**National Bank of Oman SAOG**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2025**

**Draft subject to CBO approval**

PO Box 751 PC 112 Ruwi Sultanate of Oman.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF OMAN SAOG**

**Draft Report on the audit of the consolidated financial statements**

*Opinion*

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*[date]* *[Name of partner]*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

| | Note | ***2025*** | *2024* |
|---|---|---|---|
| | | ***﷼'000*** | *﷼'000* |
| **ASSETS** | | | |
| Cash and balances with Central Banks | 4 | **356,154** | 302,512 |
| Due from banks and other money market placements | 5 | **334,395** | 372,364 |
| Loans, advances and Islamic financing assets | 6 | **4,150,354** | 3,926,147 |
| Investment securities | 7 | **580,466** | 473,393 |
| Other assets | 8 | **108,877** | 108,662 |
| Property and equipment | 9 | **60,978** | 59,467 |
| **TOTAL ASSETS** | | **5,591,224** | 5,242,545 |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| Due to banks and other money market deposits | 10 | **414,883** | 192,938 |
| Customers' deposits | 11 | **4,009,117** | 4,128,523 |
| Other liabilities | 12 | **141,234** | 133,800 |
| Taxation | 13 | **25,984** | 19,123 |
| **TOTAL LIABILITIES** | | **4,591,218** | 4,474,384 |
| **EQUITY** | | | |
| Share capital | 14 | **162,595** | 162,595 |
| Share premium | 15 | **34,465** | 34,465 |
| Legal reserve | 16 | **54,198** | 54,198 |
| Other reserves | 17 | **20,722** | 11,429 |
| Retained earnings | | **329,739** | 280,437 |
| **TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK** | | **601,719** | 543,124 |
| Tier 1 perpetual bonds | 18 | **398,287** | 225,037 |
| **TOTAL EQUITY** | | **1,000,006** | 768,161 |
| **TOTAL LIABILITIES AND EQUITY** | | **5,591,224** | 5,242,545 |

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 January 2026.

__________________ Director

__________________ Chief Executive Officer

__________________ Chairperson

The attached notes 1 to 35 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

| | Note | *2025* | *2024* |
|---|---|---|---|
| | | *RO'000* | *RO'000* |
| Interest income | 21 | **246,509** | 250,674 |
| Interest expense | 22 | **(142,876)** | (148,240) |
| **Net interest income** | | **103,633** | 102,434 |
| Income from Islamic financing and investments | | **25,979** | 21,350 |
| Interest expenses on Islamic customers' deposit | | **(17,673)** | (15,001) |
| **Net income from Islamic financing and investments** | | **8,306** | 6,349 |
| **Net interest income and net income from Islamic financing and investments** | | **111,939** | 108,783 |
| Fee and commission income | 23 | **45,196** | 37,836 |
| Fee and commission expenses | 23 | **(16,102)** | (12,796) |
| Net fee and commission income | | **29,094** | 25,040 |
| Other operating income | 24 | **22,461** | 17,503 |
| **Operating income** | | **163,494** | 151,326 |
| Staff cost | 25 | **(40,509)** | (39,372) |
| Other operating expenses | 26 | **(19,379)** | (17,284) |
| Depreciation | 9 | **(6,528)** | (6,327) |
| **Total operating expenses** | | **(66,416)** | (62,983) |
| **Profit from operations before impairment losses and tax** | | **97,078** | 88,343 |
| Total impairment losses on financial instruments (net) | 27.5 | **(14,515)** | (14,136) |
| **Profit before tax** | | **82,563** | 74,207 |
| Taxation | 13 | **(12,356)** | (11,144) |
| **Profit for the year** | | **70,207** | 63,063 |
| **OTHER COMPREHENSIVE INCOME / (LOSS)** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Equity investments at FVOCI – net change in fair value | | **23,015** | (382) |
| Tax effect of equity investments at FVOCI – net change in fair value | 13 | **(1,608)** | (314) |
| **Other comprehensive income / (loss) for the year** | | **21,407** | (696) |
| **Total comprehensive income for the year** | | **91,614** | 62,367 |
| Earnings per share: | | | |
| Basic and diluted | 29 | **0.033** | 0.031 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

| | *Share capital (note14) ’000* | *Share premium (note 15) ’000* | *Legal reserve (note16) ’000* | *Other reserves (note 17) ’000* | *Retained earnings ’000* | *Total equity attributable to the share holder of the bank ’000* | *Tier 1 perpetual bonds (note18) ’000* | *Total equity ’000* |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2025 | **162,595** | **34,465** | **54,198** | **11,429** | **280,437** | **543,124** | **225,037** | **768,161** |
| Profit for the year | **-** | **-** | **-** | **-** | **70,207** | **70,207** | **-** | **70,207** |
| Other comprehensive income for the year | **-** | **-** | **-** | **21,407** | **-** | **21,407** | **-** | **21,407** |
| Total comprehensive income for the year | **-** | **-** | **-** | **21,407** | **70,207** | **91,614** | **-** | **91,614** |
| Net gains on derecognition of financial instruments measured at FVOCI (net of tax) | **-** | **-** | **-** | **(12,114)** | **12,114** | **-** | **-** | **-** |
| Issuance of Tier 1 perpetual bonds | **-** | **-** | **-** | **-** | **-** | **-** | **173,250** | **173,250** |
| Issuance cost on Tier 1 perpetual bonds | **-** | **-** | **-** | **-** | **(1,101)** | **(1,101)** | **-** | **(1,101)** |
| Payment of interest on Tier 1 perpetual bond | **-** | **-** | **-** | **-** | **(16,634)** | **(16,634)** | **-** | **(16,634)** |
| Payment of dividend | **-** | **-** | **-** | **-** | **(15,284)** | **(15,284)** | **-** | **(15,284)** |
| **Balance at 31 December 2025** | **162,595** | **34,465** | **54,198** | **20,722** | **329,739** | **601,719** | **398,287** | **1,000,006** |
| | | | | | | | | |
| Balance at 1 January 2024 | 162,595 | 34,465 | 54,198 | 7,882 | 248,270 | 507,410 | 167,133 | 674,543 |
| Profit for the year | - | - | - | - | 63,063 | 63,063 | - | 63,063 |
| Other comprehensive loss for the year | - | - | - | (696) | - | (696) | - | (696) |
| Total comprehensive income for the year | - | - | - | (696) | 63,063 | 62,367 | - | 62,367 |
| Net losses on derecognition of financial instruments measured at FVOCI (net of tax) | - | - | - | 1 | (1) | - | - | - |
| Transfer to impairment reserve | - | - | - | 4,242 | (4,242) | - | - | - |
| Issuance of Tier 1 perpetual bonds | - | - | - | - | - | - | 57,904 | 57,904 |
| Issuance cost on Tier 1 perpetual bonds | - | - | - | - | (107) | (107) | - | (107) |
| Payment of interest on Tier 1 perpetual bond | - | - | - | - | (12,725) | (12,725) | - | (12,725) |
| Payment of dividend | - | - | - | - | (13,821) | (13,821) | - | (13,821) |
| Balance at 31 December 2024 | 162,595 | 34,465 | 54,198 | 11,429 | 280,437 | 543,124 | 225,037 | 768,161 |

The attached notes 1 to 35 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

| | Note | *2025* ﷼'000 | *2024* ﷼'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **82,563** | 74,207 |
| | | | |
| Adjustments for: | | | |
| Depreciation | 9 | **6,528** | 6,327 |
| Total impairment losses on financial instruments (net) | 27.5 | **14,515** | 14,136 |
| Amortization of (discount) / premium (net) | | **(1,071)** | (535) |
| Gain/(loss) on sale of property and equipment | | **41** | (103) |
| Gain on investments at FVTPL and amortised cost | 24 | **(508)** | (153) |
| Translation differences | | **1** | (6) |
| Income from investment securities (dividend and interest) | | **(31,151)** | (30,316) |
| **Operating cash flows before changes in operating assets and liabilities** | | **70,918** | 63,557 |
| | | | |
| Due from banks and other money market placements | | **(111,256)** | (66,193) |
| Loans, advances and Islamic financing assets | | **(235,795)** | (433,654) |
| Other assets | | **(57)** | (40,362) |
| Due to banks and other money market deposits | | **221,945** | (221,271) |
| Customers' deposits | | **(119,406)** | 518,580 |
| Other liabilities | | **4,263** | 28,445 |
| **Cash used in operating activities** | | **(169,388)** | (150,898) |
| Taxes paid | 13 | **(7,267)** | (9,997) |
| **Cash used in operating activities** | | **(176,655)** | (160,895) |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Purchase of investment securities | | **(157,745)** | (95,975) |
| Proceeds from sale of investment securities | | **75,438** | 84,734 |
| Purchase of property and equipment | | **(5,612)** | (8,474) |
| Proceeds from sale of property and equipment | | **17** | 275 |
| Income from investment securities (dividend and interest) | | **30,614** | 30,092 |
| **Net cash generated (used in)/ from investing activities** | | **(57,288)** | 10,652 |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Payment of dividend | 19 | **(15,284)** | (13,821) |
| Proceeds from Tier 1 perpetual bond | | **173,250** | 57,904 |
| Interest on Tier 1 perpetual bond | | **(16,634)** | (12,725) |
| Payment of lease liabilities | | **(1,727)** | (1,665) |
| Issuance cost on Tier 1 perpetual bond | | **(1,101)** | (107) |
| **Net cash generated from financing activities** | | **138,504** | 29,586 |
| | | | |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | | **(95,439)** | (120,657) |
| Cash and cash equivalents at the beginning of the year | | **511,310** | 631,967 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **415,871** | 511,310 |
| | | | |
| **REPRESENTING:** | | | |
| Cash and balances with Central Banks | 4 | **355,654** | 302,012 |
| Due from banks with original maturity of three months or less | | **60,217** | 209,298 |
| | | **415,871** | 511,310 |

Interest received was ﷼ 267 million (2024: ﷼ 257 million) and interest paid was ﷼ 163 million (2024: ﷼ 158 million). These are part of the operating cash flows of the Bank. There are no significant non-cash changes to be disclosed for 2025 and 2024.

## 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the Bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman, through overseas branches in the United Arab Emirates and Egypt. In Oman the Bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licences given by the respective Central Banks. The Bank is in the process of closing down its operations in Egypt and has sought necessary approvals. The Bank is head quartered in Muscat, Sultanate of Oman and its registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The Bank's equity shares are listed on the Muscat Stock Exchange. Perpetual bonds are listed on the Euronext Dublin.

Financial Services Authority of the Sultanate of Oman requires all Public Joint Stock Companies to disclose the financials of the Parent Company in a separate column in the consolidated financial statement vide circular E/2/2007 dated 21 January 2007.

The Bank has the following fully owned Special Purpose Vehicles ("SPV"):

| Name of the entity | Country of incorporation | Activity of the subsidiary | Percentage of ownership | |
|---|---|---|---|---|
| | | | 2025 | 2024 |
| NBO Global Markets Cayman Limited | Cayman Islands | Financial services | 100% | 100% |

The sizes, operations and financial statements of the above SPV are not material to the consolidated financial statements of the Bank. Hence, financial statements of the parent company have not been provided in a separate column in these consolidated financial statements.

## 2 BASIS OF PREPARATION

### 2.1 Basis of measurement

The consolidated financial statements are prepared under the historical cost basis except for the following:

- financial instruments classified as trading and at fair value through profit or loss (FVTPL);
- financial instruments at fair value through other comprehensive income; and
- recognised assets and liabilities that are hedged are measured at fair value in respect of the risk that is hedged.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.4.

### 2.2 Functional and presentation currency

These consolidated financial statements are presented in Rial Omani rounded to the nearest thousand Rial Omani, except when otherwise indicated. The functional currencies of the Bank's operations are as follows:

- Sultanate of Oman: Omani Rial
- United Arab Emirates: UAE Dirham
- Egypt: US Dollar

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.3 Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards, applicable regulations of the Central Bank of Oman (“CBO”), and in compliance with applicable requirements of the Commercial Companies Law of Oman 2019 and the Financial Services Authority of the Sultanate of Oman.

The Bank also prepares a separate set of financial statements for its Islamic Banking Window (IBW) in accordance with the requirements of Section 1.2 of Title 3 of the Islamic Banking Regulatory Framework (“IBRF”) issued by CBO. The separate set of financial statements of its IBW are prepared in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Islamic Window (the “SSB”) and other applicable requirements of CBO. The IBWs financial statements are then converted into IFRS Accounting Standards compliant financial statements and included in these consolidated financial statements. All intra group balances and transactions have been eliminated.

### 2.4 Significant accounting judgments and estimates

The Bank makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Directors also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

#### 2.4.1 ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 31. The calculation of the Bank’s ECL under IFRS 9 requires the Bank to make a number of judgements, assumptions and estimates. The most significant are set out below:

1) Segmentation of financial assets for the ECL assessment purposes;
2) Establishing the criteria for assessing if there has been a significant increase in credit risk;
3) Determining the methodology for incorporating forward-looking information into the measurement of ECL;
4) Selection of forward-looking macroeconomic scenarios and their probability weightings;
5) Selection of appropriate models (PD, LGD and EAD) for the measurement of ECL; and
6) Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Refer note 31.1 which describes the assumptions used in determining ECL and provide an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

The Bank regularly reviews the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

#### 2.4.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.4 Significant accounting judgments and estimates (Continued)

#### 2.4.3 Taxes

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

#### 2.4.4 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 consolidated financial statements continue to be prepared on a going concern basis.

#### 2.4.5 Assessment whether cash flows are solely payments of principal and interest ("SPPI") for certain islamic financing assets

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement for certain islamic financing assets**.** The management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, the management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

#### 2.4.6. Classification of the Equity Tier 1 instrument under IAS 32

The Bank has issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities") with details mentioned in the table below. 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 – Classification. The key features of the instruments are as follows:

- no fixed date of maturity.
- payment of interest and/or capital is solely at the discretion of the Bank
- the instruments are deeply subordinated and rank just above the ordinary shareholders
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman. The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation.

The Directors, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed by the Directors as not being substantive for the purpose of determining the debt vs equity classification. The Directors have considered appropriate independent legal advice in forming their judgement around this matter.

**2 BASIS OF PREPARATION (CONTINUED)**

**2.5 Standards, amendments and interpretations effective in 2025 and relevant for the Bank's operations**

For the year ended 31 December 2025, the Bank has adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2025. The following amendments to existing standards and framework have been applied by the Bank in preparation of these financial statements.

- Classification of Liabilities as Current or Non-current and Noncurrent liabilities with covenants – Amendments to IAS 1.
- Amendment to IAS 21 - Lack of Exchangeability (effective date - 1 Jan 2025)

The amendments listed above did not have any impact on the amounts recognised in prior and current periods and are not expected to significantly affect the future periods.

**2.6 Standards issued but not yet effective**

A number of new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2026 or later, and which the Bank has not early adopted.

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)
- Sale or contribution of Assets between an Investor and its associate or Joint venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Availability of optional adoption/ effective date deferred indefinitely
- Volume 11 – Annual improvements to IFRS Accounting standards - (effective from 1 January 2026)
- Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity - Effective date - on or after Jan 2026
- Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency - Effective - on or after 1 Jan 2027

The Bank is evaluating the impact on future consolidated financial statements, if any, of adopting these pronouncements.

**3 MATERIAL ACCOUNTING POLICIES**

The Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

**3.1 Financial instruments**

**Valuation of financial instruments**

All financial instruments are initially recognised at fair value. 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 of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the group recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction, until the transaction matures, is closed out, the valuation inputs become observable or the Bank enters into an offsetting transaction.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.1 Financial instruments (continued)**

**Financial instruments – initial recognition**

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an Expected Credit Loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

**Measurement categories of financial assets and liabilities**

The Bank has applied IFRS 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

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

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

**3.2 Financial assets and liabilities**

**3.2.1 Due from Banks; Loans, advances and Islamic financing assets to customers; and Investment Securities**

The Bank measures due from banks; loans, advances and Islamic financing assets; and investment securites to customers and other Investment securities at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial assets and liabilities (Continued)**

**3.2.1 Due from Banks; Loans, advances and Islamic financing assets to customers; and Investment Securities (Continued)**

***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 the management. The information considered includes:

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

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

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial assets and liabilities (Continued)**

**3.2.1 Due from Banks, Loans, advances and Islamic financing assets to customers, Investment securities (Continued)**

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

The Bank holds a portfolio of long-term fixed rate 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, reduce 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.

**3.2.2 Equity instruments at FVOCI**

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

**3.2.3 Financial assets and financial liabilities at fair value through profit or loss**

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

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

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. 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.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial assets and liabilities (Continued)**

**3.2.4 Financial guarantees, letters of credit and undrawn loan commitments**

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

Financial guarantees are initially recognised in the consolidated financial statements (within Provisions) at fair value, being the commission 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 commission received is recognised in the profit or loss in net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 12 and 27.

**3.2.5 Financial liabilities**

Under IFRS 9 fair value changes are generally presented as follows:

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

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

**3.2.6 Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The 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 the statement of profit or loss and other comprehensive income within 'Other operating income'.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial assets and liabilities (Continued)**

**3.2.6 Derivative financial instruments and hedging activities (Continued)**

*Fair value hedges*

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 hedges*

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.

As at 31 December 2025, the Bank does not have any derivatives designated as hedging instruments.

**a. Reclassifications**

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

**3.3 Derecognition of the financial assets and liabilities**

*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 where:

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

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.3 Derecognition of the financial assets and liabilities (continued)**

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 of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

*Financial liabilities*

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

**3.4 Modifications of financial assets and financial liabilities**

*Financial assets*

If the terms of a financial asset are modified, then 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 this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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 calculated using the effective interest method.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.5 Modifications of financial assets and financial liabilities (continued)**

*Financial liabilities*

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification's 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.

