

# **BANK DHOFAR SAOG**

## **BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2025**



**Registered office and principal place of business:**

Bank Dhofar SAOG  
Central Business District  
P.O. Box 1507, Ruwi  
Postal Code 112  
Sultanate of Oman

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# **BANK DHOFAR SAOG**

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**THE BOARD OF DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025**

**Dear Shareholders,**

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present Bank's financial statements for year ended 31 December 2025.

Oman's economic recovery remains strong, with inflation continuing to be well-contained—CPI inflation stood at approximately 0.9% during early 2025. The average oil price in 2025 was US 70/barrel, significantly above the budgeted US 60/barrel. As a result, Oman's 2025 State Budget achieved a deficit of **₹** 480 million, a decrease from budgeted deficit of **₹** 620 million, driven by elevated hydrocarbon revenues and fiscal discipline.

Credit rating agencies further validated Oman's fiscal progress. In July 2025, Moody's upgraded Oman's rating from Ba1 to Baa3 (stable outlook), citing improved debt metrics, low inflation, a fiscal surplus, and reduced public debt (~35.5% of GDP). Later in December 2025, Fitch upgraded the rating from BB+ to BBB- (stable outlook), highlighting strengthened public and external finances, sustained reforms, and a reduction in debt to approximately 36% of GDP.

**2025 Financial Overview**

The key highlights of Bank's financials are summarized below:

	<b>31 December 2025</b>	<b>31 December 2024</b>	<b>Variance</b>
	<b>₹ million</b>	<b>₹ million</b>	<b>%</b>
Net interest income and income from Islamic financing	117.94	114.17	3.30%
Net fee and other operating income	51.85	38.67	34.08%
Operating income	169.78	152.84	11.08%
Operating expenses	81.16	78.85	2.93%
Expected credit losses (net of recovery of bad debts)	30.20	23.80	26.89%
Net profit for the year	51.05	43.61	17.06%
Total assets	5,390.75	5,085.05	6.01%
Net loans and Islamic financing	4,176.55	3,933.62	6.18%
Customer deposits	4,116.83	3,762.86	9.41%
Total equity	769.64	740.43	3.95%

The Bank reported net profit of **₹** 51.05 million for the year ended 31 December 2025 compared to **₹** 43.61 million for the comparative year which represents an increase of 17.06%.

Bank's interest income on loans and Islamic financing receivables reached **₹** 289.82 million compared to **₹** 279.89 million resulting in a year on year (YoY) growth of 3.55%. However, the interest expense YoY was higher by 3.72%. Net interest and financing income reached to **₹** 117.94 million for the year ended 31 December 2025 as compared to **₹** 114.17 million reported for the year 2024 reporting an YoY increase of 3.30%.

Net fee and other operating income grew significantly by 34.08% reaching **₹** 51.85 million as compared to **₹** 38.67 million for the year 2024. The Growth in fee and other operating income was supported by broad-based momentum across Wholesale, Retail, Investment, and Islamic Banking.

With increase in net fee and other operating income adjacent to higher net interest and financing income, the total operating income correspondingly improved to **₹** 169.78 million for the year ended 31 December 2025 as compared to **₹** 152.84 million for 2024, showing a growth of 11.08%.

Operating expenses increased by 2.93% to **₹** 81.16 million in 2025 as compared to **₹** 78.85 million in 2024. The stronger income growth resulted in Bank's cost to income ratio decreasing to 47.80% during 2025 as compared to 51.59% for the last year.

Net loans and advances including Islamic financing, recorded YoY growth of 6.18% and reached **₹** 4.18 billion as at 31 December 2025 from **₹** 3.93 billion as at 31 December 2024. Customer Deposits including deposits from Islamic banking customers, also witnessed a significant growth of 9.41% increasing to **₹** 4.12 billion as at 31 December 2025 as compared to **₹** 3.76 billion as at end of previous year.

Net Expected Credit Loss (ECL) for the year ended 2025 stood at **₹** 30.20 million after recoveries of **₹** 17 million as compared to **₹** 23.80 million after recovery of 19.52 million for the year 2024, a increase of **₹** 6.40 million. The Bank's gross non-performing loan (NPL) ratio increased to 4.80% as at 31 December 2025, compared to 4.67% at the end of 2024. However, the NPL ratio net of expected credit losses (ECL) and interest reserve improved to 2.04% as at 31 December 2025 from 2.12% in the previous year, reflecting strengthened provisioning and risk management practices

The earnings per share (EPS) for year ended 31 December 2025 were at ~~₹~~ 0.0133 as compared to ~~₹~~ 0.0109 for the previous year. The Return on Shareholder Equity (RoSE) increased to 8.66% as at 31 December 2025 from 7.66% reported as at 31 December 2024.

## **Key Strategic Initiatives in the year 2025**

The year 2025 marked a defining chapter in the Bank's growth journey—one shaped by disciplined execution, customer-centricity, and a clear commitment to building a future-ready institution while remaining deeply rooted in the communities we serve.

Our strategy to stay closer to customers continued to translate into tangible outcomes. During the year, we expanded our footprint at an unprecedented pace, becoming the second-largest branch network in the country with 146 branches. This expansion reflects our belief that physical presence, when combined with service excellence, remains a powerful differentiator. A key highlight of our branch transformation was the Bank's commitment to serve customers within 10 minutes, a promise that was fulfilled for over 95% of customers, reinforcing trust and reliability across our network.

This proximity was further strengthened through the launch of our Mobile Banking Van, designed to take essential banking services—such as account opening and loan origination—directly to customers' doorsteps, particularly in underserved and remote areas. Together with our growing direct sales force, outbound telemarketing, and digital channels, the Bank today offers a robust, multi-channel distribution model that ensures customers can bank with us in the manner that best suits their preferences and lifestyles.

To complement our distribution strength with world-class offerings, the Bank continued to pursue strategic partnerships where local expertise meets global excellence. Our collaboration with Mastercard enabled us to deliver advanced card and payment solutions tailored to evolving customer lifestyles and aspirations. Similarly, our partnership with BlackRock provided customers access to first-of-its-kind model portfolios, reinforcing our commitment to delivering globally benchmarked investment solutions.

Digital transformation remained firmly at the top of our agenda. During the year, we enhanced our digital onboarding application, making it significantly easier for customers to open their first account with the Bank. Our Corporate Internet Banking platform was upgraded with enhanced capabilities, while new platforms—including a Trade Finance Portal and a Merchant Portal—were successfully launched, enabling greater self-service, transparency, and operational efficiency for our business customers.

2025 also marked the successful completion of the integration of Bank of Baroda (BOB) operations, ensuring a seamless transition for both customers and employees. This has resulted in diversification of Banks customer base, increased offerings to the NRI customers and increased market presence in NRI segment in Oman. The Bank has inked strategic relationship with BOB where in the Bank will Leverage on BOB's extensive international network to enhance its correspondent banking services and cross selling opportunities to the customers of both Banks. This milestone reflects the Bank's ability to execute complex integrations while preserving service continuity, operational stability, and cultural alignment.

Supporting small and medium enterprises remained a core priority as we continued to play an active role in enabling business growth. The year saw the launch of new propositions such as SME Pro Accounts and POS Receivable Financing, designed to address the specific needs of growing businesses. To further underline our commitment, we established a dedicated SME segment brand, "Numo," ensuring focused attention, tailored solutions, and a sharper execution agenda for this vital sector of the economy.

Underlying all these initiatives is our continued focus on technology modernization and resilience. We made significant progress on our cloud migration and transition to a microservices-based architecture, with several applications already operating on the cloud and many more planned over the coming years. In parallel, the Bank strengthened its control environment through targeted initiatives to address rising cybersecurity risks, ensuring the safety, stability, and integrity of our systems.

The Bank's sustained efforts across customer experience, innovation, and growth were recognized by multiple external agencies, reinforcing the effectiveness of our strategic choices and execution discipline. During the year, the Bank received several prestigious accolades, including Best Customer Experience Award 2025, Middle East Technology Excellence Award 2025, Best Banking Product for Women, and Fastest Growing Branch Network Award. These recognitions reflect not only strong performance outcomes but also the collective commitment of our teams to deliver excellence consistently across all touchpoints.

As we look ahead, the Bank remains confident in its strategic direction—grounded in strong fundamentals, guided by disciplined execution, and driven by a clear purpose to serve customers, support businesses, and contribute meaningfully to the nation's economic progress.

## Dhofar Islamic - Financial Performance Highlights

Dhofar Islamic reported a positive growth in earning assets, financing, deposits and operating profit throughout the year of 2025. Gross financing portfolio has grown to **₹** 864.81 million at 31 December 2025 from **₹** 735.19 million at 31 December 2024, thus posting a growth of 17.63% over last year. The total customer deposits of Dhofar Islamic reached to **₹** 867.26 million at 31 December 2025, registering a growth of 24.61% compared to **₹** 695.98 million at 31 December 2024.

The gross Sukuk investment portfolio has recorded a slight increase of 3.48% reaching **₹** 129.30 million at 31 December 2025 from **₹** 124.95 million at 31 December 2024. Total assets grew by 13.60% to **₹** 1,022.12 million at 31 December 2025, from **₹** 899.76 million at 31 December 2024.

Dhofar Islamic income from Financing, Placement and Investment for the year ended 31 December 2025 increased by 10.70% to **₹** 52.95 million at 31 December 2025 from **₹** 47.83 million reported during the same period last year. The net Profit income (after cost of funds) increased by 24.31% year-on-year reaching **₹** 22.55 million during the year ended 31 December 2025, against **₹** 18.14 million during the year ended 31 December 2024.

Dhofar Islamic total income for the year ended 31 December 2025 reached **₹** 29.19 million representing a 25.33% increase compared to **₹** 23.29 million during 31 December 2024. The administrative cost has increased by 16.72% reaching **₹** 13.75 million compared to **₹** 11.78 million last year. Dhofar Islamic posted annual Operating Profit (before ECL) of **₹** 15.44 million which is 34.14% above the last year's operating profit of **₹** 11.51 million. Cost to income ratio continued its improving trend, declining to 47.11% during 31 December 2025 from 50.58% during last year.

Dhofar Islamic registered a profit before tax of **₹** 3.67 million for the year ended 31 December 2025, compared to **₹** 9 million during 31 December 2024, reflecting a decline of 59.22% over last year. This decline is primarily driven by a significantly higher expected credit loss (ECL) charge of **₹** 11.77 million during 2025, compared to **₹** 2.51 million last year.

## Corporate Social Responsibility and Sustainability

Bank Dhofar continued to embed sustainability across operations and business strategy through a structured ESG roadmap led by the Sustainability Office and supported by data-driven monitoring and transparent reporting. Building on the recycling partnership launched in Q3 2025 with EFP Oman to strengthen internal waste segregation and responsible paper/cardboard recycling, the Bank also advanced circularity by enabling safe e-waste disposal through a specialized recycling partner.

