



YOUR PARTNER IN EXCELLENCE
ANNUAL REPORT 2025



His Majesty Sultan Haitham bin Tarik
-May Allah Protect Him -

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AT A GLANCE

About ahlibank



Our Vision

To be a vibrant and innovative center of banking in Oman to drive the economic and social development.

About ahlibank

Your Partner in Excellence

Founded in 2007, ahlbank has established itself as a trusted and progressive financial institution in Oman, recognised for its commitment to innovation, integrity, responsibility, sustainability and excellence. Built on a customer-first ethos, the bank continues to evolve in step with changing market dynamics, delivering tailored financial solutions that support individuals, SMEs, corporates and institutions.

ahlibank's strategy is firmly anchored in supporting Oman's long-term economic ambitions under Vision 2040. By combining international banking best practices with deep local insight, the bank plays an active role in national development while delivering value-driven, future-ready banking experiences. Strategic focus areas include digital banking, corporate and investment solutions, wealth management and retail services, all underpinned by robust governance and risk management.

Digital transformation remains central to ahlbank's growth agenda. Continued investments in advanced banking platforms, self-service technologies such as ahliExpress Multi-Functional Kiosks, and enhanced digital channels have strengthened customer accessibility, operational efficiency and financial inclusion across the Sultanate.

Beyond core banking, ahlbank is a committed partner in economic resilience and sustainable growth. Through SME-focused initiatives, innovative financing solutions such as Tamkeen crowd funding, and participation in key national infrastructure projects, the bank contributes meaningfully to job creation, entrepreneurship and long-term value creation. With a strong physical and digital presence across Oman, ahlbank continues to enhance service quality while responding to evolving customer expectations. Its approach balances innovation with responsibility, ensuring that growth

remains inclusive, sustainable and aligned with national priorities.

As it moves forward, ahlbank's ambition is clear: to be a forward-thinking financial institution that empowers communities, enables business growth and supports Oman's emergence as a competitive and resilient economy. Guided by excellence in service and a clear strategic vision, ahlbank remains a Partner in Excellence—today and for the future.



About ahli islamic

As one of Oman's leading Islamic banking institutions, ahli islamic serves as a dedicated Shariah-compliant financial partner, delivering ethical, innovative banking solutions tailored to the needs of individuals, SMEs and corporate clients.

Guided by the values of excellence, innovation, integrity, responsibility and sustainability, ahli islamic plays a central role in advancing the Sultanate's Islamic finance ecosystem. Operating in full compliance with the Islamic Banking Regulatory Framework of the Central Bank of Oman (CBO), ahli islamic is supported by a strong governance and oversight structure. This includes a well-established Shariah Supervisory Board, an independent Shariah Audit and Compliance function, and specialised teams across its operations and branch network. All products and services are rigorously reviewed and approved to ensure strict adherence to Shariah principles, reinforcing ahli islamic's standing as a trusted and credible Islamic financial institution.

With a growing footprint of 26 strategically located branches across Oman, ahli islamic offers a comprehensive range of Shariah-compliant financial solutions. These include customised home, auto and personal financing, alongside treasury, investment and wealth management services, designed to support customers in achieving their financial goals while remaining aligned with Islamic banking values.

Digital innovation is a key pillar of ahli islamic's strategy. Leveraging advanced core banking systems and secure digital platforms, the bank delivers seamless, convenient and accessible services through mobile and online channels, in line with global best practices in Islamic banking.

Beyond banking, ahli islamic contributes meaningfully to Oman's socio-economic development through strategic investments, corporate social responsibility initiatives and Shariah-compliant financing that empowers individuals, businesses and communities.

As Your Partner in Excellence, ahli islamic remains committed to delivering world-class Islamic banking experiences, fostering financial well-being and championing ethical finance in support of a sustainable and resilient Omani economy.



Our Journey



2008

- Launch of Commercial Banking Activities



2009

- Launch of SME Banking Services



2012

- Launch of Asset Management and Brokerage Services.
- 25 Million Capital raised through a Rights Issue.
- 1 Billion in Assets



2013

- Launch of Islamic Banking - 7 Branches in the First Year
- Shift to the Iconic HO Building



2014

- Introduced Signature and Infinite Cards for Private Customers



2015

- Launch of Graduate Development Program (Himam)
- Expanded to 20 Branches Across Oman



2016

- First Bank in Oman to be Certified for Payment Card Industry Data Security Standards



2017

- 50 Million AT 1 - Capital
- 2 Billion in Assets



2018

- 54 Million AT 1 - Capital
- Formation of '#ahliCares' Team



2019

- Launched the ahli islamic Brand
- Start of ahli digital



2020

- Supported the Sultanate's COVID-19 Relief Efforts
- Launched Youth Account 'MyChoice'



2021

- First Islamic Bank to launch Onboarding Through Mobile App
- Launch of ahli Global Equity Fund
- 30 Million Rights Issue
- 3 Billion in Assets



2023

- 5 Digital Branches Across Oman
- First Bank to Provide 1:1 Financing Option Through Mobile App
- 50 Million Rights Issue
- 54 Million Raised via AT 1 Bonds



2024

- 4 new ahli islamic Branches Across Oman
- Launch of ahli islamic Youth Account 'Al Masar'
- Launch of Al Majd
- Launch of Instant Credit Card Printing



2025

- Launch of the First Children Banking App in Oman (ahlinext)
- 50 Million Capital Raised Through Rights Issue
- Commencement of the Solar Energy System at ahlibank Head Office Parking

Our People

ahlibank remains aligned with Oman Vision 2040, with a strong focus on job creation and skills development for the national workforce.

As of 31 December 2025, the Bank achieved an Omanisation rate of 94% commitment to expanding opportunities for Omani professionals within the financial sector.

Omanisation rate of
94%
As of 31 December 2025

The Bank prioritises training and continuous development, providing a supportive platform for career progression and cultivating a highly capable, motivated workforce that drives performance and innovation. This approach is reinforced by a positive and engaging work environment that supports recruitment, retention, and employee engagement, recognising the central role of people in achieving both short- and long-term strategic objectives while delivering superior customer experiences.



2025 Key Awards

ahlibank's commitment to excellence, innovation, and customer-centric solutions has been recognised through multiple prestigious awards in 2025. Each accolade reflects our continuous efforts to deliver superior banking experiences, embrace technological advancements, and uphold the highest standards of operational excellence. These recognitions reinforce our position not only as a

leading financial institution in Oman but also as a prominent player on the regional and international stage.

Through these awards, ahlibank continues to demonstrate its dedication to innovation, digital transformation, and exceptional customer service, reinforcing our role as a trusted partner for individuals, businesses, and communities alike.



2025 Key Awards

Oman's Best Bank For SMEs
Euromoney Awards For Excellence

Best Performing Company-Large Cap
Alam Al Iktisaad Awards

Excellence in Innovation and Digital Banking
Alam Al Iktisaad Awards 2025

Best Retail Bank - Oman 2025
The Digital Banker

Excellence in Corporate Social Responsibility
CSR Summit & Awards 2025

Best Performing Company - Large Cap
OER Corporate Excellence Awards

2025

Key Highlights

In a year defined by steady growth and innovation, ahlibank has further strengthened its standing as a leading force in Oman's banking sector. Guided by an unwavering commitment to excellence and progressive banking solutions, the Bank's achievements serve as a powerful testament to its dedication and the trust it has earned, embodying its core values in serving customers and stakeholders alike.

 ahlibank rolls out ahlinext, a **Child-Focused Banking App** to Foster Financial Awareness

 ahlibank opens **3** new branches and a dedicated center for premium banking

 ahli islamic opens **1** new branch

 ahlibank Signs Master Service Agreement with **PDO**

 ahlibank completed **Solar Energy** systems at its headquarters

 ahlibank successfully concluded an oversubscribed **₹ 50 million rights issue**

CSR

Key Highlights in 2025



Iftar Sayem campaign in collaboration with Oman Food Bank



ahlibank's third Ramadan Souq for SMEs with over 60 participating SME



Kaswat Eid Clothing for Eid Al Fitr and Eid Al Adha for Elderly Social Welfare Home



Kaswat Eid in Collaboration with Al Rahma Association supporting 300 families with Eid essentials



ahlibank signs an exclusive sponsorship with Al Rahma Association for Back-to-School initiative to support low-income families at the start of the academic year



ahlibank partners with Al Noor Association for the blind offering them educational tools and sponsoring financial literacy programs



ahlibank cooperates with Omar bin Al Kahtab insititue for the blind equipping classrooms (10-12) with interactive boards to enhance the learning experience for the visually impaired students



Equipping homes of low-income with basic appliances – Al Rahma Association



ahliExpo Fair for SMEs with over 50 participating SME



ahlibank organised a blood donation drive at its Head Office, encouraging employees to participate in this vital community initiative.


Total Initiatives
11


Total Beneficiaries
7300+


Employees Volunteered
335+

Branches and Locations

ahlibank continues to expand its footprint across the Sultanate of Oman through the opening of new branches in strategically selected locations, aligned with its objective of enhancing service accessibility and customer convenience. Equipped with the latest banking technologies, these branches deliver an efficient, modern, and seamless banking experience, reinforcing the Bank's commitment to service excellence and nationwide reach.



27
Branches

- Head Office - Al Wattayah
- Al Seeb
- Oman Avenues Mall
- Al Khoudh
- Al Khuwair
- Mabella
- Mall of Muscat
- Al Ghubra
- Ruwi High Street
- Madiant A's Sultan Qaboos
- Al Mouj
- 18 November Street
- Al Rusail
- Al Amerat
- Suhar
- Barka
- Suwaiq
- Mussanah
- Rustaq
- Al Khaburah
- Nizwa
- Sur
- Ibra
- Salalah
- Saada
- Ibri
- Al Buraimi



26
Branches

- Head Office - Al Wattayah
- Al Khoudh
- Al Ghubrah
- Al Khuwair
- Al Amerat
- Al Hail
- Mabella
- Mall of Oman
- Quriyat
- Al Shumookh
- Al Khoudh 6
- Al Ansab
- Saham
- Rustaq
- Barka
- Suhar
- Al Suwaiq
- Khazaen
- Samail
- Bahla
- Nizwa
- Sinaw
- Jalan Bani Bu Ali
- Sur
- Salalah
- Ibri

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Digital Branches with 25 Multifunctional Kiosks

- Head Office - Al Wattayah
- Madinat A'Sultan Qaboos Branch
- Head Office Islamic
- Mall of Oman Kiosk
- Mall of Oman Islamic Branch
- Al Mouj Branch
- Nizwa Islamic Branch
- Shumookh Center
- Al Khoudh Branch
- Sohar Islamic
- Suhar Branch
- Barka Branch
- Al Khoudh Islamic
- Barka Islamic Branch
- Al Khoudh 6 Islamic Branch
- Al Ansab Islamic



Our Mission

To be a trusted and preferred banking partner, dedicated to creating unique value for our employees, customers, shareholders, and society.

Board of Directors

Hamdan Ali Nasser Al Hinai, Chairman

Holds a Master's in Development and Project Management, a Bachelor's in Business Management and Economics, and a Diploma in International Development Management, and — as former Director General of Purchasing and Contracts at the Ministry of Defence — brings over 40 years of senior experience across the public and private sectors. Leveraging advanced core banking systems and secure digital platforms, the bank delivers seamless, convenient and accessible services through mobile and online channels, in line with global best practices in Islamic banking.



Ibrahim Said Badar Al Eisri, First Deputy Chairman

A Member of the Association of Chartered Certified Accountants (ACCA), Mr. Al Eisri holds a Master's degree in Finance from Oxford Brookes University, UK, as well as a Bachelor's degree in Commerce (Accounting and Finance) from Curtin University of Technology, Perth, Australia. He serves as Chief of Private Market Investments at the Oman Investment Authority (OIA). Mr Al Eisri is Chairman of the Board of Nama Water Services and a Board Member of Omantel. He brings over 21 years of experience across multiple sectors, including telecommunications, oil and gas, and financial services and investments, and has held a range of senior leadership roles in finance and investment operations.



Abdul Hameed Ahmed Al Bulushi, Second Deputy Chairman

Mr. Al Bulushi holds a Higher Diploma in Development from the United Kingdom and a Bachelor's degree in Law from Egypt. He is a former Legal Expert at the Civil Service Employees Pension Fund. Mr Al Bulushi currently serves as Chairman of Oman Hospitality Company and as Director of Al Nama Poultry Company, Osool Poultry Company, and Raysut Cement SAOG. He brings over 33 years of experience in the Ministry of Civil Service and the Civil Service Employees Pension Fund, having held various senior positions throughout his career.



Salim Ali Hamed Al Hasni, Director

Mr. Al Hasni holds a Master of Science in Commercial Project Management from the University of Manchester (College of Mechanical, Aerospace and Civil Engineering) and a Bachelor of Science in Commerce and Economics from Sultan Qaboos University. He serves as Director of Contracts at the Ministry of Defence, and is also Chairman of the Board of Reem Batteries & Power Appliances SAOC and Vice Chairman of Sohar Power Company SAOG. He has over 23 years of experience at the Ministry of Defence, having served in a range of progressively senior roles.



Qais Abdullah Moosa Al Kharusi, Director

A Chartered Financial Analyst (CFA), Financial Risk Manager (FRM), and Chartered Alternative Investment Analyst (CAIA), Mr Al Kharusi holds an MBA in Value Investing and Finance from Columbia Business School, New York, USA, and a Bachelor of Science in Engineering (Industrial and Operations Engineering) from the University of Michigan, USA. He is the Chief Executive Officer of Al Hosn Investment Company and also a Board Member of A'Saffa Foods SAOG. Mr. Al Kharusi brings 16 years of diversified investment experience, including over nine years in senior leadership positions.



Abdullah Saif Ali Al Rajhi, Director

Mr. Al Rajhi holds a Bachelor's degree in Journalism and Media from Sultan Qaboos University, a Master's degree in International Relations (International Security) from the University of Leeds, and a Master's degree in Strategic Studies for National Security and Defence from Sultan Qaboos University. He has also completed executive training programmes at the National Defence College. He currently serves as an Administrative and Financial Expert at the Office of the Minister of Agriculture, Fisheries Wealth and Water Resources. He brings over 27 years of experience in operations management, strategic planning, human resources, crisis management, and financial and administrative functions.



Sulaiman Abdullah Khalfan Al Balushi, Director

Mr. Al Balushi holds a Master's degree in International Banking, Finance and Risk Management from Glasgow Caledonian University, a Pre-Master's degree in Business, Social Sciences and Law from the University of Glasgow, and a Diploma in Accounting from Sultan Qaboos University. He currently serves as Director of Investments at Royal Court Affairs, where he oversees multi-asset investments across global financial markets. Mr Al Balushi is also Vice Chairman of Oryx Fund and a member of the management bodies of Ahli Islamic Money Market Fund, Izdihar Real Estate Fund, Al Tharwa Fund, and Meethaq Equity Fund. He brings over 20 years of experience in investment and audit functions, contributing to organisational strategy, governance, and risk management.



Ali Said Ali Al Uraimi, Director

Mr. Al Uraimi holds a Bachelor's degree in Finance from Sultan Qaboos University and a postgraduate qualification in Management Learning and Leadership from Lancaster University. He has been a Fellow Researcher at the Centre for Business in Society, Coventry University, since 2017 and is an alumnus of the National CEO Program (Third Cohort) at IMD Business School. He currently serves as Chief Executive Officer of Nakheel Oman Development Company. He is Chairman of Bio Products Oman SAOC and a Board Member of Sun Packaging Company SAOC. He is also a member of the Economic Committee and the Food Security Committee of the Oman Chamber of Commerce and Industry. He brings over 20 years of experience in strategic business development, financial management, performance management, and investment planning across the food, agriculture, investment, and education services sectors.



Executive Management



Said Abdullah Al Hatmi
Chief Executive Officer



Abdullah Salim Al Jabri
Deputy CEO - Support Services



Bilal Anwar
Deputy CEO - Business Group



Hanaa Mohammed Al Kharusi
Senior General Manager - Wholesale Banking



Taher AlBakhsh Al Balushi
Senior General Manager - Strategy, Transformation, Technology and Projects



Fahad Fraish Al Shuaili
General Manager - Chief Risk Officer

Zaliya Lal Bakhsh Al Balushi
GM – Head of Corporate Banking

Najla Muradha Al Lawati
DGM - Head of Private Banking & Wealth Management

Yousuf Salim Al Rawahi
Chief Islamic Banking Officer

Muneer Ahmed Al Balushi
DGM - Head of Retail Distribution

Zainab Mustafa Al Lawati
DGM - Head of Islamic Corporate Banking

Noora Sabah Jawad Sultan
DGM - Head of Islamic Retail Banking

Hassan Maqbool Al Lawati
DGM - Head of Central Operations

Mohammed Abdul Qadir Al Balushi
DGM - Head of Treasury

Habib Muradha Al Hamaid
DGM - Head of Complaints Management and Corporate Affairs

Said Ahmed Al Mahrooqi
AGM – Head of Information Security

Khalid Al Hamhami
AGM - Head of Credit Risk

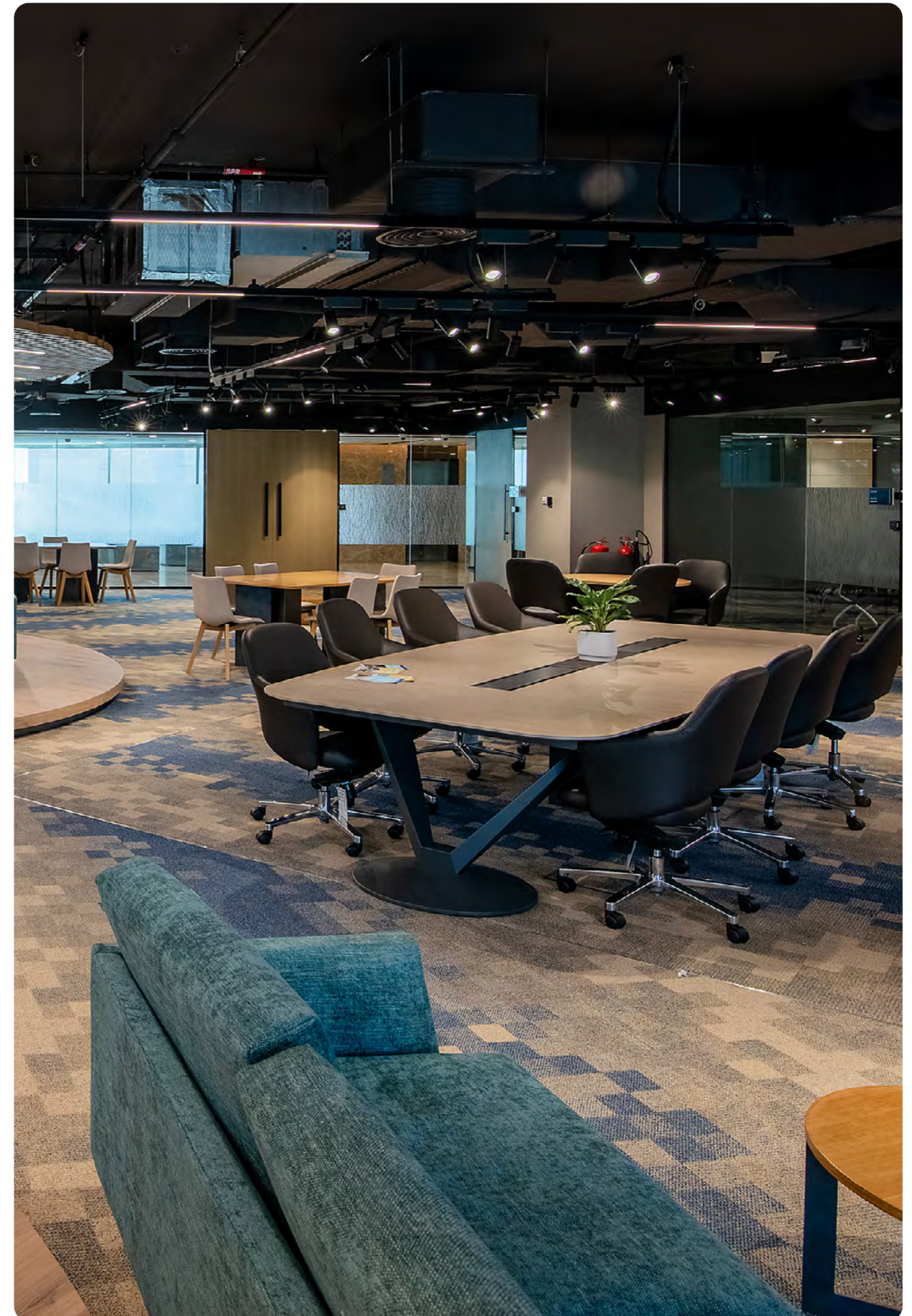
Farid Mohammed Al Bahri
AGM - Head of Internal Audit

Abdullah Nasser Al Hinai
AGM - Head of IT

Jumana Aflah Al Hashmi
AGM - Head of Marketing & Corporate Communications

Qais Ibrahim Al Hasni
AGM- Head of Human Resources

Mohammed Fayadh Khan
AGM- Head of Compliance



Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the financial statements of ahlibank for the year ended 31 December 2025.

As we conclude 2025, the global economic landscape continues to be shaped by moderate inflation, tighter financial conditions across major markets and ongoing geopolitical uncertainties. Despite these challenges, the Sultanate of Oman has demonstrated commendable resilience, underpinned by prudent fiscal management, contained inflationary pressure and steady progress under the Tenth Five-Year Plan.

According to the International Monetary Fund, Oman's GDP growth for 2026 is projected at approximately 3.7%, driven primarily by non-oil sector expansion and continued economic diversification initiatives. These fundamentals continue to reinforce investor confidence and provide a stable foundation for medium-term growth.



Within the domestic financial sector, performance remained robust. Credit growth was sustained across corporate, retail and SME segments reflecting continued economic activity and business confidence, while deposit growth underscored customers' trust in the strength and stability of the banking sector. The Islamic banking segment maintained strong double-digit growth, further deepening financial inclusion and reinforcing the sector's contribution to the broader economy. Regulatory enhancements and the continued emphasis on the ESG-linked framework further strengthened transparency, efficiency, and responsible governance, accelerating the sector's transition toward digitalization and sustainable finance.

Throughout 2025, the bank executed its strategic priorities with discipline and focus, building clarity, resilience and operational momentum. This approach has enabled the Bank to navigate evolving market conditions while maintaining a long-term commitment to financial stability, responsible growth and sustainable value creation for all stakeholders.

Financial Performance

The Bank completed 18 successful years since its incorporation as a commercial bank and continued to move ahead with another steady performance across key financial indicators for the year ended December 2025.



The Bank's Loans, advances and financing, net witnessed a 14.0% growth to 3,446.4 million at end of 31 December 2025, over the corresponding period in 2024. Total assets increased by 11.6% to 4,188.7 million, driven by healthy growth across the retail and corporate sectors. Customer's deposits increased by 14.3% to reach 3,157.5 million, compared to the corresponding period of last year. Operating Income increased by 8.7% to reach 117.75 million. Operating Expenses, increased by 5.5% to reach 48.97 million.

Profit for the year grew by 11.2% to reach 46.32 million, demonstrating the Bank's sustained growth strategy.

Achievements

During 2025, ahlibank delivered meaningful progress across digital innovation, capital-market leadership, customer-centric transformation, and nationwide expansion, reinforcing its role as a key contributor to Oman's economic development. The bank advanced initiatives that strengthened its financial position, expanded its specialized capabilities, and deepened engagement in priority development sectors. These included real estate and housing finance supporting the Sultanate's urban development agenda, advisory mandates for sustainable and net-zero city projects, and strategic involvement in renewable-energy and private-sector initiatives aligned with national diversification objectives.

The bank's leadership in the capital markets was further demonstrated through the successful management of major issuances during the year, reinforcing confidence in its structuring expertise and financial stewardship. In support of the Bank's long-term strategy and growth ambitions, ahlibank successfully completed an oversubscribed rights issue during the year. This milestone further strengthened the Bank's capital base and underscored the confidence of shareholders in its strategic direction and governance framework.

Digital transformation remained a central focus throughout the year. The bank introduced a range of forward-looking solutions aimed at enhancing accessibility, operational efficiency, and customer experience across retail, corporate, and SME segments. Among these initiatives was the launch of ahlinext, an interactive, youth-focused platform designed to promote financial literacy by combining practical financial tools with secure, parent-guided controls, enabling children to build healthy financial habits from an early age. The bank also expanded automated and online services for businesses and continued the modernization of core platforms to support an increasingly integrated and scalable operating environment.



A defining milestone in 2025 was the launch of ahlibank's digital debit card, marking a significant step in advancing frictionless, secure, and fully digital customer onboarding. Designed for immediate activation and compatibility with leading payment wallets, this solution reflects the bank's commitment to embed technology into everyday financial interactions and elevating the digital banking experience. This progress was further supported by strategic geographic expansion, with new branches opened across key growth corridors to enhance service coverage for both conventional and Islamic customers.

The bank's performance and innovation were recognized through multiple industry awards. ahlibank was named Best Bank for SMEs at the Euromoney Awards 2025, highlighting its contribution to enterprise growth and sectoral development. The bank was also awarded Best Retail Bank in Oman by The Digital Banker, reflecting its leadership in customer-centric banking and service excellence. Additionally, ahlibank received Best Performing Company – Large Cap for the seventh consecutive year, alongside Excellence in Innovation & Digital Banking at the 14th Alam Al-Iktisaad Awards, underscoring its balanced progress across financial strength, customer value, and digital transformation.

Corporate Social Responsibility

ahlibank's commitment to social impact remained a core pillar of its purpose-driven agenda throughout 2025. Guided by principles of empowerment, inclusivity, and national alignment, the Bank advanced initiatives supporting education, community wellbeing, sustainability, and financial inclusion, reflecting a holistic ESG-led approach embedded across its operations and partnerships.

During the year, ahlibank strengthened support for vulnerable communities through partnerships with charitable and educational institutions. Its collaboration with the Al Rahma Association for Motherhood and Childhood Care focused on supporting widowed and divorced women through essential household assistance and improved financial stability. Partnerships with the Al Noor Association for the Blind and the Omar Bin Al-Khattab Institute for the Blind expanded access to training, financial literacy, and inclusive learning tools, enhancing employability, accessibility, and independence.

The Bank also promoted community wellbeing through initiatives including blood-donation drives, sponsorship and participation in the Muscat Marathon, and the second edition of ahli Expo, providing SMEs and local entrepreneurs with a platform to showcase their products and expand market reach.



The ahlibank Ramadan Souq, held for the third consecutive year, supported more than 60 small businesses during the holy month.

In addition, ahlibank distributed over 1,000 Iftar food boxes, provided Eid clothing to more than 50 elderly residents at the Social Care House, and supported low-income families with over 40 air-conditioning units in partnership with the Al Rahma Association. The Bank also served as the exclusive banking sponsor of the Back to School 2025 campaign, benefiting more than 2,000 children from orphaned and low-income families.

During the final quarter, ahlibank reinforced its commitment to women's empowerment through a Memorandum of Understanding with Sidab Women, supporting low-income female entrepreneurs and vocational initiatives that preserve Omani craftsmanship and cultural heritage.

Sustainability remained integral to the Bank's strategy, with ESG principles embedded across key initiatives. The completion of the solar-powered car park marked a tangible contribution to the Sultanate's Net Zero ambitions, while continued investment in national talent through structured learning and leadership programs ensured a skilled, future-ready workforce aligned with Oman's human capital priorities.

Looking Ahead

As we enter 2026, ahlibank remains firmly anchored in a strategy that emphasizes financial soundness, operational strength, and sustained value creation. The year ahead will be shaped by evolving regulatory standards, rapid technological advancements, and heightened expectations for disciplined governance across the banking sector. In response, the bank will continue strengthening its core capabilities, reinforcing prudent risk management, enhancing operational efficiency, and advancing the digital transformation initiatives that are now fundamental to modern banking.

At the same time, ahlibank will deepen its contribution to Oman's socio-economic development by supporting priority sectors under the national diversification agenda, expanding opportunities for SMEs, and investing in the development of national talent. Guided by a commitment to responsible growth, strong capital positions and sound governance, the bank is well-positioned to pursue new opportunities with clarity and purpose.

Acknowledgements

On behalf of the Board of Directors, I extend our sincere appreciation to our shareholders for their continued confidence in the bank's strategic direction. We are equally grateful to our customers, whose trust underpins our progress, and to our partners and stakeholders for their continued collaboration and support.

The Board also acknowledges the dedication of our Executive Management and employees, whose professionalism, adaptability, and commitment have been instrumental in delivering the Bank's priorities throughout the year. Their collective efforts continue to strengthen the Bank's culture and position it to embrace new opportunities with confidence.

Above all, we express our deepest respect and allegiance to His Majesty Sultan Haitham bin Tarik. We remain firmly committed to supporting the Sultanate's socio-economic ambitions and contributing meaningfully to the nation's ongoing progress and prosperity.

Hamdan Ali Nasser Al Hinai
Chairman

Management Discussion and Analysis

Economic Review - Sultanate of Oman

During 2025, the economy of the Sultanate of Oman demonstrated resilience and gradual strengthening, supported by fiscal consolidation, diversification efforts, and growth across key non-hydrocarbon sectors.

Real GDP grew by 2.2% compared to 1.7% in 2024.

Government revenues in 2025 were bolstered by strong performance in non-oil sectors and improved tax and fee collections, enabling a reduction in public debt to $\text{OMR } 14.6$ billion. These outcomes underscore the effectiveness of the government's strategic planning, the economy's inherent resilience, and its commitment to sustainable growth and diversification.

In July 2025, Moody's upgraded Oman's long-term rating from Ba1 to Baa3, restoring investment-grade status. In December 2025, Fitch upgraded Oman's long-term rating to BBB with a stable outlook, firmly restoring investment-grade status and signaling strong confidence in Oman's fiscal and economic management. These rating upgrades reflect international agencies' trust in Oman's disciplined debt management, fiscal consolidation, and strategic planning aimed at sustainable growth, economic diversification and long-term development.

The 2026 State General Budget, prepared under the Eleventh Five-Year Development Plan (2026–2030) and Vision 2040, emphasizes fiscal discipline, economic stability, and social support. It prioritizes essential public services—including education, health, housing, and social protection—while promoting private sector growth and economic diversification. Strategic investments target key sectors such as tourism, logistics, clean energy, technology, infrastructure, and human capital development. The budget also reinforces social protection and safeguards essential spending, reflecting a commitment to medium-term sustainability, efficient public resource management, and continued international confidence.



Oil and gas revenues, representing 67% of total revenues, are budgeted at $\text{OMR } 7.71$ billion for 2026, 1.5% higher than the 2025 budget.

The budget assumes an average oil price of USD 60 per barrel compared to an average of USD 70 per barrel in 2025.

Non-oil revenues are projected at $\text{OMR } 3.73$ billion, reflecting expected growth in tax and fee revenues from economic recovery.

A budget deficit of $\text{OMR } 530$ million is estimated at 1.3% of GDP, compared to a deficit of $\text{OMR } 480$ million in 2025.

Financial Sector Performance

Oman's banking sector sustained solid growth in 2025, supported by a strong economy, fiscal stability, and lower interest rates. Total bank credit rose to approximately $\text{OMR } 35.32$ billion, driven by private sector lending to non-financial corporates and households. Total deposits increased to $\text{OMR } 33.96$ billion, reflecting confidence in the banking system, while Islamic banking assets expanded to about 19.5% of total sector assets, enhancing overall resilience.

Healthy liquidity and stable interest rates provided a supportive environment for credit expansion, complemented

by positive investor sentiment on the Muscat Stock Exchange (MSX). The sector's performance demonstrates robustness and adaptability, with NPAT rising 10.6% from 2024. The sector's focus on tourism, logistics, renewable energy, and technology supports Vision 2040 and Oman's long-term economic diversification.

Capital markets recorded historic growth in 2025, with the MSX 30 Index rising around 28% and total market capitalization reaching $\text{OMR } 32.01$ billion. Growth was driven by strong domestic trading, IPO activity, and participation from foreign and Gulf institutional investors, enhancing liquidity and investor confidence. Trading volumes and values increased across banking, industrial, and energy stocks.

The Bank's Performance

The Bank has completed 18 successful years since its conversion to a full-fledged commercial bank and has enhanced its commitment to provide financial services that go beyond the conventional mode and espouse sustainable business practices going forward. ahlibank's total assets grew by 11.6% in 2025, reaching $\text{OMR } 4.19$ billion, compared to $\text{OMR } 3.75$ billion in 2024. Customer deposits went up by 14.3% to reach $\text{OMR } 3.16$ billion compared to $\text{OMR } 2.76$ billion. Net Loans, advances and financing, net grew by 14.0% reaching $\text{OMR } 3.45$ billion. The Bank's operating income increased by 8.7% reaching $\text{OMR } 117.8$ million in 2025. The profit after tax for the year 2025 grew by 11.2% to reach $\text{OMR } 46.3$ million.



Capital and Reserves

The capital and reserves of the Bank as of 31 December 2025 stood at $\text{OMR } 641.3$ million compared to $\text{OMR } 558.0$ million as of 31 December 2024. The Bank maintained sufficient capital buffers and the capital adequacy ratio of the bank stood at 16.52% above the regulatory requirement. The Bank successfully raised CET-1 Capital through a rights issue of $\text{OMR } 50$ million, which was oversubscribed, showing the trust and confidence placed by shareholders in the Bank's potential to grow further.



Loans, advances and financing

The increase in gross loans, advances and financing in 2025 reflects the Bank's strategy of active balance sheet management, to position the Bank for sustainable profitable growth in the coming years. The Bank's gross loans, advances and financing increased by $\text{OMR } 447.2$ million to $\text{OMR } 3.571$ billion as of 31 December 2025 from $\text{OMR } 3.124$ billion as of 31 December 2024. The focus in 2025 was to maintain high-asset quality, which reflected in the low non-performing loans to gross loans ratio of 4.11% one of the lowest amongst its industry peers.



Customer Deposits

Customer deposits of $\text{OMR } 3.16$ billion at year-end 2025 reflected an increase of 14.3% compared to 2024. The Bank continues its strategy to focus on expanding a lower cost-funding base through new product launches and retail branch expansions.



Profitability

The net profit after tax increased by 11.2% to $\text{OMR } 46.32$ million as compared to $\text{OMR } 41.66$ million in 2024. The return on equity of the Bank as at December 31, 2025 stood at 11.2%.

Business Units

The Bank remains dedicated to enhancing its governance policies, prudent risk assessment procedures, cost-efficiency strategies, and the introduction of new products and services to safeguard stakeholder interests and ensure long-term sustainability. Employees are encouraged to aim high, empowered to achieve their objectives.

Through continuous training and development, management strives to cultivate a highly skilled talent pool capable of delivering high-quality performance and innovation. The Bank also focuses on providing customers with optimal banking propositions through convenient channels, ensuring timely delivery with the highest levels of accuracy and reliability.

In line with global trends in digital banking, the Bank continues to invest in secure technologies to deliver world-class customer service and experience across multiple platforms, reinforcing its commitment to innovation, reliability, and customer satisfaction.

Corporate Banking

ahlibank's corporate banking brand continues to grow in stature. Its industry-specific teams boast a deep understanding of their respective local and regional market segments, working to ensure the delivery of insightful relationship management with fast turnaround times across its product spectrum. These divisions comprise:

-  **Project Finance, Syndications & Energy**
-  **Food and General Trading**
-  **Manufacturing, Real Estate & Contracting**
-  **Financial services, Travel, Tourism and Transport**
-  **Sharia-compliant Islamic Banking Services through ahli Islamic counters**

The Bank has strategically aligned its teams to concentrate on sectors key to the Sultanate's diversification strategy and Vision 2040, thereby creating wealth through economic diversification and private sector partnerships. It continues to contribute towards the economic development of these sectors through the funding of various projects and by providing a comprehensive range of competitively priced, funded and non-funded financial products and advisory services. ahlibank is fully committed to the Sultanate's vision towards diversification of energy sources through green energy financing and other sustainable biofuels. As part of our long-term strategy, the Bank plans to strengthen its procedures to help fund sustainable projects.

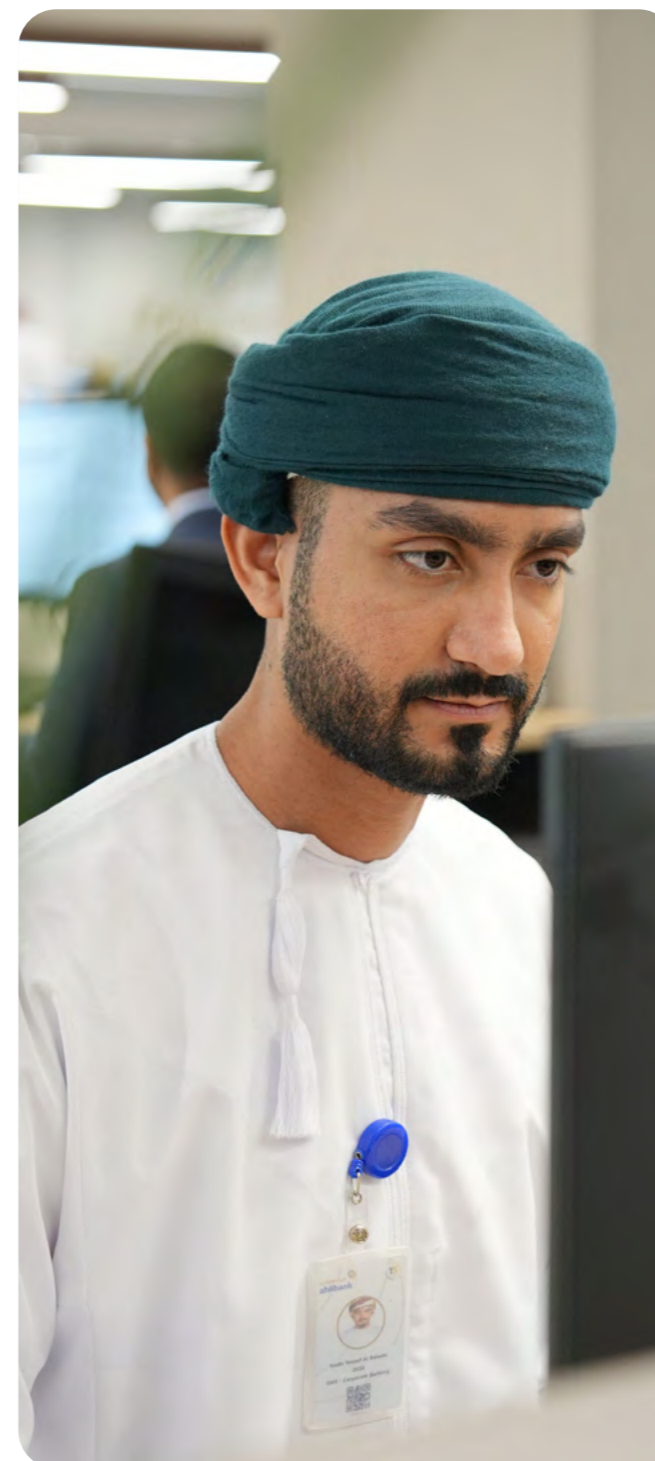
SME Banking

Small and Medium Enterprises (SMEs) continue to play a vital role in the economic development of Oman. The empowerment of this sector contributes to the generation of job opportunities, enhancement of exports, facilitation of equitable income distribution, reduction of oil dependency, and an increased contribution to the country's GDP. With Oman reviving and redirecting its focus and resources towards SMEs, the country has developed various programs to establish and support new business units. Concurrently, there is a reliance on banks to continue playing a crucial role in the development of this sector. ahlibank launched the "Tamkeen" crowdfunding initiative during FY 2022 in collaboration with Beehive, marking it as the first of its kind in Oman.

The program provided financial aid to more than 80 locally established firms with total funding exceeding 5 million since the launch of the program. ahlibank also launched a new finance product against Point of Sales (POS) in FY 2024. The new product is designed to support MSMEs in the country and operators of ahlibank POS machines. The program is designed to support both capital, and operating expenditures of companies, with flexible repayment plans of up to 36 months. Since its launch, the program has provided financial aid to over 70 locally established firms with aggregate funding surpassing 3 million.

ahlibank has also successfully launched "AhliExpo" in 2024 as the country's first SME convention. It featured 40 promising SME companies with growth potential, showcasing their capabilities and connecting them with the business community as potential partners. The convention also included several seminars, workshops, and panel discussions with experts and influencers from across the business landscape.

The second edition of AhliExpo was launched in 2025 with a renewed vision to support small and medium enterprises. Through this initiative, the Bank aims to empower businesses to grow, explore new opportunities, and enhance their contribution to the national economy, in alignment with Oman Vision 2040. During 2025, the Bank conducted a dedicated workshop titled "Leadership for a Lasting Impact", aimed at strengthening leadership capabilities within the SME segment. The workshop, attended by 45 SME participants, focused on enhancing strategic thinking, sustainable leadership practices, and long-term business resilience. This initiative reflects the Bank's ongoing commitment to empowering SMEs through capacity building and value-added development programs.



Mid-Market

The Mid-Market team focuses specifically on mid-sized business segments and transactions that fall between typical SME deals and large corporate financings. The team manages deals that are larger and more complex than standard SME transactions, yet smaller in scale than corporate financings.

Comprising experienced Relationship Managers overseeing a diversified portfolio of clients across industries, the Mid-Market team combines sector-agnostic expertise with a relationship-driven approach. This enables the Bank to deliver tailored banking solutions that address the unique financing, transactional, and advisory needs of mid-sized enterprises. The team's focused structure bridges the gap between SME and Corporate Banking, ensuring appropriate coverage, efficient service delivery, and sustainable portfolio growth.

Corporate Liabilities

A dedicated team drives the growth of the Bank's liabilities by offering corporate clients a comprehensive suite of products, including operative accounts, call accounts, fixed deposits, and structured deposits. Emphasizing strong relationship management, the team provides solutions not only for corporate clients but also for their employees. With a strategic focus on low-cost deposits to diversify the Bank's funding base, the team continues to expand, complementing the Corporate Banking lending and Retail Banking teams.

Government Banking

The Government Banking Unit serves the banking needs of government entities and public-sector institutions, including ministries, authorities, and pension funds. It provides a comprehensive range of customized products and services to meet the diverse and complex requirements of the government sector. The unit works closely with other Bank divisions, partnering with Corporate Banking to address funding requirements and coordinating with Retail, Premium, and Private Banking to deliver employee-focused solutions. Through these collaborations, the unit delivers tailored packages that enhance value for government entities and their employees.



Transaction Banking

The Bank's transaction banking platform supports the operational needs of businesses, corporations, and institutions by enabling seamless day-to-day financial transactions. Services include international trade financing, cash management, and liquidity management solutions.

As companies face challenges in securing short-term liquidity and optimizing financial operations, transaction banking has become increasingly important within corporate banking. The platform is structured around three core verticals: Trade Finance sales, cash and liquidity management, and complementary corporate products such as payment gateway solutions and a suite of corporate cards. Collectively, these offerings support a fully integrated corporate digital ecosystem, delivering end-to-end transaction solutions with operational efficiency, robust cybersecurity controls, and confidentiality.

Wholesale eChannels

Wholesale eChannels manages, operates, and supports ahlibank's wholesale digital platforms, ensuring seamless service for corporate and government clients. Acting as custodian of these channels, the team provides end-to-end support including platform demonstrations, client onboarding, issue resolution, and enablement. Services cover payments, collections, treasury, and trade, with key platforms including ahliB2B, ahliNET, ahliRDC, ahliPG, ahliTrade, and TSA.

Wholesale eChannels also serves as product owner for platform enhancements, collaborating closely with clients to continuously improve functionality, drive adoption, and support the Bank's digital transformation agenda.

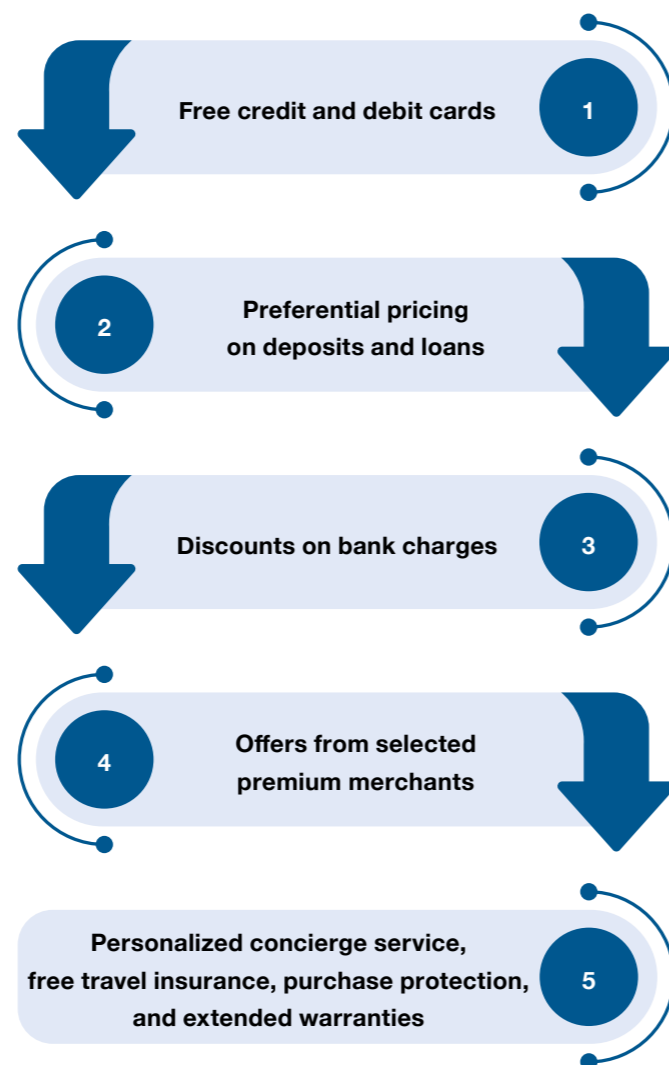
Retail Banking

ahlibank remains committed to innovation, customer-centricity, and market leadership. By designing and delivering cutting-edge products and services, the Bank strengthens its market position while ensuring seamless customer experiences.

As part of its retail network expansion and digital transformation, ahlibank launched its first digital branch, "ahli express", in 2022, setting a new benchmark for convenience and efficiency. Building on this success, the Bank operationalized 25 Multi-Functional Kiosks by the end of 2025, significantly enhancing service delivery. This initiative expands customer touchpoints, provides scalable banking solutions, and contributes to local community development.

Al Nukhba Premium Banking

Premium customers benefit from an extensive range of financial and non-financial privileges. Dedicated Relationship Managers provide personalized services through branches and Premium Service Centres. Benefits include:



Imtiyaz

The Imtiyaz segment offers dedicated banking services tailored to modern lifestyles. Eligibility requires a minimum salary transfer of $\text{AED } 1,000$ or deposits of $\text{AED } 10,000$ and above.

MyChoice

The MyChoice Youth Account empowers young customers toward financial independence by providing the tools they need to manage their money effectively.

Istqrar

The Istqrar account is designed for retirees, providing core banking services along with higher fixed-deposit returns, lower interest rates on loans, and other benefits.

Loyalty Platform – Pearl Points

Retail Banking rewards customers through a loyalty platform where points are earned on transactions, deposit balances, and digital banking usage. Points can be redeemed for airline tickets, hotel bookings, utility payments, merchant vouchers, and more.

Cards

ahlibank offers a range of credit and debit cards across segments: Classic, Gold, Platinum, Signature, and Infinite (credit), and Platinum and Signature (debit). Features include travel miles redemption, travel insurance, purchase protection, airport lounge access, and concierge services.

Personal Loans - MyLoan

MyLoan provides ready cash with high loan amounts, flexible repayment options, and competitive rates, supporting family needs, education, vacations, and more.

Home Loans - MyHome

MyHome offers flexible plans, long tenors, standard documentation, and attractive interest rates, helping customers finance and purchase their dream homes.

Car Loans

ahlibank provides car financing for new and used vehicles, with competitive rates, tenors of up to 10 years, and high loan amounts.

MySmart

MySmart is an interest-bearing savings account offering high returns and transactional flexibility, with monthly interest payouts and chequebook access.

Wafra Plus

Wafra Plus is a daily growth account offering interest on daily balances, compounded and credited daily.

MySaver

MySaver enables customers to invest small monthly amounts with regular bonuses and attractive monthly interest based

on daily balances, alongside free life insurance coverage up to a set limit.

Exclusive Plus Account

The Exclusive Plus Account is an interest-bearing savings account that offers customers high interest rates on their deposits with the flexibility of a transactional account. Interest is calculated on the quarterly average balances of each calendar quarter and credited to customers at the end of each quarter.

Bancassurance

ahlibank offers a wide range of insurance products in collaboration with its insurance partner to protect customers' assets and property. These products cover unexpected events, safeguarding customers from collateral damage that could otherwise erode savings or investments.

Alternative Channels

To meet growing demand for efficient ATM, CDM, and digital banking services, ahlibank continues to enhance the customer experience by delivering convenient, seamless, and secure banking solutions supported by reliable technologies. As part of its ongoing digital expansion, the Bank has extended the deployment of Multi-Functional Kiosks across additional locations, enabling customers to access services on a 24x7 basis. These kiosks provide a comprehensive range of services, including instant savings account opening for new customers, additional account opening for existing customers, cheque book and debit card printing, statement printing, Civil ID updates, personal video assistance, and debit card services such as activation, PIN changes, and limit updates.

ahlibank's free e-channel services offer customers round-the-clock access to banking, providing a convenient alternative to branch visits. Supported by its network of conventional and Islamic branches across the Sultanate, the Bank's digital and alternative channels include internet banking, mobile banking, SMS banking, a 24x7 call centre (Ahli Connect), ATMs, CDMs, service centres, and kiosks, ensuring accessibility whenever and wherever customers require.

In line with its commitment to empowering Small and Medium Enterprises (SMEs), ahlibank launched its Point of Sale (POS) Financing Programme for SMEs in 2024, complementing its existing support for large corporates. The programme enables SMEs using ahlibank's POS terminals to access short- and medium-term financing against POS receivables for working capital and operational requirements.

ahliPos, the Bank's Soft POS solution, enables merchants to accept contactless debit and credit card payments using NFC-enabled smartphones, eliminating the need for traditional POS hardware. Fully compliant with international payment security and card scheme standards, the solution offers a secure, cost-effective, and flexible payment option, particularly suited to SMEs, micro-merchants, and mobile businesses. By expanding digital payment acceptance, AhliPOS supports SME development and contributes to the Sultanate's broader cashless payments ecosystem.

Through ahlibank's Mobile Banking service, customers benefit from comprehensive access to banking services, including account and card transaction viewing, card management features, local and international fund transfers, bill payments, statement downloads, instant digital account opening via e-KYC, fixed deposit placement, Civil ID updates, loan information access, and real-time video assistance for private and premium customers. These services are complemented by the Bank's Personal Financial Management (PFM) facility and are underpinned by the highest online security standards.

The recently launched Digital Lending solution, tailored for government and semi-government employees, offers a streamlined and fully digital financing experience. Eligible customers may apply for top-ups on existing personal loans through digital channels, benefiting from simplified documentation, automated eligibility checks, and faster approval turnaround times, while maintaining prudent risk controls.

Complementing its mobile banking offering, AhliNext represents Oman's first family-oriented digital banking application, designed to promote financial inclusion and responsible money management across different age groups. The platform enables parents or guardians to digitally onboard minors, monitor account activity, and set usage controls, while providing minors with a secure and intuitive environment to develop basic financial skills. AhliNext reflects ahlibank's commitment to early financial literacy, family banking, and digital innovation.

As part of its broader digital transformation agenda, ahlibank continues to enhance operational efficiency and customer experience through advanced technologies. The Bank has further upgraded its mobile banking application with enhanced UI/UX features, expanding functionality and reinforcing its commitment to innovation and service excellence.

In addition to its digital platforms, ahlibank maintains an extensive network of ATMs, CDMs, and kiosks across Oman, offering services such as cash withdrawals, deposits, cheque

deposits, and credit card payments. To further enhance cash deposit convenience and maximise CDM utilisation, the Bank introduced the 'Cross Cash Deposit' service in 2023, enabling customers to deposit cash into any ahlibank or ahli Islamic account through any CDM across the network, with instant credit to the beneficiary account.



Private Banking & Wealth Management

ahlibank's Private Banking & Wealth Management services are tailored for High-Net-Worth Individuals (HNWIs), offering bespoke banking experiences. Dedicated Relationship Managers and wealth advisors collaborate with clients to deliver customized solutions across deposits, investments, lending, and exclusive card offerings.

Beyond traditional banking, services include personalized financial planning, investment advisory, and tailored lending solutions, delivered through a one-to-one, relationship-led model. Exclusive service centres and lounges ensure clients manage, preserve, and grow wealth with confidence, privacy, and discretion.

Private Banking is founded on trust, innovation, and partnership. The Bank remains committed to evolving alongside its clients, offering sophisticated solutions that align with their dynamic financial goals.

Treasury

ahlibank's professional treasury team provides comprehensive services and investment products to individuals, corporations, commercial entities, and government institutions. The Treasury is one of Oman's most proficient dealing rooms, offering a wide selection of foreign exchange, money market, and derivative products, ranging from traditional to customized solutions.

With deep market knowledge and award-winning service, the Treasury team helps clients succeed by delivering everyday banking needs effectively and efficiently.

Financial Institutions Group (FIG)

The Financial Institutions Group manages global relationships with other financial institutions, acting as ahlibank's international arm. Leveraging regional expertise, FIG builds long-term partnerships to deliver seamless experiences to corporate, institutional, and retail clients. Dedicated Relationship Managers collaborate internally to ensure clients' needs are met efficiently, enhancing ahlibank's brand recognition in existing and new markets.

The Bank also offers Nostro services in major currencies and Vostro services for Omani Rial accounts. Nostro accounts facilitate funds transfer, trade, treasury, foreign currency drafts, letters of credit, and guarantees (Bid/Tender, Advance Payment, Performance, Financial) for clients. Vostro accounts enable efficient settlements via book transfers for other financial institutions.

FIG leverages regional and global banking relationships to meet ahlibank's funding requirements within local regulatory frameworks and actively participates in syndicated loans, including ESG-linked term loan facilities, demonstrating its commitment to sustainable finance.

Trade Finance

The Trade Finance Department at ahlibank is a full-fledged, specialized unit managing the complete spectrum of trade finance requirements for both corporate and consumer banking clients. The department supports the Bank's Wholesale and Retail Banking divisions by offering a comprehensive range of Conventional and Islamic trade finance solutions.

Fund-based facilities include export finance, bill discounting, receivables/invoice finance, and loans against imports. Non-fund-based facilities cover the issuance of import letters of credit, standby letters of credit, guarantees, handling of export and import bills on a collection basis, as well as advising and processing export letters of credit and related documentation. The department also engages in risk participation arrangements with local and international banks across both conventional and Islamic products.

ahlibank's Trade Finance team is highly experienced, professionally trained, and equipped to navigate developments in local and international markets while complying with global trade rules. The team is committed to delivering efficient, customer-centric service.

To further enhance the customer experience, the Bank is digitizing its trade finance operations through initiatives such as a front-end trade portal, automation of internal workflows, integration with core banking systems, and the adoption of electronic channels for documentation and communication. These initiatives aim to streamline end-to-end processes, improve efficiency, and support the growing needs of clients with faster, more seamless transaction handling.

Asset Management

ahlibank strengthened its Asset Management capabilities in 2025, delivering growth in both product depth and client participation. The division expanded its range of investment solutions for institutional and high-net-worth clients and reinforced its position as a leading provider of professional investment management services in Oman.

The ahli Islamic Money Market Fund recorded exceptional growth, becoming the second-largest fund in Oman. This reflects strong demand for Sharia-compliant liquidity solutions and reinforces the Bank's role in developing the local market. Across the broader platform, assets under management increased significantly, supported by mandates from government entities, corporates, and family offices. Core strategies such as the Ahli Global Equity Fund, fixed income portfolios, and multi-asset balanced solutions continued to gain traction, benefitting from a disciplined investment process and strong client engagement.



The division also expanded distribution channels and strengthened collaboration with the wealth management teams, enhancing access to investment products. Improvements to onboarding and client reporting further support a seamless experience. With a skilled investment team and robust risk management framework, ahlibank is well positioned to introduce new offerings in 2026 and continue delivering long-term value to clients.

Corporate Finance Advisory

The Corporate Finance Advisory division provides financial advisory and fundraising services across equity and debt capital markets, loan syndications, refinancing and restructurings, mergers and acquisitions, private equity, and Islamic finance. The division supports clients with practical, tailored solutions underpinned by strong sector expertise and an internationally experienced team.

In FY 2025, the division completed several key transactions, including managing a $\text{OMR } 50$ million rights issue for ahlibank, serving as Issue Manager for the Ministry of Finance's $\text{OMR } 100$ million and $\text{OMR } 200$ million Sukuk issuances, acting as Collecting Bank for the IPO of Asyad Shipping, and structuring Oman's first Islamic Commercial Paper for Oman Flour Mills. The division also acted as Issue Manager for a $\text{OMR } 15$ million senior bond by United Finance Company, attracting subscriptions of $\text{OMR } 17.2$ million.

The division maintains a strong pipeline exceeding $\text{OMR } 500$ million across various infrastructure sectors, with a focus on long-term client relationships, collaboration with regional banks and investors, and innovative, well-structured financial solutions.

Brokerage

The Brokerage Services division provides clients with direct market access to Oman and selected GCC markets. Aligned with the Bank's digital strategy, the division is preparing to launch a fully integrated online trading solution for the local market, with international capabilities planned subsequently. During the year, the division recorded a total turnover of approximately $\text{OMR } 93$ million. It maintained a stable presence in the domestic brokerage market, acted as an intermediary in buy-side and sell-side transactions, and expanded research coverage of local equities and sector-focused reports, supporting informed investment decisions.

Risk Management

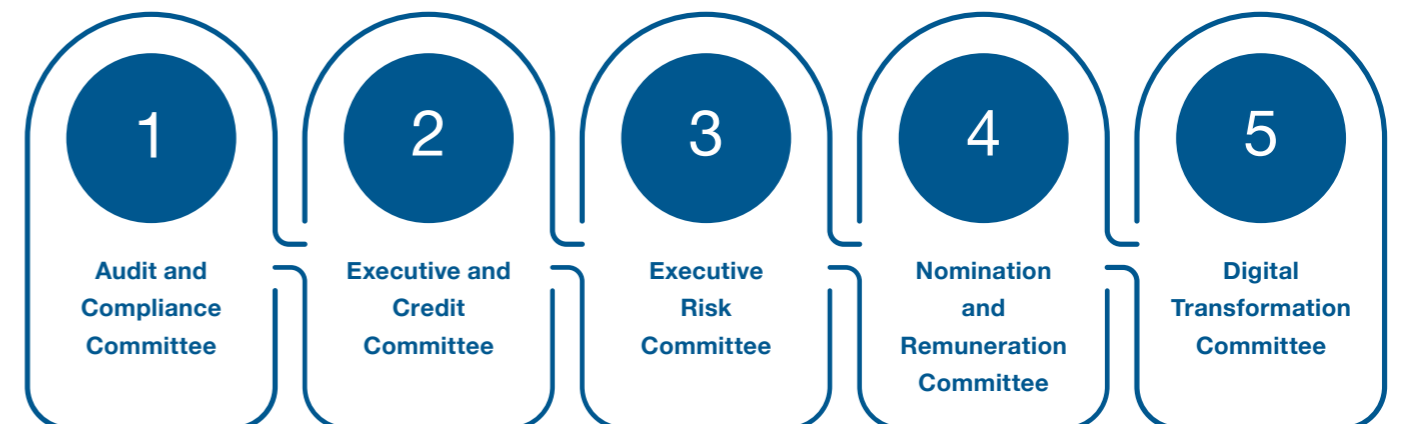
ahlibank seeks to balance risk and return within a robust Risk Management Framework. The Risk Management Division provides independent oversight of key risk areas and reports regularly to Senior Management and the Board Risk Committee. Its objective is to ensure the Bank's asset and liability profile, trading activities, and credit and operational processes remain resilient without exposing the Bank to undue risks that could affect financial stability or business continuity.

Risk exposures are managed in line with the Board-approved Risk Appetite Statement, cascaded across business units and monitored continuously. Policies, procedures, and limits are reviewed regularly to ensure alignment with strategic objectives, financial capacity, and regulatory requirements.

Key risks—including credit, market, liquidity, interest rate risk in the banking book (IRRBB), operational, and cyber risks—are actively managed. The Bank complies with Basel and international standards, monitoring capital adequacy, liquidity ratios, and expected credit losses, supported by stress testing and scenario analysis. Controls and monitoring mechanisms are in place to enhance operational resilience.

The Risk Management Division continues to enhance frameworks, systems, and analytics to address emerging risks and regulatory developments, maintaining adherence to best practices and ensuring exposures remain within approved limits.

Board Committees

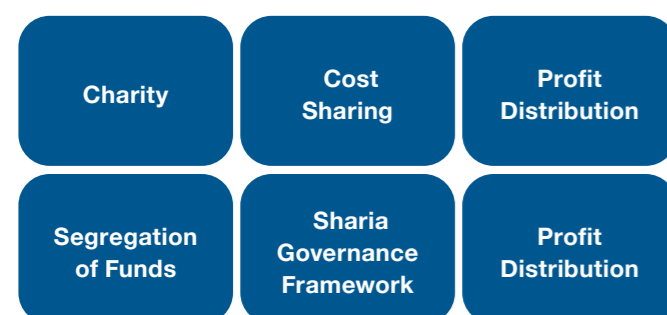


Management Committees



Policies and Procedures

The Bank maintains comprehensive policies covering capital adequacy, AML, asset management, brokerage, compliance, corporate governance, risk management, wealth management, and Islamic finance. Key Islamic banking policies include:



Consumer Protection

The consumer protection framework at ahlibank reinforces the Bank's foundation of integrity, responsibility, and excellence in customer relationships. Consumer protection is not only part of ahlibank's mission but is embedded in the Bank's core values. The Bank continues to ensure adherence to the Financial Consumer Protection Regulatory Framework (FCPRF) through comprehensive measures outlined below.

ahlibank is committed to safeguarding customers from fraud and financial crime risks. The Bank implements robust anti-fraud controls and continuously monitors emerging financial crime typologies - including phishing, identity theft, and cyber-enabled scams - to protect customers' financial assets and data.

Consumer protection is further strengthened through the integration of Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT) measures, ensuring customer accounts are not exploited for illicit financial activity, supporting both individual safety and the integrity of the broader financial system.

The Bank's approach includes rigorous Know Your Customer (KYC) and Customer Due Diligence (CDD) protocols that act as both regulatory requirements and protective mechanisms. Advanced transaction monitoring systems detect unauthorized activities to proactively prevent harm to customer accounts. In the event of a suspected financial crime incident, ahlibank maintains a responsive and transparent incident resolution and redress mechanism. Customer awareness programs regularly educate clients on recognizing and reporting suspicious activities.

A. Disclosure and Transparency

1. Customer service-related documentation (Terms & Conditions, Account Opening Forms, Agreements, Contracts, etc.) is reviewed by product teams, legal departments, and external legal advisors to ensure clarity and transparency in line with FCPRF requirements.
2. Terms & Conditions of Retail & SME products are published on the Bank's website.
3. Written communications, including sales and advertising materials, comply with FCPRF regulations, highlighting key product features.
4. Key customer documents such as agreements, forms, receipts, and statements are provided in written form.
5. Key Facts Statements (KFS) for all Retail and SME products are published on the Bank's website.
6. Investment product KFS documents include disclosures required under FCPRF guidelines.
7. Awareness is promoted across the Bank regarding FCPRF requirements and the use of KFS documents.
8. Conflicts of interest are managed under the Compliance Policy and Code of Business Conduct.
9. Customers are informed of conflicts of interest in relation to investment products.
10. Product-related agreements (e.g., credit facilities, loans) are provided to customers as needed.
11. Periodic statements are issued for transactional accounts and cards, available through multiple channels.
12. Customer-facing documents include clear disclosures on potential misuse of accounts for fraudulent purposes, in line with AML/CFT obligations.
13. High-risk product disclosures (remittances, investment products) provide guidance on detecting and preventing financial crime.
14. Communication channels are used to periodically remind customers of red flags and their responsibility to report suspicious activity.

B. Fair Treatment and Business Conduct

1. Internal policies and procedures (including credit policies and Fraud Risk Management Framework) ensure compliance with the Consumer Protection Framework.
2. Promotional and advertising materials include appropriate risk warnings.
3. Retail & SME product Terms & Conditions are independently reviewed to ensure fairness, clarity, and adequacy.
4. Awareness and training sessions enhance front-line staff and sales teams' capabilities in ensuring fair treatment.
5. Asset Management Operations Manual & Procedures cover all relevant regulatory requirements.
6. Product development teams, policies, and senior management committees (PCPC) ensure adherence to regulatory guidelines for new products and services.
7. The Insurance unit and Insurance Management Procedure Manual define customer handling and controls.
8. Credit and investment policies consider repayment capacity, maturity, currency profiles, market risks, and liquidity.
9. Retail credit procedures facilitate NOCs for customers transferring products/services to other banks.
10. Tariff of charges schedules are available on the Bank's website.
11. Board and management committee TORs oversee consumer protection matters.
12. Policies and procedures incorporate financial crime risk considerations to ensure fair treatment.
13. Front-line staff are trained to identify financial crime indicators, supporting customers during suspicious or blocked transactions.
14. Disclosures related to financial crime, account monitoring, and AML obligations promote transparency and responsible business conduct.

