease term: The lease term is within the range between the non-cancellable period and the enforceable period. It is typically for 1 to 5 years. The lease term is the non-cancellable period of the lease together with:
 - Optional renewable periods if the bank is reasonably certain to extend; and
 - Periods after an optional termination date if the lessee is reasonably certain not to terminate early.
- Lease payments: A lessee includes the following payments relating to the use of the underlying asset in the measurement of the lease liability:
 - Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
 - Variable lease payments that depend on an index or a rate;
 - Amounts expected to be payable by the lessee under residual value guarantees;
 - The exercise price of a purchase option that the lessee is reasonably certain to exercise; and
 - Payments for terminating the lease if the lease term reflects early termination.
- Any fixed payments by the bank for property taxes and insurance are considered part of overall contract consideration to be allocated among the lease and non-lease components.
- Banks allocate the contract consideration to each lease and non-lease component based on its relative standalone price. Any variable payments that are not based on a rate or an index are excluded from the calculation of the overall contract consideration.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.11. Leases

(b) Right-of-use assets

- The impact of property taxes and insurance paid by the lessee depends on whether they are fixed or variable. If a lessee pays the actual amount of property taxes and insurance that are not in substance fixed and the payments are not based on an index or a rate, they are accounted for similar to other variable lease payments i.e., excluded from contract consideration and excluded from lease payments used for classification and initial measurement by both the lessee and the lessor. On the other hand, if a lessee pays a fixed amount of property taxes and insurance as part of rent payments, such payments are included in contract consideration and allocated to the lease and non-lease components by the lessee and lessor.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When calculating the incremental borrowing rate, a lessee should consider the following:

- The rate calculated should be the rate at which the entity could borrow. The rate should not reflect the cost of equity finance and, as such, it would be inappropriate to use a WACC (or any other rate including a component 'cost of capital' alongside the cost of debt). Similarly, it would be inappropriate to use a transfer pricing rate (used for tax transfer pricing adjustments) because these are typically 'risk-free'. However, there might be scenarios in which these rates can be used as a starting point, provided that appropriate adjustments are made.
- The rate should reflect the amount that the entity could borrow over the term of the lease. It should be the rate at which an entity would borrow to acquire an asset of similar value to the right-of-use asset, rather than to acquire the entire underlying asset. An exception would be where the lease term is for substantially all of the life of the underlying asset.
- The rate should reflect that of a secured borrowing for a similar asset (being the right-of-use asset, not the underlying asset), rather than an unsecured borrowing or general line of credit.
- The rate should reflect the credit standing of the entity and the rate at which it would borrow in a similar economic environment.

If bank assess that the lease agreement will go on for longer period, than in the lease agreement i.e., the lease agreement will be extended then bank uses reasonably certain lease term to record ROU asset and lease Liability.

(c) Lease modification

A lease modification is a change in the scope of a lease, or the consideration for a lease that was not part of its original terms and conditions. From a lease liability perspective, the key inputs that can be modified are:

- Lease payments
- Lease term

Lease Modification identified will be accounted for separately by using the deferral amount or term so that the lease in essence produce the same result as it would have if such modification was there from start of the lease period.

(d) Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the year in which the event or condition that triggers the payment occurs.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.11. Leases

(e) Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

As of 31 December 2025, and 2024, the Bank is not a lessor in any of the lease arrangements.

3.12. 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.

3.13. Deposits

Deposits from banks and customers and subordinated liabilities are the Bank's sources of funding. All money market and customer deposits are carried at amortised cost using EIR.

3.14. Employee benefits

3.14.1. Terminal benefits

Contribution to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, is recognised as an expense in statement of profit or loss when incurred.

The Bank's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

3.14.2. Short term benefits

Employee entitlements to annual leave and leave passage are recognized when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

3.14.3. Voluntary end of service benefits

Voluntary end of service benefits are recognised as expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if it is probable that the offer made by the Bank will be accepted, and the number of acceptances can be estimated reliably.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.15. Provisions

A provision is recognised if, as a result of 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 obligations. Provisions are 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.

3.16. Taxation

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

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

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

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

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

3.17. Borrowed funds

Borrowed funds are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss over the year of the borrowings using the effective interest method.

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

3.18. 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 dealt with as an event after the reporting date.

3.19. Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.20. Directors' remuneration

The Board of Directors' remuneration is governed by the Commercial Companies Law of the Sultanate of Oman and the regulations issued by the Capital Market Authority. The Annual General Meeting determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees within the limits specified in the aforementioned regulations.

3.21. Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank currently operates only in the Sultanate of Oman. The Bank's primary format for reporting segmental information is business segments, based upon management and internal reporting structure which are regularly reviewed by the Bank's chief operating decision maker (CODM). The Bank's main business segments are corporate, retail banking and Islamic financing.

3.22. Foreign currencies translation

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

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

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognised in the profit or loss, except for non-monetary financial assets, such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as FVOCI, 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.

3.23. Revenue and expense recognition

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

3.23.1. Interest income and expense

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.23. Revenue and expense recognition

3.23.1. Interest income and expense

that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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

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

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

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

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

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

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

Other interest income presented in the statement of profit or loss and OCI includes interest income on lease receivables. Interest expense presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- Interest expense on lease liabilities.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL. Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.23. Revenue and expense recognition

3.23.2. Fee and commission income

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 to the customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. The standard introduces a five-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms	Revenue Recognition
Transaction based services	Services provided include opening, closing and maintenance of accounts, cheque issuance, clearing, deposit and payments transactions, provision of overdraft facilities, foreign currency transactions, remittances, safe deposit lockers, cards, e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue is recognized on completion of service or proportionate completion basis on satisfaction of performance obligation as per the terms of contract.
Trade services	The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Revenue is recognised on service completion basis or time proportionate basis over the period of contract.
Syndication and other loan related services	The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	Revenue is recognised on completion of service basis or on time proportion basis.
Advisory services	Advisory services include advising for debt syndications, financial structuring etc. Advisory fees are charged to the customer's account on milestone completion basis or over the period of contract in line with the terms and conditions of contract.	Revenue is recognized on satisfaction of performance obligation at a point in time or over a period of time or on achievement of agreed milestones as per contract.

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



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES

3.23. Revenue and expense recognition

3.23.2. Fee and commission income

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

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

3.23.3. Dividend income

Dividend income is recognized when the right to receive payment is established.

3.24 Perpetual bonds and sukuk

Perpetual Tier 1 Capital Securities of the Bank are recognised under equity and the corresponding distribution on those instruments are accounted for in the retained earnings. The Tier 1 securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments. The Tier 1 securities do not have a fixed redemption or final maturity date and are redeemable by the Bank at its sole discretion on the first call date or thereafter on interest payment or reset date, as mentioned in the contract.

3.25 Fiduciary assets

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. The Bank's critical accounting estimates were on:

4.1. Impairment losses on financial assets

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 from collateral when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by number of factors, changes in which can result in different levels of allowances.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1. Impairment losses on financial assets

The Bank's ECL calculations are outputs of complex models with 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 Bank's internal credit rating model
- 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 Lifetime Expected Credit Losses (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 including key assumptions
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis.

4.2 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. 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 Bank and the relevant tax authority.

4.3 Going concern

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

4.4 Fair value of financial instruments

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



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.5 Determination of lease term

The Group considers all facts and circumstances when determining the lease term. Extension options (or years that fall after the termination options) are included in the lease term only if there is reasonable certainty that the lease will be extended (or not terminated). The Bank considers the enforceability and nature of the extension clause in the lease agreement, the value of leasehold improvements, penalties levied, costs and business disruptions that would occur, should a change of location occur as factors to determine the lease term.

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

5. CASH AND BALANCES WITH CENTRAL BANK OF OMAN

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹' 000	₹' 000	₹' 000	₹' 000
Cash in hand	21,912	28,780	16,469	22,762
Balances with the Central Bank of Oman:				
- Clearing account	138,519	79,715	97,083	42,133
- Placements	32,340	70,930	-	52,450
- Capital deposit	1,025	1,025	500	500
Total	193,796	180,450	114,052	117,845

- (i) The capital deposit cannot be withdrawn without the approval of the Central Bank of Oman. The capital deposit earns an annual interest at 1.5% p.a. (2024: 1.5%) for the Parent Company. The CBO does not pay any interest to the Islamic Banks in Oman; therefore, no such interest was earned by the Subsidiary during the year.
- (ii) During the year, average minimum balance to be kept with Central Bank of Oman as statutory reserves was ₹ 107 million (Consolidated), ₹ 70 million (Parent Company); [2024: ₹ 103 million (Consolidated), ₹ 69 million (Parent Company)].
- (iii) Balances with Central Bank are classified under stage 1 as per IFRS 9. However, there are no expected credit losses and hence no provision has been recognised.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

6. DUE FROM BANKS

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹' 000	₹' 000	₹' 000	₹' 000
Placements	45,884	40,575	38,184	42,499
Current accounts	27,683	26,684	24,033	23,407
Due from banks and other money market placements	73,567	67,259	62,217	65,906
Less: allowance for credit losses	(53)	(37)	(9)	(30)
Total	73,514	67,222	62,208	65,876

Movement in allowance for the credit losses is set out below:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹' 000	₹' 000	₹' 000	₹' 000
Balance at the beginning of the year	37	115	30	94
Charge / (release) during the year	16	(78)	(21)	(64)
Balance at the end of the year	53	37	9	30

At 31 December 2025, 76% (2024: 88%) of the Bank's placements were with banks rated in the range of Aa1 to Ba3.

The credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and the year-end staging classification is disclosed in note 40 to the financial statements.

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹' 000	₹' 000	₹' 000	₹' 000
Term loans	1,670,707	1,559,044	1,670,707	1,559,044
Overdrafts	128,342	122,703	128,342	122,703
Bills discounted	13,572	20,038	13,572	20,038
Islamic finance	714,003	664,694	-	-
Corporate loans	2,526,624	2,366,479	1,812,621	1,701,785
Consumer loans	464,813	464,313	464,813	464,313
Mortgage loans	399,785	389,193	399,785	389,193
Overdrafts	4,754	6,493	4,754	6,493
Credit cards	13,171	13,187	13,171	13,187
Islamic finance	548,415	486,001	-	-
Retail loans	1,430,938	1,359,187	882,523	873,186
Gross loans, advances and financing to customers	3,957,562	3,725,666	2,695,144	2,574,971
Allowance for credit losses	184,638	180,592	135,624	135,788
Contractual interest not recognised	52,907	54,203	45,780	48,506
Less: allowance for credit losses and suspended interest	(237,545)	(234,795)	(181,404)	(184,294)
Net loans, advances and financing to customers	3,720,017	3,490,871	2,513,740	2,390,677



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

The movements in the allowance for the credit losses and contractual interest not recognised on loans, advances and financing to customers were as follows:

Consolidated	Allowance for credit losses	Contractual interest not recognised	Total
2025	﷮' 000	﷮' 000	﷮' 000
Balance at 1 January 2025	180,592	54,203	234,795
Provided during the year	31,268	19,438	50,706
Amounts written off and net transfer to memorandum portfolio	(18,421)	(14,688)	(33,109)
Amounts released / recovered during the year	(8,801)	(6,046)	(14,847)
Balance at 31 December 2025	184,638	52,907	237,545
2024	﷮' 000	﷮' 000	﷮' 000
Balance at 1 January 2024	174,347	43,915	218,262
Provided during the year	29,977	21,295	51,272
Amounts written off and net transfer to memorandum portfolio	(11,902)	(7,487)	(19,389)
Amounts released / recovered during the year	(11,830)	(3,520)	(15,350)
Balance at 31 December 2024	180,592	54,203	234,795

Parent Company	Allowance for credit losses	Contractual interest not recognised	Total
2025	﷮' 000	﷮' 000	﷮' 000
Balance at 1 January 2025	135,788	48,506	184,294
Provided during the year	25,632	18,008	43,640
Amounts written off and net transfer to memorandum portfolio	(18,421)	(14,688)	(33,109)
Amounts released / recovered during the year	(7,375)	(6,046)	(13,421)
Balance at 31 December 2025	135,624	45,780	181,404
2024	﷮' 000	﷮' 000	﷮' 000
Balance at 1 January 2024	133,552	39,734	173,286
Provided during the year	23,737	19,779	43,516
Amounts written off and net transfer to memorandum portfolio	(11,902)	(7,487)	(19,389)
Amounts released / recovered during the year	(9,599)	(3,520)	(13,119)
Balance at 31 December 2024	135,788	48,506	184,294



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

7. LOANS, ADVANCES AND FINANCING TO CUSTOMERS

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ' 000	ﷲ' 000	ﷲ' 000	ﷲ' 000
Performing loans, advances and financings	3,741,428	3,515,792	2,531,094	2,414,413
Allowance for the credit losses on performing loans	98,116	92,059	76,264	72,592
Non-performing loans, advances and financings on which interest was not accrued	216,134	209,874	164,050	160,558
Allowance for the credit losses on non-performing loans	139,429	142,736	105,140	111,702

The analysis of the Islamic financing activities is as follows:

	Corporate	Retail	Total
2025	ﷲ'000	ﷲ'000	ﷲ'000
Musharaka	397,807	376,413	774,220
Murabaha	72,846	82,261	155,107
Ijarah Muntahia Bittamleek	47,781	84,879	132,660
Wakala	195,445	2,001	197,446
Others	124	2,861	2,985
Balance at 31 December 2025	714,003	548,415	1,262,418
2024	ﷲ'000	ﷲ'000	ﷲ'000
Musharaka	352,756	306,906	659,662
Murabaha	75,484	75,797	151,281
Ijarah Muntahia Bittamleek	51,465	98,456	149,921
Wakala	184,903	2,014	186,917
Others	86	2,828	2,914
Balance at 31 December 2024	664,694	486,001	1,150,695



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

8. INVESTMENT SECURITIES

	Consolidated		Parent Company	
	2025	2024	2025	2024
	﷼'000	﷼'000	﷼'000	﷼'000
- Banking and investment sector	277	261	277	261
Quoted investments – Oman	277	261	277	261
- Banking and investment sector	243	210	243	210
Quoted investments – Foreign	243	210	243	210
Investments measured at FVTPL	520	471	520	471
- Banking and investment sector	2,700	2,081	2,081	2,081
- Manufacturing sector	1,740	1,126	1,740	1,126
- Oil and gas	6,047	4,305	3,668	3,433
- Service sector	3,479	2,227	3,479	594
Quoted investments – Oman	13,966	9,739	10,968	7,234
- Service sector	-	-	-	-
Quoted investments – Foreign	-	-	-	-
- Service sector	1,191	194	194	194
Unquoted investments – Oman	1,191	194	194	194
Equity investments measured at FVOCI	15,157	9,933	11,162	7,428
- Government Sukuk	115,796	96,435	18,000	8,000
- Government Development Bonds (GDBs)	51,186	38,238	51,186	38,238
- Corporate Bonds	83,197	57,442	29,940	26,442
Debt investments measured at FVOCI	250,179	192,115	99,126	72,680
Investments measured at FVOCI	265,336	202,048	110,288	80,108
- Government Development Bonds (GDBs)	141,667	133,147	141,667	133,147
- Government Sukuk	-	21,475	-	21,475
- Treasury bills	82,671	80,725	82,671	80,725
- Corporate Bonds	12,585	12,627	12,585	12,627
Investments measured at amortized cost	236,923	247,974	236,923	247,974
Total financial investments	502,779	450,493	347,731	328,553
Less: allowance for credit losses	(287)	(173)	(223)	(134)
Net financial investments	502,492	450,320	347,508	328,419



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

8. INVESTMENT SECURITIES

Movement in investment securities:

Consolidated	FVOCI Equity Investments	FVOCI Debt Investments	Amortised Cost	FVTPL	Total
2025	₹'000	₹'000	₹'000	₹'000	₹'000
At 1 January 2025	9,933	192,115	247,974	471	450,493
Additions	2,941	228,675	1,190,919	-	1,422,535
Disposals and redemption	(148)	(172,403)	(1,203,831)	-	(1,376,382)
Gain / (Loss) from change in fair value and amortisation	2,431	1,792	1,861	49	6,133
Gross financial investments	15,157	250,179	236,923	520	502,779
Less: allowance for credit losses	-	(262)	(25)	-	(287)
At 31 December 2025	15,157	249,917	236,898	520	502,492
2024	₹'000	₹'000	₹'000	₹'000	₹'000
At 1 January 2024	4,716	113,808	207,859	458	326,841
Additions	8,323	90,705	324,632	-	423,660
Disposals and redemption	(2,466)	(11,422)	(284,863)	-	(298,751)
Gain / (Loss) from change in fair value and amortisation	(640)	(976)	346	13	(1,257)
Gross financial investments	9,933	192,115	247,974	471	450,493
Less: allowance for credit losses	-	(155)	(18)	-	(173)
At 31 December 2024	9,933	191,960	247,956	471	450,320