To reduce operational emissions, the Bank expanded its transition to hybrid vehicles, reaching a total of 38 hybrid cars, and further enhanced its hybrid fleet during the year—supporting lower fuel consumption and emissions. In parallel, energy-efficiency measures progressed through the LED Lighting Conversion Programme with Phase I implemented across 34 new and 30 existing branches, with further rollout planned, complemented by motion-sensor initiatives and wider process digitalization to reduce resource use. The Bank also supported community and CSR initiatives during the year, reinforcing its commitment to sustainable value creation for stakeholders.

In 2025, Bank Dhofar continued its commitment to social responsibility by supporting a range of impactful initiatives across education, community welfare, and environmental sustainability. Key contributions included funding student programs such as the SQU Summer School and strategic activities with Sultan Qaboos University, participation in cultural events like the Dar Al Atta Exhibition and the 4th Sohar Festival, and assistance to charitable organizations including the Oman Charitable Organization and Al Noor Association for the Blind. The Bank also supported environmental efforts through the Environment Authority and the Green Office Program, while promoting sustainable mobility by providing hybrid car rentals for Dhofar Municipality. In total, Bank Dhofar invested **₹** 90,950 in CSR activities during the year, reflecting its dedication to creating long-term value for society.

## Capital Adequacy

The Bank continues to hold robust capital position of Core Equity Tier 1 Ratio (CET-1) of 12.52% as at 31 December 2025 (2024: 12.43%), Tier 1 capital ratio of 16.06% (2024: 16.07%) and total capital adequacy ratio of 18.64% (2024: 16.51%), compared to regulatory minimum of 9.5%, 11.5% and 13.5% respectively.

## Distributed & Proposed Dividends

The Board of Directors proposed a 7.5% cash dividend as distribution for the year ended 31 December 2025, subject to Shareholders approval.

The percentage of dividends distributed to the Shareholders in the last five years is as follows:

Year	2021	2022	2023	2024	2025
Cash Dividend	2%	5%	7.75%	6.55%	7.5%
Stock Dividend	Nil	Nil	Nil	1.45%	Nil

## Awards & Accolades

In line with our commitment to customer-centricity and innovation, Bank Dhofar continues to deliver exceptional retail, corporate, and investment banking solutions that enhance customer experience and drive value. This dedication was recognized through several prestigious awards in 2025, including:

- Best Customer Experience – Global Business and Finance Magazine 2025
- The Middle East Technology Excellence Award 2025 – Financial Technology
- Best Banking Product for Women – Bank Dhofar Ladies Account – Oman 2025 from Women’s Tabloid Awards 2025
- Bank Dhofar Won Fastest Growing Branch Network Award
- Bank Dhofar Won The 2025 Gazet International Awards Best Bank – MENA 2025
- Best Customer Centric Banking Brand Oman 2025 by Global Brands Magazine (UK)

## Year Ahead (2026)

The year 2026 is expected to build on the Sultanate’s progress toward financial stability and economic diversification. The national budget projects total revenues of ~~₹~~ 11.447 billion, reflecting a 2.4% increase over the 2025 budget, driven primarily by higher gas revenues and steady non-hydrocarbon income growth. With an assumed oil price of USD 60 per barrel, fiscal planning remains cautiously optimistic while maintaining resilience against global market fluctuations.

On the expenditure side, the Government has allocated ~~₹~~ 11.977 billion for 2026, including a dedicated ~~₹~~ 400 million for economic transformation projects aimed at strengthening industrial capacity and supporting long-term growth sectors. The projected fiscal deficit of ~~₹~~ 530 million will be financed through a balanced mix of new borrowing and reserve utilization, ensuring controlled and responsible fiscal management.

Looking ahead, Oman’s improving credit profile—supported by upgrades from major rating agencies, including Moody’s upgrade to Baa3 and similar improvements from Fitch and S&P—positions the national economy on a strong footing. The launch of the 11th Five-Year Development Plan, aiming to raise non-hydrocarbon revenues to 37.4% of total revenues, creates a supportive environment for growth and offers significant opportunities for the financial sector to deepen its contribution to national development.

## Acknowledgment

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the Executive Management. I convey my gratitude to the shareholders, Sharia Supervisory Board of Dhofar Islamic, Management and Staff for their relentless efforts and contributions during the year 2025.

The Board of Directors also wishes to thank the Central Bank of Oman and Financial Services Authority for their guidance and support to the financial sector in Oman.

Finally, on behalf of the Board of Directors, employees and the management I would like to express our most sincere gratitude to His Majesty Sultan Haitham Bin Tariq Al Said for his distinguished leadership and pivotal support to the private sector.

**Eng. Abdul Hafidh Salim Rajab Al-Ojaili**  
Chairman



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## Independent auditors' report

### To the Shareholders of Bank Dhofar SAOG

#### Report on the Audit of the Financial Statements

##### Opinion

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

In our opinion, the accompanying 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 ("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 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 the 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 also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

*Continued on page 2*

**Key Audit Matters (continued)**

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

See notes 3.3, 4.1, 7(c) and 33(A) to the financial statements.

**The key audit matter**

The Bank recognised allowances for credit losses in the financial statements using expected credit loss (“ECL”) models. The Bank exercises significant judgment and makes a number of assumptions in developing ECL models, determined as a function of the probability of default (“PD”) and loss given default (“LGD”), as adjusted for the forward looking information, and exposure at default (“EAD”) associated with the underlying exposures subject to ECL.

Complex disclosure requirements exist regarding credit quality of the portfolio, including explanation of key judgments and material inputs used in the estimation of ECL.

It is necessary to estimate ECLs on an unbiased forward-looking basis, incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weights applied to them.

This is considered a key audit matter, as the estimation of ECL involves significant management judgement, estimates, and the use of complex models and assumptions; and has a material impact on the financial statements of the Bank.

**How the matter was addressed in our audit**

Our audit procedures in this area included the following:

- Evaluating the appropriateness of the methodology adopted, based on the requirements of IFRS 9, and our business understanding.
- Obtaining an understanding of the ECL accounting estimate by performing walkthroughs of the ECL process including, but not limited to, obtaining information about the Bank’s control environment in relation to the estimate, obtaining an understanding of the process by which the estimate is developed, and understanding the methods, assumptions and data used to develop the accounting estimate.
- Assessing the design and implementation, and testing the operating effectiveness, of selected controls in relation to governance and data migration.
- Involving our Financial Risk Management (“FRM”) specialists to assess the reasonableness and appropriateness of the model methodology, assumptions used in various components of ECL modelling, and the application of expert credit judgment to determine the ECL. This included, where applicable, challenging key assumptions / judgments relating to significant increase in credit risk (“SICR”), definition of default, PD, use of macro-economic variables and the probability weighted outcomes to check that the ECL amounts recorded are reflective of underlying credit quality and macroeconomic trends.
- Testing the completeness and accuracy of the data used within the ECL calculation by sample testing over key data inputs used in estimating the ECL.
- Involving our Information Technology (“IT”) specialists to test the relevant general IT and application controls over key systems used for data extraction used in the ECL process.
- Re-performing key aspects of the Bank’s SICR determinations for selected samples of loans, advances and financing to customers to determine whether a SICR event was appropriately identified.

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**Key Audit Matters (continued)**

**Impairment of loans and advances and Islamic financing receivables for customers subject to credit risk (continued)**

See notes 3.3, 4.1, 7(c) and 33(A) to the financial statements.

The key audit matter	How the matter was addressed in our audit (continued)
	<ul style="list-style-type: none"> <li>• Performing credit assessments for a sample of selected customers, including Stage 3 customers, to test the appropriateness of the credit grades, including staging, assessing the financial performance of the borrower, sources of repayment and future cash flows of the borrower, and as necessary, challenging the appropriateness of the ECL calculation by involving FRM specialists to reperform calculations for a sample of borrowers.</li> <li>• Assessing the adequacy of the Bank's disclosures by reference to the requirements of the relevant accounting standards.</li> </ul>

**Other Information**

Management is responsible for the other information. The other information comprises information included in the 2025 Annual Report (including the Chairman's Report, Management Discussion and Analysis Report, Corporate Governance Report, Separate Financial Statements of Dhofar Islamic prepared under Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, Basel II and III – Pillar III Report of the Bank and Basel II and III – Pillar III Report of Dhofar Islamic and the additional information included in the 2025 Annual Report), but does not include the financial statements of the Bank and our auditors' report thereon. We obtained the specific reports mentioned herein prior to the date of this auditors' report, and the remaining section of the 2025 Annual Report is expected to be made available to us after that date.

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

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

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

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

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## **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 relevant requirements of the Financial Services Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

## **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 Bank'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 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 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 Bank 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.

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### Auditors' 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

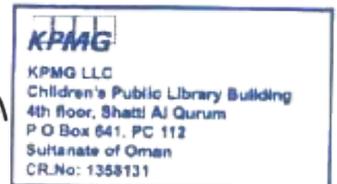
### Report on Other Legal and Regulatory Requirements

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

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

Paritosh Gambhir  
Date: 3 March 2026

  
KPMG LLC



# BANK DHOFAR SAOG

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	31-Dec-2025 S'000	31-Dec-2024 S'000
<b>Assets</b>			
Cash and balances with Central Bank of Oman	5	179,798	197,174
Investment securities	8	713,757	648,485
Loans, advances and financing to banks	6	212,066	196,479
Loans, advances and financing to customers	7 (a)	3,344,653	3,221,225
Islamic financing receivables	7 (b)	831,895	712,390
Other assets	11	79,141	80,939
Deferred tax assets	25	-	364
Property and equipment	10	15,013	15,404
Intangible assets	9	14,428	12,587
<b>Total assets</b>		<b>5,390,751</b>	<b>5,085,047</b>
<b>Liabilities</b>			
Due to banks	12	268,377	438,438
Deposits from customers (conventional)	13	3,249,572	3,066,881
Islamic customers deposits	13	867,257	695,980
Other liabilities	14	119,238	129,924
Deferred tax liabilities	25	448	-
Tax liabilities	25 (d)	13,435	11,511
Employee benefit obligations	14 (a)	1,875	1,882
Subordinated loans	15	100,905	-
<b>Total liabilities</b>		<b>4,621,107</b>	<b>4,344,616</b>
<b>Shareholders' equity</b>			
Share capital	16	303,980	299,635
Share premium	18	95,656	95,656
Legal reserve	19 (a)	81,297	76,192
Special reserve	19 (d)	16,988	16,988
Special reserve –restructured loans	19 (e)	1,281	1,281
Special impairment reserve	19 (f)	12,184	12,184
Special revaluation reserve - investment	19 (g)	(709)	(709)
Investment revaluation reserve	19 (c)	5,934	(2,605)
Subordinated loan reserve	19 (b)	6,200	-
Cash flow hedge reserve	31	53	645
Retained earnings	20	91,280	85,664
<b>Total equity attributable to the equity holders of the Bank</b>		<b>614,144</b>	<b>584,931</b>
Perpetual Tier 1 Capital Securities	17	155,500	155,500
<b>Total equity</b>		<b>769,644</b>	<b>740,431</b>
<b>Total liabilities and equity</b>		<b>5,390,751</b>	<b>5,085,047</b>
Contingent liabilities and commitments	29 (a)	863,145	718,428
<b>Net assets per share (Rial Omani)</b>	21	<b>0.202</b>	<b>0.195</b>