**3.6 Impairment of financial assets**

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

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

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

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

**3.6.1 Measurement of ECL**

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

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

**3.6.2 Overview of the ECL principles**

The Bank measures the allowance for expected credit losses for all financing exposure and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9 as they are carried at fair value.

The 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 since origination, in which case, the allowance is based on the 12 months' expected credit loss (12 month ECL).

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.6 Impairment of financial assets (Continued)**

**3.6.2 Overview of the ECL principles (continued)**

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

Both LTECLs and 12 month ECL's are calculated either on an individual basis or on a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Based on the above process, the Bank groups its financing exposure into Stage 1, Stage 2, and Stage 3, as described below:

**Stage 1**

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

**Stage 2**

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

**Stage 3**

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

At initial recognition of a financial asset, the Bank recognises a loss allowance equal to 12-month expected credit losses. After initial recognition, the three stages under the proposals would be applied as follows:

**3.6.3 The calculation of ECLs**

The Bank calculates ECLs based on a 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 in accordance with the contract and the cash flows that are expected to be received.

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

- PD – The Probability of Default is an estimate of the likelihood of default over a given time horizon. 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 interest/profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest/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.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.6 Impairment of financial assets (Continued)**

**3.6.4 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, in other liabilities; and
- 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 in other liabilities.

**3.6.5 Credit cards and other revolving facilities**

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

**3.7 Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost 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.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.8 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.

### 3.9 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.

### 3.10 Determination of fair values

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 specific to that asset or liability. Details are set out in note 34.

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.

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

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

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

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

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.10 Determination of fair values (continued)**

The Bank also compares each 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.

**3.11 Property and equipment**

Property and equipment are recorded at cost or deemed cost.

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii) Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

Land and capital work in progress are stated at cost and tested for impairment, if any. Depreciation is provided on a straight-line basis over the estimated useful lives of all property and equipment other than freehold land, which is deemed to have an indefinite life, and capital work in progress.

Right-of-use assets are presented together with property and equipment in the statement of financial position (refer note 9). Right of use assets are depreciated on a straight line basis over the lease term.

The rates of depreciation are based upon the following estimated useful lives:

| | |
|---|---|
| • Buildings on freehold land | 25 to 40 years |
| • Leasehold improvements | Over the lease terms 3 to 10 years |
| • Motor vehicles | 4 years |
| • Furniture | 3 to 10 years |
| • Equipment | 5 to 20 years |

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each statement of financial position date.

**3.12 Collateral pending sale**

The Bank occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the cost or the net realisable value of the related loans and advances and the current fair value of such assets. Gains or losses on disposal, and unrealised losses on revaluation, are recognised in the profit or loss for the year.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.13 Deposits**

All money market and customer deposits are carried at amortised cost using EIR.

**3.14 Other borrowed funds**

Other borrowings including subordinate private placements are recognised initially at fair value on transaction date. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss over the period of the borrowings using EIR.

**3.15 Taxation – current and deferred**

Taxation is provided for based on the relevant tax laws of the respective countries, in which the Bank operates.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss for the year except to the extent that it relates to items recognised directly to other comprehensive income, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
ii) temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.16 Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these consolidated financial statements.

**3.17 Provisions**

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past events and the costs to settle the obligation are both probable and reliably measurable.

**3.18 Perpetual Bond**

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Bank's perpetual bonds are not redeemable by holders and bear an entitlement to distribution that is non-cumulative and it is governed by the terms and conditions of the Instruments. The payment of interest and/or principal is solely at the discretion of the Bank. Accordingly, they are presented within equity. Distributions thereon are recongnised in equity. The Instrument meets all requirements of AET 1 issuance mandated by Basel and Central Bank of Oman norms.

**3.19 Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the conolidted statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

**3.20 Revenue 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 must also be met before revenue is recognised.

*Interest and similar income and expense*

Effective interest rate

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

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.20 Revenue recognition (Continued)**

*Interest and similar income and expense (Continued)*

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. 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. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

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.

Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost. Interest expense presented in the statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortised cost and interest expense on lease liabilities.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.20 Revenue recognition (Continued)**

*Fee and commission income*

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

*Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

*Dividend income*

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

*Net income from other financial instruments at fair value through profit or loss*

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

*Miscellaneous income*

Miscellaneous income includes various services charges charged to the customers such as locker rent, telex charges, ATM charges and charges for non- maintenance of minimum balance. Fees in scope of IFRS 15 are recognised when the Bank transfers control over a product or service to a customer, this is generally at a point in time.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.20 Revenue recognition (Continued)**

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Type of service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policies under IFRS 15 |
|---|---|---|
| **Transactional services** | The services include opening, closing and maintenance of deposit accounts, cheque issuance, clearing, deposit and payments transactions, remittances, safe deposit lockers. It also include card and e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place. | The Bank recognises revenue on completion of service or proportionate completion basis or satisfaction of performance obligation as per the terms of contract. |
| **Trade services** | The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract | Income is recognised on service completion basis or time proportionate basis over the period of contract. |
| **Syndication and other loan related services** | The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract. | The Bank recognises revenue on completion of service basis or on time proportion basis. |
| **Advisory and asset management services** | Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis. | Advisory income is recognised on satisfaction of performance obligation at a point in time or over a period of time or on achievement of agreed milestones as per contract. Asset management income is recognised on time proportion basis or on completion of performance obligations as per the terms of the contract. |

*Repurchase and resale agreements*

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

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.21 Leases**

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

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office property the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office property.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

**3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.22 Staff 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 consolidated 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. The end of service benefits for employees in UAE are provided for in accordance with the employees' contracts of employment and applicable requirements of the UAE labour laws. For Egyptian employees the terminal benefits are provided in accordance with the Egyptian social security law.

**3.23 Segment reporting**

The Bank's segmental reporting is based on the following operating segments: Retail Banking, Wholesale Banking, , International banking, Islamic Banking and Funding centre. Segment results are reported to the Chief Executive Officer of the Bank, and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**3.24 Dividend on ordinary shares**

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

Dividends for the year that are approved after the reporting date are dealt with as an event after the consolidated statement of financial position date.

**3.25 Directors' remuneration**

The board of directors' remuneration is accrued within the limits specified by the Financial Services Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

**3.26 Impairment of non-financial assets**

The carrying amount of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

**3.27 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 period. 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.

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.28 Foreign currency translation

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

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

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

### 3.29 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability with a corresponding contractual right of reimbursement from the customer recognised as a financial asset

## 4 CASH AND BALANCES WITH CENTRAL BANKS

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Cash | **34,808** | 34,799 |
| Other balances with Central Banks | **320,846** | 267,213 |
| **Cash and cash equivalents** | **355,654** | 302,012 |
| Capital deposit with Central Bank of Oman | **500** | 500 |
| **Cash and balances with Central Banks** | **356,154** | 302,512 |

(i) At 31 December 2025, cash and balances with Central Bank of Oman included balances amounting to ﷼ 500,000 (2024: ﷼ 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.

(ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 31 December 2025 is 3% (2024: 3%) of total customer's deposits and for Central Bank of UAE, is 1% (2024: 1%) of time deposits and 14% (2024: 14%) of all other deposits.

(iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank. All the exposures are related to stage 1.

## 5 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Loans and advances to banks | **45,680** | 26,757 |
| Placement with banks | **255,819** | 322,398 |
| Demand balances | **33,146** | 23,315 |
| **Due from banks and other money market placement** | **334,645** | 372,470 |
| Less: allowance for credit losses (note 27.3) | **(250)** | (106) |
| **Due from banks and other money market placement** | **334,395** | 372,364 |

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 31.1 to the consolidated financial statements.

## 6 LOANS, ADVANCES AND ISLAMIC FINANCING ASSETS

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Overdrafts | **83,544** | 78,564 |
| Personal loans | **1,562,701** | 1,538,728 |
| Loans against trust receipts | **94,895** | 63,653 |
| Bills discounted | **11,186** | 15,194 |
| Term loans, Islamic financing and others | **2,574,970** | 2,394,567 |
| **Gross Loans, advances and Islamic financing assets for customers** | **4,327,296** | 4,090,706 |
| Less: allowance for credit losses | **(176,942)** | (164,559) |
| **Loans, advances and Islamic financing assets for customers** | **4,150,354** | 3,926,147 |

Gross Loans, advances and Islamic financing assets for customers include ﷼ 125 million due from related parties at 31 December 2025 (2024 – ﷼ 118 million) (refer note 28).

Included in above the Islamic financing asset (net of allowance for credit losses) of ﷼ 392 million as at 31 December 2025 (31 December 2024 – ﷼ 352 million).

The movement in the provision for impairment of loans, advances and Islamic financing assets for customers is set out below:

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Balance at beginning of year | **164,559** | 157,683 |
| Provided during the year | **31,257** | 31,874 |
| Recovered / released during the year | **(5,641)** | (6,411) |
| Written off during the year | **(13,233)** | (18,587) |
| **Balance at end of year** | **176,942** | 164,559 |

Provided during the period includes contractual interest reserved for ﷼ 9.87 million (2024 – ﷼ 8.73 million).

Recovered/released during the period includes recovery of reserved interest for ﷼ 1.79 million (2024 – ﷼ 3.03 million).

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity. Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the consolidated statement of comprehensive income.

As of 31 December 2025, loans and advances on which interest is not being accrued or where interest has been reserved amounted to ﷼ 195 million (2024 – ﷼ 191 million).

**6 LOANS, ADVANCES AND ISLAMIC FINANCING ASSETS (CONTINUED)**

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 31.1 to the consolidated financial statements.

The table below analyses the concentration of loans, advances and Islamic financing assets by various sectors.

| | ***2025*** | *2024* |
|---|---|---|
| | ***'000*** | *'000* |
| Personal | **1,562,701** | 1,538,728 |
| Financial institutions | **442,508** | 371,012 |
| Manufacturing | **373,130** | 219,234 |
| Construction | **336,003** | 200,866 |
| Electricity, gas and water | **312,237** | 311,554 |
| Transport and communication | **309,319** | 281,746 |
| Government | **269,234** | 218,597 |
| Service | **243,282** | 323,942 |
| Mining and quarrying | **167,795** | 230,435 |
| Others | **135,643** | 143,283 |
| Wholesale and retail trade | **86,726** | 160,203 |
| Import trade | **66,220** | 71,552 |
| Agriculture | **14,895** | 10,529 |
| Export trade | **7,603** | 9,025 |
| **Total** | **4,327,296** | 4,090,706 |

The geographic distribution of loans, advances and Islamic financing assets based on the location of the borrower is as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | ***'000*** | *'000* |
| Sultanate of Oman | **4,128,525** | 3,932,151 |
| United Arab Emirates | **166,195** | 135,402 |
| Others | **32,576** | 23,153 |
| **Total** | **4,327,296** | 4,090,706 |

## 7 INVESTMENT SECURITIES

| | **2025** | *2024* |
|---|---|---|
| | ***RO'000*** | *RO'000* |
| ***Investments measured at Fair value through profit and loss (FVTPL)*** | | |
| Quoted investments – Oman | **2,555** | 2,052 |
| Quoted investments – foreign | **160** | 166 |
| Unquoted Investments in funds | **2,805** | 2,648 |
| **Total FVTPL investments** | **5,520** | 4,866 |
| | | |
| ***Investments measured at Fair value through other comprehensive income (FVOCI)*** | | |
| **– Equity** | | |
| Quoted investments – Oman | **66,193** | 52,167 |
| Quoted investments – foreign | **30,069** | 44,437 |
| **Total FVOCI investments** | **96,262** | 96,604 |
| | | |
| ***Investments measured at amortised cost*** | | |
| Government development bonds - Oman | **306,430** | 260,044 |
| Government sukuk – Oman | **39,423** | 31,832 |
| Treasury bills | **63,232** | 18,772 |
| Quoted investments – Oman | **53,971** | 45,632 |
| Quoted investments- Foreign | **16,552** | 16,202 |
| **Total – amortised cost** | **479,608** | 372,482 |
| | | |
| **Total investment securities** | **581,390** | 473,952 |
| | | |
| Less: allowance for credit losses (note 27.3) | **(924)** | (559) |
| **Total investment securities** | **580,466** | 473,393 |

**Details of significant investments**

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

| | ***Bank's portfolio*** | ***Carrying value*** |
|---|---|---|
| | ***%*** | ***RO'000*** |
| ***2025*** | | |
| Government Development Bonds-Oman | **59.60%** | **345,853** |
| Treasury Bills | **10.90%** | **63,232** |
| | | |
| ***2024*** | | |
| Government Development Bonds-Oman | 61.70% | 291,876 |

In 2025, the Bank received dividends of RO 5.58 million from its FVOCI equities (2024: RO 4.24 million for FVOCI equities), recorded as other operating income.

The fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification are disclosed in note 31.1 to the consolidated financial statements.

The Bank designated certain investments as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale and there are no plans to dispose of these investments in the short or medium term. This designation is irrevocable.

## 7 INVESTMENT SECURITIES (CONTINUED)

The credit rating profile of investment debt securities, based on the lowest rating assigned by the major international rating agencies, was as follows:

| | 2025 ’000 | 2024 ’000 |
|---|---|---|
| Rated | **70,523** | 61,834 |
| Sovereign | **409,085** | 310,648 |
| | **479,608** | 372,482 |

The movement in investment securities are summarised below:

| | 2025 ’000 | 2024 ’000 |
|---|---|---|
| Balance at beginning of year | **473,393** | 461,656 |
| Additions | **157,745** | 95,975 |
| Disposals and redemption | **(75,438)** | (84,734) |
| Gain from changes in fair value | **8,293** | (382) |
| Provision of impairment losses | **(365)** | (33) |
| Gain/(loss) on sale – FVOCI | **14,722** | (1) |
| Amortization of discount / (premium) (net) | **1,071** | 535 |
| Movement in accrued interest | **537** | 224 |
| Gain on investments at FVTPL | **508** | 153 |
| Balance at end of year | **580,466** | 473,393 |

Government Sukuk – Oman, Quoted investments – Oman and Quoted investments – Foreign of 80.65 million (31 December 2024: 19.21 million) are assigned as collateral against USD borrowings of 65.23 million (31 December 2024: 12.63 million).

## 8 OTHER ASSETS

| | 2025 ’000 | 2024 ’000 |
|---|---|---|
| Customers’ indebtedness for acceptances (note 12) | **84,549** | 80,066 |
| Less: allowance for credit losses | **(62)** | (220) |
| Net customers’ indebtedness for acceptances | **84,487** | 79,846 |
| Prepaid expenses and others | **15,410** | 16,079 |
| Positive fair value of derivatives (note 35) | **8,980** | 12,737 |
| | **108,877** | 108,662 |

## 9 PROPERTY AND EQUIPMENT

| | *Freehold Land, buildings and leasehold improvements RO'000* | *Motor vehicles, furniture and equipment RO'000* | *Capital work in progress RO'000* | *Right of use assets RO'000* | *Total RO'000* |
|---|---|---|---|---|---|
| **Carrying amount:** | | | | | |
| Balance as at 1 January 2025, net of accumulated Depreciation | **46,018** | **10,643** | **1,050** | **1,756** | **59,467** |
| Additions | **6** | **2,440** | **3,166** | **2,496** | **8,108** |
| Disposals | **-** | **(58)** | **-** | **(11)** | **(69)** |
| Transfers | **701** | **1,443** | **(2,144)** | **-** | **-** |
| Depreciation | **(1,687)** | **(3,076)** | **-** | **(1,765)** | **(6,528)** |
| **Balance at 31 December 2025, net of accumulated depreciation** | **45,038** | **11,392** | **2,072** | **2,476** | **60,978** |
| | | | | | |
| At cost | **65,297** | **54,306** | **2,072** | **5,039** | **126,714** |
| Accumulated depreciation | **(20,259)** | **(42,914)** | **-** | **(2,563)** | **(65,736)** |
| **Net carrying value at 31 December 2025** | **45,038** | **11,392** | **2,072** | **2,476** | **60,978** |
| | | | | | |
| **Carrying amount:** | | | | | |
| Balance as at 1 January 2024, net of accumulated Depreciation | 43,339 | 9,469 | 1,260 | 1,825 | 55,893 |
| Additions | 4,142 | 1,872 | 2,460 | 1,599 | 10,073 |
| Disposals | - | (87) | (85) | - | (172) |
| Transfers | 188 | 2,397 | (2,585) | - | - |
| Depreciation | (1,651) | (3,008) | - | (1,668) | (6,327) |
| Balance at 31 December 2024, net of accumulated depreciation | 46,018 | 10,643 | 1,050 | 1,756 | 59,467 |
| | | | | | |
| At cost | 65,485 | 53,442 | 1,050 | 3,680 | 123,657 |
| Accumulated depreciation | (19,467) | (42,799) | - | (1,924) | (64,190) |
| Net carrying value at 31 December 2024 | 46,018 | 10,643 | 1,050 | 1,756 | 59,467 |

Freehold land and buildings and leasehold improvements include land at a cost of RO 12.68 million (2024 – RO 12.68 million) which is not depreciated.

The Bank leases a number of branches and office premises. The leases run between 1 year to 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated periodically to reflect market rentals.

The Bank also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Bank has not recognised right-of-use assets and lease liabilities for these leases.

Expenses relating to short term leases for 31 December 2025 was RO 0.3 million (31 December 2024: RO 0.3 million).

