

Gulf International Bank B.S.C. – Oman Branch

FINANCIAL STATEMENTS

For the year ended 31st December 2025



CONTENTS OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

Table of contents

Independent auditor's report to the Board of Directors of Gulf International Bank B.S.C.	1 - 2
Statement of financial position	3
Statement of profit or loss and other comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
1 Incorporation and registration	7
2 Basis of preparation	7
3 Material accounting policies	7
4 New and amended standards and interpretations	14
5 Accounting judgements estimates and assumptions	15
6 Cash and other liquid assets	15
7 Investment securities	15
8 Loans and advances	16
9 Other assets	18
10 Deposits from customers	18
11 Other liabilities	18
12 Related party transactions	18
13 Capital fund	18
14 Net interest income	20
15 Other operating expenses	20
16 Taxation	20
17 Risk management	21
18 Fair value of financial assets and financial liabilities	26
19 Capital management	27
20 Derivative Financial Instruments	27



KPMG LLC
Children's Public Library Building
4th Floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
Tel. +968 24 749600, www.kpmg.com/om

Independent auditors' report

To the Shareholders of Gulf International Bank – Oman Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gulf International Bank – Oman Branch (“the Branch”), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch 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 (IFRS Accounting Standards).

Basis for Opinion

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

Other Matter

The financial statements of the Branch as at and for the year ended 31 December 2024, were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 April 2025.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with 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 the financial statements that are free from material misstatement, whether due to fraud or error.

continued on page 2



Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Branch's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 skepticism throughout the audit. We also:

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

Report on Other Legal and Regulatory Requirements

We report that these financial statements comply, in all material respects, with the applicable provisions of the Commercial Companies Law of 2019.

Date: 31 March 2026



KPMG
KPMG LLC

STATEMENT OF FINANCIAL POSITION

		31.12.25	31.12.24
	Notes	OMR	OMR
ASSETS			
Cash and other liquid assets	6	911,298	1,547,544
Investment securities	7	17,386,444	3,972,256
Loan and advances	8	28,818,345	-
Other assets	9	406,990	-
Total assets		48,523,077	5,519,800
LIABILITIES			
Deposits from customer	10	8,243,797	-
Due to related parties	12	32,174,043	931,772
Other liabilities	11	125,398	11,201
Total liabilities		38,543,238	942,973
EQUITY			
Capital funds	13	10,000,000	5,000,000
Deposit with Central Bank of Oman	6	500,000	500,000
Impairment reserve		21,426	-
Accumulated losses		(541,587)	(923,173)
Total equity		9,979,839	4,578,627
Total liabilities and equity		48,523,077	5,519,800

The financial statements were approved on March 30, 2026 and signed on its behalf by:


 Yasen AlLawati
 Country Head - Oman





 Asif Sheerwala
 Chief Financial Officer - GIB B.S.C.
 & Group Head of Financial Control

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		31.12.25	16.10.23 to 31.12.24
	Notes	OMR	OMR
Interest income	14	2,296,203	20,168
Interest expense	14	1,909,315	-
Net Interest Income		385,888	20,168
Net fee and commission expense		(25,125)	(806)
Foreign exchange loss		(640)	-
Total operating income		360,123	19,362
Staff expenses		312,678	226,112
Premises expenses		2,991	136,445
Depreciation and amortisation		87,813	30,889
Other operating expenses	15	186,024	548,727
Total operating expenses		589,506	942,173
Net loss for the year / period before provision and tax		(239,383)	(922,811)
Provision for expected credit losses	7 & 8	(280,778)	(362)
Net loss for the year / period		(520,161)	(923,173)
Other comprehensive income		-	-
Total comprehensive loss for the year / period		(520,161)	(923,173)

The financial statements were approved on March 30, 2026 and signed on its behalf by:


Yaseen AlLewali
Country Head - Oman




Asif Saherwala
Chief Financial Officer - GIB B.S.C.
& Group Head of Financial Control

STATEMENT OF CHANGES IN EQUITY

	Capital funds	Deposit with Central Bank of Oman	Impairment reserve	Accumulated losses	Total
	OMR	OMR	OMR	OMR	OMR
At 1 st January 2025	5,000,000	500,000	-	(923,173)	4,576,827
Transactions with Head Office:					
Investment of capital funds	5,000,000	-	-	-	5,000,000
Transfer of loss to Head Office	-	-	-	923,173	923,173
Total transactions with Head Office	10,000,000	500,000	-	-	10,500,000
Comprehensive loss:					
Comprehensive loss for the year	-	-	-	(520,161)	(520,161)
Transfer to impairment reserve	-	-	21,426	(21,426)	-
Total comprehensive loss	-	-	21,426	(541,587)	(520,161)
At 31 st December 2025	10,000,000	500,000	21,426	(541,587)	9,979,839
At 16th October 2023					
Transactions with Head Office:					
Investment of capital funds	5,000,000	-	-	-	5,000,000
Other reserve	-	500,000	-	-	500,000
Total transactions with Head Office	5,000,000	500,000	-	-	5,500,000
Comprehensive income:					
Comprehensive loss for the year	-	-	-	(923,173)	(923,173)
Total comprehensive loss	-	-	-	(923,173)	(923,173)
At 31 st December 2024	5,000,000	500,000	-	(923,173)	4,576,827