The financial statements including notes and other explanatory information on pages 15 to 119 were approved and authorised for issue by the Board of Directors on 25 January 2026 and were signed on their behalf by:

Eng. Abdul Hafidh Salim Rajab Al-Ojaili  
Chairman

F.M



K. Gopakumar  
Acting Chief Executive Officer

# BANK DHOFAR SAOG

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

	Notes	31-Dec-2025 Omani Rials '000	31-Dec-2024 Omani Rials '000
Interest income	22	236,869	232,060
Interest expense	23	(141,819)	(137,007)
<b>Net interest income</b>		<b>95,050</b>	<b>95,053</b>
Income from Islamic financing / Investments	22	52,950	47,827
Unrestricted investment account holders' share of profit and profit expense	23	(30,065)	(28,711)
<b>Net income from Islamic financing and Investment activities</b>		<b>22,885</b>	<b>19,116</b>
Fees and commission income	30	48,283	38,414
Fees and commission expense	30	(12,431)	(9,841)
<b>Net fees and commission income</b>		<b>35,852</b>	<b>28,573</b>
Other operating income	23 (a)	15,997	10,100
<b>Operating income</b>		<b>169,784</b>	<b>152,842</b>
Staff and administrative costs	24	(74,239)	(71,817)
Depreciation	9&10	(6,921)	(7,034)
<b>Operating expenses</b>		<b>(81,160)</b>	<b>(78,851)</b>
Net Impairment losses on financial assets	7	(33,015)	(27,923)
Recovery of bad debts written-off		3,232	4,176
Bad debts written-off		(421)	(57)
<b>Profit from operations after provision</b>		<b>58,420</b>	<b>50,187</b>
Income tax expense	25	(7,369)	(6,578)
<b>Profit for the period</b>		<b>51,051</b>	<b>43,609</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to Profit and Loss:</i>			
Movement in fair value reserve - FVOCI equity instrument		7,716	(832)
Realised loss FVOCI equity instrument		-	(383)
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>			
Movement in fair value reserve - FVOCI debt Instruments		1,245	(1,715)
Change in fair value of cashflow hedge		(592)	645
Other comprehensive (loss) / income for the period		8,369	(2,285)
<b>Total comprehensive income for the period</b>		<b>59,420</b>	<b>41,324</b>
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	26	0.0133	0.0109

The notes on pages 15 to 119 are an integral part of these financial statements.

# BANK DHOFAR SAOG

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

	Notes	Share capital <u>€'000</u>	Share premium <u>€'000</u>	Legal reserve <u>€'000</u>	Special reserve <u>€'000</u>	Special re- serve re- structured loan <u>€'000</u>	Special im- pairment reserve <u>€'000</u>	Special re- valuation reserve <u>€'000</u>	Cash flow hedge re- serve <u>€'000</u>	Subordi- nated loan reserve <u>€'000</u>	Investment revaluation reserve <u>€'000</u>	Retained earnings <u>€'000</u>	Total <u>€'000</u>	Perpetual Tier 1 capital se- curities <u>€'000</u>	Total eq- uity <u>€'000</u>
<b>Balances as at 1 Janu- ary 2025</b>		299,635	95,656	76,192	16,988	1,281	12,184	(709)	645	-	(2,605)	85,664	584,931	155,500	740,431
<b>Profit for the period</b>		-	-	-	-	-	-	-	-	-	-	51,051	51,051	-	51,051
<b>Other comprehensive income for the period:</b>															
<b>Net changes of fair value reserve</b>															
FVOCI equity instru- ments	19 (c)	-	-	-	-	-	-	-	-	-	7,716	-	7,716	-	7,716
Transfer on disposal of FVOCI investment	19 (c)	-	-	-	-	-	-	-	-	-	(422)	422	-	-	-
FVOCI debt instru- ments	19 (c)	-	-	-	-	-	-	-	-	-	1,245	-	1,245	-	1,245
Change in fair value of cashflow hedge	31	-	-	-	-	-	-	-	(592)	-	-	-	(592)	-	(592)
<b>Total comprehensive income for the period</b>		-	-	-	-	-	-	-	(592)	-	8,539	51,473	59,420	-	59,420
Transfer to legal reserve	19 (a)	-	-	5,105	-	-	-	-	-	-	-	(5,105)	-	-	-
Transfer to Subordi- nated reserve	19 (b)	-	-	-	-	-	-	-	-	6,200	-	(6,200)	-	-	-
<b>Perpetual Tier 1 capital securities:</b>															
Payment towards per- petual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	(10,581)	(10,581)	-	(10,581)
Stock dividend	36	4,345	-	-	-	-	-	-	-	-	-	(4,345)	-	-	-
Dividend paid	36	-	-	-	-	-	-	-	-	-	-	(19,626)	(19,626)	-	(19,626)
<b>Balances as at 31 De- cember 2025</b>		<b>303,980</b>	<b>95,656</b>	<b>81,297</b>	<b>16,988</b>	<b>1,281</b>	<b>12,184</b>	<b>(709)</b>	<b>53</b>	<b>6,200</b>	<b>5,934</b>	<b>91,280</b>	<b>614,144</b>	<b>155,500</b>	<b>769,644</b>

The notes on pages 15 to 119 are an integral part of these financial statements.

# BANK DHOFAR SAOG

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

Notes	Share capital <u>₹'000</u>	Share premium <u>₹'000</u>	Legal reserve <u>₹'000</u>	Special reserve <u>₹'000</u>	Special reserve restructured loan <u>₹'000</u>	Special impairment reserve <u>₹'000</u>	Special revaluation reserve <u>₹'000</u>	Cash flow hedge reserve <u>₹'000</u>	Investment revaluation reserve <u>₹'000</u>	Retained earnings <u>₹'000</u>	Total <u>₹'000</u>	Perpetual Tier 1 capital securities <u>₹'000</u>	Total equity <u>₹'000</u>
Balances as at 1 January 2024	299,635	95,656	71,831	16,988	1,281	12,184	(709)	-	(58)	80,646	577,454	155,500	732,954
Profit for the period	-	-	-	-	-	-	-	-	-	43,609	43,609	-	43,609
<i>Other comprehensive income for the period:</i>													
Net changes of fair value reserve													
FVOCI equity instruments	19 (c)	-	-	-	-	-	-	-	(832)	(383)	(1,215)	-	(1,215)
FVOCI debt instruments	19 (c)	-	-	-	-	-	-	-	(1,715)	-	(1,715)	-	(1,715)
Change in fair value of cashflow hedge	31	-	-	-	-	-	-	645	-	-	645	-	645
Total comprehensive income for the period	-	-	-	-	-	-	-	645	(2,547)	43,226	41,324	-	41,324
Transfer to legal reserve	19 (a)	-	-	4,361	-	-	-	-	-	(4,361)	-	-	-
Transfer to Subordinated reserve	19 (b)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	19(d)	-	-	-	-	-	-	-	-	-	-	-	-
<i>Perpetual Tier 1 capital securities:</i>													
Payment towards perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	(10,625)	(10,625)	-	(10,625)
Dividend Paid	35	-	-	-	-	-	-	-	-	(23,222)	(23,222)	-	(23,222)
Balances as at 31 December 2024	299,635	95,656	76,192	16,988	1,281	12,184	(709)	645	(2,605)	85,664	584,931	155,500	740,431

The notes on pages 15 to 119 are an integral part of these financial statements.

# BANK DHOFAR SAOG

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	31-Dec-2025 ₹'000	31-Dec-2024 ₹'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period before taxation		58,420	50,187
<i>Adjustment for:</i>			
Depreciation, amortisation and impairment	9&10	6,921	7,034
Net Impairment on financial asset and recovery of bad debts written-off	7	33,015	27,866
Dividend income	23 (b)	(7,515)	(4,034)
End of Service provision for the year	14 (a)	270	349
Gain on Sale of property and equipment		(40)	(62)
Interest expense on subordinated loans	23	1,799	-
Gain on sale of investment	23 (b)	(49)	-
Fair value gain on investment	23 (b)	(361)	(31)
<b>Operating profit before operating assets and liabilities changes</b>		<b>92,460</b>	<b>81,309</b>
<i>Net increase/(decrease) in:</i>			
Due to banks		(170,061)	(67,478)
Loans, advances, and financing to banks		(17,549)	19,196
Loans, advances and financing to customers		(269,813)	(199,928)
Other assets		(2,162)	(767)
Customer deposits		353,968	463,638
Other liabilities		13,003	2,726
<b>Cash generated from operations before tax and end of service benefits</b>		<b>(154)</b>	<b>298,697</b>
Taxes paid	25	(4,633)	(4,731)
End of service benefits paid	14 (a)	(277)	(258)
<b>Net cash (used in) / generated from operating activities</b>		<b>(5,064)</b>	<b>293,708</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment and intangible assets		(7,537)	(14,118)
Dividends received from investment securities		7,515	4,034
Purchase of investments		(496,463)	(291,104)
Proceeds from sale/maturities of investments		438,524	100,733
Proceeds from sale of property and equipment		42	83
Acquisition consideration in cash		(24,777)	-
<b>Net cash used in investing activities</b>		<b>(82,696)</b>	<b>(200,372)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Subordinated loan		100,000	-
Dividend paid		(19,626)	(23,222)
Interest on Tier 1 perpetual bond		(10,581)	(10,625)
Interest expense on subordinated loan		(1,799)	-
<b>Net cash generated from / (used in) financing activities</b>		<b>67,994</b>	<b>(33,847)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(19,766)</b>	<b>59,489</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>324,808</b>	<b>265,319</b>
<b>Cash and cash equivalents at end of the year</b>		<b>305,042</b>	<b>324,808</b>
<i>Cash and cash equivalent comprise of:</i>			
Cash and balances with Central Bank of Oman		179,798	197,174
Capital deposit with Central Bank of Oman		(1,000)	(500)
Due from banks with a short term maturity of 3 months or less		126,244	128,134
		<b>305,042</b>	<b>324,808</b>

Interest received was ₹ 294.65 million (2024: ₹ 238.04 million) and interest paid was ₹ 166.83 million (2024: ₹ 138.76 million). These are part of the operating cash flows of the Bank.