## 10 DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Borrowings | **407,131** | 178,540 |
| Vostro balances | **7,752** | 14,398 |
| | **414,883** | 192,938 |

Borrowings include bank borrowings amounting to ﷼ 65.23 million (December 2024: ﷼ 12.63 million) with underlying collateral in the form of Government Sukuk – Oman, Quoted investments – Oman and Quoted investments – Foreign of ﷼ 80.65 million (December 2024: ﷼ 19.21 million).

## 11 CUSTOMERS' DEPOSITS

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Term deposits | **2,006,644** | 2,044,017 |
| Current accounts | **1,389,348** | 1,526,142 |
| Savings accounts | **613,125** | 558,364 |
| | **4,009,117** | 4,128,523 |

## 12 OTHER LIABILITIES

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Liabilities under acceptances (note 8) | **84,549** | 80,066 |
| Other liabilities and accrued expenses | **35,565** | 32,008 |
| Negative fair value of derivatives (note 35) | **8,131** | 11,886 |
| Allowances for credit losses for loan commitments and financial guarantees | **6,623** | 4,047 |
| Staff entitlements | **2,453** | 2,541 |
| Deferred tax liability (note 13) | **2,006** | 2,169 |
| Lease liabilities | **1,907** | 1,083 |
| | **141,234** | 133,800 |

**12 OTHER LIABILITIES (CONTINUED)**

Staff entitlements are as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | ***RO'000*** | *RO'000* |
| End of service benefits | **2,080** | 1,922 |
| Other liabilities | **373** | 619 |
| **Total** | **2,453** | 2,541 |

Movement in the lease liabilities:

| | ***2025*** | *2024* |
|---|---|---|
| | ***RO'000*** | *RO'000* |
| Balance at beginning of year | **1,083** | 1,372 |
| Additions during the year | **2,496** | 1,329 |
| Finance charges on lease | **55** | 47 |
| Lease payments | **(1,727)** | (1,665) |
| Balance at year end | **1,907** | 1,083 |

Maturity analysis of lease liabilities:

| | ***2025*** | *2024* |
|---|---|---|
| | ***RO'000*** | *RO'000* |
| 1 to 5 years | **1,907** | 993 |
| Over 5 years | **-** | 90 |
| Balance at year end | **1,907** | 1,083 |

## 13 TAXATION

| | 2025 | 2024 |
|---|---|---|
| | ﷼'000 | ﷼'000 |
| **Tax expense** | | |
| Current tax expense | **11,519** | 10,134 |
| Deferred tax | **837** | 1,010 |
| Total tax expenses for the year | **12,356** | 11,144 |

The Bank is liable to income tax at the following rates:

| | 2025 | 2024 |
|---|---|---|
| • Sultanate of Oman (of consolidated taxable income) | **15%** | 15% |
| • United Arab Emirates (of taxable income) | | |
| a. National level | **9%** | 9% |
| b. Emirates level | **20%** | 20% |
| • Egypt (of taxable income) | **22.5%** | 22.5% |

For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 15% (2024: 15%).

Set out below is reconciliation between income tax calculated on accounting profits with income tax expense for the year:

| | 2025 | 2024 |
|---|---|---|
| | ﷼'000 | ﷼'000 |
| Accounting profit | **82,563** | 74,207 |
| Tax at applicable rate | **12,384** | 11,131 |
| Tax exempt revenues | **(946)** | (635) |
| Others | **81** | (362) |
| | **11,519** | 10,134 |

The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The Bank's liabilities for taxation in the Sultanate of Oman have been assessed and agreed up to the year ended 31 December 2020.

Management believes that additional taxes, if any, in respect of open tax assessments would not be significant to the Bank's consolidated financial position as at 31 December 2025.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The Bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2023.

## 13. TAXATION (CONTINUED)

**Tax liability**

The movement in the current income tax liability is summarised as follows:

| | 2025 | 2024 |
|---|---|---|
| | **﷼'000** | ﷼'000 |
| At 1 January | **19,123** | 18,976 |
| Charge for the year | **14,127** | 10,134 |
| Payments during the year | **(7,267)** | (9,997) |
| Translation difference and others | **1** | 10 |
| At 31 December | **25,984** | 19,123 |

| | 2025 | 2024 |
|---|---|---|
| | **﷼'000** | ﷼'000 |
| Through comprehensive income | **11,519** | 10,134 |
| Through prior years | **11,857** | 8,989 |
| Through retained earnings | **2,608** | - |
| | **25,984** | 19,123 |

**Recognised deferred tax liabilities**

The deferred tax liability has been recognised at the effective tax rate of 15% (2024 - 15%). Deferred tax liability in the statement of financial position and the deferred tax charge in the consolidated statement of profit or loss and other comprehensive income relates to the tax effect of provisions and change in fair value of FVOCI investment which give rise to deferred tax liabilities are as follows:

Deferred tax liabilities are attributable to the following:

| | 2025 | 2024 |
|---|---|---|
| | **﷼'000** | ﷼'000 |
| Deductible temporary differences relating to provisions | **2,009** | 1,172 |
| FVOCI investments | **(3)** | 997 |
| | **2,006** | 2,169 |

**Movement of deferred tax liability**

| | 2025 | 2024 |
|---|---|---|
| | **﷼'000** | ﷼'000 |
| Balance at the beginning of the year | **2,169** | 845 |
| Provided during the year | **837** | 1,010 |
| Tax effect of equity investments at FVOCI – net change in fair value | **(1,000)** | 314 |
| | **2,006** | 2,169 |

## 14 SHARE CAPITAL

The Authorised share capital of the Bank is 2,000,000,000 shares of RO 0.100 each (2024 – 2,000,000,000 of RO 0.100 each). At 31 December 2025, 1,625,946,355 shares of RO 0.100 each (2024 – 1,625,946,355 shares of RO 0.100 each) have been issued and fully paid.

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

| | ***2025*** | | *2024* | |
|---|---|---|---|---|
| | ***No.of shares '000*** | ***% Holding*** | *No.of shares '000* | *% Holding* |
| The Commercial Bank of Qatar | **567,453** | **34.90%** | 567,453 | 34.90% |
| Suhail Salim Abdullah Al Mukhaini Bahwan | **239,805** | **14.75%** | 239,805 | 14.75% |

The percentage shareholding is calculated based on the total shares of the Bank outstanding at the reporting date.

## 15 SHARE PREMIUM

The share premium of RO 34.47 million (2024 – RO 34.47 million) represents the premium collected on issue of shares by the bank through a private placement in prior years. This is not available for distribution.

## 16 LEGAL RESERVE

The legal reserve, which is not available for distribution, is accumulated in accordance with the requirements of the article of 274 of the Commercial Companies Law of Oman. The annual appropriations must not be less than 10% of the profit for the year until such time that the respective reserve account balance amounts to at least one third of the share capital in Oman. At 31 December 2025, the legal reserve has reached one third of the issued capital.

## 17 OTHER RESERVES

| | **FVOCI** | **Impairment reserve** | **Total** |
|---|---|---|---|
| | **RO '000** | **RO '000** | **RO '000** |
| At 1 January 2025 | **(3,393)** | **14,822** | **11,429** |
| Net movement on FVOCI | **10,901** | **-** | **10,901** |
| Tax effect of net results on FVOCI | **(1,608)** | **-** | **(1,608)** |
| **At 31 December 2025** | **5,900** | **14,822** | **20,722** |

| | **FVOCI** | **Impairment reserve** | **Total** |
|---|---|---|---|
| | **RO '000** | **RO '000** | **RO '000** |
| At 1 January 2024 | (2,698) | 10,580 | 7,882 |
| Net movement on FVOCI | (381) | - | (381) |
| Tax effect of net results on FVOCI | (314) | - | (314) |
| Transfer from retained earnings | - | 4,242 | 4,242 |
| At 31 December 2024 | (3,393) | 14,822 | 11,429 |

The impairment reserve represents excess of impairment allowance (net of tax) calculated as per CBO norms and IFRS 9. The reserve is not available for distribution to the shareholders.

## 18 TIER 1 PERPETUAL BOND

The Bank has issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities") with details mentioned in the table below. 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 – Classification. The key features of the instruments are as follows:

- No fixed date of maturity.
- Payment of interest and/or capital is solely at the discretion of the Bank.
- The instruments are deeply subordinated and rank just above the ordinary shareholders
- These securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman.

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation. The Directors, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document, consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed by the Directors as not being genuine for the purpose of determining the debt vs equity classification. The Directors have considered appropriate independent legal advice in forming their judgement around this matter.

| Issuance Month/Year | Issued Amount | Coupon Rate |
|---|---|---|
| April 2021 | USD 300 million (﷼ 115.5 million) | Fixed interest rate of 8.00% with a reset after 5 years |
| November 2022 | USD 134.11 million (﷼ 51.63 million) | Fixed interest rate of 6.75% with a reset after 5 years |
| October 2024 | USD 150.40 million (﷼ 57.90 million) | Fixed interest rate of 6.75% with a reset after 5 years |
| November 2025 | USD 450 million (﷼ 173.3 million) | Fixed interest rate of 6.63% with a reset after 5 years |

These securities form part of Tier 1 Capital of the Bank and comply with Basel-III and Central Bank of Oman regulations (BM 1114).

## 19 DIVIDENDS PAID AND PROPOSED

The Board of Directors have proposed a cash dividend of ﷼ 0.0105 per share totalling ﷼ 17.1 million for the year ended 31 December 2025 [2024: ﷼ 0.0094 per share totalling ﷼ 15.3 million], which is subject to the approval of the shareholders at the Annual General Meeting to be held in March 2026.

## 20 CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

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

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

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

## 20 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

### 20.1 Contingent liabilities

As of the reporting date, commitments on behalf of customers for which there were corresponding customer liabilities consisted of the following:

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Guarantees | **331,864** | 262,589 |
| Documentary letters of credit | **67,122** | 50,068 |
| | **398,986** | 312,657 |

The table below analyses the concentration of contingent liabilities by economic sector

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Construction | **126,159** | 92,105 |
| Service | **56,105** | 21,227 |
| Manufacturing | **53,973** | 44,775 |
| Financial Institutions | **53,053** | 38,403 |
| Wholesale and Retail Trade | **44,786** | 35,298 |
| Transport and Communication | **34,955** | 42,985 |
| Others | **23,813** | 23,149 |
| Electricity, Gas & Water | **4,821** | 934 |
| Mining & Quarrying | **1,011** | 8,998 |
| Personal | **220** | 4,701 |
| Agriculture | **90** | 82 |
| | **398,986** | 312,657 |

### 20.2 Commitments

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Undrawn commitment | **107,086** | 140,363 |
| Capital expenditure | **1,984** | 1,602 |

### 20.3 Branches

The Bank has deposited in the countries concerned, the following amounts of capital as support for its overseas branches. These amounts cannot be withdrawn without the approval of the respective Central Banks.

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| UAE branch | **40,918** | 40,918 |
| Egypt branch | **19,250** | 19,250 |
| | **60,168** | 60,168 |

## 20 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

### 20.4 Legal claims

By nature of the Banking sector, litigation whether by or against the Bank is expected. In order to properly manage such litigation, the Bank has in place effective mechanism and controls. The Bank does not have any major/ material litigation pending in a court of law in Oman or outside either instituted by or against the Bank, other than normal cases filed by or against customers in the normal course of business. However, there are certain unresolved legal claims filed against the Bank which are not expected to have any significant implication on the Bank's consolidated financial statements.

### 20.5 Fiduciary assets

The Bank acts as fund manager and investment advisor to investment funds. For all funds managed by the Bank, the investors (whose number ranges from 30 to 100) are able to vote by simple majority to remove the Bank as fund manager without cause, and the Bank's aggregate economic interest is in each case less than 5% per annum. As a result, the Bank has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

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

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| **Fund under management** | **196,629** | 135,820 |

**Involvement with unconsolidated structured entities**

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

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| **Carrying amount of funds invested** | **937** | 617 |

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

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| **Fund under management** | **29,606** | 12,075 |
| **Commission and fees** | **212** | 141 |

## 21 INTEREST INCOME

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| Interest from customers | **211,305** | 208,530 |
| Interest from banks | **11,559** | 17,499 |
| Interest from investments | **23,645** | 24,645 |
| | **246,509** | 250,674 |

Interest bearing assets have an average effective annual rate of 5.63% per annum for the year ended 31 December 2025 (2024 – 6.04% per annum).

## 22 INTEREST EXPENSE

| | 2025 ﷼'000 | 2024 ﷼'000 |
|---|---|---|
| Interest to customers | **129,238** | 130,405 |
| Interest to banks | **13,638** | 17,835 |
| | **142,876** | 148,240 |

For the year ended 31 December 2025, the average effective annual cost of funds was 3.61% per annum (2024 – 3.87% per annum).

## 23 FEE AND COMMISSION INCOME

| | 2025 ﷼'000 | 2024 ﷼'000 |
|---|---|---|
| Fee and commission income | **45,196** | 37,836 |
| Less: Fee and commission expenses | **(16,102)** | (12,796) |
| Net fee and commission income | **29,094** | 25,040 |

The disaggregation of net fee and commission income is provided under note 33.

## 24 OTHER OPERATING INCOME

| | 2025 ﷼'000 | 2024 ﷼'000 |
|---|---|---|
| Net gains from foreign exchange dealings | **11,184** | 8,208 |
| Dividend income | **5,728** | 4,346 |
| Gain on investments at FVTPL | **508** | 153 |
| Miscellaneous income | **5,041** | 4,796 |
| | **22,461** | 17,503 |

## 25 STAFF COSTS

| | 2025 ﷼'000 | 2024 ﷼'000 |
|---|---|---|
| Employees' salaries | **28,896** | 28,062 |
| Contribution to social insurance schemes | **2,802** | 2,701 |
| Other staff costs | **8,811** | 8,609 |
| | **40,509** | 39,372 |

The Bank employed 1,454 employees as of 31 December 2025 (2024 - 1,434 employees).

## 26 OTHER OPERATING EXPENSES

| | 2025 ﷼'000 | 2024 ﷼'000 |
|---|---|---|
| Establishment costs | **5,286** | 4,003 |
| Operating and administration costs | **13,677** | 12,873 |
| Directors' remuneration and sitting fees | **416** | 408 |
| | **19,379** | 17,284 |

## 27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

### 27.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 December 2025:

**Impairment charge and provision held as of 31 December 2025**

| Particular | As per CBO Norms ﷼'000 | As per IFRS 9 ﷼'000 | Difference ﷼'000 |
|---|---|---|---|
| | | | |
| Impairment Loss charged to profit and loss | - | 14,515 | NA |
| Provisions required | 206,059 | 184,801 | (21,258) |
| Gross non-performing loan ratio (percentage) | - | 4.5 | - |
| Net non-performing loan ratio (percentage) | - | 3.8 | - |

**Mapping of IFRS 9 and CBO norms**

*Amounts in ﷼'000*

| 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 under IFRS 9 | Net Amount as per IFRS 9 | Reserve interest as per CBO norms |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) = (4)-(5)+(8) | (7) = (3)-(5) | (8) |
| Standard | Stage 1 | 3,549,929 | 45,375 | 8,972 | 36,403 | 3,540,957 | - |
| | Stage 2 | 386,493 | 4,245 | 9,665 | (5,420) | 376,828 | - |
| | Stage 3 | - | - | - | - | - | - |
| **Subtotal** | | 3,936,422 | 49,620 | 18,637 | 30,983 | 3,917,785 | - |
| Special Mention | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | 195,990 | 1,996 | 25,551 | (23,555) | 170,439 | - |
| | Stage 3 | - | - | - | - | - | - |
| **Subtotal** | | 195,990 | 1,996 | 25,551 | (23,555) | 170,439 | - |
| Substandard | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 7,766 | 1,984 | 4,850 | (2,748) | 2,916 | 118 |
| **Subtotal** | | 7,766 | 1,984 | 4,850 | (2,748) | 2,916 | 118 |
| Doubtful | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 9,980 | 4,524 | 3,488 | 1,264 | 6,492 | 228 |
| **Subtotal** | | 9,980 | 4,524 | 3,488 | 1,264 | 6,492 | 228 |
| Loss | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 177,138 | 114,411 | 124,416 | 23,173 | 52,722 | 33,178 |
| **Subtotal** | | 177,138 | 114,411 | 124,416 | 23,173 | 52,722 | 33,178 |
| Other items not covered under CBO circular BM 977 and related instructions | Stage 1 | 1,503,093 | - | 1,916 | (1,916) | 1,501,177 | - |
| | Stage 2 | 218,165 | - | 1,755 | (1,755) | 216,410 | - |
| | Stage 3 | 4,462 | - | 4,188 | (4,188) | 274 | - |
| **Subtotal** | | 1,725,720 | - | 7,859 | (7,859) | 1,717,861 | - |
| **Total** | Stage 1 | 5,053,022 | 45,375 | 10,888 | 34,487 | 5,042,134 | - |
| | Stage 2 | 800,648 | 6,241 | 36,971 | (30,730) | 763,677 | - |
| | Stage 3 | 199,346 | 120,919 | 136,942 | 17,501 | 62,404 | 33,524 |
| | **Total** | 6,053,016 | 172,535 | 184,801 | 21,258 | 5,868,215 | 33,524 |

**27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

**27.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement As at 31 December 2025: (continued)**

**Impairment charge and provision held as of 31 December 2024**

| Particular | As per CBO Norms | As per IFRS 9 | Difference |
|---|---|---|---|
| | *﷼'000* | *﷼'000* | *﷼'000* |
| | | | |
| Impairment Loss charged to profit and loss | - | 14,136 | NA |
| Provisions required | 186,929 | 169,491 | (17,438) |
| Gross non-performing loan ratio (percentage) | - | 4.7 | - |
| Net non-performing loan ratio (percentage) | - | 4.0 | - |