STATEMENT OF CASH FLOWS

	<u>31.12.25</u>	16.10.23 to <u>31.12.24</u>
	<u>OMR-4</u>	<u>OMR-4</u>
OPERATING ACTIVITIES		
Net loss for the year / period	(520,161)	(923,173)
Adjustments for:		
Provision charge for expected credit losses	280,778	362
Operating loss before changes in operating assets and liabilities	<u>(239,383)</u>	<u>(922,811)</u>
Changes in operating assets and liabilities:		
Statutory deposit with the Central Bank	-	(500,000)
Loan and advances	(30,096,705)	-
Other assets	(406,990)	-
Deposits from customer	6,243,797	-
Amounts due to Head Office	31,242,271	931,772
Other liabilities	114,197	11,201
Net cash flows from / (used in) operating activities	<u>6,857,187</u>	<u>(479,838)</u>
INVESTING ACTIVITIES		
Net increase in investment securities	<u>(13,416,606)</u>	<u>(3,972,618)</u>
Net cash flows used in investing activities	<u>(13,416,606)</u>	<u>(3,972,618)</u>
FINANCING ACTIVITY		
Capital funds received from Head Office	5,000,000	5,500,000
Transfer of loss to Head Office	923,173	-
Net cash flows from financing activity	<u>5,923,173</u>	<u>5,500,000</u>
Net (decrease) / increase in cash and cash equivalents	<u>(636,246)</u>	<u>1,047,544</u>
Cash and cash equivalents at the beginning of the year	<u>1,047,544</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>411,298</u>	<u>1,047,544</u>

Cash and cash equivalents at 31 December 2025 excludes statutory deposits with the Central Bank amounting to OMR • 500,000. (31 December 2024: OMR • 500,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

1 Incorporation and registration

Gulf International Bank B.S.C. - Oman Branch (the "Bank") is a branch of Gulf International Bank B.S.C. (the "Head Office") and its subsidiaries (collectively the "Group"). The ultimate parent of the Branch is the Public Investment Fund (PIF) of Saudi Arabia. The Bank is registered as a foreign bank branch with the Central Bank of Oman (CBO) under license number 1511715 dated 16th October 2023 and commenced its operations on 7th March 2024. The registered office of the Branch is Al Khuwair, Wilayat Bowsher, Muscat Governorate, Sultanate of Oman. The total number of staff at the end of the financial year was 4.

The Bank is principally engaged in the provision of wholesale commercial banking services and carries out its operations in Oman.

2 Basis of preparation**2.1 Statement of compliance**

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standard Board (IASB), applicable requirements of the Central Bank of Oman ('CBO') and applicable requirements of the Commercial Companies law of Oman, as amended.

The Bank is owned by the Head Office and is in the business of comprehensive wholesale banking solutions to a growing number of corporates, financial institutions, and government clients across the sultanate, which represents its economic activities. All the operating activities of the Bank are clearly defined and separately managed from the other businesses of the Head Office and accounting records are maintained on this basis. The assets of the Bank are used solely by the Bank and are registered in the name of the Bank. The liabilities of the Bank relate to the activities of the Bank.

2.2 Basis of measurement and presentation

The financial statements have been prepared under the historical cost convention and are presented in Omani Rials (﷮), and all values are rounded to the nearest OMR thousand except when otherwise indicated.

3 Material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Foreign currencies

Items included in the financial statements of the Branch are measured based on the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Omani Rials (OMR ﷮), representing the Branch's functional and presentation currency.

Foreign currency transactions are translated into OMR (﷮) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to OMR(﷮) at the foreign exchange rate ruling at the dates. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined.

3.2 Financial assets and liabilities

Financial assets and liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding employee benefit plans and property and equipment.

a) Recognition and initial measurement

The Bank recognises financial assets and liabilities in the statement of financial position when, and only when, the Bank becomes party to the contractual provisions of the instrument.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 Material accounting policies (continued)**3.2 Financial assets and liabilities (continued)****a) Recognition and initial measurement (continued)**

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

Financial assets are initially recognised at fair value including transaction costs attributable to the financial asset, with the exception of trade receivables which are recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which the Bank commits to purchase or sell the financial asset or liability. All regular way purchases and sales of other financial assets and liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest rate method if:

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

If the first criteria is not met, the financial assets are classified and measured at fair value through other comprehensive income (FVTOCI). If both criteria are not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

Additionally, even if a financial asset meets the amortised cost criteria, the Bank may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Bank can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
- it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

The irrevocable election is on an instrument-by-instrument basis. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of comprehensive income.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 Material accounting policies (continued)**3.2 Financial assets and liabilities (continued)****a) Recognition and initial measurement (continued)***Financial liabilities at amortised cost*

All financial liabilities, other than those classified as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not otherwise classified above are classified as financial liabilities at FVTPL. This classification includes derivatives that are liabilities measured at fair value.

b) Modification of assets and liabilities*Financial assets*

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value. If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of profit or loss.

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 profit or loss.

3.3 Impairment of financial assets

The Bank assesses on a forward-looking basis, the expected credit loss (ECL) associated with its debt instruments assets carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises an ECL for such losses on origination and reassess the expected credit losses at each reporting date. The measurement of ECL reflects:

- 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.

To calculate ECL, the Bank estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

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: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- Financial guarantee contracts: estimates the ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 Material accounting policies (continued)**3.3 Impairment of financial assets (continued)***Measurement of ECL (continued)*

For the purposes of ECL calculation, the Bank categorises its financial instruments that are not measured at FVTPL into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below. Equity investments are not subject to impairment assessments.