C. Data Protection and Privacy

The Bank's privacy policy aligns with Oman's Data Protection Law, ensuring customers' data rights. Key controls include:

1. Board of Directors and Senior Management responsibilities defined in their TORs.
2. Internal policies for launching or amending products & services.
3. Management committees oversee products, services, and systems.
4. Product Development and Information Security teams ensure data protection.
5. Retention procedures specify a minimum 10-year record retention period.
6. Charges for retrieving customer data are defined in the schedule of charges.
7. A dedicated ISO team under Risk Management monitors data confidentiality and security.
8. Third-party product T&Cs (Cards/Insurance) include appropriate disclosure clauses.
9. Customer data is handled lawfully, confidentially, and in regulatory compliance.
10. Controls prevent unauthorized access or misuse of customer data, mitigating risks like identity theft or account takeover.
11. Disclosures inform customers how their data is used for financial crime detection, monitoring, and regulatory reporting.
12. Employee awareness training enhances understanding of data protection and privacy obligations.



D. Dispute Resolution Mechanisms

The Bank has a Board-approved Customers Complaints Redressal Policy and a dedicated Quality Assurance and Complaints Management team. ahlibank continuously raises awareness through its social media channels and websites about consumer rights and the procedures for submitting complaints. A defined escalation process and turnaround time are in place for handling customer complaints. Complaints can be submitted through various banking channels, and the following mechanism is applied:

1. Customers receive an automated notification with a reference number when a complaint is registered.
2. The Bank's Quality Assurance unit provides a call-back service to inform customers that their case is under investigation.
3. Upon resolution, customers are notified via SMS confirming the closure of their case.
4. All complaints are recorded and maintained in the Complaints Management System.
5. Complaints related to suspected fraud, unauthorized transactions, or financial crime are prioritized and handled in coordination with the Bank's Compliance Department and Fraud Risk Management team.
6. Customers are informed of their rights and responsibilities when reporting financial crime incidents, including timelines and required documentation.
7. The Complaints Management System tracks and categorizes financial crime-related complaints to support root cause analysis and strengthen fraud prevention measures.



E. Financial Education and Financial Capability

ahlibank has developed a financial education and capability plan, encompassing major initiatives aimed at consumer education, including: i) Product awareness, ii) Financial tips, and iii) Financial awareness events. The Bank leverages multiple channels to enhance customers' financial literacy and capability through the following methods:

1. Publishing posts and videos on various product awareness topics via social media and SMS.
2. Organizing regular awareness events, both face-to-face and virtual, such as seminars and workshops.
3. Sharing practical financial tips via social media platforms.
4. Submitting the Financial Awareness Initiatives Annual Report and plan to the Central Bank of Oman (CBO) for 2024.
5. Incorporating financial crime awareness topics in educational content, covering fraud prevention, online banking safety, and scam identification.
6. Featuring tips on account and personal data protection through social media and communication campaigns.
7. Including sessions on customer responsibilities in preventing financial crime and recognizing red flags during financial awareness events.

F. Role of the Board and Senior Management

At the Board level, the Executive Risk Committee oversees matters related to the implementation of the Consumer Protection Framework. At the management level, the former Product Committee was restructured as the Product and Consumer Protection Committee (PCPC) to oversee implementation. The PCPC monitors FCPRF implementation, while the Executive Management Committee and Board receive periodic updates.

1. The Bank submits an annual report on financial consumer protection reviews to the Board of Directors and makes additional disclosures as required.
2. Board members and senior management are regularly briefed on emerging financial crime risks and their potential impact on consumer protection.
3. The PCPC and relevant committees oversee integration of fraud risk and AML/CFT considerations into customer-facing products and services.
4. Executive management ensures alignment between the Bank's financial crime compliance strategy and consumer protection objectives, including regular reporting on fraud trends and mitigation measures.

G. Other Actions Required by Licensed Entities

1. The Bank's Charter of Consumer Rights and Responsibilities is published on both ahlibank and ahli islamic websites.
2. Retail banking services conduct periodic mystery shopping exercises to qualitatively monitor adherence to financial consumer protection standards.
3. The Charter of Consumer Rights includes guidance on protection against financial crime and instructions on how customers can report fraud or suspicious activity.
4. Mystery shopping exercises assess front-line staff's ability to communicate key fraud prevention messages and respond appropriately to financial crime-related queries.

Complaints Management

The Bank maintains a dedicated Complaints Management unit responsible for addressing customer feedback and managing complaints. This unit ensures compliance with all requirements related to complaints management and redressal. In line with the Financial Consumer Protection Regulatory Framework, the following table presents complaints data for 2025, alongside comparative data for 2024.

Complaints received by the bank from its customers 31st Dec 2024 to 31st Dec 2025

	2024	2025
1. Number of complaints pending at beginning of the year	6	24
2. Number of complaints received during the year	1,519	1,707
3. Number of complaints disposed of during the year	1,501	1,729
3.1. Number of complaints rejected by the bank	Nil	Nil
4. Number of complaints pending at the end of the year	24*	2*
4.1. Number of complaints pending beyond 30 days	-	-

*All complaints are within the complaint resolution timeframe

During 2025, there were no cases in which enforcement actions were taken against the Bank for violations of consumer protection laws or the Financial Consumer Protection Regulatory Framework (FCPRF).

The Bank's websites (ahlibank.om and ahliislamic.om) provide customers with easy access to information regarding their rights and responsibilities. Relevant pages can be found under the 'Knowledge Center':

- Key Facts Statements: <https://ahlibank.om/key-facts-statements/>

- Feedback and Complaints: Customers may call 24577177. Complaints are acknowledged with a reference number and addressed within a reasonable timeframe.

- For escalation, customers may contact Mr. Habib Al Hamaid at 24573015 or email complaints@ahlibank.om

- Additional information is available at: <https://ahlibank.om/ahliconnect/>

Internal Audit

The Internal Audit Function provides independent assurance to the Board of Directors and Executive Management regarding the effectiveness of the Bank's internal controls, risk management, and governance processes. At ahlibank, Internal Audit follows globally recognized methodologies and standards established by the Institute of Internal Auditors (IIA), USA.

As a key part of the Bank's control environment, Internal Audit conducts independent assessments and reviews based on a risk-based annual audit plan. Findings are shared with senior management and presented to the Audit & Compliance Committee in a timely manner. Identified issues are rigorously followed up to ensure corrective actions are implemented and monitored to full resolution.

Information Technology

In 2025, the Bank's technology strategy continued to be guided by a balanced focus on Technology, Process, and People, complemented by a renewed emphasis on data. This approach enabled the Bank to strengthen operational resilience, deliver differentiated value to customers, and support regulatory compliance. Key investments during the year were made to modernize core platforms, optimize critical processes, and enhance organizational capabilities.

Key IT Achievements in 2025

API Gateway Platform:

This platform consolidated the Bank's application stack and marked the entry into the Open Banking era. It enables frontier banking, fintech collaboration, third-party partnerships, and institutional integrations. Out of ten priority use cases, eight were fully implemented, allowing rapid scaling of digital products and faster response to ecosystem-driven innovation.

Enterprise Data Transformation

Deployment of Master Data Management (MDM), Enterprise Data Warehouse (EDWH), and Operational Data Store (ODS) established a robust data foundation to support advanced analytics and intelligent decision-making. AI/ML models, BI reports, dashboards, and the Banking Analytical Engine have positioned the Bank to move from being "data aware" to "data savvy," enhancing insights and business responsiveness.

Customer Communication Enhancements

A new SMS system increased throughput from 5 to 1,000 transactions per second, with 99% of messages delivered within two seconds, supporting timely transaction alerts and notifications. A modern E-Statement system improved digital service delivery, offering secure, on-demand access with features such as e-stamped statements and visa-ready statements, reducing manual processing dependency.

Cloud and Collaboration Upgrades

Migration to Microsoft Enterprise Services (Exchange Online) expanded email storage tenfold (up to 1TB per user) and introduced Copilot capabilities, enhancing productivity and supporting smarter, more efficient workflows.

Workplace Productivity & Resilience

Secure BYOD capabilities enabled staff to remain productive during disruptions, strengthening operational resilience without compromising security.

People and Capacity Development

Participation in the CBO FinTech Professional Course increased, with two additional staff completing the program, gaining global fintech insights and contributing to the Bank's innovation agenda.

Six internal knowledge-sharing sessions fostered cross-functional collaboration and adoption of best practices.

Representation at three global professional conferences, workshops, and exhibitions ensured alignment with international technology trends and standards.

Specialized technology and OEM trainings strengthened technical depth across critical platforms, improving internal support capabilities and solution ownership.

The achievements in 2025 reflect a deliberate and cohesive technology transformation journey—balancing innovation with stability and ambition with discipline. By modernizing platforms, optimizing processes, and investing in people, the Bank has strengthened its foundation for sustainable growth and is well-positioned to navigate the next phase of digital and data-driven banking.

Digital Transformation - 2025 Year in Review

2025 was a defining year for ahlibank's digital journey. Building on foundations established in earlier phases, we accelerated our transition toward a smarter, more connected, and customer-enabled banking ecosystem. This year marked a shift from modernizing platforms to orchestrating integrated digital experiences, strengthening resilience, and preparing the Bank for the next stage of growth, moving toward full technology integration in line with the Bank's roadmap.

Our mobile-first strategy continued to anchor digital adoption across the Bank. In 2025, we introduced enhanced journeys—including upgraded onboarding, instant digital loans, expanded remittance corridors, and intelligent payment capabilities—that significantly improved convenience for customers and drove strong migration to digital channels. These advancements contributed to record mobile engagement and reinforced mobile as our customers' primary touchpoint.

A major step forward this year was the expansion of AI-led initiatives. We introduced predictive insights for customer servicing and automated reconciliation for selected payment flows. These initiatives reduced processing times, enhanced

service reliability, and strengthened our ability to personalize engagement at scale. Our AI progress lays the groundwork for intelligent automation across service, operations, and risk functions in the years ahead.

Operational excellence also advanced meaningfully. Expanded automation streamlined high-volume workflows across retail operations, credit administration, compliance, and treasury support. These enhancements improved turnaround times, reduced manual intervention, and strengthened control mechanisms—benefits that directly improved customer satisfaction and operational stability.

Our collaboration with FinTechs and ecosystem partners deepened in 2025, enabling delivery of differentiated digital propositions and accelerating speed to market. From innovative payment solutions to API-driven integrations supporting tokenization, lending, and data-driven services, these partnerships enhanced competitiveness and reinforced our position as a digitally progressive bank in Oman.

Cloud adoption remained a priority, supporting scalable deployment and faster cycles across digital products. Key platforms—including loyalty, digital servicing modules, and selected microservices—were enhanced to improve performance, resilience, and operational efficiency. These investments align with the Bank's broader objectives around integration, agility, and long-term cost optimization.

People development remained central to our transformation agenda. The iGeneration program expanded with new specializations in data engineering, AI, payments technology, and cybersecurity. These young Omanis now form a critical part of our digital workforce, strengthening the talent pipeline and ensuring the Bank is equipped with skills needed to support emerging technologies.

Looking ahead, Digital Transformation will continue to shape ahlibank's strategic direction. In 2026, we will focus on AI-driven personalization, deepening automation, strengthening cloud-native architecture, and expanding digital payments leadership—ensuring our customers experience banking that is simpler, faster, and more intuitive. Ahlibank's digital story is one of progress, resilience, and forward momentum, aligned with Oman Vision 2040, delivering innovative financial solutions, enhancing customer value, and building a sustainable, future-ready digital institution.

Our Most Valuable Asset

Human capital development remains central to ahlibank's pursuit of excellence. By providing employees with a positive working environment, the Bank enhances engagement, commitment, loyalty, and overall satisfaction. Competencies are linked to performance management at all levels, supporting employee development and aligning training with personalized needs. This sustains a highly skilled workforce and reinforces ahlibank's leading position in the Omani market.

ahlibank actively enhances the capabilities of Oman's youth, supporting Oman Vision 2040 through job creation and skill development. In 2025:

Himam Program (11th batch)

128 candidates employed since 2015, accelerating career growth and leadership preparation.

iGeneration Program

37 candidates employed over three batches, equipping young professionals with skills in emerging technologies, project management, data, and innovation.

Business Graduates Program (est. 2018)

211 participants to date.

Overall, the Bank exceeded Omanisation targets, creating 158 jobs and achieving a workforce Omanisation rate of 94% (91% in Middle Management), with 41% female representation.

Learning and Development

Learning and Development (L&D) is a cornerstone of our HR strategy, ensuring employees have the skills and knowledge to succeed. In 2025:



Programs conducted:

42

Completed Middle Management Program

114

Attended Selling Skills Program

73

Attended Forgery and Fraud Detection Program

24

Attended AI Citizen Program

14

Attended Emotional Intelligence for Leaders Program

58

Attended Interviewing Skills Program

109

Attended ESG workshops

25

Attended Performance Management "The Art of Feedback" Program

The Bank extended its learning partnership with UdeMy, providing access to over 10,000 courses, including banking-focused training and leadership development.

Professional Certifications

12

staff obtained certifications in Credit Analysis, ACI Operations, FinTech, and the International Certificate in Wealth & Investment Management (ICWIM).

128

staff certified in emerging technologies, data analytics, and AI to support the Bank's ongoing digital evolution.

By fostering a culture of continuous learning and innovation, ahlibank not only invests in its workforce but positions itself as a leader in shaping the future of banking.

Corporate Social Responsibility

ahlibank remains deeply committed to Corporate Social Responsibility (CSR), embedding it as a core aspect of its operations to deliver meaningful and sustainable value to the local community. Through its flagship "ahli Cares" initiative, ahlibank actively engages in a wide range of charitable, social, and voluntary efforts across the Sultanate, supported by strong employee volunteer participation and close collaboration with charitable organizations, government entities, and community partners. These initiatives reflect the

Bank's belief in the importance of contributing positively to society and supporting the well-being of diverse community segments.

In alignment with Oman Vision 2040, ahlibank's CSR initiatives focus on advancing socio-economic development by supporting social welfare, education, youth empowerment, community health, financial inclusion, women empowerment, environmental sustainability, entrepreneurship, and sports development. These efforts form an integral part of the Bank's broader ESG and sustainability strategy and are delivered through programs designed to uplift communities, empower individuals, and promote inclusive and responsible growth across the Sultanate. By consistently supporting a broad range of social, educational, cultural, health, environmental, and sports initiatives, ahlibank reaffirms its unwavering commitment to its corporate values, responsible banking practices, and the long-term progress and prosperity of Oman.



Community Support and Inclusion

In 2025, ahlibank implemented a broad range of community initiatives aimed at improving quality of life and access to essential services. These included nationwide Back-to-School programmes benefiting students from low-income families, Kaswat Eid initiatives supporting low-income households, orphans, and elderly residents in social welfare homes, and Iftar Sayem campaigns in collaboration with the Oman Food Bank during the holy month of Ramadan.

The Bank continued its annual contribution to the Oman Charitable Organisation, supporting national humanitarian and social relief programmes. In 2025, ahlibank significantly contributed to various initiatives and sponsorships totaling **₹ 152,730** (including **₹ 21,000** paid to Oman Charitable Organization). Additional initiatives included housing and home furnishing support for low-income families, medical accommodation and equipment support for underprivileged patients undergoing treatment in Muscat, and blood donation drives organised at the Bank's head office to promote community health.

ahlibank also advanced inclusion through training programmes and educational tools for the visually impaired, including financial literacy training, Brailers, and the provision of smart interactive whiteboards to specialised educational institutions. In support of women's economic participation, the Bank sponsored Omani women-led sewing and production groups, enabling sustainable income generation, preservation of traditional craftsmanship, and environmentally responsible practices.

Employee volunteering remained a cornerstone of these initiatives, reinforcing ahlibank's culture of responsible citizenship and collective social impact. The Bank also participated in national CSR dialogue through its engagement in the Social Responsibility Pioneers Forum, organised by the Ministry of Social Development.

SME Support and Entrepreneurship Development

Recognising SMEs as a key driver of economic diversification and job creation, ahlibank continued to support entrepreneurship through initiatives that enhance market access and business visibility. These included the annual ahlibank Ramadhan Souq, providing a platform for home-based and small businesses to showcase their products, and the ahliExpo initiative, which enabled SMEs to connect, collaborate, and expand their market reach.



FIVE YEAR SUMMARY

	RO' Million				
	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21
Net profit	46.3	41.7	36.5	33.1	27.6
Less: AT1 Interest	(13.5)	(12.2)	(11.2)	(9.3)	(9.3)
Profit attributable to equity shareholders	32.8	29.5	25.3	23.8	18.3
Total assets	4,188.7	3,754.9	3,318.3	3,075.5	3,052.6
Loans & advances and financings, net	3,446.4	3,022.3	2,694.2	2,500.4	2,402.0
Total Deposits	3,157.5	2,762.8	2,475.7	2,296.2	2,181.4
Total liabilities	3,547.4	3,196.9	2,797.0	2,614.5	2,625.6
Total Equity	641.3	558.0	521.4	460.9	427.0
Return on average assets (ROAA)	1.2%	1.2%	1.1%	1.1%	1.0%
Return on average equity (ROAE)	11.2%	11.1%	10.7%	10.8%	9.7%
Adjusted Return on average equity (ROAE)*	8.0%	7.9%	7.4%	7.7%	6.5%
Cost to income ratio	41.6%	42.8%	43.8%	43.9%	43.2%
Capital Adequacy Ratio	16.5%	15.4%	17.4%	16.3%	16.7%
Net Interest Margin	2.0%	1.7%	2.1%	2.2%	2.2%
Basic Earnings per share (Baiza)	13	13	12	12	9
Diluted Earnings per share (Baiza)	12	12	-	-	-
Total Number of branches	53	49	46	42	37
- Conventional	27	24	24	23	22
- Islamic	26	25	22	19	15
ATMs & FFMs	86	77	70	57	55
Multi functional Kiosks (MFKs)	25	17	9	2	-
Number of Staff	1,063	983	943	864	795

*adjusted for AT1 interest

Section III

ahli islamic



ahli Islamic has demonstrated strong growth since its inception in 2013, establishing itself as a leading player in Islamic banking in Oman. The Bank offers a wide range of Sharia-compliant products and services for institutional, corporate, SME, and retail clients through 26 strategically located branches.

To serve premium, private, and wealth management clients, ahli Islamic launched the AI Shumookh segment in 2022, offering dedicated relationship managers, specialised service centres, curated merchant offers, and other exclusive benefits.

Products and Services

- 1 Current Account**
Non-profit-bearing transactional account for individuals, corporates, and institutions.
- 2 Savings Account**
Profit-bearing account for regular savers seeking Sharia-compliant profit.
- 3 AI Namaa Savings Account**
High-profit, transactional account with flexible balances.
- 4 Term Investment Account**
Wakala or Mudharaba term deposits with tenors of 12, 24, 36 months, etc.
- 5 Qitaf Savings Account**
Profit-bearing transactional account.
- 6 AI Qimmah Wakala Account**
High-profit, non-transactional Wakala account.
- 7 Youth Saving Account**
Profit-bearing account for 18–25-year-old customers.
- 8 Special Offers**
Regular promotions to attract new customers.
- 9 Digital Banking**
- 10 Cash Management Services**
- 11 Alternate Distribution Channels**
ahli Islamic Net, mobile banking, SMS alerts, debit & credit cards.

Privileged Banking

- 1 AI Shumookh Private Banking**
Personalized wealth management and investment solutions for HNWIs.
- 2 AI Shumookh Premium Banking**
Exclusive financial services for high-net-worth individuals, delivered through a dedicated branch in Qurum.
- 3 AI Majd Segment**
Tailored services for the upper-mass segment, emphasizing digital convenience and efficiency.

Corporate Banking

ahli Islamic provides a comprehensive suite of Sharia-compliant financing solutions catering to working capital, commodity operations, long-term finance, and project-based financing needs for a wide range of corporate clients, including both private and public sector entities. A Bank follows a focused strategy to build a high-quality and diversified portfolio has enabling the Bank to grow its Corporate Banking book steadily.

Sharia Advisory Services

Under the supervision of the industry's leading Shari'a scholars, ahli Islamic provides comprehensive Sharia advisory and technical services to corporate clients, facilitating structuring, development and implementation of fully Sharia-compliant financial products aligned with their business objectives.



Corporate Islamic Financing and Related Assets

Murabaha Finance

A Shari'a compliant sale contract whereby the Bank sells an asset or goods to the customer at cost, plus and agreed profit margin.

Diminishing Musharaka (DM) – Existing Asset

A co-ownership structure whereby the Bank and the customer jointly own an asset in an agreed proportion. The customer gradually buys the Bank's share over time until full ownership is transferred. As per the structure the Bank leases its undivided share in the Asset to the customer at agreed rentals.

Diminishing Musharaka (DM) – Under Construction Asset

In this partnership, the Bank and the customer contribute agreed proportions to develop an asset (such as a real estate project). The customer periodically purchases the Bank's share in the asset, while the Bank leases its portion through a Forward Lease Agreement. The customer may contribute a plot, construction costs, or both, and the Bank can finance the plot and/or construction.

Ijarah MBT

Ijarah MBT (financial lease) is a rental arrangement where the Bank, being asset owner, leases the asset against specified rentals, with a commitment to transfer ownership to the lessee at the end of the lease term. The Bank retains asset ownership and associated risks throughout the lease tenor.

Wakalah Bil Istithmar (WBI)

In WBI financing, the customer acts as an investment agent for the Bank, investing funds on its behalf. Profits generated are paid to the Bank at agreed intervals.

Istisna cum Wakala-Based Finance

Istisna Finance is used to fund the production or construction of assets or projects. The Bank agrees to purchase a future asset or project at an agreed price and appoints the customer to sell it on profit after delivery.

Running Musharaka (RM)

RM is a partnership-based financing product for working capital needs, where the Bank and customer invest in the business and share profits and losses in proportion to their investment ratio.

Wakala Bil Bai (WBB)

WBB combines the concepts of sale (Bai) and agency (Wakala), where the Bank purchases assets from a seller and appoints the customer as its agent to resell them. This structure is commonly used in trade and commercial transactions.

Service Ijarah cum Wakala

This product combines service purchase and agency concepts, whereby the Bank acquires services from a provider and appoints the customer to sell those services to end clients, on profits. The product is offer to facilitate services sector.



Retail Islamic Financing and Related Assets

Personal (Goods) Finance

Offers high financing amounts with repayment periods of up to 10 years at competitive profit rates, catering to personal financing needs.

Auto Finance

Provides easy repayment tenors and attractive profit rates for new and used vehicles, with mortgage-free options for salary customers.

Home Finance

Offers up to 90% financing for ready properties and construction projects, with flexible tenors of up to 25 years, competitive profit rates, and personalized plans.

Service Ijarah Personal Finance

Covers services such as education, membership, travel, Hajj/Umrah, transportation, medical, marriage, and construction financing, purchased by the Bank and extended to customers via Ijarah.

Retail Commercial Finance

Extends approved retail financing products to customers seeking to finance commercial assets.

Qard Hassan Finance

A profit-free facility for new employees from select entities, providing up to 1,500 repayable over one year, supporting early employment settlement.

Credit Cards

Includes Visa Gold, Platinum, Signature, and Infinite, offering Sharia-compliant, socially responsible credit cards with benefits such as global airport lounge access, chauffeur services, cashback, Takaful insurance, and lifestyle deals.

Wealth Management

ahli Islamic Wealth Management Services provide a comprehensive and integrated approach to wealth stewardship for High-Net-Worth Individuals (HNWIs). The proposition is designed for discerning clients seeking disciplined, Sharia-compliant investment solutions delivered through a highly personalized advisory model. Leveraging deep market expertise, our wealth management professionals develop bespoke investment strategies precisely aligned with clients' financial objectives and risk profiles, while remaining responsive to an evolving global economic environment.

The investment framework offers diversified Sharia-compliant asset allocation across equities, sukuk, and a broadening range of alternative investments. These include international fixed-income sukuk listed on leading global exchanges, global mutual funds, and selective exposure to high-yield private credit opportunities. Collectively, these solutions

aim to enhance portfolio resilience, preserve capital, and generate sustainable returns across market cycles.

ahli Islamic provides a comprehensive suite of investment solutions, ranging from Sharia-compliant money market funds for short-term liquidity management to medium- and long-term strategies focused on capital appreciation and income generation. The Bank has also expanded its geographic investment footprint through Sharia-compliant funds across both income and growth strategies, enabling clients to access ethically grounded, regionally diversified investment opportunities aligned with Islamic principles.

Key Products and Strategies

ahli Islamic Money Market Fund

Optimizes liquidity and generates short-term income through a diversified portfolio of Sharia-compliant money market instruments denominated in SAR and USD. Instruments include short-term Sukuk, Murabaha, Wakala, Ijarah, and other liquidity instruments. This fund provides an alternative to conventional call accounts, emphasizing capital preservation and competitive returns.

ahli Global Sukuk Fund

Invests in a diversified portfolio of Sukuk in the MENA region and globally, aiming for regular income and capital growth. Certain share classes distribute income monthly. Diversification is achieved through a mix of eligible Sukuk assets with varying maturities from multiple issuers.

ahli Islamic Income & Growth Strategy

An actively managed, open-ended Sharia-compliant fund that seeks total return through investments in funds or securities. Equity exposure typically ranges from 40% to 75%, with a neutral allocation of 60%, and the remainder invested in Sukuk, alternatives, and cash. Capital is at risk, and returns are not guaranteed.

Systematic Investment Plan (SIP)

A Sharia-compliant investment option allowing regular contributions from SAR 100 in Islamic financial products such as mutual funds. SIP enables disciplined investing, reduces the impact of market volatility, and promotes long-term wealth accumulation.

E-IPO Platform

A Sharia-compliant online service enabling investors to participate in IPOs, with normal subscription and financing options. Fully digital, the platform is convenient, transparent, and secure, facilitating ethical and Sharia-compliant investments.





Section IV

Governance & Financial Statements

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and the independence requirements in accordance with local laws.

Our firm applies International Standard on Quality Management ("ISQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Engaging Party in the terms of engagement letter dated 14 April 2025:

	Procedures	Findings
1	We obtained the Corporate Governance Report issued by the Board of Directors and checked if the items listed in Annexure 3 of the Code are included in the Corporate Governance Report.	No findings noted

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

This report relates only to the accompanying Corporate Governance Report of the Bank to be included in its annual report for the year ended 31 December 2025 and does not extend to the bank's financial statements taken as a whole.

All monetary amounts noted are in **Oman Rial** unless otherwise stated.

Very truly yours,

Deloitte & Touche (M.E.) & Co. LLC
 Muscat, Sultanate of Oman
 26 February 2026

STRICTLY PRIVATE & CONFIDENTIAL

The Shareholders
 Ahli Bank SAOG
 Muscat
 Sultanate of Oman

Purpose of the Agreed Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting the directors of **Ahli Bank SAOG** (the "Bank") in performing agreed procedures on the Corporate Governance Report of the Bank prepared based on the requirements of the Code of Corporate Governance (the "Code") of the Financial Services Authority ("FSA") (erstwhile Capital Market Authority) of the Sultanate of Oman, as prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose.

The report is intended solely for the **Ahli Bank SAOG** (the "Engaging Party") and should not be used by, or distributed to, any other parties. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement. This report relates only to the matters specified below and does not extend to any financial statements of **Ahli Bank SAOG** taken as a whole.

Responsibility of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

The Engaging Party is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner's Responsibilities

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

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

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

Corporate Governance Report - 2025

Introduction

Sound and effective corporate governance is the foundation on which any organization or institution rests and operates. The execution of good and best practices—accountability, fairness, responsibility and transparency—are crucial in creating and sustaining shareholder value, and enhancing and retaining investor trust.

The Bank's Corporate Governance Policy provides the framework for the principles of effective Corporate Governance standards across the Bank. The Financial Services Authority (FSA) directives, including the Code of Corporate Governance and the Central Bank of Oman (CBO) circular BM 932 on Corporate Governance in Banks, are the principal codes and drivers of the corporate governance practices in the sultanate. Ahli Bank SAOG fully complies with all of their provisions.

The timely and accurate disclosure of information regarding the financial situation, performance, ownership of the Bank is high on its corporate governance principles, as it improves the public understanding of the structure, activities and policies of the Bank. It also endeavors to enhance long-term shareholder value and respect minority rights in all its business decisions.

Alongside its commitment to protect the interest of its stakeholders is the Bank's goal of respecting and upholding the duty of the Board and senior management to oversee its affairs, ensure accountability, inculcate integrity and promote long-term growth and profitability. Serving as the core of the corporate governance practice, the independent Board ensures that the Management is aligned with the long-term interests of all its stakeholders with the objective of maintaining the highest standards of corporate governance.

Ahli Bank's corporate governance philosophy is based on the following principles:



Satisfy the spirit of the law and not just the letter of the law.



Be transparent and maintain a high degree of disclosure levels.



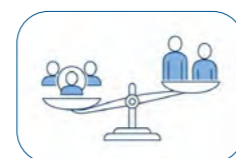
Communicate externally, in a truthful manner, about how the Bank is running internally.



Implement a simple and transparent corporate structure driven solely by business needs.



Management is the trustee of the shareholders' capital and not the owners.



Practice fairness and equality to shareholders, employees and related parties.



Corporate Governance Implementation Initiatives at Ahli Bank SAOG

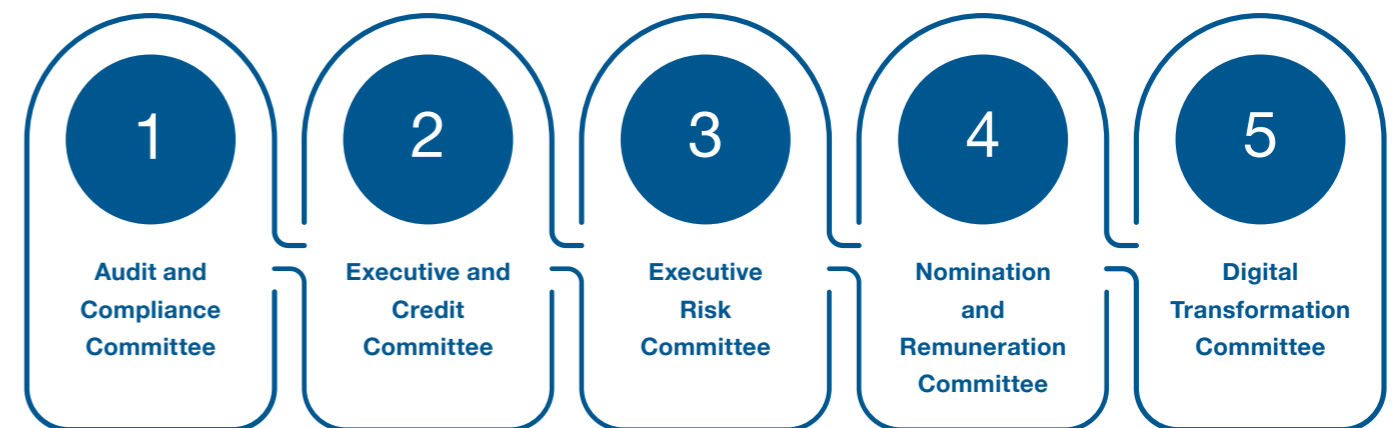
Good Corporate Governance is critical in supporting the delivery of our strategic objectives. Our Board Committees play an important role in working closely with the Management to ensure that our business is financially strong, and risks are immediately identified and mitigated. Over the years, the

Board has developed a corporate governance culture to help fulfill our corporate responsibility to various stakeholders. This guarantees that the Board will maintain the necessary authority and practices in place to properly review and evaluate our operations periodically.

To rightfully comply with regulatory requirements and ensure implementation based on best industry practices, five Board level sub-committees have been set up to ensure effective functioning of the Board.

Board Of Directors and Sub-Committees of ahlibank SAOG

ahlibank SAOG's Corporate Governance Structure



Board of Directors:

Our collective principal duty is to promote the long-term success of the Bank by creating and delivering sustainable shareholder value. We do this by setting the strategy and ensuring that the Management oversees its implementation by management. We also seek to ensure that there is a balance between delivering on the short-term objectives and focusing on long-term growth.

Size and Terms of the Board

The Board of Directors consists of nine non-executive Directors. The term of office of the Board of Directors is three years, which will expire in March 2026.

Profile of Board Members

Hamdan Ali Nasser Al Hinai
Chairman

Holds Master in Development and project management, Bachelors in Business Management & Economics and Diploma in international Development Management; Former Director General, Purchasing and Contracts, Ministry of Defense. Mr. Al Hinai has over 40 years of experience in various senior positions across both government and private sectors.

Anwar Hilal Hamdoon Al Jabri
First Deputy Chairman

Certified Public Accountant (CPA), USA, holding a Masters of Business Administration (MBA), University of Hull, UK and a Bachelor's of Science in Accounting (BS.A), University of Akron, Ohio, USA; Mr. Anwar is a Founder/CEO of Jabreen International, a former CEO of Jabreen Capital, a regional private equity asset manager; a former Chairman of U Capital GCC Fund; a former Chairman of Shamal Plastics SAOC;

a former Chairman of Liva, one of the largest insurance company in the GCC and also a former board member of Eastridge Partners, Singapore, a Private Equity Asset Management Co. with a focus of investments in south East Asia. Previous experience as Investment Director of Oman Investment Fund (A Sovereign Wealth Fund) and CEO of OIF's subsidiary National Pioneer Investment & Development Company managing multibillion-dollar portfolio regionally and internationally. He has also worked for several years for the Central Bank of Oman and Oman Refinery. Mr. Al Jabri has accumulated more than 26 years of Investment and finance industry experience holding various leading positions.

Ibrahim Said Badar Al Eisri

Second Deputy Chairman

Member of the Association of Chartered Certified Accountants (ACCA), holds a Master's degree in Finance from Oxford Brookes University, UK, and a Bachelor's degree in Commerce majoring in Accounting and Finance from Curtin University of Technology, Perth, Australia. Currently serves as Chief Investment Officer – Private Markets at the Oman Investment Authority (OIA), Board Chairman of Nama Water Services, Board Member of Omantel, Chairman of Al Hosn Investment, and Board Member of Turkey Oman Investment Company, He has over 22 years of experience across various sectors including telecommunications, oil and gas, and financial and investment services, and has held several leadership roles in finance and investment operations.

Abdul Hameed Ahmed Mohamed Al Bulushi

Director

Hold High Diploma in Development, United Kingdom; Bachelor degree in Law, Egypt; Former Holds a Higher Diploma in Development from the United Kingdom and a Bachelor's degree in Law from Egypt. Former Legal Expert at the Civil Service Employees Pension Fund. Currently serves as Director at Al Nama Poultry Company. He has over 33 years of experience at the Ministry of Civil Service and the Civil Service Employees Pension Fund, having held various senior positions.

Salim Ali Hamed Al Hasni

Director

Holds Master of Science in Commercial Project Management from the University of Manchester – College of Mechanical, Aerospace & Civil Engineering and Bachelor of Science in Commerce & Economics from Sultan Qaboos University. Currently serves as Director of Contracts at the Ministry

of Defense. Chairman of the Board of Directors of Reem Batteries & Power Appliances SAOC; Vice Chairman of Sohar Power Company SAOG. Having more than 24 years of experience in Ministry of Defense in different positions.

Qais Abdullah Moosa Al Kharusi

Director

Certified Chartered Financial Analyst (CFA), Financial Risk Manager (FRM) and Chartered Alternative Investment Analyst (CAIA). Holds an MBA degree in Value Investing & Finance from Columbia Business School, New York, USA and a BSE degree in Industrial and Operation Engineering from the University of Michigan, USA. Currently serves as Chief Executive Officer of Al Hosn Investment Company and Board Member of A'Saffa Foods SAOG. He has 17 years of diversified investment experience with over 10 years in senior leadership positions.

Abdullah Saif Ali Al Rajhi

Director

Holds a Bachelor's degree in Journalism and Media from Sultan Qaboos University, a Master's degree in International Relations (International Security) from the University of Leeds, and a Master's degree in Strategic Studies for National Security and Defense from Sultan Qaboos University. Completed executive training programs from the National Defense college. Currently serves as an Administrative and Financial Expert at the Office of the Minister of Agricultural, Fisheries Wealth, and Water Resources. Over 27 years of experience in operations management, strategic planning, human resources, crisis management, financial and administration.

Sulaiman Abdullah Khalfan Al Balushi

Director

Holds a Master's degree in International Banking, Finance, and Risk Management from Glasgow Caledonian University, a Pre-Master's degree in Business, Social Sciences, and Law from the University of Glasgow, and a Diploma in Accounting from Sultan Qaboos University. Currently serving as the Director of Investments at Royal Court Affairs, he oversees multi-asset investments across global financial markets, leveraging his expertise in strategic asset allocation, portfolio management, risk assessment, and investment strategy. He is the Vice Chairman of Oryx Fund and a member of Ahli Islamic Money Market Fund, Izdihar Real Estate Fund, Al Tharwa Fund, and Meethaq Equity Fund. With over 20 years of experience in investment and audit functions, he has contributed to the organization's objectives including investment and risk management strategy.

Ali Said Ali Al Uraimi

Director

Holds a bachelor degree in Finance from Sultan Qaboos University and a postgraduate qualification in Management Learning and Leadership from Lancaster University. A fellow researcher at the Center for Business in Society at Coventry University since 2017 and an alumnus of the National CEO Program by IMD Business School. Currently serves as the Chief Executive Officer of Oman Agriculture Development Company. Serves as board member in several companies as well as a member in Economic committee and Food security committee in Oman chamber of Commerce. Has over 20 years of experience in strategic business development, financial management, performance management, and investment planning across various industries, including food, agriculture, investment, and education services.

Executive Powers of the Board:

1. Approving financial objectives, business and financial policies of the Bank.
2. Approving internal regulations as well as specifying the powers, responsibilities and authorities of the executive management.
3. Reviewing and monitoring the disclosures and compliance with regulatory requirements.
4. Nominating the members of the sub-committees, CEO and key employees.



Details of the Number of Board meetings held during the year 2025:

Sl. No.	Board Meeting	Sl. No.	Board Meeting
1.	29-Jan-2025	5.	29-Jul-2025
2.	24-Feb-2025	6.	30-Oct-2025
3.	10-Apr-2025	7.	25-Nov-2025
4.	29-Apr-2025		

Directors Attendance Record in the Board Meetings:

Name of Director	Position	Type of Directorship	Board Meetings Attended	# Sub-committees memberships (at year end)	Whether attended last AGM
Hamdan Ali Nasser Al Hinai	Chairman	Independent	6	NRC	Yes
Anwar Hilal Hamdoon Al Jabri	First Deputy Chairman	Independent	7	NRC, ECC	Yes
Ibrahim Said Badar Al Eisri*	Second Deputy Chairman	Independent	6	ECC, DTC	Yes
Abdul Hameed Ahmed Mohamed Al Bulushi	Director	Independent	7	ACC, ERC, DTC	Yes
Salim Ali Hamed Al Hasni	Director	Independent	7	ERC	Yes
Qais Abdullah Moosa Al Kharusi	Director	Independent	7	ACC	Yes
Abdullah Saif Ali Al Rajhi**	Director	Independent	6	NRC, ERC	Yes
Sulaiman Abdullah Khalfan Al Balushi**	Director	Independent	6	ECC, DTC	Yes
Ali Said Ali Al Uraimi**	Director	Independent	5	ACC	Yes
Rajeev Gogia***	Second Deputy Chairman	Non-Independent	0	NRC, ERC	NA
Wajid Ali Khan***	Director	Non-Independent	1	ECC, DTC	NA
Vivek Kastwar***	Director	Non-Independent	1	ACC	NA

* Appointed as Second Deputy Chairman on 17 February 2025

** Appointed as a Board Member on 17 February 2025. *** Resigned effectively on 17 February 2025.

Audit and Compliance Committee - ACC, Executive and Credit Committee - ECC, Executive Risk Committee - ERC, Nomination and Remuneration Committee - NRC and Digital Transformation Committee - DTC.

- Independent directors are defined as per principle Eight of Code of Corporate Governance for Public Listed Companies Updated December, 2016.

Sub-Committees

Ahli Bank has Five Board sub-committees to ensure the smooth functioning of the Bank:



Audit and Compliance Committee



Executive and Credit Committee



Executive Risk Committee



Nomination and Remuneration Committee



Digital Transformation Committee

A. Audit and Compliance Committee

The role of the Audit and Compliance Committee includes:

- Reviewing the scope of external and internal audits and oversee the adequacy of the Bank's internal control systems through the reports of the internal and external auditors.
- Reviewing the quarterly and annual financial reports before submission to the Board for approval.
- Assist in discharging Board's oversight responsibilities relating to the Bank's accounting, corporate governance, risk management systems and compliance procedures.

Composition of Audit and Compliance Committee and Details of Meetings and Attendance Record of Members During the Year 2025:

Composition of Audit and Compliance Committee		Meeting Dates			
Director's Name	Position	29-Jan-25	29-Apr-25	29-Jul-25	28-Oct-25
Qais Abdullah Moosa Al Kharusi	Chairman	Yes	Yes	Yes	Yes
Abdul Hameed Ahmed Mohamed Al Bulushi	Member	Yes	Yes	Yes	Yes
Ali Said Ali Al Uraimi*	Member	NA	Yes	-	Yes
Vivek Kastwar**	Member	Yes	NA	NA	NA
Attendance		3	3	2	3

* Appointed as a Board Member on 17 February 2025. ** Resigned effectively on 17 February 2025.

B. Executive and Credit Committee

The role of the Executive and Credit Committee includes:

- Providing the Board with a mechanism for considering in depth, any issue that the Board considers to be that requiring detailed attention.
- Allowing the Management to obtain input for the development of proposals prior to Board submission.
- Approving matters beyond the Management's delegated authority but which do not need full Board approval.
- Focusing on strategic reviews and proposals, investments, treasury and liquidity management, business plans and other such matters.

Composition of Executive and Credit Committee and Details of Meetings and Attendance Record of Members During the Year 2025:

Composition of Executive and Credit Committee		Meeting Dates			
Director's Name	Position	28-Jan-25	28-Apr-25	28-Jul-25	27-Oct-25
Anwar Hilal Hamdoon Al Jabri	Chairman	Yes	Yes	-	Yes
Ibrahim Said Badar Al Eisri	Member	Yes	Yes	Yes	Yes
Sulaiman Abdullah Khalfan Al Balushi*	Member	NA	Yes	Yes	-
Wajid Ali Khan**	Member	Yes	NA	NA	NA
Attendance		3	3	2	2

* Appointed as a Board Member on 17 February 2025. ** Resigned effectively on 17 February 2025.

C. Executive Risk Committee

The role of the Executive Risk Committee includes:

- An integrated approach to managing the risks inherent in various aspects of our business.
- Monitoring risk levels according to various parameters and the Management is responsible for ensuring mitigation measures.
- Focusing on reviewing all policies governing Bank's risk and funding exposure.
- Ensuring the consistent adherence and implementation of the Board-approved policies and treasury strategies in monitoring market and other risks.

Composition of Executive Risk Committee and Details of Meetings and Attendance Record of Members During the Year 2025:

Composition of Executive Risk Committee		Meeting Dates			
Director's Name	Position	28-Jan-25	28-Apr-25	28-Jul-25	27-Oct-25
Abdul Hameed Ahmed Mohamed Al Bulushi*	Chairman	Yes	Yes	Yes	Yes
Salim Ali Hamed Al Hasni	Member	Yes	Yes	Yes	Yes
Abdullah Saif Ali Al Rajhi**	Member	NA	Yes	Yes	Yes
Rajeev Gogia***	Chairman	-	NA	NA	NA
Attendance		2	3	3	3

* Appointed as ERC Chairman on 17 February 2025 ** Appointed as a Board Member on 17 February 2025. *** Resigned effectively on 17 February 2025.

D. Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee includes:

- Reviewing the performance of all directors and the Management.
- Advising the Bank's Board and Chairman on the remuneration of Board Members, appointment of senior management personnel and remuneration of senior management personnel.
- Helping in the nomination of competent Board members.
- Annual assessment of the Board's/Sub-Committees overall performance

Composition of Nomination and Remuneration Committee and Details of Meetings and Attendance Record of Members During the Year 2025:

Composition of Nomination and Remuneration Committee		Meeting Dates	
Director's Name	Position	28-Jan-25	28-Oct-25
Hamdan Ali Nasser Al Hinai	Chairman	Yes	Yes
Anwar Hilal Hamdoon Al Jabri	Member	Yes	Yes
Abdullah Saif Ali Al Rajhi*	Member	NA	Yes
Rajeev Gogia**	Member	-	NA
Attendance		2	3

* Appointed as a Board Member on 17 February 2025. ** Resigned effectively on 17 February 2025.

E. Digital Transformation Committee

The role of the Digital Transformation Committee includes:

- Oversee the implementation of all the digital transformation initiatives and deliverables in a timely and efficient manner within Board-approved parameters. The creation of a dedicated committee provides a framework for an effective and detailed review, assessment, consultation, decision-making and approval process on behalf of the Board.

Composition of Digital Transformation Committee and Details of Meetings and Attendance Record of Members During the Year 2025:

Composition of Digital Transformation Committee		Meeting Dates			
Director's Name	Position	26-Feb-25	21-May-25	25-Aug-25	10-Dec-25
Ibrahim Said Al Eisri	Chairman	Yes	Yes	Yes	Yes
Abdul Hameed Ahmed Mohamed Al Bulushi	Member	Yes	Yes	Yes	Yes
Sulaiman Abdullah Khalfan Al Balushi*	Member	Yes	-	-	Yes
Wajid Ali Khan**	Member	NA	NA	NA	NA
Attendance		3	2	2	3

* Appointed as a Board Member on 17 February 2025. ** Resigned effectively on 17 February 2025

Procedure for Standing as a Candidate for the Board:

Anyone who wishes to stand as a candidate for the Board and is eligible for the same as per the regulations as well as the Articles of Association, is required to submit an application form as prescribed by the Financial Services Authority. The application shall be reviewed by the Nomination and Remuneration Committee of the Bank to ensure eligibility of the candidate and further recommendation to the Annual General Meeting. The Bank shall lodge the application form with the Financial Services Authority before the date of the General Meeting.

The director shall be elected through direct secret ballot by the shareholders. Each shareholder is entitled to the number of votes equal to that of his/her shares.

Sharia Supervisory Board of Ahli Islamic Banking Services - ahlibank SAOG

Sharia Supervisory Board:

The Shari'a Supervisory Board (SSB) is an independent body of specialized jurists in fiqh al-muamalat (Islamic commercial jurisprudence), appointed with the responsibilities of giving Shari'a directives, advices and approvals from the formation stage to the operations stage of the Bank, ensuring Shari'a compliance of the Bank by giving decisions on Shari'a Audit reports and producing a statement about Shari'a compliance of the Bank. The SSB complies with the regulatory requirements of the Central Bank of Oman in respect of their competency and supervision and advisory role of the Bank. The Fatawa and rulings of the SSB are binding on the Bank's Islamic Banking Services. The SSB of Ahli Islamic is comprised of three members whose brief profile is given below.

Profile of SSB Members:

Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi Chairman

Sheikh Dr. Ali Al Qaradaghi is a prominent Shari'a Scholar and President of the International Union for Muslim Scholars. Sheikh Ali Al Qaradaghi has a PhD in Contracts and Financial Transactions and Master's degree in Shari'a and Comparative Fiqh from the University of Al-Azhar. He is currently the President of the International Union for Muslim Scholars and Vice President of the European Council for Fatwa and Research. He was a Professor at the University of Qatar and has published over 100 research papers and authored over 30 books. Sheikh Ali Al Qaradaghi is a renowned Shari'a scholar serving several Islamic financial institutions worldwide both as chairperson as well as board member of Shari'a Supervisory Boards.

Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi Deputy Chairman

Sheikh Dr. Ahmed has a PhD in Islamic Banking and

Finance from International Islamic University Malaysia and a Master degree in Contracts Managements from UIM. He accomplished a certificate in Sukuk from EAIFE and a certificate of participation from Imam Jaber bin Zaid Institute in Islamic Finance Disputes Settlement. Sheikh Ahmed worked as a Shari'a scholar with Ministry of Endowment and Religious Affairs from 1999 to 2020 and with Sharika Tawafuq as its CEO. Sheikh Ahmed attended several conferences and workshops in Islamic finance.

Sheikh Dr. Abdul Rahman Mubarak Al Nofli Member

Sheikh Dr. Abdul Rahman is working as religious scholar with Ministry of Endowment and Religious Affairs since 2004 and currently working as assistant director Sharia governance and performance of institutions. Sheikh Abdul Rahman holds a PhD in Islamic banking and finance from IIUM, master degree from Nizwa University and a bachelor degree in Sharia from College of Sharia Sciences Oman. Sheikh Abdul Rahman participated in several conferences and programs in Islamic banking and finance.

Composition of SSB and Details of Meetings and Attendance Records of Members During the Year 2025:

Composition of the Sharia Supervisory Board		Meeting Dates			
Member Name	Position	21-Apr-25	27-Jul-25	18-Sep-25	27-Dec-25
Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi	Chairman	Yes	Yes	Yes	Yes
Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi	Deputy Chairman	Yes	Yes	Yes	Yes
Sheikh Dr. Abdul Rahman Mubarak Al Nofli	Member	Yes	Yes	Yes	Yes
Attendance		3	3	3	3

SSB Remuneration and Sitting Fee Expenses:

The shareholders of the Bank in the AGM held on 25 March 2025 have approved the remuneration and sitting fee of the SSB as below:

Designation	Amount
Chairman of SSB	10,000 per annum
Member of SSB	8,000 per annum
Sitting Fees Per Meeting (<i>maximum of five meetings per year per member</i>)	385 per meeting

The table below shows the remuneration and sitting fee expenses of the SSB:

Member Name	Position	Remuneration	Sitting Fees
Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi	Chairman	10,000	1,540
Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi	Deputy Chairman	8,000	1,540
Sheikh Dr. Abdul Rahman Mubarak Al Nofli	Member	8,000	1,540
Total		26,000	4,620

Executive Management Committee Members of Ahli Bank

Said Abdullah Al Hatmi Chief Executive Officer

Mr. Said Abdullah Al Hatmi is a seasoned banking professional with over 24 years of diversified experience in the financial sector. As Chief Executive Officer, he has been instrumental in steering ahlibank towards sustainable growth, operational excellence, innovation, and the advancement of customer-centric solutions. Mr. Al Hatmi holds a Bachelor's degree in Finance from Sultan Qaboos University and a Master's degree in Business Administration from the University of Strathclyde in the United Kingdom. He is also a Certified Management Accountant (CMA), accredited by the Institute of Management Accountants, USA. Mr. Al Hatmi has further strengthened his leadership capabilities by completing the Oxford Advanced Management and Leadership Program, as well as executive management programs at Harvard Business School and the University of Virginia. In addition to his role at ahlibank, Mr. Al Hatmi serves as the Deputy Chairman of OQ SAOC and Chairman of the Oman Banks Association (OBA). He is a Member of the Board of Trustees and Chairman of the Audit & Risk Committee at the College of Banking and Financial Studies (CBFS), and a member of the Advisory Board at the College of Economics and Political Science at Sultan Qaboos University. Prior to joining ahlibank, he held various senior positions at HSBC Bank Middle East in Oman, gaining extensive experience across corporate and retail banking, risk management, finance, and banking operations. Throughout his career, Mr. Al Hatmi has been recognized for his strategic, forward-thinking leadership, strong commitment to ethical governance, and successful track record in leading transformative initiatives that enhance institutional strength and contribute to broader economic development.

Bilal Anwar, DCEO Business Group

Hold Bachelor of Commerce from University of Allahabad, India; Certified Associate of Indian Institute of Bankers (CAIIB) from Indian Institute of Bankers, Mumbai, India; Chartered Financial Analyst (CFA- ICFAI) from Institute of Chartered Financial Analyst of India; Post Graduate Diploma in Business Administration from ICFAI Business School, Hyderabad, India. Having more than 26 years of experience in banking with various banks including, Ahli United Bank BSC, Bahrain; IDBI Bank Limited, Mumbai, India; Abu Dhabi Commercial Bank, Mumbai, India.

Abdullah Salim Al Jabri DCEO – Support Services

Having over 28 years of banking experience in conventional and Islamic Banking with ahlibank. Started his career with National Training Institute and then joined Alliance Housing Bank in 1997, where held various positions including Manager Retail Banking and Head of Central Operations. Lead the operations team in centralization of operations after the conversion to full-fledged commercial bank. With the start of Islamic Banking in Oman in 2013, became General Manager of Ahli Islamic (erstwhile Al Hilal Islamic Banking Services) and contributed in the success of Islamic Banking. Certified Islamic Banker from General Council for Islamic Banks and Financial Institution, Bahrain. Hold National Diploma in Engineering from Business & Technology Education Council, UK. Hold Leadership and Management certificate from Darden School of Business, University of Virginia, USA. Hold advance Leadership and management certificate from University of Cambridge Judge Business School, UK.

Hanaa Mohammed Al Kharusi Senior General Manager - Wholesale banking

Holds a Bachelor's degree in Science from Indiana University, USA and has attended Executive Programs at the London Business School, UK and IMD, Switzerland as well as Said Business School, Oxford, UK. A Graduate member of the National CEO Program (NCP) sponsored by the Diwan of Royal Court and a member of Oman Business Forum. As Sr. GM Wholesale Banking, Hanaa spearheads the growth strategy for Corporate banking, project finance syndication as well as Investment banking and Financial Institutions. Hanaa has over 24 years of banking experience in leading Omani banks and has successfully led high performing teams and spearheads the digital transformation initiatives for the Wholesale banking. She has successfully led major strategic financial transactions and advisory projects in Oman Bilaterally and on syndicated basis. Hanaa is the founding chairperson of the Talent Management Committee responsible for recruiting, developing and grooming high potential graduates for future leading positions within ahlibank currently known as (Himam). Hanaa currently holds the position of Chairperson of Ahli Global Equity Fund, Director of Oman Tourism Development Company (OMRAN) and Chairperson of their Board Audit and Risk Committee. She is a former Director; Nama Holding (SAOC) and was chairperson of the Board Audit and Risk Committee from 2020-2023.

Taher Al Bakhsh Al Balushi

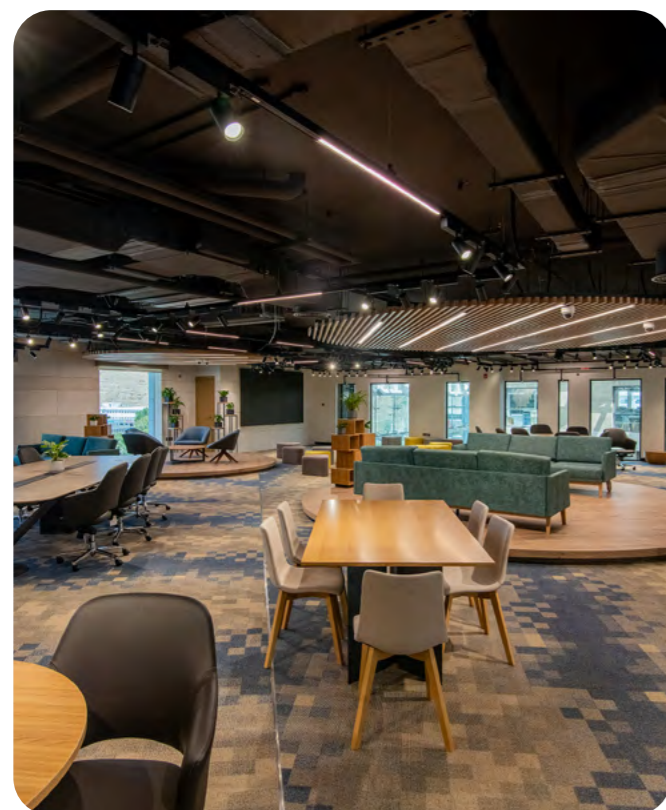
Senior General Manager – Strategy, Transformation, Technology & Projects

Holds Master in Business Administration from University of Strathclyde and Bachelors with Honors in Accounting from the University of Bedfordshire, UK; Certified Fraud Examiners from the Association of Certified Fraud Examiners, USA and Certified Islamic Professional Accountant from AAOIFI, Bahrain. He has successfully completed 'Advanced Leadership Program' at Judge Business School at Cambridge University and 'Senior Executive Program' at London Business School. Taher has over 22 years of banking experience across strategy, finance, risk, operations, technology and transformation functions in leading Omani Banks.

Fahad Fraish Al Shuaili

General Manager – Chief Risk Officer

Holds a Bachelor's degree in Finance from Sultan Qaboos University (2005) and a Master of Business Administration (MBA) from the University of Strathclyde (2012). He is a Certified Fraud Examiner (CFE), a Certified Credit Analyst, and has completed the University of Cambridge's flagship "Advanced Leadership Program." He is a member of the Chief Risk Officers Committee under the Oman Banks Association and has over 20 years of banking experience spanning risk management and internal audit. He previously held various senior positions at Oman International Bank before joining Ahli Bank.



Non-Compliance

There has not been any instances of non-compliance of legal requirements nor any penalties or strictures imposed by the regulators on any matters relating to the Financial Services Authority over the last three years.

The Bank has incurred penalties of **₹** 148,500 by Central Bank of Oman over the last three years based on CBO examination report observations.

2025: **₹** 58,500 – Related to fraud risk management, outsourcing and Investment Risk appetite oversight. The Bank has addressed these issues and taken rectification measures.

2024: **₹** 90,000 - Related to risk classification, outsourcing, delay in implementation of fraud risk management system, customer verification requirements, prize schemes and calculation of the maturities of assets and liabilities. The Bank has addressed these issues and taken rectification measures.

2023: No penalty imposed by CBO for year 2023.

Remuneration Matters

An amount of **₹** 300,000 is proposed as Board Remuneration in addition to the sitting fees paid to the Board members for 2025. The details of sitting fees paid are below:

Name of Director	Sitting Fees Paid (₹)
Hamdan Ali Nasser Al Hinai	4,600
Anwar Hilal Hamdoon Al Jabri	5,700
Ibrahim Said Badar Al Eisri	6,400
Abdul Hameed Ahmed Mohamed Al Bulushi	7,900
Salim Ali Hamed Al Hasni	4,700
Qais Abdullah Moosa Al Kharusi	5,500
Abdullah Saif Ali Al Rajhi*	4,200
Sulaiman Abdullah Khalfan Al Balushi*	4,200
Ali Said Ali Al Uraimi*	3,100
Rajeev Gogia**	-
Wajid Ali Khan**	800
Vivek Kastwar**	800
Total	47,900

* Appointed as a Board Member on 17 February 2025

** Resigned effectively on 17 February 2025.



The total remuneration paid to the top executives (top five) of the Bank amounted to **₹** 2.033 million during the year 2025, which included salary, benefits, perquisites, bonuses and gratuities.

Incentives and bonuses are based on key performance indicators towards the achievements of the Bank's long-term strategic objectives.

The duration of the standard service contract for expatriate executives is two years. The notice period for executives ranges from one to three months, depending on the executive's contract.

No severance fees are payable to the top executive officers other than compensation for short notice of termination of services.

Communication with Shareholders and Investors

Ahli Bank SAOG publishes quarterly accounts, which are uploaded on the Muscat Stock Exchange (MSX) website. The latest news and information about the Bank is also available on its website, www.ahlibank.om.

All annual reports include a comprehensive management report. The Management makes regular presentations to analysts, the press and investors. These briefings outline the Bank's performance, and strategy on future prospects.

The Management discussion and analysis report is part of the Annual Report.

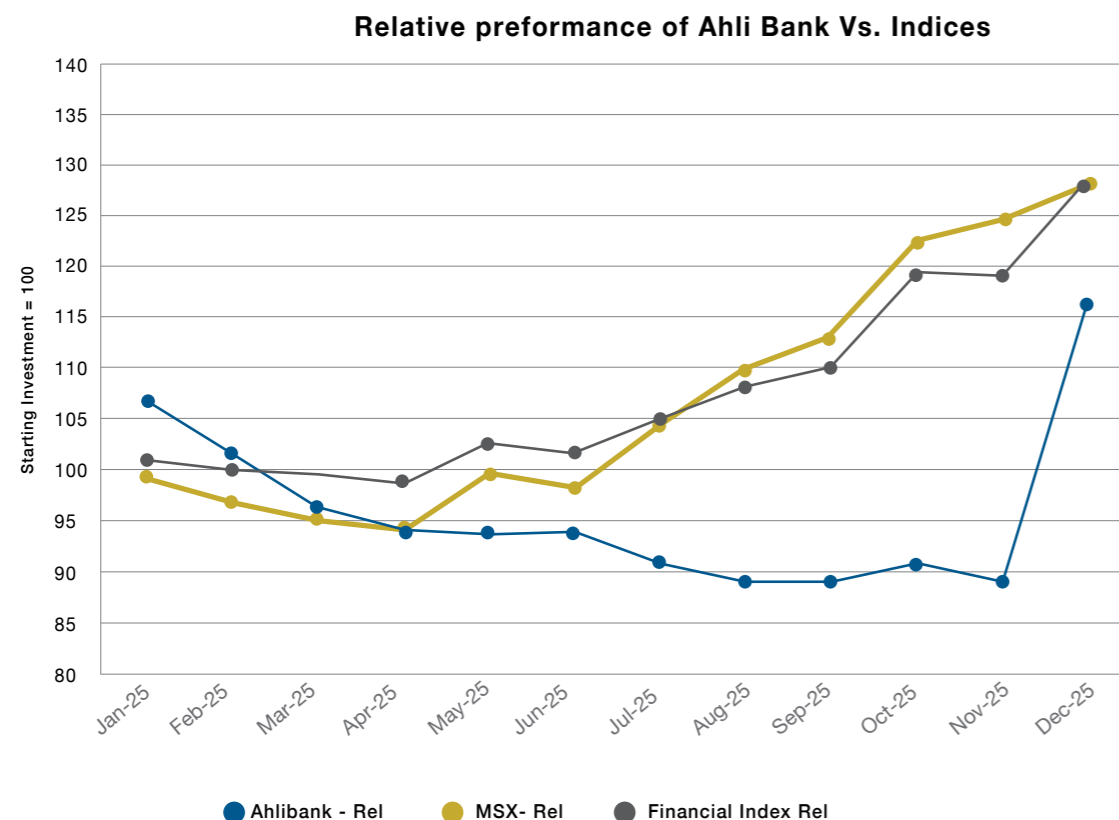
Market Price Data:

High / Low Share Prices in 2025

The table below shows the high / low prices of the Bank's shares in Rial Omani in 2025.

Month	High	Low
Jan-25	0.181	0.165
Feb-25	0.194	0.168
Mar-25	0.176	0.155
Apr-25	0.159	0.150
May-25	0.157	0.155
Jun-25	0.158	0.152
Jul-25	0.157	0.150
Aug-25	0.150	0.146
Sep-25	0.150	0.146
Oct-25	0.156	0.147
Nov-25	0.152	0.146
Dec-25	0.192	0.146

Performance of Ahli Bank SAOG Vs MSX and Banking Indices



The Bank has outstanding Tier1 perpetual subordinated bonds (AT1)/Mandatory convertible bonds (MCBs) as follows:

Issue Date	Type	RO	First Recall Option
11 August 2022	AT1	75 million	11 August 2027
25 December 2023	AT1	54 million	25 December 2028
29 April 2024	MCBs	10 million	Convertible in April 2026
27 June 2024	AT1	40 million	27 June 2029
30 April 2025	MCBs	12 million	Convertible in April 2027

* These bonds/MCBs are listed in the Muscat Stock Exchange (MSX).

Distribution of Share Ownership Among Shareholders as of 31 December 2025:

Name	Country of incorporation	Number of shares	%
Royal Court Affairs	Oman	473,690,046	17.50
Al Hosn Investment Company SAOC	Oman	357,076,325	13.19
Social Protection Fund	Oman	276,942,845	10.23
Aflag First Investment SPC	Oman	268,297,512	9.91
Al Hosn Business Development LLC	Oman	202,862,546	7.49
Others		1,127,931,049	41.68
Total		2,706,800,323	100.00

External Auditor's Profile – Deloitte

Deloitte & Touche (M.E.) LLP (“DME”) is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP (“NSE”), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”).

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DME is a leading professional services firm established in the Middle East region with uninterrupted presence

since 1926. DME’s presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME’s affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

Deloitte billed an amount (excluding VAT and out of pocket expenses) of **₹ 95,450** towards professional services rendered to the Bank for the year 2025 (**₹ 93,450** for audit and **₹ 2,000** for other services).

Other Important Matters:

As required by the Code of Corporate Governance, the Shareholders has appointed an independent third party for appraising the performance of the Board of Directors for the financial year 2025.