**Mapping of IFRS 9 and CBO norms**

*Amounts in ﷼'000*

| 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 under IFRS 9 | Net Amount as per IFRS 9 | Reserve interest as per CBO norms |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) = (4)-(5)+(8) | (7) = (3)-(5) | (8) |
| Standard | Stage 1 | 3,342,348 | 43,160 | 10,573 | 32,587 | 3,331,775 | - |
| | Stage 2 | 381,840 | 4,151 | 7,122 | (2,971) | 374,718 | - |
| | Stage 3 | - | - | - | - | - | - |
| Subtotal | | 3,724,188 | 47,311 | 17,695 | 29,616 | 3,706,493 | - |
| Special Mention | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | 175,942 | 1,800 | 25,594 | (23,794) | 150,348 | - |
| | Stage 3 | - | - | - | - | - | - |
| Subtotal | | 175,942 | 1,800 | 25,594 | (23,794) | 150,348 | - |
| Substandard | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 31,788 | 7,390 | 20,834 | (12,809) | 10,954 | 635 |
| Subtotal | | 31,788 | 7,390 | 20,834 | (12,809) | 10,954 | 635 |
| Doubtful | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 25,567 | 10,496 | 13,831 | (387) | 11,736 | 2,948 |
| Subtotal | | 25,567 | 10,496 | 13,831 | (387) | 11,736 | 2,948 |
| Loss | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 133,221 | 93,475 | 86,605 | 29,744 | 46,616 | 22,874 |
| Subtotal | | 133,221 | 93,475 | 86,605 | 29,744 | 46,616 | 22,874 |
| Other items not covered under CBO circular BM 977 and related instructions | Stage 1 | 1,345,483 | - | 1,083 | (1,083) | 1,344,400 | - |
| | Stage 2 | 194,845 | - | 2,618 | (2,618) | 192,227 | - |
| | Stage 3 | 4,923 | - | 1,231 | (1,231) | 3,692 | - |
| Subtotal | | 1,545,251 | - | 4,932 | (4,932) | 1,540,319 | - |
| Total | Stage 1 | 4,687,831 | 43,160 | 11,656 | 31,504 | 4,676,175 | - |
| | Stage 2 | 752,627 | 5,951 | 35,334 | (29,383) | 717,293 | - |
| | Stage 3 | 195,499 | 111,361 | 122,501 | 15,317 | 72,998 | 26,457 |
| | Total | 5,635,957 | 160,472 | 169,491 | 17,438 | 5,466,466 | 26,457 |

**27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

**27.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 December 2025:**

**Restructured loans**

*Amounts in ﷼'000*

| Asset classification as per CBO's Norms | Asset classification as per IFRS 9 | Gross carrying amount | Provision required as per CBO's norms | Provision held as per IFRS 9 | Difference between CBO provision required and provision held under IFRS 9 | Net carrying amount as per IFRS 9 | Reserve interest as per CBO's norms |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) = (4)-(5)+(8) | (7) = (3)-(5) | (8) |
| Classified as performing | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | **187,772** | **1,908** | **25,529** | **(23,621)** | **162,243** | - |
| | Stage 3 | - | - | - | - | - | - |
| **Subtotal** | | **187,772** | **1,908** | **25,529** | **(23,621)** | **162,243** | - |
| Classified as non-performing | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | **61,777** | **42,808** | **44,491** | **4,729** | **17,286** | **6,412** |
| **Sub total** | | **61,777** | **42,808** | **44,491** | **4,729** | **17,286** | **6,412** |
| **Total** | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | **187,772** | **1,908** | **25,529** | **(23,621)** | **162,243** | - |
| | Stage 3 | **61,777** | **42,808** | **44,491** | **4,729** | **17,286** | **6,412** |
| | Total | **249,549** | **44,716** | **70,020** | **(18,892)** | **179,529** | **6,412** |

**Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement As at 31 December 2024:**

**Restructured loans**

*Amounts in ﷼'000*

| Asset classification as per CBO's Norms | Asset classification as per IFRS 9 | Gross carrying amount | Provision required as per CBO's norms | Provision held as per IFRS 9 | Difference between CBO provision required and provision held under IFRS 9 | Net carrying amount as per IFRS 9 | Reserve interest as per CBO's norms |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) = (4)-(5)+(8) | (7) = (3)-(5) | (8) |
| | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | 181,735 | 1,854 | 23,088 | (21,234) | 158,647 | - |
| Classified as performing | Stage 3 | - | - | - | - | - | - |
| Subtotal | | 181,735 | 1,854 | 23,088 | (21,234) | 158,647 | - |
| | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| Classified as non-performing | Stage 3 | 58,935 | 29,793 | 38,914 | (4,894) | 20,021 | 4,227 |
| Sub total | | 58,935 | 29,793 | 38,914 | (4,894) | 20,021 | 4,227 |
| | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | 181,735 | 1,854 | 23,088 | (21,234) | 158,647 | - |
| | Stage 3 | 58,935 | 29,793 | 38,914 | (4,894) | 20,021 | 4,227 |
| Total | Total | 240,670 | 31,647 | 62,002 | (26,128) | 178,668 | 4,227 |

## 27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### 27.3 Movement in expected credit losses (ECL) as at 31 December 2025

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| | *﷼'000* | *﷼'000* | *﷼'000* | *﷼'000* |
| **Exposure subject to ECL** | | | | |
| - Central bank balances | **320,846** | **-** | **-** | **320,846** |
| - Due from banks and other money market placements | **334,645** | **-** | **-** | **334,645** |
| - Loans, advances and Islamic financing assets | **3,549,929** | **582,483** | **194,884** | **4,327,296** |
| - Investment securities (debt) | **479,608** | **-** | **-** | **479,608** |
| - Acceptances | **46,014** | **38,535** | **-** | **84,549** |
| - Contingent liabilities and commitments | **321,980** | **179,630** | **4,462** | **506,072** |
| | **5,053,022** | **800,648** | **199,346** | **6,053,016** |
| **Opening Balance – as at 1 January 2025** | | | | |
| - Central bank balances | **-** | **-** | **-** | **-** |
| - Due from banks and other money market placements | **106** | **-** | **-** | **106** |
| - Loans, advances and Islamic financing assets | **10,573** | **32,716** | **121,270** | **164,559** |
| - Investment securities (debt) | **559** | **-** | **-** | **559** |
| - Acceptances | **93** | **127** | **-** | **220** |
| - Contingent liabilities and commitments | **325** | **2,491** | **1,231** | **4,047** |
| | **11,656** | **35,334** | **122,501** | **169,491** |
| **Net transfer between stages** | | | | |
| - Central bank balances | **-** | **-** | **-** | **-** |
| - Due from banks and other money market placements | **-** | **-** | **-** | **-** |
| - Loans, advances and Islamic financing assets | **933** | **(3,410)** | **2,477** | **-** |
| - Investment securities (debt) | **-** | **-** | **-** | **-** |
| - Acceptances | **54** | **(54)** | **-** | **-** |
| - Contingent liabilities and commitments | **335** | **(335)** | **-** | **-** |
| | **1,322** | **(3,799)** | **2,477** | **-** |
| **Charge / (release) for the period (net)** | | | | |
| - Central bank balances | **-** | **-** | **-** | **-** |
| - Due from banks and other money market placements | **144** | **-** | **-** | **144** |
| - Loans, advances and Islamic financing assets | **(2,534)** | **5,910** | **22,240** | **25,616** |
| - Investment securities (debt) | **365** | **-** | **-** | **365** |
| - Acceptances | **(133)** | **(25)** | **-** | **(158)** |
| - Contingent liabilities and commitments | **68** | **(449)** | **2,957** | **2,576** |
| | **(2,090)** | **5,436** | **25,197** | **28,543** |
| **Write off for the period** | | | | |
| - Loans, advances and Islamic financing assets | **-** | **-** | **(13,233)** | **(13,233)** |
| | **-** | **-** | **(13,233)** | **(13,233)** |
| **Closing Balance – as at 31 December 2025** | | | | |
| - Central bank balances | **-** | **-** | **-** | **-** |
| - Due from banks and other money market placements | **250** | **-** | **-** | **250** |
| - Loans, advances and Islamic financing assets | **8,972** | **35,216** | **132,754** | **176,942** |
| - Investment securities (debt) | **924** | **-** | **-** | **924** |
| - Acceptances | **14** | **48** | **-** | **62** |
| - Contingent liabilities and commitments | **728** | **1,707** | **4,188** | **6,623** |
| | **10,888** | **36,971** | **136,942** | **184,801** |

## 27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### 27.3 Movement in expected credit losses (ECL) As at 31 December 2025 (continued)

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| | *'000* | *'000* | *'000* | *'000* |
| Exposure subject to ECL | | | | |
| - Central bank balances | 267,213 | - | - | 267,213 |
| - Due from banks and other money market placements | 372,470 | - | - | 372,470 |
| - Loans, advances and Islamic financing assets | 3,342,348 | 557,782 | 190,576 | 4,090,706 |
| - Investment securities (debt) | 372,482 | - | - | 372,482 |
| - Acceptances | 43,656 | 36,410 | - | 80,066 |
| - Contingent liabilities and commitments | 289,662 | 158,435 | 4,923 | 453,020 |
| | 4,687,831 | 752,627 | 195,499 | 5,635,957 |
| Opening Balance – as at 1 January 2024 | | | | |
| - Central bank balances | - | - | - | - |
| - Due from banks and other money market placements | 50 | - | - | 50 |
| - Loans, advances and Islamic financing assets | 5,718 | 51,783 | 100,182 | 157,683 |
| - Investment securities (debt) | 526 | - | - | 526 |
| - Acceptances | - | - | - | - |
| - Contingent liabilities and commitments | 363 | 2,845 | 1,279 | 4,487 |
| | 6,657 | 54,628 | 101,461 | 162,746 |
| Net transfer between stages | | | | |
| - Central bank balances | - | - | - | - |
| - Due from banks and other money market placements | - | - | - | - |
| - Loans, advances and Islamic financing assets | 304 | (27,083) | 26,779 | - |
| - Investment securities (debt) | - | - | - | - |
| - Acceptances | - | - | - | - |
| - Contingent liabilities and commitments | (77) | 77 | - | - |
| | 227 | (27,006) | 26,779 | - |
| Charge / (release) for the period (net) | | | | |
| - Central bank balances | - | - | - | - |
| - Due from banks and other money market placements | 56 | - | - | 56 |
| - Loans, advances and Islamic financing assets | 4,551 | 8,016 | 12,896 | 25,463 |
| - Investment securities (debt) | 33 | - | - | 33 |
| - Acceptances | 93 | 127 | - | 220 |
| - Contingent liabilities and commitments | 39 | (431) | (48) | (440) |
| | 4,772 | 7,712 | 12,848 | 25,332 |
| Write off for the period | | | | |
| - Loans, advances and Islamic financing assets | - | - | (18,587) | (18,587) |
| | - | - | (18,587) | (18,587) |
| Closing Balance – As at 31 December 2024 | | | | |
| - Central bank balances | - | - | - | - |
| - Due from banks and other money market placements | 106 | - | - | 106 |
| - Loans, advances and Islamic financing assets | 10,573 | 32,716 | 121,270 | 164,559 |
| - Investment securities (debt) | 559 | - | - | 559 |
| - Acceptances | 93 | 127 | - | 220 |
| - Contingent liabilities and commitments | 325 | 2,491 | 1,231 | 4,047 |
| | 11,656 | 35,334 | 122,501 | 169,491 |

**27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

**27.4 Movement in gross exposure**

**27.4 (a) Movement in loans, advances and Islamic financing assets**

| **As at 31 December 2025** | ***Stage 1*** ***⃁'000*** | ***Stage 2*** ***⃁'000*** | ***Stage 3*** ***⃁'000*** | ***Total*** ***⃁'000*** |
|---|---|---|---|---|
| Opening Balance - as at 1 January 2025 | **3,342,348** | **557,782** | **190,576** | **4,090,706** |
| Transfer to stage 1 | **65,403** | **(65,403)** | **-** | **-** |
| Transfer to stage 2 | **(6,649)** | **7,432** | **(783)** | **-** |
| Transfer to stage 3 | **(6,611)** | **(23,408)** | **30,019** | **-** |
| New loans, advances and Islamic financing assets | **689,951** | **151,528** | **-** | **841,479** |
| Recovery of loans, advances and Islamic financing assets | **(534,513)** | **(45,448)** | **(11,695)** | **(591,656)** |
| Write off for the period | **-** | **-** | **(13,233)** | **(13,233)** |
| Closing Balance - as at 31 December 2025 | **3,549,929** | **582,483** | **194,884** | **4,327,296** |
| As at 31 December 2024 | | | | |
| Opening Balance - as at 1 January 2024 | 2,746,178 | 754,781 | 163,484 | 3,664,443 |
| Transfer to stage 1 | 95,919 | (95,268) | (651) | - |
| Transfer to stage 2 | (13,534) | 13,776 | (242) | - |
| Transfer to stage 3 | (5,552) | (66,546) | 72,098 | - |
| New loans, advances and Islamic financing assets | 1,071,569 | 98,561 | - | 1,170,130 |
| Recovery of loans, advances and Islamic financing assets | (552,232) | (147,522) | (25,526) | (725,280) |
| Write off for the period | - | - | (18,587) | (18,587) |
| Closing Balance - As at 31 December 2024 | 3,342,348 | 557,782 | 190,576 | 4,090,706 |

**27.4 (b) Movement in contingent liabilities and commitments**

| **As at 31 December 2025** | ***Stage 1*** ***⃁'000*** | ***Stage 2*** ***⃁'000*** | ***Stage 3*** ***⃁'000*** | ***Total*** ***⃁'000*** |
|---|---|---|---|---|
| Opening Balance - as at 1 January 2025 | **289,662** | **158,435** | **4,923** | **453,020** |
| Transfer to stage 1 | **19,346** | **(19,346)** | **-** | **-** |
| Transfer to stage 2 | **(16,915)** | **16,915** | **-** | **-** |
| Transfer to stage 3 | **-** | **(120)** | **120** | **-** |
| Originated during the year | **232,586** | **67,476** | **-** | **300,062** |
| Derecognised during the year | **(202,699)** | **(43,730)** | **(581)** | **(247,010)** |
| Write off for the period | **-** | **-** | **-** | **-** |
| Closing Balance - as at 31 December 2025 | **321,980** | **179,630** | **4,462** | **506,072** |
| As at 31 December 2024 | | | | |
| Opening Balance - as at 1 January 2024 | 269,503 | 147,976 | 5,112 | 422,591 |
| Transfer to stage 1 | 16,555 | (16,555) | - | - |
| Transfer to stage 2 | (13,731) | 13,731 | - | - |
| Transfer to stage 3 | - | (174) | 174 | - |
| Originated during the year | 22,610 | 29,674 | - | 52,284 |
| Derecognised during the year | (5,275) | (16,217) | (363) | (21,855) |
| Write off for the period | - | - | - | - |
| Closing Balance - As at 31 December 2024 | 289,662 | 158,435 | 4,923 | 453,020 |

**27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

**27.4 (c) Movement in due from banks and other money market placements (continued)**

| **As at 31 December 2025** | ***Stage 1*** ***﷼'000*** | ***Stage 2*** ***﷼'000*** | ***Stage 3*** ***﷼'000*** | ***Total*** ***﷼'000*** |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2025 | **372,470** | **-** | **-** | **372,470** |
| Transfer to stage 1 | **-** | **-** | **-** | **-** |
| Transfer to stage 2 | **-** | **-** | **-** | **-** |
| Transfer to stage 3 | **-** | **-** | **-** | **-** |
| Derecognised during the year | **(37,825)** | **-** | **-** | **(37,825)** |
| Closing Balance - as at 31 December 2025 | **334,645** | **-** | **-** | **334,645** |

| As at 31 December 2024 | | | | |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2024 | 324,970 | - | - | 324,970 |
| Transfer to stage 1 | - | - | - | - |
| Transfer to stage 2 | - | - | - | - |
| Transfer to stage 3 | - | - | - | - |
| Originated during the year | 47,500 | - | - | 47,500 |
| Closing Balance - As at 31 December 2024 | 372,470 | - | - | 372,470 |

**27.4 (d) Movement in Acceptances**

| **As at 31 December 2025** | ***Stage 1*** ***﷼'000*** | ***Stage 2*** ***﷼'000*** | ***Stage 3*** ***﷼'000*** | ***Total*** ***﷼'000*** |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2025 | **43,656** | **36,410** | **-** | **80,066** |
| Transfer to stage 1 | **164** | **(164)** | **-** | **-** |
| Transfer to stage 2 | **(29,852)** | **29,852** | **-** | **-** |
| Transfer to stage 3 | **-** | **-** | **-** | **-** |
| Originated during the year | **36,573** | **6,328** | **-** | **42,901** |
| Derecognised during the year | **(4,527)** | **(33,891)** | **-** | **(38,418)** |
| Closing Balance - as at 31 December 2025 | **46,014** | **38,535** | **-** | **84,549** |

| As at 31 December 2024 | | | | |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2024 | 18,651 | 8,722 | - | 27,373 |
| Transfer to stage 1 | 976 | (976) | - | - |
| Transfer to stage 2 | (9,692) | 9,692 | - | - |
| Transfer to stage 3 | - | - | - | - |
| Originated during the year | 40,052 | 21,647 | - | 61,699 |
| Derecognised during the year | (6,331) | (2,675) | - | (9,006) |
| Closing Balance - As at 31 December 2024 | 43,656 | 36,410 | - | 80,066 |