Parent Company	FVOCI Equity Investments	FVOCI Debt Investments	Amortised Cost	FVTPL	Total
2025	₹'000	₹'000	₹'000	₹'000	₹'000
At 1 January 2025	7,428	72,680	247,974	471	328,553
Additions	1,925	52,262	1,190,919	-	1,245,106
Disposals and redemption	-	(27,450)	(1,203,831)	-	(1,231,281)
Gain / (Loss) from change in fair value and amortisation	1,809	1,634	1,861	49	5,353
Gross financial investments	11,162	99,126	236,923	520	347,731
Less: allowance for credit losses	-	(198)	(25)	-	(223)
At 31 December 2025	11,162	98,928	236,898	520	347,508
2024	₹'000	₹'000	₹'000	₹'000	₹'000
At 1 January 2024	3,417	60,263	189,764	458	253,902
Additions	6,792	13,449	324,632	-	344,873
Disposals and redemption	(2,405)	-	(266,768)	-	(269,173)
Gain / (Loss) from change in fair value and amortisation	(376)	(1,032)	346	13	(1,049)
Gross financial investments	7,428	72,680	247,974	471	328,553
Less: allowance for credit losses	-	(116)	(18)	-	(134)
At 31 December 2024	7,428	72,564	247,956	471	328,419



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

8. INVESTMENT SECURITIES

The fair value hierarchy of the financial investments is as follows:

Consolidated	Level 1	Level 2	Level 3	Total
2025	₹'000	₹'000	₹'000	₹'000
- Quoted investments	520	-	-	520
Investment measured at FVTPL	520	-	-	520
- Quoted investments	13,966	-	-	13,966
- Unquoted investments	-	-	1,191	1,191
Equity investment measured at FVOCI	13,966	-	1,191	15,157
- Quoted investments	99,126	151,053	-	250,179
Debt investments measured at FVOCI	99,126	151,053	-	250,179
Consolidated	Level 1	Level 2	Level 3	Total
2024	₹'000	₹'000	₹'000	₹'000
- Quoted investments	471	-	-	471
Investment measured at FVTPL	471	-	-	471
- Quoted investments	9,739	-	-	9,739
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	9,739	-	194	9,933
- Quoted investments	109,104	83,011	-	192,115
Debt investments measured at FVOCI	109,104	83,011	-	192,115
Parent Company	Level 1	Level 2	Level 3	Total
2025	₹'000	₹'000	₹'000	₹'000
- Quoted investments	520	-	-	520
Investment measured at FVTPL	520	-	-	520
- Quoted investments	10,968	-	-	10,968
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	10,968	-	194	11,162
- Quoted investments	99,126	-	-	99,126
Debt investments measured at FVOCI	99,126	-	-	99,126
Parent Company	Level 1	Level 2	Level 3	Total
2024	₹'000	₹'000	₹'000	₹'000
- Quoted investments	471	-	-	471
Investment measured at FVTPL	471	-	-	471
- Quoted investments	7,234	-	-	7,234
- Unquoted investments	-	-	194	194
Equity investment measured at FVOCI	7,234	-	194	7,428
- Quoted investments	72,680	-	-	72,680
Debt investments measured at FVOCI	72,680	-	-	72,680



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

8. INVESTMENT SECURITIES

Movement in allowances for the credit losses for debt securities:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Beginning of the year	173	280	134	258
(Release) / charge during the year	114	(107)	89	(124)
Balance at the end of the year	287	173	223	134

All debt securities at amortized cost outstanding as of 31 December 2025 are classified under stage 1 (2024: stage 1). The Group has assumed LGD of 0% on GDBs amounting to ₹ 192,853 thousand (2024: ₹ 171,385 thousand) and Government Sukuks amounting to ₹ 115,796 thousand (2024: ₹ 117,910 thousand).

Details of investments exceeding 10% of the carrying value of the Bank's investment securities are as follows:

	2025		2024	
	Carrying value	Bank's portfolio	Carrying value	Bank's portfolio
	₹'000	%	₹'000	%
Consolidated				
Government Development Bonds and sukuks	308,649	61%	289,295	64%
Treasury bills	82,671	16%	80,725	18%
Parent Company				
Government Development Bonds and sukuks	210,853	61%	200,860	61%
Treasury bills	82,671	24%	80,725	25%

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

9. INVESTMENT IN SUBSIDIARY

The Bank has the following investment in a subsidiary.

Name of Subsidiary	Country of Incorporation	2025		2024	
		﷼'000	%	﷼'000	%
Alizz Islamic Bank SAOC	Sultanate of Oman	145,941	100%	135,095	100%

The key balance sheet and income statement items of the subsidiary are as follows:

	2025	2024
Statement of financial position items	﷼'000	﷼'000
Total assets	1,465,206	1,317,329
Total liabilities	1,295,663	1,158,633
Total equity	169,543	158,696

	2025	2024
Income statement items	﷼'000	﷼'000
Operating income	38,263	35,032
Operating expenses	19,712	19,313
Profit after tax	12,017	10,011

	2025	2024
Movement in BS Figures	﷼'000	﷼'000
Opening Balance at 1 January	135,095	125,291
Share of results of subsidiary	12,017	10,011
Other equity movement	(1,171)	(207)
Closing Balance at 31 December	145,941	135,095



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

10. PROPERTY AND EQUIPMENT

Consolidated	Land & buildings Omani '000	Computer equipment Omani '000	Furniture & fixtures Omani '000	Motor vehicles Omani '000	Work in progress Omani '000	Right of use Omani '000	Total Omani '000
Cost							
At 1 January 2024	26,399	39,851	25,723	156	2,432	10,850	105,411
Additions	-	425	569	-	3,194	2,596	6,784
Transfers	-	2,315	1,178	10	(3,503)	-	-
Disposals / termination	-	(478)	(198)	-	-	-	(676)
Adjustments	-	-	-	-	(416)	(11)	(427)
At 31 December 2024	26,399	42,113	27,272	166	1,707	13,435	111,092
Additions	-	497	268	-	3,968	4,240	8,973
Transfers	100	4,246	(1,033)	56	(3,369)	-	-
Disposals / termination	-	(103)	(442)	(56)	-	(253)	(854)
Adjustments	-	-	-	-	-	-	-
At 31 December 2025	26,499	46,753	26,065	166	2,306	17,422	119,211
Depreciation							
At 1 January 2024	6,978	29,856	22,492	110	-	2,879	62,315
Charge for the year	783	4,278	1,563	18	-	3,236	9,878
Disposals / termination	-	(478)	(194)	-	-	(15)	(687)
At 31 December 2024	7,761	33,656	23,861	128	-	6,100	71,506
Charge for the year	783	3,859	1,271	24	-	3,018	8,955
Transfers	24	1,321	(1,345)	-	-	-	-
Disposals / termination	-	(103)	(442)	(56)	-	(222)	(823)
At 31 December 2025	8,568	38,733	23,345	96	-	8,896	79,638
Net book value							
At 31 December 2024	18,638	8,457	3,411	38	1,707	7,335	39,586
At 31 December 2025	17,931	8,020	2,720	70	2,306	8,526	39,573
Parent Company							
	Land & buildings Omani '000	Computer equipment Omani '000	Furniture & fixtures Omani '000	Motor vehicles Omani '000	Work in progress Omani '000	Right of use Omani '000	Total Omani '000
Cost							
At 1 January 2024	26,399	30,831	20,422	156	1,032	6,849	85,689
Additions	-	-	-	-	3,108	1,199	4,307
Transfers	-	2,149	360	10	(2,519)	-	-
Disposals / termination	-	(478)	(198)	-	-	-	(676)
At 31 December 2024	26,399	32,502	20,584	166	1,621	8,048	89,320
Additions	-	-	-	-	3,817	1,866	5,683
Transfers	100	4,138	(1,033)	56	(3,261)	-	-
Disposals / termination	-	-	-	(56)	-	(253)	(309)
Adjustments	-	-	-	-	-	-	-
At 31 December 2025	26,499	36,640	19,551	166	2,177	9,661	94,694
Depreciation							
At 1 January 2024	6,978	22,499	17,727	110	-	981	48,295
Charge for the year	783	3,827	1,179	18	-	1,651	7,458
Disposals / termination	-	(478)	(194)	-	-	(15)	(687)
At 31 December 2024	7,761	25,848	18,712	128	-	2,617	55,066
Charge for the year	783	3,368	917	24	-	2,017	7,109
Transfers	24	1,321	(1,345)	-	-	-	-
Disposals / termination	-	-	-	(56)	-	(222)	(278)
At 31 December 2025	8,568	30,537	18,284	96	-	4,412	61,897
Net book value							
At 31 December 2024	18,638	6,654	1,872	38	1,621	5,431	34,254
At 31 December 2025	17,931	6,103	1,267	70	2,177	5,249	32,797

Significant portion of right of use includes the Bank's leases of branch and office premises.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

11. INTANGIBLE ASSETS

On 30 June 2020, Oman Arab Bank acquired 100% of AIB and AIB became a wholly owned subsidiary. Following the finalisation of the PPA, the following assets were recognised in 2021.

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Core deposits	3,102	3,102	-	-
Banking license	3,573	3,573	-	-
Brand	1,000	1,000	-	-
Total	7,675	7,675	-	-
Less: accumulated amortization	(1,705)	(1,395)	-	-
Net intangible assets	5,970	6,280	-	-

The core deposits intangible (CDI) is estimated to have a useful life of 10 years and is amortised based on a straight line method. Other intangibles with indefinite life are assessed for impairment at the end of each reporting year which has resulted in no impairment at year end.

12. OTHER ASSETS

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Customers' indebtedness against acceptances	9,984	15,604	9,984	15,604
Fees receivable	1,202	1,722	1,202	1,722
Interest receivable	4,445	4,264	3,144	3,151
Prepayments	4,271	3,533	3,365	2,511
Reposessed collateral	3,054	4,822	2,424	3,825
Positive fair value of derivatives	2,788	6,016	2,788	6,016
Deferred tax asset	189	-	189	-
Others	25,688	20,678	22,406	13,259
Total	51,621	56,639	45,502	46,088

13. DUE TO BANKS

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Current accounts	8,621	14,207	8,124	14,146
Borrowings	14,768	40,392	14,732	17,147
Total	23,389	54,599	22,856	31,293



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

14. CUSTOMER DEPOSITS

	Consolidated		Parent Company	
	2025	2024	2025	2024
	﷮'000	﷮'000	﷮'000	﷮'000
a) By type				
Term deposits	1,703,584	1,729,631	1,121,756	1,243,587
Demand and call accounts	1,410,592	1,255,704	897,574	817,545
Saving accounts	660,361	586,357	475,373	406,175
Total	3,774,537	3,571,692	2,494,703	2,467,307
b) By sector				
	﷮'000	﷮'000	﷮'000	﷮'000
Private	2,338,277	2,242,712	1,683,461	1,678,995
Government	1,436,260	1,328,980	811,242	788,312
Total	3,774,537	3,571,692	2,494,703	2,467,307

15. BORROWED FUNDS

During the year 2025, Oman Arab Bank signed loan agreement with Commerzbank Aktiengesellschaft of USD 100 million for a period of two years and a variable interest rate based on Overnight SOFR + 0.9% with the loan repaid at the end of two years.

During the year 2024, Oman Arab Bank signed a loan agreement with the Arab Fund for Economic and Social Development (Badir Fund) worth USD 50 million for a period of 6 years, including a two-year grace period and a variable interest rate based on the interest rate of the US Treasury bonds for 10 years + 0.25%, and the loan is repaid in semi-annual installments in both July and January of each year and starting from 2026, and the loan balance reached USD 50 million (﷮ 19.250 million) as at 31 December 2025. The purpose of the loan is exclusively to utilize the proceeds to contribute to the financing and development of small and medium-sized private sector enterprises, either directly or through intermediary financing institutions.

These borrowings are unsecured and the financial covenants for these borrowings have been complied by the Bank for the year ended 31 December 2025.

16. OTHER LIABILITIES

	Consolidated		Parent Company	
	2025	2024	2025	2024
	﷮'000	﷮'000	﷮'000	﷮'000
Liabilities against acceptances	9,984	15,604	9,984	15,604
Interest payable	492	391	492	323
Accrued expenses and other payables	30,581	29,183	27,357	25,600
Cheques and trade settlement payable	4,957	4,854	3,753	2,945
Staff end of service benefits	1,353	1,304	904	825
Interest and commission received in advance	7,659	4,785	7,659	4,785
Negative fair value of derivatives	2,904	5,987	2,904	5,987
Deferred tax liability	140	283	-	165
Provision for loan commitments, financial guarantees and acceptances	4,126	3,818	3,706	3,528
Others	4,603	6,157	15	-
Lease liabilities	8,375	7,177	5,112	5,203
Total	75,174	79,543	61,886	64,965



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

16. OTHER LIABILITIES

16.1 Staff end of service benefits

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
At 1 January	1,304	1,002	825	706
Charge for the year	239	475	197	216
Payment to employees during the year	(190)	(173)	(118)	(97)
At 31 December	1,353	1,304	904	825

16.2 Movement in provision for loan commitments, financial guarantees and acceptances

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Beginning of the year	3,818	3,636	3,528	3,339
Charge during the year	308	182	178	189
Balance at the end of the year	4,126	3,818	3,706	3,528

17. TAXATION

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Statement of profit or loss:				
Current tax:				
- Current year charge	6,313	5,006	4,164	3,924
- Prior years charge	541	22	541	22
Deferred tax:				
- Current year	(328)	51	(354)	51
- Prior years (income) / charge	(43)	621	-	-
Tax expense for the year	6,483	5,700	4,351	3,997
Statement of financial position:				
Taxation - Provision	14,951	10,145	12,942	9,181
Deferred tax liability	140	283	-	165
Deferred tax asset	189	-	189	-
Deferred tax liability:				
At 1 January	322	112	165	112
Movement during the year	(182)	171	(165)	53
At 31 December	140	283	-	165
Deferred tax asset:				
At 1 January	-	739	-	-
Movement during the year	189	(739)	189	-
At 31 December	189	-	189	-



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

17. TAXATION

Consolidated	At 1 January 2025	Charge for the year	At 31 December 2025
Property, plant and equipment	(253)	314	61
Unrealised loss on FVTPL investments	2	5	7
Right-of-use assets and lease liabilities	(32)	11	(21)
ECL Provision	-	2	2
Deferred tax assets / (liabilities)	(283)	332	49

Parent Company	At 1 January 2025	Charge for the year	At 31 December 2025
Property, plant and equipment	(135)	336	201
Unrealised loss on FVTPL investments	2	5	7
Right-of-use assets and lease liabilities	(32)	13	(19)
ECL Provision	-	-	-
Deferred tax assets / (liabilities)	(165)	354	189

The Bank is liable for income tax in accordance with the income tax laws of the Sultanate of Oman. The tax rate applicable to the Bank is 15% (2024: 15%). For determining the tax expense for the year, the accounting profit for the year has been adjusted for tax purposes.

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Profit before tax	40,835	36,139	39,013	34,746
Tax at the applicable rate of 15%	6,125	5,421	5,852	5,212
Tax effect of income that is not taxable and expenses that are not deductible in determining taxable profit	(140)	257	(2,042)	(1,237)
Prior year	498	22	541	22
Tax expense for the year	6,483	5,700	4,351	3,997

Status of tax assessments (Parent Company)

The Bank's tax assessments have been completed by Tax Authority of the Sultanate of Oman up to tax year 2021. The Bank filed an objection against certain adjustments carried out in tax assessments issued for tax years 2017 to 2020 and a decision was issued rejecting the same. The Bank has filed an appeal against the objection decision with the Tax Grievance Committee. These adjustments have been adequately provided for in the financial statements.

Status of tax assessments (Subsidiary)

The tax assessment up to and including 2022 has been completed by the Tax Authority and no additional tax has been imposed. The tax returns for the 2023 and 2024 have not yet been assessed by the taxation authority.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

18. SHARE CAPITAL

The authorised share capital of the Bank is 500 million (2024: 200 million). The issued share capital of the Bank is 2,002,743,333 shares (2024: 1,669,410,000). The paid-up share capital of the Bank is **₹** 216.941 million. The Bank's shares are listed in Muscat Stock Exchange. During the year 2025 the Bank raised capital through rights issue of **₹** 50 million at a price of Baisa 151 per Share (Including issue expense of Baisa 1 per Offer Share).

The following shareholders of the Bank own 10% or more of the Bank's share capital:

31 December 2025	Shareholding %	Number of shares	₹'000
Arab Bank PLC	49.00%	981,344,233	106,301
Oman International Development & Investment Co. SAOG	30.99%	620,688,933	67,230
Various parties, including Trusts	20.01%	400,710,167	43,410
Total	100.00%	2,002,743,333	216,941

19. PROPOSED DIVIDEND

Dividend is not accounted for until approved at the Annual General Meeting (AGM). The Board of Directors has recommended cash dividend of 5 baisa per share amounting to **₹** 10 million for the upcoming AGM (2024: no dividend). The dividend is subject to the approval of the regulatory authorities and shareholders of the Bank at the upcoming AGM.