Acknowledgment by the Board of Directors:

- The Board is responsible for the preparation of the financial statements in accordance with the applicable standards and rules.
- The Board has reviewed the efficiency and adequacy of internal control systems of the issuer and it complies with internal rules and regulations.
- There is no material thing that affects the continuation of the Bank and its ability to continue its operations during the next financial year.

Hamdan Ali Nasser Al Hinai
Chairman
Board of Directors

Qais Abdullah Moosa Al Kharusi
Chairman
Audit and Compliance Committee

Financial Statements

for the Year Ended
31 December 2025



Independent auditor’s report to the shareholders of Ahli Bank SAOG

1

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ahli Bank SAOG (the “Bank”), which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p>Expected credit losses on loans and advances to customers</p> <p>As at 31 December 2025, the loans and advances of the bank amounted to 3,571 3,571 million (2024: 3,124 3,124 million) against which an Expected Credit Loss (“ECL”) allowance of 125 125 million (2024: 102 102 million) was recorded.</p>	<p>We updated our understanding of management’s assessment of the ECL allowance against loans and advances to customers, including the Bank’s internal rating model, accounting policy, and model methodology, including any key changes made during the year.</p> <p>We assessed the Bank’s accounting policy for ECL allowance and the ECL methodology against the requirements of IFRS Accounting Standards.</p>

Independent auditor’s report to the shareholders of Ahli Bank SAOG (continued)

2

Report on the audit of the financial statements (continued)

Key audit matters	How our audit addressed the key audit matters
<p>The determination of the Bank’s allowance for ECL for loans and advances to customers and off-balance sheet exposures measured at amortised cost is a material and complex estimate that requires management to apply significant judgments and make significant estimates in the evaluation of the credit quality and the estimation of inherent losses in the portfolio and requires significant audit effort. Consequently, we considered this area to be a key audit matter.</p> <p>In accordance with the requirements of IFRS Accounting Standards, the Bank measures ECL based on the credit losses expected to arise over the next twelve months (‘12 month ECL’), unless there has been a significant increase in credit risk (SICR) since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the loans and advances (‘Lifetime ECL’). The Bank has applied additional judgments to identify and estimate the likelihood of borrowers that may have experienced SICR.</p> <p>The financial statement risk arises from several aspects requiring significant judgement of management, such as the estimation of probabilities of default (PD) and loss given defaults (LGD) for various stages, the determination of SICR and credit-impairment status (default), the use of different modelling techniques and consideration of manual adjustments.</p> <p>In calculating ECL, management considered credit quality indicators for each loan and portfolio, stratified loans and advances by risk grade and estimated losses for each loan based upon their nature and risk profile. Management applied post model adjustments overlays to address the impacts of regulatory relief provided to certain borrowers.</p>	<p>We established an audit approach which includes both testing the design, implementation and operating effectiveness of internal controls around loan origination process, credit risk management process and the estimation process of determining impairment allowances for loans and advances to customers and tested the operating effectiveness of relevant controls within these processes. Our procedures over internal controls focused on the governance over the process around the ECL methodology, completeness and accuracy of loan data used in the expected loss models, management review and approval of outcomes, the assignment of borrower’s risk classification, consistency of application of accounting policies and the process for calculating individual allowances.</p> <p>The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> - For a risk-based sample of individual loans, we performed a detailed credit review, assessed the information used for evaluating the creditworthiness and staging classification of individual borrowers and challenged the assumptions underlying the expected credit loss allowance calculations, such as estimated future cash flows, collateral valuations and estimates of recovery. We also evaluated the Bank’s application of its impairment policy. - We evaluated key assumptions such as criteria used to determine SICR and forward-looking macroeconomic scenarios including the related weighting. - For loans not tested individually, we tested the mathematical accuracy and computation of the allowance for expected credit losses by reperforming or independently calculating elements of the expected credit losses based on relevant source documents with the involvement of our modelling specialists. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data.

Independent auditor's report to the shareholders of Ahli Bank SAOG (continued)

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Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Auditing these complex judgements and estimates involved especially challenging auditor judgement due to the nature and extent of audit evidence and effort required to address these matters.</p> <p>For further information, refer to note 3.3.5 to the financial statements for the accounting policy and note 35.1.3 for the credit risk disclosure.</p>	<ul style="list-style-type: none"> - For exposures determined to be individually impaired, we tested on a sample basis, management's assessment of the future estimated cash flows, assessed their reasonableness and assessed the resultant allowance calculations, such as credit risk mitigation through discounted cash flows including collateral valuations and estimates of recovery as well as considered the consistency of the Bank's application of its provisioning policy. - We involved our specialists to assist us in assessing model calculations, evaluating interrelated inputs (including EAD, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around the macroeconomic variables, forecasted macroeconomic scenarios and probability weights and assumptions used in any manual adjustments made to the output from the ECL model. - We evaluated management overlays recorded by the management and held discussions with management to understand the rationale based on which these overlays are recorded. - We assessed the underlying assumptions used by the Bank in the ECL model, including forward looking assumptions. - We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2025. - We assessed the disclosure in the financial statements relating to this matter against the requirements of IFRS Accounting Standards.

Independent auditor's report to the shareholders of Ahli Bank SAOG (continued)

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Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
<p>IT systems and controls over the financial reporting</p> <p>We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and are not operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of changes to an application or underlying data.</p>	<p>Our audit approach relies on automated controls, and therefore, the following procedures were designed to test access and control over the relevant IT systems:</p> <ul style="list-style-type: none"> - We obtained an understanding of the applications relevant to the financial reporting business process and the IT infrastructure supporting those applications. - We performed testing on general IT controls relevant to the identified automated controls and the Information Produced by the Entity (IPE) by covering access security, program changes, data centre and network operations. - We performed testing on the relevant automated controls for key IT applications relevant to the financial reporting business processes.

Other information

The Board of Directors (the Board) is responsible for the other information, The other information comprises the Chairman's report, the Corporate Governance report, Management discussion and analysis, and Regulatory disclosure under Basel II - Basel III framework and Annual report section of Ahli Islamic (comprising the Shari'ah Supervisory Board report including list of fatwas, Financial Statements and Regulatory disclosure under Basel II - Basel III framework of Ahli Islamic), but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditor's report and the Bank's annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

Independent auditor's report to the shareholders of Ahli Bank SAOG (continued)

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Report on the audit of the financial statements (continued)

Responsibilities of management and those charged with governance for the financial statements (continued)

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report to the shareholders of Ahli Bank SAOG (continued)

6

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

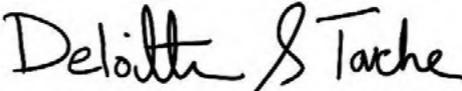
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


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

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

Report on other legal and regulatory requirements

Further, we report that the parent company and consolidated financial statements comply, in all material respects, with the relevant disclosure requirements of the Financial Services Authority and the applicable provisions of the Commercial Companies Law of 2019.


Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
26 February 2026


Signed by
Ahmed Al Qassabi
Partner
ACCA Membership No. 0820917



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

2024	2025		Note	2025	2024
US\$ '000	US\$ '000			₹ '000	₹ '000
ASSETS					
505,330	363,720	Cash and balances with Central Bank of Oman	5	140,031	194,552
294,366	166,628	Due from banks	6	64,153	113,331
903,461	1,199,510	Investment securities	8	461,811	347,833
7,850,078	8,951,588	Loans, advances and financing, net	7	3,446,361	3,022,280
74,017	64,753	Other assets	12	24,931	28,496
125,808	133,471	Property, equipment and intangibles	9	51,387	48,436
9,753,060	10,879,670	TOTAL ASSETS		4,188,674	3,754,928
LIABILITIES AND EQUITY					
893,327	661,850	Due to banks	13	254,812	343,931
7,176,019	8,201,380	Customer's deposits	14	3,157,532	2,762,767
-	100,000	Borrowed funds	15	38,500	-
201,738	208,832	Other liabilities	16	80,401	77,669
32,576	41,941	Tax Liability	11	16,147	12,542
8,303,660	9,214,003	TOTAL LIABILITIES		3,547,392	3,196,909
EQUITY					
636,275	766,145	Share capital	17	294,966	244,966
124,738	136,769	Legal reserve	18	52,656	48,024
(4,439)	27,932	Fair value reserve		10,754	(1,709)
774	774	Special reserve	7	298	298
60,041	78,821	Impairment reserve	7	30,346	23,116
166,125	159,423	Retained earnings		61,378	63,958
983,514	1,169,864	TOTAL NET EQUITY ATTRIBUTABLE TO THE OWNERS OF THE BANK		450,398	378,653
465,886	495,803	TIER 1 SUBORDINATED BONDS	20	190,884	179,366
1,449,400	1,665,667	TOTAL EQUITY		641,282	558,019
9,753,060	10,879,670	TOTAL LIABILITIES AND NET EQUITY		4,188,674	3,754,928
42	43	Net assets value per share (US cents/baixas)	21	166	161
631,482	767,088	Contingent liabilities and commitments	22	295,328	243,120

The financial statements and accompanying notes were approved by the Board of Directors on 27 January 2026 and signed on their behalf by:



Hamdan Ali Nasser Al Hinai
Chairman



Said Abdullah Al Hatmi
Chief Executive Officer

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

2024	2025		Note	2025	2024
US\$ '000	US\$ '000			₹ '000	₹ '000
405,804	418,335	Interest income	23	161,059	156,235
(254,638)	(244,291)	Interest expense	24	(94,052)	(98,036)
151,166	174,044	NET INTEREST INCOME		67,007	58,199
105,701	119,572	Income from Islamic financing and investments	23	46,035	40,695
(64,915)	(74,164)	Unrestricted investment account holders' share of profit and profit expense	24	(28,553)	(24,992)
40,786	45,408	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		17,482	15,703
51,682	54,660	Fees and commission income	26	21,044	19,898
(6,023)	(7,587)	Fees and commission expense	26	(2,921)	(2,319)
45,659	47,073	Net fees and commission income		18,123	17,579
43,698	39,329	Other operating income	25	15,142	16,824
281,309	305,854	OPERATING INCOME		117,754	108,305
(34,877)	(40,169)	Net impairment on financial assets	27	(15,465)	(13,428)
246,432	265,685	NET OPERATING INCOME		102,289	94,877
(72,125)	(75,315)	Staff expenses	28	(28,996)	(27,768)
(11,244)	(13,969)	Depreciation and amortisation	9	(5,378)	(4,329)
(37,140)	(37,909)	Other operating expenses	29	(14,595)	(14,299)
(120,509)	(127,193)	OPERATING EXPENSES		(48,969)	(46,396)
125,923	138,492	PROFIT BEFORE TAXATION		53,320	48,481
(17,713)	(18,177)	Tax expense	11	(6,998)	(6,819)
108,210	120,315	PROFIT FOR THE YEAR		46,322	41,662
OTHER COMPREHENSIVE INCOME/(LOSS)					
Items that will not be reclassified to profit or loss					
(6,377)	24,496	- Equity investments at FVOCI - net changes in fair value		9,431	(2,455)
Items that will be reclassified to profit or loss					
1,091	7,873	- Changes in fair value of FVOCI debt investments		3,031	420
(5,286)	32,369	OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		12,462	(2,035)
102,924	152,684	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		58,784	39,627
3	3	Basic earnings per share (US cents/baixas)	30	13	13
3	3	Diluted earnings per share (US cents/baixas)	30	12	12

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to the owners of the Bank								
	Share capital	Legal reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 subordinated bonds	Total equity
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2025	244,966	48,024	(1,709)	298	23,116	63,958	378,653	179,366	558,019
Profit for the year	-	-	-	-	-	46,322	46,322	-	46,322
Other comprehensive income	-	-	12,462	-	-	-	12,462	-	12,462
Transactions within equity									
Transfer to legal reserve	18	4,632	-	-	-	(4,632)	-	-	-
Transfer to impairment reserve	7	-	-	-	7,230	(7,230)	-	-	-
Loss on sale of equity investments at FVOCI	8	-	-	1	-	(1)	-	-	-
Interest paid on Tier 1 subordinated bonds	20	-	-	-	-	(13,543)	(13,543)	-	(13,543)
		4,632	1	-	7,230	(25,406)	(13,543)	-	(13,543)
Cash dividends	19	-	-	-	-	(11,748)	(11,748)	-	(11,748)
Rights issue of shares		50,000	-	-	-	-	50,000	-	50,000
Issuance of Mandatory Convertible Bonds (including share issue expenses)		-	-	-	-	(11,748)	(11,748)	11,518	(230)
Total transactions with owners		50,000	-	-	-	(23,496)	26,504	11,518	38,022
At 31 December 2025	<u>294,966</u>	<u>52,656</u>	<u>10,754</u>	<u>298</u>	<u>30,346</u>	<u>61,378</u>	<u>450,398</u>	<u>190,884</u>	<u>641,282</u>
At 31 December 2025 (US\$ '000)	<u>766,145</u>	<u>136,769</u>	<u>27,932</u>	<u>774</u>	<u>78,821</u>	<u>159,423</u>	<u>1,169,864</u>	<u>495,803</u>	<u>1,665,667</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to the owners of the Bank								
	Share capital	Legal reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Tier 1 subordinated bonds	Total equity
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2024	244,966	43,858	230	298	10,867	72,175	372,394	149,000	521,394
Profit for the year	-	-	-	-	-	41,662	41,662	-	41,662
Other comprehensive income	-	-	(2,035)	-	-	-	(2,035)	-	(2,035)
Transactions within equity									
Transfer to legal reserve	18	4,166	-	-	-	(4,166)	-	-	-
Transfer to impairment reserve	7	-	-	-	12,249	(12,249)	-	-	-
Issue of Tier 1 Perpetual bonds		-	-	-	-	-	-	40,000	40,000
Redemption of Tier 1 perpetual bonds	20	-	-	-	-	-	-	(20,000)	(20,000)
Loss on sale of equity investments at FVOCI	8	-	-	96	-	(96)	-	-	-
Interest paid on Tier 1 subordinated bonds	20	-	-	-	-	(12,220)	(12,220)	-	(12,220)
		4,166	96	-	12,249	(28,731)	(12,220)	20,000	7,780
Cash dividends	19	-	-	-	-	(10,574)	(10,574)	-	(10,574)
Issue of Mandatory Convertible Bonds (including share issue expenses)		-	-	-	-	(10,574)	(10,574)	10,366	(208)
Total transactions with owners		-	-	-	-	(21,148)	(21,148)	10,366	(10,782)
At 31 December 2024	<u>244,966</u>	<u>48,024</u>	<u>(1,709)</u>	<u>298</u>	<u>23,116</u>	<u>63,958</u>	<u>378,653</u>	<u>179,366</u>	<u>558,019</u>
At 31 December 2024 (US\$ '000)	<u>636,275</u>	<u>124,738</u>	<u>(4,439)</u>	<u>774</u>	<u>60,041</u>	<u>166,125</u>	<u>983,514</u>	<u>465,886</u>	<u>1,449,400</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

2024	2025		2025	2024
US\$ '000	US\$ '000	Note	﷋ '000	﷋ '000
CASH FLOWS FROM OPERATING ACTIVITIES				
125,923	138,492		53,320	48,481
Profit before taxation				
Adjustments for:				
11,244	13,969	9	5,378	4,329
34,877	40,169	27	15,465	13,428
200	1,169	16	450	77
515	696		268	198
299	(57)		(22)	115
(17,169)	(7,644)	25	(2,943)	(6,610)
Cash from operating activities before changes in operating assets and liabilities				
155,889	186,794		71,916	60,018
98,797	(31,948)		(12,300)	38,037
(887,135)	(1,141,676)		(439,546)	(341,548)
(32,510)	9,262		3,565	(12,517)
410,728	(231,476)		(89,119)	158,130
745,717	1,025,364		394,765	287,101
(16,877)	7,096		2,733	(6,498)
474,609	(176,584)		(67,986)	182,723
(18,489)	(10,421)	11	(4,010)	(7,117)
(144)	(1,174)	16	(451)	(55)
455,976	(188,179)		(72,447)	175,551
CASH FLOWS FROM INVESTING ACTIVITIES				
(30,980)	(21,735)	9	(8,368)	(11,927)
728	100		39	280
(207,284)	(330,070)		(127,077)	(79,804)
116,046	79,466		30,591	44,677
(121,490)	(272,239)		(104,815)	(46,774)
CASH FLOWS FROM FINANCING ACTIVITIES				
(100,000)	100,000		38,500	(38,500)
(4,470)	(5,090)	10	(1,960)	(1,721)
(27,465)	(30,514)	19	(11,748)	(10,574)
-	129,870		50,000	-
103,896	-		-	40,000
(51,948)	-		-	(20,000)
(31,741)	(35,178)	21	(13,543)	(12,220)
(111,728)	159,088		61,249	(43,015)
NET CHANGE IN CASH AND CASH EQUIVALENTS				
222,758	(301,330)		(116,013)	85,762
575,611	798,369		307,372	221,610
CASH AND CASH EQUIVALENTS AT 31 DECEMBER				
798,369	497,039		191,359	307,372

CASH AND CASH EQUIVALENTS COMPRISE OF THE FOLLOWING

2024	2025		2025	2024
US\$ '000	US\$ '000	Note	﷋ '000	﷋ '000
503,966	362,356	5	139,506	194,027
294,403	134,683	6	51,853	113,345
798,369	497,039		191,359	307,372

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Ahlibank SAOG (the 'Bank') is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial & investment banking activities through a network of fifty three branches as at year end with twenty seven conventional and twenty six Islamic branches. (2024 - twenty four conventional and twenty five Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, PC 116, Sultanate of Oman.

ahli islamic (the Islamic Window) was licensed by Central Bank of Oman (CBO) to operate as an Islamic Banking Window of the Bank. It offers a full range of Islamic banking services and products. The principal activities of ahli islamic include accepting Sharia compliant customer deposits, providing Sharia compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Wakala and undertaking investment activities and providing commercial banking services and other investment activities permitted under the Islamic Banking Regulatory Framework (IBRF) issued by the CBO.

The Bank had 1063 employees as at 31 December 2025 compared to 983 as at 31 December 2024.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The Bank prepares a separate set of financial statements for its Islamic Window in accordance with the requirements of Section 1.2 of Title 3 of the Islamic Banking Regulatory Framework ("IBRF") issued by the CBO. The separate set of financial statements of its Islamic Window 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 the CBO. The Islamic Window financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these financial statements. All inter branch balances and transactions have been eliminated.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income which have been measured at fair value. The statement of financial position is presented in the order of liquidity as this presentation is more appropriate to Bank's operations.

2.3 Functional and presentation currency

The financial statements are prepared in Rial Omani (﷋) which is the functional and reporting currency of the Bank. The United States Dollar ('US\$') amounts shown in the financial statements have been translated from Rial Omani to US\$ for information purposes as a supplementary information for the convenience of readers, using the exchange rate of Rial Omani 0.385 = US\$ 1.00. All financial information presented in Rial Omani and US Dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

Lack of exchangeability – Amendments to IAS 21

"The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

2 BASIS OF PREPARATION (continued)

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

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

The application of this revised standard has no impact on the amount reported for the current period

2.6 The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2025

2.6.1 IFRS 18 Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

2.6.2 Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments).

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the amendments.

3 ACCOUNTING POLICIES

3.1 Foreign currency translation

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

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

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognised in the statement of profit or loss, except for non-monetary financial assets, which are included in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

3.2 Revenue and expense recognition

3.2.1 Interest income and expense

Interest income and expense is recognised in the statement of profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the gross carrying amount or the amortised cost of the financial asset or liability. The calculation of effective interest rate includes transaction costs and fees paid / received that are an integral part of effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principle repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for loss allowance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.2 Revenue and expense recognition (continued)

3.2.1 Interest income and expense (continued)

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

When a financial asset becomes credit-impaired (as set out in Note 3.3.5 and is therefore regarded as 'Stage 3'), the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

- i) Interest on financial assets and liabilities at amortised cost on an effective interest rate basis;
- ii) Interest on debt investment securities on an effective interest rate basis.

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

3.2.2 Fees and commission

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income include account servicing fees, credit related fees, administration fees and other management fees, sales commission, placement fees, advisory fees and syndication fees. Fees and commission income is measured based on the consideration specified in the contract with the customers. The Bank satisfies its performance obligation upon completion of the related services as mentioned in the contract and revenue is recognised accordingly.

3.2.3 Dividends

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

3.2.4 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation arising from a past event and the costs to settle the obligation are both probable and can be reliably estimated

3.3 Financial assets and financial liabilities

3.3.1 Recognition and initial measurement

The Bank initially recognises loans & advances and financing, deposits, debt securities and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

3.3.2 Measurement categories of financial assets and financial liabilities

Financial assets

The Bank has three principal classification categories for its financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVTPL.

On initial recognition, a financial asset is classified and measured at; amortised cost, FVOCI or FVTPL.

Financial assets measured at amortised cost

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

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

It is initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.2 Measurement categories of financial assets and financial liabilities (continued)

Financial assets measured at fair value through other comprehensive income

a) Debt instruments

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

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

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity.

b) Equity instruments

For an equity instrument that is not held for trading, the Bank may elect at initial recognition to irrevocably designate those instruments under FVOCI. This election is made on an investment by investment basis. Amounts presented in other comprehensive income are not subsequently transferred to the statement of profit or loss.

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

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss comprises of investments held for trading and designated as FVTPL on initial recognition or mandatorily required to be measured at fair value as per IFRS 9. It is initially recognised at fair value with transaction costs recognised in the statement of profit or loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the statement of profit or loss.

Business model assessment

Business model available under IFRS 9 are:

- (i) Hold to Collect - Financial assets held with the objective to collect contractual cash flows.
- (ii) Hold to Collect and Sell - Financial assets held with the objective of both collecting contractual cash flows and selling financial assets.
- (iii) Other - Financial assets held with trading intent or that do not meet the criteria of either "Hold to collect" or "Hold to collect and sell".

The Bank's business model reflects how it manages the assets to generate cash flows. Whether it is solely to collect the contractual cash flows from the asset (Hold to collect) or both the contractual cash flows and from sale of asset (Hold to collect and sell). Factors considered by the Bank in determining the business models for group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Financial assets

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. These securities are classified in the 'other business model and measured at FVTPL.

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

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represents solely payment of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.2.1 Loans & advances and financings receivables

The Bank holds a portfolio of loans & advances and financing receivables for which interest rates are revised at periodic intervals. These rates are revised based on the market rates. Accordingly, 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 that is consideration for time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Loans & advances and financing receivables are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest method less allowance for impairment losses which are recognised in the statement of profit or loss.

The Bank has two classes of loans & advances and financing receivables;

Corporate banking (including SME)

Corporate customers includes loans & advances and financing given to corporate and institutional customers by way of working capital loans, term loans, overdrafts, leases, syndication arrangements, fund transfer facilities etc.

Retail banking

Retail banking offers a broad range of products and services to meet the personal banking needs of individual customers. It includes personal banking products such as current and savings accounts, mortgages and personal loans, credit cards, debit cards, overdraft facilities, islamic financing and fund transfer facilities.

3.3.2.2 Investments

Investments which are recognised in the statement of financial position includes:

- (i) Debt securities measured at FVOCI and FVTPL
- (ii) Equity investment securities mandatorily measured at FVTPL and these are at fair value with changes recognised immediately in profit or loss;
- (iii) Equity investment securities designated at FVOCI

For debt securities measured at FVOCI, gain and losses are recognised in 'other comprehensive income' and when it is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The Bank has designed certain equity investments under FVOCI on the basis that these investments are not held for trading / intends to hold in long term for better dividend yields. The Bank elects to present in other comprehensive income the changes in the fair value of certain investments in equity instruments that are measured at FVOCI. The election is made on an instrument by instrument basis on initial recognition.

3.3.2.3 Cash and cash equivalents

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

3.3.2.4 Due from banks

These are stated at amortised cost using effective interest rate method, less any amounts written off and allowance for impairment.

3.3.2.5 Financial guarantee contracts, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letter of credit and loan commitments. Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holders for a loss that is incurred because of specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.2.5 Financial guarantee contracts, letters of credit and undrawn loan commitments (continued)

For financial guarantee contracts and loan commitments, the loss allowance is recognised as a provision as described in note 3.3.5. Liabilities arising from financial guarantee and loan commitments are included within provisions under other liabilities in statement of financial position.

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 in the statement of financial position.

3.3.2.6 Financial liabilities

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 the statement of profit or loss.

3.3.2.7 Borrowed funds

Borrowed funds are recognised initially at their issue proceeds less transaction cost, if any. Borrowings are subsequently stated at amortised cost, any difference between proceeds net of transaction cost, and the redemption value is recognised in the statement of profit or loss over the period of borrowing using the effective interest rate method.

3.3.2.8 Deposits

Deposits are measured at amortised cost using the effective interest method.

3.3.3 Derecognition

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;
- 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; or
- the Bank has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Bank's involvement in the asset. In that case, the Bank also recognises an associated liability.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, 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 new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of profit or loss.

3.3.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on net basis only when permitted by IFRS or for gains and losses arising from a group of similar transactions.

3.3.5 Impairment

The Bank assess on a forward-looking basis the expected credit losses (ECL) associated with financial assets measured at amortised cost or FVOCI which mainly include loans & advances and financings, investments (other than equity investments), interbank placements, loan commitments and financial guarantees. The Bank recognises a loss allowance and provisions for such losses at reporting date. The measurement of ECL reflects:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.5 Impairment (continued)

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank's approach leveraged the existing regulatory capital models and processes for Bank's loan portfolios that use the existing Internal Rating based and behavioral credit models. ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities and loans & advances and financings that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

i) Measurement of ECL

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

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

ii) Overview of ECL principles

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

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Both 12 month expected credit loss and lifetime expected credit losses are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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 would be applied as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.5 Impairment (continued)

ii) Overview of ECL principles (continued)

Stage 1: Credit risk has not increased significantly since initial recognition- recognise 12 month expected credit losses.

Stage 2: Credit risk has increased significantly since initial recognition- recognise lifetime expected losses with revenue being calculated based on the gross amount of the asset.

Stage 3: There is objective evidence of impairment as at the reporting date to recognise lifetime expected losses, with revenue being based on the net amount of the asset.

For financial assets in Stage 1 and Stage 2, the Bank calculates interest income by applying the Effective Interest Rate (EIR) to the gross carrying amount (i.e., without deduction for ECLs). Interest income for financial assets in Stage 3 is suspended and included in loan impairment.

iii) ECL calculation

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

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

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

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 lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Bank considers three scenarios (a base case, good case and a bad case). Each of these is associated with different PDs, EADs and LGDs for calculating ECL on the financial assets. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral the amount that might be received for selling the asset.

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

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

- financial assets at amortised cost: as a deduction from gross carrying amount of assets;
- loan commitments and financial guarantee contracts: carrying as provision and shown within other liabilities.
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

v) Debt instruments measured at fair value through OCI

The ECL's for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance is recognised in the other comprehensive income with a corresponding charge to the statement of income. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.5 Impairment (continued)

vi) Credit enhancements: collateral valuation and financial guarantees

Credit risk mitigation (CRM) encompasses collateral management and credit guarantee arrangements. To mitigate credit risk, the Bank will use collateral values, wherever possible. The Bank accepts various types of collateral such as cash margins, fixed deposits, real estate, shares listed in GCC etc., Collateral unless it is repossessed, is not recorded in the statement of financial position. Since the fair value of collateral affects the calculation of ECLs, management monitors and reassess the collateral values at regular intervals and requests for additional collateral, if required. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non financial collateral such as real estate is valued by certified third party valuers.

vii) Write off

Loans, financing 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, certain financial assets that are technically written off and held through memorandum accounts could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. If, in a subsequent year, written off loans & advances and financings receivable is recovered, the recovery is credited to the statement of profit or loss.

viii) Forward looking information

Forward-looking information is incorporated into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios is formulated. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by various entities for the country where Bank operates. The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk along credit losses. For computation of ECL, the Bank considers three scenario viz. base case, Good case and bad case. Disclosures relating different scenarios together with sensitivity testing is provided under note 35.1.6

3.3.6 Restructured financial assets

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

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

3.3.7 Credit impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost/FVOCI are credit impaired. A financial asset is "credit impaired" when one or more below mentioned events has occurred.

- significant financial difficulty of the borrower;
- a breach of contract such as default or past due event;
- the restructuring of a loan by the Bank;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrowers 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 a debt instrument is credit impaired, the Bank considers the following events:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.7 Credit impaired financial assets (continued)

- The markets' assessment of creditworthiness of those instrument yields
- Rating agencies assessment
- The country's ability to access the capital markets for new debt issuance.

3.3.8 Reclassifications

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

3.3.9 Modifications of financial assets and liabilities

Financial assets

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition and the Bank recalculates the gross carrying amount based on the revised cash flows and the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of profit or loss. If the cash flows are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

Financial liabilities

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

3.3.10 Fair value measurement

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 an asset or transfer a liability takes place either in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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. Please refer to note 33 for fair value hierarchy valuation techniques.

The fair value of an asset or 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. Fair value of the 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

The Bank also compares each of the changes in 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 risk of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing 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:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- 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 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 recognized immediately in the statement of profit or loss.

Hedge documentation, effectiveness assessment, and discontinuation

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

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

3.4 Repurchase and resale agreements

Securities sold with a commitment to repurchase (repos) at a specified future date at predetermined price are recognised in the statement of financial position and are measured in accordance with accounting policies for financial assets. The counterparty liability for amounts received under these agreements is included in 'due to banks'. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement using the effective interest rate method. These securities are not derecognised as the related risks and rewards are not transferred to the counterparties.

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

3.5 Property, equipment and intangibles

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

	Years
Building.....	25
Leasehold improvements	5 - 10
Computer and other equipment.....	5 - 10
Intangibles	5 - 10
Vehicles	5
Furniture	10

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.5 Property, equipment and intangibles (continued)

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date. Capital work in progress is not depreciated until the asset is put to use.

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

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

Repairs and renewals are charged to the statement of profit or loss when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, equipment and software. All other expenditures are recognised in the statement of profit or loss as an expense when incurred.

3.6 Collateral pending sale

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

3.7 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 financial statements.

3.8 Taxation

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

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

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

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 asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Trade and settlement date accounting

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

3.10 Leases

A. Definition of lease

At inception of 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 period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the right to direct the use of an identified asset;
- the contract has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.

B. As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

Right-of-use (ROU) assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

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 of 4.50% as the discount rate for measurement of lease liability.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depends on an index or a rate, initially measured using the index or rate as at the commencement date.

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 or lease assessment whether it will exercise a purchase, extension or termination option.

Interest on lease liability during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of lease liability. Interest on lease liability is shown separately from the depreciation charge on ROU asset and is shown under other operating expenses in the statement of profit or loss.

The Bank has disclosed ROU assets under 'property, equipment and intangibles' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.11 Acceptances

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

3.12 Employee terminal benefits

3.12.1 Terminal benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labor Law as amended. Contribution to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of profit or loss when incurred.

3.12.2 Short term benefits

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

3.13 Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 ACCOUNTING POLICIES (continued)

3.14 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 of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.15 Directors' remuneration

The Board of Directors' remuneration is accrued within the limits specified by the Financial Services Authority (FSA) and the requirements of the Commercial Companies Law of the Sultanate of Oman.

3.16 Dividend on ordinary shares

Dividend on ordinary shares is recognised as liability and deducted from equity in the period when it is approved by the Bank's shareholders. Interim dividend is deducted from equity when they are paid.

Dividend for the year that is approved after the reporting date is considered to be an event after the reporting date and disclosed in the financial statements.

3.17 Perpetual bonds

Perpetual Additional Tier 1 capital instruments of the Bank are recognised under equity in the statement of financial position and the corresponding distribution on those instruments are accounted as a debit to retained earnings. The Tier 1 securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32 - Financial Instruments: Presentation. The Tier 1 securities do not have a fixed redemption or final maturity date and is redeemable by the Bank at its sole discretion on the first call date or on any interest payment date thereafter.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 35.1.6, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for measurement of ECL;
- establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

4.2 Fair value of derivatives and other financial instruments

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

4.3 Classification of Tier 1 bond instrument under IAS 32

The Bank has issued Perpetual Tier 1 Securities listed on the Muscat Securities Market, which have been 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 for all AT1 instruments except the Mandatory Convertible Bonds (MCBs) which are convertible into equity after two years from the date of issue
- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.3 Classification of Tier 1 bond instrument under IAS 32 (continued)

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation. The Bank, 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 bank as not being substantive for the purpose of determining the debt vs equity classification. The Bank has considered appropriate independent legal advice in forming their judgement around this matter.

4.4 Going Concern

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

For the year ended 31 December 2025, the Bank has recognised a net profit after tax of ₹ 46.322 million. The Bank's quarterly average high quality liquid assets were ₹ 416.754 million as at 31 December 2025 with the liquidity coverage ratio of 130.87%.

4.5 Fair value estimation of unquoted securities

Significant judgement is exercised in the classification of fair value instruments as level 3 as the valuation of such instruments is driven by significant unobservable inputs. Management believes that income approach valuation technique of these investments is representative of the fair value of the underlying assets that are fair valued.

4.6 Fee and commission income

The recognition of fee and commission income depends on the purpose for which fees are assessed and the basis of accounting for any associated financial instrument. Management applies certain assumptions and judgements to determine the fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

4.7 Taxation

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

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

4.8 Determination of lease term

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several rental lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

5 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
47,800	46,752	Cash	17,999	18,403
1,299	1,299	Capital deposit with Central Bank of Oman	500	500
65	65	ATM deposit with Central Bank of Oman	25	25
229,974	295,604	Clearing account with CBO	113,807	88,540
226,192	20,000	Placement with Central Bank of Oman	7,700	87,084
505,330	363,720		140,031	194,552

The capital and ATM deposits with the Central Bank of Oman (CBO) are mandatory deposits and cannot be withdrawn without its approval and accordingly are not available for use in day to day operations of the Bank. The average minimum balance to be kept with the Central bank of Oman as statutory reserve was ﷮ 95.792 million (2024: ﷮ 86.005 million).

6 DUE FROM BANKS

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
246,792	125,223	Placements	48,211	95,015
47,610	41,523	Nostro account balances	15,987	18,330
(36)	(118)	Less: Impairment loss allowance - Refer note 35.1.6	(45)	(14)
294,366	166,628		64,153	113,331

7 LOANS, ADVANCES AND FINANCING, NET

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
		Conventional Banking		
4,671,496	5,087,932	Corporate lending	1,958,854	1,798,526
1,703,395	1,983,694	Retail lending	763,722	655,807
6,374,891	7,071,626	Loans & advances, gross	2,722,576	2,454,333
		Islamic Banking		
1,243,218	1,574,139	Corporate financing	606,043	478,639
496,696	630,491	Retail financing	242,739	191,228
1,739,914	2,204,630	Financing, gross	848,782	669,867
8,114,805	9,276,256	Loans, advances and financing, gross	3,571,358	3,124,200
(264,727)	(324,668)	Loans and financing impairment (including reserve interest and profit)* - Refer note 35.1.6	(124,997)	(101,920)
7,850,078	8,951,588		3,446,361	3,022,280

* Reserve interest forms part of specific provision for the purpose of IFRS.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

7 LOANS, ADVANCES AND FINANCING, NET (continued)

The table below analyses the concentration of gross loans & advances and financing by economic sector:

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
2,200,091	2,614,184	Personal loans	1,006,461	847,035
887,701	912,923	Construction	351,475	341,765
674,830	655,197	Wholesale and retail trade & other trade	252,251	259,810
1,056,509	1,222,732	Services	470,751	406,755
896,610	989,922	Financial institutions	381,120	345,195
386,286	509,200	Manufacturing	196,042	148,720
283,171	433,237	Electricity, gas and water	166,796	109,021
752,824	723,956	Mining and quarrying	278,723	289,837
747,640	920,745	Transport and communication	354,487	287,842
45,065	90,428	Government	34,815	17,350
184,078	203,732	Other	78,437	70,870
8,114,805	9,276,256		3,571,358	3,124,200

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

7 LOANS, ADVANCES AND FINANCING, NET (continued)

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loan accounts for the regulatory reporting purposes.

7.1 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2025

Disclosure requirements for the year ended 31 December 2025, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount	Provision required as per CBO norms*	Reserve interest as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net amount as per CBO norms	Net amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6) = (5)+(6)	(7) = (4)-(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
		₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Standard	Stage 1	3,009,256	33,771	-	8,622	25,149	2,975,485	3,000,634
	Stage 2	174,186	1,955	-	4,920	(2,965)	172,231	169,266
	Stage 3	-	-	-	-	-	-	-
Subtotal		3,183,442	35,726	-	13,542	22,184	3,147,716	3,169,900
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	241,135	2,706	948	23,193	(19,539)	238,429	217,942
	Stage 3	-	-	-	-	-	-	-
Subtotal		241,135	2,706	948	23,193	(19,539)	238,429	217,942
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	3,248	806	32	1,424	(586)	2,442	1,824
Subtotal		3,248	806	32	1,424	(586)	2,442	1,824
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,219	1,633	217	1,743	107	2,586	2,476
Subtotal		4,219	1,633	217	1,743	107	2,586	2,476
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	139,314	98,840	21,439	85,095	35,184	40,474	54,219
Subtotal		139,314	98,840	21,439	85,095	35,184	40,474	54,219
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	560,944	-	-	304	(304)	560,944	560,640
	Stage 2	45,676	-	-	1,214	(1,214)	45,676	44,462
	Stage 3	595	-	-	162	(162)	595	433
Subtotal		607,215	-	-	1,680	(1,680)	607,215	605,535
Total	Stage 1	3,570,200	33,771	-	8,926	24,845	3,536,429	3,561,274
	Stage 2	460,997	4,661	948	29,327	(23,718)	456,336	431,670
	Stage 3	147,376	101,279	21,688	88,424	34,543	46,097	58,952
Total	Total	4,178,573	139,711	22,636	126,677	35,670	4,038,862	4,051,896
	Total (US\$ '000)	10,853,437	362,885	58,796	329,031	92,650	10,490,552	10,524,406

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

7 LOANS, ADVANCES AND FINANCING, NET (continued)

7.2 Restructured loans

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO norms	Reserve interest as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying amount as per CBO norms	Net carrying amount as per IFRS 9
(1)	(2)	(3)	(4)	(5)	(6) = (5)+(6)	(7) = (4)-(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
		₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Classified as performing	Stage 1	57,574	576	-	483	93	56,998	57,091
	Stage 2	248,563	2,486	948	21,188	(17,754)	246,077	227,375
	Stage 3	-	-	-	-	-	-	-
Subtotal		306,137	3,062	948	21,671	(17,661)	303,075	284,466
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	39,935	31,545	4,557	21,730	14,372	8,390	18,205
Sub total		39,935	31,545	4,557	21,730	14,372	8,390	18,205
Total	Stage 1	57,574	576	-	483	93	56,998	57,091
	Stage 2	248,563	2,486	948	21,188	(17,754)	246,077	227,375
	Stage 3	39,935	31,545	4,557	21,730	14,372	8,390	18,205
Total (US\$ '000)	Total	346,072	34,607	5,505	43,401	(3,289)	311,465	302,671
	Total	898,888	89,887	14,299	112,729	(8,545)	809,001	786,158

7.3 Impairment charge and provisions held

	As per CBO norms*	As per IFRS 9	Difference
Impairment loss charged to profit and loss		15,465	-
Provisions required as per CBO norms/held as per IFRS 9	139,711	126,677	35,670
Gross NPL ratio (percentage)	4.11%	4.11%	-
Net NPL ratio (percentage)	1.27%	1.63%	-0.36%

* CBO provision does not include reserved interest

Impairment reserve:

In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

Special reserve:

Impairment provision on specific basis includes provision on re-structured loans as per CBO guidelines. Similarly based on the requirements of the CBO's letter BSD/2017/BKUP/Bank & FLC's/ 467 dated 20 June 2017, the Bank is required to create a provision on certain loans appropriated to a special reserve account. The reserve as at December 31, 2025 was ₹ 0.298 million, equivalent to 0.77 million (2024: ₹ 0.298 million, equivalent to US\$ 0.77 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

7 LOANS, ADVANCES AND FINANCING, NET (continued)

7.4 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2024:

Disclosure requirements for the year ended 31 December 2024, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross amount '000	Provision required as per CBO norms* '000	Reserve interest as per CBO norms '000	Provision held as per IFRS 9 '000	Difference between CBO provision required and held '000	Net amount as per CBO norms '000	Net amount as per IFRS 9 '000
(1)	(2)	(3)	(4)	(5)	(6) = (5)+(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
	Stage 1	2,528,941	28,538	-	3,665	24,873	2,500,403	2,525,276
	Stage 2	191,285	2,158	-	5,480	(3,322)	189,127	185,805
Standard	Stage 3	-	-	-	-	-	-	-
Subtotal		2,720,226	30,696	-	9,145	21,551	2,689,530	2,711,081
	Stage 1	-	-	-	-	-	-	-
	Stage 2	274,567	3,098	-	25,091	(21,993)	271,469	249,476
Special Mention	Stage 3	-	-	-	-	-	-	-
Subtotal		274,567	3,098	-	25,091	(21,993)	271,469	249,476
	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,270	531	35	580	(14)	739	690
Substandard		1,270	531	35	580	(14)	739	690
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	33,975	15,358	1,455	15,372	1,441	18,617	18,603
Subtotal		33,975	15,358	1,455	15,372	1,441	18,617	18,603
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	94,162	65,649	13,449	51,732	27,366	28,513	42,430
Subtotal		94,162	65,649	13,449	51,732	27,366	28,513	42,430
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	550,715	-	-	267	(267)	550,715	550,448
	Stage 2	54,713	-	-	1,097	(1,097)	54,713	53,616
	Stage 3	1,052	-	-	240	(240)	1,052	812
Subtotal		606,480	-	-	1,604	(1,604)	606,480	604,876
Total	Stage 1	3,079,656	28,538	-	3,932	24,606	3,051,118	3,075,724
	Stage 2	520,565	5,256	-	31,668	(26,412)	515,309	488,897
	Stage 3	130,459	81,538	14,939	67,924	28,553	48,921	62,535
	Total	3,730,680	115,332	14,939	103,524	26,747	3,615,348	3,627,156
	Total (US\$ '000)	9,690,077	299,564	38,803	268,891	69,475	9,390,513	9,421,186

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

7 LOANS, ADVANCES AND FINANCING, NET (continued)

7.5 Restructured loans

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount '000	Provision required as per CBO norms '000	Reserve interest as per CBO norms '000	Provision held as per IFRS 9 '000	Difference between CBO provision required and held '000	Net Carrying amount as per CBO norms '000	Net carrying amount as per IFRS 9 '000
(1)	(2)	(3)	(4)	(5)	(6) = (5)+(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
	Stage 1	6,510	42	-	74	(32)	6,468	6,436
Classified as performing	Stage 2	284,154	1,700	-	19,095	(17,395)	282,454	265,059
	Stage 3	-	-	-	-	-	-	-
Subtotal		290,664	1,742	-	19,169	(17,427)	288,922	271,495
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,057	3,323	82	3,154	251	734	903
Sub total		4,057	3,323	82	3,154	251	734	903
	Stage 1	6,510	42	-	74	(32)	6,468	6,436
	Stage 2	284,154	1,700	-	19,095	(17,395)	282,454	265,059
	Stage 3	4,057	3,323	82	3,154	251	734	903
Total	Total	294,721	5,065	82	22,323	(17,176)	289,656	272,398
	Total (US\$ '000)	765,509	13,155	213	57,983	(44,615)	752,354	707,526

7.6 Impairment charge and provisions held

	As per CBO norms*	As per IFRS 9	Difference
Impairment loss charged to profit and loss		13,428	-
Provisions required as per CBO norms/ held as per IFRS 9	115,332	103,524	26,747
Gross NPL ratio (percentage)	4.14%	4.14%	-
Net NPL ratio (percentage)	1.53%	1.96%	-0.43%

* CBO provision does not include reserved interest

8 INVESTMENT SECURITIES

2024	2025		2025	2024
US\$ '000	US\$ '000		'000	'000
		Equity investments:		
46,182	54,204	Measured at FVTPL	20,868	17,780
146,804	176,731	Designated at FVOCI	68,042	56,519
192,986	230,935	Total Equity investments	88,910	74,299
		Debt investments:		
545,262	664,547	Measured at FVTPL	255,850	209,927
165,213	304,028	Designated at FVOCI	117,051	63,607
710,475	968,575	Total Debt investments	372,901	273,534
903,461	1,199,510	Total investment securities	461,811	347,833

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

8 INVESTMENT SECURITIES (continued)

The table below summarises the concentration of investments by various sectors.

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
		Equity investments:		
		A. Measured at FVTPL		
		Quoted investments - Oman		
4,904	6,377	Banking and investment sector	2,455	1,888
-	1,816	Manufacturing	699	-
4,904	8,193		3,154	1,888
		Quoted investments - Foreign		
29,981	27,398	Banking and investment sector	10,548	11,543
410	979	Manufacturing	377	158
4,593	5,725	Service sector	2,204	1,768
34,984	34,102		13,129	13,469
		Unquoted investments - Oman		
6,294	11,909	Banking and investment sector	4,585	2,423
46,182	54,204		20,868	17,780
		B. Designated at FVOCI		
		Quoted investments - Oman		
36,735	32,590	Banking and investment sector	12,547	14,142
59,535	76,111	Manufacturing	29,304	22,922
4,039	23,016	Service sector	8,861	1,555
100,309	131,717		50,712	38,619
		Quoted investments - Foreign		
12,530	14,469	Banking and investment sector	5,570	4,824
2,812	3,774	Manufacturing	1,453	1,082
7,589	7,119	Service sector	2,741	2,922
1,953	1,839	Real Estate	708	752
24,884	27,201		10,472	9,580
		Unquoted investments - Oman		
6,887	3,582	Banking and investment sector	1,379	2,652
12,780	11,151	Manufacturing	4,293	4,920
1,271	1,270	Service sector	489	489
20,938	16,003		6,161	8,061
		Unquoted investments - Foreign		
673	1,810	Banking and investment sector	697	259
673	176,731		68,042	56,519
192,986	230,935	Total	88,910	74,299

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

8 INVESTMENT SECURITIES (continued)

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
		A. Designated at FVTPL		
382,839	434,628	Government development bonds	167,331	147,394
2,629	-	Government bonds	-	1,012
159,794	229,919	Government sukuk	88,519	61,521
545,262	664,547		255,850	209,927
		B. Designated at FVOCI		
		Quoted investments - Oman		
78,180	128,814	Government bonds	49,593	30,100
2,219	49,522	Government sukuk	19,066	854
47,543	39,532	Services	15,220	18,304
7,296	17,829	Manufacturing	6,864	2,809
2,643	38,475	Banking and investment	14,813	1,017
137,881	274,172		105,556	53,084
		Quoted investments - Foreign		
27,332	29,856	Banking and investment	11,495	10,523
27,332	29,856		11,495	10,523
165,213	304,028		117,051	63,607
710,475	968,575	Total Debt investments	372,901	273,534
903,461	1,199,510		461,811	347,833

For unquoted investments, the Bank has applied income approach (discounting of cash flows) technique for valuation purpose. Management believes that income approach valuation technique of this investment is representative of the fair value of the underlying assets that are fair valued.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

9 PROPERTY, EQUIPMENT & INTANGIBLES

	Freehold land	Building	Leasehold improvements	Computer and other equipment	Intangibles	Vehicles	Furniture	ROU assets	Capital work in progress	Total
	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Cost:										
At 1 January 2025	10,912	14,387	6,610	11,735	14,234	177	1,757	9,443	4,594	73,849
Additions	-	-	72	399	204	-	22	3,038	4,633	8,368
Transfers	-	-	627	1,002	2,902	-	69	-	(4,600)	-
Disposals / scrapped	-	-	-	-	-	-	-	(1,244)	-	(1,244)
At 31 December 2025	10,912	14,387	7,309	13,136	17,340	177	1,848	11,237	4,627	80,973
Accumulated depreciation and amortization:										
At 1 January 2025	-	3,217	3,634	5,897	7,691	127	747	4,100	-	25,413
Charge for the year	-	575	499	1,107	1,544	19	133	1,501	-	5,378
Disposals / scrapped	-	-	-	-	-	-	-	(1,205)	-	(1,205)
At 31 December 2025	-	3,792	4,133	7,004	9,235	146	880	4,396	-	29,586
Net book value as at 31 December 2025										
₹ '000	10,912	10,595	3,176	6,132	8,105	31	968	6,841	4,627	51,387
US\$ '000	28,342	27,520	8,248	15,928	21,053	82	2,513	17,768	12,017	133,471

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

9 PROPERTY, EQUIPMENT & INTANGIBLES (continued)

	Freehold land	Building	Leasehold improvements	Computer and other equipment	Intangibles	Vehicles	Furniture	ROU assets	Capital work in progress	Total
	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Cost:										
At 1 January 2024	7,091	14,387	5,127	8,241	10,919	185	1,541	7,667	7,861	63,019
Additions	3,821	-	166	398	260	-	25	2,690	4,567	11,927
Transfers	-	-	1,441	3,136	3,055	-	202	-	(7,834)	-
Disposals / scrapped	-	-	(124)	(40)	-	(8)	(11)	(914)	-	(1,097)
At 31 December 2024	10,912	14,387	6,610	11,735	14,234	177	1,757	9,443	4,594	73,849
Accumulated depreciation and amortization:										
At 1 January 2024	-	2,642	3,313	4,977	6,802	107	630	3,417	-	21,888
Charge for the year	-	575	440	938	889	28	125	1,334	-	4,329
Disposals / scrapped	-	-	-	12	-	-	-	-	-	12
Leases closed/ changed during the year	-	-	(119)	(30)	-	(8)	(8)	(651)	-	(816)
At 31 December 2024	-	3,217	3,634	5,897	7,691	127	747	4,100	-	25,413
Net book value as at 31 December 2024										
₹ '000	10,912	11,170	2,976	5,838	6,543	50	1,010	5,343	4,594	48,436
US\$ '000	28,341	29,013	7,729	15,163	16,995	131	2,625	13,878	11,933	125,808

10 LEASES

The Bank has taken various branch premises on lease rental basis which falls under IFRS 16. The leases typically run for an average period of 5-10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Similarly, the Bank has taken certain office equipment (printers) on lease basis which are of short term in nature/leases of low value items. The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases. Disclosure about leases for which the Bank is a lessee is as below:

I. Right of Use Assets

Right-of-use assets related to leased branch and office premises are presented within property and equipment. Refer note 9 for the detailed breakup of those assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

10 LEASES (continued)

II. Amounts recognised in statement of profit or loss

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
515	696	Interest on lease liabilities	268	198
556	627	Expenses relating to short-term leases	241	214
65	171	Expenses relating to leases of low-value assets	66	25
1,136	1,494	Total	575	437

III. Amounts recognised in statement of cash flows

Refer to the cash flow statement for the payment made towards lease liabilities in the year 2025 and 2024.

IV. Lease Liabilities

Refer note 35.2.2 for maturity analysis of liabilities as at 31 December 2025 and 31 December 2024.

11 TAXATION

a) Recognised in the statement of profit or loss

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
16,292	17,264	Current tax	6,646	6,272
1,421	913	Deferred tax	352	547
17,713	18,177		6,998	6,819

b) Tax liability

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
Current tax				
16,292	17,264	- Current year	6,646	6,272
16,284	24,677	- Prior years	9,501	6,270
32,576	41,941		16,147	12,542

c) Deferred tax liability

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
(1,587)	(3,008)	At 1 January	(1,158)	(611)
(1,421)	(913)	Charged during the year	(352)	(547)
(3,008)	(3,921)	At 31 December	(1,510)	(1,158)

d) Movement in Tax Liability

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
33,352	32,576	At 1 January	12,542	12,840
17,713	18,177	Charge for the year	6,998	6,819
(18,489)	(10,421)	Payments during the year	(4,010)	(7,117)
-	1,609	Additional provision made	617	-
32,576	41,941	At 31 December	16,147	12,542

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

11 TAXATION (continued)

e) Relationship between tax expense and accounting profit

The Bank is liable to income tax for the year 2025 in accordance with the income tax laws of the Sultanate of Oman at the rate of 15% (2024: 15%) on taxable profits.

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
125,923	138,492	Accounting profit for the year	53,320	48,481
18,889	20,774	Tax charge @ 15% on accounting profit	7,998	7,272
Add / (less) tax effects of:				
(3,877)	(3,017)	Income not taxable	(1,162)	(1,493)
120	260	Non deductible expense / (income)	100	46
2,581	160	Others	62	994
17,713	18,177	Tax expense	6,998	6,819

The effective tax rate of the Bank for 2025 was 13.12% (2024: 14.07%).

The Bank's tax assessments have been completed by the Tax Authorities upto the year 2021. The Bank has filed an appeal with the tax authorities for the disallowance of interest of Tier-1 perpetual bonds for the assessment year 2018 to 2020 and an objection for the same for the year 2021. The Bank is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Bank's financial position as at 31 December 2025.

12 OTHER ASSETS

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
41,836	30,493	Acceptances	11,740	16,107
9,420	15,291	Prepayments and other receivables	5,887	3,627
2,071	864	Interest and profit receivable	333	797
9,149	676	Derivatives - positive mark-to-market (note 34)	260	3,522
11,679	17,655	Other receivables	6,798	4,495
(138)	(226)	Less: Impairment loss allowance	(87)	(53)
74,017	64,753		24,931	28,496

13 DUE TO BANKS

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
877,797	645,574	Inter-bank deposits	248,546	337,952
15,530	16,276	Vostro account balances	6,266	5,979
893,327	661,850		254,812	343,931

As at December 31, 2025, there were no borrowings under repurchase agreements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

14 CUSTOMERS' DEPOSITS

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
Conventional Banking				
2,865,684	3,407,630	Time deposits	1,311,938	1,103,288
1,760,377	1,460,520	Demand deposits	562,300	677,745
736,592	972,205	Savings deposits	374,299	283,588
<u>5,362,653</u>	<u>5,840,355</u>		<u>2,248,537</u>	<u>2,064,621</u>
Islamic Banking				
797,792	815,583	Time deposits	314,000	307,150
550,616	1,056,677	Demand deposits	406,821	211,987
464,958	488,765	Savings deposits	188,174	179,009
<u>1,813,366</u>	<u>2,361,025</u>		<u>908,995</u>	<u>698,146</u>
<u>7,176,019</u>	<u>8,201,380</u>		<u>3,157,532</u>	<u>2,762,767</u>

15 BORROWED FUNDS

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
-	100,000	Financial institutions	38,500	-

Borrowed funds includes unsecured US Dollar (USD) borrowing from a foreign financial institution. The financial covenants for this borrowing include the requirement for a minimum capital adequacy ratio and other covenants to be maintained by the Bank which have been complied for the year ended December 31, 2025

16 OTHER LIABILITIES

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
41,888	30,493	Acceptances	11,740	16,127
70,995	82,786	Interest and profit payable	31,873	27,333
29,366	17,402	Accrued expenses	6,700	11,306
12,330	16,230	Lease liabilities	6,249	4,747
11,483	13,573	Staff related liabilities	5,226	4,421
468	704	Derivatives - negative mark-to-market (note 34)	271	180
3,818	3,846	Impairment allowance on off balance sheet items	1,481	1,470
5,851	3,922	Deferred tax liabilities	1,510	2,253
4,597	5,023	Matured deposits	1,934	1,770
4,649	5,945	Unearned business fees	2,289	1,790
5,810	16,002	Manager cheque payable	6,161	2,237
10,483	12,906	Others	4,967	4,035
<u>201,738</u>	<u>208,832</u>		<u>80,401</u>	<u>77,669</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

16 OTHER LIABILITIES (continued)

Staff related liabilities includes employee end of service benefits liabilities, the movement during the year is as follows:

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
2,739	2,795	At 1 January	1,077	1,055
200	1,169	Provided during the year (note 28)	450	77
(144)	(1,174)	Payments made during the year	(451)	(55)
<u>2,795</u>	<u>2,790</u>	At 31 December	<u>1,076</u>	<u>1,077</u>

As per the directives of the Financial Services Authority (FSA), the amount of unpaid dividend which is outstanding for more than seven months is required to be transferred to the "Investors' Trust Fund" established by the FSA. During the year unpaid cash dividend amounting to ~~ﷲ~~ 0.006 million was transferred to the "Investors' Trust Fund" (2024: ~~ﷲ~~ 0.007 million).

17 SHARE CAPITAL

The authorised share capital of the Bank is 5,000,000,000 shares of 100 baizas each (31 December 2024: 5,000,000,000 shares of 100 baizas each) out of which 2,706,800,323 shares are issued and fully paid up - 1,949,657,466 shares at 100 baiza per share, 400,000,000 shares at 125 baiza and 357,142,857 shares at 140 baiza (31 December 2024: 2,349,657,466 shares).

Royal Court Affairs, Al Hosn Investment Company SAOC and Social Protection Fund are the shareholders who own 10% or more of the Bank's shares. As at December 31, 2025, shareholding of Royal Court Affairs was 473,690,046 shares equivalent to 17.50% (31 December 2024: NIL), Al Hosn Investment Company SAOC was 357,076,325 shares equivalent to 13.19% (31 December 2024: 357,076,325 shares equivalent to 15.20%) and Social Protection Fund was 276,942,845 shares equivalent to 10.23% (31 December 2024: 256,491,550 shares equivalent to 10.92%).

In August 2025, the Bank successfully completed the rights issue of 357,142,857 shares amounting to ~~ﷲ~~ 50 million as a result of which the Bank's capital increased to ~~ﷲ~~ 294.966 million.

18 LEGAL RESERVE

As required by the Commercial Companies Law of 2019, 10% of the net profit for the year has been transferred to legal reserve. The Bank may resolve to discontinue such annual transfers when the reserve totals one third of the paid up share capital. The reserve is not available for distribution to the shareholders. During the year, ~~ﷲ~~ 4.632 million equivalent to US\$ 12.03 million (31 December 2024: ~~ﷲ~~ 4.166 million equivalent to US\$ 10.82 million) was transferred to legal reserve.

19 DIVIDEND PAID AND PROPOSED

The Board of Directors have recommended dividend of 12 baizas per share (6 baizas per share as cash dividend and 6 baizas per share in the form of mandatory convertible bonds (MCBs)) which is subject to approval of the shareholders at the ensuing Annual General Meeting (31 December 2024: 5 baizas per share as cash dividend and 5 baizas per share in the form of mandatory convertible bonds (MCBs)). The dividend for 2024 was approved by the shareholders in Annual General Meeting and was paid in 2025.

20 TIER 1 SUBORDINATED BONDS

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
<u>465,886</u>	<u>495,803</u>	Tier 1 subordinated bonds	<u>190,884</u>	<u>179,366</u>

In August 2022, the Bank raised additional Tier I Capital of ~~ﷲ~~ 75 million pursuant to the CBO's Basel III Regulations through an issue of Non-Convertible Unsecured Perpetual Additional Tier 1 Bonds. They are redeemable by the Bank at its sole discretion on 11 August 2027 (the "First Call Date") or on any interest payment date thereafter subject to prior consent of CBO. These bonds bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.50% per annum.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

20 TIER 1 SUBORDINATED BONDS (continued)

In December 2023, the Bank raised additional Tier I Capital of ₹ 54 million pursuant to the CBO's Basel III Regulations through an issue of Non-Convertible Unsecured Perpetual Additional Tier 1 Bonds. They are redeemable by the Bank at its sole discretion on 25 December 2028 (the "First Call Date") or on any interest payment date thereafter subject to prior consent of CBO. The Bank redeemed the Tier-1 Capital of ₹ 54 million issued in December 2018 at its discretion. These bonds bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.50% per annum.

In June 2024, the Bank exercised the call option for ₹ 20 million Tier I Perpetual Subordinated bonds which became due on 13 June 2024. This was subsequently replaced with an additional issue of ₹ 40 million which were pursuant to the CBO's Basel III regulation. They are redeemable by the Bank at its sole discretion on 27 June 2029 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of CBO. These bonds bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.25% per annum.

The interest rates will be reset at five year intervals. Interest will be payable semi annually in arrears and treated as deduction from equity. Interest is non cumulative and payable at Bank's discretion.

In April 2024, the Bank has issued 103,661,359 of mandatory convertible bonds (MCBs) at a price of 102 baizas (including issue expenses of 2 baizas per MCB) which was approved by the Central Bank of Oman, Board of Directors and shareholders of the Bank at the Annual General Meeting. The MCBs will bear an annual coupon of 6% payable semi-annually. The MCBs will be mandatorily converted into New Ordinary Shares on the second anniversary of the Issue Date, at the fixed contractual conversion price of 145 baizas per New Ordinary Share. Further, during April 2025, 115,179,287 MCBs were issued on the same terms which will be converted into New Ordinary Shares in April 2027.

The Bank at its sole discretion may elect not to distribute interest on these Tier 1 subordinated bonds and this is not considered as an event of default. If the Bank does not pay interest on the Tier 1 subordinated bonds on the relevant interest payment date, the Bank shall not have any obligation to make any subsequent payment in respect of any unpaid interest payment amount. If interest is not paid as a consequence of a non payment event or a non payment election, then from the date of such Non-Payment Event or Non-Payment Election (the "Dividend Stopper Date"), the Bank will not, so long as any of the Bonds are outstanding declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, the ordinary shares of the Bank, ranking junior to or pari passu with the Tier 1 capital securities unless and until it has paid one interest payment in full on the Tier 1 capital securities. The Tier 1 capital securities also allow the bank to write down (in whole or in part) any amounts due to the holders of the securities under certain circumstances.

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

21 NET ASSETS VALUE PER SHARE

Net assets value per share is calculated by dividing the net assets with the issued and paid up shares at end of the year.

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
983,514	1,169,864	Net assets	450,398	378,653
2,349,657	2,706,800	Issued and paid up shares (in 000's) at 31 December	2,706,800	2,349,657
42	43	Net asset value per share (US cents /baizas)	166	161

22 CONTINGENT LIABILITIES AND COMMITMENTS

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
332,943	419,331	Financial guarantees	161,442	128,183
160,099	149,721	Letters of credit	57,642	61,638
126,787	191,260	Loan commitments	73,635	48,813
11,653	6,776	Capital commitments	2,609	4,486
631,482	767,088		295,328	243,120

As at December 31, 2025, guarantees of ₹ 0.110 million equivalent to US\$ 0.29 million were issued against counter guarantees of other banks (December 31, 2024: ₹ 0.118 million equivalent to US\$ 0.31 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

22 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal cases

As at 31 December 2025, there were certain legal suits pending against the Bank. Based on the opinion of the Bank's legal counsel, the Bank's management believes that no additional liability is expected to arise from these cases and therefore does not consider it necessary to make any additional provisions in this regard.