There are no significant non-cash changes to be disclosed for 2025 and 2024.

The notes on pages 15 to 119 are an integral part of these financial statements.

## 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

### 1.1 Bank Dhofar SAOG

Bank Dhofar SAOG (the “Bank”) is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in corporate, retail and investment banking activities. The Bank’s Islamic Banking Window, “Dhofar Islamic” (formerly Maisarah Islamic Banking services) has an allocated capital of ~~₹~~ 70 million (2024: ~~₹~~ 70 million) from the core paid up capital of the shareholders. The Bank has a primary listing of its ordinary shares on the Muscat Stock Exchange (“MSX”), and the Bank’s Additional Tier I Perpetual Bonds are listed on the Muscat Stock Exchange (“MSX”). The Bank’s principal place of business is its Head Office located at Central Business District (“CBD”), Muscat, Sultanate of Oman.

### 1.2 Acquisition of the assets and liabilities of Bank of Baroda (BoB) Oman Branch

The acquisition of the assets and liabilities of Bank of Baroda (BoB) Oman branch was completed as of 1 April 2025 (acquisition date). The acquisition resulted in all of BoB Oman branch rights, obligations, assets (including contracts and employees) and liabilities transferring to the bank by operation of law (as a going concern). The shareholders of BoB Oman branch received their full consideration for the acquisition of the assets and liabilities, in the form of cash, in accordance with the terms of the business transfer agreement dated 27 January 2025 (as amended from time to time). Refer to note 38 for details of assets and liabilities acquired.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

The Bank also prepares a separate set of financial statements for its Islamic Banking Window (IBW) in accordance with the requirements of Section 1.2 of Title 3 of the Islamic Banking Regulatory Framework (“IBRF”) issued by the CBO. The separate set of financial statements of its IBW are prepared in accordance with Financial Accounting Standards (“FAS”) issued by Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) as modified by the CBO, 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 IBW’s financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these financial statements. All balances and transactions between the Bank and the IBW are eliminated in these financial statements. The accounting policies used in the preparation of these financial statements are consistent with those of the audited annual financial statements for the year ended 31 December 2024 except for those disclosed in Note 3.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

The financial statements are presented in Rial Omani (“~~₹~~”), which is the Bank’s functional (currency of primary economic environment in which the Bank operates) and presentation currency, rounded to the nearest thousand unless otherwise stated.

### 2.4 Use of estimates and judgements

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### **2 BASIS OF PREPARATION** *(continued)*

#### **2.4 Use of estimates and judgements** *(continued)*

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

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

The Bank has applied the following amendments for the first time for their annual reporting periods:

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

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

#### **2.6 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:**

- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- IFRS 18 Presentation and Disclosure in Financial Statements
- Other accounting standards
  - a) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7); and
  - b) Annual Improvements to IFRS Accounting Standards – Volume 11

The Bank has not early adopted these amendments listed above which are not expected to have any significant impact on the bank's financial statements of future periods.

## 3 MATERIAL ACCOUNTING POLICIES

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

### 3.1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated in to the functional currency using the rate of exchange at the date the fair value was determined. Any exchange component of a gain or loss on a non-monetary item is recognised either in other comprehensive income or in the income statement depending where the gain or loss on the underlying non-monetary item is recognised.

### 3.2 Financial assets and liabilities

#### 3.2.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

#### 3.2.2 Classification

##### (a) Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

On initial recognition, a financial asset is classified as 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 initially 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 (SPPI) on the principal amount outstanding.

It is initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost less allowance for expected credit losses.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.2 Financial assets and liabilities *(continued)*

#### 3.2.2 Classification *(continued)*

##### Financial assets measured at fair value through other comprehensive income

##### i) Debt Instruments

An 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.

##### ii) 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 comprehensive income.

##### 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. They are initially recognised at fair value with transaction costs recognised in the statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the statement of comprehensive income.

##### Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.2 Financial assets and liabilities *(continued)*

#### 3.2.2 Classification *(continued)*

##### (a) Financial assets *(continued)*

###### Business model assessment *(continued)*

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

###### Assessment whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial guarantee contracts and loan commitments:

For financial guarantee contracts and loan commitments, the loss allowance is recognised as provision for expected credit losses as described in note 3.3. The Bank has issued no loan commitment that are measured at FVTPL. Allowance for expected credit losses arising from financial guarantee and loan commitments are included within allowance for expected credit losses under other liabilities in statement of financial position.

###### Loans & advances and financing receivables

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 expected credit losses which are recognised in the statement of comprehensive income.

##### (b) Financial liabilities

Financial liabilities are classified as subsequently measured at Amortised Cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.2 Financial assets and liabilities *(continued)*

#### 3.2.3 De-recognition

##### Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of comprehensive income.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of comprehensive income on de-recognition of such securities. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognised as a separate asset or liability.

##### Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of comprehensive income.

#### 3.2.4 Modifications of financial assets and financial liabilities

##### Financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognized. Where a modification does not result in de-recognition, the date of origination continues to be used to determine significant increase in credit risk (SICR). Where a modification results in de-recognition, the new financial asset is recognized at its fair value on the modification date. The modification date is also the date of origination for this new asset.

The Bank may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

For all financial assets modifications of the contractual terms may result in de-recognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include interest rate, authorized amount, term, or type of underlying collateral. The original loan is derecognized and the new loan is recognized at its fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized in the statement of comprehensive income.

For all loans, performing and credit-impaired, where the modification of terms did not result in the de-recognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the provision for credit losses line in the statement of comprehensive income.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.2 Financial assets and liabilities *(continued)*

#### 3.2.4 Modifications of financial assets and financial liabilities *(continued)*

##### Financial liabilities

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

If the modification of a financial liability is not accounted for as de-recognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in statement of comprehensive income. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

#### 3.2.5 Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

#### 3.2.6 Amortised cost measurement

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

#### 3.2.7 Fair value measurement

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Details are set out in note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Bank.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.2 Financial assets and liabilities *(continued)*

#### 3.2.7 Fair value measurement *(continued)*

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

#### 3.2.8 Designation at fair value through profit or loss

##### Financial assets

At initial recognition, the Bank designates certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

##### Financial liabilities

The Bank designates certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 3.3 Allowance for expected credit losses

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Balances with banks
- Loans, advances & financings to banks
- Debt investment securities
- Loans, advances & financings to customer
- Other assets
- Financial guarantees
- Unutilized limits
- Other assets (acceptances and interest receivables)

No allowance for expected credit losses 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 at 12-month ECL:

- debt investment securities 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.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.3 Allowance for expected credit losses (continued)

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Allowance for expected credit losses is 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.

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

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood that the borrower of a loan or debt will not be able to make the necessary scheduled repayments and defaults over a given time horizon. Bank has developed PD models for various portfolios reflecting the existing state of the environment in which the bank operates and in line with a forward-looking view. The PD models are built to capture the changing risk of default of clients over a long period of time and Bank has used its own internal data to develop such models. PD is assessed for pool of borrowers falling under each rating grade using statistical tools, which represents the average expected default probability within future 12 months horizons. While the ratings itself incorporate forward looking parameters to a certain extent, the models are structured in a way to produce average PD estimates in line with historical long-run averages including forward looking information.
- EAD – The exposure at default computed is the expected amount owed to the bank, expressed as an amount, at the time the client defaults, or is expected to default. The exposure can be distinguished between those amounts forming part of (i) revolving (ii) non-revolving and (iii) off-balance sheet exposures to the bank, as special considerations have been taken in treating each case. For all non-revolving exposures, the amount outstanding as on reporting date has been treated as EAD. For all revolving exposure, EAD shall be the sum of the amount outstanding and likely amount that will be utilised by the borrower from the unavailed limit before the default. The off-balance sheet items are converted into credit exposure equivalent through credit conversion factor (or CCF) and accordingly, EAD is estimated.
- 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. The Bank has adopted different approaches for estimation of LGD depending on the portfolio. The Bank has used internal data reflecting Bank's own loss experience for development of model, however wherever the Bank lacked internal loss experience, external loss benchmarks are adopted.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 Allowance for expected credit losses *(continued)*

#### (a) Measurement of ECL

Expected credit losses are a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the Bank measures the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

However, for unfunded exposures, ECL is measured as follows:

- undrawn loan commitments: a credit loss is the present value of the difference between (a) the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down the loan; and (b) the cash flows that the Bank expects to receive if the loan is drawn down; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover. For a financial guarantee contract, the Bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee. 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.

#### (b) 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 de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in de-recognition 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 de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 Allowance for expected credit losses *(continued)*

#### (c) Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities carried at FVOCI are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data regarding the following events:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are 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 credit worthiness;
- The country's ability to access the capital markets for new debt issuance; and
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (refer note 3.3 (g)) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

#### (d) Forward-looking information

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.

#### (e) Macroeconomic factors

In ECL 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 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 reporting date. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 Allowance for expected credit losses *(continued)*

#### (f) Assessment of significant increase in credit risk

The Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers counterparty quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR on financial assets include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the counterparty and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of counterparties; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

#### (g) Definition of default

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

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

Overdrafts are considered as being in default if the outstanding balance remains continuously in excess of 10% of the sanctioned / authorized limit or in cases where there are not enough credits in the account to cover the interest charged or unauthorized drawings have frequently been allowed.

In assessing whether a 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 largely aligns with that applied for regulatory capital purposes.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 Allowance for expected credit losses *(continued)*

#### (h) Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortized cost: as a reduction from the gross carrying amount of the financial assets;
- Debt instruments measured at FVOCI: An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss. No loss allowance is recognised in the statement of financial position because the carrying amount to these assets is their fair value.
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as an allowance for expected credit losses on off-balance sheet items on other liabilities.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- Loan to value (LTV) ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity; and
- industry.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

#### (i) Write-off

Loans & advances and 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 Bank. If, in a subsequent year, the amount of the estimated allowance for expected credit losses 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 statement of comprehensive income.

The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

### 3.4 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balance with CBO, with custodian, balances with banks, treasury bills, Nostro balances, money market placements and deposits with original maturity of less than three months. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.5 Due from banks

These are stated at amortised cost, less any amounts written off and provisions for allowance for expected credit losses. Due from banks includes placements and loans to banks.

### 3.6 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment loss. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings	7 – 25
Furniture and fixtures	3 – 7
Motor vehicles	3 – 5
Computer equipment	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income .

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

### 3.7 Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the net realisable value of the related loans and advances before de-recognition and the current fair value of such assets. Gains or losses on disposal and unrealised losses on revaluation are recognised in the statement of comprehensive income .