20. SHARE PREMIUM

Share premium represents the premium collected on issuance of shares through public offer, rights issue, and conversion of mandatory convertible bonds during the prior years till 2024. The balance in share premium is not available for distribution.

21. LEGAL RESERVE

In accordance with Article 132 of the Commercial Companies Law of 2019, annual appropriations of 10% of net profit are made to the legal reserve until the accumulated balance of the reserve is equal to one-third of the Bank's paid up share capital. This reserve is not available for distribution.

22. GENERAL RESERVE

The Bank has established the general reserve to meet any unforeseen contingencies. No transfers were made from / to general reserve during the 2025 and 2024.

23. SPECIAL RESERVE

In 2015, the Parent Company sold its old head office (HO) premises at Ruwi, following its move to the new HO at Al Ghoubra. The profit on sale amounting to **₹** 2.4 million was set aside as a special reserve and was not available for distribution without prior approval of the CBO. In 2022, this amount has been utilised as special reserve for restructured cases assigned for ECL based on the approval from CBO. As at 31 December 2025, the Bank has special reserve of **₹** 3.8 million for restructured accounts and stressed accounts in accordance with the CBO guidelines. The reserve created is not available for distribution or the inclusion in the calculation of the regulatory capital.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

24. FAIR VALUE RESERVE

The fair value represents the cumulative net change in the fair value of investment securities designated as FVOCI, net of applicable income tax, until such time as the investment is derecognized, sold, or impaired.

25. IMPAIRMENT RESERVE

In line with CBO circular BM 1149, upon the adoption of IFRS 9, if the IFRS 9-based provision for impairment is lower than the impairment provision required under regulatory guidelines, the excess shall be appropriated from the profit for the year and transferred to a regulatory reserve titled "impairment reserve" under shareholder's equity. In subsequent years, if the IFRS 9-based provision for impairment remains lower than the provision required by regulatory guidelines, the excess shall continue to be appropriated from the profit for the year and transferred to the impairment reserve. During the year 2025 additional impairment reserve of ~~OMR~~ 3.6 million was appropriated (2024: ~~OMR~~ 7.67 million).

26. PERPETUAL TIER 1 CAPITAL BONDS AND SUKUK

On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to ~~OMR~~ 96.25 million. The bonds are listed on the International Security Market (ISM) of the London Stock Exchange. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and the CBO regulations.

On 16 October 2023, the Bank issued unsecured perpetual Tier 1 bonds of ~~OMR~~ 50 million (50,000,000 units of ~~OMR~~ 1 each through private placement). The bonds carry a fixed coupon rate of 7 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

On 9 October 2024, the Bank issued unsecured mandatory convertible bonds qualifying as additional Tier 1 capital of ~~OMR~~ 10 million (10,016,460 units of ~~OMR~~ 1 each) as dividend to its shareholders. The bonds carry a fixed interest rate of 6 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity. Interest is non-cumulative and payable at Bank's discretion. These bonds would be mandatorily converted in to equity shares after 2 years (9 October 2026) by means of issuing 8 ordinary shares against each bond at an underlying price of 125 baiza per share. The bonds are in pari-passu with other Tier 1 bonds.

On 9 December 2024, the subsidiary of the Bank through its SPC issued its first unsecured perpetual Mudaraba additional tier 1 Sukuk with an aggregated face amount of the OMR Certificates and USD Certificates not exceeding ~~OMR~~ 30,000,000 listed in MSX being issued in dual currency with Omani Rial tranche of ~~OMR~~ 26 million and US Dollar tranche of USD 10 million equivalent to approx. ~~OMR~~ 4 million. The Sukuk pays an indicative profit rate of 6.5% p.a payable semi-annually. The Bank has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. Event of non-payment is not considered as an event of default. Alizz Sukuk SPC was established as a sole proprietor company, in accordance with Article 239 of the Commercial Companies Law. Alizz Sukuk SPC (in its separate capacities as the Issuer and Trustee) is licensed by the FSA as a special purpose vehicle for the purpose of issuing the Sukuk.

The Tier 1 bonds and sukuk constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The bond issued in 2021 has First Call date on 4 June 2026 or on any interest payment date thereafter subject to the prior consent of the regulatory authority. The bond issued in 2023 has First Call date on 16 October 2028 or on any interest reset date thereafter subject to the prior consent of the regulatory authority. The sukuk issued in 2024 has First Call date on 9 December 2029 or on any period distribution date thereafter subject to the prior consent of the regulatory authority.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

27. INTEREST INCOME

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Loans and advances	144,923	142,861	144,923	142,861
Investment securities	15,058	14,276	15,058	14,276
Placements with banks	4,043	5,345	4,392	5,054
Total	164,024	162,482	164,373	162,191

28. INTEREST EXPENSE

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Customer deposits	80,208	86,884	80,208	86,884
Bank borrowings	3,308	2,996	3,308	2,996
Interest cost on lease liabilities	213	232	213	232
Total	83,729	90,112	83,729	90,112

29. NET INCOME FROM ISLAMIC FINANCING

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Income from Islamic financing and investing activities				
Islamic financing receivables	67,710	63,587	-	-
Islamic due from banks	1,347	1,959	-	-
Islamic investment	6,720	4,105	-	-
Total income from Islamic financing	75,777	69,651	-	-
Profit paid on participatory deposits and banks			-	-
Islamic customers' deposits	42,503	41,400	-	-
Islamic bank borrowings	1,010	1,114	-	-
Total expense from Islamic financing	43,513	42,514	-	-
Net Income from Islamic financing	32,264	27,137	-	-



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

30. NET FEE AND COMMISSION INCOME

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Fee and commission income	33,027	31,689	27,336	26,230
Fee and commission expense	(13,736)	(11,886)	(12,805)	(11,049)
Total	19,291	19,803	14,531	15,181

30.1 Net fees and commission income comprises of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Transactional income	9,706	9,035	8,475	7,874
Trade income	3,096	3,355	2,105	2,531
Loans related income	6,489	7,413	3,951	4,776
Total	19,291	19,803	14,531	15,181

31. NET INCOME FROM INVESTMENT SECURITIES

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Fair value changes	49	13	49	13
Gain on sale of amortized cost investments	19	8	-	-
Dividend income	1,091	556	845	409
Total	1,159	577	894	422

32. OTHER OPERATING INCOME

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Exchange income	5,324	4,841	4,001	3,721
Other income	651	1,737	651	30
Total	5,975	6,578	4,652	3,751



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

33. OPERATING EXPENSES

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Staff costs (refer 33.1)	45,698	43,415	31,692	29,764
Other operating expenses	19,876	18,181	16,116	15,039
Depreciation	8,955	9,878	7,109	7,458
Amortization	310	310	-	-
Directors' remuneration	405	398	305	298
Total	75,244	72,182	55,222	52,559

33.1 Staff costs

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Salaries	28,267	26,937	21,197	20,226
Allowances	10,005	10,461	5,168	5,158
Social security costs	3,300	3,246	2,309	2,312
End of service benefits	299	395	197	216
Other costs	3,827	2,376	2,821	1,852
Total	45,698	43,415	31,692	29,764
Headcount (number of FTE)	1,431	1,456	1,022	1,048

34. EARNINGS PER SHARE

The basic earnings per share (EPS) is the outcome of dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of shares outstanding.

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Profit for the year	34,352	30,439	34,662	30,749
Less: Interest / profit distribution of Perpetual Tier 1 capital bonds	(13,390)	(10,849)	(13,390)	(10,849)
Less: Additional Tier 1 bonds issuance cost	-	(51)	-	(51)
Profit for the year attributable to shareholders	20,962	19,539	21,272	19,849

Weighted average number of shares outstanding during the year	1,841,779,123	1,749,541,680	1,841,779,123	1,749,541,680
Basic/Diluted earnings per share (RO)	0.011	0.011	0.012	0.011

Weighted average number of shares outstanding

1 January 2025 to 31 December 2025	
Weighted average number of shares as at 31 December 2025	1,841,779,123

The diluted EPS was equal to the basic EPS for both periods as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

35. NET ASSETS PER SHARE

The calculation of net assets per share is based on net assets as at 31 December 2025 attributable to ordinary shareholders of ~~₹~~ 216,941 million (2024: ~~₹~~ 166,941 million) and on 2,002,743,333 ordinary shares (2024 – 1,669,410,000 ordinary shares) being the number of shares outstanding as at 31 December 2025.

	Consolidated		Parent Company	
	2025	2024	2025	2024
Shareholders' equity (₹ '000)	454,916	379,498	455,295	379,617
Number of shares (in thousands)	2,002,743,333	1,669,410,000	2,002,743,333	1,669,410,000
Net assets value per share (₹)	0.227	0.227	0.227	0.227

36. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Letters of credit and guarantees

The Bank is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances.

The outstanding contract value or the notional amounts of these instruments were as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹ '000	₹ '000	₹ '000	₹ '000
Letters of credit	130,283	195,730	29,968	100,496
Guarantees	200,840	181,309	140,162	138,027
Total	331,123	377,039	170,130	238,523

As at 31 December 2025, the unutilised commitment of facilities of ~~₹~~ 516,139 thousand (Consolidated), ~~₹~~ 457,559 thousand (Parent Company); [(2024: ~~₹~~ 473,847 thousand (Consolidated), ~~₹~~ 424,395 thousand (Parent Company))].

Letters of credit and guarantees amounting to ~~₹~~ 49,130 thousand (2024: 108,746 thousand) were counter guaranteed by other banks in the Parent Company. As of reporting date the subsidiary has no material letters of credit and guarantees that were counter guaranteed by other banks.

- The allowance for credit losses for commitments and financial guarantees is included under note 16.2.
- Contingent liabilities include ~~₹~~ 5,753 thousand (Consolidated), ~~₹~~ 5,729 thousand (Parent Company); [2024: ~~₹~~ 3,746 thousand (Consolidated), ~~₹~~ 3,709 thousand (Parent Company)] relating to non-performing loans.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

36. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Letters of credit and guarantees

Credit-related financial instruments include unutilised commitments to extend credit, standby letters of credit and guarantees which are designed to meet the financing requirements of customers. The credit risk on these transactions is generally less than the contractual amount. The notional principal amounts of outstanding credit-related contingent items and the risk-weighted exposures calculated were as follows:

	Consolidated			
	2025		2024	
	Notional principal amount	Risk weighted exposure	Notional principal amount	Risk weighted exposure
	₹'000	₹'000	₹'000	₹'000
Guarantees	200,840	103,721	181,309	95,626
Letters of credit	130,283	24,716	195,730	27,669
Total	331,123	128,437	377,039	123,295

	Parent Company			
	2025		2024	
	Notional principal amount	Risk weighted exposure	Notional principal amount	Risk weighted exposure
	₹'000	₹'000	₹'000	₹'000
Guarantees	140,162	73,382	138,027	73,982
Letters of credit	29,968	4,653	100,496	8,622
Total	170,130	78,035	238,523	82,604

(b) Capital commitments

As at 31 December 2025, outstanding capital commitments in respect of premises, equipment and software purchases were ₹ 1.0 million (2024: ₹ 1.5 million).

(c) Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Bank had certain unresolved legal claims which are not expected to have any significant implication on the Bank's financial statements (2024: Nil).



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

37. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Cash and balances with the Central Bank of Oman (CBO) (note 5)	193,796	180,450	114,052	117,845
Due from banks (note 6)	65,867	67,259	62,217	65,906
Treasury bills	82,671	80,725	82,671	80,725
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
Total	341,309	327,409	258,440	263,976

38. DERIVATIVE FINANCIAL INSTRUMENTS

At the reporting date, there were outstanding forward foreign exchange contracts, all maturing within one year, entered into on behalf of customers for the sale and purchase of foreign currencies. These financial instruments have been recognised at prices in active markets for identical assets or liabilities.

Also, the Bank has entered into IRS (Interest Rate Swaps) on behalf of its clients and has fully covered the position on back-to-back basis, leaving no open position on the Bank's books. An IRS is an agreement between two counterparties to exchange a stream of fixed interest payments for floating (variable) interest payments on a specified notional amount. A floating rate borrower can fix his floating liabilities payment by entering into payer swap, in which he pays the fixed rate.

The Bank is not exposed to entire notional amount of IRS, rather, its risk is limited only to the amount of differential interest payment which the client may not honour at the time of settlement.

The fair value of the swaps is disclosed in other assets (liabilities) and the carrying amount of the hedged items included in the line item 'Investments' in the statement of financial position. Fair value gains or loss on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in the operating income.

The carrying amount of the hedged items are included in investments on the statement of financial position with the notional amount totalling to ₹ 34.525 million (2024: ₹ 34.525 million). These hedged items comprise of debt instruments which are held as FVOCI and AC. In 2025, The Bank had entered into an IRS agreement to hedge for hedging the cash flow volatility risk on the bank borrowings amounting to ₹ 19.25 million (USD 50 million).

These fair values and the notional contracted amounts related to the Parent Company are summarised below. As of reporting date, Subsidiary has no derivative instruments.

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 – 12 months	More than 1 year
2025	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Purchase contracts	71	-	70,495	61,597	8,898	-
Sale contracts	-	(46)	(70,470)	(61,579)	(8,883)	(8)
Interest rate swaps	2,717	(2,858)	185,199	-	31,114	154,085
Total	2,788	(2,904)	185,224	18	31,129	154,077
2024	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Purchase contracts	336	-	81,391	23,167	58,224	-
Sale contracts	-	(302)	(81,356)	(23,158)	(58,198)	-
Interest rate swaps	5,680	(5,685)	57,567	-	9,750	47,817
Total	6,016	(5,987)	57,602	9	9,776	47,817

Derivative financial instruments are classified as level 2 in the fair value hierarchy.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

39. RELATED PARTY TRANSACTIONS

(a) Technical and administrative services with major shareholders

During the year ended 31 December 2025, the cost of technical and administrative services provided to Arab Bank Plc amounted to **₹** 103,056 (2024: **₹** 91,317).

(b) Other related party transactions

In the ordinary course of business, the Bank conducts transactions with its major shareholders and other related parties comprising of Directors, senior management and companies with which they have significant interest, on arm's length basis with the approval of Board of Directors. The aggregate amounts of balances with such related parties are as follows:

Consolidated	Major shareholders	Others	Total
2025	₹'000	₹'000	₹'000
Loans and advances	36,000	126,439	162,439
Customers' deposits	1,069	53,203	54,272
Due from banks	10,083	28	10,111
Other assets	-	-	-
Due to banks	7,829	-	7,829
Stand by line of credit	-	-	-
Letters of credit, guarantees and acceptances	33,191	2,883	36,074
2024	₹'000	₹'000	₹'000
Loans and advances	22,000	174,301	196,301
Customers' deposits	2,572	38,562	41,134
Due from banks	1,976	18	1,994
Other assets	-	-	-
Due to banks	23,478	-	23,478
Stand by line of credit	57,750	-	57,750
Letters of credit, guarantees and acceptances	28,891	6,746	35,637

Parent Company	Subsidiary	Major shareholders	Others	Total
2025	₹'000	₹'000	₹'000	₹'000
Loans and advances	-	36,000	97,901	133,901
Customers' deposits	-	1,069	37,667	38,736
Due from banks	-	10,083	-	10,083
Other asset	-	-	-	-
Due to banks	-	7,829	-	7,829
Stand by line of credit	-	-	-	-
Letters of credit, guarantees and acceptances	-	33,191	2,883	36,074
2024	₹'000	₹'000	₹'000	₹'000
Loans and advances	-	22,000	142,067	164,067
Customers' deposits	-	2,572	34,244	36,816
Due from banks	15,400	1,976	-	17,376
Other asset	-	-	-	-
Due to banks	-	8,078	-	8,078
Stand by line of credit	-	57,750	-	57,750
Letters of credit, guarantees and acceptances	-	28,891	6,746	35,637



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

39. RELATED PARTY TRANSACTIONS

(b) Other related party transactions

The movement analysis of loans and advances with related parties is as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
At 1 January	196,301	183,854	164,067	152,002
Disbursed during the year	162,439	196,301	133,901	164,067
Paid during the year	(196,301)	(183,854)	(164,067)	(152,002)
At 31 December	162,439	196,301	133,901	164,067

None of the loans and advances given to related parties were identified as credit impaired. In accordance with IFRS 9, ECL held against these exposures amounted to ₹ 3.273 million (Consolidated), ₹ 3.013 million (Parent Company) [2024: ₹ 2.435 million (Consolidated), ₹ 1.901 million (Parent Company)]. Major shareholders include parties holding more than 10% of bank's share capital as disclosed in note 18.