**27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

**27.4 (e) Movement in investment securities (debt) (continued)**

| **As at 31 December 2025** | ***Stage 1*** ***⃀'000*** | ***Stage 2*** ***⃀'000*** | ***Stage 3*** ***⃀'000*** | ***Total*** ***⃀'000*** |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2025 | **372,482** | **-** | **-** | **372,482** |
| Transfer to stage 1 | **-** | **-** | **-** | **-** |
| Transfer to stage 2 | **-** | **-** | **-** | **-** |
| Transfer to stage 3 | **-** | **-** | **-** | **-** |
| Originated during the year | **264,774** | **-** | **-** | **264,774** |
| Derecognised during the year | **(157,648)** | **-** | **-** | **(157,648)** |
| Closing Balance - as at 31 December 2025 | **479,608** | **-** | **-** | **479,608** |

As at 31 December 2024

| | | | | |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2024 | 395,829 | - | - | 395,829 |
| Transfer to stage 1 | - | - | - | - |
| Transfer to stage 2 | - | - | - | - |
| Transfer to stage 3 | - | - | - | - |
| Originated during the year | 61,385 | - | - | 61,385 |
| Derecognised during the year | (84,732) | - | - | (84,732) |
| Closing Balance - As at 31 December 2024 | 372,482 | - | - | 372,482 |

**27.4 (f) Movement in central bank balances**

| **As at 31 December 2025** | ***Stage 1*** ***⃀'000*** | ***Stage 2*** ***⃀'000*** | ***Stage 3*** ***⃀'000*** | ***Total*** ***⃀'000*** |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2025 | **267,213** | **-** | **-** | **267,213** |
| Transfer to stage 1 | **-** | **-** | **-** | **-** |
| Transfer to stage 2 | **-** | **-** | **-** | **-** |
| Transfer to stage 3 | **-** | **-** | **-** | **-** |
| Originated during the year | **53,633** | **-** | **-** | **53,633** |
| Derecognised during the year | **-** | **-** | **-** | **-** |
| Closing Balance - as at 31 December 2025 | **320,846** | **-** | **-** | **320,846** |

As at 31 December 2024

| | | | | |
|---|---|---|---|---|
| **Exposure subject to ECL** | | | | |
| Opening Balance - as at 1 January 2024 | 369,115 | - | - | 369,115 |
| Transfer to stage 1 | - | - | - | - |
| Transfer to stage 2 | - | - | - | - |
| Transfer to stage 3 | - | - | - | - |
| Originated during the year | - | - | - | - |
| Derecognised during the year | (101,902) | - | - | (101,902) |
| Closing Balance - As at 31 December 2024 | 267,213 | - | - | 267,213 |

## 27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### 27.5 Movement in impairment credit losses for the year ended:

| | ***2025*** | *2024* |
|---|---|---|
| | ***﷼'000*** | *﷼'000* |
| **Impairment of allowances for credit losses:** | | |
| Due from Banks and other money market placements | **(144)** | (56) |
| Loans, advances and Islamic financing assets | **(21,385)** | (23,146) |
| Investment Securities (debt) | **(365)** | (33) |
| Acceptances | **158** | (220) |
| Contingent liabilities and commitments | **(2,576)** | 440 |
| **Total** | **(24,312)** | (23,015) |
| | | |
| Recoveries and releases from provision for credit losses | **3,848** | 3,386 |
| Recoveries and releases from loans, advances and Islamic financing assets written off | **5,949** | 5,493 |
| **Total** | **9,797** | 8,879 |
| **Net impairment losses** | **(14,515)** | (14,136) |

The most significant changes to ECL allowances is due to the allowances for credit losses on loans, advances and Islamic financing assets of ﷼ 21.4 million relating to underlying credit quality changes, including the credit quality impact of financial instruments transferring between stages. The charge was partially offset by recoveries and releases of ﷼ 9.8 million as provided in the table above.

## 28 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise principal shareholders, directors and key management personnel of the Bank. Key management personnel comprise those individuals of the Bank who are involved in the strategic planning and decision making of the Bank. The terms of these transactions are approved by the Bank's management and are made on terms agreed by the Board of Directors.

In the ordinary course of business, the Bank conducts transactions with certain of its directors, shareholders, senior management and companies over which they have significant interest. The Bank engages in transactions with related parties at arm's length terms and in accordance with relevant laws and regulations~~.~~ Terms of these transactions are approved by the Bank's Board and Management.

Principal shareholders of the Bank includes those shareholdes who exercises significant influence on the Bank and their close family members. Other related parties include transactions with key management personnel, directors and transactions with those entities which are controlled by either the principal shareholders or key management personnel or directors of the Bank.

The aggregate amounts of balances with such related parties are as follows:

| | ***2025*** | | | *2024* | | |
|---|---|---|---|---|---|---|
| | ***Principal shareholders*** | ***Others*** | ***Total*** | *Principal shareholders* | *Others* | *Total* |
| | ***﷼'000*** | ***﷼'000*** | ***﷼'000*** | *﷼'000* | *﷼'000* | *﷼'000* |
| Loans, advances and Islamic financing assets | **-** | **124,728** | **124,728** | - | 117,932 | 117,932 |
| Customers' deposits | **341** | **40,863** | **41,204** | 330 | 42,005 | 42,335 |
| Due from Banks | **218** | **-** | **218** | 147 | - | 147 |
| Due to Banks | **145** | **-** | **145** | 175 | - | 175 |
| Letter of credit, guarantees and acceptance | **954** | **4,618** | **5,572** | 667 | 4,868 | 5,535 |
| Investment | **2,831** | **1,174** | **4,005** | 2,679 | 619 | 3,298 |

**28 RELATED PARTY TRANSACTIONS (Continued)**

The statement of profit or loss and other comprehensive income includes the following amounts in relation to transactions with related parties:

| | ***2025*** | | | *2024* | | |
|---|---|---|---|---|---|---|
| | ***Principal shareholders RO'000*** | ***Others RO'000*** | ***Total RO'000*** | *Principal shareholders RO'000* | *Others RO'000* | *Total RO'000* |
| Interest income | **11** | **6,529** | **6,540** | 303 | 6,056 | 6,359 |
| Commission income | **6** | **487** | **493** | 6 | 581 | 587 |
| Interest expense | **-** | **960** | **960** | - | 740 | 740 |
| Other expenses | **-** | **1,511** | **1,511** | - | 1,724 | 1,724 |

The above transactions and outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Details regarding senior management are set out below:

The Bank considers the personnel of Management Executive Committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures."

The balances in respect of these related parties included in the statement of financial position as at the reporting date are as follows:

| | ***2025 RO'000*** | *2024 RO'000* |
|---|---|---|
| Loans, advances and Islamic financing assets | **458** | 900 |
| Customers' deposits | **1,642** | 1,255 |

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

| | ***2025 RO'000*** | *2024 RO'000* |
|---|---|---|
| Interest Income | **30** | 32 |
| Interest Expense | **71** | 57 |
| Salaries and other short-term benefits | **4,515** | 4,355 |
| Post-employment benefits | **86** | 90 |

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

## 29 EARNINGS PER SHARE

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

| | ***2025*** | *2024* |
|---|---|---|
| Net Profit after tax (﷼’000) | **70,207** | 63,063 |
| Less: Interest on Tier 1 perpetual bond (﷼’000) | **(16,634)** | (12,725) |
| Profit attributable to shareholders (﷼’000) | **53,573** | 50,338 |
| Weighted average number of shares outstanding during the year (in ’000) | **1,625,946** | 1,625,946 |
| Basic earnings per share (﷼) | **0.033** | 0.031 |

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

## 30 CAPITAL ADEQUACY

CBO regulations govern regulatory capital requirements for the Bank; in addition, the overseas branches in UAE is also supervised by their local regulators - CBUAE. The capital management process for the Bank is linked to the overall business strategy to ensure that capital is adequate to the level of inherent risk in the business and within the Bank’s capital risk appetite. The Bank conducts capital planning in conjunction with the financial budgeting exercise. The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank’s capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Central Bank of Oman in supervising the Bank.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

***Capital management***

The primary objectives of the Bank’s capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders’ value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. The Capital Management Policy was revised during the year to incorporate the regulatory changes.

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk.

**30 CAPITAL ADEQUACY (continued)**

As per CBO guidelines, the Bank needs to maintain capital adequacy ratio (CAR) at a minimum of 13.5% (including the capital conservation buffer) as at 31 December 2025. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | ***RO'000*** | *RO'000* |
| **Capital base** | | |
| Common equity Tier 1 - shareholders' funds | **559,107** | 503,091 |
| Additional Tier 1 – capital | **398,287** | 225,037 |
| Tier 2 - subordinated debt and eligible impairment provisions | **15,711** | 19,165 |
| Total capital base | **973,105** | 747,293 |
| | | |
| **Risk weighted assets** | | |
| Credit risk | **4,346,825** | 3,996,512 |
| Operational risk | **287,929** | 272,144 |
| Market risk | **127,638** | 94,013 |
| Total risk weighted assets | **4,762,392** | 4,362,669 |
| | | |
| Common Equity Tier 1 Ratio | **11.7%** | 11.5% |
| Tier 1 Ratio | **20.1%** | 16.7% |
| Risk asset ratio (Basel II norms) | **20.4%** | 17.1% |

For more details refer Basel II Pillar III disclosure as provided by the Bank in its annual report.

**31 RISK MANAGEMENT**

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 Bank's key risks are credit risk, market risk, operational risk and strategic risk. The Bank operates on the guiding principles of three lines of defence i.e. Business, Independent control functions and internal audit. The risk management function is headed by the CRO with a team of risk professionals to manage specific risk functions.

**31.1 Credit risk**

Credit risk is the risk of potential loss in the event that the Bank's customers, clients or counterparties fail to honour their financial and contractual obligations to the Bank. Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman.

**Credit risk management**

Credit Risk is managed within the regulatory requirements of Central Bank of Oman; the risk framework is provided in the Board approved Risk Charter and Credit Policies and Procedures. The policies and procedures are periodically reviewed to ensure alignment to the current best practices. Credit exposures are approved by delegated authorities based on the delegation by the Board and Board Risk Committee. The delegation of authorities is based on the size of the single obligor exposure, the credit quality (internal, external rating) as well as level of credit risk mitigation (collateral, guarantees, etc.) for the proposed exposures. For retail exposures, there is delegation of authority for handling exceptions to approved program lending. Control, monitoring and management of credit exposures and remedial management are done in coordination with respective Business Units as per established procedures. The risk management framework also includes policies with respect to problem recognition, early warning lists, watch lists, classification parameters and risk rating adjustments. The Bank also undertakes stress testing of its portfolio and potential credit costs in the event of a downgrade or default by its customers.

## 31 RISK MANAGEMENT (CONTINUED)

### 31.1 Credit risk (Continued)

**Corporate credit**

Corporate Credit Risk Division is responsible for independent assessment and control of the risks related to all Corporate, Business Banking, Financial Institutions as well as Small and Medium enterprise exposures. The credit risk associated with any corporate financing is assessed based on an analysis of the customer and the industry it operates in. The credit rating acts as a key factor in credit decisions at the time of approval and subsequent credit assessments. The Division reviews and assesses credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews of facilities are subject to the same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries, risk grades, etc. and deviations, if any are highlighted. The Bank follows a risk adjusted return of capital model for benchmarking risk pricing and each credit proposal is also assessed based on internal benchmarks of required risk adjusted returns. The Bank has implemented a customised Moody's Risk Analyst model for risk rating corporate 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, public companies and large exposures. Further, the Bank continues to undertake quarterly review of financial institutions and country portfolio including stress tests and review of adverse rating migrations and outlooks in line with best practices and regulatory guidelines. The Bank also undertook a weekly review across all its business segments of early warning accounts, which showed signs of stress, and remedial action prescribed as necessary.

A comprehensive review of the Corporate Credit Portfolio is conducted on a quarterly basis and provided to the Senior Management and the Board Risk Committee. Salient areas covered in the review include: -

- Exposures downgraded/negatively migrated
- Weighted average credit grade profile
- Portfolio concentration/ performance
- Position of restructured exposures
- Position of past due exposures
- Exposures secured by equity
- Exposures to real estate and leasing sectors
- Syndicated exposures
- New relationships
- Exposures to senior members and non-resident borrowers
- Exposures to countries / financial institutions
- Clean lending and name lending exposures

The Bank introduced prudent control measures for its UAE operations in line with the changing operating environment detailed below

- Revised business focus on Oman-UAE business corridor with emphasis on businesses sponsored by Omani or reputed UAE nationals.
- Enhanced Due diligence and strengthened KYC processes
- Revised Standard Operating Procedures in line with changing business needs.

**Retail credit**

Retail Credit 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. Product programs are approved by Board Risk Committee and their performance is monitored on a regular basis and reviewed. Regular updates are provided to the approving committees regarding the status of the loan portfolio.

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

**Retail credit (continued)**
Based on the prevailing market conditions, the Bank sustained its continuous monitoring of the portfolio with a thorough review and amendments of the Credit Policy / Product Program. Credit facilities outside the Product Programs / Policy Parameters are individually reviewed and assessed by the Retail Banking division & the Retail Credit Risk Division. Ongoing efforts for implementing the Credit bureau score (Mala'a) for major loan products.

Several system enhancements and new processes have been introduced across critical activities to improve processing quality and efficiency and to enhance the recovery methodologies of the retail portfolio. The Bank has an automated Loan Collection System in order to enhance its collections and recovery processes. It also has an automated Loan Origination System to further enhance its Retail Credit Risk framework.

**Loan review mechanism**

The Bank has an independent Loan Review Mechanism Division (LRM) with a mandate for constantly evaluating the quality of the loan book, and the balance between risk and reward and to bring about qualitative improvements in credit administration. The division evaluates the effectiveness of loan administration, integrity of the credit grading process, assessment of general and specific loan loss provisions, portfolio quality, etc. In addition to the above the LRM team reviews the Bank's effectiveness of approved internal controls and procedures to ensure robust and sound practices are being followed by all stake holders. LRM also performs independent ad hoc reviews, investigations and assessments as directed by management on areas of concern relating to the credit approval process and/or the analysis processes within the Bank. Significant findings are reported to the CRO, the MRC and potentially to the BRC where warranted.

**Risk mitigation policies**

The Bank manages, limits and controls concentrations of credit risk – in particular, with respect to individual counterparties and groups, and 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 Credit Committee and Board Risk Committee.

**Maximum exposure to credit risk**

| | ***Gross maximum exposure 2025 ⃁'000*** | *Gross maximum exposure 2024 ⃁'000* |
|---|---|---|
| Balances with Central Banks | **321,346** | 267,713 |
| Due from Banks and other money market placements | **334,645** | 372,470 |
| Loans, advances and financing activities for customers | **4,327,296** | 4,090,706 |
| Investment securities (debt) | **479,608** | 372,482 |
| Other assets | **99,959** | 96,145 |
| Derivatives | **8,980** | 12,737 |
| **Total on balance sheet exposure** | **5,571,834** | 5,212,253 |
| | | |
| Guarantees | **331,864** | 262,589 |
| Documentary letters of credit | **67,122** | 50,068 |
| Undrawn commitment | **107,086** | 140,363 |
| **Total off-balance sheet exposure** | **506,072** | 453,020 |

The above table represents the maximum credit risk exposure to the Bank at 31 December 2025 and 2024 without taking into account the collateral held or other credit enhancements. Management is confident that the Bank has suitable policies to measure and control the credit risk. In addition credit risk is mitigated through collaterals in the form of mortgages and guarantees wherever required.

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

An ageing analysis of the Bank's loans which are past due but not impaired is set out below:

| | *Loans in arrears 1-30 days ﷼'000* | *Loans in arrears 31-60 days ﷼'000* | *Loans in arrears 61-89 days ﷼'000* | *Total ﷼'000* |
|---|---|---|---|---|
| **Loans and advances to customers at** | | | | |
| **31 December 2025** | **96,231** | **17,722** | **10,550** | **124,503** |
| 31 December 2024 | 24,337 | 21,534 | 48,289 | 94,160 |

**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 the 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 property, inventory and accounts receivable
- Lien on fixed deposits
- Cash margins
- Mortgages over residential and commercial properties
- Pledge of marketable shares and securities

The housing loans are secured by mortgage over the residential property.