### 3.8 Intangible assets

Computer software costs that are directly associated with identifiable and unique software products controlled by the Bank and have probable economic benefit exceeding the costs beyond one year are recognised as an intangible asset. Computer software costs recognised as an asset are amortised using the straight-line method over the estimated useful life of 5-10 years.

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.9 Deposits

Deposits from banks and customers, debt securities and subordinated liabilities are the Bank's sources of funding. These are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest rate (EIR) method.

### 3.10 Income tax

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with Omani fiscal regulations. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

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

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

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

### 3.11 Fiduciary assets

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

### 3.12 Acceptances

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

### 3.13 Sale and repurchase agreements

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

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

### 3.14 Derivative financial instruments and hedging activities

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

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

## 3 MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.14 Derivative financial instruments and hedging activities *(continued)*

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

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

On initial designation of the derivative as hedging instrument, the Bank formally documents the relationship between the hedging instrument and hedged item, including risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the method to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedging relationship as well as ongoing basis, of whether the hedging instrument are expected to be highly effective in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedge risk.

In relation to cash flow hedges, the gain or loss on hedging instruments is recognised initially in other comprehensive income to the extent that the hedge is effective and is transferred to the statement of comprehensive income in the period in which the hedged transaction impacts the comprehensive income. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to statement of comprehensive income. The Bank does not have any derivatives designated as hedging instruments.

### 3.15 Leases

The Banks accounting policy for leases is described in note 37.

### 3.16 Employee benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

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

The Bank's obligation in respect of non-Omani end of service benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in current and prior periods.

The obligation is calculated using the projected unit credit method and is discounted to its present value.

## **3 MATERIAL ACCOUNTING POLICIES** *(continued)*

### **3.17 Financial guarantees contracts**

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary for a loss incurred because the debtor fails to make payments when due, in accordance with the terms of the debt. Such guarantees are given to Banks, financial institutions or other entities on behalf of the customers.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was issued. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on the straight line basis over the life of the guarantee and the amount of loss allowance for the guaranteed exposure determined based on the expected loss model. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income.

### **3.18 Borrowings**

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

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

### **3.19 Dividend on ordinary shares**

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

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

### **3.20 Directors' remuneration**

The Board of Directors' remuneration is accrued within the limits specified by the Financial Services Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman. This is recognised in the statement of comprehensive income.

### **3.21 Revenue and expense recognition**

#### ***I. Interest income and expense***

Interest income and expense is recognised in the statement of comprehensive income 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 includes 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 principal 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.

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

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.21 Revenue and expense recognition (continued)

#### I. Interest income and expense (continued)

Interest income and expense presented in the statement of comprehensive income include:

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their Amortised Cost (AC), net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in profit or loss due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

#### II. Fees and commission income

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 is recognised over time on a straight-line basis as the services are rendered in cases when the customer simultaneously receives and consumes the benefits provided by the Bank's performance or at a point in time when the Bank satisfies performance obligation, usually upon execution of the underlying transaction. 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 products and services of the Bank covered under IFRS 15 along with its nature, timing of satisfaction of performance obligations and significant payment terms are as follows:

##### *Transaction services*

The services include opening, closing and maintenance of deposit accounts, cheque issuance, clearing, deposit and payments transactions, remittances, safe deposit lockers. It also include card and e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place.

The Bank recognises revenue on completion of service or proportionate completion basis or at a point in time on satisfaction of performance obligation as per the terms of contract.

##### *Trade services*

The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.

Income is recognised on service completion basis or time proportionate basis over the period of contract.

## **3 MATERIAL ACCOUNTING POLICIES** *(continued)*

### **3.21 Revenue and expense recognition** *(continued)*

#### **II. Fees and commission income** *(continued)*

##### *Syndication and other loan related services*

The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.

The Bank recognises revenue on completion of service basis or on time proportion basis.

##### *Advisory and asset management services*

Advisory services include advising for fund raising (rights issue, IPOs, bond issues etc). Advisory fees are charged to the customer's account on milestone completion basis or over the period of contract in line with the terms and conditions of contract.

### **3.22 Dividends**

Dividend income is recognised in the statement of comprehensive income in 'Other income', when the Bank's right to receive income is established.

### **3.23 Provisions**

A provision is recognised if, as a result of past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligations. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

### **3.24 Segment reporting**

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The Bank currently operates only in the Sultanate of Oman. The Bank's segments are corporate, retail banking, Treasury and Investment and Islamic Banking.

### **3.25 Earnings per share**

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

### **3.26 Perpetual Tier 1 capital securities**

Perpetual Tier 1 Capital Securities of the Bank are recognised under equity 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 instruments issued by the Bank that are classified as equity in accordance with IAS 32: Financial Instruments – Classification. 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 thereafter on any interest payment date.

## 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2024.

### 4.1 Allowance for expected credit losses of Loans, Advances and financing to customers and Islamic financing receivables

The Bank uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The following are key estimations that have been used in the process of applying the Bank's accounting policies:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

In addition to these, the Bank used supportable forward-looking information for measurement of ECL. The forward-looking assumptions that correlate with ECL level and their assigned weights and sensitivity to assumptions are disclosed in note 33.

### 4.2 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Bank establishes provisions, based on reasonable estimates, for probable consequences of finalisation of tax assessments of the Bank. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the Bank and the relevant tax authority.

Refer to note 25 for disclosures related to income taxes.

### 4.3 Modification of financial assets

When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in de-recognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognized and whether the new recognized loans should be considered as credit impaired on initial recognition. The de-recognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognized nor reclassified out of the credit-impaired stage.

**4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)****4.4 Classification of the Equity Tier 1 instrument under IAS 32**

The Bank has issued Perpetual Tier 1 Securities listed on the Muscat Stock Exchange, 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.
- payment of interest and/or capital is solely at the discretion of the Bank
- the instruments are deeply subordinated and rank just above the ordinary shareholders
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman.

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

**4.5 Determination of lease term under IFRS 16**

In determining the lease term, the Bank considers all facts and circumstances. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Bank considers the nature and enforceability of extension clause in the lease agreement, the value of leasehold improvements, penalties on termination, costs and business disruption required to replace the leased premises as factors to determine the lease term. Lease agreements for premises occupied by the Bank may contain an extension option, where the Bank has not considered extension options after analysing the above factors.

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

**5. Cash and balances with the Central Bank of Oman**

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Cash in hand	43,497	46,628
Balances with the Central Bank of Oman	134,759	133,219
Placements with Central Bank of Oman	1,540	17,325
Cash held by a custodian	<u>2</u>	<u>2</u>
	<u><u>179,798</u></u>	<u><u>197,174</u></u>

Balances with CBO includes capital deposit of ₹ 1 million (2024: ₹ 0.5 million). This is not available for day-to-day operations of the Bank and cannot be withdrawn without the Central Bank of Oman's approval. During the year, the average minimum balance to be kept with Central Banks as statutory reserves was ₹ 117.60 million (2024: ₹ 105.34 million).

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 6. Loans, advances and financing to banks (at amortised cost)

	2025 S'000	2024 S'000
Syndicated loans to other banks	55,480	29,579
Placements with other banks	133,317	141,800
Current clearing accounts	23,434	25,193
	<u>212,231</u>	<u>196,572</u>
Less: Impairment allowance	(165)	(93)
	<u>212,066</u>	<u>196,479</u>

#### Movement of the allowance for expected credit losses is analysed below:

	2025 S'000	2024 S'000
Opening balance as on 1 January	93	444
Charge / (Write Back) for the year	72	(351)
Closing balance as on 31 December	<u>165</u>	<u>93</u>

### 7. Loans, advances and financing to customers (Conventional and Islamic)

#### (a) Conventional Banking

	2025 S'000	2024 S'000
Loans	3,179,143	3,054,196
Overdraft	143,307	140,489
Loans against trust receipts	137,112	140,504
Bills discounted	44,293	29,869
Advances against credit cards	18,592	14,379
Gross Loans, advances and financing to customers	<u>3,522,447</u>	<u>3,379,437</u>
Less: Impairment allowance including reserved interest	(177,794)	(158,212)
	<u>3,344,653</u>	<u>3,221,225</u>

#### (b) Islamic Banking Window Financing

	2025 S'000	2024 S'000
Housing finance	262,203	232,180
Corporate finance	573,552	479,226
Consumer finance	29,053	23,788
	<u>864,808</u>	<u>735,194</u>
Less: Impairment allowance	(32,913)	(22,804)
	<u>831,895</u>	<u>712,390</u>

Allowance for expected credit losses includes the amount of interest reserve and profit reserve amounting to S' 32.11 million and S' 3.56 million respectively (2024: S' 22.35 million and S' 2.86 million).

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (b) The movement in the allowance for expected credit losses is analysed below:

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
<b>i. Allowance for loan for expected credit losses (conventional and Islamic)</b>		
1 January	155,805	169,188
Reclassification of ECL related to off balance sheet / interest accrued	-	(1,441)
Allowance made during the year	44,406	47,180
Released to the profit or loss during the year	(13,765)	(15,340)
Written off during the year	<u>(11,409)</u>	<u>(43,782)</u>
Balance at the end of the year	<u>175,037</u>	<u>155,805</u>
<b>ii. Reserved interest</b>		
1 January	25,211	35,023
Reserved during the year	22,115	22,784
Recoveries to profit or loss during the year	(9,329)	(15,514)
Written-off during the year	<u>(2,327)</u>	<u>(17,082)</u>
Balance at the end of the year	<u>35,670</u>	<u>25,211</u>
<b>Total impairment allowance</b>	<u><u>210,707</u></u>	<u><u>181,016</u></u>

The reserved interest disclosed above is the amount of interest accrued which is not recognised in the statement of comprehensive income as per CBO norms. As of 31 December 2025, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to ₹ 277.14 million (2024: ₹ 244.49 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

Proposals for waivers / write-offs are not formula driven and are decided on a case by case basis after weighing all pros and cons. The rationale is invariably documented. In all cases, the Bank aims to recover the maximum value through enforcement of collaterals / guarantees of guarantors. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. In 2025, the Bank has written off ₹ 13.74 million (2024- ₹ 60.86 million) of provisions which includes ₹ 11.41 million (2024 - ₹ 43.78 million) of principal amount and ₹ 2.33 million (2024 - ₹ 17.09 million) of reserved interest as technical write off which are still subject to enforcement activity.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (c) The movement in the allowance for expected credit losses is analysed below: (continued)

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

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 1149.

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.