The statement of comprehensive income includes the following amounts in relation to the transactions with related parties:

Consolidated	Major shareholders			Total
	2025	2024	2025	
	₹'000	₹'000	₹'000	₹'000
Interest and commission income	2,443	8,683	11,126	
Interest expense	503	1,195	1,698	
2024	₹'000	₹'000	₹'000	
Interest and commission income	2,441	9,673	12,114	
Interest expense	988	1,212	2,200	

Parent Company	Subsidiary	Major shareholders			Total
		2025	2024	2025	
		₹'000	₹'000	₹'000	₹'000
Interest and commission income	349	2,443	6,716	9,508	
Interest expense	-	503	1,421	1,924	
2024	₹'000	₹'000	₹'000	₹'000	
Interest and commission income	291	2,441	8,716	11,448	
Interest expense	-	988	1,096	2,084	

(c) Key management compensation

Key management comprises of 5 personnel (2024: 5) of the executive committee in the year 2025. The Bank considers the personnel of executive committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures'. The Directors' remuneration is set out in Note 33 and the remuneration of key management during the year is as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Salaries and other short-term benefits	2,612	2,491	1,686	1,539
End of service benefits	74	65	33	30
Total	2,686	2,556	1,719	1,569



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

Effective risk management is of primary importance for the Bank. The Bank's risk management process evaluates, monitors and manages the risks associated with the businesses the Bank conducts in line with the defined risk appetite. The principal types of risks that the Bank faces are credit risk, liquidity risk, market risk and operational risk. In addition, the Bank has identified climate risk and acknowledges this as an emerging risk arising from financial instruments that may have growing impact on Bank's activities. The Board of Directors defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk in both the trading and the banking book of the Bank. Risk Management is carried out by the Risk Management Department in accordance with documented policies approved by the Board of Directors.

The Bank's Management Risk Committee (MRC), comprising the Bank's most senior risk professionals provides oversight to the Risk Management Division, review & oversee the Bank's risk profile and determines the actions required to maintain the risk profile within the approved appetite. It also monitor's and report's the progress of any action plans taken as and when required to maintain the objective. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks.

Management of credit risk

The Board has delegated responsibility for the monitoring of credit risk to its Credit Risk Committee. Risk Management Department is responsible for the following:

- formulating credit risk policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the authorisation structure for the approval and renewal of credit facilities;
- reviewing and assessing credit risk. The Board Risk Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. The process also includes approval by Risk of borrower ratings arrived at by the business units;
- limiting concentrations of exposure to counterparties, geographies and industries (for loans & advances and financing, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities);
- developing and maintaining the Bank's risk gradings in order to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 10 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executives or committee, as appropriate. Risk grades are subject to regular review by Risk;
- developing and maintaining the Bank's processes for measuring ECL: This includes processes for: initial approval, regular validation and back testing of the models used; determining and monitoring significant increase in credit risk; and incorporating of forward-looking information
- providing advice, guidance and specialist skills to business units 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 take out for the loans & advances and financing 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 borrowers account with the Bank. To cover unforeseen risks, which dry up the cash flows, additional tangible securities are taken such as real estate, cash margin or equity shares. The Bank implements guidelines on the acceptability of specific classes of collateral credit risk mitigation. The principal types of collaterals for loans & advances and financing are: - mortgages over properties; - charges over business assets such as premises, inventory and accounts receivable; and - charges over financial instruments such as debt securities and equity securities.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

All loans & advances and financing of the Bank are regularly monitored to ensure compliance with the stipulated repayment terms. Those loans & advances and financing are classified into 5 broad classification categories: Standard, Special Mention, Substandard, Doubtful, and Loss – as stipulated by Central Bank of Oman regulations and guidelines. Further, as mandated by IFRS 9, the loans & advances and financing, due from banks and investment debt securities are classified into stage 1, stage 2 and stage 3 based on criteria established by the Bank in line with the requirements of CBO.

Corporate and SME Credit

Corporate Credit review department is responsible for independent assessment and control of risks related to all corporate and Small and Medium Enterprise exposures. The credit risk associated with corporate loans is assessed based on analysis of customer and the industry in which it operates. The credit rating acts as a key factor in credit decisions at the time of approval and subsequent credit reviews. The department reviews and assesses credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews are also subject to same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries, grades etc, and deviations, if any are highlighted. The Bank has implemented Moody's Credit Lens model for risk rating of Corporate and SME borrowers. The Bank maintains an accurate and consistent corporate credit rating for all its customers.

In addition to formal annual credit risk reviews of each corporate facility, more frequent reviews are also undertaken for watch list accounts, early warning accounts, lower rated customers and public exposures. The Bank undertakes sector review of its exposure to real estate, construction, healthcare etc. A comprehensive review of the corporate credit portfolio is conducted on regular basis and presented to the Management Risk committee.

Retail Credit

Retail Credit review Division manages the credit risk in the retail portfolio. Credit facilities are offered to retail customers primarily based on Product Programs. A programmed lending approach contains standard risk acceptance criteria and loan processing practices in order to optimize the efficiency and risk/ reward of those portfolios.

Loan review mechanism

Loan Review Mechanism (LRM) is an effective tool for constantly evaluating the quality of loan portfolio and to assist in improving the credit administration quality. As mandated by CBO, the Bank has put in place a proper LRM, addressing the high value accounts taking into consideration qualitative criteria such as restricted accounts, risk ratings, high risk sectors like real estate, etc. The bank has an independent loan review division under Risk Management whose objective is to improve the quality of bank assets and to identify any potential deterioration in the book / asset quality. Moreover, the division evaluates the effectiveness and efficiency of credit approval process, review of credit assessment, evaluate portfolio quality etc. It reviews the portfolio credit risk independently and directly reports to the Board Compliance and Risk Committee.

(i) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. The Bank also, in limited circumstances and with proper justifications and specific approval from the Chief Risk Officer, does not treat certain events as significant increases in credit risk to continue classifying a financing exposure under Stage 1 (this is in line with CBO circular BM 1149). Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in overdue as defined by the CBO circular number BM 977 dated 25 September 2004. In addition, the Bank assesses the operational performance and financial position of the borrowers to consider downgrading the classification.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

(ii) Definition of default

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

The definition of default is aligned to CBO regulatory requirements. An instrument is considered to no longer be in default (i.e. to have been cured) when it doesn't meet the default criteria in line with requirements of CBO relevant circular to upgrade the customer from stage 3. Any upgrade is appropriately approved and validated by the internal audit department.

(iii) 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. The estimation and application of forward-looking information requires significant judgement.

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

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 assessed based on historical default experience. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration recent and forward looking economic forecasts under three scenarios (base case, bad case, and good case), historical economic data, and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates has been developed using internal historical data and relevant external market data.

(iv) Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD estimates are estimates at a certain date and are calculated using the banks internal default data.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

LGD is the likely loss, if there is a default. The bank estimates LGD parameters based on the Basel guidelines for corporate exposures and the history of recovery rates of claims against defaulted retail exposures, based on historical data. The Bank has applied a LGD of 0% on Government Development Bonds (GDB) & Treasury Bills (T-Bills) issued by Government of Oman which are classified as investments under Held to Collect & Held to Collect and Sale business model. The Bank has also applied a LGD of 0% on loans, advances and financing to customers aggregating to **₹** 250,825 thousand (Consolidated), **₹** 183,423 thousand (Parent); [(2024: **₹** 274,393 thousand (Consolidated), **₹** 191,350 thousand (Parent))] as of 31 December 2025 which are guaranteed by the Government of Oman or collateralized by way of bank deposits / cash margin.

EAD represents the expected exposure at the time of default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual year over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31 December 2025, the probabilities assigned to the base case, bad case and good case scenarios were in the ratio of 50%:22.50%:27.50% (2024: 55%:20%:25%) respectively.

(v) Credit risk profile

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the creditworthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits. Risk appetite/ Policy limits will also be set in terms of how much of exposure the Bank expects in various grade bands. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

In respect of corporate exposures, the Bank has adopted a risk rating framework having ten performing loan grades and three nonperforming loan grades. The Bank's internal Risk Rating (RR) risk rates a customer and to associate a default probability to each rating grade. The following table represents the credit risk rating and the internal classifications based on that grade.

In respect of retail exposures, the "performing loans" exposures include the retail accounts which are not delinquent by more than 90 days. For due from banks and money market placements, investment securities, the Bank uses the S&P external credit ratings.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(v) Credit risk grading

The internal ratings map as follows:

Internal rating grade	Internal classification
Performing portfolio	
Rating grade 1 to 5	Standard
Rating grade 6 to 9	Satisfactory
Rating grade 10	High risk
Non-performing portfolio	
SS	Sub-standard
DD	Doubtful
LS	Loss

The credit risk profile, based on internal credit rating grades are as follows:

Consolidated 2025	Due from banks ﷼'000	Investment securities ﷼'000	Loans and advances including interest receivable ﷼'000	Credit related contingent items including acceptances ﷼'000
Stage 1 (12-month ECL):				
Standard	64,831	487,102	1,588,408	407,754
Satisfactory	8,736	-	1,351,150	243,956
High risk	-	-	127,350	96,557
Gross carrying amount	73,567	487,102	3,066,908	748,267
Stage 2 (Lifetime ECL but not credit-impaired):				
Standard	-	-	180,146	52,796
Satisfactory	-	-	146,114	22,501
High risk	-	-	348,260	27,929
Gross carrying amount	-	-	674,520	103,226
Stage 3 (Lifetime ECL and credit-impaired):				
Sub-Standard	-	-	21,816	-
Doubtful	-	-	19,861	2,012
Loss	-	-	174,457	3,741
Gross carrying amount	-	-	216,134	5,753
Provisions for impairment:				
Stage 1	53	287	9,426	934
Stage 2	-	-	88,690	358
Stage 3	-	-	139,429	2,834
Total	53	287	237,545	4,126



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(v) Credit risk profile

Consolidated 2024	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
	₹'000	₹'000	₹'000	₹'000
Stage 1 (12-month ECL)				
Standard	55,708	440,089	1,412,689	435,696
Satisfactory	11,551	-	1,276,654	183,763
High risk	-	-	167,119	172,896
Gross carrying amount	67,259	440,089	2,856,462	792,355
Stage 2 (Lifetime ECL but not credit-impaired)				
Standard	-	-	134,600	14,698
Satisfactory	-	-	151,872	34,775
High risk	-	-	372,858	20,916
Gross carrying amount	-	-	659,330	70,389
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	4,593	10
Doubtful	-	-	10,880	5
Loss	-	-	194,401	3,731
Gross carrying amount	-	-	209,874	3,746
Provisions for impairment:				
Stage 1	37	173	8,090	670
Stage 2	-	-	83,969	387
Stage 3	-	-	142,736	2,761
Total	37	173	234,795	3,818



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(v) Credit risk profile

Parent Company	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
2025	﷮'000	﷮'000	﷮'000	﷮'000
Stage 1 (12-month ECL)				
Standard	53,481	336,049	672,044	193,097
Satisfactory	8,736	-	1,253,111	241,326
High risk	-	-	102,946	95,804
Gross carrying amount	62,217	336,049	2,028,101	530,227
Stage 2 (Lifetime ECL but not credit-impaired)				
Standard	-	-	92,907	52,673
Satisfactory	-	-	130,158	22,448
High risk	-	-	279,928	26,596
Gross carrying amount	-	-	502,993	101,717
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	20,817	-
Doubtful	-	-	12,201	2,012
Loss	-	-	131,032	3,717
Gross Carrying amount	-	-	164,050	5,729
Provisions for impairment:				
Stage 1	9	223	6,586	549
Stage 2	-	-	69,678	339
Stage 3	-	-	105,140	2,818
Total	9	223	181,404	3,706



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(v) Credit risk profile

Parent Company	Due from banks	Investment securities	Loans and advances including interest receivable	Credit related contingent items including acceptances
2024	₹'000	₹'000	₹'000	₹'000
Stage 1 (12-month ECL)				
Standard	54,355	320,654	595,836	269,281
Satisfactory	11,551	-	1,179,341	176,305
High risk	-	-	132,705	160,104
Gross carrying amount	65,906	320,654	1,907,882	605,690
Stage 2 (Lifetime ECL but not credit-impaired)				
Standard	-	-	43,943	14,117
Satisfactory	-	-	142,255	34,248
High risk	-	-	320,333	20,758
Gross carrying amount	-	-	506,531	69,123
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	2,755	-
Doubtful	-	-	6,886	5
Loss	-	-	150,917	3,704
Gross carrying amount	-	-	160,558	3,709
Provisions for impairment:				
Stage 1	30	134	4,831	440
Stage 2	-	-	67,761	347
Stage 3	-	-	111,702	2,741
Total	30	134	184,294	3,528

(vi) Economic variable assumptions

The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2025.

2025	ECL scenario and assigned weightage	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth (% change)	Base (50%)	1.19%	1.49%	1.81%	2.14%	2.34%
	Good (27.5%)	1.19%	3.79%	3.88%	3.94%	4.00%
	Bad (22.5%)	1.19%	-0.14%	0.16%	0.42%	0.60%
Investment (% of GDP)	Base (50%)	26.50%	27.50%	28.96%	30.43%	31.36%
	Good (27.5%)	26.50%	37.88%	38.28%	38.54%	38.81%
	Bad (22.5%)	26.50%	20.18%	21.51%	22.71%	23.51%
2024	ECL scenario and assigned weightage	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth (% change)	Base (55%)	5.19%	4.04%	4.09%	4.15%	4.12%
	Good (25%)	5.19%	6.28%	6.28%	6.28%	6.28%
	Bad (20%)	5.19%	2.98%	3.04%	3.07%	3.07%
Investment (% of GDP)	Base (55%)	23.50%	23.80%	22.30%	22.51%	22.72%
	Good (25%)	23.50%	23.80%	30.44%	30.44%	30.44%
	Bad (20%)	23.50%	23.80%	18.49%	18.70%	18.80%



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

(vi) Economic variable assumptions

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-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

40.1.1 Risk mitigation policies

The Bank manages limits and controls concentrations of credit risk – in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Risk Committee and Risk Management committee of the Board of Directors and the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as premises, inventory and accounts receivable
- lien on fixed deposits
- cash margins
- mortgages over residential and commercial properties
- pledge of marketable shares and securities

Management monitors the market value of collateral at regular intervals and requests additional collateral in accordance with the underlying agreement in case of shortfall. The Bank also periodically reviews the collateral cover for determining the adequacy of the allowance for impairment losses. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting year and there has been no significant change in the overall quality of the collateral held by the Bank since last year.

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



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.1 Risk mitigation policies

(b) Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The relationship managers remain in close contact with the borrowers. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Credit Review Division.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The concentration of credit related commitments by industry sector at the year-end is set out in note 40.1.2(g).