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 located in Oman.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

An analysis of the collateral held and other credit enhancement held against loan and advances granted is as follows:

| | *Performing loans ﷼'000* | *Non-performing loans ﷼'000* | *Total loans ﷼'000* |
|---|---|---|---|
| **Property** | **1,332,864** | **70,181** | **1,403,045** |
| **Equities** | **423,361** | **1,244** | **424,605** |
| **Others** | **1,229,222** | **3,145** | **1,232,367** |
| **Balance As at 31 December 2025** | **2,985,447** | **74,570** | **3,060,017** |

## 31 RISK MANAGEMENT (CONTINUED)

### 31.1 Credit risk (Continued)

**Collateral and other credit enhancements (Continued)**

There are no significant changes to the quality of collateral held by the Bank as compared to 31 December 2024.

| | *Performing loans* *﷼’000* | *Non-performing loans* *﷼’000* | *Total loans* *﷼’000* |
|---|---|---|---|
| Property | 1,295,398 | 64,502 | 1,359,900 |
| Equities | 373,772 | 123 | 373,895 |
| Others | 988,156 | 40,734 | 1,028,890 |
| Balance As at 31 December 2024 | 2,657,326 | 105,359 | 2,762,685 |

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts as of 31 December 2025:

| | ***Stage 1*** ***﷼’000*** | ***Stage 2*** ***﷼’000*** | ***Stage 3*** ***﷼’000*** | ***Total*** ***﷼’000*** |
|---|---|---|---|---|
| **Gross loans, advances and Islamic financing assets to customers - corporate Banking** | | | | |
| Performing loans (Grades 1-5) | **2,059,321** | **259,065** | **-** | **2,318,386** |
| Performing loans (Grades 6) | **21,138** | **80,410** | **-** | **101,548** |
| Performing loans (Grades 7) | **-** | **191,183** | **-** | **191,183** |
| Non-performing loans (Grades 8-10) | **-** | **-** | **153,478** | **153,478** |
| **Gross loans, advances and Islamic financing assets to customers - corporate Banking** | **2,080,459** | **530,658** | **153,478** | **2,764,595** |
| **Gross loans, advances and Islamic financing assets to customers – retail Banking** | | | | |
| **Performing loans** | **1,469,470** | **51,825** | **-** | **1,521,295** |
| **Non-performing loans** | **-** | **-** | **41,406** | **41,406** |
| **Gross loans, advances and Islamic financing assets to customers - retail Banking** | **1,469,470** | **51,825** | **41,406** | **1,562,701** |
| **Total gross loans, advances and Islamic financing assets to customers** | **3,549,929** | **582,483** | **194,884** | **4,327,296** |
| **Loss allowance - loans, advances and Islamic financing assets to customers** | **8,972** | **35,216** | **132,754** | **176,942** |

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| | *ريال عماني'000* | *ريال عماني'000* | *ريال عماني'000* | *ريال عماني'000* |
| **Credit related contingent items and commitment** | | | | |
| Performing loans (Grades 1-5) | **316,840** | **144,366** | **-** | **461,206** |
| Performing loans (Grades 6) | **5,140** | **30,423** | **-** | **35,563** |
| Performing loans (Grades 7) | **-** | **4,841** | **-** | **4,841** |
| Non-performing loans (Grades 8-10) | **-** | **-** | **4,462** | **4,462** |
| **Total gross credit related contingent items and commitment** | **321,980** | **179,630** | **4,462** | **506,072** |
| **Loss allowance - contingent liabilities and commitment** | **728** | **1,707** | **4,188** | **6,623** |
| | | | | |
| **Due from Banks and money market placements** | | | | |
| Performing Banks (Aa1 to Baa3) | **254,510** | **-** | **-** | **254,510** |
| Performing Banks (B1 to Ba2) | **22,840** | **-** | **-** | **22,840** |
| Performing Banks (Unrated) | **57,295** | **-** | **-** | **57,295** |
| **Due from Banks and money market placements** | **334,645** | **-** | **-** | **334,645** |
| **Loss allowance - due from Banks and money market placements** | **250** | **-** | **-** | **250** |
| | | | | |
| **Investment securities (debt) (Aa3 to Ba3)** | **479,608** | **-** | **-** | **479,608** |
| **Loss allowance – investment securities (debt)** | **924** | **-** | **-** | **924** |
| | | | | |
| **Acceptances (Grades 1-7)** | **46,014** | **38,535** | **-** | **84,549** |
| **Loss allowance – acceptances** | **14** | **48** | **-** | **62** |

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts as of 31 December 2024:

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| | *ريال عماني'000* | *ريال عماني'000* | *ريال عماني'000* | *ريال عماني'000* |
| Gross loans, advances and Islamic financing assets to customers - corporate Banking | | | | |
| Performing loans (Grades 1-5) | 1,879,773 | 237,243 | - | 2,117,016 |
| Performing loans (Grades 6) | 5,571 | 105,072 | - | 110,643 |
| Performing loans (Grades 7) | - | 170,768 | - | 170,768 |
| Non-performing loans (Grades 8-10) | - | - | 153,551 | 153,551 |
| Gross loans, advances and Islamic financing assets to customers - corporate Banking | 1,885,344 | 513,083 | 153,551 | 2,551,978 |
| Gross loans, advances and Islamic financing assets to customers – retail Banking | | | | |
| Performing loans | 1,457,004 | 44,699 | - | 1,501,703 |
| Non-performing loans | - | - | 37,025 | 37,025 |
| Gross loans, advances and Islamic financing assets to customers - retail Banking | 1,457,004 | 44,699 | 37,025 | 1,538,728 |
| Total gross loans, advances and Islamic financing assets to customers | 3,342,348 | 557,782 | 190,576 | 4,090,706 |
| Loss allowance - loans, advances and Islamic financing assets to customers | 10,573 | 32,716 | 121,270 | 164,559 |

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| | *RO'000* | *RO'000* | *RO'000* | *RO'000* |
| Credit related contingent items and commitment | | | | |
| Performing loans (Grades 1-5) | 288,519 | 116,819 | - | 405,338 |
| Performing loans (Grades 6) | 1,143 | 38,149 | - | 39,292 |
| Performing loans (Grades 7) | - | 3,467 | - | 3,467 |
| Non-performing loans (Grades 8-10) | - | - | 4,923 | 4,923 |
| Total gross credit related contingent items and commitment | 289,662 | 158,435 | 4,923 | 453,020 |
| Loss allowance - contingent liabilities and commitment | 325 | 2,491 | 1,231 | 4,047 |
| | | | | |
| Due from Banks and money market placements | | | | |
| Performing Banks (Aa1 to Baa3) | 243,961 | - | - | 243,961 |
| Performing Banks (B1 to Ba2) | 66,809 | - | - | 66,809 |
| Performing Banks (Unrated) | 61,700 | - | - | 61,700 |
| Due from Banks and money market placements | 372,470 | - | - | 372,470 |
| Loss allowance - due from Banks and money market placements | 106 | - | - | 106 |
| | | | | |
| Investment securities (debt) (Aa3 to Ba3) | 372,482 | - | - | 372,482 |
| Loss allowance – Investment securities (debt) | 559 | - | - | 559 |
| | | | | |
| Acceptances (Grades 1-7) | 43,656 | 36,410 | - | 80,066 |
| Loss allowance – acceptances | 93 | 127 | - | 220 |

***Impairment assessment***

**Definition of default and cure**

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- A material decrease in the borrower’s turnover or the loss of a major customer
- The debtor (or any legal entity within the debtor’s group) filing for Bankruptcy application/protection.

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

**Incorporation of forward-looking information**

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.
Given the nature of the Bank’s exposures and availability of historical statistically reliable information, the Bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by IMF’s for each rating category.

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

**Economic variable assumptions**

During the year, the Bank implemented a new IFRS 9 impairment tool incorporating an enhanced macroeconomic framework. The updated framework leverages the latest macroeconomic forecasts published by the International Monetary Fund (IMF) and applies portfolio-specific calibrations to ensure that the selected variables appropriately reflect the risk characteristics of each portfolio.

The macroeconomic variables included in the model were identified through correlation analysis and an assessment of their explanatory power on expected credit loss (ECL) outcomes. The implementation, calibration and application of the model were subject to independent validation and management review to confirm the robustness, consistency and reasonableness of the underlying assumptions and outputs.

In accordance with IFRS 9 requirements, the Bank incorporates forward-looking information by considering multiple macroeconomic scenarios in the estimation of ECL. The forward-looking macroeconomic assumptions applied as at 31 December 2025 are summarized below:

| Key drivers | ECL scenario | 31 December 2025 | |
|---|---|---|---|
| | | 2026 | 2027 |
| GDP Growth % | Base scenario | **1.58%** | **1.53%** |
| | Upside scenario | **0.16%** | **0.15%** |
| | Downside scenario | **0.63%** | **0.61%** |
| Investment (% of GDP) | Base scenario | **0.80%** | **1.00%** |
| | Upside scenario | **0.08%** | **0.10%** |
| | Downside scenario | **0.32%** | **0.40%** |
| Current Account Balance (% of GDP) | Base scenario | **0.30%** | **1.30%** |
| | Upside scenario | **0.03%** | **0.13%** |
| | Downside scenario | **0.12%** | **0.52%** |
| Government Net Debt | Base scenario | **-0.57** | **-1.07** |
| | Upside scenario | **-0.63** | **-1.18** |
| | Downside scenario | **-0.37** | **-0.87** |
| Consumer Price Index (YoY) | Base scenario | **108.47** | **110.64** |
| | Upside scenario | **119.32** | **121.71** |
| | Downside scenario | **107.83** | **109.77** |

IFRS 9 requires banks to incorporate reasonable and supportable forward-looking information, including the consideration of multiple macroeconomic scenarios, when estimating credit risk parameters. Accordingly, the Bank applies a scenario-based approach comprising baseline, downturn and upturn scenarios.

For the year ended 31 December 2025, the Bank has assigned probability weightings of 50% to the baseline scenario, 40% to the downturn scenario and 10% to the upturn scenario. In prior periods, the Bank applied equal probability weightings across scenarios. Following regulatory feedback and in light of changes in the external economic environment, the scenario weighting methodology was enhanced to better reflect prevailing economic conditions, the Bank’s risk profile and market practices observed across GCC financial institutions.

To this end, the determination of scenario weights was anchored in an empirical assessment of historical economic stress experienced in Oman, with particular emphasis on real GDP growth, which is considered a key indicator of economic momentum and stress. GDP is a core macroeconomic driver within the Bank’s probability of default (PD) models and reflects changes in productivity, income generation and overall economic activity.
Historical quarterly GDP growth data (constant prices) published by the IMF was analysed to assess the frequency and severity of economic contractions and expansions, along with periods of economic downturn and upturn based on observed declines and increases in GDP growth.

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

To ensure a balanced yet sufficiently conservative representation of economic stress, the Bank applied a percentile-based approach to the historical distribution of GDP movements. This approach allowed for a more inclusive assessment of economic stress conditions observed historically. Based on this analysis, scenario weights of 50% (baseline), 40% (downturn) and 10% (upturn) were assigned for ECL estimation purposes.

**Economic variable assumptions (continued)**

| Key drivers | ECL scenario | 31 December 2024 | |
|---|---|---|---|
| | | 2025 | 2026 |
| Real Interest Rate | Base scenario | 7.1% | 7.1% |
| | Upside scenario | 6.3% | 6.5% |
| | Downside scenario | 8.4% | 8.0% |
| GDP | Base scenario | 4.0% | 4.0% |
| | Upside scenario | 4.2% | 4.1% |
| | Downside scenario | 3.7% | 3.8% |
| GDP per capita | Base scenario | 0.05% | 0.05% |
| | Upside scenario | 0.2% | 0.2% |
| | Downside scenario | -0.2% | -0.1% |

**Credit risk Grade**

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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

Each exposure is allocated to a credit risk grade 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 banking exposures the Bank has adopted a risk rating framework having seven 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 is the definition of credit quality classifications as disclosed in note 31.1 for the corporate banking exposures of the Bank.

| **Risk grade** | **Explanation** |
|---|---|
| 1-5 | Probability of meeting financial commitments is high in the event of market disruptions |
| 6 | Prabability of meeting financial commitments is moderate in the event of market disruptions |
| 7 | Potentially weak loans, where, if left uncorrected, the weakness may result in deterioration of the repayment prospects for the loans or bank's credit position at some future date. |
| 8-10 | Defaulted. Paying capacity of borrower requires reassessment and other forms of cash flows may be explored for any further recovery of exposure. |

In respect of retail banking exposure 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 and central bank balances the Bank uses the Moody's external credit ratings.

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

Treasury, trading and interbank relationships

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

Corporate and commercial lending

For corporate and investment banking loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

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

Consumer lending and retail mortgages

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

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

**Sensitivity analysis**

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

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

**Sensitivity analysis (continued)**

| Sensitivity of impairment estimates | *At 31 December 2025* ECL ﷼'000 | *At 31 December 2025* Impact on ECL ﷼'000 | *At 31 December 2024* ECL ﷼'000 | *At 31 December 2024* Impact on ECL ﷼'000 |
|---|---|---|---|---|
| ECL on non-impaired loans under IFRS9 | **47,856** | **-** | 46,990 | - |
| **Simulations** | | | | |
| Upside case - 100% weighted | **41,141** | **6,715** | 41,155 | 5,835 |
| Base case - 100% weighted | **46,428** | **1,428** | 46,623 | 367 |
| Downside scenario - 100% weighted | **62,316** | **(14,460)** | 53,194 | (6,204) |

**Exposure at default**

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

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

**Loss given default**

For corporate and investment Banking financial instruments, LGD values are assessed based on historically collected loss data, cured data, and recovery data that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Bank.

**Significant Increase in Credit Risk**

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

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

**Significant Increase in Credit Risk (Continued)**

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Bank applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

a. Inadequate or unreliable financial or other information such as unavailability of audited financial statements within 120 days from end of accounting period.
b. Delay in documentation execution over 35 days from limit set up due to disputes with customers.
c. Borrower is subject to litigation by third parties that may have a significant impact on his financial position.
d. Frequent changes in key senior management personnel without acceptable successors or professional management.
e. Intra Group transfer of funds without underlying transactions beyond 50% of Tangible Net Worth.
f. Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.
g. Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.
h. A fall of 25% or more in the turnover or in the EBIT as compared to the previous year except in the case of change in business model/one of material events.
i. A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.
j. Rating downgrade by 3 notches for ratings from R1 to R4 and 2 notches downgrade for R5 and R6.
k. Erosion in net worth by more than 20% compared to previous year coupled with increase in leverage by 1.5 times.

Key credit risks which are unique to retail exposures include the following, this is apart from the model criteria which are common to all products as per IFRS 9 standard:

a. Stage 2 asset based on the days past due as per BM 1149
b. Inclusion of watchlist based on the employer of the borrowers status.
c. Restructured accounts have selective and variable treatment based on the central bank guidelines

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When the contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

**Modified financial assets**

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.5.

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

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

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

**Measurement of ECL - Judgemental adjustments:**

Where appropriate, the Bank makes adjustments to the ECL estimate outside the Bank's regular modelling process to reflect management judgements. The changes to the assumptions underlying these judgmental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes.

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. The aim of the Bank is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Total judgmental adjustments as at 31 December 2025 increased the overall loss allowance by 0.48% (31 December 2024- 0.89%) compared to ECL allowance derived through the ECL models.

**31 RISK MANAGEMENT (CONTINUED)**

**31.1 Credit risk (Continued)**

**Model risk management:**

The Bank has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS9 accounting standards.

The Bank has formed a Model Oversight Committee. The committee is responsible for all significant modelling decisions related to each step of the model life cycle. The committee must ensure decisions are transparent, justified and documented The committee's main objective is to optimize the ability of models to support decision-making throughout the bank, covering all model types. The Model Oversight Committee is accountable to Senior Management and to the Board, who must ensure that the Model Oversight Committee manages Model Risk appropriately.The committee is required to provide an impartial view of the best modelling approach for the bank. It is expected to remain independent from actual, potential or perceived interests of business lines. Therefore, the majority of the Committee members are not from business lines

Each model is equired to be managed according to a cycle that includes, at a minimum, the following steps:

1. Development,
2. Pre-implementation validation,
3. Implementation,
4. Usage and monitoring,
5. Independent validation, and
6. Recalibration, redevelopment or retirement, if deemed necessary

The duration and frequency of each step is required to be specified in advance for each model and documented accordingly. The responsibility of the Model oversight committee includes the below:

1. Design the Bank's appetite for Model Risk to be approved by the Board,
2. Ensure that Model Risk is managed appropriately across the Bank,
3. Escalate modelling decisions when necessary,
4. Oversee the objective and strategy of each model,
5. Approve the development of new models,
6. Request the development of new models when necessary,
7. Approve material modelling decisions throughout the model life-cycle,
8. At the end of each cycle, review the validation results and make one of the choices below:
   a) Leave the model unchanged,
   b) Use a temporary adjustment while establishing a remediation plan,
   c) Recalibrate the model,
   d) Redevelop or acquire a new model, or
   e) Withdraw the model without further redevelopment

**31.2 Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, the management continuously looks for opportunities to diversify its funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy.

The Bank manages the liquidity risk based on the Central Bank of Oman guidelines and the Liquidity and Liquidity Contingency Policies, which are approved and periodically reviewed by the Board Risk Committee. Liquidity Risk position is monitored regularly through analysis of various reports, such as, Maturity of Assets and Liabilities, Liquidity Lines, Early Warning Indicators and Stock Ratios. Further, the Bank also periodically conducts stress tests on liquidity based on market and Bank specific events in line with Basel Committee recommendations. The liquidity position of the Bank and stress test scenarios are regularly reviewed by the management and also discussed at the Board Risk Committee.

**31 RISK MANAGEMENT (CONTINUED)**

**31.2 Liquidity risk (Continued)**

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding (NSFR).

The Net Stable Funding Ratio (NSFR) is a longer term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2020, with a minimum ratio of 100% as per the regulatory guidance.