At 31 December 2025

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net 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)-(10)	(7) = (3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	3,526,033	41,682	10,473	31,209	3,484,351	3,515,560	-	-
	Stage 2	180,182	5,543	8,289	(2,746)	174,639	171,893	-	-
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>3,706,215</b>	<b>47,225</b>	<b>18,762</b>	<b>28,463</b>	<b>3,658,990</b>	<b>3,687,453</b>	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	470,551	4,451	61,804	(66,513)	456,940	408,747	-	9,160
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>470,551</b>	<b>4,451</b>	<b>61,804</b>	<b>(66,513)</b>	<b>456,940</b>	<b>408,747</b>	-	<b>9,160</b>
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	17,356	4,329	5,500	(1,697)	12,501	11,856	-	526
<b>Subtotal</b>		<b>17,356</b>	<b>4,329</b>	<b>5,500</b>	<b>(1,697)</b>	<b>12,501</b>	<b>11,856</b>	-	<b>526</b>
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	23,017	9,793	9,144	(210)	12,365	13,873	-	859
<b>Subtotal</b>		<b>23,017</b>	<b>9,793</b>	<b>9,144</b>	<b>(210)</b>	<b>12,365</b>	<b>13,873</b>	-	<b>859</b>
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	170,116	120,523	79,827	15,571	24,468	90,289	-	25,125
<b>Subtotal</b>		<b>170,116</b>	<b>120,523</b>	<b>79,827</b>	<b>15,571</b>	<b>24,468</b>	<b>90,289</b>	-	<b>25,125</b>
<b>Total loans and advances</b>		<b>4,387,255</b>	<b>186,321</b>	<b>175,037</b>	<b>(24,386)</b>	<b>4,165,264</b>	<b>4,212,218</b>	-	<b>35,670</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,462,133	147	3,056	(2,909)	2,461,986	2,459,077	-	-
	Stage 2	268,958	-	4,364	(4,364)	268,958	264,594	-	-
	Stage 3	2,952	-	1,472	(1,472)	2,952	1,480	-	-
<b>Subtotal</b>		<b>2,734,043</b>	<b>147</b>	<b>8,892</b>	<b>(8,745)</b>	<b>2,733,896</b>	<b>2,725,151</b>	-	-
<b>Total (31 December 2025)</b>	Stage 1	5,988,166	41,829	13,529	28,300	5,946,337	5,974,637	-	-
	Stage 2	919,691	9,994	74,457	(73,623)	900,537	845,234	-	9,160
	Stage 3	213,441	134,645	95,943	12,192	52,286	117,498	-	26,510
<b>Total</b>		<b>7,121,298</b>	<b>186,468</b>	<b>183,929</b>	<b>(33,131)</b>	<b>6,899,160</b>	<b>6,937,369</b>	-	<b>35,670</b>

\* Net of provision and reserve interest as per CBO norms

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (c) The movement in the allowance for expected credit losses is analysed below (continued):

#### iii. Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

##### At 31 December 2024

Asset Classification as per CBO Norms		Asset Classification as per IFRS 9		Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net 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) - (10)	(7) = (3) - (4) - (10)	(8) = (3) - (5)	(9)	(10)		
Standard	Stage 1	3,155,963	43,336	8,910	34,426	3,112,627	-	3,112,627	3,147,053	-	-
	Stage 2	293,017	2,688	16,183	(13,495)	290,329	-	290,329	276,834	-	-
	Stage 3	-	-	-	-	-	-	-	-	-	-
Subtotal		3,448,980	46,024	25,093	20,931	3,402,956	-	3,402,956	3,423,887	-	-
Special Mention	Stage 1	66	1	1	-	65	-	65	65	-	-
	Stage 2	473,597	4,489	46,836	(46,623)	464,832	-	464,832	426,761	-	4,276
	Stage 3	-	-	-	-	-	-	-	-	-	-
Subtotal		473,663	4,490	46,837	(46,623)	464,897	-	464,897	426,826	-	4,276
Substandard	Stage 1	-	-	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-	-	-
	Stage 3	8,376	2,100	2,830	(915)	6,091	-	6,091	5,546	-	185
Subtotal		8,376	2,100	2,830	(915)	6,091	-	6,091	5,546	-	185
Doubtful	Stage 1	-	-	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-	-	-
	Stage 3	32,907	10,109	10,788	(2,112)	21,365	-	21,365	22,119	-	1,433
Subtotal		32,907	10,109	10,788	(2,112)	21,365	-	21,365	22,119	-	1,433
Loss	Stage 1	-	-	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-	-	-
	Stage 3	150,705	105,777	70,257	16,203	25,611	-	25,611	80,448	-	19,317
Subtotal		150,705	105,777	70,257	16,203	25,611	-	25,611	80,448	-	19,317
Total loans and advances		4,114,631	168,500	155,805	(12,516)	3,920,920	-	3,920,920	3,958,826	-	25,211
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,996,316	147	2,410	(2,263)	1,996,169	-	1,996,169	1,993,906	-	-
	Stage 2	306,717	-	2,222	(2,222)	306,717	-	306,717	304,495	-	-
	Stage 3	3,209	-	1,485	(1,485)	3,209	-	3,209	1,724	-	-
Subtotal		2,306,242	147	6,117	(5,970)	2,306,095	-	2,306,095	2,300,125	-	-
Total (31 December 2024)	Stage 1	5,152,345	43,484	11,321	32,163	5,108,861	-	5,108,861	5,141,024	-	-
	Stage 2	1,073,331	7,177	65,241	(58,064)	1,061,878	-	1,061,878	1,008,090	-	4,276
	Stage 3	195,197	117,986	85,360	32,626	56,276	-	56,276	109,837	-	20,935
Total		6,420,873	168,647	161,922	6,725	6,227,015	-	6,227,015	6,258,951	-	25,211

\* Net of provision and reserve interest as per CBO norms.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### (d) Loss allowance

The following table presents the ECL for non-performing loans i.e. Exposure under Stage 3.

	No. of borrowers	Exposure ₹'000	Reserved interest ₹'000	ECL ₹'000	Total Provi- sions ₹'000	% of Provi- sions ₹'000
<b>31-Dec-25</b>						
Wholesale banking	617	173,615	21,703	70,575	92,278	53.15%
Retail banking	2,626	39,826	4,807	25,368	30,175	75.77%
<b>Total</b>	<b>3,243</b>	<b>213,441</b>	<b>26,510</b>	<b>95,943</b>	<b>122,453</b>	<b>57.37%</b>
<b>31-Dec-24</b>						
Wholesale banking	383	157,602	16,167	61,979	78,146	49.58%
Retail banking	2,215	37,595	4,768	23,381	28,149	74.87%
<b>Total</b>	<b>2,598</b>	<b>195,197</b>	<b>20,935</b>	<b>85,360</b>	<b>106,295</b>	<b>54.46%</b>

The Banks seeks to recover amounts it is legally owed in full, but which has been partially written off and in 2025 the Bank recovered ₹ 3.23 million (2024: ₹ 4.18 million).

### (e) Restructured Loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of the Directors, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

#### At 31 December 2025

Asset Classifica- tion as per CBO Norms	Asset Classi- fication as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO pro- vision re- quired and provision held	Net Car- rying Amount as per CBO norms*	Net Car- rying 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)-(10)	(7)=(3)- (4)-(10)	(8) = (3)- (5)	(9)	(10)
Classified as per- forming	Stage 1	89,992	389	475	(86)	89,603	89,517	-	-
	Stage 2	318,317	3,016	52,961	(49,945)	315,301	265,356	-	-
	<b>Subtotal</b>	<b>408,309</b>	<b>3,405</b>	<b>53,436</b>	<b>(50,031)</b>	<b>404,904</b>	<b>354,873</b>	-	-
Classified as non- performing	Stage 3	29,919	19,470	8,703	8,126	7,808	21,216	-	2,641
	<b>Sub total</b>	<b>29,919</b>	<b>19,470</b>	<b>8,703</b>	<b>8,126</b>	<b>7,808</b>	<b>21,216</b>	-	<b>2,641</b>
<b>Total (31 Decem- ber 2025)</b>	Stage 1	89,992	389	475	(86)	89,603	89,517	-	-
	Stage 2	318,317	3,016	52,961	(49,945)	315,301	265,356	-	-
	Stage 3	29,919	19,470	8,703	8,126	7,808	21,216	-	2,641
	<b>Total</b>	<b>438,228</b>	<b>22,875</b>	<b>62,139</b>	<b>(41,905)</b>	<b>412,712</b>	<b>376,089</b>	-	<b>2,641</b>

\* Net of provision and reserve interest as per CBO norms

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (e) Restructured Loans (continued)

At 31 December 2024

SAR'000									
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) - (10)	(7) = (3) - (4) - (10)	(8) = (3) - (5)	(9)	(10)
Classified as performing	Stage 1	83,794	864	860	4	82,930	82,934	-	-
	Stage 2	379,872	3,704	41,934	(38,230)	376,168	337,938	-	-
Subtotal		463,666	4,568	42,794	(38,226)	459,098	420,872	-	-
Classified as non-performing	Stage 3	25,458	13,104	6,573	4,616	10,439	18,885	-	1,915
	Sub total	25,458	13,104	6,573	4,616	10,439	18,885	-	1,915
Total (31 December 2024)	Stage 1	83,794	864	860	4	82,930	82,934	-	-
	Stage 2	379,872	3,704	41,934	(38,230)	376,168	337,938	-	-
	Stage 3	25,458	13,104	6,573	4,616	10,439	18,885	-	1,915
	Total	489,124	17,672	49,367	(33,610)	469,537	439,757	-	1,915

\* Net of provision and reserve interest as per CBO norms

#### (f) Comparison of allowance for expected credit losses charges as per IFRS 9 and as per CBO norms

##### i. Allowance for expected credit losses charge and provisions held

At 31 December 2025

	As per CBO Norms SAR'000	As per IFRS 9 SAR'000	Difference SAR'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	186,468	183,929	2,539
Gross NPL ratio	4.80%	4.80%	-
Net NPL ratio	1.12%	2.04%	(0.92)%

Gross NPL (Non-performing Loans) are 4.80% and Net NPL is 2.04% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of SAR 26.51 million.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (f) Comparison of allowance for expected credit losses charges as per IFRS 9 and as per CBO norms (continued)

At 31 December 2024

	As per CBO Norms ₹'000	As per IFRS 9 ₹'000	Difference ₹'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	168,647	161,922	6,725
Gross NPL ratio	4.67%	4.67%	-
Net NPL ratio	1.29%	2.12%	(0.83)%

Gross NPL (Non-performing Loans) are 4.67% and Net NPL is 2.12% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of ₹ 20.94 million.

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the allowance for expected credit losses as per IFRS. The allowance for expected credit losses reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

However, as per circular BSD/CB/&FLCs/2021/002 dated 18 March 2021, CBO has suspended two-track approach / parallel run for the computation of additional provisions as per CBO norms for the financial year 2024 to 2025.

#### ii. Special impairment reserve

During 2025, no amount (2024 – Nil) of special reserves was transferred from retained earnings to the special impairment reserve because CBO has suspended the two-track approach.