An analysis of the loans and advances for which collaterals or other credit enhancements are held is as follows:

	Performing loans (neither past due nor impaired)	Loans past due and not impaired	Non- performing loans	Total
2025	₹'000	₹'000	₹'000	₹'000
Consolidated				
Value of collateral available against loans and advances	1,245,171	148,002	65,147	1,458,320
Percentage of exposure with collateral and guarantees	38%	30%	30%	37%
Parent Company	₹'000	₹'000	₹'000	₹'000
Value of collateral available against loans and advances	1,054,444	63,556	44,725	1,162,725
Percentage of exposure with collateral and guarantees	48%	19%	27%	43%



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.1 Risk mitigation policies

(c) Credit-related commitments

	Performing loans (neither past due nor impaired)	Loans Past due and not impaired	Non- performing loans	Total
2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Consolidated				
Value of collateral available against loans and advances	1,096,843	228,428	56,404	1,381,675
Percentage of exposure with collateral and guarantees	36%	49%	27%	38%
Parent Company	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Value of collateral available against loans and advances	857,212	166,525	36,170	1,059,907
Percentage of exposure with collateral and guarantees	42%	49%	23%	41%

The analysis of gross exposure to credit risk before collateral held or other credit enhancements is as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Cash and balances with central bank	193,796	180,450	114,052	117,845
Due from banks	73,567	67,259	62,217	65,906
- Corporate loans	2,526,624	2,366,479	1,812,621	1,701,785
- Personal loans	1,430,938	1,359,187	882,523	873,186
Loans and advances	3,957,562	3,725,666	2,695,144	2,574,971
Other assets	44,107	48,284	39,524	39,752
GDBs and Government Sukuk	307,081	289,295	210,853	200,860
Corporate bonds	97,350	70,069	42,525	39,069
Other investments	98,348	91,129	94,353	88,624
Items on the statement of financial position	4,771,811	4,472,152	3,258,668	3,127,027
Letters of credit	130,283	195,730	29,968	100,496
Guarantees	200,840	181,309	140,162	138,027
Off-Balance sheet items	331,123	377,039	170,130	238,523



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(a) The analysis of due from banks is as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Neither past due nor impaired	73,567	67,259	62,217	65,906
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross due from banks	73,567	67,259	62,217	65,906
Less: expected credit loss	(53)	(37)	(9)	(30)
Due from banks (net)	73,514	67,222	62,208	65,876

(b) The analysis of loans, advances and financing to customers is as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Neither past due nor impaired	3,245,444	3,049,360	2,194,081	2,074,330
Past due but not impaired	495,984	466,432	337,013	340,083
Impaired	216,134	209,874	164,050	160,558
Gross loans, advances and financing to customers	3,957,562	3,725,666	2,695,144	2,574,971
Less: allowances for credit losses and suspended interest	(237,545)	(234,795)	(181,404)	(184,294)
Loans, advances and financing to customers (net)	3,720,017	3,490,871	2,513,740	2,390,677

(c) Age analysis of loans and advances past due but not impaired is as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	₹'000	₹'000	₹'000	₹'000
Past due up to 30 days	315,629	374,307	193,632	295,834
Past due 31-60 days	76,257	29,998	64,200	13,493
Past due 61-89 days	104,098	62,127	79,181	30,756
Total past due but not impaired	495,984	466,432	337,013	340,083

Oman Arab Bank SAOG

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(c) Exposure at default and movement in the expected credit losses:

	Consolidated							
	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Exposure at default	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
- Loans and Advances to Customers including interest receivables	3,066,908	674,520	216,134	3,957,562	2,856,462	659,330	209,874	3,725,666
- Investment Securities (Debt)	487,102	-	-	487,102	440,089	-	-	440,089
- Loan Commitments, financial guarantees and acceptances	748,267	103,226	5,753	857,246	792,355	70,389	3,746	866,490
- Due from Banks, Central Banks and Other Financial Assets	73,567	-	-	73,567	67,259	-	-	67,259
Exposure subject to ECL	4,375,844	777,746	221,887	5,375,477	4,156,165	729,719	213,620	5,099,504
Movement of ECL	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
- Loans and Advances to Customers including interest receivables	8,090	72,413	100,089	180,592	9,641	59,745	104,961	174,347
- Investment Securities (Debt)	173	-	-	173	280	-	-	280
- Loan Commitments, financial guarantees and acceptances	670	387	2,761	3,818	482	72	3,082	3,636
- Due from Banks, Central Banks and Other Financial Assets	37	-	-	37	115	-	-	115
Opening balance as at 1 January	8,970	72,800	102,850	184,620	10,518	59,817	108,043	178,378
- Loans and Advances to Customers including interest receivables	(1,116)	(6,226)	7,342	-	(3,561)	(3,102)	6,663	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(75)	75	-	-	(36)	36	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	(1,191)	(6,151)	7,342	-	(3,597)	(3,066)	6,663	-
- Loans and Advances to Customers including interest receivables	2,452	6,349	13,666	22,467	2,010	15,770	367	18,147
- Investment Securities (Debt)	114	-	-	114	(107)	-	-	(107)
- Loan Commitments, financial guarantees and acceptances	339	(104)	73	308	224	279	(321)	182
- Due from Banks, Central Banks and Other Financial Assets	16	-	-	16	(78)	-	-	(78)
Charge for the year (net)	2,921	6,245	13,739	22,905	2,049	16,049	46	18,144
Write Off	-	-	(18,421)	(18,421)	-	-	(11,902)	(11,902)
- Loans and Advances to Customers including interest receivables	9,426	72,536	102,676	184,638	8,090	72,413	100,089	180,592
- Investment Securities (Debt)	287	-	-	287	173	-	-	173
- Loan Commitments, financial guarantees and acceptances	934	358	2,834	4,126	670	387	2,761	3,818
- Due from Banks, Central Banks and Other Financial Assets	53	-	-	53	37	-	-	37
Closing balance as at 31 December	10,700	72,894	105,510	189,104	8,970	72,800	102,850	184,620

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(c) Exposure at default and movement in the expected credit losses:

	Parent Company							
	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Exposure at default	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
- Loans and Advances to Customers including interest receivables	2,028,101	502,993	164,050	2,695,144	1,907,882	506,531	160,558	2,574,971
- Investment Securities (Debt)	336,049	-	-	336,049	320,654	-	-	320,654
- Loan Commitments, financial guarantees and acceptances	530,227	101,717	5,729	637,673	605,690	69,123	3,709	678,522
- Due from Banks, Central Banks and Other Financial Assets	62,217	-	-	62,217	65,906	-	-	65,906
Exposure subject to ECL	2,956,594	604,710	169,779	3,731,083	2,900,132	575,654	164,267	3,640,053
Movement of ECL	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
- Loans and Advances to Customers including interest receivables	4,831	57,522	73,435	135,788	6,886	47,966	78,700	133,552
- Investment Securities (Debt)	134	-	-	134	258	-	-	258
- Loan Commitments, financial guarantees and acceptances	440	347	2,741	3,528	305	33	3,001	3,339
- Due from Banks, Central Banks and Other Financial Assets	30	-	-	30	94	-	-	94
Opening balance as at 1 January	5,435	57,869	76,176	139,480	7,543	47,999	81,701	137,243
- Loans and Advances to Customers including interest receivables	579	(4,666)	4,087	-	(2,452)	(2,594)	5,046	-
- Investment Securities (Debt)	-	-	-	-	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(75)	75	-	-	(38)	38	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-	-	-	-	-
Net transfer between stages	504	(4,591)	4,087	-	(2,490)	(2,556)	5,046	-
- Loans and Advances to Customers including interest receivables	1,176	2,951	14,130	18,257	397	12,150	1,591	14,138
- Investment Securities (Debt)	89	-	-	89	(124)	-	-	(124)
- Loan Commitments, financial guarantees and acceptances	184	(83)	77	178	173	276	(260)	189
- Due from Banks, Central Banks and Other Financial Assets	(21)	-	-	(21)	(64)	-	-	(64)
Charge for the year (net)	1,428	2,868	14,207	18,503	382	12,426	1,331	14,139
Write Off	-	-	(18,421)	(18,421)	-	-	(11,902)	(11,902)
- Loans and Advances to Customers including interest receivables	6,586	55,807	73,231	135,624	4,831	57,522	73,435	135,788
- Investment Securities (Debt)	223	-	-	223	134	-	-	134
- Loan Commitments, financial guarantees and acceptances	549	339	2,818	3,706	440	347	2,741	3,528
- Due from Banks, Central Banks and Other Financial Assets	9	-	-	9	30	-	-	30
Closing balance as at 31 December	7,367	56,146	76,049	139,562	5,435	57,869	76,176	139,480

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(d) Impairment charge and provisions held:

	Consolidated					
	2025			2024		
	As per CBO Norms	As per IFRS 9	Difference	As per CBO Norms	As per IFRS 9	Difference
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Impairment loss charged to profit or loss account	22,905	22,905	-	18,144	18,144	-
Provisions required as per CBO norms/held as per IFRS 9	212,929	189,104	(23,825)	201,405	184,620	(16,785)
Gross NPL ratio ¹	5.46%	5.46%			5.63%	
Net NPL ratio ¹	1.28%	2.01%			1.87%	

	Parent Company					
	2025			2024		
	As per CBO Norms	As per IFRS 9	Difference	As per CBO Norms	As per IFRS 9	Difference
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Impairment loss charged to profit or loss account	18,503	18,503	-	14,139	14,139	-
Provisions required as per CBO norms/held as per IFRS 9	163,419	139,562	(23,857)	156,279	139,480	(16,799)
Gross NPL ratio ¹	6.09%	6.09%			6.24%	
Net NPL ratio ¹	1.49%	2.27%			1.98%	

1. NPL ratios are calculated on the basis of funded non-performing loans and funded exposures.

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(e) Comparison of provision held as per IFRS 9 and required as per CBO guidelines

Consolidated								
Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms¹	Net Amount as per IFRS 9
2025		﷌'000	﷌'000	﷌'000	﷌'000	﷌'000	﷌'000	﷌'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	3,064,633	36,402	9,367	27,035	-	3,028,231	3,055,266
	Stage 2	280,570	2,720	5,697	(2,977)	-	277,850	274,873
	Stage 3	-	-	-	-	-	-	-
	Sub-total	3,345,203	39,122	15,064	24,058	-	3,306,081	3,330,139
Special Mention	Stage 1	2,275	11	59	(48)	-	2,264	2,216
	Stage 2	393,950	42,908	66,839	(23,931)	16,154	334,888	310,957
	Stage 3	-	-	-	-	-	-	-
	Sub-total	396,225	42,919	66,898	(23,979)	16,154	337,152	313,173
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	21,816	5,370	5,225	145	485	15,961	16,106
	Sub-total	21,816	5,370	5,225	145	485	15,961	16,106
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	19,861	10,473	8,590	1,883	327	9,061	10,944
	Sub-total	19,861	10,473	8,590	1,883	327	9,061	10,944
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	174,457	115,035	88,861	26,174	35,941	23,481	49,655
	Sub-total	174,457	115,035	88,861	26,174	35,941	23,481	49,655
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,308,936	-	1,274	(1,274)	-	1,308,936	1,307,662
	Stage 2	103,226	-	358	(358)	-	103,226	102,868
	Stage 3	5,753	10	2,834	(2,824)	-	5,743	2,919
	Sub-total	1,417,915	10	4,466	(4,456)	-	1,417,905	1,413,449
Total	Stage 1	4,375,844	36,413	10,700	25,713	-	4,339,431	4,365,144
	Stage 2	777,746	45,628	72,894	(27,266)	16,154	715,964	688,698
	Stage 3	221,887	130,888	105,510	25,378	36,753	54,246	79,624
	Total	5,375,477	212,929	189,104	23,825	52,907	5,109,641	5,133,466

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(e) Comparison of provision held as per IFRS 9 and required as per CBO guidelines

Consolidated								
Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms ¹	Net Amount as per IFRS 9
2024		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	2,857,570	33,990	8,090	25,900	-	2,823,580	2,849,480
	Stage 2	290,396	2,891	9,208	(6,317)	-	287,505	281,188
	Stage 3	-	-	-	-	-	-	-
	Sub-total	3,147,966	36,881	17,298	19,583	-	3,111,085	3,130,668
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	368,934	37,722	63,205	(25,483)	11,556	319,656	294,173
	Stage 3	-	-	-	-	-	-	-
	Sub-total	368,934	37,722	63,205	(25,483)	11,556	319,656	294,173
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,594	1,151	1,464	(313)	73	3,370	3,057
	Sub-total	4,594	1,151	1,464	(313)	73	3,370	3,057
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	10,880	3,138	2,591	547	422	7,320	7,867
	Sub-total	10,880	3,138	2,591	547	422	7,320	7,867
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	194,400	122,498	96,034	26,464	42,152	29,750	56,214
	Sub-total	194,400	122,498	96,034	26,464	42,152	29,750	56,214
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,299,703	-	880	(880)	-	1,299,703	1,298,823
	Stage 2	70,389	-	387	(387)	-	70,389	70,002
	Stage 3	3,746	15	2,761	(2,746)	-	3,731	985
	Sub-total	1,373,838	15	4,028	(4,013)	-	1,373,823	1,369,810
Total	Stage 1	4,157,273	33,990	8,970	25,020	-	4,123,283	4,148,303
	Stage 2	729,719	40,613	72,800	(32,187)	11,556	677,550	645,363
	Stage 3	213,620	126,802	102,850	23,952	42,647	44,171	68,123
	Total	5,100,612	201,405	184,620	16,785	54,203	4,845,004	4,861,789

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(e) Comparison of provision held as per IFRS 9 and required as per CBO guidelines

Parent Company								
Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms ¹	Net Amount as per IFRS 9
2025		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	2,025,826	25,657	6,527	19,130	-	2,000,169	2,019,299
	Stage 2	247,447	2,383	3,845	(1,462)	-	245,064	243,602
	Stage 3	-	-	-	-	-	-	-
	Sub-total	2,273,273	28,040	10,372	17,668	-	2,245,233	2,262,901
Special Mention	Stage 1	2,275	11	59	(48)	-	2,264	2,216
	Stage 2	255,546	41,587	51,962	(10,375)	13,871	200,088	189,713
	Stage 3	-	-	-	-	-	-	-
	Sub-total	257,821	41,598	52,021	(10,423)	13,871	202,352	191,929
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	20,817	5,120	5,086	34	483	15,214	15,248
	Sub-total	20,817	5,120	5,086	34	483	15,214	15,248
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	12,201	6,923	5,829	1,094	209	5,069	6,163
	Sub-total	12,201	6,923	5,829	1,094	209	5,069	6,163
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	131,032	81,738	62,316	19,422	31,217	18,077	37,499
	Sub-total	131,032	81,738	62,316	19,422	31,217	18,077	37,499
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	928,493	-	781	(781)	-	928,493	927,712
	Stage 2	101,717	-	339	(339)	-	101,717	101,378
	Stage 3	5,729	-	2,818	(2,818)	-	5,729	2,911
	Sub-total	1,035,939	-	3,938	(3,938)	-	1,035,939	1,032,001
Total	Stage 1	2,956,594	25,668	7,367	18,301	-	2,930,926	2,949,227
	Stage 2	604,710	43,970	56,146	(12,176)	13,871	546,869	534,693
	Stage 3	169,779	93,781	76,049	17,732	31,909	44,089	61,821
	Total	3,731,083	163,419	139,562	23,857	45,780	3,521,884	3,545,741

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025



40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.2 Credit Risk Analysis

(e) Comparison of provision held as per IFRS 9 and required as per CBO guidelines

Parent Company								
Asset Classification as per CBO Norms	Asset classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms ¹	Net Amount as per IFRS 9
2024		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Standard	Stage 1	1,907,883	24,523	4,831	19,692	-	1,883,360	1,903,052
	Stage 2	237,834	2,353	5,425	(3,072)	-	235,481	232,409
	Stage 3	-	-	-	-	-	-	-
	Sub-total	2,145,717	26,876	10,256	16,620	-	2,118,841	2,135,461
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	268,697	36,707	52,097	(15,390)	10,239	221,751	206,361
	Stage 3	-	-	-	-	-	-	-
	Sub-total	268,697	36,707	52,097	(15,390)	10,239	221,751	206,361
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	2,755	673	1,101	(428)	65	2,017	1,589
	Sub-total	2,755	673	1,101	(428)	65	2,017	1,589
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	6,886	2,428	1,917	511	421	4,037	4,548
	Sub-total	6,886	2,428	1,917	511	421	4,037	4,548
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	150,917	89,595	70,417	19,178	37,781	23,541	42,719
	Sub-total	150,917	89,595	70,417	19,178	37,781	23,541	42,719
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	992,250	-	604	(604)	-	992,250	991,646
	Stage 2	69,123	-	347	(347)	-	69,123	68,776
	Stage 3	3,709	-	2,741	(2,741)	-	3,709	968
	Sub-total	1,065,082	-	3,692	(3,692)	-	1,065,082	1,061,390
Total	Stage 1	2,900,133	24,523	5,435	19,088	-	2,875,610	2,894,698
	Stage 2	575,654	39,060	57,869	(18,809)	10,239	526,355	507,546
	Stage 3	164,267	92,696	76,176	16,520	38,267	33,304	49,824
	Total	3,640,054	156,279	139,480	16,799	48,506	3,435,269	3,452,068

1. The CBO regulations require that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirements as per the CBO guidelines are higher than IFRS 9, the difference, net of tax, needs to be transferred to the "Impairment Reserve" as an appropriation from net profit after tax. As at 31 December 2025, the allowance for credit losses as per CBO provision requirement after considering the impairment reserve held is above the allowance for credit losses held as per IFRS 9. Further, the provision/ECL amount held above is excluding the special reserve for restructured cases.