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Bank recognises an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, the Bank recognises an allowance for the lifetime ECL.
- Stage 3: for credit-impaired financial instruments, the Bank recognises the lifetime ECL.

12-month ECL is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and the present value of the recoverable amount at the reporting date. For stage 3 financial instruments, the recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

The Bank incorporates forward-looking information in the measurement of ECLs, such as macroeconomic factors (e.g., GDP growth, oil prices, country's equity indices and unemployment rates) and economic forecasts. To evaluate a range of possible outcomes, the Bank formulates three scenarios: a base case, a positive and a negative scenario. For each scenario, the Bank derives an ECL and apply a probability weighted approach to determine the impairment allowance.

For the purposes of categorisation into above stages, the Bank has established a policy to perform an assessment at the end of each reporting period of whether 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 as follows:

Stage 1

The Bank measures loss allowances at an amount up to 12-month ECL for Stage 1 customers. All financial assets are classified as Stage 1 on initial recognition date. Subsequently on each reporting date the Bank classifies following as Stage 1:

- Debt type assets that are determined to have low credit risk at the reporting date; and
- On which credit risk has not increased significantly since their initial recognition.

The Bank applies the low credit risk presumption and considers all exposures to GCC sovereigns as low credit risk.

Stage 2

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs.

The Bank considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk is assumed if the borrower falls more than 30 days past due in making its contractual payments, or if the Bank expects to grant the borrower forbearance or facility has been restructured owing to credit related reasons, or the facility is placed on the Bank's list of accounts requiring close monitoring. Further, any facility having an internal credit risk rating of 8 are also subject to stage 2 ECL calculation.

It is the Bank's policy to evaluate additional available reasonable and supportive forward-looking information as further additional drivers.

For revolving facilities such as credit cards and overdrafts, the Bank measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 Material accounting policies (continued)**3.3 Impairment of financial assets (continued)***Measurement of ECL (continued)**Stage 3*

Financial assets are included in Stage 3 when there is objective evidence that the loan is credit impaired. At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

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

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

Financial assets which have been renegotiated or modified are no longer considered to be past due and are placed on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets subject to individual impairment assessment and whose terms have been renegotiated, are subject to on-going review to determine whether they remain impaired or should be considered past due. All renegotiated or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of renegotiation. The ECL on renegotiated financial instruments is measured based on whether the terms of renegotiation resulted in the derecognition of an existing asset.

In general, loans are transferred out of Stage 3 if they no longer meet the criteria of credit-impaired and after satisfying the curing criteria of the Bank.

Provisions for expected credit losses are recognised in the statement of profit or loss and are presented in the statement of financial position in an allowance account against the respective financial asset (as a deduction from the gross carrying amount of the assets).

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other income.

3.4 Offsetting financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

3 Material accounting policies (continued)**3.5 Revenue recognition****a) Interest income and interest expense**

Interest income and interest expense for all interest-bearing financial assets and liabilities except those classified as FVTPL are recognised using the effective interest rate (EIR) method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. The application of the effective interest rate method has the effect of recognising interest income and interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, cash flows are estimated taking into consideration all contractual terms of the financial asset or liability but excluding future credit losses. Fees, including loan origination fees and early redemption fees, are included in the calculation of the effective interest rate to the extent that they are considered to be an integral part of the effective interest rate.

Interest income is suspended when either interest or principal on a credit facility is overdue by more than 90 days whereupon all unpaid and accrued interest is reversed from income. Interest on non-accrual facilities is included in income only when received. Credit facilities are restored to accrual status only after all delinquent interest and principal payments have been brought current and future payments are reasonably assured.

b) Fees and commissions

Fees and commissions that are integral to the effective interest rate of a financial asset or liability are included in the calculation of the effective interest rate.

Other fees and commissions are recognised as the related services are performed or received, and are included in fee and commission income.

c) Equipment

Equipment includes technology and IT-related costs, office furniture and fittings, and vehicles.

Equipment is stated at cost less accumulated depreciation. The residual values and useful lives of equipment are reviewed at each Statement of Financial Position date, and adjusted where appropriate. Depreciation is calculated using the straight-line method over four to five years. Where the carrying amount of equipment is greater than the estimated recoverable amount, the carrying amount is reduced to the recoverable amount.

Generally, costs associated with the maintenance of equipment are recognised as an expense when incurred. However, expenditure that enhances and extends the benefits of equipment beyond their original specifications and lives is recognised as a capital improvement and capitalised as part of the original cost of the equipment.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash and other liquid assets and placements and securities with original maturities of three months or less and have insignificant risk of changes in value, excluding statutory deposits with central banks.

3.7 Due from and due to related parties

Amounts due from and due to related parties are stated at amortised cost.

3.8 Leases

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

The Bank applies a single recognition and initial 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

For the year ended 31 December 2025

3 Material accounting policies (continued)**3.8 Leases (continued)***Right-of-use assets*

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any 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. The right-of-use assets are also subject to impairment. The Bank discloses right of use assets under other assets.

Lease liabilities

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

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank discloses lease liabilities under other liabilities.

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.9 Employee end of service benefits

Non-Omani employee terminal benefits, which are an unfunded defined benefit retirement plan, are provided in accordance with Omani Labour Laws. The Bank measures its obligation for the post-employment benefits of its employees based on the provisions of the Oman Labour Law and contractual obligations. These results are not materially different from the requirements of IAS 19.