23 INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
372,527	383,574	Loans and advances	147,676	143,423
28,958	31,639	Investments	12,181	11,149
4,319	3,122	Due from banks	1,202	1,663
405,804	418,335		161,059	156,235
94,741	108,268	Islamic financing	41,683	36,475
10,960	11,304	Islamic investment and due from banks	4,352	4,220
105,701	119,572		46,035	40,695
511,505	537,907	Total	207,094	196,930

24 INTEREST EXPENSE AND UNRESTRICTED INVESTMENT ACCOUNT HOLDERS' SHARE OF PROFIT AND PROFIT EXPENSE

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
168,423	161,919	Time deposits	62,339	64,843
68,262	67,948	Demand and saving deposits	26,160	26,281
5,096	3,868	Borrowings	1,489	1,962
12,857	10,556	Inter-bank deposits	4,064	4,950
254,638	244,291		94,052	98,036
64,668	73,956	Islamic customer deposits	28,473	24,897
247	208	Islamic Inter-bank borrowings	80	95
64,915	74,164		28,553	24,992
319,553	318,455	Total	122,605	123,028

25 OTHER OPERATING INCOME

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
(299)	57	Gain on sale of investments, net	22	(115)
17,210	12,618	Foreign exchange gain, net	4,858	6,626
9,618	14,366	Dividend income	5,531	3,703
17,169	7,644	Unrealised gain on FVTPL investments, net	2,943	6,610
-	4,644	Others	1,788	-
43,698	39,329		15,142	16,824

Other income includes an insurance claim amount received from the loss adjuster relating to a claim made during the year 2024.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

26 DISAGGREGATION OF FEE AND COMMISSION INCOME, NET

IFRS 15 requires the disclosure of disaggregated revenue earned from contracts with customers for major products/ service lines. The below table provides disaggregation of fees and other income and commission with the Bank's reportable segments:

	2025			2024		
	Retail banking	Wholesale banking, treasury and investment banking	Total	Retail banking	Wholesale banking, treasury and investment banking	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Disaggregated income						
Service charges	1,691	800	2,491	1,496	838	2,334
Fees income	5,428	11,150	16,578	3,672	12,153	15,825
Commission income	118	1,857	1,975	163	1,576	1,739
Total fee and commission income	7,237	13,807	21,044	5,331	14,567	19,898
Fee expense	(2,921)	-	(2,921)	(2,319)	-	(2,319)
Net fee and commission income	4,316	13,807	18,123	3,012	14,567	17,579

	2025			2024		
	Retail banking	Wholesale banking, treasury and investment banking	Total	Retail banking	Wholesale banking, treasury and investment banking	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Disaggregated income						
Service charges	4,392	2,078	6,470	3,886	2,177	6,063
Fees income	14,099	28,961	43,060	9,538	31,565	41,103
Commission income	308	4,822	5,130	424	4,092	4,516
Total fee and commission income	18,799	35,861	54,660	13,848	37,834	51,682
Fee expense	(7,587)	-	(7,587)	(6,023)	-	(6,023)
Net fee and commission income	11,212	35,861	47,073	7,825	37,834	45,659

27 NET IMPAIRMENT ON FINANCIAL ASSETS

2024	2025		2025	2024
US\$ '000	US\$ '000		US\$ '000	US\$ '000
		Net impairment charge		
(163)	83	Due from banks	32	(63)
48,054	61,617	Loans, advances and financing (net of recoveries)	23,723	18,502
(36)	5	Investment securities	2	(14)
22	88	Other assets	34	9
(597)	21	Loan commitments and financial guarantees	8	(230)
(562)	(1,655)	Recovery of loans written off earlier	(637)	(216)
46,718	60,159		23,162	17,988
(11,842)	(19,990)	Less: Interest reserved during the period	(7,697)	(4,560)
34,876	40,169		15,465	13,428

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

28 STAFF EXPENSES

2024	2025		2025	2024
US\$ '000	US\$ '000		US\$ '000	US\$ '000
61,914	64,668	Salaries and allowances	24,897	23,837
4,860	3,530	Other staff costs	1,359	1,871
5,151	5,948	Contribution to social insurance schemes	2,290	1,983
200	1,169	Employees end of service benefits (note 16)	450	77
72,125	75,315		28,996	27,768

29 OTHER OPERATING EXPENSES

2024	2025		2025	2024
US\$ '000	US\$ '000		US\$ '000	US\$ '000
32,657	33,223	Operating and administration costs	12,791	12,573
3,597	3,782	Occupancy costs	1,456	1,385
886	904	Board related expenses	348	341
37,140	37,909		14,595	14,299

30 BASIC AND DILUTED EARNINGS PER SHARE

2024	2025		2025	2024
US\$ '000	US\$ '000		US\$ '000	US\$ '000
108,210	120,315	Profit for the year	46,322	41,662
(31,741)	(35,178)	Less: AT1 Interest paid during the year	(13,543)	(12,220)
76,469	85,137	Profit Attributable to Equity Shareholders	32,779	29,442
2,349,657	2,496,429	Weighted average number of outstanding shares during the year for Basic EPS (in 000's)	2,496,429	2,349,657
2,453,319	2,857,725	Weighted average number of outstanding shares during the year for diluted EPS (in 000's)	2,857,725	2,453,319
3	3	Basic Earnings per share (cents/baizas)	13	13
3	3	Diluted Earnings per share (cents/baizas)	12	12

Earnings per share for the current and prior period have been calculated using the weighted average shares outstanding for the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

31 RELATED PARTY TRANSACTIONS

The Bank enters into transactions with major shareholders, directors, senior management and their related entities in the ordinary course of business at commercial terms as approved by the board.

The year end balances in respect of related parties included in the statement of financial position are as follows:

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
		Directors and senior management		
5,499	5,992	Loans, advances and financing, gross	2,307	2,117
3,265	3,840	- secured	1,479	1,257
2,234	2,150	- unsecured	828	860
7,694	9,036	Customers' deposits	3,479	2,962
		Major shareholders, its parent company & its subsidiaries		
3,055	1,855	Due from banks	714	1,176
		Other assets		
997	-	- Fair value of swaps	-	384
2,184	2,519	Due to banks	970	841
		Bank's investment fund		
688	714	Investments securities	275	265

Loans & advances and financing provided to directors and senior management are not credit impaired at the reporting date and ECL allowance was calculated based on expected credit losses.

The related maturity profile and interest rate risk is given in note 35.2.2 and 35.3.2 respectively.

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
		Directors and senior management		
517	405	Interest income	156	199
309	306	Interest expense	118	119
779	779	Board remuneration proposed	300	300
105	124	Board sitting fees	48	41
80	80	Shariah Supervisory Board expenses	31	21
		Major shareholders, its parent company & its subsidiaries		
1,678	-	- Loss on fair value of interest rate swaps	-	646

As at 31 December 2025, guarantees were issued to beneficiaries on behalf of related party amounting to ₹ 0.110 million equivalent to US\$ 0.286 million (31 December 2024: ₹ 0.118 million equivalent to US\$ 0.307 million).

The key management comprises of 5 members (2024: 5 members) of the management committee. Total remuneration paid during the year was ₹ 2.033 million for 2025 (2024: 1.745 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL INSTRUMENTS CLASSIFICATION

The following table provides a reconciliation between lines in the statement of financial position and categories of financial instruments:

Particulars	Note	2025				
		Amortised cost	FVOCI-debt instruments	FVOCI-equity instruments	FVTPL	Total
		₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Financial assets						
Cash and balances with Central Bank of Oman	5	140,031	-	-	-	140,031
Due from banks	6	64,153	-	-	-	64,153
Loans, advances and financing, net	7	3,446,361	-	-	-	3,446,361
Investment securities	8	-	117,051	68,042	276,718	461,811
Other assets - acceptances, interest and profit receivable	12	12,072	-	-	-	12,072
Forward foreign exchange contracts		-	-	-	183	183
Derivatives - positive mark-to-market		-	77	-	-	77
Financial liabilities						
Due to banks	13	254,812	-	-	-	254,812
Customers' deposits	14	3,157,532	-	-	-	3,157,532
Borrowed funds	15	38,500	-	-	-	38,500
Other liabilities - acceptances, interest and profit payable and matured deposits	16	45,546	-	-	-	45,546
Forward foreign exchange contracts		-	-	-	207	207
Derivatives - negative mark-to-market		-	64	-	-	64

Particulars	Note	2025				
		Amortised cost	FVOCI-debt instruments	FVOCI-equity instruments	FVTPL	Total
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets						
Cash and balances with Central Bank of Oman	5	363,720	-	-	-	363,720
Due from banks	6	166,628	-	-	-	166,628
Loans, advances and financing, net	7	8,951,588	-	-	-	8,951,588
Investment securities	8	-	304,028	176,731	718,751	1,199,510
Other assets - acceptances, interest and profit receivable	12	31,357	-	-	-	31,357
Forward foreign exchange contracts		-	-	-	475	475
Derivatives - positive mark-to-market		-	201	-	-	201
Financial liabilities						
Due to banks	13	661,850	-	-	-	661,850
Customers' deposits	14	8,201,380	-	-	-	8,201,380
Borrowed funds	15	100,000	-	-	-	100,000
Other liabilities - acceptances, interest and profit payable and matured deposits	16	118,302	-	-	-	118,302
Forward foreign exchange contracts		-	-	-	538	538
Derivatives - negative mark-to-market		-	165	-	-	165

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

32 FINANCIAL INSTRUMENTS CLASSIFICATION (continued)

Particulars	Note	2024				Total ₹ '000
		Amortised cost	FVOCI-debt instruments	FVOCI-equity instruments	FVTPL	
		₹ '000	₹ '000	₹ '000	₹ '000	
Financial assets						
Cash and balances with Central Bank of Oman	5	194,552	-	-	-	194,552
Due from banks	6	113,331	-	-	-	113,331
Loans, advances and financing, net	7	3,022,280	-	-	-	3,022,280
Investment securities	8	-	63,607	56,519	227,707	347,833
Other assets - acceptances and interest and profit receivable	12	16,904	-	-	-	16,904
Forward foreign exchange contracts		-	-	-	1,575	1,575
Derivatives - positive mark-to-market		-	1,947	-	-	1,947
Financial liabilities						
Due to banks	13	343,931	-	-	-	343,931
Customers' deposits	14	2,762,767	-	-	-	2,762,767
Other liabilities - acceptances, interest and profit payable and matured deposit	16	45,230	-	-	-	45,230
Forward foreign exchange contracts		-	-	-	63	63
Derivatives - negative mark-to-market		-	117	-	-	117

Particulars	Note	2024				Total US\$ '000
		Amortised cost	FVOCI-debt instruments	FVOCI-equity instruments	FVTPL	
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Financial assets						
Cash and balances with Central Bank of Oman	5	505,330	-	-	-	505,330
Due from banks	6	294,366	-	-	-	294,366
Loans, advances and financing, net	7	7,850,078	-	-	-	7,850,078
Investment securities	8	-	165,213	146,804	591,444	903,461
Other assets - acceptances and interest and profit receivable	12	43,906	-	-	-	43,906
Forward foreign exchange contracts		-	-	-	4,091	4,091
Derivatives - positive mark-to-market		-	5,057	-	-	5,057
Financial liabilities						
Due to banks	13	893,327	-	-	-	893,327
Customers' deposits	14	7,176,019	-	-	-	7,176,019
Other liabilities - acceptances, interest and profit payable and matured deposit	16	117,481	-	-	-	117,481
Forward foreign exchange contracts		-	-	-	164	164
Derivatives - negative mark-to-market		-	304	-	-	304

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

33 ESTIMATION OF FAIR VALUES

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

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, a reasonable estimate of the fair value is determined by reference to the current market value of a similar investment, or is based on the expected discounted cash flows. Investments having short term maturities are not discounted.

Other financial instruments

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

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

Fair Value Measurement recognised in Statement of Financial Position

Level 1 - Quoted prices (unadjusted) in active markets.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs that are not based on observable market data

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

	31 December 2025				31 December 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Financial assets:								
Investments at FVTPL	8,741	267,977	-	276,718	3,099	221,848	-	224,947
Investments at FVOCI	46,700	133,611	4,782	185,093	33,254	80,626	5,409	119,289
Derivative financial instruments								
Interest rate swaps	-	77	-	77	-	1,947	-	1,947
Forward foreign exchange contracts	183	-	-	183	1,575	-	-	1,575
	<u>55,624</u>	<u>401,665</u>	<u>4,782</u>	<u>462,071</u>	<u>37,928</u>	<u>304,421</u>	<u>5,409</u>	<u>347,758</u>
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	64	-	64	-	117	-	117
Forward foreign exchange contracts	207	-	-	207	63	-	-	63
	<u>207</u>	<u>64</u>	<u>-</u>	<u>271</u>	<u>63</u>	<u>117</u>	<u>-</u>	<u>180</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

33 ESTIMATION OF FAIR VALUES (continued)

Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	22,703	696,048	-	718,751	8,049	576,228	-	584,277	
Investments at FVOCI	121,298	347,040	12,421	480,759	86,374	209,419	14,050	309,843	
Derivative financial instruments									
Interest rate swaps	-	201	-	201	-	5,058	-	5,058	
Forward foreign exchange contracts	475	-	-	475	4,091	-	-	4,091	
	<u>144,476</u>	<u>1,043,289</u>	<u>12,421</u>	<u>1,200,186</u>	<u>98,514</u>	<u>790,705</u>	<u>14,050</u>	<u>903,269</u>	
Financial liabilities									
Derivative financial instruments									
Interest rate swaps	-	165	-	165	-	304	-	304	
Forward foreign exchange contracts	538	-	-	538	164	-	-	164	
	<u>538</u>	<u>165</u>	<u>-</u>	<u>703</u>	<u>164</u>	<u>304</u>	<u>-</u>	<u>468</u>	

As of 31 December 2025, level 3 equity investments were valued on the basis of fair valuation carried out in accordance with appropriate valuation techniques based on income approach by discounting of cash flows. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, using the best information available in the circumstances.

34 DERIVATIVES HELD FOR RISK MANAGEMENT AND HEDGE ACCOUNTING

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 are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Unrealised gains and losses are either recognised in profit and loss or in other comprehensive income. The Bank uses the following derivative financial instruments:

Derivative product types

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

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

Cross-currency interest rate swaps are contractual agreements between two parties to exchange nominals and periodically exchange interest payments in two currencies.

Derivatives held for hedging purposes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 DERIVATIVES HELD FOR RISK MANAGEMENT AND HEDGE ACCOUNTING (continued)

Fair value hedges of interest rate risk

The Bank uses interest rate swaps/ cross currency interest rate swap to hedge its exposure to changes in fair values of fixed-rate investments in respect of a benchmark interest rate. Interest rate swaps/ cross currency interest rate swaps are matched to specific purchases of investments and borrowings.

The Bank hedges interest rate risk only to the extent of benchmark interest rates. The benchmark rate is a component of interest rate risk that is observable in relevant environments. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship.

When fair value hedge accounting is applied by the Bank, the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item.

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

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totalling to ~~₹~~ 17.710 million equivalent to US\$ 46.00 million (2024: ~~₹~~ 25.588 million equivalent to US\$ 66.46 million). These hedged items comprise of debt instruments which are held as FVOCI.

Cash flow hedge

The Bank uses interest rate swaps to hedge the cash flow volatility risk on its borrowed funds and pay fixed/receive floating interest rate in respect of USD SOFR interest rate. The Bank hedges interest rate risk to the extent of benchmark interest rate exposure on its floating-rate notes to mitigate variability in its cash flows. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

35 FINANCIAL RISK MANAGEMENT

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

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

In addition, the Bank is in the process of identifying climate risk and acknowledges this as an emerging risk arising from financial instruments that may have growing impact on Bank's activities.

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has approved the Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Executive Risk Committee of the Board under the oversight of the Board is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Executive Risk Committee of the Board is assisted in these functions by the Risk Management Department. The Risk Management Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Executive Risk Committee.

35.1 CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans & advances and financing to customers, due from banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.1 Management of credit risk

The Board has delegated responsibility for the monitoring of credit risk to its Executive Risk Committee. A separate Risk Management Department, reporting to the chairman of the Executive Risk Committee, is responsible for the following:

- formulating credit risk policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the authorisation structure for the approval and renewal of credit facilities;
- reviewing and assessing credit risk. The Board's Executive Risk Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. The process also includes review and approval of borrower ratings by credit risk as arrived at by the business units;
- limiting concentrations of exposure to counterparties, geographies and industries (for loans & advances and financing, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities);
- developing and maintaining the Bank's risk gradings in order to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 10 grades reflecting varying degrees of risk of default. Risk grades are subject to regular review by credit risk. The responsibility for setting risk grades lies with the delegated approving authorities including committees, as appropriate. ;
- developing and maintaining the Bank's processes for measuring Expected Credit Losses ("ECL"). This includes processes for: initial approval, regular validation and back testing of the models used; determining and monitoring significant increase in credit risk; and incorporating of forward-looking information.
- reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on credit quality of portfolios are provided to Credit Risk Management Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances. Ensuring to be within the single obligor limit and also within the concentration risk limit for various sectors, which are continuously monitored; and
- providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement Bank's credit risk policies and procedures, with credit approval authorities delegated from the Board. Business units have their counter parts in risk management, having specialised expertise in managing risks typical to these business units. Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit Department.

The Bank employs a range of policies and practices to mitigate credit risk. The Bank follows a risk mitigation practice of identifying business cash flows as the primary take out for the loans & advances and financing extended. These cash flows are then tested for sustainability over the tenor of the credit facility and a suitable mechanism is put in place to capture the same into the borrowers account with the Bank. To cover unforeseen risks, which dry up the cash flows, additional tangible securities are taken such as real estate or equity shares. The Bank implements guidelines on the acceptability of specific classes of collateral credit risk mitigation. The principal types of collaterals for loans & advances and financing are:

- mortgages over properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equity securities.

Longer-term finance and lending to corporate borrowers are generally secured; revolving individual credit facilities are generally unsecured from a collateral perspective, whereas credit risk is primarily mitigated through capture of business cash flows. In addition, in order to minimise the credit loss, the Bank seeks additional collateral from the borrower as soon as impairment indicators are noticed for the relevant individual loans & advances and financing. Collateral held as security for financial assets other than loans & advances and financing, is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured other than certain assets where hedging strategy is considered.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.2 Credit risk measurement

(a) Loans and advances (including Loan commitments and guarantees)

Corporate and SME credit

Risk department is responsible for independent assessment and control of risks related to all corporate and Small and Medium Enterprise exposures. The credit risk associated with corporate loans is assessed based on analysis of customer and the industry in which it operates. The credit rating acts as a key factor in credit decisions at the time of approval and subsequent credit reviews. The department reviews and assesses credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews are also subject to same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries, grades etc, and deviations, if any are highlighted. The Bank has implemented a customised Moody's Credit Lens model for risk rating of 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 and public exposures. The Bank undertakes sector review of its exposure to real estate, construction, healthcare etc. A comprehensive review of the corporate credit portfolio is conducted on regular basis and provided to the executive management and Risk committee. The salient areas covered in the review include:

- Exposures downgraded / negatively migrated.
- Portfolio concentration / performance.
- Position of restructured exposures.
- Position of past due exposures.
- Syndicated exposures.
- Exposure to countries / financial institutions.

Retail credit

Retail credit department manages the credit risk in retail portfolio. Credit facilities are offered to retail customers primarily based on product programmes approved by Risk committee. The retail credit book is classified into performing and non performing loans at monthly intervals. The risk department prepares list of classified accounts based on the risk rating policy of the Bank. A review of retail credit portfolio is conducted on half yearly basis and provided to the board sub committees. Salient areas covered in the review include:

- Portfolio quality
- NPA trends
- Identifying the delinquency factors.

Loan review mechanism

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

(b) Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank's internal Risk Rating (RR) system is developed as a 10 grade system - enumerated from RR 1 to RR 10 - to risk rate a customer and to associate a default probability to each rating grade. The ratings will also assist studying the distribution of borrowers, grade wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing Loans (NPL) etc. Risk appetite/ Policy limits will also be set in terms of how much of exposure the Bank expects in various grade bands. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.2 Credit risk measurement (continued)

(b) Credit risk grading (continued)

Credit quality rating	Risk Rating (RR)	Classification
Standard	RR1 to RR6	Not credit impaired on initial recognition- classified under 'Stage 1'.
Special Mention	RR7	Identified SICR since initial recognition but is not deemed to be credit impaired- Classified under 'Stage 2'.
Non performing	RR8 to RR10	Credit impaired- Classified under 'Stage 3'.

35.1.3 Exposure to credit risk

The following table contains an analysis of gross carrying amount financial assets / off balance sheet items by credit risk grading wise measured at amortised cost

	2025			
	Stage 1	Stage 2	Stage 3	Total
	₹ '000	₹ '000	₹ '000	₹ '000
Loans, advances and financing				
Performing loans (Risk rating 1-6)	3,009,256	174,186	-	3,183,442
Special mention loans (Risk rating 7)	-	241,135	-	241,135
Non performing loans (Risk rating 8-10)	-	-	146,781	146,781
Gross carrying amount (₹ '000)	3,009,256	415,321	146,781	3,571,358
Gross carrying amount (US\$ '000)	7,816,249	1,078,758	381,249	9,276,256
Loss allowance (₹ '000)	8,622	28,113	88,262	124,997
Loss allowance (US\$ '000)	22,395	73,021	229,252	324,668
Total loans, advances and financing, net (₹ '000)	3,000,634	387,208	58,519	3,446,361
Total loans, advances and financing, net (US\$ '000)	7,793,854	1,005,737	151,997	8,951,588
Corporate Loans, advances and financing				
Performing loans (Risk rating 1-6)	2,028,083	170,010	-	2,198,093
Special mention loans (Risk rating 7)	-	238,821	-	238,821
Non performing loans (Risk rating 8-10)	-	-	127,983	127,983
Gross carrying amount (₹ '000)	2,028,083	408,831	127,983	2,564,897
Gross carrying amount (US\$ '000)	5,267,746	1,061,902	332,423	6,662,071
Loss allowance (₹ '000)	7,642	27,980	76,396	112,018
Loss allowance (US\$ '000)	19,850	72,676	198,431	290,957
Retail Loans, advances and financing				
Performing loans (Risk rating 1-6)	981,173	4,176	-	985,349
Special mention loans (Risk rating 7)	-	2,314	-	2,314
Non performing loans (Risk rating 8-10)	-	-	18,798	18,798

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.3 Exposure to credit risk (continued)

	2025			
	Stage 1	Stage 2	Stage 3	Total
	₹ '000	₹ '000	₹ '000	₹ '000
Gross carrying amount (₹ '000)	981,173	6,490	18,798	1,006,461
Gross carrying amount (US\$ '000)	2,548,502	16,857	48,826	2,614,185
Loss allowance (₹ '000)	980	133	11,866	12,979
Loss allowance (US\$ '000)	2,545	345	30,821	33,711
Credit related contingent items				
Performing grades (Risk rating 1-6)	250,857	36,746	6	287,609
Special mention grades (Risk rating 7)	-	4,521	-	4,521
Non performing loans (Risk rating 8-10)	-	-	589	589
Gross carrying amount (₹ '000)	250,857	41,267	595	292,719
Gross carrying amount (US\$ '000)	651,580	107,187	1,545	760,312
Loss allowance (₹ '000)	195	1,126	162	1,483
Loss allowance (US\$ '000)	506	2,923	421	3,850
Due from banks (including balances with CBO)				
Performing banks (rated)	185,469	236	-	185,705
Gross carrying amount (₹ '000)	185,469	236	-	185,705
Gross carrying amount (US\$ '000)	481,737	613	-	482,350
Loss allowance (₹ '000)	37	9	-	46
Loss allowance (US\$ '000)	96	23	-	119
Investment securities				
Performing grades (Risk rating 1-6)	117,051	-	-	117,051
Gross carrying amount (₹ '000)	117,051	-	-	117,051
Gross carrying amount (US\$ '000)	304,029	-	-	304,029
Loss allowance (₹ '000)	64	-	-	64
Loss allowance (US\$ '000)	166	-	-	166
Other assets				
Performing grades (Risk rating 1-6)	7,568	2,534	-	10,102
Special mention grades (Risk rating 7)	-	1,638	-	1,638
Gross carrying amount (₹ '000)	7,568	4,172	-	11,740
Gross carrying amount (US\$ '000)	19,655	10,836	-	30,493
Loss allowance (₹ '000)	8	79	-	87
Loss allowance (US\$ '000)	21	205	-	226

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.3 Exposure to credit risk (continued)

	2024			
	Stage 1	Stage 2	Stage 3	Total
	₹ '000	₹ '000	₹ '000	₹ '000
Loans, advances and financing				
Performing loans (Risk rating 1-6)	2,528,941	191,285	-	2,720,226
Special mention loans (Risk rating 7)	-	274,567	-	274,567
Non performing loans (Risk rating 8-10)	-	-	129,407	129,407
Gross carrying amount (₹ '000)	2,528,941	465,852	129,407	3,124,200
Gross carrying amount (US\$ '000)	6,568,678	1,210,005	336,122	8,114,805
Loss allowance (₹ '000)	3,665	30,571	67,684	101,920
Loss allowance (US\$ '000)	9,519	79,406	175,802	264,727
Total loans, advances and financing, net (₹ '000)	2,525,276	435,281	61,723	3,022,280
Total loans, advances and financing, net (US\$ '000)	6,559,159	1,130,600	160,319	7,850,078
Corporate Loans, advances and financing				
Performing loans (Risk rating 1-6)	1,704,631	187,629	-	1,892,260
Special mention loans (Risk rating 7)	-	270,470	-	270,470
Non performing loans (Risk rating 8-10)	-	-	114,435	114,435

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.3 Exposure to credit risk (continued)

	2024			
	Stage 1	Stage 2	Stage 3	Total
	₹ '000	₹ '000	₹ '000	₹ '000
Gross carrying amount (₹ '000)	1,704,631	458,099	114,435	2,277,165
Gross carrying amount (US\$ '000)	4,427,611	1,189,869	297,234	5,914,714
Loss allowance (₹ '000)	2,011	30,326	57,770	90,107
Loss allowance (US\$ '000)	5,223	78,769	150,052	234,044
Retail Loans, advances and financing				
Performing loans (Risk rating 1-6)	824,309	3,657	-	827,966
Special mention loans (Risk rating 7)	-	4,097	-	4,097
Non performing loans (Risk rating 8-10)	-	-	14,972	14,972
Gross carrying amount (₹ '000)	824,309	7,754	14,972	847,035
Gross carrying amount (US\$ '000)	2,141,063	20,140	38,888	2,200,091
Loss allowance (₹ '000)	1,654	245	9,914	11,813
Loss allowance (US\$ '000)	4,296	636	25,751	30,683
Credit related contingent items				
Performing grades (Risk rating 1-6)	189,211	44,173	-	233,384
Special mention grades (Risk rating 7)	-	4,198	-	4,198
Non performing loans (Risk rating 8-10)	-	-	1,052	1,052
Gross carrying amount (₹ '000)	189,211	48,371	1,052	238,634
Gross carrying amount (US\$ '000)	491,458	125,639	2,732	619,829
Loss allowance (₹ '000)	181	1,054	240	1,475
Loss allowance (US\$ '000)	470	2,736	623	3,829
Due from banks (including balances with CBO)				
Performing banks (rated)	288,969	-	-	288,969
Performing banks (unrated)	-	-	-	-
Gross carrying amount (₹ '000)	288,969	-	-	288,969
Gross carrying amount (US\$ '000)	750,568	-	-	750,568
Loss allowance (₹ '000)	14	-	-	14
Loss allowance (US\$ '000)	36	-	-	36
Investment securities				
Performing grades (Risk rating 1-6)	63,607	-	-	63,607
Gross carrying amount (₹ '000)	63,607	-	-	63,607
Gross carrying amount (US\$ '000)	165,213	-	-	165,213
Loss allowance (₹ '000)	62	-	-	62
Loss allowance (US\$ '000)	161	-	-	161
Other assets				
Performing grades (Risk rating 1-6)	9,765	5,257	-	15,022
Special mention grades (Risk rating 7)	-	1,085	-	1,085
Gross carrying amount (₹ '000)	9,765	6,342	-	16,107
Gross carrying amount (US\$ '000)	25,362	16,473	-	41,835
Loss allowance (₹ '000)	10	43	-	53
Loss allowance (US\$ '000)	26	112	-	138

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.3 Exposure to credit risk (continued)

Risk mitigation policies

The Bank manages, limits and controls concentration of credit risk in particular, with respect to individual counterparties and groups / Industries. The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers. Such risks are monitored and reviewed periodically by the Executive & Credit committee.

Maximum exposure to credit risk before collateral held or other credit enhancements

Net maximum exposure	Gross maximum exposure	Net maximum exposure	Gross maximum exposure		Gross maximum exposure	Net maximum exposure	Gross maximum exposure	Net maximum exposure
2024	2024	2025	2025		2025	2025	2024	2024
US\$ '000	US\$ '000	US\$ '000	US\$ '000		₹ '000	₹ '000	₹ '000	₹ '000
				Balances with Central Bank of Oman	121,507	121,507	176,149	176,149
457,530	457,530	315,601	315,601	Due from banks	64,198	64,153	113,345	113,331
294,366	294,403	166,631	166,749	Loans, advances and financing	3,571,358	3,446,361	3,124,200	3,022,280
7,850,078	8,114,805	8,951,588	9,276,256	-Corporate	2,564,897	2,452,878	2,277,165	2,188,692
5,684,914	5,914,714	6,371,114	6,662,070	-Retail	1,006,461	993,483	847,035	833,588
2,165,164	2,200,091	2,580,474	2,614,186	Investment securities	117,051	116,987	63,607	63,545
165,052	165,213	303,862	304,028	Other assets	11,740	11,740	16,094	16,904
43,906	43,906	30,493	30,493	Derivative financial instruments	260	260	3,521	3,521
9,147	9,147	676	676	Total on balance sheet exposure	3,886,114	3,761,008	3,502,885	3,400,888
8,833,478	9,098,403	9,768,851	10,093,803	Loan commitments	73,635	73,635	48,813	48,813
126,787	126,787	191,260	191,260	Financial guarantees and letters of credit	219,084	219,084	189,821	189,821
493,042	493,042	569,052	569,052	Total off balance sheet exposure	292,719	292,719	238,634	238,634
619,829	619,829	760,312	760,311	Grand total	4,178,833	4,053,727	3,741,520	3,639,523
9,453,308	9,718,233	10,529,163	10,854,114					

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, charges, liens on deposits and guarantees wherever required.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.4 Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has guidelines regarding the acceptability of types of collateral and valuation parameters. The principal collateral types for loans & advances and financing are as follows:

- Charges over business assets such as premises, inventory and accounts receivable
- Lien on deposits
- Cash margins
- Mortgages over residential and commercial properties

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

The fair value of collateral that the bank holds relating to loans & advances and financing that are credit impaired at the reporting date as at 31 December 2025 was ₹ 60.440 million equivalent to US\$ 156.94 million (2024: ₹ 51.478 million equivalent to US\$ 133.71 million). Collateral amounting to ₹ 2,039.402 million equivalent to US\$ 5,297.148 million (2024: ₹ 1,826.750 million equivalent to US\$ 4,744.81 million) are against loans & advances and financing which are not credit impaired.

35.1.5 Loans written off / recovery based on enforcement activity

The Bank makes certain technical write off of loans & advances that are still subject to enforcement activity. There were no such technical write offs during the year 2025.

35.1.6 Expected credit loss (ECL) measurement

Overview of ECL principles

IFRS 9 had fundamentally changed the Bank's financing loss impairment method by replacing incurred loss approach with a forward looking ECL approach. The Bank has been recording 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.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank has established a policy to perform an assessment on a monthly basis 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.

Measuring ECL-Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12MPD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amount the bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made it the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made it the default occurs over the remaining expected lifetime of the loan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Measuring ECL-Explanation of inputs, assumptions and estimation techniques (continued)

The ECL is determined by projected the PD, LGD and EAD for each future month and for each individual exposure of collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).this effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12 months PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loan. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

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

Stage 1

When financing are 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 lifetime ECLs. 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 lifetime ECLs.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Generating the term structure of probability of default (PD)

Risk ratings are the primary input into determination of PD term structure for credit exposures. Default and performing information is collected for each credit exposure and analysed by borrower and respective risk rating. Statistical models are utilize to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

ECL exposure of financial assets and off-balance sheet

The following table contains an analysis of stagewise reconciliation of gross carrying amount/loss allowance from the opening to the closing balance of financial assets/off balance sheet items by class of financial instrument.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Movement in gross carrying amount

	2025			Total ₹ '000	Total US\$ '000
	Stage 1 ₹ '000	Stage 2 ₹ '000	Stage 3 ₹ '000		
Loans, advances and financing at Amortised cost					
Balance at 1 January	2,528,941	465,852	129,407	3,124,200	8,114,805
Transfer between stages					
- Transfer to Stage 1	89,769	(87,217)	(2,552)	-	-
- Transfer to Stage 2	(66,702)	67,037	(335)	-	-
- Transfer to Stage 3	(3,453)	(12,504)	15,957	-	-
Re-measurement of outstanding	87,134	(9,235)	5,510	83,409	216,649
Financial assets originated during the period	475,539	7,721	-	483,260	1,255,221
Financial assets matured during the period	(101,972)	(16,333)	(169)	(118,474)	(307,725)
Write off	-	-	(1,037)	(1,037)	(2,694)
Balance at 31 December	3,009,256	415,321	146,781	3,571,358	9,276,256
2025					
	Stage 1	Stage 2	Stage 3	Total	Total
	₹ '000	₹ '000	₹ '000	₹ '000	US\$ '000
Corporate Loans, advances and financing at Amortised cost					
Balance at 1 January	1,704,632	458,098	114,435	2,277,165	5,914,714
Transfer between stages					
- Transfer to Stage 1	83,554	(83,554)	-	-	-
- Transfer to Stage 2	(63,433)	63,433	-	-	-
- Transfer to Stage 3	(549)	(11,075)	11,624	-	-
Re-measurement of outstanding	97,569	(8,990)	2,966	91,545	237,780
Financial assets originated during the period	271,850	6,790	-	278,640	723,740
Financial assets matured during the period	(65,540)	(15,871)	(24)	(81,435)	(211,519)
Write off	-	-	(1,018)	(1,018)	(2,644)
Balance at 31 December	2,028,083	408,831	127,983	2,564,897	6,662,071
Retail Loans, advances and financing at Amortised cost					
Balance at 1 January	824,309	7,754	14,972	847,035	2,200,091
Transfer between stages					
- Transfer to Stage 1	6,215	(3,663)	(2,552)	-	-
- Transfer to Stage 2	(3,269)	3,604	(335)	-	-
- Transfer to Stage 3	(2,904)	(1,429)	4,333	-	-
Re-measurement of outstanding	(10,435)	(245)	2,544	(8,136)	(21,132)
Financial assets originated during the period	203,689	931	-	204,620	531,481
Financial assets matured during the period	(36,432)	(462)	(145)	(37,039)	(96,205)
Write off	-	-	(19)	(19)	(49)
Balance at 31 December	981,173	6,490	18,798	1,006,461	2,614,185
Debt investment securities at FVOCI					
Balance at 1 January	63,607	-	-	63,607	165,213
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	53,444	-	-	53,444	138,816
Financial assets matured during the period	-	-	-	-	-
Reclassification during the year	-	-	-	-	-
Loss from change in fair value	-	-	-	-	-
Balance at 31 December	117,051	-	-	117,051	304,029

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

	2025				
	Stage 1	Stage 2	Stage 3	Total	Total
	₹ '000	₹ '000	₹ '000	₹ '000	US\$ '000
Other financial assets at amortised cost					
Balance at 1 January	297,897	6,342	-	304,239	790,230
Transfer between stages					
- Transfer to Stage 1	2,353	(2,353)	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	2,169	232	-	2,401	6,236
Financial assets matured during the period	(109,383)	188	-	(109,195)	(283,623)
Balance at 31 December	193,036	4,409	-	197,445	512,843
Off balance sheet items at amortised cost					
Balance at 1 January	189,211	48,371	1,052	238,634	619,829
Transfer between stages					
- Transfer to Stage 1	18,250	(18,250)	-	-	-
- Transfer to Stage 2	(8,636)	8,636	-	-	-
- Transfer to Stage 3	-	(170)	170	-	-
Financial assets originated during the period	77,849	-	-	77,849	202,208
Financial assets matured during the period	(25,817)	2,680	(627)	(23,764)	(61,725)
Balance at 31 December	250,857	41,267	595	292,719	760,312

Movement in gross carrying amount

	2024				
	Stage 1	Stage 2	Stage 3	Total	Total
	₹ '000	₹ '000	₹ '000	₹ '000	US\$ '000
Loans, advances and financing at Amortised cost					
Balance at 1 January	2,202,738	488,593	110,180	2,801,511	7,276,652
Transfer between stages					
- Transfer to Stage 1	70,796	(68,726)	(2,070)	-	-
- Transfer to Stage 2	(100,062)	100,062	-	-	-
- Transfer to Stage 3	(1,478)	(37,902)	39,380	-	-
Re-measurement of outstanding	91,815	(4,434)	8,042	95,423	247,851
Financial assets originated during the period	336,457	3,144	-	339,601	882,081
Financial assets matured during the period	(71,325)	(14,885)	(2,192)	(88,402)	(229,615)
Write off	-	-	(23,933)	(23,933)	(62,164)
Balance at 31 December	2,528,941	465,852	129,407	3,124,200	8,114,805
Corporate Loans, advances and financing at Amortised cost					
Balance at 1 January	1,461,516	482,592	87,764	2,031,872	5,277,589
Transfer between stages					
- Transfer to Stage 1	66,456	(66,456)	-	-	-
- Transfer to Stage 2	(94,763)	94,763	-	-	-
- Transfer to Stage 3	(342)	(36,675)	37,017	-	-
Re-measurement of outstanding	92,757	(4,186)	7,221	95,792	248,809
Financial assets originated during the period	221,613	2,488	-	224,101	582,081
Financial assets matured during the period	(42,605)	(14,428)	(1,961)	(58,994)	(153,230)
Write off	-	-	(15,606)	(15,606)	(40,535)
Balance at 31 December	1,704,632	458,098	114,435	2,277,165	5,914,714

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

	2024				
	Stage 1	Stage 2	Stage 3	Total	Total
	₹ '000	₹ '000	₹ '000	₹ '000	US\$ '000
Retail Loans, advances and financing at Amortised cost					
Balance at 1 January	741,221	6,001	22,417	769,639	1,999,063
Transfer between stages					
- Transfer to Stage 1	4,340	(2,270)	(2,070)	-	-
- Transfer to Stage 2	(5,299)	5,299	-	-	-
- Transfer to Stage 3	(1,136)	(1,227)	2,363	-	-
Re-measurement of outstanding	(941)	(248)	820	(369)	(959)
Financial assets originated during the period	114,844	656	-	115,500	300,000
Financial assets matured during the period	(28,720)	(457)	(231)	(29,408)	(76,384)
Write off	-	-	(8,327)	(8,327)	(21,629)
Balance at 31 December	824,309	7,754	14,972	847,035	2,200,091
Debt investment securities at FVOCI					
Balance at 1 January	251,710	-	-	251,710	653,792
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	-	-	-	-	-
Financial assets matured during the period	-	-	-	-	-
Reclassification during the year	(188,103)	-	-	(188,103)	(488,579)
Loss from change in fair value	-	-	-	-	-
Balance at 31 December	63,607	-	-	63,607	165,213
Other financial assets at amortised cost					
Balance at 1 January	245,965	4,786	-	250,751	651,302
Transfer between stages					
- Transfer to Stage 1	1,762	(1,762)	-	-	-
- Transfer to Stage 2	(2,009)	2,009	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Financial assets originated during the period	50,151	4	-	50,155	130,271
Financial assets matured during the period	2,028	1,305	-	3,333	8,657
Balance at 31 December	297,897	6,342	-	304,239	790,230
Off balance sheet items at amortised cost					
Balance at 1 January	164,245	50,136	164	214,545	557,260
Transfer between stages					
- Transfer to Stage 1	16,696	(16,696)	-	-	-
- Transfer to Stage 2	(20,786)	20,786	-	-	-
- Transfer to Stage 3	(2)	(3,366)	3,368	-	-
Financial assets originated during the period	51,931	-	-	51,931	134,886
Financial assets matured during the period	(22,873)	(2,489)	(2,480)	(27,842)	(72,317)
Balance at 31 December	189,211	48,371	1,052	238,634	619,829

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Movement in impairment allowance and provision

	2025				Total US\$ '000
	Stage 1 S'000	Stage 2 S'000	Stage 3 S'000	Total S'000	
Loans, advances and financing at Amortised cost					
Balance at 1 January	3,665	30,571	67,684	101,920	264,727
Transfer between stages					
- Transfer to Stage 1	3,868	(2,027)	(1,841)	-	-
- Transfer to Stage 2	(161)	373	(212)	-	-
- Transfer to Stage 3	(23)	(670)	693	-	-
Impairment charged to income statement for	1,273	(134)	21,938	23,077	59,941
- <i>Re-measurement of impairment allowances</i>	740	(168)	11,729	12,301	31,950
- <i>Financial assets originated during the period</i>	663	147	-	810	2,105
- <i>Financial assets matured during the period</i>	(130)	(113)	-	(243)	(631)
Recoveries from impairment for credit losses	-	-	4,504	4,504	11,699
Interest reserve charged to interest income	-	-	8,100	8,100	21,039
Recoveries of reserved interest in interest income	-	-	(1,351)	(1,351)	(3,509)
Write off of impairment allowances	-	-	(1,044)	(1,044)	(2,712)
Balance at 31 December	8,622	28,113	88,262	124,997	324,668

Corporate Loans, advances and financing at Amortised cost

Balance at 1 January	2,011	30,326	56,136	88,473	229,800
Transfer between stages					
- Transfer to Stage 1	1,913	(1,913)	-	-	-
- Transfer to Stage 2	(144)	144	-	-	-
- Transfer to Stage 3	(3)	(623)	626	-	-
Impairment charged to income statement for	3,865	46	19,634	23,545	61,157
- <i>Re-measurement of impairment allowances</i>	3,402	9	12,687	16,098	41,813
- <i>Financial assets originated during the period</i>	504	135	-	639	1,661
- <i>Financial assets matured during the period</i>	(41)	(98)	-	(139)	(361)
Recoveries from impairment for credit losses	-	-	1,563	1,563	4,060
Interest reserve charged to interest income	-	-	7,448	7,448	19,345
Recoveries of reserved interest in interest income	-	-	(1,039)	(1,039)	(2,699)
Write off of impairment allowances	-	-	(1,025)	(1,025)	(2,662)
Balance at 31 December	7,642	27,980	76,396	112,018	290,957

Retail Loans, advances and financing at Amortised cost

Balance at 1 January	1,654	245	11,548	13,447	34,927
Transfer between stages					
- Transfer to Stage 1	1,955	(114)	(1,841)	-	-
- Transfer to Stage 2	(17)	229	(212)	-	-
- Transfer to Stage 3	(20)	(47)	67	-	-
Impairment charged to income statement for	(2,592)	(180)	2,304	(468)	(1,216)
- <i>Re-measurement of impairment allowances</i>	(2,662)	(177)	(958)	(3,797)	(9,863)
- <i>Financial assets originated during the period</i>	159	12	-	171	444
- <i>Financial assets matured during the period</i>	(89)	(15)	-	(104)	(270)
Recoveries from impairment for credit losses	-	-	2,941	2,941	7,639
Interest reserve charged to interest income	-	-	652	652	1,694
Recoveries of reserved interest in interest income	-	-	(312)	(312)	(810)
Write off of impairment allowances	-	-	(19)	(19)	(49)
Balance at 31 December	980	133	11,866	12,979	33,711

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Debt investment securities at FVOCI

	2025				Total US\$ '000
	Stage 1 S'000	Stage 2 S'000	Stage 3 S'000	Total S'000	
Balance at 1 January	62	-	-	62	161
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for	2	-	-	2	5
- <i>Re-measurement of impairment allowances</i>	2	-	-	2	5
- <i>Financial assets originated during the period</i>	-	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-	-
Balance at 31 December	64	-	-	64	166

Other financial assets at amortised cost

Balance at 1 January	24	43	-	67	174
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	(2)	2	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for	23	43	-	66	171
- <i>Re-measurement of impairment allowances</i>	23	43	-	66	171
- <i>Financial assets originated during the period</i>	-	-	-	-	-
- <i>Financial assets matured during the period</i>	-	-	-	-	-
Balance at 31 December	45	88	-	133	345

Off balance sheet items at amortised cost

Balance at 1 January	181	1,054	240	1,475	3,828
Transfer between stages					
- Transfer to Stage 1	29	(29)	-	-	-
- Transfer to Stage 2	(14)	14	-	-	-
- Transfer to Stage 3	-	(9)	9	-	-
Impairment charged to income statement for	(1)	96	(87)	8	21
- <i>Re-measurement of impairment allowances</i>	(39)	96	(87)	(30)	(78)
- <i>Financial assets originated during the period</i>	72	-	-	72	187
- <i>Financial assets matured during the period</i>	(34)	-	-	(34)	(88)
Balance as at 31 December	195	1,126	162	1,483	3,850

Movement in impairment allowance and provision

	2024				Total US\$ '000
	Stage 1 S'000	Stage 2 S'000	Stage 3 S'000	Total S'000	
Loans, advances and financing at Amortised cost					
Balance at 1 January	6,124	26,191	75,036	107,351	278,834
Transfer between stages					
- Transfer to Stage 1	2,982	(1,660)	(1,322)	-	-
- Transfer to Stage 2	(584)	584	-	-	-
- Transfer to Stage 3	(7)	(2,647)	2,654	-	-
Impairment charged to income statement for	(4,850)	8,103	(8,684)	(5,431)	(14,106)
- <i>Re-measurement of impairment allowances</i>	(5,631)	8,509	10,719	13,597	35,316
- <i>Financial assets originated during the period</i>	991	42	-	1,033	2,683
- <i>Financial assets matured during the period</i>	(210)	(448)	-	(658)	(1,709)
Recoveries from impairment for credit losses	-	-	(1,924)	(1,924)	(4,998)
Interest reserve charged to interest income	-	-	7,295	7,295	18,948
Recoveries of reserved interest in interest income	-	-	(841)	(841)	(2,184)
Write off of impairment allowances	-	-	(23,933)	(23,933)	(62,164)
Balance at 31 December	3,665	30,571	67,684	101,920	264,727

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

Movement in impairment allowance and provision

	2024				Total US\$ '000
	Stage 1 ₹ '000	Stage 2 ₹ '000	Stage 3 ₹ '000	Total ₹ '000	
Corporate Loans, advances and financing at Amortised cost					
Balance at 1 January	4,403	24,509	58,159	87,071	226,158
Transfer between stages					
- Transfer to Stage 1	1,036	(1,036)	-	-	-
- Transfer to Stage 2	(558)	558	-	-	-
- Transfer to Stage 3	(4)	(2,251)	2,255	-	-
Impairment charged to income statement for					
- Re-measurement of impairment allowances	(2,866)	8,546	(4,278)	1,402	3,642
- Financial assets originated during the period	(3,534)	8,849	7,054	12,369	32,128
- Financial assets matured during the period	799	17	-	816	2,119
Recoveries from impairment for credit losses	(131)	(320)	-	(451)	(1,171)
Interest reserve charged to interest income	-	-	6,482	6,482	16,836
Recoveries of reserved interest in interest income	-	-	(388)	(388)	(1,008)
Write off of impairment allowances	-	-	(15,606)	(15,606)	(40,534)
Balance at 31 December	2,011	30,326	56,136	88,473	229,800
Retail Loans, advances and financing at Amortised cost					
Balance at 1 January	1,721	1,682	16,877	20,280	52,675
Transfer between stages					
- Transfer to Stage 1	1,946	(624)	(1,322)	-	-
- Transfer to Stage 2	(26)	26	-	-	-
- Transfer to Stage 3	(3)	(396)	399	-	-
Impairment charged to income statement for					
- Re-measurement of impairment allowances	(1,984)	(443)	(4,406)	(6,833)	(17,748)
- Financial assets originated during the period	(2,097)	(340)	3,665	1,228	3,190
- Financial assets matured during the period	192	25	-	217	564
Recoveries from impairment for credit losses	(79)	(128)	-	(207)	(538)
Interest reserve charged to interest income	-	-	813	813	2,112
Recoveries of reserved interest in interest income	-	-	(453)	(453)	(1,177)
Write off of impairment allowances	-	-	(8,327)	(8,327)	(21,629)
Balance at 31 December	1,654	245	11,548	13,447	34,927
	Stage 1	Stage 2	Stage 3	Total	Total
	₹ '000	₹ '000	₹ '000	₹ '000	US\$ '000
Debt investment securities at FVOCI					
Balance at 1 January	76	-	-	76	197
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for					
- Re-measurement of impairment allowances	(14)	-	-	(14)	(36)
- Financial assets originated during the period	(14)	-	-	(14)	(36)
- Financial assets matured during the period	-	-	-	-	-
Balance at 31 December	62	-	-	62	161

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued)

	2024				Total US\$ '000
	Stage 1 ₹ '000	Stage 2 ₹ '000	Stage 3 ₹ '000	Total ₹ '000	
Other financial assets at amortised cost					
Balance at 1 January	109	12	-	121	314
Transfer between stages					
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	(3)	3	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Impairment charged to income statement for					
- Re-measurement of impairment allowances	(82)	28	-	(54)	(140)
- Financial assets originated during the period	(82)	28	-	(54)	(140)
- Financial assets matured during the period	-	-	-	-	-
Balance at 31 December	24	43	-	67	174
Off balance sheet items at amortised cost					
Balance at 1 January	309	1,357	39	1,705	4,426
Transfer between stages					
- Transfer to Stage 1	71	(71)	-	-	-
- Transfer to Stage 2	(53)	53	-	-	-
- Transfer to Stage 3	-	(104)	104	-	-
Impairment charged to income statement for					
- Re-measurement of impairment allowances	(146)	(181)	97	(230)	(597)
- Financial assets originated during the period	(151)	(181)	97	(235)	(608)
- Financial assets matured during the period	53	-	-	53	138
Balance as at 31 December	181	1,054	240	1,475	3,829

Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. 'When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information. Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. For non-retail facilities, internally derived credit ratings have been identified as representing the best available determinants of credit risk. The Bank assigns each facility a credit rating at initial recognition based on qualitative and quantitative information available about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an asset is more than 30 DPD. 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:

- Inadequate or unreliable financial and other information such as unavailability of financial statements.
- Non-cooperation by the borrowers in matters pertaining to documentation
- Borrower is the subject of litigation by third parties that may have a significant impact on this financial position.
- Frequent changes in senior management
- Intra-group transfer of funds without underlying transactions.
- Deferment/ delay in the date of commencement of commercial operations by more than one year
- Modification of terms resulting in concessions granted to the borrower
- A fall of 25% or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- Erosion in networth by more than 20% as compared to the previous year end coupled with an increase in leverage
- A fall in the debt service coverage ratio to below 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued) Significant increase in credit risk (SICR) (continued)

Further, the following quantitative guidelines are used to determine the staging of accounts:

- An account will migrate to stage 2 if any of the changes in rating below are met;
 - For risk ratings 1 – 4: \geq 3 notch downgrade
 - For risk rating 5: 2 notch downgrade
 - For risk rating 6 : 1 notch downgrade
- An account will also migrate to stage 2 if it is more than 30 days past due
- An account will also be considered stage 2 if has been placed under special mention as per bank's IFRS 9 staging guidelines which includes if the customer has days past due of 60 days or more but less than 90 days.

Macroeconomic factors, forward looking information (FLI) and multiple scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

In its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: real gross domestic product (GDP) growth [3.6% - 3.10%] and oil prices [USD 67.78 / bbl – USD 73.68 / bbl] . The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments.

Definition of default and cure

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation of the Bank.

Overdrafts are considered as being past due once the customer has breached the advised limit or been advised of a limit smaller than the current amount outstanding without acceptable justification.

In assessing whether the borrower is in default, the Bank considers indicators that are;

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

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

The definition of default is aligned to CBO regulatory requirements. An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets the default criteria in line with requirements of CBO relevant to upgrading of customer from stage 3. Any upgrade is appropriately approved and validated by the internal audit department.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

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

As on the reporting date, collective provision held by the bank through management overlays amounts to 20% of total impaired loans & advances and financing based on exposures of certain performing or non-performing customers whether secured or unsecured. This is in addition to the existing ECL provision considered on conservative practices to mitigate any unforeseen impacts in the portfolio. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.6 Expected credit loss (ECL) measurement (continued) Sensitivity analysis- ECL

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

2025			2025	
Impact on ECL	ECL		ECL	Impact on ECL
US\$ '000	US\$ '000		₹ '000	₹ '000
	99,358	ECL on non impaired financial assets under IFRS 9	38,253	
(9,460)	89,899	Good scenario - 100% weighted	34,611	(3,642)
(29)	99,330	Base scenario - 100% weighted	38,242	(11)
9,512	108,870	Bad scenario - 100% weighted	41,915	3,662
2024			2024	
Impact on ECL	ECL		ECL	Impact on ECL
US\$ '000	US\$ '000		₹ '000	₹ '000
	92,468	ECL on non impaired financial assets under IFRS 9	35,600	
(8,618)	83,849	Good scenario - 100% weighted	32,282	(3,318)
382	92,849	Base scenario - 100% weighted	35,747	147
7,852	100,319	Bad scenario - 100% weighted	38,623	3,023

For computation of ECL, the Bank considers three scenarios ie., Good, base and bad with weightage of 25%, 50% and 25% respectively for the years 2025 and 2024

The Bank carries out assessment on a portfolio basis using internal ratings for corporate and SME portfolio which are estimated on an individual basis with their respective credit risk parameters applied for ECL calculations of the same credit risk ratings and homogeneous segments of the loan portfolio. For retail portfolio similar assessment is made, however the internal ratings are replaced by Days Past Due buckets. The Bank performs an assessment on a portfolio basis for the following types of loans:

- Retail loans
- Corporate/ SMEs loans

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as Corporate/SME or retail), product type, credit risk rating both at initial recognition and current, term to maturity, collateral, etc. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

35.1.7 Settlement risk

Settlement risk is the risk of loss due to the failure of a party to honor its obligations to deliver cash, securities or other asset as contractually agreed on the day of settlement.

In foreign exchange trades, though there is fulfilment of both the legs of the transaction on the settlement date as it is common practice between trading partners (free settlement), there will be risk on account of different time zones. In these cases, the settlement risk is mitigated through the execution of bilateral payment netting agreements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.8 Concentration risk

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

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

	2025			2024		
	Loans & advances and financing, gross SAR '000	Due from banks SAR '000	Investment securities SAR '000	Loans & advances and financing, gross SAR '000	Due from banks SAR '000	Investment securities SAR '000
Concentration by type						
Corporate	2,564,897	-	137,302	2,277,165	-	107,636
Personal	1,006,461	-	-	847,035	-	-
Sovereign	-	-	324,509	-	-	240,197
Banks	-	64,198	-	-	113,345	-
	3,571,358	64,198	461,811	3,124,200	113,345	347,833
Concentration by location						
Oman	3,486,846	15,000	426,018	3,098,451	88,100	313,789
Other GCC countries	53,157	13,982	9,591	25,749	8,756	8,046
United Kingdom	-	1,085	6,188	-	928	7,634
United States of America	-	5,152	2,984	-	6,467	3,063
Others	31,355	28,979	17,030	-	9,094	15,301
	3,571,358	64,198	461,811	3,124,200	113,345	347,833
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Concentration by type						
Corporate	6,662,070	-	356,627	5,914,714	-	279,574
Personal	2,614,185	-	-	2,200,091	-	-
Sovereign	-	-	842,883	-	-	623,887
Banks	-	166,746	-	-	294,402	-
	9,276,256	166,746	1,199,510	8,114,805	294,402	903,461
Concentration by location						
Oman	9,056,744	38,960	1,106,540	8,047,923	228,830	815,033
Other GCC countries	138,071	36,317	24,912	66,882	22,744	20,900
United Kingdom	-	2,818	16,073	-	2,411	19,829
United States of America	-	13,382	7,751	-	16,796	7,955
Others	81,441	75,269	44,234	-	23,621	39,744
	9,276,256	166,746	1,199,510	8,114,805	294,402	903,461

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 CREDIT RISK (continued)

35.1.8 Concentration risk (continued)

Concentration by location for loans & advances and financing is measured based on the location of the entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

35.2 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will face difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

35.2.1 Management of liquidity risk

Liquidity risk arises when the Bank is unable to generate sufficient cash resources to meet obligations as they fall due or can do so only at materially disadvantageous terms. Such liquidity risk may arise even when the institution is solvent. Liquidity stress may be caused by counterparties withdrawing credit lines or of not rolling over existing funding or as a result of general disruption in the markets or run on Bank deposits etc.

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

The Bank consciously diversifies its funding base to include deposits raised from inter-bank, retail customer deposits and bonds. These together with the strength of the Bank's equity and asset quality ensure that funds are available at competitive rates at all times. The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration and ensure a robust management of liquidity risks.

The Bank undertakes assessment of liquidity position and initiate measures to fund these gaps. The Bank undertakes liquidity management through both cash flow approach and stock approach. Under the stock approach, Liquid assets ratios are closely monitored and managed. Under cash approach, assets and liabilities are bucketed based on their residual maturity to ascertain liquidity gaps. The ALCO reviews the liquidity position on a continuous basis. The Bank's statement on maturity of asset and liability is outlined in note 35.2.2 to the financial statements.

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

Liquidity risk is managed by the Bank through closely monitoring the liquidity gap against the limit fixed.

Adequate liquidity is ensured by Treasury department, which receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, placements with other banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. In this process due care is taken to ensure that the Bank complies with all the CBO regulations.

All liquidity policies are subject to review and approval of Board of Directors.

The Bank prepares a liquidity gap report to monitor the Bank's short term liquidity position in a time horizon spanning one month. The gap is adjusted by instruments for repo or refinance and also for unavailed committed lines of credit, if any. This statement of short term liquidity is to be reported to the ALCO every month and also to Executive Risk Committee on a quarterly basis.

35.2.2 Exposure to liquidity risk

The lending ratio, which is the ratio of the total loans and advances to customer deposits and capital, is monitored on a daily basis in line with the regulatory guidelines. The Bank also manages its liquidity risk on a monthly basis monitoring the liquid ratio which is a ratio of liquid assets to total assets.

The Bank also maintains significant investments in liquid instruments issued by Governments and banks principally for maintaining liquidity. The Bank also has standby lines of credit to meet its obligations at any given time, if the need arises.

The CBO also restricts the limits on lending by the commercial banks. The maximum lending ratio permissible as at 31 December 2025 and 2024 was 87.50%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

35.2.2 Exposure to liquidity risk (continued)

Details of the reported lending ratio for the year are as follows:

	2025	2024
	Lending ratio	Lending ratio
Year end	85.16%	84.58%
Maximum for the year	87.18%	89.77%
Minimum for the year	80.69%	78.35%
Average for the year	84.69%	84.10%

The Bank also monitors Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The Bank has also laid down internal limits and are in compliance with the regulatory requirement as at 31 December 2025. The following table summarises the maturity profile of the Bank's assets and liabilities as on the reporting date. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
31 December 2025					
Assets					
Cash and balances with Central Bank of Oman	102,730	36,776	-	525	140,031
Due from banks	51,853	12,300	-	-	64,153
Investment securities	387,879	31,685	31,685	10,562	461,811
Loans, advances and financing, net	597,209	258,340	1,070,765	1,520,048	3,446,361
Other assets	11,417	13,514	-	-	24,931
Property & Equipment	-	-	-	51,387	51,387
Total assets	1,151,088	352,615	1,102,450	1,582,522	4,188,674
Liabilities and equity					
Due to banks	187,437	67,375	-	-	254,812
Customers' deposits	829,772	1,068,039	676,488	583,233	3,157,532
Borrowed funds	-	-	38,500	-	38,500
Tax Liability	16,147	-	-	-	16,147
Other liabilities	23,536	12,860	-	44,005	80,401
Tier 1 subordinated bonds	-	-	-	190,884	190,884
Shareholders' funds	-	-	-	450,398	450,398
Total liabilities and equity	1,056,892	1,148,274	714,988	1,268,521	4,188,674
Net liquidity gap	94,196	(795,659)	387,462	314,001	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

35.2.2 Exposure to liquidity risk (continued)

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Off balance sheet items					
Irrevocable commitments to extend credit	28,135	45,500	-	-	73,635
Financial guarantees and letters of credit	46,321	70,139	94,867	7,757	219,084
Derivative products	348,516	234,350	115,234	-	698,100
Total off balance sheet assets	422,972	349,989	210,101	7,757	990,819
Future Interest Cash Flows					
- Inflows	23,835	27,942	52,876	53,191	157,844
- Outflows	8,419	32,532	47,503	14,574	103,028
Net Cash Flows	15,417	(4,590)	5,373	38,616	54,816
Assets	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Cash and balances with Central Bank of Oman	266,834	95,522	-	1,364	363,720
Due from banks	134,679	31,949	-	-	166,628
Loans, advances and financing, net	1,551,194	671,012	2,781,207	3,948,175	8,951,588
Investment securities	1,007,479	82,299	82,299	27,433	1,199,510
Other assets	29,652	35,101	-	-	64,753
Property & Equipment	-	-	-	133,471	133,471
Total assets	2,989,838	915,883	2,863,506	4,110,443	10,879,670
Liabilities and equity					
Due to banks	486,850	175,000	-	-	661,850
Customers' deposits	2,155,248	2,774,127	1,757,113	1,514,892	8,201,380
Borrowed funds	-	-	100,000	-	100,000
Tax Liability	41,941	-	-	-	41,941
Other liabilities	61,131	33,404	-	114,297	208,832
Tier 1 subordinated bonds	-	-	-	495,803	495,803
Shareholders' funds	-	-	-	1,169,864	1,169,864
Total liabilities and equity	2,745,170	2,982,531	1,857,113	3,294,856	10,879,670
Net liquidity gap	244,668	(2,066,648)	1,006,393	815,587	-
Off balance sheet items					
Irrevocable commitments to extend credit	73,078	118,182	-	-	191,260
Financial guarantees and letters of credit	120,317	182,180	246,407	20,148	569,052
Derivative products	905,236	608,701	299,309	-	1,813,246
Total off balance sheet assets	1,098,631	909,063	545,716	20,148	2,573,558
Future Interest Cash Flows					
- Inflows	61,910	72,577	137,340	138,158	409,985
- Outflows	21,869	84,499	123,384	37,856	267,608
Net Cash Flows	40,041	(11,922)	13,956	100,302	142,377

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

35.2.2 Exposure to liquidity risk (continued)

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
<i>31 December 2024</i>					
<i>Assets</i>	<i>₹ '000</i>	<i>₹ '000</i>	<i>₹ '000</i>	<i>₹ '000</i>	<i>₹ '000</i>
Cash and balances with Central Bank of Oman	142,126	51,901	-	525	194,552
Due from banks	113,331	-	-	-	113,331
Investment securities	187,657	75,625	39,428	45,123	347,833
Loans, advances and financing, net	704,486	190,179	628,938	1,498,677	3,022,280
Other assets	28,496	-	-	-	28,496
Property and Equipment	-	-	-	48,436	48,436
Total assets	1,176,096	317,705	668,366	1,592,761	3,754,928
<i>Liabilities and equity</i>					
Due to banks	343,931	-	-	-	343,931
Customers' deposits	625,412	1,026,326	547,592	563,437	2,762,767
Tax Liability	12,542	-	-	-	12,542
Other liabilities	24,321	10,852	-	42,496	77,669
Tier 1 subordinated bonds	-	-	-	179,366	179,366
Shareholders' funds	-	-	-	378,653	378,653
Total liabilities and equity	1,006,206	1,037,178	547,592	1,163,952	3,754,928
Net liquidity gap	169,890	(719,473)	120,774	428,809	-
<i>Off balance sheet items</i>					
Irrevocable commitments to extend credit	18,874	29,939	-	-	48,813
Financial guarantees and letters of credit	44,932	61,164	78,075	5,650	189,821
Derivative products	220,617	40,554	25,179	-	286,350
Total off balance sheet assets	284,423	131,657	103,254	5,650	524,984
<i>Future Interest Cash Flows</i>					
- Inflows	23,611	24,692	52,777	43,632	144,712
- Outflows	9,763	31,728	46,963	13,624	102,078
Net Cash Flows	13,848	(7,035)	5,814	30,008	42,634

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

35.2.2 Exposure to liquidity risk (continued)

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
<i>Assets</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash and balances with Central Bank of Oman	369,158	134,808	-	1,364	505,330
Due from banks	294,366	-	-	-	294,366
Investment securities	487,420	196,429	102,409	117,203	903,461
Loans, advances and financing, net	1,829,834	493,972	1,633,605	3,892,667	7,850,078
Other assets	74,017	-	-	-	74,017
Property and Equipment	-	-	-	125,808	125,808
Total assets	3,054,795	825,209	1,736,014	4,137,042	9,753,060
<i>Liabilities and equity</i>					
Due to banks	893,327	-	-	-	893,327
Customers' deposits	1,624,448	2,665,783	1,422,316	1,463,472	7,176,019
Tax Liability	32,576	-	-	-	32,576
Other liabilities	63,171	28,187	-	110,380	201,738
Tier 1 subordinated bonds	-	-	-	465,886	465,886
Shareholders' funds	-	-	-	983,514	983,514
Total liabilities and equity	2,613,522	2,693,970	1,422,316	3,023,252	9,753,060
Net liquidity gap	441,273	(1,868,761)	313,698	1,113,790	-
<i>Off balance sheet items</i>					
Irrevocable commitments to extend credit	49,023	77,764	-	-	126,787
Financial guarantees and letters of credit	116,706	158,867	202,792	14,676	493,041
Derivative products	573,031	105,335	65,400	-	743,766
Total off balance sheet assets	738,760	341,966	268,192	14,676	1,363,594
<i>Future Interest Cash Flows</i>					
- Inflows	61,328	64,136	137,084	113,329	375,877
- Outflows	25,359	82,410	121,982	35,387	265,138
Net Cash Flows	35,969	(18,274)	15,102	77,942	110,739

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 LIQUIDITY RISK (continued)

35.2.2 Exposure to liquidity risk (continued)

The table below summarizes the maturity profile of the Bank's financial liabilities based on expected undiscounted payment obligations.

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2025	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Due to banks	187,437	67,375	-	-	254,812
Customers' deposits	829,772	1,068,039	676,488	583,233	3,157,532
Borrowed funds	-	-	38,500	-	38,500
Total liabilities	1,017,209	1,135,414	714,988	583,233	3,450,844
Credit related commitments	28,135	45,500	-	-	73,635
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Due to banks	486,850	175,000	-	-	661,850
Customers' deposits	2,155,248	2,774,127	1,757,113	1,514,892	8,201,380
Borrowed funds	-	-	100,000	-	100,000
Total liabilities	2,642,098	2,949,127	1,857,113	1,514,892	8,963,230
Credit related commitments	73,078	118,182	-	-	191,260

	Upto three months or on demand	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2024	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Due to banks	343,931	-	-	-	343,931
Customers' deposits	625,412	1,026,326	547,592	563,437	2,762,767
Borrowed funds	-	-	-	-	-
Total liabilities	969,343	1,026,326	547,592	563,437	3,106,698
Credit related commitments	18,874	29,939	-	-	48,813
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Due to banks	893,327	-	-	-	893,327
Customers' deposits	1,624,447	2,665,783	1,422,316	1,463,472	7,176,018
Borrowed funds	-	-	-	-	-
Total liabilities	2,517,774	2,665,783	1,422,316	1,463,472	8,069,345
Credit related commitments	49,023	77,764	-	-	126,787

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK

Market risk is the exposure to loss resulting from the changes in the interest rates, foreign currency exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return to risk. There are no commodity price risk exposures to the Bank.