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**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(f) Restructured loans

Consolidated								
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms	Net Amount as per IFRS 9
2025		ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Classified as performing	Stage 1	59,264	620	372	248	-	58,644	58,892
	Stage 2	348,504	33,021	55,603	(22,582)	12,547	302,936	280,354
	Stage 3	-	-	-	-	-	-	-
	Sub-total	407,768	33,641	55,975	(22,334)	12,547	361,580	339,246
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	106,142	69,263	56,866	12,397	16,467	20,412	32,809
	Sub-total	106,142	69,263	56,866	12,397	16,467	20,412	32,809
Total	Stage 1	59,264	620	372	248	-	58,644	58,892
	Stage 2	348,504	33,021	55,603	(22,582)	12,547	302,936	280,354
	Stage 3	106,142	69,263	56,866	12,397	16,467	20,412	32,809
	Total	513,910	102,904	112,841	(9,937)	29,014	381,992	372,055
2024		ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Classified as performing	Stage 1	39,988	409	643	(234)	-	39,579	39,345
	Stage 2	352,889	29,222	54,938	(25,716)	9,506	314,161	288,445
	Stage 3	-	-	-	-	-	-	-
	Sub-total	392,877	29,631	55,581	(25,950)	9,506	353,740	327,790
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	81,724	54,380	42,476	11,904	13,656	13,688	25,592
	Sub-total	81,724	54,380	42,476	11,904	13,656	13,688	25,592
Total	Stage 1	39,988	409	643	(234)	-	39,579	39,345
	Stage 2	352,889	29,222	54,938	(25,716)	9,506	314,161	288,445
	Stage 3	81,724	54,380	42,476	11,904	13,656	13,688	25,592
	Total	474,601	84,011	98,057	(14,046)	23,162	367,428	353,382

Oman Arab Bank SAOG

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(f) Restructured loans

Parent Company								
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Reserve interest as per CBO norms	Net Amount as per CBO norms	Net Amount as per IFRS 9
2025		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Classified as performing	Stage 1	36,716	390	181	209	-	36,326	36,535
	Stage 2	216,559	31,764	41,249	(9,485)	10,263	174,532	165,047
	Stage 3	-	-	-	-	-	-	-
	Sub-total	253,275	32,154	41,430	(9,276)	10,263	210,858	201,582
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	82,227	54,051	45,832	8,219	14,602	13,574	21,793
	Sub-total	82,227	54,051	45,832	8,219	14,602	13,574	21,793
Total	Stage 1	36,716	390	181	209	-	36,326	36,535
	Stage 2	216,559	31,764	41,249	(9,485)	10,263	174,532	165,047
	Stage 3	82,227	54,051	45,832	8,219	14,602	13,574	21,793
	Total	335,502	86,205	87,262	(1,057)	24,865	224,432	223,375
2024		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
		(1)	(2)	(3)	(4) = (2)-(3)	(7)	(8) = (1)-(2)-(7)	(9) = (1)-(3)-(7)
Classified as performing	Stage 1	6	0	0	0	-	6	6
	Stage 2	239,554	28,073	43,106	(15,033)	8,189	203,292	188,259
	Stage 3	-	-	-	-	-	-	-
	Sub-total	239,560	28,073	43,106	(15,033)	8,189	203,298	188,259
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	60,833	41,723	34,131	7,592	12,335	6,775	14,367
	Sub-total	60,833	41,723	34,131	7,592	12,335	6,775	14,367
Total	Stage 1	6	-	-	-	-	6	6
	Stage 2	239,554	28,073	43,106	(15,033)	8,189	203,292	188,259
	Stage 3	60,833	41,723	34,131	7,592	12,335	6,775	14,367
	Total	300,393	69,796	77,237	(7,441)	20,524	210,073	202,632

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis
(g) Concentration of risk

Concentrations risk is the potential loss in value when a number of counterparties or exposures move together in unfavourable direction. They may have comparable economic characteristics, or are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of credit risk with individuals or group of counterparties in specific locations or businesses. It also obtains appropriate security.

The concentration of gross exposures by sector is as follows:

	Consolidated							
	2025				2024			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Personal	-	1,430,938	-	-	-	1,359,187	-	-
Corporate	73,567	2,526,617	111,459	257,717	67,259	2,366,467	80,473	298,601
Government	-	7	391,320	73,406	-	12	370,020	78,438
Total	73,567	3,957,562	502,779	331,123	67,259	3,725,666	450,493	377,039

	Parent Company							
	2025				2024			
	Due from banks	Loans and advances	Investment securities	Contingent liabilities	Due from banks	Loans and advances	Investment securities	Contingent liabilities
By sector	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Personal	-	882,523	-	-	-	873,186	-	-
Corporate	62,217	1,812,614	54,207	169,665	65,906	1,701,773	46,968	233,026
Government	-	7	293,524	465	-	12	281,585	5,497
Total	62,217	2,695,144	347,731	170,130	65,906	2,574,971	328,553	238,523

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(g) Concentration of risk

The concentration of net exposures by location is as follows:

Consolidated 2025	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Cash and balances with central bank	193,796	-	-	-	-	193,796
Due from banks	26,180	8,617	9,232	18,595	10,890	73,514
Loans and advances	3,720,017	-	-	-	-	3,720,017
Investment securities	452,051	11,698	-	-	38,743	502,492
Intangible assets	5,970	-	-	-	-	5,970
Other assets	51,621	-	-	-	-	51,621
Property and equipment	39,573	-	-	-	-	39,573
Total assets	4,489,208	20,315	9,232	18,595	49,633	4,586,983
Due to banks	10,483	11,203	802	-	901	23,389
Customer deposits	3,774,537	-	-	-	-	3,774,537
Borrowed funds	-	57,750	-	-	-	57,750
Other liabilities	75,174	-	-	-	-	75,174
Taxation	14,951	-	-	-	-	14,951
Total liabilities	3,875,145	68,953	802	-	901	3,945,801

Consolidated 2024	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Cash and balances with central bank	180,450	-	-	-	-	180,450
Due from banks	-	32,543	13,712	15,465	5,502	67,222
Loans and advances	3,490,871	-	-	-	-	3,490,871
Investment securities	420,111	10,748	-	-	19,461	450,320
Intangible assets	6,280	-	-	-	-	6,280
Other assets	56,639	-	-	-	-	56,639
Property and equipment	39,586	-	-	-	-	39,586
Total assets	4,193,937	43,291	13,712	15,465	24,963	4,291,368
Due to banks	17,882	25,080	556	-	11,081	54,599
Customer deposits	3,571,692	-	-	-	-	3,571,692
Borrowed funds	-	9,625	-	-	-	9,625
Other liabilities	79,543	-	-	-	-	79,543
Taxation	10,145	-	-	-	-	10,145
Total liabilities	3,679,262	34,705	556	-	11,081	3,725,604

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(g) Concentration of risk

Parent Company 2025	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	﷮'000	﷮'000	﷮'000	﷮'000	﷮'000	﷮'000
Cash and balances with central bank	114,052	-	-	-	-	114,052
Due from banks	26,180	3,987	4,958	16,220	10,863	62,208
Loans and advances	2,513,740	-	-	-	-	2,513,740
Investment securities	347,265	-	-	-	243	347,508
Investment in subsidiary	145,941	-	-	-	-	145,941
Other assets	45,502	-	-	-	-	45,502
Property and equipment	32,797	-	-	-	-	32,797
Total assets	3,225,477	3,987	4,958	16,220	11,106	3,261,748
Due to banks	10,483	11,102	802	-	469	22,856
Customer deposits	2,494,703	-	-	-	-	2,494,703
Borrowed funds	-	57,750	-	-	-	57,750
Other liabilities	61,886	-	-	-	-	61,886
Taxation	12,942	-	-	-	-	12,942
Total liabilities	2,580,014	68,852	802	-	469	2,650,137

Parent Company 2024	Sultanate of Oman	Other GCC countries	Europe	United States of America	Others	Total
	﷮'000	﷮'000	﷮'000	﷮'000	﷮'000	﷮'000
Cash and balances with central bank	117,845	-	-	-	-	117,845
Due from banks	15,400	18,864	13,424	12,686	5,502	65,876
Loans and advances	2,390,677	-	-	-	-	2,390,677
Investment securities	328,209	-	-	-	210	328,419
Investment in subsidiary	135,095	-	-	-	-	135,095
Other assets	46,088	-	-	-	-	46,088
Property and equipment	34,254	-	-	-	-	34,254
Total assets	3,067,568	18,864	13,424	12,686	5,712	3,118,254
Due to banks	8,821	10,835	556	-	11,081	31,293
Customer deposits	2,467,307	-	-	-	-	2,467,307
Borrowed funds	-	9,625	-	-	-	9,625
Other liabilities	64,965	-	-	-	-	64,965
Taxation	9,181	-	-	-	-	9,181
Total liabilities	2,550,274	20,460	556	-	11,081	2,582,371

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis
(g) Concentration of risk

The concentration of the gross loans, advances and financings by economic sector is as follows:

	Consolidated				Parent Company			
	2025		2024		2025		2024	
	ﷲ'000	%	ﷲ'000	%	ﷲ'000	%	ﷲ'000	%
Personal loans	1,376,654	35%	1,326,861	36%	882,523	33%	873,186	34%
Construction	247,438	6%	263,571	7%	201,487	7%	220,714	9%
Manufacturing	390,019	10%	281,510	8%	290,951	11%	215,942	8%
Mining and quarrying	194,251	5%	191,965	5%	117,171	4%	161,632	6%
Services	394,736	10%	373,790	10%	275,730	10%	182,673	7%
Import trade	20,618	1%	23,330	1%	-	0%	-	0%
Transportation	295,974	7%	272,866	7%	198,859	7%	244,230	9%
Electricity, water & gas	113,754	3%	154,374	4%	78,095	3%	98,915	4%
Wholesale and retail trade	251,314	6%	206,170	6%	192,337	7%	162,210	6%
Financial institutions	396,378	10%	259,926	7%	349,770	13%	214,192	8%
Agriculture and allied activities	32,901	1%	18,571	0%	10,918	0%	5,852	0%
Export trade	-	0%	26	0%	-	0%	26	0%
Government	7	0%	12	0%	7	0%	12	0%
Lending to non-residents	8,214	0%	2,129	0%	6,327	0%	197	0%
Others	235,304	6%	350,565	9%	90,969	5%	195,190	9%
Total	3,957,562	100%	3,725,666	100%	2,695,144	100%	2,574,971	100%

The concentration of contingent liabilities by economic sector is as follows:

	Consolidated				Parent Company			
	2025		2024		2025		2024	
	ﷲ'000	%	ﷲ'000	%	ﷲ'000	%	ﷲ'000	%
Construction	32,375	10%	59,015	16%	19,339	11%	48,155	20%
Utilities	663	0%	1,059	0%	663	0%	1,059	0%
Financial Institutions	85,549	26%	113,281	30%	84,193	50%	113,271	48%
Government	73,406	22%	78,438	21%	465	0%	5,497	2%
Import trade	769	0%	5,906	2%	769	1%	5,906	3%
Transportation	5,080	2%	1,826	0%	4,532	3%	1,287	1%
Wholesale and retail trade	17,275	5%	13,742	4%	14,575	9%	9,563	4%
Services	71,195	22%	70,516	19%	12,505	7%	31,035	12%
Manufacturing	34,040	10%	20,568	5%	31,139	18%	17,990	8%
Mining & Quarrying	10,771	3%	12,688	3%	1,950	1%	4,760	2%
Total	331,123	100%	377,039	100%	170,130	100%	238,523	100%

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.2 Credit Risk Analysis

(h) Stage wise movement of loans portfolio

Consolidated 2025	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
Balance at the beginning of the year	2,856,462	659,330	209,874	3,725,666
Additions (new accounts)	872,094	196,906	14,376	1,083,376
Repaid / derecognized facilities	(609,127)	(198,394)	(10,850)	(818,371)
Transfer to Stage 1	65,831	(65,690)	(141)	-
Transfer to Stage 2	(114,270)	130,808	(16,538)	-
Transfer to Stage 3	(4,082)	(48,440)	52,522	-
Written off including transfer to memorandum accounts	-	-	(33,109)	(33,109)
Balance at the end of the year	3,066,908	674,520	216,134	3,957,562

Consolidated 2024	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
Balance at the beginning of the year	2,780,748	549,171	206,547	3,536,466
Additions (new accounts)	771,644	210,596	15,325	997,565
Repaid / derecognized facilities	(629,109)	(150,403)	(9,464)	(788,976)
Transfer to Stage 1	31,287	(30,945)	(342)	-
Transfer to Stage 2	(94,133)	102,991	(8,858)	-
Transfer to Stage 3	(3,975)	(22,080)	26,055	-
Written off including transfer to memorandum accounts	-	-	(19,389)	(19,389)
Balance at the end of the year	2,856,462	659,330	209,874	3,725,666

Parent 2025	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
Balance at the beginning of the year	1,907,882	506,531	160,558	2,574,971
Additions (new accounts)	762,405	190,324	14,376	967,105
Repaid / derecognized facilities	(611,907)	(195,870)	(6,046)	(813,823)
Transfer to Stage 1	59,684	(59,684)	-	-
Transfer to Stage 2	(86,787)	101,890	(15,103)	-
Transfer to Stage 3	(3,176)	(40,198)	43,374	-
Written off including transfer to memorandum accounts	-	-	(33,109)	(33,109)
Balance at the end of the year	2,028,101	502,993	164,050	2,695,144

Parent 2024	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
Balance at the beginning of the year	1,934,869	400,238	159,592	2,494,699
Additions (new accounts)	666,702	200,665	15,325	882,692
Repaid / derecognized facilities	(639,224)	(140,287)	(3,520)	(783,031)
Transfer to Stage 1	15,858	(15,858)	-	-
Transfer to Stage 2	(67,201)	75,760	(8,559)	-
Transfer to Stage 3	(3,122)	(13,987)	17,109	-
Written off including transfer to memorandum accounts	-	-	(19,389)	(19,389)
Balance at the end of the year	1,907,882	506,531	160,558	2,574,971



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.3 Regulatory relief and support for affected borrowers

(a) Impact on the portfolio

Corporate and SME Portfolio:

In line with the CBO guidelines vide letter ref. BSD/CB&FLCs/2021/004 dated November 18, 2021, the Bank has considered restructuring of all eligible accounts whose cash flows have been impacted by the COVID-19 situation and has backed by specific requests from the respective customers. For such cases, every review includes an assessment on whether the strain on cash flows observed are on account of the COVID impact or otherwise and in case these are identified to be otherwise, the accounts are suitably staged. With an aim to address the persistent challenges faced by Small & Medium Enterprises (SMEs), post covid, CBO re-opens the window to facilitate the restructuring / rescheduling of credit facilities for affected SME borrowers vide circular reference SDD/ CB & FLCs/2025/82 dated 27th March 2025. Based on this, the bank has restructured the facilities of certain borrowers and implemented on or before December 31, 2025 and maintained the continue the risk classification/ adequate provisions in accordance with this circular. Moreover, the Bank is maintaining the requisite ECL and special reserve based on CBO guidelines.

Retail Portfolio:

A considerable portion of Bank's retail portfolio comprises of Omani nationals employed in government sector. This retail segment is expected to largely remain shielded from job cuts and salary reductions. However, retail lending to private sector employees is expected be impact from such risk. The Bank had extended the deferment of payments for terminated retail borrowers in 2025, which is being extended until 2026 based on the CBO requirement to extend the deferment. Moreover, the Bank is maintaining the requisite ECL and special reserve based on CBO guidelines.

(b) Post-Model Adjustments and Overlays

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, Post-Model Adjustments (PMAs) and overlays are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Bank expects that post-model adjustments will be applied for the foreseeable future.

Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Bank's definition of PMAs because they are not calculated at a granular level through modelled analysis. The Bank has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments.

As at 31 December 2025, ECL held over and above the model by the Bank through management overlays amounts to ~~50,395~~ 50,395 thousand (consolidated), ~~42,166~~ 42,166 thousand (Parent Company) [2024: ~~48,803~~ 48,803 thousand (consolidated), ~~40,942~~ 40,942 thousand (Parent Company)] which are specifically allocated to certain stressed parties.

In determining above, the management has considered Investments as per percentage of GDP and Real GDP growth rate as the macroeconomic factors.

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.1 Credit risk
40.1.3 Regulatory relief and support for affected borrowers

(c) Accounting for modification gain/loss

In case of corporate customers, the Bank post the restructuring of the deferred exposures has computed the modification gain/loss by comparing the net present value of the restructured cash flows, which are discounted at the pre restructuring interest rates to the gross carrying value of the exposures. The Bank has determined that the modifications due to deferment of instalment and waiver of interest/profit allowed in line with CBO relaxation measures did not result in derecognition of financial assets. Further, the impact of day one modification gain/loss was accounted as part of impairment allowance.

(d) Stage-wise analysis of customers restructured under CBO window

The restructured/ rescheduled loans implemented as per CBO circular BSD/CB & FLCs/2021/004 dated 18 November 2021 - window for restructuring/ rescheduling of credit facilities for affected customers are also disclosed in the following table:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2025	₹'000	₹'000	₹'000	₹'000
Loans and financing receivables restructured under CBO window	56,766	197,595	-	254,361
ECL as per IFRS 9	272	18,371	-	18,643
ECL required as per CBO Circular under restructuring window	248	18,854	-	19,102

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2025	₹'000	₹'000	₹'000	₹'000
Loans and advances restructured under CBO window	36,602	97,791	-	134,393
ECL as per IFRS 9	107	5,750	-	5,857
ECL required as per CBO Circular under restructuring window	83	6,233	-	6,316

In addition to the ECL held above, the bank has utilised special reserve amounting to ₹ 2.4 million for restructured cases under CBO window.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.1 Credit risk

40.1.4 Loans and advances renegotiated

These arrangements include extended payment arrangements, deferral of payments and modification of interest rates. Following restructuring, a previously deferred loan account is reclassified as a normal loan and managed with other similar loans which are neither past due nor impaired. The restructuring arrangements are based on the criteria and indicators which in the judgement of the management will indicate that the payment will most likely continue.