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

3.10 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3.11 Taxation

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

Deferred tax is provided for temporary differences between the carrying amounts for financial reporting purposes and the tax bases. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

4 New and amended standards and interpretations**4.1 New and amended standards and interpretations issued and effective for the year**

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the adoption of the following new and amended standards and interpretations, applicable to the Bank, and which are effective for annual periods beginning on or after 1st January 2025:

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

The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

4.2 New and amended standards and interpretations issued but not effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment.

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

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

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

- a) Recognition and derecognition, including accounting for settlement of financial liabilities using electronic payments systems; and
- b) Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.
- c) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7); and
- d) Annual Improvements to IFRS Accounting Standards - Volume 11

- IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

5 Accounting judgements estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of judgements, estimates and assumptions is principally limited to the determination of expected credit losses, the valuation of financial instruments and in determining control relationships over investees, as explained in more detail below:

5.1 Provisions for expected credit losses

Financial assets are evaluated for impairment on the basis set out in note 3.2. In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

5.2 Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

5.3 Going Concern

The Bank management has performed an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue its business in the foreseeable future with the Head Office support. Furthermore, the 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, these financial statements continue to be prepared on a going concern basis.

6 Cash and other liquid assets

	<u>31.12.25</u>	<u>31.12.24</u>
	<u>OMR 2</u>	<u>OMR 2</u>
Cash and balances with central banks	361,754	1,047,544
Cash and balances with banks	49,544	-
Cash and cash equivalents	411,298	1,047,544
Deposit with Central Bank of Oman	500,000	500,000
Cash and other liquid assets	911,298	1,547,544

Cash and balance with Central Bank of Oman carries no interest.

Deposits with Central Bank of Oman represents amount placed in respect of the statutory reserve requirement of Central Bank of Oman subject to local regulations which provide for restrictions on the deployment of these funds. This is not included in cash and cash equivalents for the statement of cash flows purpose.

7 Investment securities

	<u>31.12.25</u>	<u>31.12.24</u>
	<u>OMR 2</u>	<u>OMR 2</u>
Investment carried at amortised cost		
Investment in Government bills	17,389,224	3,972,618
Impairment loss allowance	(2,780)	(362)
	17,386,444	3,972,256

Investment securities comprise of government bills with the Central Bank of Oman. These are classified as debt securities at amortised cost and are classified under Stage 1. The credit rating of the debt security is (4-).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

8 Loans and advances

	31.12.25	31.12.24
	OMR	OMR
Gross loans and advances	30,096,706	-
Carrying amount of loans and advances	30,096,706	-
Provision for expected credit losses	(278,360)	-
Net loans and advances	29,818,346	-

All loans and advances are classified under Stage 1.

During the years ended 31 December 2025, the Branch did not restructure any loan or make any concessions that would not ordinarily have been accepted due to a deterioration in the customer's financial position.

The movement in the allowance for expected credit losses is analysed below:

i. Allowance for loans for expected credit losses

	31.12.25	31.12.24
	OMR	OMR
1 January	-	-
Allowance made during the year	(278,360)	-
Balance at the end of the year	(278,360)	-

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

Disclosure requirements containing the risk classification - wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognized as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1145.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

8 Loans and advances (continued)

II. Comparison of provision held as per IFRS 9 and required as per CBO norms

At 31 December 2025

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve Interest as per CBO norms	
	(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing										
Standard	Stage 1	30,096,706	299,786	278,360	21,426	29,796,920	29,818,346	-	-	
Subtotal		30,096,706	299,786	278,360	21,426	29,796,920	29,818,346	-	-	
Classified as non-performing										
Subtotal	Stage 3	-	-	-	-	-	-	-	-	
Total Loans and Advances	Stage 1	30,096,706	299,786	278,360	21,426	29,796,920	29,818,346	-	-	
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	18,300,522	-	2,780	(2,780)	18,300,522	18,297,742	-	-	
Total		30,096,706	299,786	278,360	21,426	29,796,920	29,818,346	-	-	

* Net of provision and reserve interest as per CBO norms

As at 31 December 2025 there were no non-performing loans or restructured loans during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

9 Other assets

	31.12.25	31.12.24
	<u>OMR</u>	<u>OMR</u>
Fixed assets and software	354,479	-
Right-of-use assets	46,472	-
Other, including prepayments	6,039	-
	<u>406,990</u>	<u>-</u>

Below are the carrying amounts of the Branch's right-of-use assets and movements during the year recognised in the statement of financial position and statement of income:

	31.12.25	31.12.24
	<u>OMR</u>	<u>OMR</u>
At 1 st January	-	-
New leases	85,199	-
Depreciation	(38,727)	-
At 31 st December	<u>46,472</u>	<u>-</u>

10 Deposits from customers

Deposits at 31st December 2025 carry interest rates ranging between 4.5%-5.0% mainly from entities in the Gulf Cooperation Council (GCC) states. The majority of the deposit balance relates to term deposits held with the Bank.

11 Other liabilities

	31.12.25	31.12.24
	<u>OMR</u>	<u>OMR</u>
Lease liability	38,590	-
Accounts payable and accrued expenses	86,808	11,201
	<u>125,398</u>	<u>11,201</u>

	31.12.25	31.12.24
	<u>OMR</u>	<u>OMR</u>
At 1 st January	-	-
New leases	85,199	-
Interest expense	(1,048)	-
Payments	(45,561)	-
At 31 st December	<u>38,590</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

12 Related party transactions

Related parties comprise Head Office and key management which are controlled, jointly controlled or significantly influenced by such parties.