35.3.1 Management of market risks

The Bank separates its exposure to market risk between trading and non trading portfolios. Trading portfolios include all positions arising from market making and proprietary position taking together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is transferred by Treasury to the trading book. Accordingly, the foreign exchange position is treated as a part of the Bank's trading portfolio for risk management purposes. Foreign currency risk is monitored and managed by the Bank through Treasury Middle Office to monitor the market risk, and the risk is managed by putting in place Market Risk Management procedures and implementing limit framework, reporting tools like Net Open Position Report, Risk Analysis of Currency Position, Breach Analysis Report, and Dealer Limit Breach report.

Overall authority for market risk is vested with ALCO. The risk management function is responsible for development of detailed risk management policies (subject to approval by ALCO and Executive Risk Committee of the Board). The market risk policies are periodically reviewed to keep it up to date with the market developments.

35.3.2 Exposure to interest rate risk

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 and re-pricing tenure of rate sensitive assets and liabilities.

The effective interest rate (effective yield) of a monetary financial instrument is the rate used in a present value calculation which results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is provided in this note. The Bank also assesses interest rate risk by assessing the interest rate impact (both earnings perspective and economic value perspective) by applying interest rate shock of 200 bps and takes measures to reduce the impact. The Bank also assesses impact on earnings of interest rate shock of 200 bps.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

35.3.2 Exposure to interest rate risk (continued)

	Effective annual interest rate	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Non - Sensitive to interest rate	Total
		₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
31 December 2025							
Assets							
Cash and balances with Central Bank of Oman	1.50%	7,700	-	-	500	131,831	140,031
Due from banks	2.31%	51,853	12,300	-	-	-	64,153
Loans, advances and financing, net	6.07%	1,567,949	550,669	505,517	769,214	53,012	3,446,361
Investment securities	5.11%	2,232	65,676	205,199	126,484	62,220	461,811
Other assets		-	-	-	-	24,931	24,931
Property and equipment		-	-	-	-	51,387	51,387
Total assets		1,629,734	628,645	710,716	896,198	323,381	4,188,674
Liabilities and equity							
Due to banks	4.19%	187,437	67,375	-	-	-	254,812
Customers' deposits	3.92%	670,569	1,029,058	1,211,229	26,287	220,389	3,157,532
Borrowed funds	4.79%	-	-	38,500	-	-	38,500
Tax liability		-	-	-	-	16,147	16,147
Other liabilities		-	-	-	-	80,401	80,401
Tier 1 subordinated bonds	7.10%	-	-	-	-	190,884	190,884
Shareholders' funds		-	-	-	-	450,398	450,398
Total liabilities and equity		858,006	1,096,433	1,249,729	26,287	958,219	4,188,674
Total interest rate sensitivity gap		771,728	(467,788)	(539,013)	869,911	(634,837)	-
Cumulative interest rate sensitivity gap		771,728	303,940	(235,073)	634,837	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

35.3.2 Exposure to interest rate risk (continued)

	Effective annual interest rate	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Non - Sensitive to interest rate	Total
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
31 December 2025							
Assets							
Cash and balances with Central Bank of Oman	1.50%	20,000	-	-	1,299	342,421	363,720
Due from banks	2.31%	134,679	31,949	-	-	-	166,628
Loans, advances and financing, net	6.07%	4,072,598	1,430,309	1,313,031	1,997,958	137,692	8,951,588
Investment securities	5.11%	5,797	170,588	532,981	328,530	161,614	1,199,510
Other assets		-	-	-	-	64,753	64,753
Property and equipment		-	-	-	-	133,471	133,471
Total assets		4,233,074	1,632,846	1,846,012	2,327,787	839,951	10,879,670
Liabilities and equity							
Due to banks	4.19%	486,850	175,000	-	-	-	661,850
Customers' deposits	3.92%	1,741,736	2,672,877	3,146,050	68,278	572,439	8,201,380
Borrowed funds	4.79%	-	-	100,000	-	-	100,000
Tax liability		-	-	-	-	41,941	41,941
Other liabilities		-	-	-	-	208,832	208,832
Tier 1 subordinated bonds	7.10%	-	-	-	-	495,803	495,803
Shareholders' funds		-	-	-	-	1,169,864	1,169,864
Total liabilities and equity		2,228,586	2,847,877	3,246,050	68,278	2,488,879	10,879,670
Total interest rate sensitivity gap		2,004,488	(1,215,031)	(1,400,038)	2,259,509	(1,648,928)	-
Cumulative interest rate sensitivity gap		2,004,488	789,457	(610,581)	1,648,928	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

35.3.2 Exposure to interest rate risk (continued)

	Effective annual interest rate	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Non - Sensitive to interest rate	Total
<i>31 December 2024</i>							
<i>Assets</i>		₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Cash and balances with Central Bank of Oman	1.50%	55,825	-	-	500	138,227	194,552
Due from banks	4.10%	113,331	-	-	-	-	113,331
Investment securities	5.13%	5,245	6,328	234,581	60,114	41,565	347,833
Loans, advances and financing, net	6.21%	1,449,714	522,670	396,488	653,408	-	3,022,280
Other assets		-	-	-	-	28,496	28,496
Property and equipment		-	-	-	-	48,436	48,436
Total assets		1,624,115	528,998	631,069	714,022	256,724	3,754,928
<i>Liabilities and equity</i>							
Due to banks	5.62%	343,931	-	-	-	-	343,931
Customers' deposits	4.24%	478,301	994,050	1,108,581	10,082	171,753	2,762,767
Borrowed funds	7.02%	-	-	-	-	-	-
Tax liability		-	-	-	-	12,542	12,542
Other liabilities		-	-	-	-	77,669	77,669
Tier 1 subordinated bonds	7.36%	-	-	-	-	179,366	179,366
Shareholders' funds		-	-	-	-	378,653	378,653
Total liabilities and equity		822,232	994,050	1,108,581	10,082	819,983	3,754,928
Total interest rate sensitivity gap		801,883	(465,052)	(477,512)	703,941	(563,260)	-
Cumulative interest rate sensitivity gap		801,883	336,831	(140,681)	563,260	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

35.3.2 Exposure to interest rate risk (continued)

	Effective annual interest rate	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Non - Sensitive to interest rate	Total
<i>31 December 2024</i>		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<i>Assets</i>							
Cash and balances with Central Bank of Oman	1.50%	145,000	-	-	1,299	359,031	505,330
Due from banks	4.10%	294,366	-	-	-	-	294,366
Investment securities	5.13%	13,623	16,437	609,300	156,141	107,960	903,461
Loans, advances and financing, net	6.21%	3,765,490	1,357,584	1,029,840	1,697,164	-	7,850,078
Other assets		-	-	-	-	74,017	74,017
Property and equipment		-	-	-	-	125,808	125,808
Total assets		4,218,479	1,374,021	1,639,140	1,854,604	666,816	9,753,060
<i>Liabilities and equity</i>							
Due to banks	5.62%	893,327	-	-	-	-	893,327
Customers' deposits	4.24%	1,242,341	2,581,948	2,879,432	26,186	446,112	7,176,019
Borrowed funds	7.02%	-	-	-	-	-	-
Tax liability		-	-	-	-	32,576	32,576
Other liabilities		-	-	-	-	201,738	201,738
Tier 1 subordinated bonds	7.36%	-	-	-	-	465,886	465,886
Shareholders' funds		-	-	-	-	983,514	983,514
Total liabilities and equity		2,135,668	2,581,948	2,879,432	26,186	2,129,826	9,753,060
Total interest rate sensitivity gap		2,082,811	(1,207,927)	(1,240,292)	1,828,418	(1,463,009)	-
Cumulative interest rate sensitivity gap		2,082,811	874,883	(365,409)	1,463,009	-	-

Exposure and sensitivity analysis

The Bank carries out assessment of the impact of interest rate risk by applying upto 200 bps interest rate sensitivity. Net Interest Income and Economic Impact of Equity impact of a 200 basis points parallel shift in interest rate is provided below:

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
36,127	26,531	Impact of +200 bps interest rate increase	10,215	13,909
(36,127)	(26,531)	Impact of -200 bps interest rate decrease	(10,215)	(13,909)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

35.3.2 Exposure to interest rate risk (continued)

The table below shows the positive and negative fair values of derivative financial instruments, together with the undiscounted cash flows analysed by the term of their maturity.

	Nominal cash flows by term to maturity					
	Positive Fair Value	Negative Fair Value	Notional Cash Flows	Within 3 months	3 to 12 months	Over 1 year
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 31 December 2025						
Derivatives for hedging:						
Interest rate swaps						
- Fair value hedge	77	64	33,110	-	-	33,110
Derivatives:						
Forward purchase contracts	46	1	332,495	174,258	117,175	41,062
Forward sales contracts	137	206	332,495	174,258	117,175	41,062
	<u>260</u>	<u>271</u>	<u>698,100</u>	<u>348,516</u>	<u>234,350</u>	<u>115,234</u>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Derivatives for hedging:						
Interest rate swaps						
- Fair value hedge	201	165	86,000	-	-	86,000
Derivatives:						
Forward purchase contracts	119	4	863,624	452,618	304,351	106,655
Forward sales contracts	356	534	863,624	452,618	304,351	106,655
	<u>676</u>	<u>703</u>	<u>1,813,248</u>	<u>905,236</u>	<u>608,702</u>	<u>299,310</u>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 31 December 2024						
Derivatives for hedging:						
Interest rate swaps						
- Fair value hedge	1,947	117	50,204	25,025	-	25,179
Derivatives:						
Forward purchase contracts	1,459	17	118,073	97,796	20,277	-
Forward sales contracts	116	46	118,073	97,796	20,277	-
	<u>3,522</u>	<u>180</u>	<u>286,350</u>	<u>220,617</u>	<u>40,554</u>	<u>25,179</u>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 31 December 2024						
Derivatives for hedging:						
Interest rate swaps						
-Fair value hedge	5,058	304	130,400	65,000	-	65,400
Derivatives:						
Forward purchase contracts	3,790	44	306,684	254,016	52,668	-
Forward sales contracts	301	120	306,684	254,016	52,668	-
	<u>9,149</u>	<u>468</u>	<u>743,768</u>	<u>573,032</u>	<u>105,336</u>	<u>65,400</u>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 MARKET RISK (continued)

35.3.3 Investment price risk together with exposure and sensitivity analysis

The Bank's market risk is affected mainly by changes to the actual market price of financial assets. Actual performance of the Bank's local equity portfolio has a correlation to the performance of MSX 30 Index and international equity portfolio for other GCC and other countries has a correlation with their respective stock market index. The table below shows the changes in fair value +/- 5% in the MSM 30 Index and other GCC countries and other countries stock index;

2024	2025	Security as per country	2025	2024
US\$ '000	US\$ '000		US\$ '000	US\$ '000
6,311	7,770	MSX - Oman +5% impact	2,991	2,430
(6,311)	(7,770)	MSX - Oman -5% impact	(2,991)	(2,430)
3,027	3,065	Other countries +5% impact	1,180	1,165
(3,027)	(3,065)	Other countries -5% impact	(1,180)	(1,165)

Investment price risk is the risk of reduction in the market value of the Bank's portfolio as a result of diminishment in the market value of individual investment. The responsibility for management of investment value risk rests with the Investment Banking Division under the supervision and guidance of the Credit Investment Committee, Asset and Liabilities Committee and Executive Risk Committee of the Bank. The Bank's investments are governed by an investment policy approved by the Board of Directors. The rating and price of the instruments are monitored on a regular basis and necessary actions are taken to reduce exposure if needed. The portfolio of investments is revalued at market price to ensure that unrealised losses, if any, on account of reduction in the market value of the investments remains within the acceptable parameters.

35.3.4 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within established limits. Majority of the foreign exchange transactions carried out by the Bank are on behalf of corporate customers and are on a back-to-back basis. The treasury ensures that positions with customers are covered in the interbank market. The Bank also monitors foreign currency risk as per requirements and the same was within regulatory limit as at 31 December 2025.

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

2024	2025		2025	2024
US\$ '000	US\$ '000		US\$ '000	US\$ '000
360,278	328,501	US Dollar	126,473	138,707
2,703	464	Euro	179	1,041
3,488	2,063	UAE Dirham	794	1,343
207	80	GBP Sterling	31	80
7,108	32,974	Others	12,695	2,736
<u>373,784</u>	<u>364,082</u>		<u>140,172</u>	<u>143,907</u>

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Changes in the non parity foreign currency rates as at 31 December 2025 and 31 December 2024 on net assets are considered negligible.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.4 OPERATIONAL RISK

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This encompasses all risks other than credit, market, and liquidity risks that may result from a wide range of causes, including deficiencies in the Bank's processes, human resources, technology, infrastructure, or external factors.

The Bank manages operational risk through a comprehensive framework that includes policies, procedures, and controls designed to identify, assess, monitor, and mitigate such risks. The objective of managing operational risk is to minimize financial losses and ensure business continuity while maintaining an efficient and cost-effective control environment. The framework is supported by governance structures, risk reporting mechanisms, and contingency planning to address potential disruptions.

The Bank recognises that excessive controls may impede the Bank's business agility, with adverse impact on the profitability and cost efficiency. Therefore, the Bank adopts a balanced approach aimed at optimizing controls while maintaining operational effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk rests with the senior management within each business unit. This responsibility is reinforced by Bank-wide standards in the following areas for management of operational risk:

- Clear reporting lines
- Segregation of duties and transaction authorization through maker-checker controls and authorization matrices
- Ownership, reconciliation and monitoring of accounts
- Documentation of controls and processes
- Compliance with regulatory and other legal requirements
- Periodic risk assessments and evaluation of control adequacy
- Reporting of operational losses and incidents, with remedial actions
- Development of contingency and business continuity plans
- Training, skill enhancement and professional development
- Adherence to Ethical and business standards
- Ethical and business standards
- Management of IT and cyber risks
- Risk mitigation through cost-effective insurance

Compliance with Bank standards is complemented by a programme of periodic reviews by Internal Audit. Findings of Internal Audit are discussed with the relevant business unit and summarized for the Audit and Compliance Committee and senior management of the Bank. The Bank has established a comprehensive Operational Risk Management Framework including Operational Risk Management Policy, Operational Risk Self-Assessment (ORSA) process, Operational Risk Loss Event Reporting Framework, Maintenance of Operational Risk Loss Database.

In addition, the Bank conducts a comprehensive Business Continuity Plan (BCP) test annually to ensure resilience against potential disruptions.

35.5 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 ratio 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. However, no changes are made in the objectives, policies and processes from the previous years as far as management of capital is concerned.

The Bank carries out regular Internal Capital Adequacy Assessment Process (ICAAP) exercise for assessing the Bank's capital adequacy in case of various stressed scenarios.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

35 FINANCIAL RISK MANAGEMENT (continued)

35.5 CAPITAL MANAGEMENT (continued)

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014. CBO through its circular SDD/CBS/CB/2024/108 dated June 26, 2024 restored the capital conservation buffer to 2.5%. Accordingly, the minimum capital adequacy ratio requirement for the year is 13.5% including capital conservation buffer of 2.5% (31 December 2023: 12.25% including capital conservation buffer of 1.25%).

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
867,767	992,021	Common Equity Tier 1 (CET1)	381,928	334,090
465,886	495,803	Additional Tier 1	190,884	179,366
1,333,653	1,487,824	Tier 1	572,812	513,456
20,134	34,574	Tier 2	13,311	7,752
1,353,787	1,522,398	Total regulatory capital	586,123	521,208
		Risk weighted assets		
7,855,604	8,278,438	Credit risk	3,187,199	3,024,407
493,050	441,445	Market risk	169,956	189,824
453,828	494,309	Operational risk	190,309	174,724
8,802,482	9,214,192	Total risk weighted assets	3,547,464	3,388,955
		Capital adequacy ratio		
9.86%	10.77%	CET1 capital expressed as a percentage of total risk-weighted assets	10.77%	9.86%
15.15%	16.15%	Total tier I capital expressed as a percentage of total risk-weighted assets	16.15%	15.15%
0.23%	0.37%	Tier II capital expressed as a percentage of total risk-weighted assets	0.37%	0.23%
15.38%	16.52%	Total regulatory capital expressed as a percentage of total risk-weighted assets	16.52%	15.38%

36 SEGMENT INFORMATION

Segment information is presented in respect of the Bank's operating segments. For management purposes, the Bank is organised into two operating segments based on products and services as follows:

- Retail banking includes customers' deposits, unrestricted investment account, consumer loans, overdrafts, credit card, Islamic financing and fund transfer facilities.
- Wholesale banking, treasury and investments include deposits including current accounts, term deposit, loans & advances and Islamic financing etc. for corporate and institutional customers, Treasury, Trade Finance and Investment Banking Services.

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the profit after tax. Geographical distribution of major assets are provided in note 35.1.8 and all liabilities are originated in Oman.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on pool rate, which is approximates the cost of the funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

36 SEGMENT INFORMATION (continued)

Segment information is as follows:

	2025			2024		
	Retail banking	Wholesale banking, Treasury & Investment	Total	Retail banking	Wholesale banking, Treasury & Investment	Total
	₪ '000	₪ '000	₪ '000	₪ '000	₪ '000	₪ '000
Net interest income and income from islamic financing and investments	40,162	44,327	84,489	33,430	40,472	73,902
Fee and commission income, net & Other operating income	4,855	28,410	33,265	3,576	30,827	34,403
Net operating income	45,017	72,737	117,754	37,006	71,299	108,305
Net impairment on financial assets	(378)	(15,087)	(15,465)	827	(14,255)	(13,428)
Operating expenses	(30,444)	(18,525)	(48,969)	(28,680)	(17,716)	(46,396)
Profit before taxation	14,195	39,125	53,320	9,153	39,328	48,481
Tax expense	(1,895)	(5,103)	(6,998)	(1,291)	(5,528)	(6,819)
Segment profit for the year	12,300	34,022	46,322	7,862	33,800	41,662
Segment assets	999,486	3,189,189	4,188,674	844,515	2,917,714	3,762,228
Segment liabilities	1,528,965	2,018,427	3,547,392	1,266,182	1,930,727	3,196,909
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income and income from islamic financing and investments	104,316	115,136	219,452	86,832	105,120	191,952
Fee and commission income, net & Other operating income	12,611	73,791	86,402	9,288	80,069	89,357
Net operating income	116,927	188,927	305,854	96,120	185,189	281,309
Net impairment on financial assets	(983)	(39,186)	(40,169)	2,148	(37,025)	(34,877)
Operating expenses	(79,074)	(48,119)	(127,193)	(74,492)	(46,017)	(120,509)
Profit before taxation	36,870	101,622	138,492	23,776	102,147	125,923
Tax expense	(4,922)	(13,255)	(18,177)	(3,353)	(14,360)	(17,713)
Segment profit for the year	31,948	88,367	120,315	20,423	87,787	108,210
Segment assets	2,596,067	8,283,603	10,879,670	2,193,546	7,559,514	9,753,060
Segment liabilities	3,971,339	5,242,664	9,214,003	3,288,784	5,014,876	8,303,660

37 FIDUCIARY ACTIVITIES

The Bank's fiduciary activities consist of investment management activities conducted as trustee and manager as a part of the Discretionary Portfolio Management portfolio. The aggregate of the funds managed which are not included in the Bank's statement of financial position were ₪ 143.750 million which is equivalent to US\$ 373.38 million (2024: ₪ 122.038 million equivalent to US\$ 316.98 million)

38 COMPARATIVE FIGURES

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current year for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or owner's equity.





Basel II Pillar III and Basel III Disclosures

31 December 2025

Report of factual findings to the Board of Directors of Ahli Bank SAOG (the ‘Bank’ or the ‘Engaging Party’) in respect of Basel II - Pillar III Disclosures and Basel III related disclosures for the year ended 31st December 2025

Purpose of the Agreed Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting **Ahli Bank SAOG** (the ‘Bank’) in reporting factual findings to the Board of Directors of the Bank in respect of the disclosure requirements set out by the Central Bank of Oman via Circular No. BM 1009 dated 13 September 2006 and BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and Basel II - Pillar III Disclosures and Basel III related disclosures and may not be suitable for another purpose.

The report is intended solely for the **Ahli Bank SAOG** (the “Engaging Party”) and Board of Directors of the Bank and should not be used by, or distributed to, any other parties except to CBO. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement. This report relates only to the matters specified below and does not extend to any financial statements of the Bank taken as a whole.

Responsibility of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement. The Bank is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner’s Responsibilities

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

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“*IESBA Code*”) and the independence requirements in accordance with local laws.

Our firm applies International Standard on Quality Management (“ISQM”) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures enumerated in Appendix I which are included in BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and which were agreed upon with the Engaging Party in terms of the engagement dated 14 April 2025.

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
26 February 2026



Appendix I

Appendix I (continued)

S. no.	Procedures	Findings
1	Checked that the Disclosure includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2025 (the "Summary"). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Report.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2025. Checked that the following items are separately disclosed in the calculation: a. paid-up share capital/common stock b. reserves c. minority interests in the equity of subsidiaries (if any) d. innovative instruments e. other capital instruments f. regulatory calculation differences deducted from Tier 1 capital g. other items Further, checked that the following items have been deducted from the Tier 1 capital: a. goodwill; b. deferred taxation; c. investments	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached	No exceptions noted.
4	Agreed to the bank's audited financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: a. on balance sheet items; b. off-balance sheet items; c. derivative financial instruments.	No exceptions noted.
5	Checked that the risk weights assigned by management to Claims on Banks, Sovereigns, domestic Public Sector Entities; and Claims on Securities firms etc. are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Bank.	No exceptions noted.
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.

S. no.	Procedures	Findings
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and bank records.	No exceptions noted.
9	Checked whether any content of the Disclosures are a. internally inconsistent with other parts of the Disclosures b. in respect of narrative items, inconsistent with numerical data in the Disclosures c. inconsistent with the audited financial statements of the bank	No exceptions noted.

BASEL II PILLAR III AND BASEL III Disclosures

31 DECEMBER 2025

1. INTRODUCTION

This report represents the Basel II Pillar III and Basel III qualitative and quantitative disclosures, highlighting the capital adequacy, risk profile and control process of ahlibank SAOG ("the Bank") as per the requirements of CBO. The disclosures are intended to complement the Pillar I, minimum capital requirements and Pillar II, supervisory review process of the framework. They should be read in conjunction with the financial statements as of 31st December 2025.

The Bank has a formal "Disclosure Policy" for disclosure of information that it makes available to the general public as well as to the regulatory bodies. This policy is framed to enhance transparency about its activities and promote good governance. The Bank makes information publicly available in accordance with its policy on disclosure of information and applicable regulations.

2. SCOPE

The Bank prepares this report in accordance with the Basel Accord in conjunction with and as per the directive of the Central Bank of Oman (CBO).

The Scope of application covers the Bank only and is not part of any group either as a member or as top corporate entity in the group. The figures presented in this report are included with the Islamic window of the Bank and results of the Islamic window are prepared separately.

3. CAPITAL STRUCTURE

The capital base for complying with regulatory purposes differs from accounting capital. The Bank's regulatory capital is classified into two categories- Tier I and Tier II capital.

Tier 1 capital is composed of core capital and is further classified into Common Equity Tier 1 capital ('CET1') and Additional Tier 1 capital ('AT1'). CET1 includes paid up capital, legal reserves and retained earnings reduced by cumulative unrealized losses on FVOCI investments and any other applicable deduction specified in the Basel III Capital Accord. AT1 capital consists of subordinated capital instruments which includes the Mandatory Convertible Bonds (MCBs) which have been issued as dividend for the years 2023 and 2024 which are convertible into equity shares in April 2026 and April 2027 respectively.

Tier II capital consists of revaluation reserves/ cumulative fair value gain or losses on Fair value through other comprehensive income (FVOCI) instruments and Stage 1 expected credit loss allowance as allowed by CBO.

There is no innovative or complex capital instrument in the capital structure of the Bank.

CAPITAL MANAGEMENT

The primary objective of the Bank's Capital management framework is to ensure stability by maintaining adequate amount of high-quality capital to commensurate its risk profile. Healthy levels of capital, support the Bank in attaining strong credit rating and maximizing shareholders value. The framework ensures compliance with regulatory capital requirements set by CBO.

The Bank has following credit ratings at present:

Capital Intelligence

Foreign currency Long Term Rating: **BBB-**

Foreign currency Short term; **A3**

Outlook: **Stable**

Fitch Rating

Long term foreign currency and local currency IDRs; **BB+**

Short term foreign currency and local currency IDRs; **B**

Viability rating; **bb-**

Outlook: **Stable**

The process of assessing the capital requirements of the Bank commences with the compilation of the annual business plan by individual business units, which are then consolidated into the annual budget plan of the Bank. The annual budget plan provides an estimate of the overall growth in assets, its impact on capital and targeted profitability.

Strategic business objectives and future capital needs are assessed within this framework. Normally, the Bank employs capital rationing techniques to allocate capital for each of the Bank's business risk departments in order to optimize returns.

Sources of future capital are identified and plans put in place to raise and retain capital, under the terms of the framework. The Bank also manages its capital structure and adjusts 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 or issue capital to shareholders or issue capital securities.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

The Bank's Finance department monitors and reports the planned versus actual position, to ensure that the Bank is always adequately capitalized. Risk weighted assets and capital are also periodically monitored by the Risk Management department to assess the quantum of capital available to support assets growth and optimally deploy capital to achieve targeted returns.

The Bank's capital structure as at 31 December 2025, based on the CBO guidelines is as follows:

Sl.No	Elements of Capital	Amount (AED '000)
Tier I Capital		
1	Share capital	294,966
2	Legal reserves	52,656
3	Retained earnings*	45,137
Common Equity Tier I before deductions		392,759
Deductions:		
4	Cumulative unrealized losses and intangibles recognized directly in equity	(10,831)
Common Equity Tier 1		381,928
Additional Tier I Capital		
	Tier 1 perpetual subordinated bonds	190,884
Tier I capital after all deductions		572,812
Tier II Capital		
5	Revaluation reserves / cumulative fair value gains on FVOCI Instruments	4,449
6	Stage 1 expected credit losses	8,862
Total Tier II Capital		13,311
Total Regulatory Capital		586,123

*The Board of Directors have recommended dividend of 12 baizas per share (6 baizas per share as cash dividend and 6 baizas per share in the form of mandatory convertible bonds) which is subject to approval of the shareholders at the ensuing Annual General Meeting and the regulatory authorities

CAPITAL ADEQUACY

Qualitative disclosures

The Bank's capital management framework sets out to define, measure, raise and deploy capital in a coordinated and consistent manner. Its objective is to maximize its return on capital and, at the same time, provide an adequate cushion to cover any unexpected losses. The Bank manages its capital in an integrated manner with the aim of maintaining strong capital ratios and high ratings. This calls for a balanced approach: maintaining capital levels that are sufficient to provide a high return to shareholders; meeting the requirements of regulators, rating agencies and other stakeholders (including deposit holders and senior creditors), and supporting future business growth. The cost of capital and its composition in terms of its quality and stability is also considered.

The capital management process of Islamic window is aligned with the strategic planning process of the Bank. Capital planning is carried out in conjunction with the strategic business and financial planning exercise. Bank maintains a five-year rolling strategic plan which is updated and reviewed by the Board of Directors on an annual basis. Capital requirements are assessed based on projected business plans and budget. The Bank uses a prudential building-block approach as the measurement technique to assess capital adequacy for current and future activities, which is compared with the consolidated eligible capital.

The Bank's total capital adequacy ratio is 16.52% as against the CBO prescribed minimum requirement of 13.5% (including capital conservation buffer of 2.50%) as at 31 December 2025. The Bank follows a capital adequacy assessment methodology to link the Bank's annual budget projections and the capital required to achieve business objectives. It is determined by the Bank's strategic planning objectives and capital planning. Capital requirements are assessed for credit, operational and market risks. In order to calculate the capital adequacy ratio, the Bank follows the standardized approach forming part of the Pillar 1 requirements of Basel II Norms and adopts rating from CBO's recognized four External Credit Assessment Institutions (ECAI), namely Moody's, S&P Global, Fitch Ratings and Capital Intelligence, for calculating the risk on its sovereign and bank exposures. In order to equip for the requirements of the advanced approaches, the Bank has already implemented internal obligor rating models and the ratings are being tracked regularly.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

In order to meet with Pillar 2 requirements of Basel II Norms, the Bank has in place Internal Capital Adequacy Assessment Process (ICAAP) for assessing the Bank's capital adequacy in relation to various risk such as interest rate risk in the banking book, liquidity risk and concentration risk etc as well as other risk such as reputation risk, non-compliance risk (including sharia non-compliance risk), strategic risk, settlement risk and collateral residual risk for maintaining the capital adequacy level. Based on the guidelines issued by Central Bank of Oman, assessment under ICAAP has been completed for the years from 2025-2028 and it has been determined that the Bank is adequately capitalized to undertake its planned business activities.

ICAAP process is divided into a base case and stressed scenarios. The Bank has assumed three different kinds of stress scenarios, namely Mild, Medium and Severe. These stress scenarios differ in terms of stress event impact level (Mild being the lowest and Severe being the highest).

The following stress scenarios are applied:

- Rise in impairment provision as a % of loans and advances
- Rise in non-performing direct credit facilities %age of SME sector
- Decline in prices of the Bank's portfolio of FVOCI investments
- Appreciation/depreciation of local currency against all other currencies
- Withdrawal of customer deposits
- Decline in liquid assets
- Shift in yield curve
- Increase in cost of funding due to reputational risk
- Branch generated less than expected profitability
- Consolidated impact of different scenarios

Quantitative disclosures

i) Position of various risk weighted assets is presented as under (₹ '000):

As on 31 December 2025

Sl. No.	Details	Gross balances (book value)	Net balances (book value)	Risk weighted assets
1	On-balance sheet items	3,947,454	3,745,162	3,052,356
2	Off-balance sheet items	138,917	138,917	133,330
3	Derivatives	2,751	2,751	1,513
4	Market risk	-	-	169,956
5	Operational Risk	-	-	190,309
	Total			3,547,464
6	Tier 1 capital			572,812
7	Tier 2 capital			13,311
8	Total Regulatory Capital			586,123
8.1	Capital requirement for credit risk			430,272
8.2	Capital requirement for market risk			22,944
8.3	Capital requirement for operational risk			25,692
	Total required capital			478,908
9	CET 1 ratio			10.77%
10	Tier 1 ratio			16.15%
11	Total capital ratio			16.52%

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

ii) Capital adequacy

As on 31 December 2025

Sl. No	Details	Simple Approach
		Amount in ₹ '000's
1	Tier I capital (after supervisory deductions)	572,812
2	Tier II capital (after supervisory deductions and up to eligible limits)	13,311
3	Risk weighted assets – banking book	3,187,199
4	Risk weighted assets – operational risk	190,309
5	Total Risk Weighted Assets – Banking Book + Operational Risk	3,377,508
6	Minimum required capital to support RWAs of banking book and operational risk	455,964
	i) Minimum required Tier I capital for banking book and operational risk	388,414
	ii) Tier II capital required for banking book and operational risk	67,550
7	Tier I capital available for supporting trading book	146,397
8	Tier II capital available for supporting trading book	-
9	Risk Weighted Assets – trading book	169,956
10	Total capital required to support trading book	22,944
11	Minimum Tier I capital required for supporting trading book	6,539
12	Total Regulatory Capital	586,123
13	Total Risk Weighted Assets – Whole bank	3,547,464
14	BIS Capital Adequacy Ratio	16.52%

As at the reporting date the capital position of the Bank remains strong and is well placed to absorb the impact of any economic environment.

4. Risk Exposure and Assessment

Risk Management Principles

Risk is an inherent part of the Bank's business activities. The primary goal of risk management is to ensure that the Bank's asset and liability profile, its trading positions, and its credit and operational activities do not expose it to losses that could threaten its survival. Risk Management assists in ensuring that risk exposures do not become excessive, relative to the Bank's capital and financial positions. The Bank has already in place a risk appetite statement set by the Board.

The Bank manages the risks effectively and efficiently by making risk management an integral part of commercial banking business. This emphasizes a clear understanding of business requirements in terms of products, clients, delivery capabilities, competition, regulatory environment, shareholder values and the global economic environment leading the Bank to identifying the various associated risks.

Having identified the risks, the Risk Management Department formulate policies and procedures taking into account regulatory requirements and best international practices, so as to monitor and control the risks within pre-determined acceptable limits.

Primary responsibility for the management of risk lies with the business and operational areas responsible for the generation of risk exposure. Risk management provides an in-depth check against risk decisions and an ongoing platform to evaluate, monitor and sanction risk at the individual transaction and overall portfolio level.

Risk Management Structure

The Bank's risk management department reports directly to the Executive Risk Committee (a Board Committee).

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

4. Risk Exposure and Assessment (continued)

The Bank's Risk Management includes the following four elements:



Risk framework

The Bank has set up policies and measures to assess capital adequacy in terms of CBO regulations, which have been approved by the Board of Directors. Under these, the Bank assesses its capital against its risk profile, to ensure its capital is sufficient to support all material risks to which it is exposed.

The Board of Directors ensures that the senior management establishes a framework that identifies, measures, monitors and reports all relevant significant risks. The risk management department has identified material risks that the Bank is exposed to, and has defined the framework necessary to measure, monitor, and report these risks on a timely basis.

The following Board of Directors and Executive Management committees manage and control material risks to the Bank:

Board Committees:

- Audit and Compliance Committee
- Executive and Credit Committee
- Executive Risk Committee
- Nomination and Remuneration Committee
- Digital Transformation Committee

Management Committees:

- Executive Management Committee
- Credit and Investment Committee
- Credit Risk Management Committee
- Special Assets Committee
- Assets and Liabilities Committee
- Operational Risk Committee
- Products and Consumer Protection Committee
- Technology and Digital Transformation Committee
- Technology Delivery Committee

The Bank's risk management is based on a 'Three Lines of Defense' model and is also supported by the fourth line of defense, to shield the Bank against risks that might threaten the achievement of its goals. This structure allows for a coordination of control responsibilities in an effective and efficient manner. To reach this objective, roles and responsibilities are clearly communicated to all the functions so that everyone understand his/ her role and how it relates to the activities of other functions. Roles and responsibilities are communicated to the employees through policies and procedures and also through job descriptions. The following line of defenses are explained below:

First line of Defense

The business operations side which is the first line of defense is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, self-assessment of the business side is of a sufficiently high standard, there is adequate awareness of risk and sufficient priority/capacity is allocated to risk themes. The main departments included in this line of defense are:

- Corporate Banking
- SME & Retail Banking
- Investment Banking Department
- Islamic Banking
- Treasury
- Information Technology
- Operations

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

4. Risk Exposure and Assessment (continued)

Second Line of Defense

The Risk, Compliance, Finance and Legal Departments falls under the second line of defense. Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting the Bank. In this way, they provide an adequate degree of certainty that the first-line control function is keeping these risks under control, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. The risk function has a veto right to ensure that it is respected.

The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the Bank, and supervise how they are applied. Compliance is an independent function that aims to prevent the Bank from being exposed to compliance risk or suffering harm through non-compliance with the prevailing laws, regulations or internal rules.

Third Line of Defense

As the independent third-line of control, Internal Audit Department is responsible for the quality control of the existing business processes. It performs risk-based and general audits to ensure that the internal control and risk management system, including Risk Policy, are effective and efficient, and to ensure that policy measures and processes are in place and consistently applied within the Bank to guarantee the continuity of operations.

Fourth Line of Defense

Finally, there are additional external levels of controls that compliment three existing internal layers of control such as assurances from external independent bodies. External auditors are the common bodies under this line of defense. External auditors may not have the existing familiarity of the Bank that an internal audit department has, however, they can bring a new and valuable perspective. Accordingly they are important in the Bank's overall governance and control structure even though they are outsiders of the Bank.

Policies and Procedures:

The Board of Directors approve the Bank's risk appetite, risk management strategies, policies and the framework for their effective implementation and control, including delegated authorities to the Executive Committee and Management to approve all risk exposures. In this context, the Board of Directors has approved the following policies:

1	Anti-Money Laundering and Sanctions Policy	22	Operational Risk Management Framework and Policy
2	Asset Management Policy	23	Outsourcing Policy
3	Board Remuneration Policy	24	Personal Account Dealing Policy
4	Brokerage Policy	25	Risk Management - Approach and Framework
5	Business Continuity Management	26	Security and Safety Policy
6	Capital Management Policy	27	Social and Environment Management Policy
7	Code of Business Conduct	28	Social Media Policy
8	Compliance Policy	29	Market Risk Policy
9	Corporate Governance Policy	30	Classification and Measurement Financial Assets
10	Corporate Social Responsibility Policy	31	Electronic Banking Policy
11	Credit and Investment Policy	32	Corporate Communication and Marketing Policy
12	Customer Complaints Redressal Policy	33	Wealth Management Policy
13	Disclosure Policy	34	Treasury & Investment Policy
14	Dividend Policy	35	Whistle Blowing Policy
15	Expenses Policy	36	Cloud Policy
16	Financial Institutions Policy	37	Charity Policy
17	Fraud Risk Management Framework and Policy	38	Cost Sharing Policy
18	Human Resources Policy	39	Profit Distribution Policy
19	Information Security Policy	40	Segregation of Funds Policy
20	Liquidity and Funding Policy	41	Sharia Governance Manual
21	Products & Consumer Protection Policy	42	Zakah Policy

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

4. Risk Exposure and Assessment (continued)

All policies are subject to periodical reviews. Any change in law or regulation is deemed to be automatically adopted and implemented immediately upon its issuance (i.e. prior to the final amendment of the underlying policy or procedure).

The bank has exposure to the following risks:

5. Credit Risk

Qualitative Disclosure

Credit risk arises from the potential financial loss resulting from customers / counterparties failing to honor the terms of their contracts. It also includes the risk of loss in portfolio value as a result of migration from lower risk to higher risk categories. The Bank evaluates both settlement and pre-settlement credit risk at the customer level, across all products of the Bank.

Credit risk is the most significant risk incurred by the Bank, and proactive management is critical to the Bank's long-term success.

The Bank has a comprehensive due diligence system for approving credit facilities, and well defined policies on controlling credit risk at the counter-party, group, economic sector, and country levels.

All corporate, bank and sovereign credit requires independent credit risk review to be approved by authorities, from Level II to the Board, depending on their delegated credit approval authority (DAA). All credit approvals are strictly in accordance with the regulatory guidelines issued from time to time by the CBO. Exceptions in retail credit exposure are escalated to Risk Management Department for necessary approvals.

Risk Management quantifies the Bank's credit risk appetite in line with the Bank's strategic direction. A well-established process exists to ensuring the allocation of capital for the total credit risk to be assumed by the Bank; and measuring the actual use of capital at portfolio level.

With regard to credit culture, Risk Management ensures that the appropriate policies, guidelines, processes and procedures exist to cover all business areas of credit risk. It also ensures the consistent application of credit standards through a diligent Credit Review function and post approval review of loans through a Loan Review Mechanism (LRM) function and the periodic review and updating of credit policies, guidelines and procedures.

The Bank also has a robust system of borrowers' risk ratings that assesses the risk of corporate borrowers and monitors ratings changes periodically. In case of financial institutions, ratings by credit rating agencies are considered.

Structure and policies of credit risk management

The credit risk management policies are governed through Credit Risk Management Committee, Executive Risk Committee of the Board and the Board of Directors. The following is the structure of credit risk approval: -



The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board based on the product category like Commercial Banking Lending, Country

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

Limits or Limits for lending to Banks / FIs or Sovereigns and also lending related to the Bank's brokerage activities, the legal nature of the borrowers and their credit risk rating.

In regards to transaction risk, Risk Management ensures that credit is underwritten according to approved standards and that all risks are highlighted in the credit risk review, including policy exceptions. It includes analyzing and reporting on the nature of on- and off-balance sheet counter-party exposure (size, tenor, complexity and liquidity), including secured and unsecured credit facilities. To safeguard against concentration risk, sectoral limits have been set including for Islamic window for having a well-diversified portfolio, the same is being reviewed by the Bank on a regular basis.

The Credit Risk Management Committee (CRMC) oversees, adherence to the limits, exceptions and makes recommendations to the Board in respect of policy related matters pertaining to credit risk and related risk management.

Past due credit exposures and Impairment policy

As a matter of policy, the Bank creates allowance for impairment of loans and financing contracts promptly and in a consistent manner. The Bank has adopted IFRS 9 "Financial Instruments" accounting standard in 2018 based on which impairment is assessed on a forward-looking expected credit loss (ECL) basis, as required by CBO.

The ECL Allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank has established a policy to perform an assessment on a monthly basis 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 classified below:

Stage 1:

When Loans and advances & financing are first recognized, the Bank recognizes 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 Loans and advances & financing exposure has shown a significant increase in credit risk since origination, the Bank records an allowance for lifetime ECLs. 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:

Loans and advances & financing exposure considered credit impaired. The Bank records an allowance for lifetime ECLs.

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.
- in case of Treasury and interbank balances, when the required intraday payments are not settled appropriately

Quantitative Disclosure:

i) Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure: (₹ '000)

	Type of credit exposure	Average gross exposure		Total gross exposure	
		31-Dec-25	31-Dec-24	31-Dec-25	31-Dec-24
1	Overdrafts	81,909	91,192	75,776	79,700
2	Personal loans	919,983	792,552	1,006,461	847,035
3	Loans and against trust receipts	88,073	77,960	90,302	83,370
4	Other loans	2,244,511	1,983,609	2,382,961	2,101,093
5	Bills purchased/ discounted	13,303	11,517	15,858	13,002
	Total	3,347,779	2,956,830	3,571,358	3,124,200

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

ii) Geographic distribution of exposures by major type of credit exposure: (AED '000)

Type of Credit Exposure	Oman	Other GCC countries	Others	Total
1 Overdrafts	75,776	-	-	75,776
2 Personal loans	1,006,457	1	3	1,006,461
3 Loans against trust receipts	90,302	-	-	90,302
4 Other loans	2,298,453	53,156	31,352	2,382,961
5 Bills Purchased/discounted	15,858	-	-	15,858
Total	3,486,846	53,157	31,355	3,571,358

iii) Industry or counter party type distribution of exposures, broken down by major types of credit exposure: (AED '000)

Economic sector	Overdrafts	Loans	Bills purchased/ discounted	Total	Off Balance Sheet Exposure
1 Personal Loans	7,831	998,630	-	1,006,461	10
2 Construction	12,587	336,642	2,246	351,475	61,000
3 Wholesale and retail trade & other trade	21,709	223,045	7,497	252,251	36,829
4 Services	8,106	460,159	2,486	470,751	28,308
5 Financial institutions	551	380,401	168	381,120	7,648
6 Manufacturing	10,360	182,738	2,944	196,042	39,640
7 Electricity, gas and water	108	166,688	-	166,796	20,229
8 Mining and quarrying	2,681	275,531	511	278,723	4,119
9 Transport and communication	214	354,267	6	354,487	1,536
10 Government	-	34,815	-	34,815	14,630
11 Others	11,629	66,808	-	78,437	5,136
Total	75,776	3,479,724	15,858	3,571,358	219,085

iv) Residual contractual maturity of the whole portfolio, broken down by major types of credit exposure: (AED '000)

Time Band	Overdraft	Loans	Bills purchased/ discounted	Total	Off Balance Sheet Exposure
1 Upto 1 Month	13,257	391,496	3,823	408,576	22,015
2 1-3 Months	4,466	255,093	7,315	266,874	24,307
3 3-6 Months	2,233	90,050	4,363	96,646	25,008
4 6-9 Months	2,233	51,240	357	53,830	12,691
5 9-12 Months	10,718	99,056	-	109,774	32,439
6 1-3 Years	21,435	503,459	-	524,894	63,836
7 3-5 Years	10,718	559,947	-	570,665	31,031
8 Over 5 Years	10,716	1,529,383	-	1,540,099	7,758
Total	75,776	3,479,724	15,858	3,571,358	219,085

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

v) Major industry or counterparty type : (AED '000)

The Bank has set aside an additional amount of AED 0.298 million as a non-distributable special reserve on restructured loans based on CBO circular as at 31 December 2025.

Economic sector	Gross loans	Of which Stage 3 exposure	Stage 1 & Stage 2 allowance	Stage 3 allowance*	Impairment allowance made during the year	Advances written off, net during the year
1 Personal Loans	1,006,461	18,798	1,113	11,866	1,165	19
2 Construction	351,475	37,047	8,890	21,078	7,135	-
3 Wholesale and retail trade & other trade	252,251	16,714	3,922	11,524	1,394	-
4 Services	470,751	14,977	7,931	6,156	1,907	-
5 Financial institutions	381,120	-	509	-	(195)	-
6 Manufacturing	196,042	21,092	6,551	9,596	6,902	-
7 Electricity, gas and water	166,796	-	198	-	132	-
8 Mining and quarrying	278,723	3,220	160	2,475	462	-
9 Transport and communication	354,487	1,390	350	990	247	-
10 Government	34,815	-	102	-	48	-
11 Others	78,437	33,543	7,009	24,577	3,880	1,018
Total	3,571,358	146,781	36,735	88,262	23,077	1,037

*- Stage 3 allowance includes reserve interest amounting to AED 22.636 million.

vi) Amount of impaired loans broken down by significant geographical areas including, with the amounts of impairment allowances related to each geographical area: (AED '000)

Countries	Gross loans	Of which Stage 3 exposure	Stage 1 & Stage 2 allowance	Stage 3 allowance *	Impairment allowance made during the year	Advances written off, net during the year
1 Oman	3,486,846	146,781	36,569	88,262	22,971	1,037
2 Other GCC countries	53,157	-	94	-	34	-
3 Others	31,355	-	72	-	72	-
Total	3,571,358	146,781	36,735	88,262	23,077	1,037

*- Stage 3 allowance includes reserve interest amounting to AED 22.636 million.

vii) Movement of gross loans during the year: (AED '000)

Details	Stage 1	Stage 2	Stage 3	Total
1 Opening balance	2,528,941	465,852	129,407	3,124,200
2 Mitigation/ changes (+/-)	19,614	(32,684)	13,070	-
3 New loans	562,673	7,721	5,510	575,904
4 Recovery of loans	(101,972)	(25,568)	(169)	(127,709)
5 Loans written off	-	-	(1,037)	(1,037)
6 Closing balance	3,009,256	415,321	146,781	3,571,358
7 Impairment allowance held	8,622	28,113	88,262	124,997
8 Reserve interest	-	948	21,688	22,636

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

Credit risk - Disclosures for portfolios subject to the standardized approach.

As part of the standardized approach, the Bank follows the simplified approach for credit risk capital charge calculation. Accordingly, keeping in view the CBO guidelines, the Bank has used the financial collaterals such as cash, acceptable bank guarantees and shares listed on the MSM main index as part of the credit risk mitigation for arriving at the capital adequacy.

Qualitative Disclosures:

The Bank is following Moody's, S&P and Fitch rating for both sovereign and interbank exposures and the balance is treated as unrated at 100% risk. As per the guidelines, the ratings corresponding to the two lowest risk weights are considered and the higher of the two risk weights is applied. There has been no change in the approach compared to previous year.

The bank uses the discretion to treat loans and advances as unrated at-risk weight of 100%, except housing loans and SME which are risk weighted at 35% and 75% based on the requirements as stipulated in the guidelines issued by CBO.

Similarly, the bank uses the discretion of the simple approach for recognizing collaterals.

Quantitative Disclosures:

Gross exposure amount as at 31 December 2025, subject to the standardized approach is as below:

Sr. No.	Product / Rating	Capital Charge								Above 100%	₹ '000's Total
		0%	20%	35%	50%	75%	80%	90%	100%		
Rated											
1	Sovereign	291,578	-	-	-	-	-	-	-	-	291,578
2	Banks	-	34,812	-	28,792	-	-	-	308	-	63,912
3	Corporate	-	-	-	-	149,204	-	-	-	-	149,204
Unrated											
1	Corporate	-	-	-	-	405,897	300,005	108,469	1,336,945	-	2,151,316
2	Banks	-	2,677	-	707	-	-	-	-	-	3,384
3	Retail	-	-	-	-	-	-	-	528,315	-	528,315
Claims secured by residential property											
4	property	-	-	279,806	-	-	-	-	193,782	-	473,588
Claims secured by commercial property											
5	property	-	-	-	-	-	-	-	126,028	-	126,028
Past due loans											
6		-	-	-	-	-	-	-	36,642	-	36,642
7	Other assets	17,999	-	-	-	-	-	-	247,156	-	265,155
Total Banking Book		309,577	37,489	279,806	29,499	555,101	300,005	108,469	2,469,176	4,089,122	

Credit Risk Mitigation - Disclosures for standardized approaches

Qualitative disclosure

Credit risk mitigation (CRM) encompasses collateral management and credit guarantee arrangements. The policies and processes for on- and off-balance sheet netting (and the extent to which the Bank makes use of them); policies and processes for collateral valuation and management; and a description of the main types of collateral taken are described below.

In respect of real estate collateral, two valuations are obtained if the value of collateral exceeds a particular level: the lowest valuation is used. The Bank also has a mandatory requirement to obtain an insurance policy on real estate collateral (other than land) where the policy is assigned in the Bank's favor. Real estate collateral is valued on regular intervals and also on need basis based on the assessment of risk and economic scenario prevailing.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

The Bank normally accepts the following types of collateral:

- Cash margins and fixed deposits
- Real estate comprising income-producing and non-income-producing assets.
- Shares listed on recognized stock exchanges located in GCC
- Irrevocable and unconditional guarantees / standby LC issued by acceptable Banks
- Debt securities subject to meeting approved criteria.
- Funds subject to meeting approved criteria

The Bank also accepts guarantees of individuals and corporates to mitigate risks, wherever applicable and has a system of assessment of their creditworthiness.

Management monitors the market value of collateral at regular interval and requests additional collateral in accordance with the underlying agreement in case of shortfall. The Bank also periodically reviews the collateral cover for determining the adequacy of the allowance for impairment losses. The fair value of collateral that the bank held as at 31 December 2025 towards loans & advances not impaired amounted to ₹ 2,039.402 million.

Quantitative disclosure

As per Basel & CBO guidelines the Bank stands in possession of the following eligible collateral:

1) Cash 2) Shares 3) Sovereign Guarantee.

Exposure covered by cash collateral – ₹ 71.442 million; after application of haircut (0%) exposure stands at NIL.

Exposure covered by Shares collateral – ₹ 214.582 million; after application of haircut (50%) exposure stands at ₹ 107.291 million.

Exposure covered by Sovereign guarantee – ₹ 100.000 million; after application of haircut (0%) exposure stands at NIL.

Particulars	₹ Mn
Gross Exposure - banking book	4,089
Credit risk mitigation	(181)
Risk weight impact - for banking book	(721)
Risk weighted assets - banking book	3,187
Capital charge for credit risk	430

Counterparty Credit Risk:

Counterparty Credit Risk (CCR) is the risk that the customer or trading counterparty of the Bank, usually an OTC derivative contract, may fail to fulfill its obligation which may result in replacement or termination of transaction at a loss to the Bank.

Bank has implemented Current Exposure Method (CEM) for the measurement of Risk Weighted Assets under CCR. Exposure under CEM method is defined as sum of Potential Future Exposure (PFE) and Current Credit Exposure (CCE). The PFE is the estimate of amount of exposure that may occur over a one-year time horizon while CCE is the sum of positive MTM (Mark to Market) values. Bank has total exposure (CEM) on account of OTC derivatives (FX forwards, Interest Rate Swaps etc.) and RWA of ₹ 2.751 million as at 31 December 2025.

6. Market Risk

Qualitative disclosure

Substantially all of the Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Bank. Market risk arises from fluctuations in interest rates, foreign exchange rates, commodity and equity prices. Market risk has been categorized into interest rate risk, equity position risk and foreign exchange risk. The Bank does not take any trading positions with commodities

The Bank has a robust Market Risk Management framework which comprises of risk identification, setting up of limits, monitoring, reporting, escalation matrix and resolution. The policy and procedure ensure that all limits are within risk appetite of the Bank and approved by the Board.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Details of various market risks are as below:

Interest Rate Risk Principles and Framework

Interest rate risk arises from the possibility that changes in interest rates will affect the value of underlying financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect the Bank's net interest income. Interest rate risk is measured as the potential volatility in net interest income caused by changes in market interest rates. The Bank manages this risk by matching or hedging the re-pricing profile of assets and liabilities through various risk management strategies.

Interest Rate Risk in Trading Book

Interest rate risk in the trading book is the risk of losses in the market value of underlying financial instruments and arises from the sensitivity of interest-bearing instruments to interest rate volatility. Interest rate risk in the trading book is monitored through notional exposure limits, stop loss limits, and maximum maturity limits, and is marked to market.

As of 31 December 2025, there were no significant trading book position sensitive to interest rate changes.

Equity Position Risk

Equity position risk occurs due to change in market value of the Bank's equity portfolio due to change in general market or security specific conditions. The ALCO monitors all equity investment on periodic basis. The Market Risk and Mid Office is responsible to ensures appropriate risk limits are in place and reports the same to appropriate authorities.

As of 31 December 2025, equity investments classified as FVTPL amounted to **₹** 20.868 million.

Foreign Exchange Risk

Foreign exchange risk is the risk that the foreign currency positions taken by the Bank may be adversely affected due to volatility in foreign exchange rates. Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions. Treasury takes every possible measure to cover open positions created by customer transactions.

Instruments used to mitigate this risk are foreign exchange spot, forwards, swaps, etc. These instruments help to insulate the Bank against losses that may arise due to significant movements in foreign exchange rates. All foreign exchange exposures are centrally managed by the Bank's Treasury and are daily marked to market. Limits have been assigned with respect to overnight open exposures, stop loss and authorized currencies to monitor and control foreign exchange exposures.

The Bank treats its entire Foreign Exchange Exposure under Basel II Standardized method for capital calculation. The Net open position in all foreign currencies stands at **₹** 140.172 million (including **₹** 126.473 million open position which is pegged to USD) as on 31 December 2025.

Quantitative Disclosure:

Capital Charge:

The exposure under the trading book of the Bank includes relatively small foreign exchange exposure primarily arising from the holding of day-end positions in currencies overnight, and exposure towards interest rate related instruments. Positions are monitored on daily basis to ensure open currency position is maintained within the regulatory limit. For the purpose of capital charge, the three-month average of the sum of the net short positions or net long positions, whichever is higher, is taken. The average is worked out on the basis of the actual positions as obtained on all the working days during the three-month period immediately preceding the reporting date. The exposures are daily monitored by the Middle Office as per the approved stop loss and exposure limits.

Table showing capital charge for interest rate, equity and FX risk as on 31 December 2025 is shown below:

Type of risk	2025	2024
Interest rate risk	5,413	4,507
Equity position risk	3,339	2,845
Foreign exchange risk	4,845	7,834
Percentage of NOP to regulatory capital	23.28%	27.61%
Regulatory ceiling (% to total networth)	40%	40%

Total risk weighted assets for trading book is **₹** 169.96 million with capital charge of **₹** 22.945 million.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Investments in the banking book

The Bank's investments will have to be within the overall limits and restrictions as CBO may prescribe from time to time.

However, the Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board of Directors based on the product category like Repo, CBO CD or Equity / Bonds, as a percentage of the Capital Base of the Bank. All investment proposals are routed through the ALCO to the relevant approval authority.

In addition to the CBO restrictions on investments by banks, and such internal limits as described above, the following restrictions will apply:

The Bank's appetite for private subscriptions and unlisted / unquoted equity is low, and any such proposals should be adequately justified on a case by case basis, and has to be approved by Credit & Investment Committee, Executive Credit Committee or by the Board if it exceeds limits structured as a proportion of the Bank's capital base.

All investments of the Bank should be in either USD or USD pegged GCC currencies or any investments in other currencies should be approved by Delegated Approval Authority determined as a proportion of the Bank's capital base, after review and recommendation of the ALCO. Aggregate investments in all such currencies should not exceed a limit based on the Bank's capital base unless approved by the Board of Directors. This should include all investments through any Fund Manager, or proprietary investments made through the Bank's Asset Management Department.

Any investments of the Bank outside the GCC countries or US will have to be specifically approved by Delegated Approval Authority determined as a proportion of the Bank's capital base. Similarly, this should include all investments through any Fund Manager, or proprietary investments made through the Bank's Asset Management Department.

The Bank will try to achieve reasonable diversification of its equity investment portfolio among the economic sectors, and will not exceed a certain limit of its investment portfolio in any particular industry / sector groups listed below:

- Trading and retailing
- Real estate development, management and rental income
- Construction / contracting and building materials
- Travel / tourism, hotels, restaurants, entertainment, health services and education
- Warehousing / storage, logistics, supply management and transportation, utilities and telecom
- Oil and gas
- Banking and financial services
- Conglomerates or holding companies investing in any of the above business lines
- Information Technology
- Pharmaceuticals
- Manufacturing and Industrials

This should include all proprietary investments made through the Bank's Asset Management Department.

Any proposal that leads to contravention of the above or any proposal for investment in any sector or industry not listed above will need approval of the Delegated Approval Authority.

All investment approval requests for specific transactions or trading limits must be made by the relevant Business Line, approved by the Credit and Investment Committee and submitted to the Executive & Credit Committee as delegated. Any approval above those delegated limits is to be elevated to the Board level for approval. Any restrictions on investments as per effective CBO regulations shall apply. The details of investments are provided in Note 8 of the financial statements.

Investment exits/ Stop loss (does not cover Asset Management Division operations)

Exit strategies is clearly outlined in all investment proposals. In case of a change in the exit strategy, approval from the same approving body is obtained. Sale of FVOCI investments to book profit is approved/ ratified by the ALCO.

The tolerance level of a decrease in the value of an FVTPL investment is a maximum of 15% (in a particular financial year). Investments exceeding this threshold are exited. Any holding with loss equivalent or greater than 10% (in a particular financial year) are notified to ALCO members. In case an investment is witnessing a material change (downgrading or expected downgrade, etc.), the Business Unit outlines the action/remedial plan for ALCO's review. Based on its review, ALCO decides the most appropriate strategy and notify the Credit and Investment Committee.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Interest Rate Risk in Banking Book (IRRBB)

The Bank monitors its interest rate risk in the banking book through performing repricing gap analysis of interest rate sensitive assets and liabilities. Under repricing gap analysis, the Bank distributes interest rate sensitive assets and liabilities into time bands according to their maturity (if fixed rate) or time remaining to their next repricing (if floating rate). The size of the gap for a given time period – that is assets minus liabilities that reprice or mature within that time band – gives an indication of the Bank's repricing risk exposure. The Bank evaluates the effect of a parallel shift in yield curve on its economic value by applying a proxy for modified duration multiplied by the assumed parallel change in interest rates to the gap under each time band.

The nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement, are given below.

Interest rate risk is mainly related to retail banking book as they are re-priced with any change in the CBO's interest rate and for corporate customer re-priced in line with the market conditions.

Deposits are re-priced based on their final maturity, or if linked to a floating rate index, on the re-pricing date. Deposits that are insensitive to interest rate movements are categorized separately. The earnings at risk are calculated based on interest rate re-pricing gaps. The Bank is confident of sourcing the cheaper source of funds by way of customers' deposits. ALCO along with the risk management department identifies interest rate risk and these are monitored and reported periodically. Rate sensitive exposures are quantified using re-pricing gaps.

Quantitative Disclosure:

Exposure and sensitivity analysis

The sensitivity of interest rate risk is determined by applying 200 bps interest rate shock on net interest income and assessing the impact on Capital. The impact of a 200 basis points parallel shift in interest rate is provided below:

	2025	2024
	₹ '000	₹ '000
Impact of +200 bps interest rate increase	10,215	13,909
Impact of -200 bps interest rate decrease	(10,215)	(13,909)
Impact of +200 bps interest rate increase as % of Capital	+1.70%	+2.65%
Impact of -200 bps interest rate decrease as % of Capital	-1.70%	-2.65%

7. Liquidity risk

Qualitative Disclosure

The Bank defines liquidity risk as its ability to meet all present and future financial obligations in a timely manner and without undue effort and cost through unconstrained access to funding at reasonable market rates and without affecting asset growth and business operations.

The following key factors are taken into consideration while assessing and managing the liquidity risk of the Bank:

- The need to have a well-diversified base for funding sources, comprising a portfolio of retail customers, large corporates and institutions, small & medium enterprises, high net worth individuals, without significant concentrations or correlations, thereby diversifying the funding base and mitigating concentration risks.
- Based upon the past behavioral pattern analysis of our main liabilities, management expects large portion of customer deposits to be rolled over at contractual maturity.
- As per the CBO directives, the Bank keeps at least 5% of its Demand & time deposit liabilities with CBO in the form of clearing balances
- Commitments for loans and advances are approved after considering the Bank's overall liquidity position.

The Bank's projected liquidity needs are analyzed, and optimum alternatives to manage the liquidity risk are discussed and approved in ALCO. The Risk Management department also independently reviews and evaluates the Bank's ability to access liquidity from different sources.

The Treasury and Risk management Departments identify liquidity at risk, which is monitored daily and reported periodically to ALCO. Liquidity and Funding Policy and a liquidity contingency plan have been established by the Bank.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

7. Liquidity risk (continued)

Liquidity and Funding Policy

The Liquidity and Funding policy of the Bank is intended to ensure that liquidity requirements are prudently and effectively managed such that anticipated and unanticipated funding needs are met on an ongoing basis in a controlled manner at the least possible cost.

The Bank's ALCO reviews the Liquidity Policy annually and submits recommendations for changes, if any, for submission to the Credit & Investment Committee or Executive Committee and Board as applicable.

There are a number of techniques which the Bank uses to manage its Liquidity position. The key ones are:

- Placing limits on maturity mismatches
- Maintaining a stock of liquid assets
- Diversification of liabilities
- Access to wholesale markets
- Multi-currency liquidity management

The Bank also maintains significant investments in liquid instruments issued by Government & banks principally for maintaining liquidity. The Bank also has standby lines of credit to meet its obligations at any given time, if the need arises.

Stock of Liquid Assets

An adequate stock of high-quality liquid assets provides the Bank with the capacity to meet its obligations while any underlying problems affecting liquidity are addressed.

Such assets are clearly identified, their role defined and minimum holding levels are reported to the ALCO on an ongoing basis. The degree of diversification of the liquid asset's portfolio is reviewed by the ALCO on a monthly basis.

As per the guidelines of CBO, the Bank is required to maintain Liquidity Coverage Ratio (LCR) of at least 100%. Further, Net Stable Funding Ratio (NSFR) is also prescribed at a minimum of 100%. Internally, the Bank has implemented a more stringent requirement for these ratios which is reviewed by ALCO on a monthly basis. A detailed disclosure on the position of the Bank in regards to these ratios is contained later in this report.

Diversification of liabilities

The Bank seeks to maintain a diversified funding base, and monitors the degree of diversification in its liability base on a monthly basis. Depositor concentration is reviewed by the ALCO on a monthly basis.

The liquidity policy recognizes the inherent value of the Bank's longer-term depositors. The Bank seeks to establish strong and lasting relationships with depositors and other liability holders so as to foster a stable funding base. Trends in liability balances by category are reviewed by the ALCO on a monthly basis.

The Bank also recognizes that an over reliance on short dated inter-bank deposits can lead to difficulties in extreme market conditions. The Bank's exposure to such deposits is reviewed by the ALCO on a monthly basis.

Multi-currency liquidity

Where positions in specific foreign currencies are significant to its business, the Bank addresses the measurement and management of liquidity in these individual currencies. It is considered appropriate to consolidate several (usually minor) currencies and monitor the aggregate exposure expressed in base currency.

When monitoring exposure in aggregate, the Bank assesses the convertibility of individual currencies, the timing of access to funds, the impact of potential disruptions to foreign exchange markets, and exchange risks before presuming that surplus liquidity in one currency can be used to meet a shortfall in another currency.

Performance against limits is monitored daily by Treasury with any exceptions being immediately reported to ALCO members. Review of all liquidity positions against limits is performed by Risk Management and Treasury based on figures produced by the Treasury Middle Office / Finance Department.

The Treasurer along with the Risk Management derives and documents the Maturity Profile behavioral adjustments, based on redemptions and withdrawal requests. These are communicated to the ALCO for discussion and acceptance.

Liquidity Contingency Plan:

It is imperative for the Bank to maintain an adequate amount of liquid assets as a protection against a possible loss in the event of emergency situation. The Bank's Liquidity Contingency Plan (LCP) is approved by Board and addresses the institution's strategy for handling any liquidity crisis. LCP will serve as the blueprint for meeting its funding needs under stress environment in a timely manner and at a reasonable cost. It describes policies and procedures for managing or making up cash flow shortfalls in such situations at both solo and consolidated level.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

7. Liquidity risk (continued)

The Bank has adopted quantitative and qualitative key warning indicators which is monitored by Market Risk team and presented to ALCO. The members of the Liquidity Crisis Management Team (LCMT) and ALCO are notified immediately should any of the early warning criteria be breached.

In the event of the plan being invoked, ALCO delegates the responsibility for the management of the Bank's liquidity to the LCMT. The LCMT is comprised of CEO (Chairman), DCEO Business Group, DCEO – Support Services, Head of Finance, Head of Treasury and Head of Risk.