Movement of provisions under IFRS 9 and CBO norms for the year ended 31 December 2025

	As per CBO Norms ₹'000	As per IFRS 9 ₹'000	Difference ₹'000
Opening Balance – 1 January 2025	168,647	161,922	6,725
Allowance for expected credit losses charge for the year	53,863	47,181	(4,186)
Less: write-back during the year	(13,765)	(13,765)	-
Less: written off during the year	(22,277)	(11,409)	-
Closing balance – 31 December 2025	<u>186,468</u>	<u>183,929</u>	<u>2,539</u>
Total after tax (Net)			<u>2,158</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers *(continued)*

#### (f) Comparison of allowance for expected credit losses charges as per IFRS 9 and as per CBO norms

#### iii. Special impairment reserve *(continued)*

#### *Movement of IFRS 9 Special Impairment Reserve for the year ended 31 December 2025*

	<u>₹'000</u>
At 1 January 2025 and 31 December 2025	<u>12,184</u>

#### Movement of provisions under IFRS 9 and CBO norms for the year ended 31 December 2024

	As per CBO Norms <u>₹'000</u>	As per IFRS 9 <u>₹'000</u>	Difference <u>₹'000</u>
Opening Balance – 1 January 2024	183,543	177,781	5,762
Allowance for expected credit losses charge for the year	44,226	43,263	963
Less: write-back during the year	(15,340)	(15,340)	-
Less: written off during the year	(43,782)	(43,782)	-
Closing balance – 31 December 2024	<u>168,647</u>	<u>161,922</u>	<u>6,725</u>
Total after tax (Net)			<u>5,716</u>

#### *Movement of IFRS 9 Special Impairment Reserve for the year ended 31 December 2024*

	<u>₹'000</u>
At 1 January 2024 and 31 December 2024	<u>12,184</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (g) Stage wise exposure, allowance for expected credit losses and net exposures

The following table discloses the stage-wise gross exposure, allowance for expected credit losses and net exposure of only those financial assets that are tested for allowance for expected credit losses under IFRS 9 as at 31 December 2025:

	₹ '000			
	Stage 1	Stage 2	Stage 3	Total
<b>Gross exposure</b>				
Central Bank balances	136,299			136,299
Cash held by a custodian	2	-	-	2
Due from Banks	212,231	-	-	212,231
Sovereign	473,970	-	-	473,970
Investment securities at amortized cost	37,178	-	-	37,178
Investment securities at FVOCI	80,996	10,000	-	90,996
Loans and advances	3,526,033	650,733	210,489	4,387,255
Acceptance	22,518	3,936	-	26,454
<b>Total funded gross exposure</b>	<b>4,489,227</b>	<b>664,669</b>	<b>210,489</b>	<b>5,364,385</b>
Letters of credit/guarantee	769,297	90,896	2,952	863,145
Loan commitment / unutilized limits	729,642	164,126	-	893,768
<b>Total non-funded gross exposure</b>	<b>1,498,939</b>	<b>255,022</b>	<b>2,952</b>	<b>1,756,913</b>
<b>Total gross exposure</b>	<b>5,988,166</b>	<b>919,691</b>	<b>213,441</b>	<b>7,121,298</b>
<b>Allowance for expected credit losses</b>				
Central Bank balances	-	-	-	-
Cash held by a custodian	-	-	-	-
Due from Banks	165	-	-	165
Sovereign	-	-	-	-
Investment securities at amortized cost	-	-	-	-
Investment securities at FVOCI	196	2,094	-	2,290
Loans and advances	10,473	70,093	94,471	175,037
Acceptance	4	2	-	6
<b>Total funded impairment</b>	<b>10,838</b>	<b>72,189</b>	<b>94,471</b>	<b>177,498</b>
Letters of credit/guarantee	946	1,310	1,472	3,728
Loan commitment/unutilized limits	1,745	958	-	2,703
<b>Total non-funded impairment</b>	<b>2,691</b>	<b>2,268</b>	<b>1,472</b>	<b>6,431</b>
<b>Total impairment</b>	<b>13,529</b>	<b>74,457</b>	<b>95,943</b>	<b>183,929</b>
<b>Net exposure</b>				
Central Bank balances	136,299	-	-	136,299
Cash held by a custodian	2	-	-	2
Due from Banks	212,066	-	-	212,066
Sovereign	473,970	-	-	473,970
Investment securities at amortized Cost	37,178	-	-	37,178
Investment securities at FVOCI	80,800	7,906	-	88,706
Loans and advances	3,515,560	580,640	116,018	4,212,218
Acceptance	22,514	3,934	-	26,448
<b>Total funded net exposure</b>	<b>4,478,389</b>	<b>592,480</b>	<b>116,018</b>	<b>5,186,887</b>
Letter of credit/guarantee	768,351	89,586	1,480	859,417
Loan commitment/unutilized limits	727,897	163,168	-	891,065
<b>Total net non-funded exposure</b>	<b>1,496,248</b>	<b>252,754</b>	<b>1,480</b>	<b>1,750,482</b>
<b>Total net exposure</b>	<b>5,974,637</b>	<b>845,234</b>	<b>117,498</b>	<b>6,937,369</b>

Gross exposure of loans and advances of ₹ 210.49 million under stage 3 includes reserved interest of ₹ 26.51 million.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (g) Stage wise exposure, allowance for expected credit losses and net exposures (continued)

The following table discloses the stage-wise gross exposure, allowance for expected credit losses and net exposure of only those financial assets that are tested for allowance for expected credit losses under IFRS 9 as at 31 December 2024:

	<b>₹ '000</b>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	150,544			150,544
Cash held by a custodian	2	-	-	2
Due from Banks	196,572	-	-	196,572
Sovereign	480,313	-	-	480,313
Investment securities at amortized cost	35,802	-	-	35,802
Investment securities at FVOCI	47,761	-	-	47,761
Loans and advances	3,156,029	766,614	191,988	4,114,631
Acceptance	40,514	5,872	-	46,386
Total funded gross exposure	4,107,537	772,486	191,988	5,072,011
Letters of credit/guarantee	626,456	88,763	3,209	718,428
Loan commitment / unutilized limits	418,352	212,082	-	630,434
Total non-funded gross exposure	1,044,808	300,845	3,209	1,348,862
Total gross exposure	5,152,345	1,073,331	195,197	6,420,873
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Cash held by a custodian	-	-	-	-
Due from Banks	93	-	-	93
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	240	-	-	240
Loans and advances	8,911	63,019	83,875	155,805
Acceptance	439	2	-	441
Total funded impairment	9,683	63,021	83,875	156,579
Letters of credit/guarantee	838	1,352	1,485	3,675
Loan commitment/unutilized limits	800	868	-	1,668
Total non-funded impairment	1,638	2,220	1,485	5,343
Total impairment	11,321	65,241	85,360	161,922
Net exposure				
Central Bank balances	150,544	-	-	150,544
Cash held by a custodian	2	-	-	2
Due from Banks	196,479	-	-	196,479
Sovereign	480,313	-	-	480,313
Investment Securities at amortized Cost	35,802	-	-	35,802
Investment Securities at FVOCI	47,521	-	-	47,521
Loans and advances	3,147,118	703,595	108,113	3,958,826
Acceptance	40,075	5,870	-	45,945
Total funded net exposure	4,097,854	709,465	108,113	4,915,432
Letter of credit/guarantee	625,618	87,411	1,724	714,753
Loan commitment/unutilized limits	417,552	211,214	-	628,766
Total net non-funded exposure	1,043,170	298,625	1,724	1,343,519
Total net exposure	5,141,024	1,008,090	109,837	6,258,951

Gross exposure of loans and advances of ₹ 191.99 million under stage 3 includes reserved interest of ₹ 20.94 million.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (g) Stage wise exposure, allowance for expected credit losses and net exposures (continued)

	Stage 1	Stage 2	Stage 3	₹'000 Total
<b>Opening Balance – as of 1 January 2025</b>				
Due from banks	93	-	-	93
Loans and advances to customers	8,707	63,223	83,875	155,805
Investment securities at FVOCI (Debt)	240	-	-	240
Loan commitments and financial guarantees	1,045	1,146	1,484	3,675
Acceptances	439	2	-	441
Unutilised	797	870	1	1,668
<b>Total</b>	<b>11,321</b>	<b>65,241</b>	<b>85,360</b>	<b>161,922</b>
<b>Net transfer between stages</b>				
Due from banks	-	-	-	-
Loans and advances to customers	2,727	(2,667)	(60)	-
Investment securities at FVOCI	(84)	84	-	-
Loan commitments and financial guarantees	46	276	(322)	-
<b>Total</b>	<b>2,689</b>	<b>(2,307)</b>	<b>(382)</b>	<b>-</b>
<b>Charge for the year (net of recoveries)</b>				
Due from banks	72	-	-	72
Loans and advances to customers	(961)	9,537	22,065	30,641
Investment securities at FVOCI (Debt)	40	2,010	-	2,050
Loan commitments and financial guarantees	(145)	(112)	310	53
Acceptances	(435)	-	-	(435)
Unutilised	948	88	(1)	1,035
<b>Sub total</b>	<b>(481)</b>	<b>11,523</b>	<b>22,374</b>	<b>33,416</b>
<b>ECL on acquired assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(401)</b>
<b>Total net of recovery</b>	<b>(481)</b>	<b>11,523</b>	<b>22,374</b>	<b>33,015</b>
<b>Written off</b>	<b>-</b>	<b>-</b>	<b>(11,409)</b>	<b>(11,409)</b>
<b>Closing Balance – as at 31 December 2025</b>				
- Due from banks	165	-	-	165
- Loans and advances to customers	10,473	70,093	94,471	175,037
- Investment securities at FVOCI (Debt)	196	2,094	-	2,290
- Loan commitments and financial guarantees	946	1,310	1,472	3,728
- Acceptances	4	2	-	6
- Unutilised	1,745	958	-	2,703
<b>Total expected credit loss</b>	<b>13,529</b>	<b>74,457</b>	<b>95,943</b>	<b>183,929</b>

The most significant changes in the ECL of the Bank arise from the loans and advances to customers. The changes in the ECL on other financial assets at amortised cost and unfunded exposures including loan commitments are not significant.