The Branch's banking transactions with its Head Office, subsidiaries and other branches of its Head Office are conducted in the ordinary course of the Branch's business on arm's length basis. The Head Office and the management decide on the terms and conditions of the transactions and services received/ rendered from/to related parties as well as on other charges. The related party transactions included in the financial statements are as follows:

	31.12.25	31.12.24
	OMR ₹	OMR ₹
Gulf International Bank B.S.C. (Head Office)		
Deposits from Head Office	30,036,744	-
Vostro Account	1,650,505	217,127
Other intercompany charges payable	475,793	714,645
Due to Head Office	32,163,042	931,772
Gulf International Bank B.S.C. - Saudi Arabia (GIB KSA)		
Due to entity under common control	11,001	-
Balances with key management personnel:		
Short-term employee benefits	192,065	150,373
Post-employment benefits	16,175	7,455

The balance due to Head Office is conducted on terms and conditions and repayable on demand. These mainly pertain to deposits from Head Office, vostro account with Head Office and intercompany charges payable.

Interest income includes amount earned on placement with Head Office amounting to ~~₹~~1,542,707, is reported in the statement of profit or loss in relation to this balance.

Interest expense includes amount incurred on deposits from Head Office amounting to ~~₹~~223,770, is reported in the statement of profit or loss in relation to this balance.

Capital transactions with the Head Office are disclosed in Note 13.

13 Capital fund

The assigned capital of the Bank amounts to ~~₹~~10 million is in accordance with the Banking Laws and Regulations of the Sultanate of Oman. The entire capital is held by Gulf International Bank (B.S.C.), Manama, Kingdom of Bahrain.

Capital Induction

In the prior year, the Bank's capital funds amounted to ~~₹~~10,000,000, comprising ~~₹~~ 5,000,000 of paid up capital and ~~₹~~5,000,000 provided through a one year Head Office guarantee. Subsequent to 31 December 2024, the guaranteed amount of ~~₹~~ 5,000,000 was fully injected by the Head Office as capital. The Bank continues to meet the regulatory capital requirements.

Accumulated Losses Reimbursement

The Head Office has reimbursed the Bank's prior year loss of OMR ~~₹~~ 923,173 so that the assigned capital remains unchanged and the Bank continues to adhere to the regulatory capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

14 Net interest income

	31.12.25	31.12.24
	OMR	OMR
Interest income		
Placements and other liquid assets	1,551,380	-
Loans and advances	297,097	-
Investment securities	446,726	20,168
Total interest income	2,295,203	20,168
Interest expense		
Deposits from banks and customers	1,908,267	-
Finance cost on lease liability	1,048	-
Total interest expense	1,909,315	-
Net interest income	385,888	20,168

Interest income on loans and advances includes loan origination fees that form an integral part of the effective interest rate of the loan.

15 Other operating expenses

	31.12.25	31.12.24
	OMR	OMR
Communication and IT related expenses	78,981	297,452
Professional fees	45,668	182,427
Travel and business development	8,929	45,955
Other expenses	62,446	22,893
	196,024	548,727

16 Taxation

Deferred tax (asset) / liability :

	31.12.25	31.12.24
	OMR	OMR
At 1 st January 2025	(141,501)	-
Movement during the year	-	(141,501)
At 31 st December 2025	(141,501)	(141,501)

The tax rate applicable to the Bank is 15%. For the purpose of determining the tax expense for the year, the accounting loss has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. As the branch has incurred accounting and tax loss for tax year 2025, effective tax rate cannot be determined for this year.

The Company has not recognized deferred tax asset amounting to ~~OMR~~ 78,024 (2024: ~~OMR~~ 138,476) on taxable losses amounting to ~~OMR~~ 520,161 (2024: ~~OMR~~ 923,173) as it is not probable that sufficient future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilized in the foreseeable future. The recognition of deferred tax asset is based upon whether it is more likely than not that sufficient taxable profits will be available against which the unutilized losses can be deducted.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

17 Risk management

Financial assets of the Bank comprise cash and other liquid assets, investment securities and loan and advances. The Bank's financial liabilities comprise customer deposits and payables and amounts due to related parties.

17.1 Credit risk

Credit risk is the risk that counterparties will be unable to meet their obligations to the Branch. Credit risk arises principally from the Branch's lending and investment activities in addition to other transactions involving both on- and off-balance sheet financial instruments, including the specific risk for equity instruments. Disciplined processes are in place at both the business unit and corporate level that are intended to ensure that risks are accurately assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counterparty, country and portfolio levels. Overall exposures are also evaluated to ensure a broad diversification of credit risk. The credit management process involves the monitoring of concentrations by product, industry, single obligor, risk grade and geography, and the regular appraisal of counterparty credit quality through the analysis of qualitative and quantitative information.

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The risk assessment generates an internal credit risk rating for each exposure, which affects the credit approval decision and the terms and conditions of the transaction. For cross border transactions an analysis of country risk is also conducted. The Branch bases its credit decision for an individual counterparty on the aggregate Branch exposure to that counterparty and all its related entities. Branchwide credit limit setting and approval authorisation requirements are conducted within Board approved guidelines, and the measurement, monitoring and control of credit exposures are done on a Branchwide basis in a consistent manner.

The Head Office also mitigates its credit exposures on foreign exchange and derivative financial instruments through the use of master netting

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch's historical experience and taking into consideration both internal and external indicators and expert credit assessment and inclusion of forward-looking information.