Quantitative disclosure

The maturity gaps are measured and reported as per CBO circular BM 955 dated May 7, 2003 and subsequent amendments including the CBO circular dated January 29, 2025 through SDD/CBS/CB/2025/19 on Maturity of Assets and Liabilities. Disclosure pertaining to the maturity profile of assets and liabilities as at 31 December 2025 are provided in note 35.2.2 of financial statements.

8. Operational risk

Operational Risk Framework

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. It encompasses risks such as IT security breaches, telecom failures, fraud, operational errors, and other disruptions that may impact the Bank's ability to operate effectively.

Losses from external events—such as natural disasters, power outages, or telecommunication failures—are relatively easier to define compared to losses arising from internal issues like employee misconduct or product flaws. Internal risks are closely linked to the Bank's specific products, services, and operational structure, making them more complex to manage.

The Bank manages operational risk through a comprehensive Operational Risk Management Framework, which includes robust internal controls, clear segregation of duties, documented processes, and independent reviews by Internal Audit. The framework is overseen by the Operational Risk Committee (ORC), which is responsible for governance and continuous improvement.

Identification and Assessment

The Bank identifies and assesses the operational risks inherent in its material products, activities, processes and systems. It also ensures that the associated operational risks are properly assessed and mitigated before any new products or services, activities, processes or systems are introduced.

Risk identification is vital to the development of operational risk monitoring and control systems. Risk identification considers internal factors such as the Bank's organizational structure, nature of its activities, quality of its human resources, organizational changes, and employee turnover. It also examines external factors such as industry developments, major political and economic changes, and technological advancements.

The Bank has identified the following operational risks and has been implementing an effective framework to manage them:

- Fraud Risk
- Process Risk
- Legal Risk
- People Risk
- Compliance Risk
- IT and Cybersecurity Risk
- Physical Security Risk

Control and Mitigation

The Bank has an effective Fraud Risk Management Framework and Policy to effectively manage the risks arising from frauds, in line with the regulatory guidelines. The Bank has established a dedicated FRM unit that operates independently within the Operational Risk Management division.

The Bank employs a range of strategies to control and mitigate operational risk. It periodically reviews risk limitation and control strategies to recalibrate the operational risk profile in alignment with the Bank's overall risk appetite.

This includes the Operation Risk Self-Assessment (ORSA) for each of its business segments, where operating risk related to each business area is identified and the corresponding control processes are defined and documented. The action points arising from ORSA are reviewed by the ORC. The Bank also has Key Risk Indicators (KRIs) for each function that is monitored on an ongoing basis to detect emerging risks.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

8. Operational risk (continued)

The Bank ensures that there is appropriate segregation of duties to prevent conflicts of interest and unauthorized activities. An independent internal audit ensures that operating policies and procedures have been implemented effectively.

The Bank has adequate insurance cover to mitigate the inherent and residual operational risk, wherever applicable. It also ensures that the following controls are effectively implemented to mitigate operational risks:

- Safeguards for access to, and use of, the Bank's physical and digital assets.
- Ensuring staff have appropriate expertise and training; and
- Review and reconciliation of transactions and accounts.

Reputation Risk

Reputation Risk is negative public opinion/reaction which could cause damage to the Bank's profitability or image. Reputation risk is one of the most complex risks to manage in view of unpredictability, constant change in the operating environment, personnel turnover and multi-cultural environment that the Bank operates in. The Bank identifies, measures, monitors and controls reputation risk arising in the following areas:

- Customer service
- Perception of stakeholders regarding Bank's commitment to their interests
- Quality of products, services and sales practices
- Reporting to stakeholders and external agencies
- Accuracy of information in communications to the public

There are policies and procedures in place to manage and monitor reputation risk.

Social Media risk is an important element of Reputation risk that has emerged with the popularity of social media and digital technologies. The Bank recognizes the importance of effectively managing the interests of the Bank and its customers from this dynamic and unregulated category of risk. The Corporate Communication Department (CCD) is responsible for managing the Bank's social media activities within the guidelines of 'Social Media Policy'.

Business Continuity Management

The Bank's Business Continuity Management Policy outlines the process to be followed in a disaster scenario, and the Bank undertakes comprehensive testing of all its critical systems and processes to ensure resilience in disaster scenarios. The BCP aims to minimize the severity and impact of a disaster while continuing to serve both the business and customers with the least possible disruption in service. The plan considers the following:

- Disaster scenarios and magnitude
- Steps to mitigate the risk
- Impact on the Bank's business and operations
- Resources required for early recovery
- Operating processes and available systems at the Disaster Recover (DR) site

The Bank conducts annual BCP and IT resilience tests based on Business Impact Analysis (BIA). During 2025, a comprehensive BCP test and an IT resilience test were successfully executed on a working day in order to test the resilience of the Bank's business systems at the DR site. The scope of the test was arrived at based on the Business Impact Analysis (BIA) carried by the Bank and the results of the BCP and volume tests were reported to the Board. The Bank's crisis management team, and the response procedures in a disaster scenario are detailed in the BCP documents of the Bank.

Fraud Risk Management

The Bank takes effective prevention and detection of fraudulent activities extremely serious and cooperate with the judicial and regulatory authorities and support national, regional and international initiatives to combat fraud. It endeavors to develop a culture of fraud awareness and prevention across all areas of its operations to limit possible financial losses and safeguard the brand and financial reputation of the Bank.

Concentration Risk

Concentration risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from large exposure to counterparty, a sector or country. Concentration risk can be mitigated by formulating limits, by a thorough check on counterparty's quality or adequate collateral support etc.

As part of ICAAP, thresholds for exposure concentrations has been set up, this will trigger additional capital requirements based on concentration in terms of large exposures to counterparties, sector exposure concentration (excluding retail lending) and geographical exposure concentration (other than to Oman).

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

8. Operational risk (continued)

Information Security Risk

The bank has adopted an Information Security Management System (ISMS) /process and a framework by which the Bank ensures, protects and secures information resources that process and maintain information which are vital to its operations. The main component of this framework is the Information Security Policy that provides direction for formulation, implementation, and management of Information Security Management System. Since protection of customer information is the top-most priority, the Bank strives to safeguard the confidentiality, availability and integrity of the data of its customers and business partners at all times. The bank has maintained ISO 27001 certification since 2012 and PCI DSS certification since 2015.

Compliance Risk (including risk of Shari'a Non-Compliance)

Compliance risk is the potential for financial losses, legal penalties, regulatory sanctions and loss to Bank's reputation that result from non-compliance with laws and regulations that are applicable on the Bank. The Board of Directors have direct responsibility for overseeing the management of the Bank's compliance risk. Senior management are thereafter responsible for ensuring effective management of this risk. They are supported by the Compliance function of the Bank which is an independent function that reports, and has direct access to Board Audit & Compliance Committee. The Bank's 'Compliance Policy' sets the guidelines to manage this important risk type.

Shari'a Governance framework ensures Shari'a compliance at all times and at all levels. Shari'a compliance unit facilitates the senior management in ensuring compliance with Shari'a and Islamic banking stipulations of the Central Bank in all its business activities, operations and transactions. Shari'a compliance unit is extensively involved before a new product or transaction is approved and monitors the implementation of guidelines issued by Shari'a Supervisory Board (SSB). No new product class or transaction type is executed without consulting the Shari'a compliance unit and getting a formal approval from the SSB.

Model Risk

Model risk is the potential for ineffective decision making or regulatory non-compliance resulting from the use of insufficiently accurate models, particularly in the areas such as measuring, pricing and managing risks. These models include, but are not limited to, capital calculation model, facility and obligor risk rating models, models to calculate expected credit losses and provisioning, pricing models for investments and hedges etc. The Bank manages this risk by following best-practices in regards to governance, data management, model validation and back-testing of its key models.

Other Risks

The Bank is also exposed to other risks such as, strategic risk, business cycle risk, legal risk, residual risk, settlement risk, Shariah non-compliance risk (Pertaining to Islamic Banking) etc. However, currently these risks are not significant to the Bank. The Bank follows standard methodologies for arriving at the capital adequacy requirements of these risks. These risks are assessed and such assessments form part of the Bank's ICAAP process.

Operational risk capital charge and risk weighted amount

The Bank follows basic indicator approach for determining operational risk. The Capital charge for operational risk under Basic Indicator approach is calculated by taking the average of gross income multiplied by 15%, for each of the last three financial years, excluding years of negative or zero gross income. The gross income is Net interest income (+) Non-interest income (+) Provisions for unpaid interest (-/+ gain/ loss on sale of investments (-) extraordinary / irregular items of income.

Item (AED '000)	2025	2024	2023
Net interest income	84,489	73,902	76,296
Non-interest income	33,265	34,403	22,243
Provision for unpaid interest	7,697	(1,153)	4,358
Gain on sale of investment	(22)	121	(741)
Insurance and other irregular items	73	45	(4)
Gross income	125,502	107,318	102,152
Average Income	111,658		
Gross Income times of Alpha (15%)	16,749		
Operational risk based on Basic Indicator Approach	209,359		

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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8. Operational risk (continued)

Capital Charge for Operational Risk under Basic Indicator Approach as per Basel II is AED 28.263 million as of 31 December 2025.

The Risk weighted assets for operational risk as per Basel II is AED 190.309 million with the capital charge of AED 25.692 million.

9. Compensation Policy

In line with the CBO guidelines on remuneration disclosures as part of Pillar III, the Bank is committed to fair, balanced, performance-oriented compensation practices that align long-term employee and shareholder interests. The policy is endeavored to attract, retain and motivate the best people in the industry. The Bank has a Board appointed Nomination and Remuneration Committee whose primary objective is to advise the Bank's Board Chairman on the remuneration of Board members, appointment and remuneration of senior management personnel.

Performance awards are based on the achievement of both financial and non-financial objectives. The Performance Management System is aimed at achieving the Bank's business plans and objective through continuous and focused performance of the employees. The objective of Performance Review process is to assess the employee on his/her performance against assigned key Performance Indicators and objectives. At senior management levels, the overall Bank's performance is the overriding criteria while awarding performance awards. The payout is based on consideration of all aspects governing performance including the stage of business, market conditions, and time horizon of risks, sustainable returns and the cyclical nature of certain businesses. The Bank is committed to responsible compensation practices which balance reward based on performance and promoting principled behavior and actions. The compensation is designed to contribute to the Bank's objectives and encourages prudent risk taking and adherence to applicable laws, guidelines and regulations.

The compensation policy and arrangement for Senior Management, Material Risk takers and Control functions in regulated roles of the Bank are based on their responsibilities and authority levels and are governed by the instructions from CBO on the principles and standards of the Financial Stability Board and relevant CMA regulations.

The list of Senior Management and Material Risk Takers in regulated roles of the Bank is reviewed annually by the Board Nomination and Remuneration Committee (NRC) and takes into account changes in terms of internal organization and compensation levels.

The NRC review and approves all fixed and variable compensation including all benefits for the designated Senior Management and Material Risk Takers in regulated roles of the Bank to ensure that payments made are fair to the individual and the Bank, that failure is not rewarded and that the duty to maximize performance and mitigate loss is fully recognized.

In cases whereby, the variable compensation for Senior Management and Material Risk Takers exceeds threshold, the balance is being deferred and paid equally over the period of 3 years, subject to certain conditions relating to Malus and Claw-back criterion.

The key management comprises of 5 members (2024: 5 members) of the management committee. Total remuneration paid during the year was AED 2.033 million for 2024 (2024: AED 1.745 million)

The total amount of remuneration paid for the 22 Material risk takers (MRT) was AED 3.625 million. An amount of AED 0.559 million was deferred being above the threshold (31 December, 2024 - 24 Material risk takers, total amount paid AED 3.561 million, AED 0.393 million deferred)

10. Subsidiaries and significant investments

The Bank does not have any subsidiary or other significant equity investments as on 31 December 2025.

11. Basel III Capital Disclosures

The below capital disclosures are prepared in accordance with the requirements of the CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013.

11.1 The 3 step approach to reconciliation

Below disclosures are prepared using three step reconciliation approach as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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11. Basel III Capital Disclosures (continued)

BASEL III COMMON DISCLOSURE TEMPLATE

Common Equity Tier 1 capital: instruments and reserves		₹ (000's)
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus/premium	294,966
2	Retained earnings (net of proposed cash dividend of 6%)	45,137
3	Legal Reserve	52,656
4	Proposed Stock Dividend	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	392,759
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	2,726
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	8,105
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale (as set out in paragraph 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	10,831
29	Common Equity Tier 1 capital (CET1)	381,928

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

Additional Tier 1 capital: Instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	190,884
31	of which: classified as equity under applicable accounting standards	190,884
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	190,884
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH:	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	190,884
45	Tier 1 capital (T1 = CET1 + AT1)	572,812
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions (including gain on investments)	13,311
51	Tier 2 capital before regulatory adjustments	13,311
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	Total National specific regulatory adjustments	-

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

	Of which: Investments in Tier 2 capital of unconsolidated banking and financial subsidiary companies, associates or affiliates etc.,	-
	Of which: shortfall in the Tier 2 regulatory capital in the unconsolidated entities	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	13,311
59	Total capital (TC = T1 + T2)	586,123
60	Total risk weighted assets	3,547,464
60a	Credit risk weighted assets	3,187,199
60b	Market risk weighted assets	169,956
60c	Operational risk weighted assets	190,309
Capital Ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.77%
62	Tier 1 (as a percentage of risk weighted assets)	16.15%
63	Total capital (as a percentage of risk weighted assets)	16.52%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.500%
65	of which: capital conservation buffer requirement	2.500%
66	of which: bank specific countercyclical buffer requirement	-
67	of which: G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.77%
National Minima (if difference from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	9.500%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.500%
71	National total capital minimum ratio (if different from Basel 3 minimum)	13.500%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	37,781
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	8,862
77	Cap on inclusion of provisions in Tier 2 under standardised approach	39,840
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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11. Basel III Capital Disclosures (continued)

Step 1: Balance sheet under Regulatory scope of consolidation

Table 2a- Balance sheet under Regulatory Scope of Consolidation (₹ '000)

Year ended 31 December 2025	Published financial statements	Under regulatory scope of consolidation
	As at 31 December 2025	As at 31 December 2025
Assets		
Cash and balances with Central Bank of Oman	140,031	140,031
Certificates of deposit	-	-
Due from banks	64,153	64,153
Loans and advances	3,446,361	3,446,361
Investments in securities	461,811	461,811
Loans and advances to banks	-	-
Property and equipment	51,387	51,387
Deferred tax assets	-	-
Other assets	24,931	24,931
Total assets	4,188,674	4,188,674
Liabilities		
Due to banks	254,812	254,812
Customer deposits	3,157,532	3,157,532
Borrowings	38,500	38,500
Deferred tax liabilities	1,510	1,510
Other liabilities	95,038	95,038
Subordinated bonds	-	-
Total liabilities	3,547,392	3,547,392
Shareholders' Equity		
Paid-up share capital	294,966	294,966
Share premium	-	-
Legal reserve	52,656	52,656
Retained earnings	61,378	61,378
Special reserve	298	298
Impairment reserve	30,346	30,346
Cumulative changes in fair value of investments	10,754	10,754
Total shareholders' equity	450,398	450,398
Tier 1 Perpetual subordinated bonds	190,884	190,884
Total equity	641,282	641,282
Total liability and shareholders' funds	4,188,674	4,188,674

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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11. Basel III Capital Disclosures (continued)

Step 2: Expansion of Balance sheet under Regulatory scope of consolidation

Table 2b – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (₹ '000)

For the period ended 31 December 2025	Year ended December 2025	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	140,031	140,031	
Balance with banks and money at call & short notice	64,153	64,153	
Balance with banks and money at call & short notice, of which	-	64,198	
- Stage 1 / 2 impairment allowance, of which	-	(45)	
- amount eligible for T2	-	45	e
Investments, of which:	461,811	461,811	
Fair Value Through Other Comprehensive income (FVOCI)	-	185,093	
Fair Value Through Profit & Loss (FVTPL)	-	276,718	
- Stage 1 / 2 impairment allowance, of which	-	-	
- amount eligible for T2	-	-	
Loans and advances – Net, of which:	3,446,361	3,446,361	
- Loans and advances to domestic banks	-	-	
- Loans and advances to non-resident banks	-	-	
- Loans and advances to domestic customers	-	2,470,252	
- Loans and advances to non-resident for operations abroad	-	84,509	
- Loans and advances to SMEs	-	167,816	
- Financing from Islamic banking window	-	848,782	
- Expected credit loss allowance, of which	-	(124,997)	
- Stage 3 Impairment allowance and Reserve interest & profit	-	(88,262)	
- Stage 1 / 2 impairment allowance, of which	-	(36,735)	
- amount eligible for T2	-	8,622	e
- amount ineligible for T2	-	28,113	
Fixed assets	51,387	51,387	
- Intangibles (CET1 adjustment)	-	(8,105)	d
- Other fixed Asset	-	(43,282)	
Other assets	24,931	24,931	
Other assets, of which	-	25,018	
- Stage 1 / 2 impairment allowance, of which	-	(87)	
- amount eligible for T2	-	-	e
- amount ineligible for T2	-	87	
Total Assets	4,188,674	4,188,674	
Capital & Liabilities			
Paid-up Capital, of which:	294,966	294,966	
- Amount eligible for CET1	294,466	294,966	a

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

For the period ended 31 December 2025	Year ended December 2025	Under Regulatory scope of consolidation	Reference
Reserves & Surplus; of which	346,316	346,316	
- Amount eligible for CET1 (Legal reserve)	-	52,656	c
- Amount eligible for CET1 (Subordinated debt reserve)	-	-	
- Amount eligible for CET1 (Retained earnings)	-	45,137	b
- Proposed cash dividend (removed from retained earnings)	-	16,241	
- Amount ineligible for CET1 (Special Reserve)	-	298	
- Amount eligible for AT1 (Tier 1 perpetual bonds)	-	190,884	
- Amount ineligible for T2 (Impairment reserve)	-	30,346	
- Amount eligible for T2 (Investments Fair value gains)	-	4,449	f
- AFS investments fair value loss (CET1 adjustment)	-	(2,726)	d
- AFS investments fair value gain unutilized	-	9,031	
Total Capital	641,282	641,282	
Deposits from banks	254,812	254,812	
Customer deposits, of which	3,157,532	3,157,532	
- Deposits for customers	-	2,248,537	
- Deposits of Islamic Banking window	-	908,995	
Borrowings, of which:	-	-	
- From banks	38,500	38,500	
Borrowings in form of bonds, Debentures & sukuks, of which	-	-	
- Amount eligible for T2	-	-	
- Amount ineligible for T2	-	-	
Other liabilities & provisions	96,548	96,548	
Other liabilities & provisions , of which	-	98,030	
- Stage 3 provision	-	(161)	
- Stage 1 / 2 provision, of which	-	(1,321)	
- amount eligible for T2	-	195	e
- amount ineligible for T2	-	1,126	
TOTAL	4,188,674	4,188,674	

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (₹ '000)		
	Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
For the year ended 31 December 2025		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	294,966 a
2	Retained earnings	45,137 b
3	Accumulated other comprehensive income (and other reserves)	52,656 c
4	Common Equity Tier 1 capital before regulatory adjustments	392,759
5	Prudential valuation adjustments	(10,831) d
6	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
7	Total regulatory adjustments to Common equity Tier 1	(10,831)
8	Common Equity Tier 1 capital (CET1)	381,928
9	Additional Tier 1 capital (AT1)	190,884
	Tier 1 capital (T1 = CET1 + AT1)	572,812
10	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
11	Expected credit loss allowance / Provisions	8,862 e
12	Fair value reserve of FVOCI investments	4,449 f
	Tier 2 capital before regulatory adjustments	13,311
	Tier 2 capital: regulatory adjustments	-
	Tier 2 capital (T2)	13,311
	Total capital (TC = T1 + T2)	586,123

11.2 Main Features of regulatory capital

Table below discloses the key features of all the regulatory capital issued by the Bank;

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA	NA	NA

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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11. Basel III Capital Disclosures (continued)

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier I	Additional Tier I	Additional Tier I	Additional Tier I	Additional Tier I
5	Post-transitional Basel III rules	Common Equity Tier 1	Eligible	Eligible	Eligible	Eligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital	Rights issue of Perpetual subordinated bonds	Rights issue of Perpetual subordinated bonds	Mandatory Convertible bonds	Rights issue of Perpetual subordinated bonds	Mandatory Convertible bonds
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	₹244.966 million	₹75 million	₹54 million	₹10.366 million	₹40 million	₹11.518 million
9	Par value of instrument	₹244.966 million	₹75 million	₹54 million	₹10.366 million	₹40 million	₹11.518 million
10	Accounting classification	Shareholders' Equity	Equity	Equity	Equity	Equity	Equity
11	Original date of issuance	Bank started operations in 1997	11-Aug-22	25-Dec-23	29-Apr-24	27-Jun-24	30-Apr-25
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Convertible into equity shares after 2 years	Perpetual	Convertible into equity shares after 2 years
13	Original maturity date	No maturity	No maturity	No maturity	Convertible into equity shares after 2 years	No maturity	Convertible into equity shares after 2 years
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	No	Yes	No

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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11. Basel III Capital Disclosures (continued)

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
15	Optional call date, contingent call dates and redemption amount	NA	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	NA	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	NA
	Coupons / dividends						
17	Fixed or floating dividend/ coupon	Floating	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	7.50%	7.50%	6.00%	7.25%	6.00%
19	Existence of a dividend stopper	NA	NA	NA	NA	NA	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatorily convertible	Fully discretionary	Mandatorily convertible
21	Existence of step up or other incentive to redeem	No	NA	NA	No	NA	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Non-convertible	Convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	second anniversary of the issue date	NA	second anniversary of the issue date
25	If convertible, fully or partially	NA	NA	NA	Fully	NA	Fully
26	If convertible, conversion rate	NA	NA	NA	Every 100 bonds will be converted to 69 shares	NA	Every 100 bonds will be converted to 69 shares

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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11. Basel III Capital Disclosures (continued)

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
27	If convertible, mandatory or optional conversion	NA	NA	NA	Mandatorily convertible	NA	Mandatorily convertible
28	If convertible, specify instrument type convertible into	NA	NA	NA	Banks equity shares	NA	Banks equity shares
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	Banks equity shares	NA	Banks equity shares
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Statutory approach	Statutory approach	Statutory approach	Statutory approach	Statutory approach	Statutory approach
32	If write-down, full or partial	Write down fully	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA	NA	NA

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES

The below liquidity disclosure is prepared in accordance with the requirements of the CBO Circular BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014. The disclosure is based on average of three-monthly data points.

LIQUIDITY COVERAGE RATIO (LCR)

Common Disclosure Template

		(₹ '000)	
		Total unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)	416,754	416,754
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	1,447,065	90,387
3	Stable deposits	33,601	1,008
4	Less stable deposits	1,413,463	89,379
5	Unsecured wholesale funding, of which:	973,081	492,279
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	11,113	2,778
7	Non-operational deposits (all counterparties)	740,235	267,768
8	Unsecured debt	221,733	221,733
9	Secured wholesale funding	-	-
10	Additional requirements, of which	-	-
11	Outflows related to derivative exposures and other collateral requirements	72,342	72,342
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	33,989	3,399
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	41,621	2,081
16	TOTAL CASH OUTFLOWS	2,568,097	660,487
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	409,434	269,697
19	Other cash inflows	188,946	72,342
20	TOTAL CASH INFLOWS	598,380	342,038
21	TOTAL HQLA		416,754
22	TOTAL NET CASH OUTFLOWS		318,449
23	LIQUIDITY COVERAGE RATIO (%)		130.87%

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES (continued)

NET STABLE FUNDING RATIO (NSFR)

Common Disclosure Template

The below Net Stable Funding Ratio (NSFR) disclosure is prepared in accordance with the requirements of the CBO letter vide circular reference 1147 issued on October 26, 2016.

NSFR disclosure is presented below based on positions as on 31 December 2025.

Bank has maintained NSFR levels of 101%-110% during the year.

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>=1 Year	Weighted Value
ASF ITEM						
1	Capital	586,123	-	-	-	586,123
2	Regulatory Capital	586,123	-	-	-	586,123
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and Deposits from small Business Customers	943,849	303,443	184,445	82,940	1,380,602
5	Stable Deposit	182,331	3,266	2,836	1,466	180,477
6	Less Stable Deposit	761,158	300,177	181,609	81,474	1,200,124
7	Wholesale Funding	552,661	563,686	182,608	309,355	958,832
8	Operational	5,748	-	-	-	2,874
9	Other Wholesale Funding	546,913	563,686	182,608	309,355	955,958
10	Liabilities with matching interdependent Assets	-	-	-	-	-
11	Other Liabilities	-	-	-	38,500	38,500
12	NSFR Derivative Liability	-	-	-	-	-
13	All other liabilities and equities not included in above categories	424,765	-	-	-	-
14	Total ASF	-	-	-	-	2,964,057
RSF ITEM						
15	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	16,225
16	Deposits held at other financial institutions for operational purposes	15,987	-	-	-	7,993
17	Performing Loans and Securities	-	-	-	-	-
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	204,579	15,229	-	38,302
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	-	-	-	2,168,936	1,843,596
21	With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	73,050	415,707	127,879	-	308,318
22	Performing residential mortgages, of which:	-	-	-	-	-

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES (continued)

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>=1 Year	Weighted Value
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	279,806	181,874
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	137,302	116,707
25	Assets with matching interdependent liabilities					
26	Other Assets:					
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	-	214,973	214,973
32	Off-balance sheet items	-	152,639	53,545	98,276	15,223
33	Total RSF	-	-	-	-	2,743,211
34	NET STABLE FUNDING RATIO	-	-	-	-	108.05%

LEVERAGE RATIO (LR)

Common Disclosure Template

The below Leverage Ratio disclosure is prepared in accordance with the requirements of the CBO letter BSD/2017/BKUP/Leverage/564 – Implementation of Basel III Leverage Ratio issued on 27 August 2017.

(All amounts in ₪ '000)

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure			
Item	Current Quarter	Previous Quarter	
1	Total consolidated assets as per published financial statements	4,188,674	3,975,394
2	Adjustments for derivative financial instruments	2,751	1,260
3	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-
4	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	124,190	112,011
5	Other adjustments	-	-
6	Leverage ratio exposure	4,315,615	4,088,665

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES (continued)

Table 2: Leverage ratio common disclosure template			
Item	Current Quarter	Previous Quarter	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,188,674	3,975,394
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	4,188,674	3,975,394
Derivative Exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	77	28
5	Add-on amounts for PFE associated with all derivatives transactions	2,674	1,232
11	Total derivative exposures (sum of lines 4 to 10)	2,751	1,260
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
14	CCR exposure for SFT assets	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	219,085	203,258
18	(Adjustments for conversion to credit equivalent amounts)	(94,895)	(91,247)
19	Off-balance sheet items (sum of lines 17 and 18)	124,190	112,011
Capital and total exposures			
20	Tier 1 capital	572,812	563,380
21	Total exposures (sum of lines 3, 11, 16 and 19)	4,315,615	4,088,665
Leverage Ratio			
22	Basel III leverage ratio (%)	13.27%	13.78%

The financial statements and other related disclosures are also available on the Bank's website, to view it on the website refer the link <https://ahlibank.om/investor-relations/financial-highlights/annual-reports/>.

The Basel II, Pillar III report is prepared in accordance with the requirements of Basel II, Pillar III disclosures as set out in the CBO circulars BM1009 and BM1027.

Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated March 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated 26 October 2016. The Bank's disclosure on leverage was prepared as per CBO circular on leverage ratio, issued on 27 August 2017 and CBO circular No. BM 1157 on Implementation of Basel III Leverage Ratio Standard dated 30 December 2018.

For Ahli Bank SAOG



Hamdan Ali Nasser Al Hinai
Chairman
Date: 27 January 2026

ahli islamic
Financial Statements

for the Year Ended
31 December 2025



In the name of Allah, The Beneficent, The Merciful

Ahli Islamic, Ahli Bank SAOG

Shari'a Supervisory Board Report

All praise to Allah, and peace be upon His messenger, his family, his companions and those who followed them with until the Day of Judgment.

To the Shareholders of Ahli Bank SAOG

Assalam Alikum wa Ramat Allah wa Barakatuh

In compliance with the letter of appointment, the Shari'a Supervisory Board has reviewed the products and the contracts relating to the transactions which were made by Ahli Islamic, Ahli Bank SAOG (the "Bank") during the period (01.01.2025 to 31.12-2025) ended 2025 to ensure that they comply with the *Fatawa* issued by the Board as per Sharia rules and principles.

The Bank's management is responsible for ensuring implementation of resolutions of the Shari'a Supervisory Board and to inform the Board with regard to the operations and the developments, which require issuance of resolutions from the Shari'a Supervisory Board and directing the Bank towards compliance with the provisions and principles of Islamic Shari'a

The Shari'a Supervisory Board responsibility is to issuing Fatawa and monitoring their implementation based on the Shari'a audit reports for the Bank.

In opinion of the Board:

1. The contracts, transactions and dealings entered into by the Bank, which we reviewed, during the year ended 2025 are in compliance with Shari'a rules and principles.

2. The distribution of profit and charging of losses relating to investment accounts conform to the base that had been approved by the Shari'a Supervisory Board of the Bank in accordance with rules and principles of Islamic Shari'a.
3. All earning that has been realized from sources or by means prohibited by rules and principles of Islamic Shari'a have been disposed of by the management of the Bank to the accredited charity organization,
4. The Bank's management is not authorized to pay Zakat on behalf of the shareholders and the responsibility for payment of the Zakat lies with the shareholders.

We beg Allah the Almighty to grant us all the success.

Sharia Supervisory Board



1. **Sheikh Dr. Ali Mohieldin Al Qaradaghi (Chairman of the SSB)**

2. **Sheikh Dr. Ahmed Muzaffar Abdullah Al Rawahi (Deputy Chairman of the SSB)** 

3. **Sheikh Dr. Abdul Rahman bin Mubarak Al Nofli (Member of the SSB)**



SSB Resolutions Year 2025

SSB Meeting	Resolution No.	Subject of the Resolution	Brief of the SSB Resolution
SSB 51st Meeting (SSB-51-2025)	1 (SSB –51 – 2025)	Minutes of SSB 50th Meeting	The SSB signed the Minutes of the 50 number Meeting.
	2 (SSB –51 – 2025)	Approval on Master BackTakaful Services Agreement	The SSB reviewed the Master BackTakaful Services Agreement and approved it.
	3 (SSB –51 – 2025)	Shari'a Audit Reports of: 1. Corporate and SME Islamic for Q. 3.2023 2. Retail Islamic Banking for Q. 3. 2023 3. Treasury and Trade Finance for Q. 3.2023 4. Corporate and SME Islamic for Q.4. 2023 5. Treasury and Trade Finance for Q. 4.2023	The SSB reviewed the subject Sharia Audit Reports and gave its opinion on the issues noted.
	4 (SSB –51 – 2025)	Sharia Audit Plan for the year 2025	The SSB reviewed the Shari'a Audit Plan for the year 2025 and approved it.
	5 (SSB –51 – 2025)	Shari'a Training Plan for 2025	The Sharia Supervisory Board reviewed the Sharia training plan and approved it.
SSB 52nd Meeting (SSB-52-2025)	1 (SSB-52-2025)	Minutes of SSB 51st Meeting	The SSB signed the Minutes of the 51 number Meeting.
	2 (SSB –52– 2025)	Early Settlement Charges on Financing Contracts	The proposed administrative fee, equivalent to 1% of the unpaid amount under sale-based contracts, is intended to cover the actual administrative costs incurred by the Bank, and must not include any element of profit or penalty. The Bank may, at its sole discretion, choose to waive a portion of the remaining amount in favor of the customer in the event of early settlement. However, such a waiver must remain entirely at the discretion of the Bank and must not be stipulated in the contract in advance, in adherence to Shari'a principles. The SSB also emphasized the importance of clear disclosure to customers regarding the nature, purpose, and calculation method of the fee, in full compliance with Shari'a guidelines and the applicable instructions issued by the Central Bank.
	3 (SSB –53 – 2025)	Proposal to purchase assets under manufacturing and sell them upon completion on a Murabaha basis	the Sharia Supervisory Board of Ahli Islamic (SSB) reviewed the proposal concerning the purchase of assets under manufacturing and upon completion their sale through Murabaha structure. The Board expressed its opinion as follows: SSB's Opinion: The SSB approved setting a timeframe for suppliers to manufacture goods requested by customers, with clear contractual conditions between the bank and the suppliers. The SSB further approved the arrangement on the condition that the goods must be fully manufactured and ready for delivery before executing the Murabaha contract. This approval was granted temporarily for eight (8) months, during which the Product Development Department must develop Istisna' based financing product tailored to goods which are under manufacturing or construction.
	4 (SSB –52 – 2025)	Shari'a Audit Reports of 1st Quarter 2025 i. Sharia Audit Report of Retail Banking ii. Sharia Audit Report of Corporate Banking iii. Sharia Audit Report of Treasury iv. Sharia Audit Report of Trade	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG (SSB) reviewed the subject reports and expressed detailed opinion on each observation in the audit reports. The Board has emphasized that it is responsibility of the bank's management in rectifying mistakes and recurring errors in operations

SSB Meeting	Resolution No.	Subject of the Resolution	Brief of the SSB Resolution
SSB 53rd Meeting (SSB-54-2025)	1 (SSB –53 – 2025)	Ratification of Minutes of SSB 52 Meeting	The SSB signed the Minutes of the 52nd Meeting.
	2 (SSB-53-2025)	Letter of Purchase (LPO)	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG reviewed the draft letter of purchase (LPO) relating to purchase of the assets which need manufacturing and construction and approved it.
	3 (SSB-53-2025)	Qard Hasan Agreement with the Central Bank of Oman	The Sharia Supervisory Board of Ahli Islamic reviewed the Qard Hasan Agreement with the Central Bank of Oman and approved it.
	4 (SSB-53-2025)	Mudaraba Agreement with the Central Bank of Oman	The Sharia Supervisory Board of Ahli Islamic reviewed the Mudaraba Agreement with the Central Bank of Oman and approved it.
	5 (SSB-53-2025)	Status of Shari'a Audit Reports of 1st Quarter 2025 i. Sharia Audit Report of Retail Banking ii. Sharia Audit Report of Corporate Banking iii. Sharia Audit Report of Treasury iv. Sharia Audit Report of Trade	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG Ahli Islamic reviewed the status of the subject reports and noted the progress.
	6 (SSB-53-2025)	Shari'a Audit Reports of 2nd Quarter 2025 i. Sharia Audit Report of Corporate Banking ii. Sharia Audit Report of Treasury iii. Sharia Audit Report of Trade	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG Ahli Islamic reviewed the subject reports and noted the progress of Shari'a compliance in the transactions.
SSB 54th Meeting (SSB-54-2025)	1 (SSB –54 – 2025)	Ratification of Minutes of SSB 54 Meeting	The SSB signed the Minutes of the 54th Meeting.
	2 (SSB –54 – 2025)	Shariah Audit Plan for the Year 2026	The SSB reviewed the Shari'a Audit Plan for the year 2025 and approved it.
	3 (SSB –54 – 2025)	Updates in the Policies	After reviewing the subject policies, the Sharia Supervisory Board approved them, with the recommendation that the policies be implemented in full compliance with the regulations of the Central Bank of Oman, the AAOIFI Shariah Standards, and the resolutions and directives of the Shariah Supervisory Board.
	4 (SSB –54 – 2025)	Wage Protection System Account Proposal	The SSB issued approval on the proposal and asked that the contract contents should be submitted for its review and approval.
	5 (SSB –54 – 2025)	Status of Shari'a Audit Report of 2nd Quarter 2025 i. Sharia Audit Report of Retail Banking	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG Ahli Islamic reviewed the status of the subject report and noted the progress.
	6 (SSB –54 – 2025)	Shari'a Audit Reports of 1st Quarter 2025 i. Sharia Audit Report of Retail Banking ii. Sharia Audit Report of Corporate Banking iii. Sharia Audit Report of Trade	The Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG Ahli Islamic reviewed the observations in Sharia Audit Report of Retail Banking and gave its opinion on the observation. The SSB noted the progress of Corporate and Trade in ensuring compliance with the Sharia requirements.

In the Name of Allah, the Merciful, the Compassionate

Resolution # 2 (SSB – 52 – 2025)

Subject: Early Settlement Charges on Financing Contracts

All praise to Allah and May peace and blessings be upon His messenger, his family, his companions and all followers of his guidance.

On Sunday the 2 Saffar 1447 Hijri that corresponds to July 27, 2025 – meeting # (SSB – 52 – 2025) – the Sharia Supervisory Board of Ahli Islamic, Ahli Bank SAOG (SSB) reviewed the proposal of early settlement charges on financing contracts and gave its opinion as follows:

SSB Opinion

The proposed administrative fee, equivalent to 1% of the unpaid amount under sale-based contracts, is intended to cover the actual administrative costs incurred by the Bank, and must not include any element of profit or penalty. The Bank may, at its sole discretion, choose to waive a portion of the remaining amount in favor of the customer in the event of early settlement. However, such a waiver must remain entirely at the discretion of the Bank and must not be stipulated in the contract in advance, in adherence to Shari'a principles.

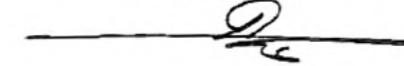
The SSB also emphasized the importance of clear disclosure to customers regarding the nature, purpose, and calculation method of the fee, in full compliance with Shari'a guidelines and the applicable instructions issued by the Central Bank.

And all praise is due to Allah.

Sharia Supervisory Board

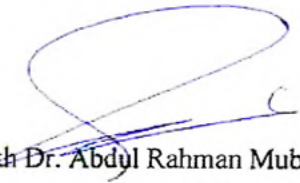
Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi

(Chairman)



Sheikh Dr. Dr. Ahmed Muzaffar Al Rawahi

(Deputy Chairman)



Sheikh Dr. Abdul Rahman Mubarak Al Nofli

(Member)



In the Name of Allah, the Merciful, the Compassionate

Resolution # 3 (SSB – 52 – 2025)

Subject: Proposal to purchase assets under manufacturing and sell them upon completion on a Murabaha basis

All praise to Allah and May peace and blessings be upon His messenger, his family, his companions and all followers of his guidance.

On Sunday the 2 Saffar 1447 Hijri that corresponds to July 27, 2025 – meeting # (SSB – 52 – 2025) – the Sharia Supervisory Board of Ahli Islamic (SSB) reviewed the proposal concerning the purchase of assets under manufacturing and upon completion their sale through Murabaha structure. The Board expressed its opinion as follows:

SSB's Opinion:

The SSB approved setting a timeframe for suppliers to manufacture goods requested by customers, with clear contractual conditions between the bank and the suppliers. The SSB further approved the arrangement on the condition that the goods must be fully manufactured and ready for delivery before executing the Murabaha contract. This approval was granted temporarily for eight (8) months, during which the Product Development Department must develop Istisna' based financing product tailored to goods which are under manufacturing or construction.

And all praise is due to Allah.

Sharia Supervisory Board

Sheikh Dr. Ali Mohieldin Ali Al Qaradaghi

(Chairman)

Sheikh Dr. Dr. Ahmed Muzaffar Al Rawahi

(Deputy Chairman)

Sheikh Dr. Abdul Rahman Mubarak Al Nofli

(Member)

Independent auditor's report to the shareholders of Ahli Bank SAOG (continued)

2

Report on the audit of the financial statements (continued)

Responsibilities of management and those charged with governance for the financial statements

These financial statements and the Islamic Window's undertaking to operate in accordance with Islamic Shari'ah's Rules and Principles, as determined by the Shari'ah Supervisory Board, are the responsibility of the Bank's Board of Directors.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Islamic window's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Independent auditor's report to the shareholders of Ahli Bank SAOG (continued)

3

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Islamic window to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
26 February 2026

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

2024	2025		2025	2024
US\$ '000	US\$ '000	Note	₹ '000	₹ '000
ASSETS				
127,229	89,502	6	34,458	48,983
164,338	156,010	7	60,064	63,270
161,042	291,522	12	112,236	62,001
152,296	217,243	8	83,638	58,634
371,452	443,761	9	170,848	143,009
922,171	1,244,527	10	479,143	355,036
-	221	11	85	-
207,701	174,417	13	67,150	79,965
4,049	6,273	14	2,415	1,559
15,104	37,145	15	14,301	5,815
-	12,444	16	4,791	-
88	145	17	56	34
22,460	24,714	18	9,515	8,647
25,597	32,555	19	12,534	9,855
2,173,527	2,730,479		1,051,234	836,808
LIABILITIES				
60	8	20	3	23
90,104	114,081		43,921	34,690
46,901	50,121	21	19,296	18,057
137,065	164,210		63,220	52,770
1,797,603	2,287,916	22	880,848	692,077
1,934,668	2,452,126		944,068	744,847
OWNERS' EQUITY				
129,870	129,870	23	50,000	50,000
(787)	5,870		2,260	(303)
8,753	9,634		3,709	3,370
101,023	132,979		51,197	38,894
238,859	278,353		107,166	91,961
2,173,527	2,730,479		1,051,234	836,808
117,127	178,239	24	68,622	45,094

The financial statements and the accompanying notes were approved by the Board of Directors on 27 January 2026 and signed on their behalf by:



Hamdan Ali Nasser Al Hinai

Chairman



Said Abdullah Al Hatmi

Chief Executive Officer

The accompanying notes form an integral part of these financial statements

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

2024	2025		2025	2024
US\$ '000	US\$ '000	Note	₹ '000	₹ '000
Operating Income				
94,740	108,268	25	41,683	36,475
10,961	11,303	26	4,352	4,220
17,138	22,171	27	8,536	6,598
122,839	141,742		54,571	47,293
Operating expenses				
(14,950)	(15,419)	29	(5,936)	(5,756)
(2,964)	(3,909)	18	(1,505)	(1,141)
(10,927)	(8,732)	30	(3,362)	(4,207)
(28,841)	(28,060)		(10,803)	(11,104)
93,998	113,682		43,768	36,189
Net Operating Income - before impairment and expected credit losses				
(4,255)	(888)		(342)	(1,638)
89,743	112,794		43,426	34,551
(64,917)	(74,163)	28	(28,553)	(24,993)
24,826	38,631		14,873	9,558
(3,725)	(5,795)		(2,231)	(1,434)
21,101	32,836		12,642	8,124
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss				
(1,185)	5,412		2,084	(456)
Items that will be reclassified to profit or loss				
795	1,244		479	306
(390)	6,656		2,563	(150)
20,711	39,492		15,205	7,974

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital	Investment fair value reserve	Impairment reserve	Retained earnings	Total
	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Balance at 1 January 2025	50,000	(303)	3,370	38,894	91,961
Profit for the year	-	-	-	12,642	12,642
Other comprehensive income	-	2,563	-	-	2,563
Transfer from impairment reserve	-	-	339	(339)	-
Allocation of capital	-	-	-	-	-
At 31 December 2025	50,000	2,260	3,709	51,197	107,166
At 31 December 2025 (US\$ '000)	129,870	5,870	9,634	132,979	278,353

	Share capital	Investment fair value reserve	Impairment reserve	Retained earnings	Total
	'000	'000	'000	'000	'000
Balance at 1 January 2024	45,000	(153)	3,383	30,757	78,987
Profit for the year	-	-	-	8,124	8,124
Other comprehensive income	-	(150)	-	-	(150)
Transfer from impairment reserve	-	-	(13)	13	-
Allocation of capital	5,000	-	-	-	5,000
At 31 December 2024	50,000	(303)	3,370	38,894	91,961
At 31 December 2024 (US\$ '000)	129,870	(787)	8,753	101,023	238,859

The accompanying notes form an integral part of these financial statements

STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI - EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

2024	2025		2025	2024
US\$ '000	US\$ '000	Note	₹ '000	₹ '000
122,839	141,743		54,571	47,293
(28,099)	(33,096)		(12,742)	(10,818)
94,740	108,647		41,829	36,475
262	509		196	101
509	847	21	326	196
247	338		(130)	(95)
94,987	108,985		41,699	36,380
(1,267)	(1,604)		(618)	(488)
(28,803)	(33,218)		(12,528)	(10,899)
64,917	74,163	28	28,553	24,993

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

2024	2025		2025	2024
US\$ '000	US\$ '000	Note	﷋ '000	﷋ '000
CASH FLOWS FROM OPERATING ACTIVITIES				
24,826	38,631		14,873	9,558
<i>Adjustments for:</i>				
2,964	3,909	18	1,505	1,141
4,255	888		342	1,638
(16)	-		-	(6)
32,029	43,428		16,720	12,331
(37,125)	(69,351)		(26,700)	(14,293)
(205,083)	(74,758)		(28,782)	(78,957)
(121,758)	(325,052)		(125,145)	(46,877)
-	(221)		(85)	-
(8,164)	(23,203)		(8,933)	(3,143)
(1,249)	(2,239)		(862)	(481)
13,117	(12,512)		(4,817)	5,050
104	(57)		(22)	40
(13,403)	(7,644)		(2,943)	(5,160)
99,039	(52)		(20)	38,130
14,478	23,977		9,231	5,574
11,983	3,217		1,239	4,613
293,171	490,314		188,771	112,871
77,139	45,847		17,652	29,698
CASH FLOWS FROM INVESTING ACTIVITIES				
5,532	46,034		17,723	2,130
(260)	(129,555)		(49,880)	(100)
4,249	-		-	1,636
(11,584)	(6,255)	18	(2,408)	(4,460)
(2,063)	(89,776)		(34,565)	(794)
CASH FLOWS FROM FINANCING ACTIVITIES				
12,987	-		-	5,000
(2,065)	(2,125)		(818)	(795)
10,922	(2,125)		(818)	4,205
NET CHANGE IN CASH AND CASH EQUIVALENTS				
85,998	(46,054)		(17,731)	33,109
205,571	291,569		112,254	79,145
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Refer below)				
291,569	245,515		94,523	112,254
2024				
US\$ '000	US\$ '000		﷋ '000	﷋ '000
127,229	89,502	6	34,458	48,983
164,340	156,013	7	60,065	63,271
291,569	245,515		94,523	112,254

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Ahli Islamic (The Islamic Window) was licensed by Central Bank of Oman (CBO) to operate as an Islamic Banking Window of Ahli Bank SAOG (The Bank). The Islamic Window Sharia Supervisory Board (SSB) is entrusted to ensure Islamic Window's adherence to Sharia rules and principles in its transactions and activities. A report of the SSB on the Sharia compliance of the operations carried out by the Islamic Window during the year is included in the annual report. The Islamic Window offers a full range of Islamic banking services and products. The principal activities of the Islamic Window include accepting Sharia compliant funds, customer deposits, providing Sharia compliant financing based on Murabaha, Wakala, Musharaka, Ijarah, Istisna, Qard Hasan and undertaking investment activities and providing commercial banking services and other investment activities permitted under the Islamic Banking Regulatory Framework (IBRF) issued by the CBO. The Islamic Window was operating through a network of twenty six branches as at year end (31 December 2024: twenty five branches).

The Islamic Window employed 229 employees as at 31 December 2025 (31 December 2024: 209 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Islamic Window is not a separate legal entity, the separate financial statements of the Islamic Window has been prepared to comply with the requirements of Articles 1.5.1.2 to 1.5.1.4 of Title 2 'General Obligations and Governance' of IBRF issued by the CBO. These financial statements 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 and other applicable requirements of CBO. In accordance with the requirements of AAOIFI, for matters which are not covered by AAOIFI and other directives, the Islamic Window uses the relevant International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

These financial statements pertain to the Islamic Window operations only and do not include financial results of the Bank. Statement of restricted investment accountholders, statement of Qard fund and Zakat are not presented as these are not applicable. Complete set of financial statements of the Bank is presented separately.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for investments classified as instruments at Fair value through equity which have been measured at fair value.

2.3 Functional and presentation currency

The financial statements are prepared in Rial Omani (﷋) which is the functional and reporting currency of the Bank. The United States Dollar ('US\$') amounts shown in the financial statements have been translated from Rial Omani at an exchange rate of ﷋ 0.385 to each US\$, and are shown for the convenience of the user of financial statements only as supplemental information. All financial information presented in Rial Omani and US Dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of judgements and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where judgements and estimates are significant to the financial statements are disclosed in note 5.

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS

There were no new standards adopted by the Islamic Window during the year in preparation of these financial statements.

3.2 New standards, amendments and interpretations issued but not yet effective

3.2.1 FAS 45 Quasi-Equity (Including Investment Accounts)

AAOIFI has issued FAS 45 in 2023. This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on balance-sheet accounting and are reported as quasi-equity. This standard also provides the overall criteria for onbalance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition,

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

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

3.2.1 FAS 45 Quasi-Equity (Including Investment Accounts) (continued)

measurement, presentation and disclosure for quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues. This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026.

3.2.2 FAS 46 Off - Balance sheet assets under management

The objective of this standard is to establish the principles of financial reporting related to off-balance-sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting" (the conceptual framework). This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi - Equity (including Investment Accounts).

3.2.3 FAS 47 Transfer of assets between investment pools

The objective of this standard is to establish the principles of financial reporting principles that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1st January 2026, with early adoption permitted.

3.2.4 FAS 48 Promotional Gifts and Prizes

AAOIFI has issued FAS 48 in 2024. This standard prescribes accounting and financial reporting principles for recognition, measurement, presentation and disclosures applicable to promotional gifts and prizes awarded by the Islamic financial institutions to their customers, including quasi-equity and other investment accountholders. This standard shall be effective on the financial statements for the annual financial reporting period beginning on or after 1 January 2026.

3.2.5 FAS 49 Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 49 in 2024. This standard outlines the principles governing financial reporting, including accounting treatments, presentation of financial statements and necessary disclosures for institutions applying AAOIFI Financial Accounting Standards (FAS), operating within hyperinflationary economies. This standard is developed taking into account the applicable Shari'ah principles and rules, as well as, the unique business models of such institutions while stipulating appropriate principles of financial reporting. The standard also prescribes a definition of a hyperinflationary economy and provides guidance on as to how to determine whether an economy qualifies as hyperinflationary. This standard shall be effective for the financial periods beginning on or after 1 January 2026.

3.2.6 FAS 50 Financial Reporting for Islamic Investment Institutions (Including Investment Funds)

AAOIFI has issued FAS 50 in 2024. This standard outlines financial reporting principles applicable to the Islamic investment institutions (IIs). In particular, it emphasises on bringing harmony and standardisation with regard to the form and contents of the financial statements of IIs. This standard prescribes the overall requirements for the presentation, minimum contents and recommended structure of their financial statements in a manner that facilitates truthful and fair presentation in line with Shari'ah principles and rules. This standard shall be effective for the annual financial statements beginning on or after 1 January 2027.

3.2.7 FAS 51 Participatory Ventures

AAOIFI has issued FAS 51 in 2025. This standard prescribes accounting and financial reporting principles for recognition, measurement, presentation and disclosures to apply in relation to participatory ventures (including most of the common structures/ products based on Mudaraba and Musharaka). This standard shall be applied in respect of accounting and financial reporting by the investor(s), the working partner(s), as well as, the participatory ventures with regard to all such participatory ventures that fall within the scope of this standard, including those with fixed and variable equity/ quasi-equity shares. This standard shall be effective for the financial statements of the institutions beginning on or after 1 January 2027.

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Foreign currency translation

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Foreign currency translation (continued)

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognized in the statement of income, except for non-monetary financial assets, such as investments classified as at Fair value through other comprehensive income, which are included in 'investments fair value reserve' in statement of changes in owners' equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4.2 Cash and cash equivalents

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

4.3 Murabaha receivable

Murabaha receivables are sales on deferred profits. The Islamic Window arranges a Murabaha transaction by buying a commodity (which represents the object of the Murabaha) and then resells this commodity to customer (beneficiary) after computing a margin of profit over cost. The sale price (cost plus profit margin) is repaid in installments by the customer over the agreed period. Murabaha receivables are stated net of deferred profits and expected credit loss allowance, if any.

4.4 Musharaka

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

4.5 Wakala bil Istithmar

The Islamic Window invests money with banks and other customers on Wakala bil Istithmar basis in return for a Wakala fee. The Islamic Window also accepts money from customers on Wakala bil Istithmar basis on unrestricted Wakala arrangement. The arrangement may include an agreement that any profit over and above the expected profit rate will be retained by Wakil as performance fee. The principal would be responsible to bear any loss of Wakala Capital unless it is due to the negligence of Wakala contractual terms on the part of Wakil.

Wakala Investment Accounting

FAS 31 requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the Wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

In case of Wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the Wakala venture, net of any agent's remuneration including variable remuneration payable as of that date.

From the principal's perspective, the Islamic Window opted to use Wakala venture approach using equity method of accounting instead of pass-through approach given the practical difficulties for the principal to identify the assets in which funds are invested in and the principal is unable to obtain relevant information with regards to the assets and their performance without undue cost and efforts.

The Islamic Window provides funds to other banks and non-banking customers under this Wakala venture arrangement where the Islamic Window is acting as principal. Those Wakala funds are mainly invested in money market placements and other Shari'a-compliant businesses.

Wakala - Agency Accounting

From the agent's perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach where, by virtue of additional considerations attached to the instrument based on investment agency arrangement, may allow the same to be accounted for as on-balance sheet. An agent may also maintain multi-level investment arrangement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Ijarah assets – Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek (Ijarah MBT) is a hybrid Ijarah arrangement which, in addition to the Ijarah contract, includes a promise resulting in transfer of the ownership of the underlying asset to the lessee, either after the end of the term of the Ijarah period or by stages during the term of the contract. Such transfer of the ownership is executed through a sale or a gift, or a series of sales transactions – independent of Ijarah contract.

The Islamic Window, in its capacity either as a lessor or lessee, classifies each of its Ijarah as:

- a. an operating Ijarah;
- b. an Ijarah MBT, including the following types:
 - i. an Ijarah MBT – with expected transfer of ownership after the end of the Ijarah term – either through a sale or a gift; or
 - ii. an Ijarah MBT with gradual transfer – with gradual transfer of ownership during the Ijarah term (including Diminishing Musharaka Ijarah).

Assets acquired for Ijarah are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the period of the lease or useful life, whichever is lower. Ijarah income receivables represent outstanding rentals at the end of the period less any expected credit losses.

4.7 Investments

Investment securities comprise investments in debt-type, equity-type or other investment instruments.

Classification

Debt-type instruments are a type of investment instruments, whereby the transaction structure results in creation of a monetary or non-monetary liability. Equity-type instruments are the instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument. Other investment instruments are such investment instruments which do not meet the definition of either debt-type or equity-type instruments.

Investments in debt-type instruments are classified into the following categories:

- 1) at amortised cost
- 2) at fair value through other comprehensive income
- 3) fair value through income statement

An investment is measured at amortised cost if both of the following conditions are met:

- a. the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument
- b. the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

An investment is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment.
- b. the investment represents a non-monetary debt-type instrument or other investment instrument having reasonably determinable effective yield.

An investment is measured at fair value through income statement unless it is measured at amortised cost or at fair value through other comprehensive income through an irrevocable election at initial recognition.

On initial recognition, the Islamic window makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through other comprehensive income.

Measurement

Initial recognition

All investments are initially recognized at their fair value plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the income statement when incurred.

At the end of each reporting period, investments carried at amortised cost are re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the income statement. While applying the effective profit rate method, the commencement (or consummation in case of trade-based transaction) date of the respective transaction in line

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments (continued)

Measurement (continued)

Initial recognition (continued)

with Shari'ah is considered as the date of initial cash outflow, if the investment is made at the subscription stage of the instrument or at any time before the commencement (consummation) of such transaction. Investments carried at amortised cost are tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

Subsequent measurement

Investments carried at fair value through income statement are re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value is recognized in the income statement. All other income and expenses arising from these investments shall be recognized in the income statement.

Investments carried at fair value through other comprehensive income are re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value is directly recognized in equity under "investments fair value reserve".

Investments carried at fair value through other comprehensive income are tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fee and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Islamic window measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Islamic window by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

4.8 Credit Cards

Credit card receivable is based on the Islamic financial principle of profit-free Qard Hasan whereby the customer is required to repay the utilised amount without any profit. In addition, the customer may be charged a monthly fees which could be waived off at the discretion of the Islamic Window.

4.9 Service Ijarah

Service Ijarah is based on Ijarah principle, whereby Islamic window acquires the services from the third party and then sub-lease it to the customers. Service Ijarah are stated at cost net of expected credit loss allowance if any.

4.10 Istisna receivable

Istisna receivable is a sale agreement between the Islamic window as a seller and the customer as the ultimate purchaser whereby, the Islamic window undertakes to have manufactured (or Acquire) goods and sell it to the customer for an agreed price on completion at future dates. Istisna receivable are stated at net deferred profit and expected credit loss.

4.11 Qard Hasan

Qard Hasan is based on Islamic financial principle of profit-free Qard Hasan whereby, the customer is required to repay the financing amount without any profit. Qard Hasan finance is stated at cost net of expected credit loss allowance, if any.

4.12 Running Musharaka

Running Musharaka is a Shirkat-ul-aqd based financing facility offered to the customers where the Bank participates in the operating activities of the customer and shares profit and loss as per the actual performance of the business.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Property, equipment and Intangibles

Items of Property, equipment and Intangibles are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided on a straight-line basis over the estimated useful lives of Property, equipment and Intangibles.

The estimated useful lives for the current period are as follows:

	Years
Building.....	25
Leasehold improvements	5 - 10
Computer and other equipment.....	5 - 10
Intangibles	5 - 10
Vehicles	5
Furniture	10

Intangible assets, including computer software and core banking system, are amortised over their estimated useful life of 5-10 years and carried net of accumulated amortisation and impairment losses.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date. Capital work in progress is not depreciated until the asset is put to use.

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

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

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

4.14 Customers' current accounts

Customers' current accounts are treated on the basis of "Qard". No profit or loss is passed on to current account holders, however the funds of current accounts are treated as equity for the purpose of profit calculation for investments account holders and any profit earned / loss incurred on those funds are allocated to the equity of the Islamic Window.

4.15 Equity of investment account holders (Quasi - Equity)

Equity of investment account holders (IAH) are funds held by the Islamic Window in pool of unrestricted investment account, which is invested by the Islamic Window ('Mudarib') in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts. The funds received under the Wakala arrangement is invested in the investment pool and is considered as investment made by an investment account holder. Under both the Mudaraba and a comingled Wakala arrangement, the investment account holder authorizes the Islamic Window to invest the account holder's funds in a manner which the Islamic Window deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Islamic Window charges management fee (Mudarib fees) to investment account holders. The allocation of income is determined by the management of the Islamic Window at a pre-agreed ratio with IAH. Administrative expenses incurred in connection with the management of the fund are borne directly by the Islamic Window and are not charged to investment accounts.

Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment account holders are carried at cost plus profit and related reserves less amounts settled. The basis applied by the Islamic Window in arriving at the equity of investment account holder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Islamic Window does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share profits from the Mudaraba investment pool in the capacity of Mudarib. Under FAS 30, ECL is allocated to the assets invested using funds from unrestricted investment accounts.

4.16 Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment account holders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Investment risk reserve

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

4.18 Revenue recognition

4.18.1 Murabaha

Income on Murabaha transactions is recognised by proportionately allocating the attributable profits over the period of the transaction where each financial period carries its portion of profit irrespective of whether or not cash is received, net of suspended profit.

4.18.2 Musharaka and Running Musharaka

Income on Musharaka is recognised on accrual basis, net of suspended profit.

4.18.3 Ijarah

Rentals accrued from ijarah financings is recognised on a time-apportioned basis over the lease term net of depreciation charged are taken to the income statement, net of suspended profit.

4.18.4 Wakala bil Istithmar

Income from Wakala bil Istithmar placements is recognised on a time apportioned basis so as to yield a expected rate of return based on the wakala capital.

4.18.5 Income from investments

Income from investments is recognised when earned.

4.18.6 Istisna

Profit from Istisna is recognised using proportionate allocation over the futuer financial period of financing whereby, each financial period shall carry its portion of profits irrespective of wether or not cash received, net of suspended profit.

4.18.7 Service Ijarah

Service ijarah income is recognised on the portion basis over the ijarah term, net of suspended profit

4.18.8 Dividend

Dividend income is recognised when right to receive payment is established.

4.18.9 Fee and commission

Fee and commission income recognised when earned.

Commission on letters of credit and letters of guarantee are recognised as income over the period of the transaction.

Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognised when the Islamic Window has fulfilled all its obligations in connection with the related transaction.

4.18.10 Islamic Window share as a Mudarib

The Islamic Windows' share as Mudarib for managing equity of investment account holders is accrued based on the terms and conditions of the related mudaraba agreement.

4.18.11 Profit suspension

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

4.19 Provisions

Provisions are recognised when the Islamic Window has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.20 Taxation

Taxation is calculated and paid by the Bank on an overall basis. Taxation expense in these financial statements represents allocation of such taxation to the Islamic Window. The notional tax expense on the Islamic Window result for the year at the statutory effective tax rate would amount to ~~2.231~~ 2.231 million (2024: ~~1.434~~ 1.434 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Impairment of Financial Contracts

Financing and investment contracts consist of balances with banks and the Central Bank of Oman, due from banks, investment securities, Wakala bil Istithmar, Murabaha receivables (net of deferred profits), Diminishing Musharaka, Ijarah Muntahia Bittamleek, Service Ijarah, Istisna receivable, Qard Hassan, Credit card receivables, Running Musharaka, Sukuk, financing commitments and guarantees and other financial assets.

Impairment assessment - ECL

The Islamic Window applies three-stage approach to measure ECL. Assets subject to ECL approach shall include all financing & investment contracts and off-balance sheet exposures including guarantees, letters of credit, forward foreign exchange and other similar positions. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Measurement of ECL

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Islamic Window approach leveraged the existing regulatory capital models and processes for financing portfolios that use the existing Internal Rating based and behavioral credit models. FAS 30 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Islamic Window measures loss allowances and provisions at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date.
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Credit loss allowances and provisions are measured using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss and provision is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss and provision based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

For financial assets in Stage 1 and Stage 2, the Islamic Window calculates profit income by applying the Effective Profit Rate to the gross carrying amount (i.e., without deduction for ECLs).

Profit income for financial assets in Stage 3 is calculated by applying the EIR to the amortized cost (i.e., the gross carrying amount less the credit loss allowance).

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

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

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

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 lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Impairment of Financial Contracts (continued)

Presentation of allowance for ECL in the statement of financial position

Allowance 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 financial assets;
- Debt instruments measured at fair value through other comprehensive income: no provision is recognized in the Statement of Financial Position because the carrying value of these assets is their fair value. However, the provision determined is disclosed and recognised in the fair value reserve
- Off-balance sheet credit risks include undrawn financing commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the financee, then ECL is measured as follows:

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

Write off

Financing receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Islamic Window. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the financing impairment account. If a write-off is later recovered, the recovery is credited to the income statement.

4.22 Fair value

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- For quoted investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- For unquoted investments, fair values is determined by reference to recent significant buy or sell transaction with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Islamic Window using current profit rates. For investments with similar terms and risk characteristics.
- Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less impairment loss, if any.

4.23 De-recognition of financial assets and liabilities

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

- the right to receive cash flows from the asset has expired;
- the Islamic Window retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Islamic Window has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Employee terminal benefits

4.24.1 Terminal benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labor Law as amended. Contribution to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of profit or loss when incurred.

4.24.2 Short term benefits

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

4.25 Earnings prohibited by Sharia

The Islamic Window is committed to avoid recognising any income generated from non-Islamic sources. Accordingly all non-Islamic income is credited to the charity account where the Islamic Window uses these funds for charitable purposes.

4.26 Zakah

Zakah is calculated in accordance with FAS 9 Zakah using the net assets method. The Islamic Window calculates the "Zakah base" based on audited financial statements and after approval from Sharia Supervisory Board, Zakah payable annually. Payment of Zakah on the investment accounts and other accounts is the responsibility of investments account holders. Please refer note 31 for Zakah per share.

4.27 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Islamic Window has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.28 Sharia Supervisory Board

The Islamic Window's business activities are subject to the supervision of a Sharia Supervisory Board consisting of members appointed by the general assembly of shareholders.

4.29 Joint and self financed

Assets that are jointly owned by the Islamic Window and the investment account holders are presented as "jointly financed" in the financial statements. All other assets are "self financed".

4.30 Commingling of funds

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

4.31 Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. that date the Islamic Window commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the market place.

4.32 Fiduciary Assets

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The Islamic Window's significant accounting estimates are in the following:

5.1 Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

5.2 Measurement of the expected credit loss allowance and provisions

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and Fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 34, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for measurement of ECL;
- establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL
- establishing groups of similar financial assets for the purposes of measuring ECL.

5.3 Useful life of property, equipment and Intangible and Ijarah Muntahia Bittamleek

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

5.4 Going concern

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

For the year ended 31 December 2025, the Islamic window has recognised a net profit after tax of ~~₹~~ 12.642 million. The Islamic window's quarterly average high quality liquid assets were ~~₹~~ 113.042 million as at 31 December 2025 with the liquidity coverage ratio of 165.17%.