The total restructured loans at 31 December 2025 amounted to **₹** 513,910 thousand (consolidated), **₹** 335,502 thousand (Parent Company); [2024: **₹** 474,601 thousand (consolidated), **₹** 300,393 thousand (Parent Company)].

40.1.5 Debt securities

The Bank's investments in debt securities are mainly in Government Development Bonds / Sukuks or treasury bills denominated in Rial Omani issued by the Government of Oman. The Bank also invests in debt securities issued by foreign sovereigns / Omani public sector enterprises based on their individual external credit rating. These investments are made to deploy the surplus liquid funds with maximum return.

40.1.6 Sensitivity of ECL to future economic conditions

Followings are the scenario weightage considered by the Bank at Group level:

- Scenario weightings of 50%, 22.50%, 27.50% for Base, Bad and Good scenarios (2024: 55.00%, 20.00%, 25.00%);

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) excluding management overlays under IFRS 9 as at 31 December 2025 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	Consolidated		Parent Company	
	2025		2025	
	Required ECL	Impact on ECL	Required ECL	Impact on ECL
Sensitivity of impairment estimates	₹ '000	₹ '000	₹ '000	₹ '000
ECL on non-impaired loans under IFRS9	40,310	-	20,739	-
Simulations				
Good case - 100% weighted	28,140	11,871	13,482	7,257
Base case - 100% weighted	39,945	(142)	20,090	649
Bad case - 100% weighted	56,638	(17,116)	29,040	(8,301)

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**



40. FINANCIAL RISK MANAGEMENT

40.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced.

Asset Liability Committee (ALCO) of the Bank manages the liquidity position. In order to ensure that the Bank meets its financial obligations as and when they fall due, cash flow positions are closely monitored. Liquidity risk management ensures that the Bank has the ability, under varying levels of stress to efficiently and economically meet liquidity needs.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligation when due, under normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank has put in place an approved Contingency Liquidity Plan to facilitate management of liquidity. Liquidity risk is managed by the Bank through closely monitoring the liquidity gap against the limit fixed.

(a) Maturity profile

An analysis of the maturity profile based on the contractual maturities is as follows:

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.2 Liquidity risk
(a) Maturity profile

Consolidated 2025	On demand or within 3 months ﷲ'000	3 to 12 months ﷲ'000	Sub total ﷲ'000	1 to 5 Years ﷲ'000	Over 5 years ﷲ'000	Not tied to maturity ﷲ'000	Total ﷲ'000
Cash and balances with central bank	42,715	-	42,715	-	-	151,081	193,796
Due from banks	41,835	7,655	49,490	-	-	24,024	73,514
Loans and advances	340,978	341,168	682,146	1,350,763	1,508,741	178,367	3,720,017
Investment securities	120,323	49,516	169,839	197,564	121,716	13,373	502,492
Intangible assets	-	-	-	-	5,970	-	5,970
Other assets	1,667	4,161	5,828	-	-	45,793	51,621
Property and equipment	-	-	-	-	-	39,573	39,573
Total assets	547,518	402,500	950,018	1,548,327	1,636,427	452,211	4,586,983
Due to banks	15,230	35	15,265	-	-	8,124	23,389
Customer deposits	303,988	805,280	1,109,268	583,081	12,555	2,069,633	3,774,537
Borrowed funds	-	-	-	57,750	-	-	57,750
Other liabilities	492	-	492	-	-	74,682	75,174
Taxation	12,942	-	12,942	-	-	2,009	14,951
Total liabilities	332,652	805,315	1,137,967	640,831	12,555	2,154,448	3,945,801
Liquidity gap	214,866	(402,815)	(187,949)	907,496	1,623,872	(1,702,237)	641,182
Forward exchange contracts at notional amounts (note 38):							
- Purchase contracts	61,597	8,898	70,495	-	-	-	70,495
- Sale contracts	(61,579)	(8,883)	(70,462)	(8)	(8)	-	(70,478)
	18	15	33	(8)	(8)	-	17

Consolidated 2024	On demand or within 3 months ﷲ'000	3 to 12 months ﷲ'000	Sub total ﷲ'000	1 to 5 Years ﷲ'000	Over 5 years ﷲ'000	Not tied to maturity ﷲ'000	Total ﷲ'000
Cash and balances with central bank	81,672	-	81,672	-	-	98,778	180,450
Due from banks	40,001	3,844	43,845	-	-	23,377	67,222
Loans and advances	427,154	309,699	736,853	979,362	1,653,160	121,496	3,490,871
Investment securities	105,020	16,350	121,370	225,855	92,689	10,406	450,320
Intangible assets	-	-	-	-	-	6,280	6,280
Other assets	2,262	3,942	6,204	-	-	50,435	56,639
Property and equipment	-	-	-	-	-	39,586	39,586
Total assets	656,109	333,835	989,944	1,205,217	1,745,849	350,358	4,291,368
Due to banks	31,603	8,850	40,453	-	-	14,146	54,599
Customer deposits	230,271	843,365	1,073,636	161,132	161,132	1,852,038	3,571,692
Borrowed funds	-	-	-	9,625	9,625	-	9,625
Other liabilities	389	-	389	118	-	79,036	79,543
Taxation	-	-	-	-	-	10,145	10,145
Total liabilities	262,263	852,215	1,114,478	485,004	170,757	1,955,365	3,725,604
Liquidity gap	393,846	(518,380)	(124,534)	720,213	1,575,092	(1,605,007)	565,764
Forward exchange contracts at notional amounts (note 38):							
- Purchase contracts	23,167	58,224	81,391	-	-	-	81,391
- Sale contracts	(23,158)	(58,198)	(81,356)	-	-	-	(81,356)
	9	26	35	-	-	-	35

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.2 Liquidity risk
(a) Maturity profile

Parent Company 2025	On demand or within 3 months Omani '000	3 to 12 months Omani '000	Sub total Omani '000	1 to 5 Years Omani '000	Over 5 years Omani '000	Not tied to maturity Omani '000	Total Omani '000
Cash and balances with central bank	-	-	-	-	-	114,052	114,052
Due from banks	38,184	-	38,184	-	-	24,024	62,208
Loans and advances	265,909	193,113	459,022	931,980	947,353	175,385	2,513,740
Investment securities	84,817	16,512	101,329	182,506	54,295	9,378	347,508
Investment in subsidiary	-	-	-	-	-	145,941	145,941
Other assets	1,391	3,135	4,526	-	-	40,976	45,502
Property and equipment	-	-	-	-	-	32,797	32,797
Total assets	390,301	212,760	603,061	1,114,486	1,001,648	542,553	3,261,748
Due to banks	14,732	-	14,732	-	-	8,124	22,856
Customer deposits	224,318	491,526	715,844	394,411	12,555	1,371,893	2,494,703
Borrowed funds	-	-	-	57,750	-	-	57,750
Other liabilities	492	-	492	-	-	61,394	61,886
Taxation	12,942	-	12,942	-	-	-	12,942
Total liabilities	252,484	491,526	744,010	452,161	12,555	1,441,411	2,650,137
Liquidity gap	137,817	(278,766)	(140,949)	662,325	989,093	(898,858)	611,611
Forward exchange contracts at notional amounts (note 38):							
- Purchase contracts	61,597	8,898	70,495	-	-	-	70,495
- Sale contracts	(61,579)	(8,883)	(70,462)	(8)	(8)	-	(70,478)
	18	15	33	(8)	(8)	-	17

Parent Company 2024	On demand or within 3 months Omani '000	3 to 12 months Omani '000	Sub total Omani '000	1 to 5 Years Omani '000	Over 5 years Omani '000	Not tied to maturity Omani '000	Total Omani '000
Cash and balances with central bank	52,450	-	52,450	-	-	65,395	117,845
Due from banks	42,499	-	42,499	-	-	23,377	65,876
Loans and advances	334,886	182,238	517,124	623,524	1,131,382	118,647	2,390,677
Investment securities	85,000	8,353	93,353	191,510	35,655	7,901	328,419
Investment in subsidiary	-	-	-	-	-	135,095	135,095
Other assets	2,000	3,097	5,097	-	-	40,991	46,088
Property and equipment	-	-	-	-	-	34,254	34,254
Total assets	516,835	193,688	710,523	815,034	1,167,037	425,660	3,118,254
Due to banks	17,147	-	17,147	-	-	14,146	31,293
Customer deposits	210,806	636,326	847,132	286,700	109,755	1,223,720	2,467,307
Borrowed funds	-	-	-	-	9,625	-	9,625
Other liabilities	322	-	322	-	-	64,643	64,965
Taxation	-	-	-	-	-	9,181	9,181
Total liabilities	228,275	636,326	864,601	286,700	119,380	1,311,690	2,582,371
Liquidity gap	288,560	(442,638)	(154,078)	528,334	1,047,657	(886,030)	535,883
Forward exchange contracts at notional amounts (note 38):							
- Purchase contracts	23,167	58,224	81,391	-	-	-	81,391
- Sale contracts	(23,158)	(58,198)	(81,356)	-	-	-	(81,356)
	9	26	35	-	-	-	35

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.2 Liquidity risk
(a) Maturity profile

Consolidated 2025	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Future interest outflow	22,886	49,260	94,744	120,676	287,566
Future interest inflow	58,330	140,054	544,891	351,725	1,095,000
2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Future interest outflow	24,267	52,056	90,353	87,236	253,912
Future interest inflow	59,414	135,299	513,789	329,594	1,038,096

Parent Company 2025	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Future interest outflow	12,234	25,169	22,998	95,027	155,428
Future interest inflow	41,288	93,880	364,837	269,762	769,767
2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Future interest outflow	14,286	28,067	22,528	67,672	132,553
Future interest inflow	43,887	94,142	351,857	254,121	744,007

The following table below shows the contractual expiry of the Bank's contingent liabilities and commitments:

Consolidated 2025	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Letters of guarantee	51,027	43,828	48,524	57,461	200,840
Letters of credit	114,745	15,538	-	-	130,283
Total commitments and contingencies	165,772	59,366	48,524	57,461	331,123
2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Letters of guarantee	37,763	46,724	52,680	44,148	181,315
Letters of credit	182,678	12,237	809	-	195,724
Total commitments and contingencies	220,441	58,961	53,489	44,148	377,039

Parent Company 2025	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Letters of guarantee	34,385	22,901	25,415	57,461	140,162
Letters of credit	24,153	5,815	-	-	29,968
Total commitments and contingencies	58,538	28,716	25,415	57,461	170,130
2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Letters of guarantee	28,844	36,676	28,359	44,148	138,027
Letters of credit	92,797	6,890	809	-	100,496
Total commitments and contingencies	121,641	43,566	29,168	44,148	238,523

Due to the nature of the issued guarantee contracts, these instruments could be called earlier than the bucket under which reported.

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The details of Bank's capital commitments and unutilised loan commitments are disclosed in note 36.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.2 Liquidity risk

(b) Lending ratio

The lending ratio is a regulatory ratio which considers total loans and advances to customer deposits and capital. This ratio is monitored on daily basis and reported on monthly basis as per CBO guidelines. The Bank has internally set a conservative lending ratio benchmark which is lower than CBO lending ratio.

The maximum permissible lending ratio as at 31 December 2025 was 87.5% (2024: 92.5%). The Bank has reported following lending ratio for the year:

	Parent Company	
	2025	2024
Year end	86.22%	84.57%

(c) Basel III liquidity and funding ratios

The Bank also monitors Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The Bank has also laid down internal limits and are in compliance with the regulatory requirement as at 31 December 2025. An overview of the Basel III liquidity and funding ratios is provided in BASEL II - PILLAR III and BASEL III related disclosures. The LCR and NSFR ratios for the year ended 31 December 2025 are as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
LCR	158%	174%	173%	208%
NSFR	111%	110%	112%	111%

The above disclosed values for LCR are based on average of three-monthly data points.

40.3 Market risk

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are monitored by the Treasury Division and the Risk Management Department. Overall authority for market risk is vested with ALCO. The risk management function is responsible for development of detailed risk management policies (subject to approval by ALCO and Board Compliance and Risk Committee of the Board). The market risk policies are periodically reviewed to keep it up to date with the market developments. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

40.3.1 Equity Price risk

The Bank holds listed securities under both the categories "FVOCI" and "FVTPL" to take advantage of short-term capital market movements and manage liquidity. All investment securities present a risk of loss of capital. The Bank controls this risk through a careful selection of securities in accordance with Investment Management Policy approved by the Board. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Bank's market positions are reviewed periodically by the management.

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.3 Market risk

Bank's investments include equity securities which are publicly traded on the Muscat Stock Exchange (MSX). The Bank's equity and total comprehensive income at 31 December 2025 may decrease by 0.21% Consolidated and 0.16% Parent (2024 Consolidated – 0.15%, Parent – 0.11%) due to decrease by 10% in the MSX - 30 Index and the GCC market indices, with all the other variables held constant.

40.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest-based assets and liabilities that mature or re-price in a given year. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as its assets and liabilities are aligned for re-pricing in line with the risk appetite. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate with the objective of limiting the potential adverse effects on the Bank's profitability. The Bank's exposure to the interest rate risks is summarised below. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

Consolidated 2025	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non- interest bearing	Total
	%	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Cash and balances with central bank	1.50%	32,340	-	-	-	500	160,956	193,796
Due from banks	4.31%	38,184	-	7,656	-	-	27,674	73,514
Loans and advances	5.62%	1,578,940	566,491	425,270	464,028	685,288	-	3,720,017
Investment securities	5.16%	124,095	7,334	42,182	197,564	117,945	13,372	502,492
Intangible assets	-	-	-	-	-	-	5,970	5,970
Other assets	-	-	-	-	-	-	51,621	51,621
Property and equipment	-	-	-	-	-	-	39,573	39,573
Total assets		1,773,559	573,825	475,108	661,592	803,733	299,166	4,586,983
Due to banks	3.73%	14,732	35	-	-	-	8,622	23,389
Customer deposits	3.40%	1,525,925	357,667	389,323	489,028	12,455	1,000,139	3,774,537
Borrowed funds	5.07%	-	-	-	57,750	-	-	57,750
Other liabilities	-	-	-	-	-	-	75,174	75,174
Taxation	-	-	-	-	-	-	14,951	14,951
Total liabilities		1,540,657	357,702	389,323	546,778	12,455	1,112,456	3,959,371
Total interest sensitivity gap		232,902	216,123	85,785	114,814	791,278	(813,290)	627,612
Cumulative interest sensitivity gap		232,902	449,025	534,810	649,624	1,440,902	627,612	



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.3 Market risk

40.3.2 Interest rate risk

Consolidated 2024	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non- interest bearing	Total
	%	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Cash and balances with central bank	1.50%	18,480	-	-	-	500	161,470	180,450
Due from banks	5.29%	43,815	-	-	-	-	23,407	67,222
Loans and advances	5.64%	725,507	1,357,255	438,010	846,567	123,532	-	3,490,871
Investment securities	5.35%	105,877	6,980	10,225	87,122	229,710	10,406	450,320
Intangible assets	-	-	-	-	-	-	6,280	6,280
Other assets	-	-	-	-	-	-	56,639	56,639
Property and equipment	-	-	-	-	-	-	39,586	39,586
Total assets		893,679	1,364,235	448,235	933,689	353,742	297,788	4,291,368
Due to banks	4.38%	40,453	-	-	-	-	14,146	54,599
Customer deposits	3.65%	1,350,616	263,616	636,129	245,518	129,583	946,230	3,571,692
Borrowed funds	4.83%	-	-	-	-	9,625	-	9,625
Other liabilities	-	-	-	-	-	-	79,543	79,543
Taxation	-	-	-	-	-	-	10,145	10,145
Total liabilities		1,391,069	263,616	636,129	245,518	139,208	1,050,064	3,725,604
Total interest sensitivity gap		(497,390)	1,100,619	(187,894)	688,171	214,534	(752,276)	565,764
Cumulative interest sensitivity gap		(497,390)	603,229	415,335	1,103,506	1,318,040	565,764	

Parent Company 2025	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non- interest bearing	Total
	%	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Cash and balances with central bank	1.50%	-	-	-	-	500	113,552	114,052
Due from banks	4.33%	38,184	-	-	-	-	24,024	62,208
Loans and advances	5.52%	1,242,171	229,657	198,315	308,515	535,082	-	2,513,740
Investment securities	5.23%	84,594	6,003	10,509	182,506	54,518	9,378	347,508
Investment in subsidiary		-	-	-	-	-	145,941	145,941
Other assets		-	-	-	-	-	45,502	45,502
Property and equipment		-	-	-	-	-	32,797	32,797
Total assets		1,364,949	235,660	208,824	491,021	590,100	371,194	3,261,748
Due to banks	3.72%	14,732	-	-	-	-	8,124	22,856
Customer deposits	3.27%	843,188	217,172	216,064	300,631	12,455	905,193	2,494,703
Borrowed funds	5.07%	-	-	-	57,750	-	-	57,750
Other liabilities		-	-	-	-	-	61,886	61,886
Taxation		-	-	-	-	-	12,942	12,942
Total liabilities		857,920	217,172	216,064	358,381	12,455	988,145	2,650,137
Total interest sensitivity gap		507,029	18,488	(7,240)	132,640	577,645	(616,951)	611,611
Cumulative interest sensitivity gap		507,029	525,517	518,277	650,917	1,228,562	611,611	

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.3 Market risk
40.3.2 Interest rate risk

Parent Company 2024	Average effective interest rate %	Within 3 months O'000	4 to 6 months O'000	7 to 12 months O'000	> 1 to 5 years O'000	Over 5 years O'000	Non- interest bearing O'000	Total O'000
Cash and balances with central bank	1%	-	-	-	-	500	117,345	117,845
Due from banks	5.00%	42,469	-	-	-	-	23,407	65,876
Loans and advances	6.00%	360,793	1,034,546	205,808	756,427	33,103	-	2,390,677
Investment securities	5.35%	84,529	6,980	1,844	53,680	173,485	7,901	328,419
Investment in subsidiary		-	-	-	-	-	135,095	135,095
Other assets		-	-	-	-	-	46,088	46,088
Property and equipment		-	-	-	-	-	34,254	34,254
Total assets		487,791	1,041,526	207,652	810,107	207,088	364,090	3,118,254
Due to banks	4.69%	17,147	-	-	-	-	14,146	31,293
Customer deposits	3.64%	1,330,970	217,599	473,178	111,651	11,524	322,385	2,467,307
Borrowed funds		-	-	-	-	9,625	-	9,625
Other liabilities		-	-	-	-	-	64,965	64,965
Taxation		-	-	-	-	-	9,181	9,181
Total liabilities		1,348,117	217,599	473,178	111,651	21,149	410,677	2,582,371
Total interest sensitivity gap		(860,326)	823,927	(265,526)	698,456	185,939	(46,587)	535,883
Cumulative interest sensitivity gap		(860,326)	(36,399)	(301,925)	396,531	582,470	535,883	

For managing its interest rate risk in the banking book, the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its projected Net Interest Income (NII) from 50/100/200bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the current year. The EaR at 31 December 2025 is 5.6% (2024 – 4.8%).