The Head Office considers all counterparties internally rated 2 and above, between 2- and 3+, between 3 and 4+, between 4 and 5-, between 6+ and 6 and 6- to be significantly deteriorated where they have been downgraded 6 notches, 5 notches, 4 notches, 3 notches, 2 notches and 1 notch respectively since initial recognition, and where the current pricing has not been adjusted to reflect the new risk profile of the counterparty.

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

Definitions of default and curing

The Head Office considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations in full, without recourse by the Head Office to actions such as realising security (if any is held) and the borrower is more than 90 days past due on any material credit obligation to the Head Office. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

The Head Office considers a financial asset to be cured, and accordingly reclassified from stage 3 to stage 2 when none of the default criteria have been present for a period of at least 12 consecutive months. The financial asset is then transferred from stage 2 to stage 1 after a cure period of a further six months. However, if the payment frequency is semi-annual or annual, curing period will be 12 months for movement from Stage 2 to Stage 1.

Incorporation of forward-looking information

The Head Office incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. GIB takes into consideration the economic forecasts published by the IMF and formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios and its weights.

Given the nature of the Branch's exposures and availability of historical information, the Branch derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data for each rating category. The Branch uses the Regression based model for the Wholesale Corporate Loans portfolio and Vasicek models for the Investments securities and placements portfolio to link the TTC PDs with forward looking economic factors to derive PIT PD estimates for each rating category. The Regression as well as the Vasicek models takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using historical default data and relevant macroeconomic data.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025**17 Risk management (continued)****17.1 Credit risk (continued)***Measurement of ECL*

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

PD estimates are estimates on a certain date. For corporate exposures, corporate TTC PD estimates are internally derived using the Bank's central default tendency for the Corporate portfolio. For Banks/FIs exposures, the Bank applies a separate set of TTC PDs that are developed based on external rating data of global financial institutions. Furthermore, for Sovereign exposures, the Bank applies a separate set of TTC PDs that are based on external rating data of Sovereigns rated by Standard & Poor's (S&P).

The TTC PD estimates are converted to PIT PDs using the Regression model for the Loans portfolio and Vasicek model for the Investments securities and placements portfolio. For exposures that have tenors in excess of one year and that are assessed on lifetime PDs, Cumulative lifetime PDs are calculated by compounding the 12-month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. Since the Branch has insufficient historical LGD data to derive statistically reliable LGD estimates, internal LGDs shall be based on external benchmarks / regulatory estimates and the management's estimated recovery rates for each asset class in the event of default.

EAD represents the expected exposure in the event of a default. The Branch derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Branch measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Branch considers a longer period. The maximum contractual period extends to the date at which the Branch has the right to require repayment of an advance or terminate a loan commitment or guarantee. However, for credit card facilities that include both a loan and an undrawn commitment component, the Branch measures ECL over a period longer than the maximum contractual period if the Branch's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Branch's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Branch can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Branch becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Branch expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are Branched on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Head Office calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. The probabilities assigned to the base case, negative case and positive case scenarios are 50:45:5, respectively (2024: 50:45:5).

ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated in the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

17 Risk management (continued)

17.1 Credit risk (continued)

Modified financial assets

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

The Head Office renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. The Head Office grants forbearance on a selective basis if there is evidence that the customer has made all reasonable efforts to honour the original contractual terms and the customer is expected to be able to meet the revised terms. Forbearance is a qualitative indicator of a significant increase in credit risk, and a customer would need to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired, or in default, or the PD has decreased such that the provision for credit-impairment reverts to being measured at an amount equal to the 12-month ECL.

The Head Office monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a rating scale from 1 to 10, subject to positive (+) and negative (-) modifiers for rating grades 2 to 6. The internal credit rating is a measure of the credit-worthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, long-term, foreign currency credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The internal credit rating system also serves as a key input into the Head Office's risk-adjusted performance measurement system.

The Branch monitors concentrations of credit risk by sector and by geographic location. The geographical distribution of risk assets is entirely within the GCC. The industrial classification of risk assets is categorised under the financial industry.

The internal credit rating system also serves as a key input into the Head Office's risk-adjusted performance measurement system.

17.2 Market Risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions, such as liquidity. The principal market risks to which the Branch is exposed are interest rate risk, foreign exchange risk and equity price risk associated with its investment and asset and liability management activities. The portfolio effects of holding a diversified range of instruments across a variety of businesses and geographic areas contribute to a reduction in the potential negative impact on earnings from market risk factors.

The Bank's exposure to currency risk is minimal as the Bank's financial assets and financial liabilities are predominantly designated in OMR ~~₹~~ and are short term in nature.

Managing interest rate benchmark reform and associated risks Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally subsequent to the decision taken by global regulators, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk free rates (RFR) (referred to as 'IBOR reform'). The Branch has no exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market wide initiatives. Deposits and loans and advances are predominantly based on fixed rates and are not subject to Interest rate benchmark reforms.

17.3 Currency Risk

Liabilities include an amount of OMR ~~₹~~ 31,819,564 (2024: OMR ~~₹~~ 931,772) due in foreign currencies, mainly USD. As the Riyal Omani is pegged to the US Dollar, these balances are not considered to represent any significant currency risk. The Company's exposure to currency risk is as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
	USD	USD
Due to Head Office - USD	83,539,457	2,419,984
Forwards purchase contracts	13,393,294	-
OMR per USD	0.385	0.385

17 Risk management (continued)

17.4 Interest rate risk

Interest rate risk results from exposure to changes in the level and volatility of interest rates and credit spreads.