The residual maturity behavioural of the assets, liabilities and equity at 31 December 2025 is as follows:

| | *On demand and within 3 months* *RO'000* | *3 to 12 months* *RO'000* | *Subtotal less than 12 months* *RO'000* | *1 to 5 years* *RO'000* | *Over 5 years* *RO'000* | *Subtotal over 12 months* *RO'000* | *Total* *RO'000* |
|---|---|---|---|---|---|---|---|
| Cash and balances with Central Banks | **192,385** | **56,856** | **249,241** | **75,092** | **31,821** | **106,913** | **356,154** |
| Due from Banks and other money market placements | **235,758** | **36,056** | **271,814** | **62,581** | **-** | **62,581** | **334,395** |
| Loans, advances and Islamic financing assets | **327,989** | **375,962** | **703,951** | **1,552,087** | **1,894,316** | **3,446,403** | **4,150,354** |
| Investment securities | **183,183** | **35,526** | **218,709** | **256,303** | **105,454** | **361,757** | **580,466** |
| Other assets | **104,685** | **4,192** | **108,877** | **-** | **-** | **-** | **108,877** |
| Property and equipment | **-** | **-** | **-** | **-** | **60,978** | **60,978** | **60,978** |
| **Total assets** | **1,044,000** | **508,592** | **1,552,592** | **1,946,063** | **2,092,569** | **4,038,632** | **5,591,224** |
| **Future interest cash inflows** | **66,521** | **175,248** | **241,769** | **672,639** | **288,353** | **960,992** | **1,202,761** |
| Due to Banks and other money market deposits | **228,995** | **160,863** | **389,858** | **25,025** | **-** | **25,025** | **414,883** |
| Customers' deposits | **696,101** | **1,228,476** | **1,924,577** | **1,323,320** | **761,220** | **2,084,540** | **4,009,117** |
| Other liabilities | **135,063** | **5,060** | **140,123** | **64** | **1,047** | **1,111** | **141,234** |
| Taxation | **25,984** | **-** | **25,984** | **-** | **-** | **-** | **25,984** |
| Shareholders' equity | **-** | **-** | **-** | **-** | **601,719** | **601,719** | **601,719** |
| Tier 1 perpetual bonds | **-** | **-** | **-** | **-** | **398,287** | **398,287** | **398,287** |
| **Total liabilities and shareholders' equity** | **1,086,143** | **1,394,399** | **2,480,542** | **1,348,409** | **1,762,273** | **3,110,682** | **5,591,224** |
| **Future interest cash outflows** | **43,217** | **96,927** | **140,144** | **317,474** | **138,076** | **455,550** | **595,694** |
| **Total liquidity gap (total assets – total liabilities and sharedholders' equity** | **(42,143)** | **(885,807)** | **(927,950)** | **597,654** | **330,296** | **927,950** | **-** |
| **Cumulative liquidity gap** | **(42,143)** | **(927,950)** | **(1,855,900)** | **(1,258,246)** | **(927,950)** | **-** | **-** |

The Bank has access to committed lines from other banks to meet its liquidity (if required).

**31 RISK MANAGEMENT (CONTINUED)**

**31.2 Liquidity risk (Continued)**

The tables below analyses the Bank's financial liabilities into relevant maturity groupings based on their contractual maturities. Where there are no contractual maturities, the balances are considered as "Due on demand".

| | ***On demand and within 3 months ’000*** | ***3 to 12 months ’000*** | ***Subtotal less than 12 months ’000*** | ***1 to 5 years ’000*** | ***Over 5 years ’000*** | ***Subtotal over 12 months ’000*** | ***Total ’000*** |
|---|---|---|---|---|---|---|---|
| Customers' deposits | **2,279,105** | **977,417** | **3,256,522** | **752,595** | **-** | **752,595** | **4,009,117** |
| Due to Banks and other money market deposits | **228,995** | **160,863** | **389,858** | **25,025** | **-** | **25,025** | **414,883** |
| Other liabilities | **135,063** | **5,060** | **140,123** | **64** | **1,047** | **1,111** | **141,234** |
| Future interest cash outflows | **43,219** | **96,927** | **140,146** | **317,474** | **138,076** | **455,550** | **595,696** |
| Contigent liabilities | **506,072** | **-** | **506,072** | **-** | **-** | **-** | **506,072** |

The maturity profile of the assets, liabilities and equity at 31 December 2024 is as follows:

| | *On demand and within 3 months ’000* | *3 to 12 months ’000* | *Subtotal less than 12 months ’000* | *1 to 5 years ’000* | *Over 5 years ’000* | *Subtotal over 12 months ’000* | *Total ’000* |
|---|---|---|---|---|---|---|---|
| Cash and balances with Central Banks | 147,115 | 51,951 | 199,066 | 70,472 | 32,974 | 103,446 | 302,512 |
| Due from Banks and other money market placement | 306,144 | 52,745 | 358,889 | 7,700 | 5,775 | 13,475 | 372,364 |
| Loans, advances and Islamic financing assets | 353,889 | 287,100 | 640,989 | 1,335,962 | 1,949,196 | 3,285,158 | 3,926,147 |
| Investment securities | 114,848 | 26,007 | 140,855 | 277,472 | 55,066 | 332,538 | 473,393 |
| Other assets | 104,551 | 4,111 | 108,662 | - | - | - | 108,662 |
| Property and equipment | - | - | - | - | 59,467 | 59,467 | 59,467 |
| Total assets | 1,026,547 | 421,914 | 1,448,461 | 1,691,606 | 2,102,478 | 3,794,084 | 5,242,545 |
| Future interest cash inflows | 67,352 | 176,339 | 243,691 | 697,862 | 312,541 | 1,010,403 | 1,254,094 |
| Due to Banks and other money market deposits | 72,452 | 30,800 | 103,252 | 89,686 | - | 89,686 | 192,938 |
| Customers' deposits | 739,351 | 1,110,794 | 1,850,145 | 1,561,354 | 717,024 | 2,278,378 | 4,128,523 |
| Other liabilities | 129,232 | 4,527 | 133,759 | 41 | - | 41 | 133,800 |
| Taxation | 19,123 | - | 19,123 | - | - | - | 19,123 |
| Shareholders' equity | - | - | - | - | 543,124 | 543,124 | 543,124 |
| Tier 1 perpetual bonds | - | - | - | - | 225,037 | 225,037 | 225,037 |
| Total liabilities and shareholders' equity | 960,158 | 1,146,121 | 2,106,279 | 1,651,081 | 1,485,185 | 3,136,266 | 5,242,545 |
| Future interest cash outflows | 41,254 | 95,830 | 137,084 | 299,115 | 108,196 | 407,311 | 544,395 |
| Total liquidity gap (total assets – total liabilities and sharedholders' equity | 66,389 | (724,207) | (657,818) | 40,525 | 617,293 | 657,818 | - |
| Cumulative liquidity gap | 66,389 | (657,818) | (1,315,636) | (1,275,111) | (657,818) | - | |

| | *On demand and within 3 months ’000* | *3 to 12 months ’000* | *Subtotal less than 12 months ’000* | *1 to 5 years ’000* | *Over 5 years ’000* | *Subtotal over 12 months ’000* | *Total ’000* |
|---|---|---|---|---|---|---|---|
| Customers' deposits | 2,364,192 | 801,674 | 3,165,866 | 962,571 | 86 | 962,657 | 4,128,523 |
| Due to Banks and other money market deposits | 72,452 | 30,800 | 103,252 | 89,686 | - | 89,686 | 192,938 |
| Other liabilities | 129,232 | 4,527 | 133,759 | 41 | - | 41 | 133,800 |
| Future interest cash outflows | 41,379 | 96,205 | 137,584 | 301,115 | 109,446 | 410,561 | 548,145 |
| Contigent liabilities | 453,020 | - | 453,020 | - | - | - | 453,020 |

**31 RISK MANAGEMENT (CONTINUED)**

**31.2 Liquidity risk (Continued)**

**Liquidity coverage ratio**

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is applicable from January 1, 2015 with a minimum ratio of 60% and increasing by 10% every year thereafter till it reaches a minimum required level of 100% on 1 January, 2020.

The following table set out the Liquidity Coverage ratio (LCR) and net stable funding ratio (NSFR) of the Bank.

| **As at 31 December** | **2025** | 2024 |
|---|---|---|
| LCR | **158.92%** | 277.58% |
| NSFR | **130.01%** | 118.71% |

**31.3 Market risk**

The Bank is exposed to market risk, which is the risk that the fair value of the financial assets held by the Bank will fluctuate due to changes in market prices. Market risk arises from changes in the fair value of open positions held in foreign exchange, interest rate, currency, equity, credit spreads, etc. Market risk is managed based on the Central Bank of Oman guidelines and the Market Risk Policy, which is approved and periodically reviewed by the Board Risk Committee. Stress tests are also conducted periodically incorporating adverse movements in equity value, foreign exchange, etc. and reviewed by the Management and Board Risk Committee.

The Bank offers hedging products to its customers to hedge their genuine exposures, related to interest rate risk, foreign exchange risk and commodity risk. The counterparty credit risk exposures for such transactions (interest rate swaps, commodities contracts, currency forwards and options, etc.) are assessed based on the positive marked-to-market values of the contracts and the potential future exposures. The Bank has adopted risk weightings in line with best practices to capture the credit risk related to these exposures.

- ***Equity risk***

The proprietary equity positions are held in the 'FVOCI' category. The market risk is monitored though periodic mark-to-market reports which are circulated to the management and, if any, required actions are promptly taken. The portfolio is also monitored and managed as per the Investment Policy approved by the Board Risk Committee. If there is adverse impact of 5% on equity investment portfolio, the value of the portfolio may decrease by ﷼ 5.01 million (2024: decrease by ﷼ 5.01 million).

- ***Interest rate risk***

The principal market risk to which non-trading portfolio is exposed is the risk of loss from fluctuation in the future cash flows or fair values of financial instruments because of changes in market interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities.

Methods and assumptions used in preparing the sensitivity analysis: The methods for interest rate sensitivity analysis are Maturity Gap Analysis (which measures the interest rate sensitivity of earnings) and Duration (which measures the interest rate sensitivity of capital). These are in line with the BIS in its paper on 'Principles for the Management and Supervision of Interest Rate Risk' issued in July 2004.

Interest rate risk is managed by monitoring the sensitivity of the Bank's financial assets and liabilities to various standardized interest rate shocks. Standardised shocks include a 100 basis point and 200 basis point parallel shifts in yield curves that are considered on a monthly basis. The impact of these shocks is analysed in the context of its impact on Earnings and Economic Value. The impact is compared against internal limits which have been formulated in line with the Central Bank of Oman and Basel Committee guidelines. The analysis is regularly reviewed by the Management and Board Risk Committee.

**31 RISK MANAGEMENT (CONTINUED)**

**31.3 Market risk (Continued)**

- ***Interest rate risk (Continued)***

Earning impact of 200 basis points parallel shift in interest rate is provided below:

| **As at December 2025** | **200 bps increase** | **200 bps decrease** |
|---|---|---|
| Earnings impact - RO'000s | **19,040** | **(19,040)** |

In addition, stress scenarios based on specific events or market disruptions are also analysed and presented at monthly ALCO meetings to estimate the impact on liquidity and earnings.

The Bank has been consistently using the above methods/assumptions to conduct interest rate sensitivity analysis. The above sensitivity analyses are carried out at monthly rests and results thereof monitored against the in-house limits and the results are also actively deliberated at the ALCO meetings and presented to the Board Risk Committee.

The Bank's interest sensitivity position based on contractual re-pricing arrangements at 31 December 2025 is as follows:

| | ***Average effective interest rate*** | ***On demand and within 3 months RO'000*** | ***3 to 12 months RO'000*** | ***1 to 5 years RO'000*** | ***Over 5 years RO'000*** | ***Non-interest sensitive RO'000*** | ***Total RO'000*** |
|---|---|---|---|---|---|---|---|
| Cash and balances with Central Banks | **N/A** | **-** | **-** | **-** | **-** | **356,154** | **356,154** |
| Due from Banks and other money market placements | **4.97%** | **207,681** | **36,056** | **62,582** | **-** | **28,076** | **334,395** |
| Loans, advances and Islamic financing assets | **5.83%** | **1,623,895** | **1,196,538** | **722,573** | **607,348** | **-** | **4,150,354** |
| Investment securities | **4.72%** | **183,183** | **35,526** | **276,601** | **85,156** | **-** | **580,466** |
| Other assets | **N/A** | **-** | **-** | **-** | **-** | **108,877** | **108,877** |
| Property and equipment | **N/A** | **-** | **-** | **-** | **-** | **60,978** | **60,978** |
| **Total assets** | | **2,014,759** | **1,268,120** | **1,061,756** | **692,504** | **554,085** | **5,591,224** |
| Due to Banks and other money market deposits | **4.83%** | **220,979** | **154,860** | **25,024** | **-** | **14,020** | **414,883** |
| Customers' deposits | **3.56%** | **302,653** | **2,342,323** | **738,636** | **-** | **625,505** | **4,009,117** |
| Other liabilities | **N/A** | **5,648** | **-** | **-** | **-** | **135,586** | **141,234** |
| Taxation | **N/A** | **-** | **-** | **-** | **-** | **25,984** | **25,984** |
| Tier 1 Perpetual Bond | **7.07%** | **-** | **-** | **398,287** | **-** | **-** | **398,287** |
| Shareholders' equity | **N/A** | **-** | **-** | **-** | **-** | **601,719** | **601,719** |
| **Total liabilities and shareholders' equity** | | **529,280** | **2,497,183** | **1,161,947** | **-** | **1,402,814** | **5,591,224** |
| **Total interest rate sensitivity gap** | | **1,485,479** | **(1,229,063)** | **(100,191)** | **692,504** | **(848,729)** | **-** |
| **Cumulative interest rate sensitivity gap** | | **1,485,479** | **256,416** | **156,225** | **848,729** | **-** | |

**31 RISK MANAGEMENT (CONTINUED)**

**31.3 Market risk (Continued)**

The Bank’s interest sensitivity position based on contractual re-pricing arrangements at 31 December 2024 is as follows:

| | *Average effective interest rate* | *On demand and within 3 months* RO’000 | *3 to 12 months* RO’000 | *1 to 5 years* RO’000 | *Over 5 years* RO’000 | *Non-interest sensitive* RO’000 | *Total* RO’000 |
|---|---|---|---|---|---|---|---|
| Cash and balances with Central Banks | N/A | - | - | - | - | 302,512 | 302,512 |
| Due from Banks and other money market placements | 5.80% | 285,025 | 52,745 | 13,475 | - | 21,119 | 372,364 |
| Loans, advances and Islamic financing assets | 5.96% | 1,428,101 | 1,143,777 | 734,736 | 619,533 | - | 3,926,147 |
| Investment securities | 5.66% | 117,552 | 26,007 | 277,473 | 43,659 | 8,702 | 473,393 |
| Other assets | N/A | 79,972 | - | - | - | 28,690 | 108,662 |
| Property and equipment | N/A | - | - | - | - | 59,467 | 59,467 |
| Total assets | | 1,910,650 | 1,222,529 | 1,025,684 | 663,192 | 420,490 | 5,242,545 |
| Due to Banks and other money market deposits | 6.40% | 58,054 | 30,800 | 89,686 | - | 14,398 | 192,938 |
| Customers’ deposits | 2.95% | 302,227 | 2,221,042 | 955,654 | 86 | 649,514 | 4,128,523 |
| Other liabilities | N/A | 79,972 | - | - | - | 53,828 | 133,800 |
| Taxation | N/A | - | - | - | - | 19,123 | 19,123 |
| Tier 1 Perpetual Bond | 7.61% | - | - | 225,037 | - | - | 225,037 |
| Shareholders’ equity | N/A | - | - | - | - | 543,124 | 543,124 |
| Total liabilities and shareholders’ equity | | 440,253 | 2,251,842 | 1,270,377 | 86 | 1,279,987 | 5,242,545 |
| Total interest rate sensitivity gap | | 1,470,397 | (1,029,313) | (244,693) | 663,106 | (859,497) | - |
| Cumulative interest rate sensitivity gap | | 1,470,397 | 441,084 | 196,391 | 859,497 | - | |

- ***Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on open positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The foreign exchange positions in the books of the Bank are generally small residual positions resulting from market coverings for customer transactions.

Foreign exchange VAR is computed monthly for all non-pegged currencies at 99% confidence level and a holding period of 10 days. Additionally, earnings impact of a 15% adverse movement in exchange rates for all open positions is factored in the monthly stress tests.

The Bank had the following significant net exposures denominated in foreign currencies:

| | ***2025*** **RO’000** | *2024* RO’000 |
|---|---|---|
| US Dollar | **51,849** | 121,327 |
| UAE Dirham | **18,061** | 39,048 |
| Others | **2,535** | 1,154 |

**31 RISK MANAGEMENT (CONTINUED)**

**31.4 Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, frauds or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the use of internal audit. Further, the Bank has established an operational loss appetite statement to monitor losses under various operational loss categories and any breaches of set-off thresholds are reported to the Board Risk Committee. In addition to this, the Bank has an operational loss reporting database.

Information Security is an essential component of Operational Risk Management. The Bank has implemented the latest security infrastructure like firewalls, intrusion prevention systems, anti-virus soft wares, etc. Periodic vulnerability assessments are conducted to ensure the security of the systems.

As a part of Business Continuity Management initiatives, the Bank has taken necessary actions to ensure effective measures in case of a crisis situation, e.g. evacuation drills, testing of critical systems and applications from the Disaster Recovery site. The Bank has the capability to ensure that critical Banking processes are tested to ascertain availability during such situations.

**31.4.1 Fraud Risk**

The Bank has adopted a ‘zero tolerance’ policy towards fraud and corruption and as such will seek to take disciplinary and/or legal action against those who perpetrate, are involved in, or assist with fraudulent or improper activities. The Fraud risk management (FRM) unit manages the fraud risk for the Bank at an enterprise level. The unit monitors transactions originating from Cards, POS and other Digital channels. Besides, the unit conducts Fraud Risk Assessments to assess fraud risks on a pro-active basis, verifies the existing controls and proposes new controls, if required.

The unit is also responsible for managing Incidents across the Bank and maintenance of Operational Loss Database.