6 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
17,501	19,278	Cash	7,422	6,738
96,728	70,224	Clearing account with Central Bank of Oman	27,036	37,240
13,000	-	Placement with Central Bank of Oman	-	5,005
127,229	89,502		34,458	48,983

7 DUE FROM BANKS

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
164,341	156,013	Nostro account balances	60,065	63,271
164,341	156,013		60,065	63,271
		Less: Impairment loss allowance		
(3)	(3)	Stage 1 and 2 (Note 34)	(1)	(1)
164,338	156,010		60,064	63,270

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

8 MURABAHA RECEIVABLES

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
87,636	140,291	Vehicles	54,012	33,740
54,982	56,070	Personal financing	21,587	21,168
31,810	56,847	Corporate	21,886	12,247
174,428	253,208	Gross receivables	97,485	67,155
(21,197)	(30,626)	Deferred profits	(11,791)	(8,161)
153,231	222,582		85,694	58,994
		Less: Impairment loss allowance		
(281)	(273)	Stage 1 and 2 (Note 34)	(105)	(108)
(654)	(5,067)	Stage 3 (Note 34)	(1,951)	(252)
152,296	217,242		83,638	58,634

Murabaha receivables are jointly financed by the Islamic window and investment account holders.

8.1 DEFERRED PROFIT

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
(14,647)	(21,197)	Deferred profit at the beginning of the year	(8,161)	(5,639)
(86,725)	(133,813)	Murabaha sales during the year	(51,518)	(33,389)
73,169	115,255	Murabaha cost of sales	44,373	28,170
(13,556)	(18,558)	Deferred profit on sales	(7,145)	(5,219)
7,006	9,131	Murabaha income recognised during the period	3,515	2,697
(21,197)	(30,624)	Deferred profit at the end of the year	(11,791)	(8,161)

9 WAKALA BIL ISTITHMAR

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
371,491	446,249	Gross receivables	171,806	143,024
(39)	(2,488)	Less: Stage 1 Impairment loss allowance (Note 34)	(958)	(15)
371,452	443,761		170,848	143,009

Wakala bil Istithmar is jointly financed by the Islamic window and investment account holders.

10 MUSHARAKA RECEIVABLES

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
943,743	1,268,795	Musharaka receivables	488,486	363,341
		Less: Impairment loss allowance		
(7,369)	(6,800)	Stage 1 and 2 (Note 34)	(2,618)	(2,837)
(14,203)	(17,468)	Stage 3 (Note 34)	(6,725)	(5,468)
922,171	1,244,527		479,143	355,036

Musharaka receivables are jointly financed by the Islamic window and investment account holders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

11 RUNNING MUSHARAKA RECEIVABLES

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
-	221	Running Musharaka receivables	85	-
		Less: Impairment loss allowance		
-	-	Stage 1 (Note 34)	-	-
-	221		85	-

12 INVESTMENT SECURITIES

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
		Debt type instrument at fair value through other comprehensive income		
11,257	69,335	Sukuks	26,694	4,334
		Debt type instrument at fair value through income statement		
117,344	182,455	Sukuks	70,245	45,177
688	714	Open end mutual fund and equity	275	265
		Equity type instrument at fair value through other comprehensive income		
12,013	16,831	Open end mutual fund and equity	6,480	4,625
19,740	20,371	Additional Tier 1 perpetual security	7,843	7,600
		Equity type instrument at fair value through income statement		
-	1,816	Open end mutual fund and equity	699	-
161,042	291,522		112,236	62,001

Investment securities are jointly financed by the Islamic window and investment account holders.

13 IJARAH ASSETS - IJARAH MUNTAHIA BITTAMLEEK

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
292,888	255,735	Cost	98,458	112,762
(70,382)	(79,262)	Accumulated depreciation	(30,516)	(27,097)
222,506	176,473	Book value	67,942	85,665
		Less: Impairment loss allowance		
(13,964)	(1,312)	Stage 1 and 2 (Note 34)	(505)	(5,376)
(841)	(744)	Stage 3 (Note 34)	(287)	(324)
207,701	174,417	Net book value	67,150	79,965

Ijarah assets are jointly financed by the Islamic window and investment account holders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

14 CREDIT CARD RECEIVABLES

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
4,057	6,296	Islamic Credit Card	2,424	1,562
		Less: Impairment loss allowance		
(8)	(23)	Stage 1,2 & 3 (Note 34)	(9)	(3)
<u>4,049</u>	<u>6,273</u>	Net book value	<u>2,415</u>	<u>1,559</u>

15 SERVICE IJARAH

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
15,112	38,314	Service Ijarah	14,751	5,818
		Less: Impairment loss allowance		
(8)	(1,169)	Stage 1,2 & 3 (Note 34)	(450)	(3)
<u>15,104</u>	<u>37,145</u>	Net book value	<u>14,301</u>	<u>5,815</u>

Service ijarah assets are jointly financed by the Islamic window and investment account holders.

16 ISTISNA RECEIVABLE

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
-	12,512	Istisna receivable	4,817	-
		Less: Impairment loss allowance		
-	(68)	Stage 1 & 2 (Note 34)	(26)	-
<u>-</u>	<u>12,444</u>	Net book value	<u>4,791</u>	<u>-</u>

17 QARD HASSAN FINANCING

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
88	145	Qard Hassan Financing	56	34
<u>88</u>	<u>145</u>	Net book value	<u>56</u>	<u>34</u>

17.1 FINANCING ACTIVITIES

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

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

Disclosure requirements for the year ended 31 December 2025, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9 / FAS 30, profit recognised as per IFRS 9/FAS 30 and suspended profit required as per CBO are given below based on CBO circular BM 1149.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

17 QARD HASSAN FINANCING (continued)

17.1 FINANCING ACTIVITIES (continued)

17.1.1 Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount ﷲ '000	Provision required as per CBO Norms ﷲ '000	Suspended profit as per CBO norms ﷲ '000	Provision held as per IFRS 9 ﷲ '000	Difference between CBO provision required and provision held ﷲ '000	Net Amount as per CBO norms* ﷲ '000	Net Amount as per IFRS 9 ﷲ '000
(1)	(2)	(3)	(4)	(5)	(6)=(5)+(6)	(7) = (4)-(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
	Stage 1	793,162	8,305	-	3,189	5,116	784,857	789,973
	Stage 2	16,458	172	-	180	(8)	16,286	16,278
	Stage 3	-	-	-	-	-	-	-
	Subtotal	809,620	8,477	-	3,369	5,108	801,143	806,251
	Stage 1	-	-	-	-	-	-	-
	Stage 2	10,516	110	-	1,310	(1,200)	10,406	9,206
	Stage 3	-	-	-	-	-	-	-
	Subtotal	10,516	112	-	1,310	(1,198)	10,406	9,206
	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	955	242	9	362	(111)	713	593
	Subtotal	955	242	9	362	(111)	713	593
	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	111	41	3	42	2	70	69
	Subtotal	111	41	3	42	2	70	69
	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	14,859	10,123	1,011	9,574	1,560	4,736	5,285
	Subtotal	14,859	10,123	1,011	9,574	1,560	4,736	5,285
	Stage 1	167,825	-	-	19	(19)	167,825	167,806
	Stage 2	14,586	-	-	885	(885)	14,586	13,701
	Stage 3	248	-	-	243	(243)	248	5
	Subtotal	182,659	-	-	1,147	(1,147)	182,659	181,512
	Subtotal	960,987	8,305	-	3,208	5,097	952,682	957,779
	Subtotal	41,560	282	-	2,375	(2,093)	41,278	39,185
	Subtotal	16,173	10,406	1,023	10,221	1,208	5,767	5,952
	Total	1,018,720	18,993	1,023	15,804	4,212	999,727	1,002,916

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, financing commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

17 QARD HASSAN FINANCING (continued)

17.1 FINANCING ACTIVITIES (continued)

17.1.2 Restructured Loans **

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount ₹ '000	Provision required as per CBO Norms ₹ '000	Suspended profit as per CBO norms ₹ '000	Provision held as per IFRS 9 ₹ '000	Difference between CBO provision required and provision held ₹ '000	Net Carrying Amount as per CBO norms* ₹ '000	Net Carrying Amount as per IFRS 9 ₹ '000
(1)	(2)	(3)	(4)	(5)	(6)=(5)+(6)	(7) = (4)+(5)- (6)	(8)=(3)-(4)	(9) = (3)-(6)
	Stage 1	10,110	101	-	64	37	10,009	10,046
Classified as performing	Stage 2	10,195	102	-	698	(596)	10,093	9,497
	Stage 3	-	-	-	-	-	-	-
Subtotal		20,305	203	-	762	(559)	20,102	19,543
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	57	14	1	16	(1)	43	41
Sub total		57	14	1	16	(1)	43	41
	Stage 1	10,110	101	-	64	37	10,009	10,046
	Stage 2	10,195	102	-	698	(596)	10,093	9,497
	Stage 3	57	14	1	16	(1)	43	41
Total	Total	20,362	217	1	778	(560)	20,145	19,584

*Net of provisions and suspended profit as per CBO norms

17.1.3 Impairment charge and provisions held

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account		342	342
Provisions required as per CBO norms / held as per IFRS 9		18,993	15,804
Gross NPL ratio (percentage)	1.90%	1.90%	-
Net NPL ratio (percentage)	0.54%	0.68%	-0.14%

In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

**Restructured loans include the restructuring/rescheduling of certain affected borrowers allowed as per CBO circular BSD/CB & FLCs/2021/004 dated November 18, 2021 & circular SD/CB & FLCs/2022/005 dated October 4, 2022. As per these CBO circulars, the loan classification of the borrowers were continued to be retained as either Stage 1 or Stage 2 upon implementation of restructuring/rescheduling, however appropriate ECL is maintained.

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

17.1.4 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2024

Disclosure requirements for the year ended 31 December 2024, containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, profit recognised as per IFRS 9 and suspended profit required as per CBO are given below based on CBO circular BM 1149.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

17 QARD HASSAN FINANCING (continued)

17.1 FINANCING ACTIVITIES (continued)

17.1.4 Comparison of provision held as per IFRS 9 and required as per CBO norms as at 31 December 2024 (continued)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount ₹ '000	Provision required as per CBO Norms ₹ '000	Suspended profit as per CBO norms ₹ '000	Provision held as per IFRS 9 ₹ '000	Difference between CBO provision required and provision held ₹ '000	Net Amount as per CBO norms* ₹ '000	Net Amount as per IFRS 9 ₹ '000
(1)	(2)	(3)	(4)	(5)	(6)=(5)+(6)	(7) = (4)+(5)-(6)	(8)=(3)-(4)	(9) = (3)-(6)
	Stage 1	600,775	6,229	-	334	5,895	594,546	600,441
	Stage 2	17,832	190	-	407	(217)	17,642	17,425
Standard	Stage 3	-	-	-	-	-	-	-
Subtotal		618,607	6,419	-	741	5,678	612,188	617,866
	Stage 1	-	-	-	-	-	-	-
Special Mention	Stage 2	21,169	243	-	7,612	(7,369)	20,926	13,557
	Stage 3	-	-	-	-	-	-	-
Subtotal		21,169	243	-	7,612	(7,369)	20,926	13,557
	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
Substandard	Stage 3	228	57	9	70	(13)	171	158
Subtotal		228	57	9	70	(13)	171	158
	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
Doubtful	Stage 3	122	31	1	51	(20)	91	71
Subtotal		122	31	1	51	(20)	91	71
	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
Loss	Stage 3	18,312	12,146	1,623	7,546	4,600	6,166	10,766
Subtotal		18,312	12,146	1,623	7,546	4,600	6,166	10,766
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	143,887	-	-	10	(10)	143,887	143,877
	Stage 2	18,606	-	-	847	(847)	18,606	17,759
	Stage 3	220	-	-	220	(220)	220	-
Subtotal		162,713	-	-	1,077	(1,077)	162,713	161,636
		744,662	6,229	-	344	5,885	738,433	744,318
		57,607	433	-	8,866	(8,433)	57,174	48,741
		18,882	12,234	1,633	7,887	4,347	6,648	10,995
Total		821,151	18,896	1,633	17,097	1,799	802,255	804,054

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, financing commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

17 QARD HASSAN FINANCING (continued)

17.1 FINANCING ACTIVITIES (continued)

17.1.5 Restructured Loans

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount ₹ '000	Provision required as per CBO Norms ₹ '000	Suspended profit as per CBO norms ₹ '000	Provision held as per IFRS 9 ₹ '000	Difference between CBO provision required and provision held ₹ '000	Net Carrying Amount as per CBO norms* ₹ '000	Net Carrying Amount as per IFRS 9 ₹ '000
(1)	(2)	(3)	(4)	(5)	(6)=(5)+(6)	(7)	(8)	(9)
	Stage 1	4,148	21	-	46	(25)	4,127	4,102
Classified as performing	Stage 2	19,683	98	-	1,371	(1,273)	19,585	18,312
	Stage 3	-	-	-	-	-	-	-
Subtotal		23,831	119	-	1,417	(1,298)	23,712	22,414
	Stage 1	-	-	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-	-	-
	Stage 3	122	30	-	50	(20)	92	72
Sub total		122	30	-	50	(20)	92	72
	Stage 1	4,148	21	-	46	(25)	4,127	4,102
	Stage 2	19,683	98	-	1,371	(1,273)	19,585	18,312
	Stage 3	122	30	-	50	(20)	92	72
Total	Total	23,953	149	-	1,467	(1,318)	23,804	22,486

*Net of provisions and suspended profit as per CBO norms

17.1.6 Impairment charge and provisions held

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	1,638	1,638	-
Provisions required as per CBO norms / held as per IFRS 9	18,896	17,097	3,432
Gross NPL ratio (percentage)	2.83%	2.83%	-
Net NPL ratio (percentage)	0.73%	1.64%	-0.91%

In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

18 Property, equipment and Intangibles

	Building ₹ '000	Leasehold improvements ₹ '000	Computer and other equipment ₹ '000	Intangibles ₹ '000	Furniture ₹ '000	ROU Assets ₹ '000	Capital work in progress ₹ '000	Total ₹ '000
Cost:								
At 1 January 2025	1,762	2,266	2,234	1,635	336	4,773	107	13,113
Additions	-	13	72	46	15	904	1,358	2,408
Transfers	-	271	422	743	29	-	(1,465)	-
Disposals / scrapped	-	-	-	-	-	(183)	-	(183)
At 31 December 2025	1,762	2,550	2,728	2,424	380	5,494	-	15,338
Accumulated depreciation:								
At 1 January 2025	293	974	783	974	109	1,333	-	4,466
Depreciation	71	215	288	240	32	659	-	1,505
Transfers	-	-	-	-	-	-	-	-
Disposals / scrapped	-	-	-	-	-	-	-	-
Leases closed / changed during the year	-	-	-	-	-	(148)	-	(148)
At 31 December 2025	364	1,189	1,071	1,214	141	1,844	-	5,823
Net book value as at								
At 31 December 2025	1,398	1,361	1,657	1,210	239	3,650	-	9,515
At 31 December 2025 (US\$ '000)	3,631	3,535	4,304	3,143	620	9,481	-	24,714

	Building ₹ '000	Leasehold improvements ₹ '000	Computer and other equipment ₹ '000	Intangibles ₹ '000	Furniture ₹ '000	ROU Assets ₹ '000	Capital work in progress ₹ '000	Total ₹ '000
Cost:								
At 1 January 2024	1,762	1,899	1,060	1,162	279	3,233	-	9,395
Additions	-	75	19	-	14	2,147	2,205	4,460
Transfers	-	416	1,155	473	54	-	(2,098)	-
Disposals / scrapped	-	(124)	-	-	(11)	(607)	-	(742)
At 31 December 2024	1,762	2,266	2,234	1,635	336	4,773	107	13,113
Accumulated depreciation:								
At 1 January 2024	222	906	562	891	90	1,149	-	3,820
Depreciation	71	187	209	83	27	564	-	1,141
Transfers	-	-	12	-	-	-	-	12
Disposals / scrapped	-	(119)	-	-	(8)	-	-	(127)
Leases closed / changed during the year	-	-	-	-	-	(380)	-	(380)
At 31 December 2024	293	974	783	974	109	1,333	-	4,466
Net book value as at								
At 31 December 2024	1,469	1,292	1,451	661	227	3,440	107	8,647
At 31 December 2024 (US\$ '000)	3,816	3,356	3,769	1,717	589	8,935	278	22,460

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

19 OTHER ASSETS

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
24,869	30,026	Profit receivable on financing	11,560	9,575
3	-	Profit receivable on wakala placement	-	1
1,013	2,481	Others	955	390
283	678	Prepayments	261	109
(571)	(629)	Impairment loss allowance	(242)	(220)
<u>25,597</u>	<u>32,556</u>		<u>12,534</u>	<u>9,855</u>

20 DUE TO BANKS

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
60	8	Vostro account balances	3	23
<u>60</u>	<u>8</u>		<u>3</u>	<u>23</u>

21 OTHER LIABILITIES

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
18,267	8,082	Accrued expenses and other payables	3,112	7,033
4,818	5,317	Profit payable	2,047	1,855
8,086	8,805	Lease liability	3,390	3,113
3,725	9,519	Provision for tax	3,665	1,434
3,353	12,070	Manager cheque payable	4,647	1,291
909	769	Unearned fee income	296	350
5,018	2,314	Others	890	1,932
509	847	Profit equalization reserve	326	196
8	60	Charity payable	23	3
2,208	2,338	Impairment loss allowance	900	850
<u>46,901</u>	<u>50,121</u>		<u>19,296</u>	<u>18,057</u>

22 QUASI - EQUITY

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
466,995	483,226	Saving and call accounts	186,042	179,793
74,338	40,974	Wakala acceptances	15,775	28,620
8,044	3,062	Wakala deposits - Financial institutions	1,179	3,097
1,248,735	1,761,501	Wakala deposits - Others	678,178	480,763
1,798,112	2,288,763	Equity of investment account holders	881,174	692,273
(509)	(847)	Less: Profit equalisation reserve	(326)	(196)
<u>1,797,603</u>	<u>2,287,916</u>		<u>880,848</u>	<u>692,077</u>

The average profit rate for the investment accountholders during the year was 3.71% (2024: 4.03%) Profit sharing ratio of mudarib as at 31 December 2025 was 25% (2024: 25%)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

23 SHARE CAPITAL

The allocated share capital of the Islamic Window is ﷲ 50 million equivalent to US\$ 129.870 million (2024: ﷲ 50 million equivalent US\$ 129.870 million)

24 CONTINGENT LIABILITIES AND COMMITMENTS

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
70,374	108,629	Guarantees	41,822	27,094
46,753	69,610	Financing Commitment	26,800	18,000
<u>117,127</u>	<u>178,239</u>		<u>68,622</u>	<u>45,094</u>

25 INCOME FROM FINANCING ACTIVITIES

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
57,034	64,242	Musharaka	24,733	21,958
14,597	15,551	Rental income on ijarah assets	5,987	5,620
7,005	9,130	Murabaha	3,515	2,697
15,790	18,532	Wakala bil Istithmar	7,135	6,079
314	343	Istisna	132	121
-	462	Service Ijarah	178	-
-	8	Running Musharaka	3	-
<u>94,740</u>	<u>108,268</u>		<u>41,683</u>	<u>36,475</u>

26 INCOME FROM INVESTING ACTIVITIES

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
6,221	10,719	Income from investments	4,127	2,395
4,740	584	Income from wakala placements	225	1,825
<u>10,961</u>	<u>11,303</u>		<u>4,352</u>	<u>4,220</u>

27 OTHER OPERATING INCOME

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
7,704	11,257	Fee and commission income	4,334	2,966
(901)	(1,925)	Fee and commission expense	(741)	(347)
3,760	2,026	Unrealized gain on investments	780	1,448
2,699	2,434	Dividend income	937	1,039
2,068	2,322	Foreign exchange gain - net	894	796
1,792	1,317	Service charges	507	690
16	4,740	Other income	1,825	6
<u>17,138</u>	<u>22,171</u>		<u>8,536</u>	<u>6,598</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

28 PROFIT ATTRIBUTABLE TO QUASI - EQUITY

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
4,101	5,179	Return on investment account holders under Mudaraba	1,994	1,579
60,569	68,592	Return on customer wakala deposits	26,408	23,319
247	392	Return on inter bank wakala deposit	151	95
<u>64,917</u>	<u>74,163</u>		<u>28,553</u>	<u>24,993</u>

29 STAFF EXPENSES

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
7,810	8,138	Salaries and wages	3,133	3,007
7,140	7,281	Allowances and other staff cost	2,803	2,749
<u>14,950</u>	<u>15,419</u>		<u>5,936</u>	<u>5,756</u>

30 OTHER OPERATING EXPENSES

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
8,782	6,657	Operating and administration costs	2,563	3,381
1,286	1,135	Advertisement costs	437	495
805	860	Occupancy costs	331	310
54	80	Shariah Supervisory Board related expenses	31	21
<u>10,927</u>	<u>8,732</u>		<u>3,362</u>	<u>4,207</u>

31 ZAKAH

Zakah is directly borne by the owners and unrestricted investment accountholders. The Islamic Window uses net investment amount method in order to calculate Zakah amount. The Islamic Window does not collect or pay Zakah on behalf of its owners and its investment accountholders. Total due Zakah amounted to ﷲ 0.980 Mn divided into 500,000,000 allocated shares equal to 2.0 baiza per share (2024: ﷲ 0.865 mn equal to 1.7 baiza per share)

32 RELATED PARTY TRANSACTIONS

In the ordinary course of business the Islamic Window enters into transactions with major shareholders, directors, senior management, Sharia Supervisory Board and their related concerns. These transactions are conducted on an arm's length basis and are approved by the Islamic Window's management and Board of Directors.

The year end balances in respect of related parties included in the statement of financial position are as follows:

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
		Directors, Shariah Supervisory Board and senior management		
88	68	Financing assets	26	34
3,714	4,104	Customers' deposits	1,580	1,430
		Major shareholders and its subsidiaries		
356	278	Nostro account balances	107	137
688	714	Investment securities	275	265
12,987	27,987	Due to banks - Wakala acceptances	10,775	5,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

32 RELATED PARTY TRANSACTIONS (continued)

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

2024	2025		2025	2024
US\$ '000	US\$ '000		ﷲ '000	ﷲ '000
		Directors, Shariah Supervisory Board and senior management		
42	68	Shariah Supervisory Board remuneration	26	16
12	12	Shariah Supervisory Board sitting fee	5	5

The Islamic Window has not rented any branch premises from a Director during the year 2025 and 2024.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of investments classified as fair value through other comprehensive income as at 31 December 2025 is ﷲ 41.017 million equivalent to US\$ 106.54 million with cost amounts to ﷲ 38.763 million equivalent to US\$ 100.68 million & fair value of investments classified as fair value through income statement as at December 2025 ﷲ 71.219 million equivalent to US\$ 184.99 with cost amounting to ﷲ 68.992 million equivalent to US\$ 179.2 million.

Other than investments the Islamic Window considers that the fair value of other financial instruments is not significantly different to their carrying value.

Valuation of financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analysis of financial instruments measured at fair value at the reporting date:

	2025	2025	2025	2024	2024	2024
	ﷲ '000	ﷲ '000	ﷲ '000	ﷲ '000	ﷲ '000	ﷲ '000
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Investment - debt type instruments at fair value through other comprehensive income	-	26,694	26,694	-	4,283	4,283
Investment - debt type instruments at fair value through income statement	-	70,245	70,245	-	45,308	45,308
Investment - equity type instrument at fair value through other comprehensive income	14,323	-	14,323	4,625	7,600	12,225
Investment - equity type instrument at fair value through income statement	974	-	974	-	-	-
	<u>15,297</u>	<u>96,939</u>	<u>112,236</u>	<u>4,625</u>	<u>57,191</u>	<u>61,816</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2025	2025	2025	2024	2024	2024
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets						
Investment - debt type instruments at fair value through other comprehensive income	-	69,335	69,335	-	11,125	11,125
Investment - debt type instruments at fair value through income statement	-	182,455	182,455	-	117,683	117,683
Investment - equity type instrument at fair value through other comprehensive income	37,203	-	37,203	12,013	19,740	31,753
Investment - equity type instrument at fair value through income statement	2,529	-	2,529	-	-	-
	<u>39,732</u>	<u>251,790</u>	<u>291,522</u>	<u>12,013</u>	<u>148,548</u>	<u>160,561</u>

34 FINANCIAL RISK MANAGEMENT

Risk management is an integral part of the Islamic Window's decision making process. The Board of Directors and executive risk committee guide and assist the overall management of the Islamic Window's statement of financial position risks. The Islamic Window manages exposures by setting limits approved by the Board of Directors. The Islamic Window has exposure to the following risk from its use of financial instruments:

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

In addition, the Bank is in the process of identifying climate risk and acknowledges this as an emerging risk arising from financial instruments that may have growing impact on Bank's activities.

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has approved the Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Executive Risk Committee under the oversight of the Board is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Executive Risk Committee of the Board is assisted in these functions by the Risk Management Department. The Risk Management Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Executive Risk Committee.

34.1 CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans & advances and financing to customers, due from banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

34.1.1 TYPE OF CREDIT RISK

Financing contracts mainly comprise Murabaha receivables, Musharaka, Ijarah assets, Wakala, Istisna, Service Ijarah, Running Musharaka and credit card receivables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.1 CREDIT RISK (continued)

34.1.2 MURABAHA RECEIVABLE (continued)

The Islamic Window finances these transactions through buying a commodity which represents the object of the murabaha and then resells this commodity to the murabaha (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in installments by the murabaha over the agreed period. The transactions are secured at times by the object of the murabaha and other times by a total collateral package securing the facilities given to the client.

34.1.3 MUSHARAKA AND RUNNING MUSHARAKA

Musharaka is an agreement between the Islamic Window and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise. Running Musharaka is a Shirkat-ul-aqd based financing facility offered to the customers where the Bank participates in the operating activities of the customer and shares profit and loss as per the actual performance of the business.

34.1.4 IJARAH - IJARAH MUNTAHIA BITTAMLEEK

This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease) term, provided that all Ijarah instalments are settled.

34.1.5 SERVICE IJARAH

This is lease of services against agreed rentals. The Islamic Banking Window purchases services from third party, service provider by making full payment and then lease it to the customer through Service Ijarah Contract.

34.1.6 CREDIT CARD RECEIVABLES

The Islamic Banking Window takes a fee for the credit card services and there are no charges taken on the amount utilized since, it is based on the Qard principle.

34.1.7 WAKALA BIL ISTITHMAR

This is an investment in which the Islamic window, in its capacity as the "Muwakil" (principle) appoints the customer as "Wakeel" (Agent) to manage the invested funds in Sharia Compliant activities. The investment amount is not guaranteed while the profit rate is anticipated and cannot be fixed. Therefore, the utmost care is taken before taking any exposure.

34.1.8 Credit risk measurement

(a) Financings (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Islamic Window measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

(b) Credit risk grading

The Islamic Window uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The bank's internal Risk Rating (RR) system is developed as a 10 grade system - enumerated from RR 1 to RR 10 - to risk rate a customer and to associate a default probability to each rating grade. The ratings will also assist studying the distribution of borrowers, grade wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing Loans (NPL) etc. Risk appetite will also be set in terms of how much of exposure bank expects in various grade bands. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

Credit quality rating	Risk Rating (RR)	Classification
Standard	RR1 to RR6	Not credit impaired on initial recognition- classified under 'Stage 1'.
Special Mention	RR7	Identified SICR since initial recognition but is not deemed to be credit impaired- Classified under 'Stage 2'.
Non performing	RR8 to RR10	Credit impaired- Classified under 'Stage 3'.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.1 CREDIT RISK (continued)

34.1.9 Exposure to credit risk

The credit exposure of the Bank as on the reporting date is as follows:

	2025				2024
	Stage 1 ₹ '000	Stage 2 ₹ '000	Stage 3 ₹ '000	Total ₹ '000	Total ₹ '000
Clearing account with Central Bank of Oman	27,036	-	-	27,036	42,245
Due from banks	60,065	-	-	60,065	63,271
Financing to customers - Gross	793,162	26,974	15,925	836,061	658,438
Investment securities	26,694	-	-	26,694	11,883
Financing commitments and financial guarantees	54,030	14,586	6	68,622	45,094
Other assets	-	-	242	242	220
Gross carrying amount	960,987	41,560	16,173	1,018,720	821,151
Impairment loss allowance	(3,208)	(2,375)	(10,221)	(15,804)	(17,097)
Carrying amount	957,779	39,185	5,952	1,002,916	804,054

	2025				2024
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000	Total US\$ '000
Clearing account with Central Bank of Oman	70,223	-	-	70,223	109,728
Due from banks	156,013	-	-	156,013	164,340
Financing to customers - Gross	2,060,161	70,062	41,364	2,171,587	1,710,229
Investment securities	69,335	-	-	69,335	30,865
Financing commitments and financial guarantees	140,337	37,885	16	178,238	117,127
Other assets	-	-	629	629	571
Gross carrying amount	2,496,069	107,947	42,009	2,646,025	2,132,860
Impairment loss allowance	(8,332)	(6,169)	(26,548)	(41,049)	(44,408)
Carrying amount	2,487,737	101,778	15,461	2,604,976	2,088,452

Collateral held

The collateral held against impaired financing is ₹ 22.183 million equivalent to US\$ 57.62 million (31 December 2024 ₹ 22.189 million equivalent to US\$ 57.64 million).

Overview of ECL principles

The adoption of IFRS 9 has fundamentally changed the Islamic Window financing loss impairment method by replacing incurred loss approach with a forward looking ECL approach. From 1 January 2018, the Islamic Window has been recording the allowance for expected credit losses for all financing exposure and other debt financial assets not held at fair value through statement of income together with financing commitments and financial guarantee contracts.

34.1.10 Expected credit loss measurement

The ECL Allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.1 CREDIT RISK (continued)

34.1.10 Expected credit loss measurement (continued)

The Islamic Window has established a policy to perform an assessment on a monthly basis 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 Islamic Window groups its financing exposure into Stage 1, Stage 2 and Stage 3, as classified below:

Stage 1

When financing are first recognised, the Islamic Window 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 Islamic Window records an allowance for lifetime ECLs. 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 Islamic Window records an allowance for lifetime ECLs.

Measurement of ECL

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

ECL Exposure of financial assets and off-balance sheet

The following table contains an analysis of stagewise reconciliation of loss allowance from the opening to the closing balance of financial assets / off balance sheet items by class of financial instrument.

Movement in Impairment allowance and provision

	Stage 1 ₹ '000	Stage 2 ₹ '000	Stage 3 ₹ '000	Total ₹ '000
Opening balance as at 1 January 2025				
Financings	334	8,019	7,667	16,020
Investment Securities & Due from Banks	7	-	-	7
Financing commitments and financial guarantees	3	847	-	850
Other assets	-	-	220	220
Net transfer between stages				
Financings	505	(333)	(172)	-
Investment Securities & Due from Banks	-	-	-	-
Financing commitments and financial guarantees	-	-	-	-
Other assets	-	-	-	-
Charge for the Year (net)				
Financings	2,350	(6,196)	3,508	(338)
Investment Securities & Due from Banks	1	-	-	1
Financing commitments and financial guarantees	8	38	1	47
Other assets	-	-	22	22
Financings written off				
	-	-	(1,025)	(1,025)
Closing balance as at 31 December 2025				
Financings	3,189	1,490	9,978	14,657
Investment Securities & Due from Banks	8	-	-	8
Financing commitments and financial guarantees	11	885	1	897
Other assets	-	-	242	242

Note: Charge for the year includes reversal of suspended profit of RO 0.610 million.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.1 CREDIT RISK (continued)

34.1.11 Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information. Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. For non-retail facilities, internally derived credit ratings have been identified as representing the best available determinants of credit risk. The Bank assigns each facility a credit rating at initial recognition based on qualitative and quantitative information available about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an asset is more than 30 DPD. 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:

- Inadequate or unreliable financial and other information such as unavailability of financial statements.
- Non-cooperation by the borrowers in matters pertaining to documentation
- Borrower is the subject of litigation by third parties that may have a significant impact on this financial position.
- Frequent changes in senior management
- Intra-group transfer of funds without underlying transactions.
- Deferment / delay in the date of commencement of commercial operations by more than one year
- Modification of terms resulting in concessions granted to the borrower
- A fall of 25% or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- Erosion in networth by more than 20% as compared to the previous year end coupled with an increase in leverage
- A fall in the debt service coverage ratio to below 1

Further, the following quantitative guidelines are used to determine the staging of accounts:

- An account will migrate to stage 2 if any of the changes in rating below are met;
 - For risk ratings 1 – 4: \geq 3 notch downgrade
 - For risk rating 5: 2 notch downgrade
 - For risk rating 6 : 1 notch downgrade
- An account will also migrate to stage 2 if it is more than 30 days past due.
- An account will also be considered stage 2 if has been placed under special mention as per bank's IFRS 9 staging guidelines which includes if the customer has days past due of 60 days or more but less than 90 days.

34.1.12 Definition of default

The Islamic Window considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Islamic Window in full, without recourse by the Islamic Window to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Islamic Window.

In assessing whether the borrower is in default, the Islamic Window considers indicators that are;

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

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

Macroeconomic factors, forward looking information (FLI) and multiple scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward- looking information requires significant judgement.

An investment is measured at fair value through statement of income unless it is measured at amortised cost or at fair value through equity or if irrevocable classification choices at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.1 CREDIT RISK (continued)

34.1.12 Definition of default (continued)

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

Impact on SICR

The exercise of the deferment option by a customer, in its own, is not considered by the Islamic Window as triggering SICR. However, as part of the Islamic Window evaluation process especially given the current economic situation due to after effects of lock down, the Islamic Window obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' ratings and accordingly exposure staging were adjusted, where applicable.

Sensitivity analysis - ECL

The following table shows a comparison of the Islamic window's loss allowances on non-impaired financial contracts (Stages 1 and 2) based on the probability weightings of three scenarios with loss allowances resulting from simulations of each scenario weighted at 100%.

2025			2025	
Impact on ECL	ECL		ECL	Impact on ECL
US\$ '000	US\$ '000		₹ '000	₹ '000
	14,501	ECL on non impaired financial contracts	5,583	
(853)	13,648	Good scenario - 100% weighted	5,254	(329)
(62)	14,439	Base scenario - 100% weighted	5,559	(24)
961	15,462	Bad scenario - 100% weighted	5,953	370

2024			2024	
Impact on ECL	ECL		ECL	Impact on ECL
US\$ '000	US\$ '000		₹ '000	₹ '000
	23,922	ECL on non impaired financial contracts	9,210	
(950)	22,973	Good scenario - 100% weighted	8,844	(366)
28	23,950	Base scenario - 100% weighted	9,221	11
893	24,815	Bad scenario - 100% weighted	9,554	344

For computation of ECL, the Bank considers three scenarios i.e. base, good and bad with weightage of 50%, 25%, 25% respectively.

34.2 LIQUIDITY RISK

Liquidity risk is the risk that the Islamic Window will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Islamic Window's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligation when due, under normal and stressed conditions without incurring unacceptable losses or risking damage to the Islamic Window's reputation. The Islamic Window has put in place an approved Contingency Liquidity Plan to facilitate management of liquidity.

Liquidity risk is managed by the Islamic Window through closely monitoring the liquidity gap against the limit fixed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.2 LIQUIDITY RISK (continued)

Adequate liquidity is ensured by Treasury, which receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Islamic Window as a whole. In this process due care is taken to ensure that the Islamic Window complies with all the Central Bank of Oman regulations and the liquidity ratios were in compliance with regulatory requirements as of year ended 31 December 2025.

The following table summarises the maturity profile of the Islamic Window assets and liabilities as on the reporting date. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take account of the effective maturities as indicated by the Islamic Window's deposit retention history and the availability of liquid funds.

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2025	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets					
Cash and balances with Central Bank of Oman	25,135	9,323	-	-	34,458
Due from banks	60,064	-	-	-	60,064
Financing assets	103,684	75,399	219,866	423,478	822,427
Investment securities	99,893	5,290	5,290	1,763	112,236
Property, equipment and Intangibles	-	-	-	9,515	9,515
Other assets	12,534	-	-	-	12,534
Total assets	301,310	90,012	225,156	434,756	1,051,234
Liabilities, Quasi - equity and owners' equity					
Due to banks	3	-	-	-	3
Customers' deposits	271,266	316,028	118,563	218,912	924,769
Other liabilities	19,296	-	-	-	19,296
Shareholder's fund	-	-	-	107,166	107,166
Total liabilities, Quasi - equity and owners' equity	290,565	316,028	118,563	326,078	1,051,234
Net liquidity gap	10,745	(226,016)	106,593	108,678	-
Cummulative liquidity gap	10,745	(215,271)	(108,678)	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.2 LIQUIDITY RISK (continued)

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2025	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets					
Cash and balances with Central Bank of Oman	65,286	24,216	-	-	89,502
Due from banks	156,010	-	-	-	156,010
Financing assets	269,310	195,842	571,081	1,099,943	2,136,176
Investment securities	259,463	13,740	13,740	4,579	291,522
Property and equipment	-	-	-	24,714	24,714
Other assets	32,555	-	-	-	32,555
Total assets	782,624	233,798	584,821	1,129,236	2,730,479

Liabilities, Quasi equity and owners' equity

Due to banks	8	-	-	-	8
Customers' deposits	704,586	820,852	307,956	568,603	2,401,997
Other liabilities	50,121	-	-	-	50,121
Shareholder's fund	-	-	-	278,353	278,353
Total liabilities, Quasi equity and owners' equity	754,715	820,852	307,956	846,956	2,730,479
Net liquidity gap	27,909	(587,054)	276,865	282,280	-
Cummulative liquidity gap	27,909	(559,145)	(282,280)	-	-

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
31 December 2024	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets					
Cash and balances with Central Bank of Oman	33,766	15,217	-	-	48,983
Due from banks	63,270	-	-	-	63,270
Financing assets	106,134	44,107	101,187	392,624	644,052
Investment securities	34,934	15,148	11,073	846	62,001
Property and equipment	-	-	-	8,647	8,647
Other assets	9,855	-	-	-	9,855
Total assets	247,959	74,472	112,260	402,117	836,808
Liabilities, Quasi equity and owners' equity					
Due to banks	23	-	-	-	23
Customers' deposits	182,089	237,550	78,867	228,261	726,767
Other liabilities	18,057	-	-	-	18,057
Shareholder's fund	-	-	-	91,961	91,961
Total liabilities, Quasi equity and owners' equity	200,169	237,550	78,867	320,222	836,808
Net liquidity gap	47,790	(163,078)	33,393	81,895	-
Cummulative liquidity gap	47,790	(115,288)	(81,895)	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.2 LIQUIDITY RISK (continued)

	Upto three months	Above three months to twelve months	Above one year to five years	More than five years	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
31 December 2024					
Assets					
Cash and balances with Central Bank of Oman	87,704	39,525	-	-	127,229
Due from banks	164,338	-	-	-	164,338
Financing assets	275,673	114,564	262,821	1,019,803	1,672,861
Investment securities	90,739	39,347	28,760	2,197	161,042
Property and equipment	-	-	-	22,460	22,460
Other assets	25,597	-	-	-	25,597
Total assets	644,051	193,436	291,581	1,044,459	2,173,527
Liabilities, Quasi equity and owners' equity					
Due to banks	60	-	-	-	60
Customers' deposits	472,959	617,013	204,849	592,886	1,887,707
Other liabilities	46,901	-	-	-	46,901
Shareholder's fund	-	-	-	238,859	238,859
Total liabilities, Quasi equity and owners' equity	519,920	617,013	204,849	831,745	2,173,527
Net liquidity gap	124,131	(423,577)	86,732	212,715	-
Cumulative liquidity gap	124,131	(299,446)	(212,715)	-	-

34.3 MARKET RISK

Market risk is the exposure to loss resulting from the changes in the interest rates, foreign currency exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return to risk. There are no commodity price risk exposures to the Bank.

34.3.1 PROFIT RATE RISK

Profit rate risk is the risk that the Islamic Window will incur a financial loss as a result of mismatch in the profit rate on the Islamic Window's assets and Quasi equity. The profit distribution to quasi equity is based on profit sharing agreements. Therefore, the Islamic Window is not subject to any significant profit rate risk.

However, the profit sharing agreements will result in displaced commercial risk when the Islamic Window's results do not allow the Islamic Window to distribute profits in line with the market rates.

Basel-II Accord has recommended for assessing the impact of profit rate risk by applying upto 200 bps profit rate sensitivity. Earning impact of a 200 basis points parallel shift in profit rate is provided below:

	2025	2025	2024	2024
	₹ '000	US\$ '000	₹ '000	US\$ '000
Net profit earned	17,482	45,408	15,702	40,784
Impact of +200 bps profit rate increase	(1,974)	(5,128)	(1,086)	(2,821)
Impact of -200 bps profit rate decrease	1,840	4,779	1,086	2,821

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.2 LIQUIDITY RISK (continued)

34.3.2 FOREIGN EXCHANGE RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the overall open position and for open position for each currency. The open position limits include overnight open position and intraday open position. Open positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within established limits. The Bank also monitors foreign currency risk as per requirements and the same was within regulatory limit as at 31 December 2025.

2024	2025		2025	2024
US\$ '000	US\$ '000		₹ '000	₹ '000
5,213	16,022	US Dollar	6,168	2,007
931	316	Euro	122	358
776	223	UAE Dirham	86	299
152	6	GBP Sterling	2	58
530	8,764	Others	3,374	204

The Islamic Window takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors set limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The Islamic window also monitors foreign currency risk as per requirements and the same was within regulatory limit as at 31 December 2025.

Changes in the non-parity foreign currency prices as at 31 December 2025 on net assets is considered negligible.

34.3.3 INVESTMENT PRICE RISK TOGETHER WITH EXPOSURE AND SENSITIVITY ANALYSIS

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio.

2024	2025		Change	2025	2024
US\$ '000	US\$ '000		(+/-)	₹ '000	₹ '000
12,813	25,179	Sukuks	10%	9,694	4,933
3,244	3,973	Open end mutual fund and equity	10%	1,530	1,249

34.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud 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 Islamic Window cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

34.5 CONCENTRATION RISK

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises due to variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external events and to include risks other than credit, market and liquidity risks.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.5 CONCENTRATION RISK (continued)

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

Compliance with Bank standards is complemented by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Compliance Committee and senior management of the Bank. The Bank has a comprehensive Operational Risk Management Framework by which the Bank has put in place Operational Risk Management Policy, Operational Risk Self Assessment (ORSA) Policy, Operational Risk Loss Event Reporting Framework, Maintenance of Operational Risk Loss Data Base.

The Bank carries out a comprehensive Business Continuity (BCP) test on an annual basis.

	2025						
	Murabaha, gross	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities
Concentration by industry	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Sovereign	-	-	-	-	-	-	112,236
Corporate	21,626	171,806	368,277	18,208	13,727	-	-
Personal	64,068	-	120,209	49,734	8,406	-	-
Banks	-	-	-	-	-	60,065	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Sovereign	-	-	-	-	-	-	291,522
Corporate	56,171	446,249	956,564	47,294	35,655	-	-
Personal	166,411	-	312,231	129,179	21,834	-	-
Banks	-	-	-	-	-	156,013	-

	2024						
	Murabaha, gross	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities
Concentration by industry	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Sovereign	-	-	-	-	-	-	62,001
Corporate	11,746	143,024	280,216	31,300	5,548	-	-
Personal	47,248	-	83,125	54,365	1,866	-	-
Banks	-	-	-	-	-	63,271	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Sovereign	-	-	-	-	-	-	161,042
Corporate	30,509	371,491	727,834	81,299	14,410	-	-
Personal	122,722	-	215,909	141,207	4,847	-	-
Banks	-	-	-	-	-	164,341	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.5 CONCENTRATION RISK (continued)

	2025						
	Murabaha, gross	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities
Concentration by location	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Oman	85,694	171,806	488,475	66,055	22,133	57,512	112,236
Other GCC countries	-	-	11	1,887	-	1,041	-
Unites States of America	-	-	-	-	-	1,367	-
OECD countries	-	-	-	-	-	145	-
Others	-	-	-	-	-	-	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Oman	222,583	446,249	1,268,766	171,571	57,488	149,381	291,522
Other GCC countries	-	-	29	4,901	-	2,704	-
Unites States of America	-	-	-	-	-	3,551	-
OECD countries	-	-	-	-	-	377	-
Others	-	-	-	-	-	-	-

	2024						
	Murabaha, gross	Wakala bil Istithmar gross	Musharaka, gross	Ijarah Muntahia Bittamleek	Other financings, gross	Due from banks	Investment securities
Concentration by location	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000	₹ '000
Oman	58,994	143,024	363,341	85,665	7,414	60,738	62,001
Other GCC countries	-	-	-	-	-	362	-
Unites States of America	-	-	-	-	-	1,734	-
OECD countries	-	-	-	-	-	437	-
Others	-	-	-	-	-	-	-
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Oman	153,231	371,491	943,743	222,506	19,257	157,762	161,042
Other GCC countries	-	-	-	-	-	940	-
Unites States of America	-	-	-	-	-	4,504	-
OECD countries	-	-	-	-	-	1,135	-
Others	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

34 FINANCIAL RISK MANAGEMENT (continued)

34.5 CONCENTRATION RISK (continued)

Concentration by location for financings is measured based on the location of the entity holding the asset, which has a high correlation with the location of the customer. Concentration by location for investment securities is measured based on the location of the issuer of the security.

35 CAPITAL MANAGEMENT

The primary objectives of the Islamic Window's capital management are to ensure that the Islamic Window complies with externally imposed capital requirements and that the Islamic Window maintains strong credit ratings and healthy capital ratio in order to support its business and to maximize shareholders value.

The Islamic Window 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 Islamic Window may adjust the amount of dividend payment to shareholders or issue, return capital to shareholders or issue capital securities. However, no changes are made in the objectives, policies and processes from the previous years as far as management of capital is concerned.

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014.

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
228,065	259,561	Common Equity Tier 1 (CET1)	99,931	87,805
228,065	259,561	Tier 1	99,931	87,805
4,636	10,319	Tier 2	3,973	1,785
232,701	269,880	Total regulatory capital	103,904	89,590
		Risk weighted assets		
1,779,963	1,836,215	Credit risk	706,943	685,286
32,182	89,462	Market risk	34,443	12,390
74,236	95,068	Operational risk	36,601	28,581
1,886,381	2,020,744	Total risk weighted assets	777,987	726,257
		Capital adequacy ratio		
12.09%	12.84%	CET1 capital expressed as a percentage of total risk weighted assets	12.84%	12.09%
12.09%	12.84%	Total tier I capital expressed as a percentage of total risk weighted assets	12.84%	12.09%
0.26%	0.52%	Tier II capital expressed as a percentage of total risk weighted assets	0.51%	0.26%
12.34%	13.36%	Total regulatory capital expressed as a percentage of total risk weighted assets	13.36%	12.34%

As at the reporting date the capital position of the Islamic Window remains strong and is well placed to absorb the impact of the current disruption.

The capital adequacy ratio given above is calculated in accordance with the Basel II norms as adopted by Central Bank of Oman and IBRF. The capital conservation buffer requirement of 2.5% is maintained at the bank level.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

36 SOURCES AND APPLICATION OF CHARITY FUND

2024	2025		2025	2024
US\$ '000	US\$ '000		﷮ '000	﷮ '000
7	8	Undistributed charity fund at the beginning of the year	3	3
3	60	Penalties to customers for late payment	23	3
8	3	Sharia non-compliant income	1	1
18	71	Total source of charity fund	27	7
		Uses of charity fund		
10	14	Donations during the year	5	4
8	56	Undistributed charity fund at the end of the year	22	3

37 SOCIAL RESPONSIBILITY

The Islamic Window discharges its social responsibilities through donations to charitable causes and organisations.

38 COMPARATIVE INFORMATION

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current year for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or owner's equity.

ahli islamic
Basel II Pillar III
And Basel III

for the Year Ended
31 December 2025



Report of factual findings to the Board of Directors of Ahli Bank SAOG (the ‘Bank’) or the ‘Engaging Party’) in respect of Basel II - Pillar III Disclosures and Basel III related disclosures for the year ended 31st December 2025

Purpose of the Agreed Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting **Ahli Islamic** (the ‘Islamic Window’), Islamic window of **Ahli Bank SAOG** (the ‘Bank’) in reporting factual findings to the Board of Directors of the Bank in respect of the disclosure requirements set out by the Central Bank of Oman via Circular No. BM 1009 dated 13 September 2006 and BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and Basel II - Pillar III Disclosures and Basel III related disclosures and may not be suitable for another purpose.

The report is intended solely for the **Ahli Islamic** (the “Engaging Party”) and Board of Directors of the Bank and should not be used by, or distributed to, any other parties except to CBO. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement. This report relates only to the matters specified below and does not extend to any financial statements of the Islamic Window taken as a whole.

Responsibility of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement. The Bank is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner’s Responsibilities

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

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“*IESBA Code*”) and the independence requirements in accordance with local laws.

Professional Ethics and Quality Control (continued)

Our firm applies International Standard on Quality Management (“ISQM”) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures enumerated in Appendix I which are included in BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and which were agreed upon with the Engaging Party in terms of the engagement dated 14 April 2025.

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
26 February 2026



Appendix I

S. no.	Procedures	Findings
1	Checked that the Disclosure includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2025 (the "Summary"). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Report.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2025. Checked that the following items are separately disclosed in the calculation: <ol style="list-style-type: none"> paid-up share capital/common stock reserves minority interests in the equity of subsidiaries (if any) innovative instruments other capital instruments regulatory calculation differences deducted from Tier 1 capital other items <p>Further, checked that the following items have been deducted from the Tier 1 capital:</p> <ol style="list-style-type: none"> goodwill; deferred taxation; investments 	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached	No exceptions noted.
4	Agreed to the Islamic Window's audited financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: <ol style="list-style-type: none"> on balance sheet items; off-balance sheet items; derivative financial instruments. 	No exceptions noted.
5	Checked that the risk weights assigned by management to Claims on Banks, Sovereigns, domestic Public Sector Entities; and Claims on Securities firms etc. are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Islamic Window.	No exceptions noted.

Appendix I (continued)

S. no.	Procedures	Findings
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and Islamic Window records.	No exceptions noted.
9	Checked whether any content of the Disclosures are <ol style="list-style-type: none"> internally inconsistent with other parts of the Disclosures in respect of narrative items, inconsistent with numerical data in the Disclosures inconsistent with the audited financial statements of the Islamic Window 	No exceptions noted.

BASEL II PILLAR III AND BASEL III Disclosures

31 DECEMBER 2025

1. INTRODUCTION

Ahli Islamic (the Islamic window) was licensed by Central Bank of Oman (CBO) to operate as an Islamic Banking Window of Ahli Bank SAOG (the Bank) to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations.

The following report presents the qualitative and quantitative disclosures related to capital adequacy, risk profile and control process of the Islamic window on a standalone basis as per the requirements of CBO. These disclosures are intended to complement the minimum capital requirements and supervisory review process of Basel framework. They should be read in conjunction with the financial statements as of 31st December 2025.

2. SCOPE

The scope of application of this report is the Islamic window operations of Ahlibank SAOG only. There are no restrictions on the transfer of funds from the Bank to Islamic window, however, under the Islamic Banking regulatory framework (IBRF), title 9, section 1.10.2, Islamic window cannot place funds with the Bank. The Islamic window does not hold controlling interest in any other entity.

3. CAPITAL STRUCTURE

Qualitative Disclosure

The primary objective of the Bank's Capital management framework is to ensure stability by maintaining adequate amount of high-quality capital to commensurate its risk profile. Healthy levels of capital, support the Bank in attaining strong credit rating and maximizing shareholders value. The framework ensures compliance with regulatory capital requirements set by CBO.

The regulatory capital of the Islamic window is calculated as per the guidelines of CBO and is broadly classified in two categories, Tier I and Tier II capital. Tier 1 capital is composed of core capital and is further classified into Common Equity Tier 1 capital ('CET1') and Additional Tier 1 capital ('AT1'). CET1 includes assigned capital, and retained earnings reduced by cumulative unrealized losses on FVOCI investments and intangibles recognized directly in equity. AT1 capital consists of perpetual capital instruments as specified under Basel III framework, however, Islamic window does not have any such instruments outstanding as of the report date. Tier II capital, which includes Stage 1 provision as calculated under IFRS 9 subject to ceilings as per CBO guidelines and investment fair value reserve with regulatory haircut. Equity of unrestricted investment account holders (URIA) is not considered as part of regulatory capital. The Islamic window does not hold any funds from restricted investment account holders (RIA).

There are no amounts in capital adequacy calculation of the Islamic Window which are subject to a different pre-Basel III treatment.

Quantitative Disclosure

The Islamic window's capital structure as at 31 December 2025, based on the CBO guidelines is as follows:

Elements of Capital (﷮ '000)	2025	2024
Tier I Capital		
Assigned capital / Share capital	50,000	50,000
Retained earnings	51,197	38,894
Less: cumulative unrealized losses and intangibles recognized directly in equity	(1,266)	(1,089)
Tier I capital	99,931	87,805
Tier II Capital		
Revaluation reserves / cumulative fair value gains on FVOCI Instruments	773	-
Stage 1 expected credit losses (2024: Stage 1 and Stage 2)	3,200	1,785
Total Tier II Capital	3,973	1,785
Total Regulatory Capital	103,904	89,590
Total equity of investment account holders (Quasi Equity)	880,848	692,077

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

CAPITAL ADEQUACY

Qualitative disclosures

The Islamic window's capital management framework sets out to define, measure, raise and deploy capital in a coordinated and consistent manner. Its objective is to maximize its return on capital and, at the same time, provide an adequate cushion to cover any unexpected losses. The Islamic window manages its capital in an integrated manner with the aim of maintaining strong capital ratios. This calls for a balanced approach, maintaining capital levels that are sufficient to provide a high return to shareholders, meeting the requirements of regulators, rating agencies and other stakeholders (including deposit holders and senior creditors) and supporting future business growth. The cost of capital and its composition in terms of its quality and stability is also considered.

The capital management process of Islamic window is aligned with the strategic planning process of the Bank. Capital planning is carried out in conjunction with the strategic business and financial planning exercise. The Bank maintains a five-year rolling strategic plan which is updated and reviewed by the Board of Directors on an annual basis. Capital requirements are assessed based on projected business plans and budget. The Islamic window uses a prudential building-block approach as the measurement technique to assess capital adequacy for current and future activities, which is compared with the eligible capital.

Risk weights are assigned to assets as per the regulatory guidelines from the CBO. Assets funded by investment accounts are also assigned same risk weights as the assets funded by own equity.

The Islamic window's total capital adequacy ratios are 13.36% and Tier 1 capital adequacy ratios is 12.84% as against the CBO requirement of 11% and 9%, respectively, as at 31st December 2025.

The summary of capital adequacy ratio of the Islamic Window is as below:

Particulars	Risk weighted assets 31 December 2025 ﷮ '000's	Risk weighted assets 31 December 2024 ﷮ '000's
On-balances sheet items	682,233	670,959
Off-balance sheet items	24,710	14,327
Total Credit Risk	706,943	685,286
Market risk	34,443	12,390
Operational Risk	36,601	28,581
Total risk weighted assets	777,987	726,257
CET1 capital	99,931	87,805
Tier 1 capital	99,931	87,805
Tier 2 capital	3,973	1,785
Total Regulatory Capital	103,904	89,590
Capital requirement for credit risk	77,764	75,381
Capital requirement for market risk	3,789	1,363
Capital requirement for operational risk	4,026	3,144
Total required capital	85,579	79,888
CET 1 ratio	12.84%	12.09%
Tier 1 ratio	12.84%	12.09%
Total capital ratio	13.36%	12.34%

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

i) Computation of Capital adequacy ratio (AED '000)

S.No	Simple Approach	2025	2024
1	Tier I capital (after supervisory deductions)	99,931	87,805
2	Tier II capital (after supervisory deductions and up to eligible limits)	3,973	1,785
3	Risk weighted assets – banking book	706,943	685,286
4	Risk weighted assets – operational risk	36,601	28,581
5	Total Risk Weighted Assets – Banking Book + Operational Risk	743,544	713,867
6	Minimum required capital to support RWAs of banking book and operational risk	81,790	78,525
6.1	i) Minimum required Tier I capital for banking book and operational risk	66,919	64,248
6.2	ii) Tier II capital required for banking book and operational risk	14,871	14,277
7	Tier I capital available for supporting trading book	22,113	11,065
8	Tier II capital available for supporting trading book	-	-
9	Risk Weighted Assets – trading book	34,443	12,390
10	Total capital required to support trading book	3,789	1,363
11	Minimum Tier I capital required for supporting trading book	1,080	388
12	Total Regulatory Capital	103,904	89,590
13	Total Risk Weighted Assets – Whole bank	777,987	726,257
14	BIS Capital Adequacy Ratio	13.36%	12.34%

ii) Capital adequacy ratio (AED '000)

Particulars	2025	2024
Total risk weighted assets	777,987	726,257
Total eligible capital	103,904	89,590
Capital adequacy ratio	13.36%	12.34%

iii) Ratio of total capital to total assets (AED '000)

Particulars	2025	2024
Total capital	103,904	89,590
Total assets	1,051,234	836,808
Total capital to total assets	9.88%	10.71%

iv) Capital requirements according to different risk categories for each Shariah compliant financing contract (AED '000)

	2025	2024
Balances with Central bank of Oman	-	-
Sovereign	-	-
Due from Banks	1,484	3,415
Murabaha receivables	9,394	6,441
Musharaka receivables	40,224	33,622
Ijarah assets – Ijarah Muntahia Bittamleek	7,324	7,938
Service Ijarah	1,393	640
Wakala bil istithmar	11,988	19,585
Istisna receivable	460	-
Qard hasan	6	4
Credit card receivables	293	172
Running Musharaka	19	-
Other Assets & off-balance sheet items	5,179	3,564
Total	77,764	75,381

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

4. Risk Management of the Bank

The Islamic window's risk management is centralized at Bank. It is a process whereby the Bank identifies key risks, applies consistent risk measurement techniques, and recommends which risks to accept or reject or mitigate, by what means and establishes procedures to monitor and report the resulting risk position for necessary action. The objective of risk management is to ensure that the Islamic window operates within the risk appetite levels set by the Bank's Board of Directors while pursuing its objective of maximizing the risk adjusted returns.

Being a window operation, the Islamic window risk management is the overall responsibility of the Bank's Board of Directors. The detailed risk management approach of the Bank, which is also applicable to the Islamic window, is explained in the main Pillar III document. The Bank's risk management processes have proven effective for the Islamic window throughout the current year. The Bank's Board of Directors and various management risk committees have remained closely involved with key risk management initiatives, in ensuring the Islamic window's risks are effectively managed and adequate capital is held in line with the requirements.

Detailed risk governance structure of the Bank, which is also applicable to the Islamic Window is disclosed in the main Pillar III document of the Bank. In addition, a dedicated Shari'a Supervisory Board (SSB) has been established which reports to the Board of Directors of the Bank and ensures Shari'a compliance in the operations of the Islamic Window.

Specifically, the Islamic window has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Rate of return risk
- Displaced commercial risk
- Sharia non-compliance risk

5. Credit Risk

Credit risk arises from the potential financial loss resulting from customers / counterparties failing to honor the terms of their contracts. It also includes the risk of loss in portfolio value as a result of migration from lower risk to higher risk categories. The Islamic window evaluates both settlement and pre-settlement credit risk at the customer level, across all products of the Bank.

Credit risk is the most significant risk incurred by the Islamic window, and proactive management is critical to the Islamic window's long-term success.

The Islamic window has a comprehensive due diligence system for approving credit facilities, and well-defined policies on controlling credit risk at the counter-party, group, economic sector, and country levels.

All corporate, bank and sovereign credit requires independent credit risk review to be approved by authorities, from Level II to the BOD, depending on their delegated credit approval authority (CAA). All credit approvals are strictly in accordance with the regulatory guidelines issued from time to time by the Central Bank of Oman. Exceptions in retail credit exposure are escalated to Risk Management Department for necessary approvals.

Risk Management ensures that the appropriate policies, guidelines, processes and procedures exist to cover all business areas of credit risk. It also ensures the consistent application of credit standards through a diligent Credit Review function and post approval review of financing and investment assets through a financing review mechanism (LRM) function and the periodic review and updating of credit policies, guidelines and procedures.

The Bank also has a robust system of borrowers' risk ratings that assesses the default risk of corporate borrowers and monitors ratings changes periodically. Ratings by the major credit rating agencies are also used whenever available.

The credit risk management policies are governed through Credit Risk Management Committee, Executive Risk Committee of the Board and the BOD. The following is the structure of credit risk approval: -

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)



The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full BOD based on the product category like Commercial Banking Lending, Country Limits or Limits for lending to Banks / FIs or Sovereigns, the legal nature of the borrowers and their credit risk rating.

Transaction risk is concerned with the credit risk of a single counter-party. Risk Management ensures that credit is underwritten according to approved standards and that all risks are highlighted in the credit risk review, including policy exceptions. It includes analyzing and reporting on the nature of on- and off-balance sheet counter-party exposure (size, tenor, complexity and liquidity), including secured and unsecured credit facilities.

Concentration risk arises when the Bank disburses a significant amount of credit to a few borrowers or borrowers located in the same geographical location or those exposed to similar economical/political/other risks. To safeguard against concentration risk, sectoral limits have been set for ensuring that the Islamic window is having a well-diversified portfolio, the same is being reviewed by the Bank on a regular basis.

Impairment policy

As a matter of policy, Islamic window creates allowance for impairment of financing contracts promptly and in a consistent manner. The Islamic window has implemented FAS 30 "Impairment credit losses and onerous commitments" accounting norm, based on which impairment is assessed on a forward-looking expected credit loss (ECL) basis, as required by CBO.

The ECL Allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

All financing assets are classified into one of five risk classification categories, Standard, Special Mention (past due between 60 - 90 days), Substandard (past due between 90 - 180 days), Doubtful (past due between 180 - 365 days) and loss (past due for 365 days or more), as prescribed by CBO.