40.3.3 Currency risk

Currency risk arises when the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and approved by the Executive Committee of the Board and entering into forward contracts based on the underlying commercial transactions with the customers. The Bank also monitors foreign currency risk as per requirements and the same was within regulatory limit as at 31 December 2025.

Net foreign currency exposure

	Consolidated		Parent Company	
	2025	2024	2025	2024
	O'000	O'000	O'000	O'000
USD	32,616	31,902	26,198	25,227
EUR	148	409	110	1
GBP	41	364	24	3
Others	1,169	2,104	890	1,776
Total	33,974	34,779	27,222	27,007

Oman operates with a fixed exchange rate, and the Omani Rial is pegged to the USD at \$2.5975 per Omani Rial.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.4 Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. The risk is associated with human error, systems failure, inadequate procedures or controls and external causes. Losses from external events, such as a natural disaster that has the potential to damage the Bank's physical assets or electrical or telecommunication failures that disrupt business, are relatively easier to define than losses from internal problems, such as employee fraud and product flaws. The risks from internal problems are more closely tied to the Bank's specific products and business lines; they are more specific to the Bank's operations than the risks due to external events. Operational risks faced by the Bank include IT Security, telecom failure, fraud, and operational errors.

Operational risk governance is set through policies, processes, procedures and oversight of the executive committee. The Bank cannot eliminate all operational risks; however, the operational risk framework is set to identify, assess, monitor and control the risks through the three lines of defences. It periodically conducts various assessments to review risk exposures and implements controls to mitigate the operational risk profile, in accordance with the overall risk appetite. To ensure effective controls and building risk culture, operational risk awareness is scheduled annually across the Bank. Insurance is another tool used as an operational risk mitigant. Insurance coverage such as Bankers' Blanket Bond (BBB), Professional Indemnity, cyber security, etc aim to protect the bank from high-severity risks by reducing the financial impact.

(a) Management risk committee

The Management Risk committee is the main committee for Bank's major risk including operational risk. The committee is composed of main business and control functions. The objectives of the committee are to review and oversee the Bank's risk profile and to put in place actions required to maintain the risk profile within the approved appetite.

(b) Business Continuity Management (BCM)

Business Continuity Plan addresses the inherent risks, which may lead to unexpected business interruptions. The goal of BCM is to provide the ability to effectively respond to threats to protect the business interests and continue to operate following a significant unplanned event or major operational disruption. As a part of Crisis Communication and Business Continuity Management processes, OAB has taken initiatives and proactive measures in meeting the contingency requirements always and especially during COVID-19. The Bank has taken proactive steps considering the pandemic scenario in its BCP. The bank has ensured the resilience to run the business-critical processes during such contingency situation with the effective process in place and the management support. The Bank has a Disaster Recovery Site and remote working set up to meet any unforeseen disaster and maintain operational continuation in such event. The Bank has conducted various BCP requirement like Business Impact assessments, evacuation drills, tests (announced and unannounced) call tree, and spread awareness.

(c) Information Security

Information Security is an essential component of risk management. The Bank seeks to avoid risk and uncertainty for its critical information assets and systems affecting operations and reputation of the bank. Information security governance set up is in place through security policies & procedures. The Bank has invested to implement robust security infrastructure and is conducting yearly vulnerability assessments to ensure the security of the systems.



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

40. FINANCIAL RISK MANAGEMENT

40.5 Fair value estimation

The estimate of fair values of the financial instruments is based on information available to management as at 31 December 2025. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted in deriving the fair values are as follows:

40.5.1 Current account balances due to and from banks

The carrying amount of current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short-term nature.

40.5.2 Loans, advances and financings to customers

The fair value of non-performing loans approximates to the book value adjusted for allowance for loan impairment. For the performing loans, the fair value is taken as being equivalent to its carrying amount as the prevailing interest rates offered on similar loans are not materially different from the actual loan rates and loan rates are reset at frequent intervals to align the rate with market conditions.

40.5.3 Investments at fair value through profit or loss

Quoted market prices, when available, are used as the measure for fair value. However, when the quoted market prices do not exist, fair value presented is estimated using discounted cash flow models or other valuation techniques. Changes in fair value resulting from these calculations are not material to the financial statements. Details are set out in note 8.

40.5.4 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.

40.5.5 Derivatives

The Bank usually enters into short term forward foreign exchange contracts, on behalf of its customers for the sale and purchase of foreign currencies. For forward foreign exchange contracts, it uses a valuation model with readily available market observable inputs. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

40. FINANCIAL RISK MANAGEMENT
40.6 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

(a) Financial assets as per statement of financial position

Consolidated 2025	Fair value through profit or loss (FVTPL) ﷲ'000	Amortized costs (AC) ﷲ'000	Fair value through other comprehensive income (FVOCI) ﷲ'000	Total ﷲ'000
Bank balances and cash	-	193,796	-	193,796
Due from banks	-	73,514	-	73,514
Loans, advances & financing activities	-	3,720,017	-	3,720,017
Investment securities	520	236,898	265,074	502,492
Other assets	2,788	41,319	-	44,107
Total	3,308	4,265,544	265,074	4,533,926
2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Bank balances and cash	-	180,450	-	180,450
Due from banks	-	67,222	-	67,222
Loans, advances & Financing activities	-	3,490,871	-	3,490,871
Investment securities	471	247,956	201,893	450,320
Other assets	6,016	42,268	-	48,284
Total	6,487	4,028,767	201,893	4,237,147

Parent Company 2025	Fair value through profit or loss (FVTPL) ﷲ'000	Amortized costs (AC) ﷲ'000	Fair value through other comprehensive income (FVOCI) ﷲ'000	Total ﷲ'000
Bank balances and cash	-	114,052	-	114,052
Due from banks	-	62,208	-	62,208
Loans, advances & financing activities	-	2,513,740	-	2,513,740
Investment securities	520	236,898	110,090	347,508
Other assets	2,788	36,736	-	39,524
Total	3,308	2,963,634	110,090	3,077,032
2024	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Bank balances and cash	-	117,845	-	117,845
Due from banks	-	65,876	-	65,876
Loans, advances & Financing activities	-	2,390,677	-	2,390,677
Investment securities	471	247,956	79,992	328,419
Other assets	6,016	33,736	-	39,752
Total	6,487	2,856,090	79,992	2,942,569

(b) Financial liabilities as per statement of financial position

	Consolidated		Parent Company	
	2025	2024	2025	2024
	ﷲ'000	ﷲ'000	ﷲ'000	ﷲ'000
Due to banks	23,389	54,599	22,856	31,293
Deposits from customers	3,774,537	3,571,692	2,494,703	2,467,307
Other liabilities	67,375	74,475	54,227	60,015
Total	3,865,301	3,700,766	2,571,786	2,558,615

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025



41. CAPITAL MANAGEMENT

The Bank's objectives of capital management are:

- To comply with the capital requirements set by the regulator i.e. the Central Bank of Oman;
- To safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- To maintain a strong capital base to support the development of its business.

The principal objective of the CBO capital adequacy requirements is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a Bank's statement of financial position, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS). The CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy (CAR) of 13.5%.

The Bank's regulatory capital as per Basel III regulations is grouped into:

- Tier 1 capital, which includes ordinary share capital, share premium, reserves, retained earnings (net of proposed dividend) after deductions for goodwill, intangibles including deferred tax asset and 50% of carrying value of the investment in associates as per the regulatory adjustments that are included in equity but are treated differently for capital adequacy purposes and additional tier1 capital.
- Tier 2 capital, which includes qualifying subordinated liabilities, general loan loss impairment / ECL provision (Stage 1 and 2) and the element of the fair value reserve relating to unrealised gains on equity instruments classified as FVOCI after deductions for 50% of carrying value of investments in associates.

The qualifying Tier II cannot exceed 2% of risk weighted assets. The amount of impairment allowances that may be included as part of Tier II capital is limited to 1.25% of the total credit risk-weighted assets.

The capital adequacy of the Bank is as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
	﷼'000	﷼'000	﷼'000	﷼'000
Common Equity Tier 1 (CET 1)	406,331	347,282	269,123	220,902
Additional Tier 1	186,266	186,266	156,266	156,266
Tier 1 capital	592,597	533,548	425,389	377,168
Tier 2 capital	12,457	19,850	8,956	16,233
Total capital base	605,054	553,398	434,345	393,401
Credit risk	3,057,737	3,021,083	2,062,850	2,112,194
Market risk	65,021	47,700	43,196	32,813
Operational risk	241,289	230,785	175,763	170,625
Total risk weighted assets	3,364,047	3,299,568	2,281,809	2,315,632
Capital adequacy ratio %	17.99%	16.77%	19.04%	16.99%
CET 1 ratio	12.08%	10.53%	11.79%	9.54%
Tier 1 Capital ratio	17.62%	16.17%	18.64%	16.29%



NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

42. SEGMENT INFORMATION

The Bank mainly operates in only one geographical location, the Sultanate of Oman. The Bank has, however, earned interest income and incurred interest expenses on account of money market placements and borrowings with banks outside the Sultanate of Oman as of 31 December 2025. The information regarding the Bank's due from banks and due to banks based on the geographical locations for 2025 and 2024 is set out in note 40.1.2(g).

For management purposes, the conventional operations of the Bank are organised into four operating segments based on products and services. In addition, Islamic banking services are offered through Alizz Islamic Bank. The operating segments are as follows:

Retail banking	Individual personal loan, overdraft, credit card and funds transfer facilities.
Corporate banking	Loans and other credit facilities for corporate and institutional customers.
Treasury	Bonds, placements, bank borrowings, foreign exchange.
Others	Other central functions and Head office.
Islamic Banking	Sharia' compliant Islamic banking products and services including Ijarah, Murabaha, Mudarbah and Diminishing Musharakah.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

Cash and balances with the Central Bank of Oman, Certificate of Deposits, due from banks, property and equipment and other assets are unallocated assets. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2025 or 2024.

Consolidated 2025	Retail Omani '000	Corporate Omani '000	Treasury Omani '000	Others Omani '000	Islamic Banking Omani '000	Total Omani '000
Net interest income	26,693	52,141	1,461	-	-	80,295
Net income from Islamic financing	-	-	-	-	32,264	32,264
Net fees, commission and other operating income	8,255	8,557	3,614	-	5,999	26,425
Share of Profit from Subsidiary	-	-	-	-	-	-
Total operating income	34,948	60,698	5,075	-	38,263	138,984
Operating expenses	(32,306)	(21,462)	(1,454)	(310)	(19,712)	(75,244)
Net allowances for credit losses	515	(18,950)	(68)	-	(4,402)	(22,905)
Tax expenses	(509)	(3,269)	(573)	-	(2,132)	(6,483)
Profit / (Loss) for the year	2,648	17,017	2,980	(310)	12,017	34,352
Assets	860,592	1,653,148	526,556	81,481	1,465,206	4,586,983
Liabilities	784,426	1,710,277	25,760	129,675	1,295,663	3,945,801

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

42. SEGMENT INFORMATION

Consolidated 2024	Retail ﷼'000	Corporate ﷼'000	Treasury ﷼'000	Others ﷼'000	Islamic Banking ﷼'000	Total ﷼'000
Net interest income	25,828	43,255	3,287	-	-	72,370
Net income from Islamic financing	-	-	-	-	27,137	27,137
Net fees, commission and other operating income	8,083	8,807	2,173	-	7,895	26,958
Share of Profit from Subsidiary	-	-	-	-	-	-
Total operating income	33,911	52,062	5,460	-	35,032	126,465
Operating expenses	(31,145)	(19,737)	(1,677)	(310)	(19,313)	(72,182)
Net allowances for credit losses	(144)	(14,183)	188	-	(4,005)	(18,144)
Tax expenses	(424)	(2,931)	(642)	-	(1,703)	(5,700)
Profit / (Loss) for the year	2,198	15,211	3,329	(310)	10,011	30,439
Assets	850,635	1,522,619	502,756	98,029	1,317,329	4,291,368
Liabilities	711,191	1,728,964	21,880	104,936	1,158,633	3,725,604

Parent Company 2025	Retail ﷼'000	Corporate ﷼'000	Treasury ﷼'000	Others ﷼'000	Islamic Banking ﷼'000	Total ﷼'000
Net interest income	26,693	52,141	1,810	-	-	80,644
Net fees, commission and other operating income	8,255	8,557	3,265	-	-	20,077
Share of Profit from Subsidiary	-	-	-	12,017	-	12,017
Total operating income	34,948	60,698	5,075	12,017	-	112,738
Operating expenses	(32,306)	(21,462)	(1,454)	-	-	(55,222)
Net allowances for credit losses	515	(18,950)	(68)	-	-	(18,503)
Tax expenses	(509)	(3,269)	(573)	-	-	(4,351)
Profit / (Loss) for the year	2,648	17,017	2,980	12,017	-	34,662
Assets	860,592	1,653,147	526,556	221,453	-	3,261,748
Liabilities	784,426	1,710,276	25,760	129,675	-	2,650,137

Parent Company 2024	Retail ﷼'000	Corporate ﷼'000	Treasury ﷼'000	Others ﷼'000	Islamic Banking ﷼'000	Total ﷼'000
Net interest income	25,828	43,255	2,996	-	-	72,079
Net fees, commission and other operating income	8,083	8,807	2,464	-	-	19,354
Share of Profit from Subsidiary	-	-	-	10,011	-	10,011
Total operating income	33,911	52,062	5,460	10,011	-	101,444
Operating expenses	(31,145)	(19,737)	(1,677)	-	-	(52,559)
Net allowances for credit losses	(144)	(14,183)	188	-	-	(14,139)
Tax expenses	(424)	(2,931)	(642)	-	-	(3,997)
Profit / (Loss) for the year	2,198	15,211	3,329	10,011	-	30,749
Assets	850,635	1,522,618	518,156	226,845	-	3,118,254
Liabilities	711,191	1,728,966	37,280	104,934	-	2,582,371

**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

43. COMPARATIVE FIGURES

Certain comparative figures for 2024 have been reclassified to conform to the presentation for the current year. During the year, the group modified the classification of interest receivable on loans from other assets to gross loans and interest payable on deposits from other liabilities to customer deposits. Following reclassifications have been made in these financial statements.

Reclassified items	Consolidated	Parent Company	Previous year classification	Current year classification
	<u>﷮</u> '000	<u>﷮</u> '000		
Interest receivables on loans	44,177	17,424	Other assets	Loans, advances and financing to customers
Interest payable on deposits	37,356	27,150	Other liabilities	Customers deposits

44. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

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