The repricing profile of assets and liabilities categories and Head Office account were as follows:

	Within 3 months OMR ₹	Months 4 to 6 OMR ₹	Months 7 to 12 OMR ₹	Over 1 year OMR ₹	Non-interest bearing items OMR ₹	Total OMR ₹
At 31st December 2025						
Cash and other liquid assets	500,000	-	-	-	411,298	411,298
Investment securities	17,386,444	-	-	-	-	17,386,444
Loans and advances	29,818,345	-	-	-	-	29,818,345
Total assets	47,704,789	-	-	-	411,298	47,616,087
Deposits from customer	6,243,797	-	-	-	-	6,243,797
Due to related parties	30,036,744	-	-	-	2,137,299	32,174,043
Other liabilities	-	38,950	-	-	-	38,950
Head Office account	-	-	-	-	9,979,839	9,979,839
Total liabilities and equity	36,280,541	38,950	-	-	12,117,138	48,436,629
Interest rate sensitivity gap	11,424,248	(38,950)	-	-	(11,705,840)	-
Cumulative interest rate sensitivity gap	11,424,248	11,385,298	11,385,298	11,385,298	(320,542)	(320,542)

17 Risk management (continued)

17.4 Interest rate risk (continued)

	Within 3 months OMR ₹	Months 4 to 6 OMR ₹	Months 7 to 12 OMR ₹	Over 1 year OMR ₹	Non-interest bearing items OMR ₹	Total OMR ₹
At 31st December 2024						
Cash and other liquid assets	-	-	-	-	1,547,544	1,547,544
Investment securities	3,972,256	-	-	-	-	3,972,256
Total assets	3,972,256	-	-	-	1,547,544	5,519,800
Due to related parties	-	-	-	-	931,772	931,772
Other liabilities	-	-	-	-	11,201	11,201
Head Office account	-	-	-	-	4,576,827	4,576,827
Total liabilities and equity	-	-	-	-	5,519,800	5,519,800
Interest rate sensitivity gap	3,972,256	-	-	-	(3,972,256)	-
Cumulative interest rate sensitivity gap	3,972,256	3,972,256	3,972,256	3,972,256	-	-

Based on the repricing profile at 31 December 2025, and assuming that the financial assets and liabilities were to remain until maturity or settlement with no action taken by the Branch to alter the interest rate risk exposure, an immediate and sustained Basel parallel up increase in interest rates across all maturities would result in an increase in net income before tax for the following year by approximately OMR ~~₹~~ 294.8 thousand and an decrease in the Branch's equity by OMR ~~₹~~ 13.5 thousand. The impact on the Branch's equity represents the cumulative effect of the increase in interest rates over the entire duration of the mismatches in the repricing profile of the interest rate sensitive financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

17 Risk management (continued)

17.5 Liquidity risk

Liquidity risk is the risk that sufficient funds are not available to meet the Branch's financial obligations on a punctual basis as they fall due.

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Branch, even in adverse conditions. In normal conditions the objective is to ensure that there are sufficient funds available not only to meet current financial commitments but also to facilitate business expansion. These objectives are met through the application of prudent liquidity controls. These controls provide security of access to funds without undue exposure to increased costs from the liquidation of assets or the aggressive bidding for deposits. The Branch's liquidity controls ensure that, over the short-term, the future profile of cash flows from maturing assets is adequately matched to the maturity of liabilities. Liquidity controls also provide for the maintenance of a stock of liquid and readily realisable assets and a diversified deposit base in terms of both maturities and range of depositors.

The management of liquidity and funding is primarily conducted in the Branch's individual geographic entities within limits set and approved by the Board of Directors. The limits take account of the depth and liquidity of the market in which the entity operates. It is the Branch's general policy that each geographic entity should be self-sufficient in relation to funding its own operations.

The Branch's liquidity management policies include the following:

- the monitoring of (i) future contractual cash flows against approved limits, and (ii) the level of liquid resources available in a stress event;
- the monitoring of balance sheet liquidity ratios;
- the monitoring of the sources of funding in order to ensure that funding is derived from a diversified range of sources;
- the monitoring of depositor concentrations in order to avoid undue reliance on individual depositors;
- the maintenance of a satisfactory level of term financing;
- the maintenance of appropriate standby funding arrangements; and
- the maintenance of liquidity and funding contingency plans. These plans identify early indicators of stress conditions and prescribe the actions to be taken in the event of systemic or other crisis, while minimising adverse long-term implications for the Branch's business activities.

The Branch has established approved limits which restrict the volume of liabilities maturing in the short-term. An independent risk management function monitors the future cash flow maturity profile against approved limits on a daily basis. The cash flows are monitored against limits applying to both daily and cumulative cash flows occurring over a 30 day period. The liquidity limits ensure that the net cash outflows over a 30 day period do not exceed the eligible stock of available liquid resources. The cash flow analysis is also monitored on a weekly basis by the Assets and Liabilities Committee (ALCO).

Liquidity risk is the risk that sufficient funds are not available to meet the Bank's financial obligations on a punctual basis as they fall due. The Bank's exposure to liquidity risk is minimal and relates to the Bank's customer deposits, investment securities, loan and advances and amounts due to related parties.

The Central Bank of Oman has issued guidelines on the implementation of Basel 3 liquidity framework which are liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The LCR is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. As per CBO guidelines LCR should be minimum 100% on an ongoing basis to be mentioned at all times by the Bank. The Bank is in compliance of the regulatory limit of LCR as at 31 December 2025, with LCR of 1,679.8%.