**31.5 Strategic risks**

The Bank monitors strategic risks through regular quarterly assessment and reporting at the Board Risk Committee level. This includes reviews of human resource, economic (both at the macro and micro levels), regulatory/compliance, information technology and information security, legal and reputational related risks and the monitoring of strategic project risk arising from initiatives undertaken by the Bank. Furthermore, the Bank has augmented its Internal Capital Adequacy Assessment Process (ICAAP) to align the business strategy and the capital management processes. The Bank had engaged an internationally renowned consultant to review the current ICAAP process and to recommend enhancements that will, once implemented, escalate the ICAAP process and documentation to international best practices. This initiative was proposed and sponsored at the highest level by the Board Risk Committee and its recommendations are being progressively completed.

**31.6 Climate related risks**

Climate change has emerged as one of the most significant global challenges of the time, impacting economies, societies, and ecosystems across the planet. As the effects of climate change become increasingly apparent, businesses and institutions must recognize the urgent need to address climate risks. Among these institutions, banks play a crucial role in shaping the global financial landscape and have a unique responsibility to manage climate-related financial risks within their operations.

## 31 RISK MANAGEMENT (CONTINUED)

### 31.6 Climate related risks (continued)

In recent years, the financial sector has witnessed a growing recognition of the systemic risks associated with climate change. From physical risks, such as extreme weather events and rising sea levels, to transitional risks, such as policy changes and technological disruptions, climate-related factors have the potential to profoundly impact the stability of the banking industry. In this light, the Bank has developed a comprehensive climate risk policy duly approved by the board. The policy serves as a roadmap to identify, assess, and mitigate the risks and opportunities associated with climate change. By incorporating climate considerations into operations, NBO intends to effectively manage its consequent risks, seize emerging opportunities, and contribute to the transition to a low-carbon and climate-resilient economy. This needs to be enhanced especially considering CBO's and FSA's guidelines.

## 32 CONCENTRATIONS

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

The distribution of assets, liabilities and contingent items by geographical regions as of 31 December 2025 is as follows:

| | ***Sultanate of Oman*** | ***UAE*** | ***Egypt*** | ***Others*** | ***Total*** |
|---|---|---|---|---|---|
| | ***﷼'000*** | ***﷼'000*** | ***﷼'000*** | ***﷼'000*** | ***﷼'000*** |
| Cash and balances with Central Banks | **261,320** | **94,145** | **689** | **-** | **356,154** |
| Due from Banks and other money market placements | **66,978** | **9,616** | **4,313** | **253,488** | **334,395** |
| Loans, advances and Islamic financing assets | **3,970,188** | **147,654** | **-** | **32,512** | **4,150,354** |
| Investment securities | **533,763** | **-** | **-** | **46,703** | **580,466** |
| Other assets | **51,685** | **57,031** | **161** | **-** | **108,877** |
| Property and equipment | **60,059** | **919** | **-** | **-** | **60,978** |
| **Total assets** | **4,943,993** | **309,365** | **5,163** | **332,703** | **5,591,224** |
| Due to Banks and other money market deposits | **5,000** | **137,673** | **21,175** | **251,035** | **414,883** |
| Customers' deposits | **3,854,307** | **154,449** | **361** | **-** | **4,009,117** |
| Other liabilities | **44,962** | **97,605** | **(1,333)** | **-** | **141,234** |
| Taxation | **24,711** | **1,228** | **45** | **-** | **25,984** |
| Shareholders' equity | **604,922** | **(4,980)** | **1,777** | **-** | **601,719** |
| Tier 1 perpetual bond | **398,287** | **-** | **-** | **-** | **398,287** |
| **Liabilities and shareholders' equity** | **4,932,189** | **385,975** | **22,025** | **251,035** | **5,591,224** |
| **Contingent liabilities** | **325,775** | **40,027** | **-** | **33,184** | **398,986** |

The distribution of assets, liabilities and contingent items by geographical regions as of 31 December 2024 is as follows:

| | *Sultanate of Oman* | *UAE* | *Egypt* | *Others* | *Total* |
|---|---|---|---|---|---|
| | *﷼'000* | *﷼'000* | *﷼'000* | *﷼'000* | *﷼'000* |
| Cash and balances with Central Banks | 221,877 | 80,154 | 481 | - | 302,512 |
| Due from Banks and other money market placements | 102,140 | 5,565 | 476 | 264,183 | 372,364 |
| Loans, advances and Islamic financing assets | 3,791,899 | 111,123 | - | 23,125 | 3,926,147 |
| Investment securities | 412,670 | 20,996 | - | 39,727 | 473,393 |
| Other assets | 69,995 | 38,516 | 151 | - | 108,662 |
| Property and equipment | 58,413 | 1,054 | - | - | 59,467 |
| Total assets | 4,656,994 | 257,408 | 1,108 | 327,035 | 5,242,545 |
| Due to Banks and other money market deposits | 15,000 | 64,186 | - | 113,752 | 192,938 |
| Customers' deposits | 3,959,181 | 168,981 | 361 | - | 4,128,523 |
| Other liabilities | 94,864 | 38,844 | 92 | - | 133,800 |
| Taxation | 18,265 | 814 | 44 | - | 19,123 |
| Shareholders' equity | 552,068 | (10,599) | 1,655 | - | 543,124 |
| Tier 1 perpetual bond | 225,037 | - | - | - | 225,037 |
| Liabilities and shareholders' equity | 4,864,415 | 262,226 | 2,152 | 113,752 | 5,242,545 |
| Contingent liabilities | 260,201 | 24,555 | - | 27,901 | 312,657 |

**33 SEGMENTAL INFORMATION**

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the management. The Bank is organised into five operating segments based on business units and are as follows:

- Retail Banking offers various products and facilities to individual retail and high net-worth customers to meet everyday banking needs. This includes asset products like personal loans, housing loan, credit cards and term loans and liability products like savings account, current account and term deposits.
- Wholesale Banking delivers a variety of products and services to Corporate, Government and Financial Institutions, that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes investment Banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.
- International operations include UAE and Egypt operations.
- Islamic Banking offers various products as per Shari’a principles.
- Funding Centre – The Funding centre is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the Bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the support functions are allocated to operating segments for performance measurement purposes.

Segment information by business line is as follows:

| ***Year ended 31 December 2025*** | **Retail Banking** *RO’000* | **Wholesale Banking** *RO’000* | **International Banking** *RO’000* | **Islamic Banking** *RO’000* | **Funding center** *RO’000* | **Total** *RO’000* |
|---|---|---|---|---|---|---|
| Net Interest income and net Income from Islamic financing and Investment activities | **44,356** | **38,147** | **4,287** | **8,306** | **16,843** | **111,939** |
| Fees, Commission and other operating income | **18,193** | **28,343** | **2,358** | **2,660** | **1** | **51,555** |
| **Operating income** | **62,549** | **66,490** | **6,645** | **10,966** | **16,844** | **163,494** |
| Operating expenditure | **(36,977)** | **(18,578)** | **(5,054)** | **(6,503)** | **696** | **(66,416)** |
| **Operating profit** | **25,572** | **47,912** | **1,591** | **4,463** | **17,540** | **97,078** |
| Loan impairment losses | **(3,879)** | **(10,333)** | **706** | **(1,009)** | **-** | **(14,515)** |
| **Net profit before tax** | **21,693** | **37,579** | **2,297** | **3,454** | **17,540** | **82,563** |
| Taxation | **(3,127)** | **(5,417)** | **(1,284)** | **-** | **(2,528)** | **(12,356)** |
| **Net profit after tax** | **18,566** | **32,162** | **1,013** | **3,454** | **15,012** | **70,207** |
| **Total assets** | **1,507,536** | **2,838,140** | **298,293** | **511,484** | **435,771** | **5,591,224** |
| **Total liabilities and equity** | **1,345,267** | **2,137,996** | **298,293** | **511,484** | **1,298,184** | **5,591,224** |

**33 SEGMENTAL INFORMATION (CONTINUED)**

**Disaggregated revenues 2025**

IFRS 15 requires the disclosure of disaggregated revenue from contracts with customers for major products / service lines. The below table provides disaggregation of commission and fee income into revenues within Bank’s reportable segments. Contract revenue is further segregated based on the products and services:

| **2025** | **Retail** RO’000 | **Wholesale** RO’000 | **International** RO’000 | **Islamic** RO’000 | **Total** RO’000 |
|---|---|---|---|---|---|
| Transactional | **12,024** | **-** | **1** | **112** | **12,137** |
| Trade Income | **73** | **2,762** | **264** | **55** | **3,154** |
| Account Services | **23** | **1,516** | **(12)** | **43** | **1,570** |
| Underwriting & Syndication | **783** | **7,945** | **768** | **860** | **10,356** |
| Investment banking | **-** | **1,877** | **-** | **-** | **1,877** |
| **Total** | **12,903** | **14,100** | **1,021** | **1,070** | **29,094** |

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

i) Oman
ii) United Arab Emirates (UAE)
iii) Egypt

Transactions between the above segments are conducted at estimated market rates.

Segment information by geography is as follows:

| **For the year ended 31 December 2025** | ***Oman*** *RO’000* | ***UAE*** *RO’000* | ***Egypt*** *RO’000* | ***Total*** *RO’000* |
|---|---|---|---|---|
| Net Interest income and Income from Islamic financing and Investment activities | **107,652** | **4,286** | **1** | **111,939** |
| Fees, Commission and other operating income | **49,197** | **2,325** | **33** | **51,555** |
| **Operating income** | **156,849** | **6,611** | **34** | **163,494** |
| Operating expenses | **(63,930)** | **(2,449)** | **(37)** | **(66,416)** |
| **Operating profit** | **92,919** | **4,162** | **(3)** | **97,078** |
| Total impairment losses (net) and taxation | **(26,294)** | **(674)** | **97** | **(26,871)** |
| **Segment profit for the year** | **66,625** | **3,488** | **94** | **70,207** |
| | | | | |
| **Other information** | | | | |
| **Segment assets** | **5,292,931** | **297,443** | **850** | **5,591,224** |

Note: Operating expenses does not include cost allocation.

**33 SEGMENTAL INFORMATION (CONTINUED)**

Segment information by business line is as follows:

| *Year ended 31 December 2024* | Retail Banking ⃁'000 | Wholesale Banking ⃁'000 | International Banking ⃁'000 | Islamic Banking ⃁'000 | Funding center ⃁'000 | Total ⃁'000 |
|---|---|---|---|---|---|---|
| Net Interest income and net Income from Islamic financing and Investment activities | 41,044 | 49,275 | 4,961 | 6,350 | 7,153 | 108,783 |
| Fees, Commission and other operating income | 15,451 | 23,559 | 1,155 | 2,023 | 355 | 42,543 |
| Operating income | 56,495 | 72,834 | 6,116 | 8,373 | 7,508 | 151,326 |
| Operating expenditure | (36,625) | (16,555) | (4,822) | (5,543) | 562 | (62,983) |
| Operating profit | 19,870 | 56,279 | 1,294 | 2,830 | 8,070 | 88,343 |
| Loan impairment losses | (1,287) | (13,419) | (54) | 624 | - | (14,136) |
| Net profit before tax | 18,583 | 42,860 | 1,240 | 3,454 | 8,070 | 74,207 |
| Taxation | (2,419) | (5,579) | (2,095) | - | (1,051) | (11,144) |
| Net profit after tax | 16,164 | 37,281 | (855) | 3,454 | 7,019 | 63,063 |
| Total assets | 1,477,795 | 2,661,583 | 244,340 | 532,111 | 326,716 | 5,242,545 |
| Total liabilities and equity | 1,276,463 | 2,355,077 | 244,340 | 532,111 | 834,554 | 5,242,545 |

**Disaggregated revenues 2024**

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

| 2024 | Retail ⃁'000 | Wholesale ⃁'000 | International ⃁'000 | Islamic ⃁'000 | Total ⃁'000 |
|---|---|---|---|---|---|
| Transactional | 9,908 | - | 4 | 31 | 9,943 |
| Trade Income | 65 | 2,712 | 213 | 45 | 3,035 |
| Account Services | 120 | 1,283 | (20) | 42 | 1,425 |
| Underwriting & Syndication | 668 | 6,987 | 236 | 967 | 8,858 |
| Investment banking | - | 1,779 | - | - | 1,779 |
| Total | 10,761 | 12,761 | 433 | 1,085 | 25,040 |

**33 SEGMENTAL INFORMATION (CONTINUED)**

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

i) Oman
ii) United Arab Emirates (UAE)
iii) Egypt

Transactions between the above segments are conducted at estimated market rates.

Segment information by geography is as follows:

| For the year ended 31 December 2024 | *Oman* *﷼'000* | *UAE* *﷼'000* | *Egypt* *﷼'000* | *Total* *﷼'000* |
|---|---|---|---|---|
| Net Interest income and Income from Islamic financing and Investment activities | 103,822 | 4,958 | 3 | 108,783 |
| Fees, Commission and other operating income | 41,388 | 1,421 | (266) | 42,543 |
| Operating income | 145,210 | 6,379 | (263) | 151,326 |
| Operating expenses | (60,348) | (2,520) | (115) | (62,983) |
| Operating profit | 84,862 | 3,859 | (378) | 88,343 |
| Total impairment losses (net) and taxation | (23,132) | (2,272) | 124 | (25,280) |
| Segment profit for the year | 61,730 | 1,587 | (254) | 63,063 |
| | | | | |
| Other information | | | | |
| Segment assets | 4,998,205 | 243,707 | 633 | 5,242,545 |
| Segment capital expenses | 8,131 | 343 | - | 8,474 |

Note : Operating expenses does not include cost allocation.

## 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

Based on the valuation methodology outlined below, the fair values of all financial instruments at 31 December 2025 and 2024 are considered by the Management not to be materially different to their book values.

**Estimation of fair values**

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

**1. Loans, advances and Islamic financing assets**

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

**2. Investments**

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

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

**3. Current account balances due to and due 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.

**4. Bank and customer deposits**

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

**5. Other financial instruments**

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

Foreign exchange contracts are valued based on market prices. The market value adjustments in respect of foreign exchange contracts are included in other assets and other liabilities.

The fair values of financial instruments that are traded in active markets are based on quoted market prices. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices. Industry standard valuation models are used to calculate the expected future value of payments by product, which is discounted back to a present value. The model's interest rate inputs are benchmark and active quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced from brokers and consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

**34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Estimation of fair values (Continued)**

**5. Other financial instruments (Continued)**

**Valuation models**

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value by level of the fair value hierarchy:

| | *Level 1* | *Level 2* | *Total* |
|---|---|---|---|
| | *﷼’000* | *﷼’000* | *﷼’000* |
| ***31 December 2025*** | | | |
| **Investment measured at FVTPL** | | | |
| Quoted equities | **2,715** | **-** | **2,715** |
| Unquoted equities | **-** | **2,805** | **2,805** |
| **Total** | **2,715** | **2,805** | **5,520** |
| | | | |
| **Investment measured at FVOCI** | | | |
| Quoted equities | **96,262** | **-** | **96,262** |
| **Total** | **96,262** | **-** | **96,262** |
| **Total financial assets** | **98,977** | **2,805** | **101,782** |

| | *Level 1* | *Level 2* | *Total* |
|---|---|---|---|
| | *﷼’000* | *﷼’000* | *﷼’000* |
| *31 December 2024* | | | |
| Investment measured at FVTPL | | | |
| Quoted equities | 2,218 | - | 2,218 |
| Unquoted equities | - | 2,648 | 2,648 |
| Total | 2,218 | 2,648 | 4,866 |
| | | | |
| Investment measured at FVOCI | | | |
| Quoted equities | 96,604 | - | 96,604 |
| Total | 96,604 | - | 96,604 |
| Total financial assets | 98,822 | 2,648 | 101,470 |

The Bank's primary medium and long-term financial liabilities are the borrowed funds and subordinated liabilities. The fair values of these financial liabilities not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 35). There are no transfers between levels of fair value measurement hierarchy during the years ended 31 December 2025 and 2024.

## 35 DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments may dependent on movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value.

The Bank uses the following derivative instruments for non-hedging purposes:

Forwards are contractual agreements to either buy or sell a specified currency or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

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

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

| **31 December 2025** | | | | ***Notional amounts by term to maturity*** | | |
|---|---|---|---|---|---|---|
| | ***Positive fair value*** | ***Negative fair value*** | ***Notional amount*** | ***Within 3 months*** | ***3 - 12 months*** | ***More than 1 year*** |
| | ***RO’000 (note 8)*** | ***RO’000 (note 12)*** | ***RO’000*** | ***RO’000*** | ***RO’000*** | ***RO’000*** |
| **Interest rate swaps** | **8,100** | **(8,100)** | **758,217** | **21,548** | **62,891** | **673,778** |
| **Forward foreign exchange purchase contracts** | **6** | **(13)** | **375,229** | **240,358** | **125,251** | **9,620** |
| **Forward foreign exchange sales contracts** | **874** | **(18)** | **375,229** | **240,476** | **125,133** | **9,620** |
| **Total** | **8,980** | **(8,131)** | **1,508,675** | **502,382** | **313,275** | **693,018** |

| 31 December 2024 | | | | *Notional amounts by term to maturity* | | |
|---|---|---|---|---|---|---|
| | *Positive fair value* | *Negative fair value* | *Notional amount* | *Within 3 months* | *3 - 12 months* | *More than 1 year* |
| | *RO’000 (note 8)* | *RO’000 (note 12)* | *RO’000* | *RO’000* | *RO’000* | *RO’000* |
| Interest rate swaps | 11,840 | (11,840) | 375,400 | 9,684 | 29,683 | 336,033 |
| Forward foreign exchange purchase contracts | 4 | (6) | 245,196 | 153,955 | 63,116 | 28,125 |
| Forward foreign exchange sales contracts | 893 | (40) | 245,196 | 154,053 | 63,041 | 28,102 |
| Total | 12,737 | (11,886) | 865,792 | 317,692 | 155,840 | 392,260 |