The bank has established a policy to perform an assessment on a monthly basis 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 classified below:

Stage 1

When financing is first recognized, the bank recognizes 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 lifetime ECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from stage 3.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

Stage 3

Financing exposure considered credit impaired. The Bank records an allowance for lifetime ECLs. The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.
- in case of Treasury and interbank balances, when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Quantitative Disclosure:

i) Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure: (AED '000)

Type of credit exposure	Average Gross Exposure			Total Gross Exposure		
	31-Dec-25	31-Dec-24	% of total exposure	31-Dec-25	31-Dec-24	% of total exposure
Balances with Central bank of Oman	34,641	56,798	3.77%	27,036	42,245	2.65%
Sovereign	9,955	23,337	1.08%	19,066	843	1.87%
Banks	61,668	51,046	6.71%	60,065	63,271	5.89%
Musharaka receivables	425,914	339,903	46.35%	488,486	363,341	47.92%
Ijarah assets - Ijarah Muntahia Bittamleek	76,804	86,730	8.36%	67,942	85,665	6.67%
Murabaha receivables	72,344	51,848	7.88%	85,694	58,994	8.41%
Credit Card Receivable	1,993	1,322	0.22%	2,424	1,562	0.24%
Service Ijarah	10,285	4,247	1.12%	14,751	5,818	1.45%
Wakala bil istithmar	157,415	103,546	17.13%	171,806	143,024	16.86%
Istisna receivable	2,409	2,525	0.26%	4,817	-	0.47%
Qard Hasan	45	54	-	56	34	-
Running Musharaka	43	-	-	85	-	-
Other assets & off-balance sheet items	65,408	49,186	7.12%	77,073	53,743	7.57%
Total	918,924	770,542	100.00%	1,019,301	818,540	100.00%

ii) Credit exposure by risk weighted assets: (AED '000)

Type of credit exposure	As of 31 December 2025	
	Gross Balance	Risk Weighted Assets
Balances with Central bank of Oman	27,036	-
Sovereign	19,066	-
Banks	60,065	13,494
Musharaka receivables	488,486	365,673
Ijarah assets - Ijarah Muntahia Bittamleek	67,942	66,582
Murabaha receivables	85,694	85,398
Credit Card Receivable	2,424	2,662
Service Ijarah	14,751	12,666
Wakala bil istithmar	171,806	108,984
Istisna receivable	4,817	4,183
Qard hasan	56	56
Running Musharaka	85	169
Other Assets & off-balance sheet items	77,073	47,076
Total	1,019,301	706,943

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

As of 31 December 2024

Type of credit exposure	Gross Balance	Risk Weighted Assets
Balances with Central bank of Oman	42,245	-
Sovereign	843	-
Banks	63,271	31,048
Musharaka receivables	363,341	305,654
Ijarah assets – Ijarah Muntahia Bittamleek	85,665	72,165
Murabaha receivables	58,994	58,553
Credit Card Receivable	1,562	1,562
Service Ijarah	5,818	5,818
Wakala Bil Istithmar	143,024	178,048
Istisna receivable	-	-
Qard hasan	34	34
Other Assets & off-balance sheet items	53,743	32,404
Total	818,540	685,286

iii) Credit exposure by business unit: (AED '000)

As of 31 December 2025

Credit exposure	Business Unit	Gross Balance	Risk Weighted Assets
Balances with Central bank of Oman		27,036	-
Sovereign		19,066	-
Banks		60,065	13,494
Musharaka receivables	SME	16,265	16,175
	Corporate	352,080	233,567
	Retail	120,141	115,931
Murabaha receivables	SME	10,168	9,970
	Corporate	11,377	11,323
	Retail	64,149	64,105
Ijarah assets – Ijarah Muntahia Bittamleek	SME	1,994	1,994
	Corporate	16,214	14,854
	Retail	49,734	49,734
Credit Card Receivable	Retail	2,424	2,662
Service Ijarah	Retail	5,930	5,917
	Corporate	8,762	6,694
	SME	59	54
Wakala bil istithmar	Corporate	171,806	108,984
Istisna receivable	Corporate	4,761	4,124
	SME	56	59
Qard Hassan	Retail	56	56
Running Musharaka	SME	85	169
Other Assets & off-balance sheet items		77,073	47,076
Total		1,019,301	706,943

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

As of 31 December 2024

Credit exposure	Business Unit	Gross Balance	Risk Weighted Assets
Balances with Central bank of Oman		42,245	-
Sovereign		843	-
Banks		63,271	31,048
	SME	15,687	11,833
Musharaka receivables	Corporate	264,528	264,528
	Retail	83,126	29,293
	SME	2,331	1,890
Ijarah assets – Ijarah Muntahia Bittamleek	Corporate	9,415	9,415
	Retail	47,248	47,248
	SME	1,999	1,526
Murabaha receivables	Corporate	29,301	29,301
	Retail	54,365	41,338
Credit Card Receivable	Retail	1,562	1,562
Service Ijarah	Retail	3,952	3,952
	Corporate	1,866	1,866
Wakala Bil Istithmar	Corporate	143,024	178,048
Istisna receivable	Corporate	-	-
Qard Hassan	Retail	34	34
Other Assets & off-balance sheet items		53,743	32,404
Total		818,540	685,286

iv) Geographic distribution of exposures by major types of credit exposure: (AED '000)

As of 31 December 2025

Type of Credit Exposure	Oman	Other GCC Countries	OECD countries	Others	Total
Balances with Central bank of Oman	27,036	-	-	-	27,036
Sovereign	19,066	-	-	-	19,066
Banks	57,512	1,041	1,367	145	60,065
Murabaha receivables	85,694	-	-	-	85,694
Musharaka receivables	488,475	11	-	-	488,486
Ijarah assets - Ijarah Muntahia Bittamleek	66,055	1,887	-	-	67,942
Service Ijarah	14,751	-	-	-	14,751
Credit card receivables	2,424	-	-	-	2,424
Istisna receivable	4,817	-	-	-	4,817
Qard / Qard-e-Hasna	56	-	-	-	56
Running Musharaka	85	-	-	-	85
Wakala Bil Istithmar	171,806	-	-	-	171,806
Other Assets & off-balance sheet items	77,073	-	-	-	77,073
Total	1,014,850	2,939	1,367	145	1,019,301

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

As of 31 December 2024

Type of Credit Exposure	Oman	Other GCC Countries	OECD countries	Others	Total
Balances with Central bank of Oman	42,245	-	-	-	42,245
Sovereign	843	-	-	-	843
Banks	60,738	362	437	1,734	63,271
Murabaha receivables	58,994	-	-	-	58,994
Musharaka receivables	363,341	-	-	-	363,341
Ijarah assets - Ijarah Muntahia Bittamleek	85,665	-	-	-	85,665
Service ijarah	5,818	-	-	-	5,818
Credit card receivables	1,562	-	-	-	1,562
Istisna receivable	-	-	-	-	-
Qard / Qard-e-Hasna	34	-	-	-	34
Wakala Bil Istithmar	143,024	-	-	-	143,024
Other Assets & off-balance sheet items	53,743	-	-	-	53,743
Total	816,007	362	437	1,734	818,540

v) Industry or counter party type distribution of financing exposures, broken down by major types of credit exposure: (AED '000)

As of 31 December 2025

Economic Sector	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service Ijarah	Wakala Bil Istithmar	Istisna receivable	Qard Hasan	Running Musharaka	Total	Off Balance Sheet Exposure
Wholesale & Retail Trade	9,891	-	7,745	-	-	-	-	-	-	17,636	2,354
Mining & Quarrying	1,413	-	159	-	-	37,537	-	-	-	39,109	2,570
Construction	69,480	2,552	114	-	91	-	-	-	20	72,257	6,641
Manufacturing	25,124	12,610	11,725	-	-	-	2,700	-	-	52,159	5,349
Transport & Communication	66,428	-	-	-	2	94,000	2,117	-	-	162,547	-
Electricity, gas and water	8,722	1,887	-	-	-	39,870	-	-	-	50,479	3,198
Services	167,146	1,052	1,180	6	8,706	399	-	-	65	178,554	21,494
Personal Financings	120,209	49,734	64,068	2,418	5,930	-	-	56	-	242,415	-
All Others	20,073	107	703	-	22	-	-	-	-	20,905	216
Total	488,486	67,942	85,694	2,424	14,751	171,806	4,817	56	85	836,061	41,822

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

As of 31 December 2024

Economic Sector	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service Ijarah	Wakala Bil Istithmar	Istisna receivable	Qard Hasan	Total	Off Balance Sheet Exposure
Wholesale & Retail Trade	7,364	-	4,396	-	-	-	-	-	11,760	1846
Mining & Quarrying	-	-	78	-	-	26,900	-	-	26,978	43
Construction	59,604	17,405	47	-	-	725	-	-	77,781	5,688
Manufacturing	14,780	11,863	6,205	-	-	-	-	-	32,848	3,146
Transport & Communication	38,958	-	-	-	-	84,000	-	-	122,958	20
Electricity, gas and water	-	526	-	-	-	31,000	-	-	31,526	-
Services	149,195	1,399	243	-	1,866	399	-	-	153,102	15,955
Personal Financings	83,126	54,365	47,248	1,562	3,952	-	-	34	190,287	8
All Others	10,314	107	777	-	-	-	-	-	11,198	388
Total	363,341	85,665	58,994	1,562	5,818	143,024	-	34	658,438	27,094

vi) Residual contractual maturity of the financing portfolio, broken down by major types of credit exposure: (AED '000)

As of 31 December 2025

Time Band	Murabaha receivables	Musharaka receivable	Ijarah assets - Ijarah Muntahia Bittamleek	Service Ijarah	Wakala Bil Istithmar	Credit card	Qard Hasan	Istisna receivable	Running Musharaka	Total	Off Balance Sheet Exposure
Up to 1 month	6,340	5,112	148	4	84,762	2,424	-	600	-	99,390	5,037
1-3 Months	6,093	4,210	897	1,464	284	-	18	400	85	13,451	4,323
3-6 Months	10,970	3,779	568	505	66	-	12	1,700	-	17,600	380
6-9 Months	5,593	5,304	1,222	666	647	-	17	-	-	13,449	4,805
9-12 Months	3,906	7,537	1,958	275	30,713	-	9	-	-	44,398	146
1-3 Years	19,304	56,603	9,254	1,524	4,321	-	-	-	-	91,006	24,114
3-5 Years	14,960	85,024	10,779	3,390	16,258	-	-	77	-	130,488	650
Over 5 Years	18,528	320,917	43,116	6,923	34,755	-	-	2,040	-	426,279	2,367
Total	85,694	488,486	67,942	14,751	171,806	2,424	56	4,817	85	836,061	41,822

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

As of 31 December 2024

Time Band	Musharaka receivables	Ijarah assets -Ijarah Muntahia Bittamleek	Murabaha receivables	Credit card	Service Ijarah	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	Off Balance Sheet Exposure
Up to 1 month	6,281	208	5,155	1,562	203	-	1	84,853	98,263	4,056
1-3 Months	2,694	868	7,596	-	576	-	8	-	11,742	2,400
3-6 Months	2,643	617	2,651	-	1,334	-	6	31,770	39,021	319
6-9 Months	3,528	894	2,250	-	145	-	10	454	7,281	219
9-12 Months	4,951	1,534	2,950	-	184	-	9	499	10,127	2
1-3 Years	38,459	10,077	14,943	-	1,076	-	-	2,041	66,596	17,049
3-5 Years	55,390	16,161	10,140	-	898	-	-	1,949	84,538	295
Over 5 Years	249,395	55,306	13,309	-	1,402	-	-	21,458	340,870	2,754
Total	363,341	85,665	58,994	1,562	5,818	-	34	143,024	658,438	27,094

vii) Total Financing broken down by major industry or counterparty type: (AED '000)

As of 31 December 2025

Economic Sector	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge/ (reversed) during the Year	Financings written off during the year
Wholesale & Retail Trade	17,636	-	51	-	48	-
Mining & Quarrying	39,109	-	6	-	3	-
Construction	72,257	-	273	-	(1,040)	-
Manufacturing	52,159	8,446	8	4,457	618	-
Transport & Communication	162,547	-	46	-	33	-
Electricity, gas and water	50,479	-	9	-	-	-
Services	178,554	4,802	966	688	160	-
Personal Financings	242,415	709	73	329	(46)	-
All others	20,905	1,968	3,247	4,504	(113)	(1,025)
Total	836,061	15,925	4,679	9,978	(337)	(1,025)

* Stage 3 allowance includes suspended profit reversal of AED 0.609 million

* above ECL includes overlays of AED 6.895 million.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

As of 31 December 2024

Economic Sector	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge/ (reversed) during the Year	Financings written off during the year
Wholesale & Retail Trade	11,760	-	3	-	(25)	-
Mining & Quarrying	26,978	-	3	-	(72)	-
Construction	77,781	-	1,313	-	(858)	-
Manufacturing	32,848	7,851	12	3,835	(1,898)	-
Transport & Communication	122,958	-	13	-	(453)	1
Electricity, gas and water	31,526	-	9	-	(39)	-
Services	153,102	6,040	578	916	(1,728)	-
Personal Financings	190,287	660	70	378	45	-
All others	11,198	4,111	6,352	2,538	5,610	-
Total	658,438	18,662	8,353	7,667	582	1

* Stage 3 ECL include suspended profit of AED 1.633 million

* above ECL includes additional overlays of AED 6.350 million

viii) Amount of impaired Financing broken down by significant geographical areas including, with the amounts of expected credit loss/specific and general allowances related to each geographical area: (AED '000)

As of 31 December 2025

Countries	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge during the Year	Financings written off during the year
Oman	834,163	15,925	4,679	9,978	(337)	(1,025)
Other GCC Countries	1,898	-	-	-	-	-
OECD Countries	-	-	-	-	-	-
India	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	836,061	15,925	4,679	9,978	(337)	(1,025)

* Stage 3 allowance includes suspended profit reversal of AED 0.609 million.

*above ECL includes additional overlays of AED 6.895 million

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

As of 31 December 2024

Countries	Gross financings	Of Which NPLs	ECL stage 1 & 2	ECL stage 3*	Impairment charge during the Year	Financings written off during the year
Oman	658,438	18,662	8,353	7,667	582	1
Other GCC Countries	-	-	-	-	-	-
OECD Countries	-	-	-	-	-	-
India	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	658,438	18,662	8,353	7,667	582	1

* Stage 3 ECL include suspended profit of ~~₹~~ 1.633 million

* above ECL includes additional overlays of ~~₹~~ 6.350 million

ix) Movement of gross financing during the year: (~~₹~~ '000)

As of 31 December 2025

Details	Stage 1	Stage 2	Stage 3	Total
Opening Balance	600,775	39,001	18,662	658,438
Migration / changes (+ / -)	1,286	(1,778)	492	-
New financings	234,182	11,225	159	245,566
Recovery of financings	(43,081)	(21,474)	(2,363)	(66,918)
Financing Written Off	-	-	(1,025)	(1,025)
Closing Balance	793,162	26,974	15,925	836,061

As of 31 December 2024

Details	Stage 1	Stage 2	Stage 3	Total
Opening Balance	458,568	44,454	18,885	521,907
Migration / changes (+ / -)	(10,091)	10,172	(81)	-
New financings	176,017	83	10	176,110
Recovery of financings	(23,719)	(15,708)	(151)	(39,578)
Financing Written Off	-	-	(1)	(1)
Closing Balance	600,775	39,001	18,662	658,438

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

x) Past due and impaired financing: (~~₹~~ '000)

As of 31 December 2025

	Murabaha receivables	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Service Ijarah	Credit Card	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Running Musharaka	Total	Off Balance Sheet Exposure
Neither past due not impaired	78,864	449,675	65,985	14,627	2,246	4,817	56	140,375	85	756,730	41,822
Past due but not impaired	1,396	28,891	1,412	114	162	-	-	31,431	-	63,406	-
Past due and impaired	5,112	9,920	545	10	16	-	-	-	-	15,603	-
Impaired but not past due	322	-	-	-	-	-	-	-	-	322	-
Total	85,694	488,486	67,942	14,751	2,424	4,817	56	171,806	85	836,061	41,822

As of 31 December 2024

	Murabaha receivables	Musharaka receivables	Ijarah assets - Ijarah Muntahia Bittamleek	Service Ijarah	Credit Card	Istisna receivable	Qard Hasan	Wakala Bil Istithmar	Total	Off Balance Sheet Exposure *
Neither past due not impaired	53,347	331,969	69,347	5,726	1,451	-	33	143,024	604,897	27,094
Past due but not impaired	920	18,056	15,705	92	105	-	1	-	34,879	-
Past due and impaired	4,725	13,316	613	-	6	-	-	-	18,660	-
Impaired but not past due	2	-	-	-	-	-	-	-	2	-
Total	58,994	363,341	85,665	5,818	1,562	-	34	143,024	658,438	27,094

Credit risk- Disclosures for portfolios subject to the standardized approach.

Qualitative disclosure

The Islamic window classifies its financial assets in one of the following categories:

- Financing receivables;
- Ijara assets – Ijarah Muntahia Bittamleek;
- Equity & debt – type instruments; and
- Credit Card receivable

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

Financing receivables are principally divided into following Islamic products:

Murabaha	An agreement whereby the Islamic Window sells to a customer a commodity or a property which the Islamic Window has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises of the cost of the commodity and an agreed profit margin.
Financing Ijarah	An agreement whereby the Islamic Window (lesser) leases an asset or services to a customer (lessee), for a specific period against certain rent installments. Ijarah could end in transferring the ownership of the asset to the lessee at the end of the lease period.
Musharaka	An agreement between the Islamic Window and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.
Wakala bil Istithmar	An agreement whereby the principal provides a certain sum of money (Wakala Capital) to an agent, who invests it according to specific conditions in return for a certain fee. The arrangement may also include agreement on an expected profit rate for principal and incentive fee for Wakeel for performance beyond the agreed expected profit.
Istisna	Istisna receivable is a sale agreement between the Islamic window as a seller and the customer as the ultimate purchaser whereby, the Islamic window undertakes to have manufactured (or Acquire) goods and sell it to the customer for an agreed price on completion at future dates. Istisna receivable are stated at net deferred profit and expected credit loss.
Qard Hasan	Qard Hasan is based on Islamic financial principle of profit-free Qard Hasan whereby, the customer is required to repay the financing amount without any profit. Qard Hasan finance is stated at cost net of expected credit loss allowance, if any.

Credit Risk Mitigation (CRM)

Credit Risk Mitigation (CRM) encompasses collateral management and credit guarantee arrangements. The policies and processes for on- and off-balance sheet netting (and the extent to which the Islamic Window makes use of them); policies and processes for collateral valuation and management; and a description of the main types of collateral taken are described below.

The Islamic window normally accepts the following types of collateral:

- Hamish Jiddiyah, Urbun, Profit sharing investment accounts.
- Real estate comprising income-producing and non-income-producing assets.
- Shares listed on recognized stock exchanges located in GCC
- Irrevocable and unconditional guarantees / standby LC issued by acceptable Banks
- Funds subject to meeting approval criteria
- assignment of receivables
- Inventories

The Islamic window also accepts guarantees of individuals and corporates to mitigate risks, wherever applicable, based on adequate assessment of their creditworthiness. In respect of real estate collateral, two valuations are obtained if the value of collateral exceeds a particular level: the lowest valuation is used. The Islamic window also has a mandatory requirement to obtain an insurance policy on real estate collateral (other than land) where the insurance policy is assigned in the Islamic window's favor. Real estate collateral is valued on regular intervals on need basis based on the assessment of risk and economic scenario prevailing.

Management monitors the market value of collateral at regular interval and requests additional collateral in accordance with the underlying agreement in case of shortfall. The management also periodically reviews the collateral cover for determining the adequacy of the allowance for impairment losses. A strong credit administration process ensures effective compliance with terms of approval and documentation.

The Simplified approach for collateral recognition under the standardized approach is applied where 0% risk weight is assigned for the exposure covered by Cash collateral. All other financing exposures to corporates and retail are assigned 100% risk weight (except retail mortgage financings, which are assigned 35% risk weight). The Islamic window stands in possession of cash collateral of ~~₹~~ 0.193 Mn; after application of haircut (0%) to the collateral the exposure stands at NIL. The Islamic window has not considered any financial guarantee under credit risk mitigation as of 31 December 2025.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

Particulars	₹ '000
Gross Exposure - banking book	1,019,301
Credit risk mitigation	(9,206)
Risk weight impact - for banking book	(303,152)
Risk weighted assets - banking book	706,943
Capital charge for credit risk	77,764

Quantitative Disclosures:

As of 31 December 2025				
Rating	Impairment allowance as at year end	Financings written off during the year	CBO Classification	IFRS 9 Classification
1 – 6	3,189	-	Standard	
7	1,490	-	Special mention	Stage 1 & 2
8 – 10	9,978	(1,025)	Non-performing	Stage 3
Total	14,657	(1,025)		

As of 31 December 2024

Rating	Impairment allowance as at year end	Financings written off during the year	CBO Classification	IFRS 9 Classification
1 – 6	741	-	Standard	
7	7,612	-	Special mention	Stage 1 & 2
8 – 10	7,667	-	Non-performing	Stage 3
Total	16,020	-		

6. Market Risk

Qualitative disclosure

Market Risk is the risk of loss resulting from fluctuations in profit rates, asset prices, foreign exchange rates or commodity prices. Substantially all of the Islamic window businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Islamic window. The objective of market risk management is to control risks within acceptable parameters, while optimizing the returns. The Bank has a Market Risk Policy that provides detailed guidelines for management of market risks. The Islamic window uses a combination of risk sensitivities, stress testing, etc. to manage market risks and establish limits. The Islamic window does not take any positions in commodities. All relevant risks and mitigation strategies are discussed below

Rate of Return risk in banking book (RRRBB)

Rate of return risk arises from the possibility that changes in rates of return will adversely affect the economic value of equity or the net income. The Islamic window is exposed to this risk as a result of mismatches or gaps in the rate of return profile of balance sheet assets and funds provided by investment account holders and wakala depositors. While the return on profit sharing agreements is not guaranteed, in case the Islamic window does not distribute profit in line with market rates, it is exposed to Displaced Commercial risk.

The Islamic window's overall goal is to manage rate of return sensitivity so that movements in rates of return do not adversely affect the Islamic window's net income and market value of equity. The Islamic window manages this risk by matching the re-pricing profile of assets and liabilities through various risk management strategies, utilizing tools such as gap analysis and duration. ALCO reviews the risk profile and sensitivities on a monthly basis within the risk appetite approved by the Board of Directors. Profit bearing assets (net of provision) and liabilities according to repricing bucket are as follows:

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

As of 31 December 2025

Particular	Effective profit rate					Non-sensitive to profit rate	Total
		within 3 months	4 to 12 months	1 to 5 years	More than 5 years		
₹ '000		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
ASSETS							
Cash and balances with Central Bank of Oman		-	-	-	-	34,458	34,458
Due from banks		60,064	-	-	-	-	60,064
Financing Assets	5.67%	103,515	76,399	219,866	422,647	-	822,427
Investments	5.10%	92,439	5,290	5,290	1,763	7,454	112,236
Property and equipment		-	-	-	-	9,515	9,515
Other assets		-	-	-	-	12,534	12,534
Total profit bearing assets		256,018	81,689	225,156	424,410	63,961	1,051,234
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS							
Due to banks	3.83%	15,778	-	-	-	-	15,778
Equity of investment accountholders and other liabilities	3.36%	255,491	316,028	118,563	218,912	19,296	928,290
Shareholders fund		-	-	-	-	107,166	107,166
Total		271,269	316,028	118,563	218,912	126,462	1,051,234
Net gap		(15,251)	(234,339)	106,593	205,498	(62,501)	-
Cumulative net gap		(15,251)	(249,590)	(142,997)	62,501	-	-

As of 31 December 2024

Particular	Effective profit rate					Non-sensitive to profit rate	Total
		within 3 months	4 to 12 months	1 to 5 years	More than 5 years		
₹ '000		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
ASSETS							
Cash and balances with Central Bank of Oman		-	-	-	-	48,983	48,983
Due from banks		63,270	-	-	-	-	63,270
Financing Assets	5.85%	106,134	44,107	101,187	392,624	-	644,052
Investments	4.74%	-	-	53,958	2,968	4,890	61,816
Property and equipment		-	-	-	-	8,647	8,647
Other assets		-	-	-	-	10,040	10,040
Total profit bearing assets		169,404	44,107	155,145	395,592	72,560	836,808
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS							
Due to banks	4.64%	28,643	-	-	-	-	28,643
Equity of investment accountholders and other liabilities	3.50%	153,469	237,550	78,867	191,431	54,887	716,204
Shareholders fund		-	-	-	-	91,961	91,961
Total		182,112	237,550	78,867	191,431	146,848	836,808
Net gap		(12,708)	(193,443)	76,278	204,161	(74,288)	-
Cumulative net gap		(12,708)	(206,151)	(129,873)	74,288	-	-

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Foreign Exchange Risk

Foreign exchange risk is the risk that the foreign currency positions taken by the Islamic window may be adversely affected due to volatility in foreign exchange rates. Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions within regulatory and internal limits. All foreign exchange exposures are centrally managed by the Treasury and are daily marked to market. Internal Limits have been assigned with respect to overnight open exposures, stop loss limits and authorized currencies to monitor and control foreign exchange exposures.

The foreign exchange transactions carried out by the Bank are on behalf of customers and are on a back-to-back basis. No proprietary foreign exchange positions are assumed by the Islamic window.

The Net open position in all foreign currencies stands at ₹ 9.753 mn (₹ 6.168 mn position is in effectively pegged currencies) as on 31 December 2025.

Investment Price Risk

Price risk is the risk of losses from decrease in the market value of individual investments. Each investment is approved after rigorous due diligence and exposures are monitored against prudent exposure limits. The Islamic window does not maintain any trading positions in its portfolio as of 31 December 2025.

The Islamic window's investments in non-trading instruments are monitored within the overall limits and restrictions prescribed by CBO from time to time, and only in Sharia compliant product categories. The fair value of equity through other comprehensive income as of 31 December 2025 is ₹ 14.323 mn with cost amounts to ₹ 12.643 mn. The Islamic window also has invested in sukuks carried at fair value through comprehensive income and fair value through income statement. The fair value of investments through other comprehensive income as of 31 December 2025 is ₹ 26.694 mn with a cost amount to ₹ 26.120 mn. The fair value of investments through income statement as of 31 December 2025 is ₹ 71.219 mn with a cost amount to ₹ 68.992 mn.

The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board of Directors, as a percentage of the Capital Base of the Bank, which apply to the Islamic window as well. All investment proposals are routed through the ALCO to the relevant approval authority. The Islamic window's appetite for private subscriptions and unlisted / unquoted equity is low, and such proposals are adequately justified on a case by case basis, and has to be approved at least by the Executive Credit Committee and by the Board if it exceeds limits structured as a proportion of the Bank's Capital Base.

The Bank tries to achieve reasonable diversification of its investment portfolio among the economic sectors, and does not exceed a certain limit of its investment portfolio in any particular industry / sector groups listed below:

- Trading and retailing
- Real Estate development, management and rental income
- Construction / contracting and building materials
- Travel / tourism, hotels, restaurants, entertainment, health services and education
- Warehousing / storage, logistics, supply management and transportation, utilities and Telecom
- Oil and Gas
- Banking and Financial Services
- Conglomerates or Holding Companies investing in any of the above business lines

Capital Charge:

The Capital Charge for market risk exposures is measured based on Standardized approach in accordance with the guidelines issued by CBO under Circular BM1009. The Islamic window has implemented standardized duration-based approach to arrive at capital requirement for bonds and debt securities. The capital charge for foreign exchange is computed based on three-month daily average of sum of net long or short positions held by the Bank.

Table showing capital charge for profit Rate, Equity and foreign exchange risk as on 31 December 2025 is given below:

Type of risk (₹ '000)	2025	2024
Profit rate risk	1,629	949
Equity position risk	156	42
Foreign exchange risk	971	-
Percentage of NOP to regulatory capital	9.4%	3.3%
Regulatory ceiling (% to total net worth)	40%	40%

Total risk weighted assets for trading book is ₹ 34.443 Mn.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Price Risk

Impact of 10% change in price

Investment type	Change in price	Effect on equity(ﷲ '000)
		2025
Regional listed Sukuk	10%	+/- 9,694
Foreign listed Sukuk	10%	-
Listed equities	10%	+/- 1,502
Unquoted equities	10%	+/- 28

7. Liquidity risk

Qualitative Disclosure

The Islamic window defines liquidity risk as its ability to meet all present and future financial obligations in a timely manner and without undue effort and cost through unconstrained access to funding at reasonable market rates and without affecting asset growth and business operations.

The following key factors are taken into consideration while assessing and managing the liquidity risk of the Islamic Window:

- The need to have a well-diversified base for funding sources, comprising a portfolio of retail customers, large corporates and institutions, small & medium enterprises, high net worth individuals, without significant concentrations or correlations, thereby diversifying the funding base and mitigating concentration risks.
- Based upon the past behavioral pattern analysis of our main liabilities, management expects large portion of customer deposits to be rolled over at contractual maturity.
- As per the CBO directives, the Bank keeps at least 5% of its demand and time deposits with CBO in the form of clearing balances.
- Commitments for loans and advances are approved after considering the Bank's overall liquidity position.

The Islamic window's projected liquidity needs are analyzed, and optimum alternatives to manage the liquidity risk are discussed and approved in ALCO. The risk management department also independently reviews and evaluates the Bank's ability to access liquidity from different sources.

The Treasury and Risk management departments identify liquidity at risk, which is monitored daily and reported periodically to ALCO. Liquidity and funding policy and a contingency liquidity plan have been established by the Bank, which applies to its Islamic window as well.

Liquidity and Funding Policy

The liquidity and funding policy of the Bank, which applies for its Islamic window as well, is intended to ensure that liquidity requirements are prudently and effectively managed such that anticipated and unanticipated funding needs are met on an ongoing basis in a controlled manner at the least possible cost.

The Bank's Asset Liability Committee (ALCO) reviews the Liquidity and funding Policy annually and submits recommendations for changes, if any, to the Bank's Chief Executive Officer (CEO) for review and submission to the Executive Committee and Board as applicable.

There are a number of techniques which the Bank uses to manage its Liquidity position and that of its Islamic Window. The key ones are:

- Placing limits on maturity mismatches
- Maintaining a stock of liquid assets
- Diversification of liabilities
- Access to wholesale markets
- Multi-currency liquidity management

The financing ratio, which is the ratio of the financing to deposits and capital, is monitored on a daily basis in line with the regulatory guidelines. Internally the lending ratio is set at a more conservative basis than required by regulation. The Islamic window also manages its liquidity risk on a monthly basis monitoring the liquid ratio which is a ratio of net liquid assets to total assets.

The Islamic window also maintains significant investments in liquid instruments issued by Governments and banks principally for maintaining liquidity.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

7. Liquidity risk (continued)

The maturity profile of the assets and funding side at the year-end are based on contractual repayment arrangements. The details of the same are provided in note 34.2 of Islamic window financial statements.

The CBO also restricts the limits on lending by the commercial banks. The maximum lending ratio permissible as at 31 December 2025 was 87.5%.

Details of the reported financing ratio for the year are as follows:

Ratios	2025	2024
Financing ratio	%	%
Year end	84.5	85.1
Maximum for the year	87.4	86.2
Minimum for the year	78.7	60.0
Average for the year	84.7	76.0
Other Ratios		
Financing to customers to total assets	78.2	77.0
Equity to total assets	10.2	11.0
Liquid assets to total assets	15.8	13.4
Liquid assets to short term liabilities	57.0	25.6
Prime assets to volatile liabilities	68.5	72.7
Liquidity Coverage Ratio	165.2	215.5
Net Stable Funding Ratio	128.3	130.5

Stock of Liquid Assets

An adequate stock of high-quality liquid assets provides the Islamic window with the capacity to meet its obligations while any underlying problems affecting liquidity are addressed.

Such assets are clearly identified, their role defined and minimum holding levels are established and agreed by the ALCO. The degree of diversification of the Liquid Assets portfolio is reviewed by the ALCO on a monthly basis.

As per the guidelines of CBO, the bank is required to maintain a Liquidity Coverage Ratio (LCR) of at least 100%. Further, the Net Stable Funding Ratio (NSFR) prescribed at a minimum of 100%. The Islamic window has implemented a more stringent internal requirement for these ratios which are reviewed by ALCO each month. A detailed disclosure on the position of the Bank in regards to these ratios is contained later in this report.

Diversification of liabilities

The Bank and Islamic window seek to maintain a diversified funding base, and monitor the degree of diversification in its liability base on a monthly basis. Depositor concentration is reviewed by the ALCO on a monthly basis.

The liquidity and funding policy recognize the inherent value of the Bank's term depositors. The Islamic window seeks to establish strong and lasting relationships with depositors and other liability holders so as to foster a stable funding base. Trends in liability balances by category are reviewed by the ALCO on a monthly basis.

The Islamic window also recognizes that an over reliance on short dated inter-bank deposits can lead to difficulties in extreme market conditions. The exposure to such deposits is reviewed by the ALCO on a monthly basis.

Multi-currency liquidity

Where positions in specific foreign currencies are significant to its business, the Islamic window addresses the measurement and management of liquidity in these individual currencies. It is considered appropriate to consolidate several (usually minor) currencies and monitor the aggregate exposure expressed in base currency.

When monitoring exposure in aggregate, the Islamic window assesses the convertibility of individual currencies, the timing of access to funds, the impact of potential disruptions to foreign exchange markets, and exchange risks before presuming that surplus liquidity in one currency can be used to meet a shortfall in another currency.

Performance against limits is monitored daily by Treasury with any exceptions being immediately reported to ALCO members. Review of all liquidity positions against limits is performed by Head of Risk Management and Treasury based on figures produced by the Treasury Middle Office / Finance Department.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

7. Liquidity risk (continued)

The Treasurer along with the Head of Risk Management derives and documents the Maturity Profile behavioral adjustments, based on redemptions and withdrawal requests. These are communicated to the ALCO for discussion and acceptance.

Limit Breaches

All liquidity limit (internal) breaches are notified to the Treasurer, the Head of Finance, Head of Risk Management and ALCO members at the earliest possible opportunity. The notification includes:

- The cause of the breach
- The remedial action taken
- The expected duration of the breach if still current.

Immediate action is taken to remedy the breach. Should such action not be possible, the ALCO and the CEO are notified.

Liquidity Contingency Plan:

It is imperative for the Islamic window to maintain an adequate amount of liquid assets as a protection against a possible loss in the event of emergency situation. Bank's Liquidity Contingency Plan (LCP) is approved by Board and addresses the institution's strategy for handling any liquidity crisis. LCP serves as the blueprint for meeting its funding needs under stress environment in a timely manner and at a reasonable cost. It describes policies and procedures for managing or making up cash flow shortfalls in such situations.

Islamic window has adopted quantitative and qualitative key warning indicators which is monitored by Market & Liquidity Risk team and presented to ALCO. The members of the Liquidity Crisis Management Team (LCMT) and ALCO are notified immediately should any of the early warning criteria be breached.

In the event of the plan being invoked, ALCO delegates the responsibility for the management of the Bank's liquidity to the LCMT. The LCMT is comprised of CEO (Chairman), DCEO Wholesale Banking, DCEO – Support Services, Head of Finance, Head of Treasury and Head of Risk.

8. Operational risk

Operational Risk Framework

Reputation Risk

Reputation Risk is negative public opinion/reaction which could cause damage to the Islamic window's profitability or image. Reputational risk is one of the most complex risks to manage in view of unpredictability, constant change in the operating environment, personnel turnover and multi-cultural environment that the Bank operates in. The Islamic window identifies, measures, monitors and controls reputation risk arising in the following areas:

- Customer service
- Perception of stakeholders regarding Islamic window's commitment to their interests
- Quality of products, services and sales practices
- Reporting to stakeholders and external agencies
- Accuracy of information in communications to the public

There are policies and procedures in place to manage and monitor reputation risk.

Social Media risk is an important element of Reputation risk that has emerged with the popularity of social media and digital technologies. The Bank recognizes the importance of effectively managing the interests of the Bank and its customers from this dynamic and unregulated category of risk. The Corporate Communication Department (CCD) is responsible for managing the Bank's social media activities within the guidelines of 'Social Media Policy'.

Business Continuity Risk

The Bank has a documented Business Continuity Policy (BCP) and plan which outlines the Business Continuity process to be followed in a disaster scenario, and undertakes comprehensive testing of all its critical systems and processes; this BCP also applies to the processes and systems pertaining to the Islamic window. The BCP aims to minimize the severity and impact of a disaster while continuing to serve both the business and customers with a lowest achievable detriment in service. The plan considers the following:

- Disaster scenarios and magnitude
- Various steps to mitigate the risk
- Impact on the Bank's business and operations
- The resources required for resuming the operations at the earliest possible time following the disaster
- Operating processes and available systems at the Disaster Recover (DR) site

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

7. Liquidity risk (continued)

Business Continuity Test

During the year 2025, the Bank has carried out a comprehensive BCP test including a volume test on a working day in order to test the resilience of the bank's business systems at the DR site. The scope of the test was arrived at based on the Business Impact Analysis (BIA) carried by the Bank and the volume test results were submitted to the Board. The Bank has in place a Crisis Management Team (CMT), and the processes to be followed during a disaster scenario has been detailed out in the BCP documents of the Bank.

Concentration Risk

Concentration risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from large exposure to counterparty, a sector or country. Concentration risk can be mitigated by formulating limits, by a thorough check on counterparty's quality or adequate collateral support etc.

As part of ICAAP, thresholds for exposure concentrations has been set up, this will trigger additional capital requirements based on concentration in terms of large exposures to counterparties, sector exposure concentration (excluding retail lending) and geographical exposure concentration (other than to Oman).

Information Security Risk

The Islamic window has adopted an Information Security Management System (ISMS) /process and a framework by which the bank ensures, protects and secures information resources that process and maintain information which are vital to its operations. The main component of this framework is the Information Security Policy that provides direction for formulation, implementation, and management of Information Security Management System. Since protection of customer information is the top-most priority, the Bank strives to safeguard the confidentiality, availability and integrity of the data of its customers and business partners at all times.

Compliance Risk (including risk of Shari'a Non-Compliance)

Compliance risk is the potential for financial losses, legal penalties, regulatory sanctions and loss to Bank's reputation that result from non-compliance with laws and regulations that are applicable on the Bank. The Board of Directors have direct responsibility for overseeing the management of the Bank's compliance risk. Senior management are thereafter responsible for ensuring effective management of this risk. They are supported by the Compliance function of the Bank which is an independent function that reports, and has direct access to Board Audit & Compliance Committee. The Bank's 'Compliance Policy' sets the guidelines to manage this important risk type.

Shari'a Governance framework ensures Shari'a compliance at all times and at all levels. Shari'a compliance unit facilitates the senior management in ensuring compliance with Shari'a and Islamic banking stipulations of the Central Bank in all its business activities, operations and transactions. Shari'a compliance unit is extensively involved before a new product or transaction is approved and monitors the implementation of guidelines issued by Shari'a Supervisory Board (SSB). No new product class or transaction type is executed without consulting the Shari'a compliance unit and getting a formal approval from the SSB.

Operational risk capital charge and risk weighted amount

The Islamic window follows basic indicator approach for determining operational risk. The Capital charge for operational risk under Basic Indicator approach is calculated by taking the average of gross income multiplied by 15%, for each of the last three financial years, excluding years of negative or zero gross income. The gross income includes Net income from financing activities gross of any provisions and depreciation expense on ijarah assets (+) Net income from investment activities (+) fee income (-) investment account holders share of income.

Item (ﷲ '000)	2025	2024	2023
Net Income from financing and investing activities	46,035	40,695	32,811
Other income – net	8,536	6,598	3,101
Gross Income	54,571	47,293	35,912
Return to investment account holders	(28,553)	(24,993)	(17,848)
Net Operating Income	26,018	22,300	18,064
Average Income	22,127		
Gross Income times of Alpha (15%)	3,319		
Operational risk based on Basic Indicator Approach	41,489		

Capital Charge for Operational Risk under Basic Indicator Approach as per Basel II is ﷲ 2.928 million as of 31 December 2025. The Risk weighted assets for operational risk as per Basel II is ﷲ 36.601 million.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

9. DISPLACED COMMERCIAL RISK

Displaced commercial risk (DCR) refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared to competitor's rates.

The Islamic window has in place a Profit Distribution Policy which specifies detailed guidelines for creation of PER and IRR to mitigate the DCR. The Islamic window may forgo its fee in case DCR arises. Rates of returns are benchmarked with other Banks in the market and reviewed on periodic basis.

An analysis of distribution during the year to IAH's (Modaraba Deposits Only) by Islamic window is as follows:

	2025	2024	2023	2022	2021
Total Profits available for distribution	16,394	13,693	11,176	10,752	9,321
Profit Sharing:					
- Profit to Shareholders	15,434	11,567	9,087	8,531	7,498
- Share of IAH	342	1,638	1,669	1,866	1,272
- Mudarib Share	618	488	420	355	551

During the year ended 31 December 2025, Islamic Window has appropriated ~~₹~~ 0.130 mn towards Profit equalization reserve.

10. INVESTMENT ACCOUNT HOLDERS

The Islamic window receives deposits by Investment Account Holders (IAH) under Mudaraba contract and Wakala bil Istithmar contract. The Islamic window has Unrestricted Account Holders only.

Equity of investment account holders

Equity of investment account holders are funds held by the Islamic Window in unrestricted investment accounts, which it can invest at its own discretion. The investment account holder authorizes the Islamic Window to invest the account holders' funds in a manner which the Islamic Window deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. The Islamic Window charges management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to customers is allocated to investment accounts after setting aside provisions, reserves (Profit equalization reserve and Investment risk reserve, if any) and deducting the Islamic Window's share of income as a Mudarib. The allocation of income is determined by the management of the Islamic Window within the allowed profit-sharing limits as per the terms and conditions of the investment accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the Islamic Window and are not charged separately to investment accounts. Investment accounts are carried at their book values and include amounts retained towards profit equalization and investment risk reserves, if any. Profit equalization reserve is the amount appropriated by the Islamic Window out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the Islamic Window out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders. Creation of any of these reserves results in an increase in the liability towards the pool of unrestricted investment accounts.

Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment account holders is carried at cost plus profit and related reserves less amounts settled. The basis applied by the Islamic Window in arriving at the equity of investment account holder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Islamic Window does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share profits from the Mudaraba investment pool in the capacity of Mudarib.

Profit Distribution Mechanism between Shareholders & Depositors under the Common Pool

Participation factor, Weights or profit-sharing ratios are pre-decided by the management of the Bank. In case of any change, after approval by the Shariah Supervisory Board these are intimated to the investors before start of the month. Weighted average balance is calculated at the end of the period by multiplying the participation factor with average balance for the period.

The Islamic window has a single pool of comingled assets where the funds of investment account holders are invested. The Investment Profits are distributed between Mudarib and IAH in the following percentages:

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

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10. INVESTMENT ACCOUNT HOLDERS (continued)

	2025	2024
Unrestricted Investment Accounts Share	75%	75%
Mudarib Share	25%	25%

The Islamic window does not charge Investment account holders for operating expenses incurred.

Mudaraba fee

Mudaraba fee will be deducted from allocated profit as per the pre-agreed ratio as approved by SSB which will be advised to customers through website or by posting in branches. Islamic window can create reserves as allowed by SSB and CBO for smoothing of returns to investors and risk management purposes. Two types of reserves allowed are Profit Equalization reserve (PER) and Investment Risk reserve (IRR).

Investment Risk Reserve (IRR)

This reserve is created out of the depositors' share of profit out of the Net Profit from the Common Pool. Purpose of the reserve is to offset the effect of future losses. The available balance in the reserve account shall be invested in the Common Pool and the profit earned by investing such balance will be added to the reserve account. The basis for computing the amounts to be appropriated are applied in accordance with SSB directions. This is to secure suitable and competitive return to the depositors in case there are certain extra ordinary circumstances, depressing the return, which were anticipated by the depositors. The disposition of the reserve amount will take place with the prior approval of the SSB. In case the balance in the reserve account is not sufficient to face the competition, the shareholders may grant part of their share of profit to the depositors with the approval of SSB.

Transfer to or from Profit Equalization reserve (PER)

Percentage to be approved by Bank management subject to internal sharia approval that should be appropriated by Islamic window out of the total common pool profit as per the policy before any distribution takes place, in order to ensure certain level of cushion for the Investment portfolio. Any provisions that are required against the Islamic financing assets or investments will be provided in the books as per the policy which will be in adherence to the central bank revised provisioning policy. The balance of the PER shall also be maintained as a current account.

Transfer to or from (IRR)

In case the rate of return to the depositors in a certain profit distribution period is substantially higher than the market rates, Bank's management may decide to deduct, after taking permission from the SSB, a portion of depositors' share of profit and transfer the same to the IRR.

In case the rate of return to the depositors in a certain profit distribution period is lower than the market, Bank's management may decide to compensate the depositors by transferring the required amount from the said reserve account to increase depositors' return.

No IRR has been created and no transfer has been made during the year ended December 2025.

Assignment of a portion of shareholders' profit to depositors

If required, the Islamic window may decide to allocate some portion from their own profit to a specific deposit category(s). This could be either due to increase in the rate of profit announced by other Islamic Financial Institutions / competitors or to encourage a specific category of depositors.

No assignment of shareholder profit to depositors has been made during the year ended December 2025.

I. Equity of Investment Account holders – by type (₹ '000)

Type (Mudaraba Contracts)	Equity of IAH	
	2025	2024
Saving & Call accounts	186,042	179,793

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

10. INVESTMENT ACCOUNT HOLDERS (continued)

II. Equity of Investment Accountholders – Ratios

₹ '000	2025	2024	2023	2022	2021
Ratios and Returns					
Amount of total net income	14,636	9,703	8,312	2,773	5,293
Average amount of assets	944,021	767,868	629,431	517,650	435,155
ROA (Net income before IA's distribution / total assets)	1.55%	1.26%	1.32%	0.54%	1.22%
Amount of total net income	12,642	8,124	7,063	1,261	4,021
Average amount of shareholder's equity	99,564	85,474	70,179	61,060	53,673
ROE (Net income after IA's distribution / Shareholders equity)	12.70%	9.50%	10.06%	2.07%	7.49%
PSR - Average Profit Paid					
Profit sharing ratio (Mudarib: Investment Accountholders)	25:75	25:75	25:75	25:75	30:70
Average Profit paid to investment accountholders	1.09%	0.97%	0.90%	1.06%	2.86%
Average Profit distributed per type of IAH					
Savings (₹ 100 – ₹ 999,999)	0.15%	0.15%	0.14%	0.15%	0.23%
Savings (₹ 1,000 – ₹ 9,999,999)	0.40%	0.41%	0.39%	0.39%	0.43%
Savings (above ₹ 10,000)	0.54%	0.55%	0.53%	0.53%	0.57%
Call Account (₹ 100 – ₹ 999,999)	0.15%	0.150%	0.00%	0.00%	0.16%
Call Account (₹ 1,000 – ₹ 9,999,999)	0.00%	0.00%	0.00%	0.04%	-
Al Nama Smart Saving (₹ 100 – ₹ 2,499.99)	0.00%	0.00%	0.00%	0.00%	0.48%
Al Nama Smart Saving (₹ 2,500 – ₹ 49,999.99)	-	-	-	-	1.99%
Al Nama Smart Saving (₹ 50,000 – ₹ 499,999.99)	-	-	-	-	2.59%
Al Nama Smart Saving (₹ 500,000 – ₹ 999,999.999)	-	-	-	-	2.89%
Al Nama (Above ₹ 1,000,000)	-	-	-	-	3.52%
URIAH call Retail (Balances Above ₹ 10K)	-	-	0.22%	-	-
URIA Saving Awqaf	0.40%	0.41%	0.39%	0.17%	0.41%
Qitaf Saving Account	0.15%	0.15%	0.15%	0.39%	0.16%
Children Saving (Balances from ₹ 100 To ₹ 999,999)	0.26%	0.27%	0.02%	-	-
Children Saving (Balances from ₹ 1,000 To ₹ 3,999,999)	0.52%	0.53%	0.04%	-	-
Children Saving (Balances from ₹ 4,000 To ₹ 9,999,999)	0.77%	0.78%	0.06%	-	-
Children Saving (Balances from Above ₹ 10K)	1.57%	1.59%	0.13%	-	-
Youth Saving (Balances from ₹ 0 To ₹ 99,999)	-	-	-	-	-

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

10. INVESTMENT ACCOUNT HOLDERS (continued)

₹ '000	2025	2024	2023	2022	2021
Youth Saving (Balances from ₹ 100 To ₹ 999,999)	0.26%	0.27%	-	-	-
Youth Saving (Balances from ₹ 1,000 To ₹ 3,999,999)	0.52%	0.530%	-	-	-
Youth Saving (Balances from ₹ 4,000 To ₹ 9,999,999)	0.77%	-	-	-	-
Youth Saving (Balances from Above ₹ 10K)	1.08%	-	-	-	-
Al Nama (₹ 0 – ₹ 999)	0.05%	0.05%	0.05%	0.15%	-
Al Nama (₹ 1,000 – ₹ 4,999)	0.16%	0.16%	0.15%	0.04%	-
Al Nama (₹ 5,000 – ₹ 9,999)	0.52%	0.53%	0.51%	0.16%	-
Al Nama (₹ 10,000- ₹ 19,999)	0.77%	1.1%	1.02%	0.71%	-
Al Nama (₹ 20,000 – ₹ 34,999)	1.39%	1.41%	1.36%	1.14%	-
Al Nama (₹ 35,000 – ₹ 49,999)	1.57%	1.59%	1.52%	1.42%	-
Al Nama (₹ 50,000 – ₹ 99,999)	1.74%	1.768%	1.69%	1.57%	-
Al Nama (₹ 100,000 – ₹ 149,999)	2.09%	2.12%	2.03%	1.71%	-
Al Nama (₹ 150,000 – ₹ 249,999)	2.26%	2.30%	2.20%	2.26%	-
Al Nama (₹ 250,000 – ₹ 349,999)	2.61%	2.65%	2.54%	2.54%	-
Al Nama (₹ 350,000 – ₹ 499,999)	2.87%	2.92%	2.80%	2.75%	-
Al Nama (₹ 500,000 – ₹ 749,999)	3.39%	3.45%	3.30%	2.43%	-
Al Nama (₹ 750,000 – ₹ 999,999)	3.45%	3.50%	1.11%	2.20%	-
Al Nama (₹ 1,000,000+)	3.48%	3.54%	3.39%	3.41%	-

The Islamic window has no off-balance sheet exposures arising from investment decisions. Further, the Islamic window had no limits imposed on the amount that can be invested in any one type of asset.

III. Computation of pool income for the year ended 31 December (₹ '000)

	2025	2024
Income generated		
Income from financing	41,683	36,475
Income from placements	4,352	4,220
Total	46,035	40,695
Distribution of Income (Mudaraba Deposits)		
Profit equalization reserve	326	196
Mudarib share	618	488
Distributable Profit	15,450	13,009
Share of Profit for IAH and shareholders	16,394	13,693

IV Investment account holders under Wakala (₹ '000)

	2025	2024
Average Wakala deposits	581,609	455,209
Average Profit paid to investment accountholders %	4.54	5.12

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Contract Specific risk

The Bank closely monitors the total risk exposures in each type of financing asset including the relative risk of carried. Following is the total Risk Weighted Assets classified by type of financing as of 31 December 2025

Type of Credit Exposure	RWAs	
	2025	2024
Sovereign	-	-
Banks	13,494	31,048
Musharaka receivables	365,673	305,654
Ijarah assets – Ijarah Muntahia Bittamleek	66,582	72,165
Murabaha receivables	85,398	58,553
Credit card receivables	2,662	1,562
Service Ijarah	12,666	5,818
Wakala bil istithmar	108,984	178,048
Istisna receivable	4,183	-
Qard hasan	56	34
Running Musharaka	169	-
Other Assets & off-balance sheet items	47,076	32,404
Total	706,943	685,286

12. ZAKAH

Zakah is calculated in accordance with FAS 9 Zakah issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) using the net assets method. The Islamic Window will calculate the “Zakah base” based on audited financial statements and after approval from Sharia Supervisory Board, notify the Shareholders of their pro-rata share of the Zakah payable annually, if any. Payment of Zakah on the Investment Accounts and other Accounts is the responsibility of Investments Account Holders.

13. EARNINGS PROHIBITED BY SHARIAH AND THE CHARITY PAYMENTS BY CUSTOMERS IN SITUATION OF LATE PAYMENT

The Islamic window is committed to avoid recognizing any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to the charity account where the Islamic Window uses these funds for charitable purposes. During the year ended 2025, income amounting to ~~RM~~ 0.001 Mn has been credited to charity account being prohibited by Sharia. And the amount ~~RM~~ 0.023 Mn has been received in the charity account for late payments. Sources and use of charity by fund have been disclosed in statement of sources and uses of charity fund in Financial Statements. With regard to undistributed funds under charity account as of year ended 2025, Islamic window has taken approval from SSB for deferment of disbursement to next year.

14. COMPENSATION POLICY AND REMUNERATION OF SHARIA Supervisory BOARD (SSB)

In line with the CBO guidelines on remuneration disclosure as part of pillar III, the relevant qualitative and quantitative disclosure are presented in the banks Basel II Pillar III.

Following remuneration of Sharia Board has been approved by the general assembly;

Chairman: ~~RM~~ 10,000 per annum (US\$ 25,974 per annum).

Member: ~~RM~~ 8,000 per annum (US\$ 20,779 per annum).

Sitting fee: ~~RM~~ 385 (US\$ 1,000) per meeting per member, maximum of 5 sitting per year.

Details of Sharia Supervisory Board and meetings attended during the year has been disclosed in corporate governance report.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

15. GENERAL DISCLOSURES

Shari'a governance

Shari'a governance is the most important feature of the Islamic window. Shari'a governance is defined as a system whereby the Bank attempts and abides by the Shari'a principles in all its activities. The main objective of Shari'a governance framework is to ensure Shari'a compliance at all the times and at all levels and that is to enable the Islamic Window to be perceived as fully Shari'a compliant by all aspects. The key elements of Shari'a governance framework of the Islamic window are as follows:

- Shari'a Supervisory Board (SSB)
- Head Shari'a Audit and Compliance/Internal Shari'a Reviewer (Head SAC)
- Shari'a Audit Unit (SAU)
- Shari'a Compliance Unit (SCU)
- Shari'a Risk Control Unit (SRCU)

Shari'a audit and compliance department

As per the Shari'a governance structure of the Window, Shari'a Audit and Compliance Unit (SACU) is a full-fledged department of the Bank. The Shari'a Audit and Compliance includes SAU SCU and Shari'a Risk Control function and is led by Head Shari'a Audit and Compliance / Internal Shari'a Reviewer. SACU main function is to ensure Shari'a compliance of the Islamic Window and objectively examine and evaluate the extent of compliance of the Bank in view of the pronouncements issued by the SSB or its Chairman and in adherence to the regulations issued by CBO

SACU has direct and regular communication with all levels of management, the SSB, and external auditors and it is provided with full and continuous support of management and the SSB to perform its duties. SACU works under supervision of the SSB to ensure independence and objectivity in performance of department's tasks.

Trainings

The Shari'a Audit and Compliance Department (SACD) prepared a comprehensive training plan for year 2025 and got that approved by the SSB. In accordance with the training plan, Shari'a Audit and Compliance prepared material on Ahli Islamic Products and their Shari'a Principles by including essential features of Islamic banking, Shari'a governance, Shari'a structures of Islamic banking products and their process flows, list of legal documentation and Shari'a principles underlying to each product. The training material was made in line with SSB directives, Islamic banking guidelines issued by CBO and AAOIFI Shari'a Standards. The trainings were made as mandatory for the related staff of Ahli Islamic and Ahli Bank.

The trainings were conducted by SACD as per SSB approved Training Plan for 2025 for staff of the Bank. Additionally, online training and learning arrangement was made by Shari'a Department in coordination with the Bank T&D. The training was made mandatory for entire bank staff (Ahli Islamic and related staff) with requirement of passing a test at end of the training. Also, Head SAC gave a two days training on Shari'a audit which was conducted by CBFS. The Shari'a Auditor accomplished the two days Shari'a audit course. Manager Shari'a compliance was facilitated to attend the course on Driving Innovation in Islamic Finance: Exploring the Role of Digital Transformation, AI, and Fintech conducted by CIBAFI and AAOIFI Shari'a Standard course organized by Imam Jaber bin Zaid Foundation. The SSB members, Head SAC and Head of Ahli Islamic were facilitated to attend the INCEIF University Shari'a Scholars Forum in Uzbekistan. Additionally, the SSB members were sponsored to attend the AAOIFI Shari'a Board Members conference in Bahrain and Islamic Banking conference conducted by Madina university.

For 2026, annual training budget is in place for employees as part of the bank's overall training and development budget. The continued development, qualification and certification of all Islamic Banking personnel is an ongoing process.

Complaints

Ahli Bank has devised “Code of Ethics and Fair Practices - Customer Complaints Redressal Policy & Procedure” and same is implemented for the Islamic window with regard to professional ethics as well as procedure to resolve customers' queries and complaints. According to the policy, any Islamic Banking related enquiries and complaints are sent to related department of Islamic banking to address and advice and there is proper mechanism in place and a responsible person is identified who collects complains and send the same to the relevant staff.

The Islamic window has trained customer services representative in all the branches who provide appropriate guidance to customers in selection of relevant products suitable to the individual investors. Further, complete product booklet is available at the branches and on the Bank's website which can be referred in case of any further clarification is required. Customers can call the call center number 24577177or walk in any of the branches to register their complaints.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

15. GENERAL DISCLOSURES (continued)

Awareness

The Bank has trained customer services representatives in all business units who provide appropriate guidance to customers with regard to Islamic Banking products and services. Furthermore, products' brochures are made available at all the branches for customers information and knowledge. Products' feature and related SSB Fatwa and glossary of Islamic banking are also available on the website for public information. Additionally, during 2025 Sharia Audit and Compliance team has regularly been meeting with customers and clients and explaining them about Islamic banking products and their conditions.

Related Party

Disclosures related to related party and transactions during 2025 are disclosed in note 32 of Islamic window financial statements.

16. SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

The Islamic Window does not have any subsidiary or other significant equity investments as on 31 December 2025.

17. BASEL III REGULATORY CAPITAL DISCLOSURES

Below disclosures are prepared using three step reconciliation approach as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114.

BASEL III common disclosure template (ﷲ '000)			
	2025	2024	
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	50,000	50,000
2	Retained earnings	51,197	38,894
6	Common Equity Tier 1 capital before regulatory adjustments	101,197	88,894
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(1,266)	(1,089)
28	Total regulatory adjustments to Common equity Tier 1	(1,266)	(1,089)
29	Common Equity Tier 1 capital (CET1)	99,931	87,805
Additional Tier 1 capital: instruments			
36	Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital before regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	Additional Tier 1 capital (AT1)	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	99,931	87,805
Tier 2 capital: instruments and provisions			
50	Provisions (provision and fair value reserve)	3,973	1,785
51	Tier 2 capital before regulatory adjustments	3,973	1,785
Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	3,973	1,785
59	Total capital (TC = T1 + T2)	103,904	89,590
60	Total risk weighted assets	777,987	726,257
60a	Of which: Credit risk weighted assets	706,943	685,286
60b	Of which: Market risk weighted assets	34,443	12,390
60c	Of which: Operational risk weighted assets	36,601	28,581

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Capital Ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.84%	12.09%
62	Tier 1 (as a percentage of risk weighted assets)	12.84%	12.09%
63	Total capital (as a percentage of risk weighted assets)	13.36%	12.34%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.000%	7.000%
65	of which: capital conservation buffer requirement	-	-
66	of which: bank specific countercyclical buffer requirement	-	-
67	of which: G-SIB buffer requirement	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.50%	1.35%
National minima (if different from Basel 3)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.000%	7.000%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	9.000%	9.000%
71	National total capital minimum ratio (if different from Basel 3 minimum)	11.000%	11.000%
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	279	265
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3,200	1,785
77	Cap on inclusion of provisions in Tier 2 under standardized approach	8,837	9,078
Step 1: Balance sheet under Regulatory scope of consolidation			
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
		31 DEC 2025	31 DEC 2025
(ﷲ '000)			
Assets			
Cash and balances with Central Bank of Oman	34,458	34,458	
Due from banks	60,064	60,064	
Loans and advances	822,427	822,427	
Investments in securities	112,236	112,236	
Property and equipment	9,515	9,515	
Other assets	12,534	12,534	
Total assets	1,051,234	1,051,234	
Liabilities			
Due to banks	3	3	
Customer deposits	924,769	924,769	
Other liabilities	19,296	19,296	
Total liabilities	944,068	944,068	
Shareholders' Equity			
Paid-up share capital	50,000	50,000	
Retained earnings	51,197	51,197	
Cumulative changes in fair value of investments	2,260	2,260	
Other Reserves	3,709	3,709	
Total shareholders' equity	107,166	107,166	
Total liability and shareholders' funds	1,051,234	1,051,234	

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Step 2: Expansion of Balance sheet under Regulatory scope of consolidation

Table 2b – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (AED '000)

Step 2: Expansion of Balance Sheet under Regulatory Scope of Consolidation

Year ended 31 December 2025	Balance sheet as In published financial statement 31-12-2025	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	34,458	34,458	
Due from banks	60,064	60,064	
Financings - Net, of which:	822,427	822,427	
- Financings to domestic customers		836,061	
- Provision against financings, of which:		(13,634)	
- Stage 3 Impairment allowance		(8,955)	
- Stage 1 / 2 impairment allowance, of which		(4,679)	
- Amount eligible for T2		3,189	d
- Amount ineligible for T2		1,490	
Investments, of which:	112,236	112,236	
- fair value through income statement		71,219	
- fair value through other comprehensive income		41,017	
- Stage 1 / 2 impairment allowance, of which		-	
- amount eligible for T2		-	
- amount ineligible for T2		-	
Fixed assets	9,515	9,515	
- Intangibles (CET1 adjustment)		(1,210)	c
- Other fixed Asset		(8,305)	
Other assets	12,534	12,534	
Total Assets	1,051,234	1,051,234	
Capital & Liabilities			
Paid-up Capital, of which:	50,000	50,000	
- Amount eligible for CET1		50,000	a
Reserves & Surplus; of which	57,166	57,166	
- Amount eligible for CET1		51,197	b
- Amount eligible for T2 (Investments Fair value gains)		773	e
- Investments fair value loss (CET1 adjustment)		(56)	c
- Investments fair value gains unutilized		1,543	
- Impairment Reserve (not eligible for CET1)		3,709	
Total Capital	107,166	107,166	
Deposits	924,769	924,769	
Due to banks	3	3	
Other liabilities and provisions	19,296	19,296	
Other liabilities & provisions, of which		19,304	
¹ - Stage 1 / 2 impairment allowance, of which		(896)	
- amount eligible for T2		11	d
- amount ineligible for T2		885	
TOTAL	1,051,234	1,051,234	

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (AED '000)		
Year ended 31 December 2025	Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1 Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	50,000	a
2 Retained earnings	51,197	b
3 Common Equity Tier 1 capital before regulatory adjustments	101,197	
4 Prudential valuation adjustments	(1,266)	c
5 Total regulatory adjustments to Common equity Tier 1	(1,266)	
6 Common Equity Tier 1 capital (CET1)	99,931	
Additional Tier 1 capital: instruments		
7 Additional Tier 1 capital (AT1)	-	
Tier 1 capital (T1 = CET1 + AT1)	99,932	
Tier 2 capital: instruments and provisions		
8 Provisions	3,200	d
9 Fair value reserve of AFS investments	773	e
Tier 2 capital before regulatory adjustments	3,973	
Tier 2 capital: regulatory adjustments	-	
Tier 2 capital (T2)	3,973	
Total capital (TC = T1 + T2)	103,904	

17.1 MAIN FEATURES OF REGULATORY CAPITAL

Year ended 31 December 2025

	Common Equity Share Capital
1 Ahli Islamic	
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3 Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4 Transitional Basel III rules	Common Equity Tier 1
5 Post-transitional Basel III rules	Common Equity Tier 1
6 Eligible at solo/group/group & solo	Solo
7 Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital
8 Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	50 million
9 Par value of instrument	-
10 Accounting classification	Shareholders' Equity

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

17. BASEL III REGULATORY CAPITAL DISCLOSURES (continued)

11	Original date of issuance	ﷲ 25 Million allocated in 2013 and ﷲ 10 Million allocated in 2021. ﷲ 10 Million allocated in 2023. ﷲ 5 Million allocated in 2024.
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Statutory approach
32	If write-down, full or partial	Write down fully
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

18. Basel III LIQUIDITY DISCLOSURE

The below liquidity disclosure is prepared in accordance with the requirements of the CBO Circular BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014. The disclosure is based on average of three-monthly data points.

		(ﷲ '000)	
		Total Unweighted Value (average)	Total Weighted Value (average)
Year ended 31 December 2025			
High Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)	113,042	113,042
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	773,046	50,888
3	Stable deposits	14,188	426
4	Less stable deposits	758,858	50,462
6	Unsecured wholesale funding, of which:	108,687	43,824
7	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
8	Non-operational deposits (all counterparties)	95,296	30,433
9	Unsecured debt	13,391	13,391
10	Secured wholesale funding	-	-
11	Additional requirements, of which	-	-
12	Outflows related to derivative exposures and other collateral requirements	177,009	177,009
13	Outflows related to loss of funding on debt products		
14	Credit and liquidity facilities	17,693	17,693
15	Other contractual funding obligations	-	-
16	Other contingent funding obligations	5,308	265
17	TOTAL CASH OUTFLOWS	1,081,744	273,756
Cash Inflows			
18	Secured lending (e.g. reverse repos)	-	-
19	Inflows from fully performing exposures	116,494	58,247
20	Other cash inflows	279,806	177,009
21	TOTAL CASH INFLOWS	396,299	235,256
22	TOTAL HQLA		113,042
23	TOTAL NET CASH OUTFLOWS		68,439
24	LIQUIDITY COVERAGE RATIO (%)		165.17%

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

19. NET STABLE FUNDING RATIO (NSFR): Common Disclosure Template

The below Net Stable Funding Ratio (NSFR) disclosure is presented for year ended 31 December 2025 and prepared in accordance with the requirements of the CBO letter vide circular reference 1147 issued on October 26, 2016.

31 December 2025

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>= 1 Year	Weighted Value
ASF ITEM						
1	Capital	103,904	-	-	-	103,904
2	Regulatory Capital	103,904	-	-	-	103,904
3	Retail Deposits and Deposits from small Business Customers	507,534	151,642	119,370	1,934	707,895
4	Stable Deposit	99,946	2,963	2,493	1,022	101,154
5	Less Stable Deposit	407,589	148,678	116,878	912	606,742
6	Wholesale Funding	88,942	26,784	1,383	13,411	71,965
7	Operational	-	-	-	-	-
7	Other Wholesale Funding	88,942	26,784	1,383	13,411	71,965
8	All other liabilities and equities not included in above categories	36,330	-	-	-	-
9	Total ASF					883,766
RSF ITEMS						
10	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	4,466
11	Deposits held at other financial institutions for operational purposes	60,065	-	-	-	30,033
12	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
13	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	-	-	-	562,853	478,425
13	With a risk weight of less than or equal to 35% under the Basel II Standardized approach for credit risk	-	106,435	59,473	-	82,954
	Performing residential mortgages, of which:					
14	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	102,817	66,831
15	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	22,925	19,486
16	All other assets not included in the above categories	-	-	-	5,954	5,954
17	Off-balance sheet items	-	24,590	16,901	27,131	3,431
18	Total RSF					691,579
19	NET STABLE FUNDING RATIO					127.79%

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

19. NET STABLE FUNDING RATIO (NSFR): Common Disclosure Template (continued)

The financial statements and other related disclosures are also available on the ahlibank's website, to view it on the website refer the link <https://ahlibank.com/investor-relations/financial-highlights/annual-reports/>.

The Basel II Pillar III disclosures are prepared in accordance with the requirements of Basel II Pillar III disclosures as set out in the CBO circular BM1009 and BM1027.

Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated march 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated October 26, 2016.

For ahli islamic



Hamdan Ali Nasser Al Hinai

Chairman

Date: 27 January 2026





AHLI BANK SAOG

P.O. Box 545, P.C. 116, Mina Al Fahal, Sultanate of Oman
Tel: +968 24577000 Fax: +968 24568001- www.ahlibank.om