The net stable funding ratio (NSFR) is a longer term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2018, with minimum ratio of 100% as per regulatory guidance. The Bank is meeting the regulatory limit of NSFR as at 31 December 2025, with a NSFR of 187.6%.

The maturity profile of the carrying amount of assets, liabilities and Head Office account, based on the contractual maturity dates, was as follows:

	Within 3 months	4 months to 1 year	Years 2 and 3	Over 3 years and other	Total
	OMR ₹	OMR ₹	OMR ₹	OMR ₹	OMR ₹
At 31st December 2025					
Cash and other liquid assets	411,298	-	-	500,000	911,298
Investment securities	9,565,136	7,821,308	-	-	17,386,444
Loans and advances	2,684,406	7,421,724	19,712,215	-	29,818,345
Other assets	-	46,472	-	360,518	406,990
Total assets	12,660,840	15,289,504	19,712,215	860,518	48,523,077
Deposits from customers	6,243,797	-	-	-	6,243,797
Due to related parties	32,174,043	-	-	-	32,174,043
Other liabilities	86,808	38,590	-	-	125,398
Head Office account	-	-	-	9,979,839	9,979,839
Reserves	-	-	-	-	-
Total liabilities and equity	38,504,648	38,590	-	9,979,839	48,523,077

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

17 Risk management (continued)

17.5 Liquidity risk (continued)

	Within 3 months	4 months to 1 year	Years 2 and 3	Over 3 years and other	Total
	OMR	OMR	OMR	OMR	OMR
At 31 st December 2024					
Cash and other liquid assets	1,047,544	-	-	500,000	1,547,544
Investment securities	3,972,256	-	-	-	3,972,256
Total assets	5,019,800	-	-	500,000	5,519,800
Due to related parties	931,772	-	-	-	931,772
Other liabilities	11,201	-	-	-	11,201
Head Office account	-	-	-	4,576,827	4,576,827
Total liabilities and equity	942,973	-	-	4,576,827	5,519,800

The table below summarises the maturity profile of the Branch's financial liabilities based on contractual undiscounted repayment obligations:

	Within 3 months	4 months to 1 year	Years 2 and 3	Over 3 years and other	Total
	OMR	OMR	OMR	OMR	OMR
At 31 st December 2025					
Deposits from customers	6,368,673	-	-	-	6,368,673
Total undiscounted financial liabilities	6,368,673	-	-	-	6,368,673

17.6 Operational Risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, system failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. A framework and methodology has been developed to identify and control the various operational risks. Whilst operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Bank.

18 Fair value of financial assets and financial liabilities

The Bank's financial assets and financial liabilities are accounted for under the historical cost method and carried at amortised cost. Their fair value represents 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. Differences therefore can arise between book values under the historical cost method and fair value estimates. The fair values of the Bank's financial assets and financial liabilities as at the reporting date approximate their carrying value and falls under level 2 category.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

19 Capital management

As per the Central Bank(Royal decree 114/2000) Branches of foreign banks must ensure to maintain no less than Three million Rials Omani as initial capital or such higher amount as may be determined from time to time by the Board of Governors. This amount shall be in addition to and exclusive of funds required to be maintained with the Central Bank as capital deposit.

The Bank has complied with all imposed capital requirements as at 31 December 2025. The Bank's capital funds were OMR ~~10~~ 10,000,000.

The Bank manages its capital in accordance with Basel 3 requirements as implemented by the Central Bank of Oman (CBO); as at the 31 December 2025, the Bank's capital adequacy ratios were as follows, all in compliance with CBO regulatory requirements:

	31.12.25		
	OMR 10		
Common Equity Tier 1 Capital (CET1) before Regulatory Adjustments	10,500,000		
Regulatory Adjustments to CET1	-		
CET1	10,500,000		
Additional Tier 1 Capital (AT1) before Regulatory Adjustments	-		
Regulatory Adjustments to AT1	-		
AT1	-		
Tier 1 Capital (7=3+6) (minimum at 0.625%)	10,500,000		
Tier 2 Capital before Regulatory Adjustments	281,141		
Regulatory Adjustments to Tier 2 Capital	-		
Tier 2 Capital (T2)	281,141		
Total Capital (11=7+10)	10,781,141		
Total Risk Weighted Assets (TRWA) (12=13+14+15)	30,643,895		
Credit Risk Weighted Assets	30,109,455		
Market Risk Weighted Assets	131,440		
Operational Risk Weighted Assets	403,000		
		Minimum capital requirement	
	2025	2025	%
CET1 (as a percentage of TRWA) (in %) 7.625%	34.3%	7.0	
Tier 1 (as a percentage of TRWA) (in %) 9.625%	34.3%	9.0	
Total capital (as a percentage of TRWA) (in %) 12.625%	35.2%	12.0	

20 Derivative Financial Instruments

The Bank has outstanding foreign exchange forward purchase contracts with a notional as follows:

	31.12.25		31.12.24	
	OMR 10		OMR 10	
At 31 st December 2025	Fair value gain / losses	Notional Amount	Fair value gain / losses	Notional Amount
Foreign exchange contract:				
Forward purchase contract	(581)	5,156,474	-	-
	<u>(581)</u>	<u>5,156,474</u>	<u>-</u>	<u>-</u>

These notional amount of forward purchase contracts fall within maturity term of 3 months