As to loan and advances to customers, the ECL changes primarily related to the corporate & retail portfolio due to improvement in overall portfolio which was partially offset due to the downward movement of exposures to non-performing and un-satisfactory grades. The subsequent remeasurement of these exposures post stage transfer is reflected in the charge for the year.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (g) Stage wise exposure, allowance for expected credit losses and net exposures (continued)

	Stage 1	Stage 2	Stage 3	₹'000 Total
Opening Balance – as of 1 January 2024				
Due from banks	444	-	-	444
Loans and advances to customers	12,986	56,042	98,719	167,747
Investment securities at FVOCI (Debt)	45	-	-	45
Loan commitments and financial guarantees	1,422	4,360	1,441	7,223
Acceptances	23	12	-	35
Unutilised	1,448	838	1	2,287
<b>Total</b>	<b>16,368</b>	<b>61,252</b>	<b>100,161</b>	<b>177,781</b>
Net transfer between stages				
Loans and advances to customers	2,533	(4,098)	1,565	-
Loan commitments and financial guarantees	1,207	(1,209)	2	-
Unutilised	18	(18)	-	-
<b>Total</b>	<b>3,758</b>	<b>(5,325)</b>	<b>1,567</b>	<b>-</b>
Charge for the year (net of recoveries)				
Due from banks	(351)	-	-	(351)
Loans and advances to customers	(6,812)	11,279	27,373	31,840
Investment securities at FVOCI (Debt)	195	-	-	195
Loan commitments and financial guarantees	(1,584)	(2,005)	41	(3,548)
Acceptances	416	(10)	-	406
Unutilised	(669)	50	-	(619)
<b>Total net of recovery</b>	<b>(8,805)</b>	<b>9,314</b>	<b>27,414</b>	<b>27,923</b>
Written-off			(43,782)	(43,782)
Closing Balance – as at 31 December 2024				
- Due from banks	93	-	-	93
- Loans and advances to customers	8,707	63,223	83,875	155,805
- Investment securities at FVOCI (Debt)	240	-	-	240
- Loan commitments and financial guarantees	1,045	1,146	1,484	3,675
- Acceptances	439	2	-	441
- Unutilised	797	870	1	1,668
<b>Total expected credit loss</b>	<b>11,321</b>	<b>65,241</b>	<b>85,360</b>	<b>161,922</b>

# BANK DHOFAR SAOG

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

## 7. Loans, advances and financing to customers (continued)

### (h) Analysis of changes in the gross exposure and ECL

2025:

#### Due from Bank ECL Movement

	Stage 1	Stage 2	Stage 3	₹'000 Total
<b>Opening Balance – 1 January 2025</b>	93	-	-	93
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	-	-	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	-	-	-	-
Net Movements during the year	72	-	-	72
<b>Net Movement</b>	72	-	-	72
<b>Closing balance – 31 December 2025</b>	<u>165</u>	<u>-</u>	<u>-</u>	<u>165</u>

#### Exposure Movement

	Stage 1	Stage 2	Stage 3	₹'000 Total
<b>Opening Balance – 1 January 2025</b>	196,572	-	-	196,572
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	-	-	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	-	-	-	-
Net Movements during the year	15,659	-	-	15,659
<b>Net Movement</b>	15,659	-	-	15,659
<b>Closing balance – 31 December 2025</b>	<u>212,231</u>	<u>-</u>	<u>-</u>	<u>212,231</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Loans and Advances

##### ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
<b>Opening Balance – 1 January 2025</b>	8,707	63,223	83,875	155,805
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(145)	145	-	-
From Stage 1 to Stage 3	(114)	-	114	-
From Stage 2 to Stage 1	360	(360)	-	-
From Stage 2 to Stage 3	-	(5,686)	5,686	-
From Stage 3 to Stage 1	2,626	-	(2,626)	-
From Stage 3 to Stage 2	-	3,234	(3,234)	-
<b>Net Changes in Stage</b>	<u>2,727</u>	<u>(2,667)</u>	<u>(60)</u>	-
Net Movement during the year	<u>(961)</u>	<u>9,537</u>	<u>22,065</u>	<u>30,641</u>
<b>Net Movement</b>	<u>(961)</u>	<u>9,537</u>	<u>22,065</u>	<u>30,641</u>
Write off	-	-	(11,409)	(11,409)
<b>Closing balance – 31 December 2025</b>	<u><u>10,473</u></u>	<u><u>70,093</u></u>	<u><u>94,471</u></u>	<u><u>175,037</u></u>

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
<b>Opening Balance – 1 January 2025</b>	3,156,029	766,614	191,988	4,114,631
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(38,898)	38,898	-	-
From Stage 1 to Stage 3	(7,641)	-	7,641	-
From Stage 2 to Stage 1	105,554	(105,554)	-	-
From Stage 2 to Stage 3	-	(24,573)	24,573	-
From Stage 3 to Stage 1	5,880	-	(5,880)	-
From Stage 3 to Stage 2	-	6,505	(6,505)	-
<b>Net Changes in Stage</b>	<u>64,895</u>	<u>(84,724)</u>	<u>19,829</u>	-
Net Movement during the year	<u>305,109</u>	<u>(31,157)</u>	<u>(1,328)</u>	<u>272,624</u>
<b>Net Movement</b>	<u>305,109</u>	<u>(31,157)</u>	<u>(1,328)</u>	<u>272,624</u>
<b>Closing balance – 31 December 2025</b>	<u><u>3,526,033</u></u>	<u><u>650,733</u></u>	<u><u>210,489</u></u>	<u><u>4,387,255</u></u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Investment securities

##### ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
<b>Opening Balance – 1 January 2025</b>	240	-	-	240
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(84)	84	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	<b>(84)</b>	<b>84</b>	<b>-</b>	<b>-</b>
Net Movement during the year	40	2,010	-	2,050
<b>Net Movement</b>	<b>40</b>	<b>2,010</b>	<b>-</b>	<b>2,050</b>
<b>Closing balance – 31 December 2025</b>	<b>196</b>	<b>2,094</b>	<b>-</b>	<b>2,290</b>

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
<b>Opening Balance – 1 January 2025</b>	83,563	-	-	83,563
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(10,000)	10,000	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	<b>(10,000)</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
Net Movement during the year	44,611	-	-	44,611
<b>Net Movement</b>	<b>44,611</b>	<b>-</b>	<b>-</b>	<b>44,611</b>
<b>Closing balance – 31 December 2025</b>	<b>118,174</b>	<b>10,000</b>	<b>-</b>	<b>128,174</b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Acceptance

##### ECL Movement

	Stage 1	Stage 2	Stage 3	₹'000 Total
<b>Opening Balance – 1 January 2025</b>	<b>439</b>	<b>2</b>	<b>-</b>	<b>441</b>
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	-	-	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Movement during the year	(435)	-	-	(435)
<b>Net Movement</b>	<b>(435)</b>	<b>-</b>	<b>-</b>	<b>(435)</b>
<b>Closing balance – 31 December 2025</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>6</b>

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	₹'000 Total
<b>Opening Balance – 1 January 2025</b>	<b>40,514</b>	<b>5,872</b>	<b>-</b>	<b>46,386</b>
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	-	-	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Movement during the year	(17,996)	(1,936)	-	(19,932)
<b>Net Movement</b>	<b>(17,996)</b>	<b>(1,936)</b>	<b>-</b>	<b>(19,932)</b>
<b>Closing balance – 31 December 2025</b>	<b>22,518</b>	<b>3,936</b>	<b>-</b>	<b>26,454</b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Letter of Credit/Guarantee

##### ECL Movement

	Stage 1	Stage 2	Stage 3	₹ '000 Total
<b>Opening Balance – 1 January 2025</b>	<b>1,045</b>	<b>1,146</b>	<b>1,484</b>	<b>3,675</b>
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(100)	100	-	-
From Stage 1 to Stage 3	(19)	-	19	-
From Stage 2 to Stage 1	159	(159)	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	6	-	(6)	-
From Stage 3 to Stage 2	-	335	(335)	-
<b>Net Changes in Stage</b>	<b>46</b>	<b>276</b>	<b>(322)</b>	<b>-</b>
Net Movement during the year	(145)	(112)	310	53
<b>Net Movement</b>	<b>(145)</b>	<b>(112)</b>	<b>310</b>	<b>53</b>
<b>Closing balance – 31 December 2025</b>	<b>946</b>	<b>1,310</b>	<b>1,472</b>	<b>3,728</b>

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	₹ '000 Total
<b>Opening Balance – 1 January 2025</b>	<b>626,456</b>	<b>88,763</b>	<b>3,209</b>	<b>718,428</b>
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(16,597)	16,597	-	-
From Stage 1 to Stage 3	(100)	-	100	-
From Stage 2 to Stage 1	17,976	(17,976)	-	-
From Stage 2 to Stage 3	-	(8)	8	-
From Stage 3 to Stage 1	10	-	(10)	-
From Stage 3 to Stage 2	-	513	(513)	-
<b>Net Changes in Stage</b>	<b>1,289</b>	<b>(874)</b>	<b>(415)</b>	<b>-</b>
Net Movement during the year	141,552	3,007	158	144,717
<b>Net Movement</b>	<b>141,552</b>	<b>3,007</b>	<b>158</b>	<b>144,717</b>
<b>Closing balance – 31 December 2025</b>	<b>769,297</b>	<b>90,896</b>	<b>2,952</b>	<b>863,145</b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Loan commitment / unutilised limits

##### ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
<b>Opening Balance – 1 January 2025</b>	797	870	1	1,668
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(11)	11	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	11	(11)	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	-	-	-	-
Net Movement during the year	948	88	(1)	1,035
<b>Net Movement</b>	948	88	(1)	1,035
<b>Closing balance – 31 December 2025</b>	<u>1,745</u>	<u>958</u>	<u>-</u>	<u>2,703</u>

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
<b>Opening Balance – 1 January 2025</b>	418,352	212,082	-	630,434
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	(3,161)	3,161	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	3,245	(3,245)	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	84	(84)	-	-
Net Movement during the year	311,206	(47,872)	-	263,334
<b>Net Movement</b>	311,206	(47,872)	-	263,334
<b>Closing balance – 31 December 2025</b>	<u>729,642</u>	<u>164,126</u>	<u>-</u>	<u>893,768</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Sovereign

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
<b>Opening Balance – 1 January 2025</b>	<b>480,313</b>	-	-	<b>480,313</b>
<b>Transfer between stages</b>				
From Stage 1 to Stage 2	-	-	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
<b>Net Changes in Stage</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Movement during the year	<u>(6,343)</u>	<u>-</u>	<u>-</u>	<u>(6,343)</u>
<b>Net Movement</b>	<b>(6,343)</b>	<b>-</b>	<b>-</b>	<b>(6,343)</b>
<b>Closing balance – 31 December 2025</b>	<b><u>473,970</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>473,970</u></b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### 2024:

Due from Bank  
ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	444	-	-	444
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Movements during the year	<u>(351)</u>	<u>-</u>	<u>-</u>	<u>(351)</u>
Net Movement	<u>(351)</u>	<u>-</u>	<u>-</u>	<u>(351)</u>
Closing balance – 31 December 2024	<u><u>93</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>93</u></u>

Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	227,522	-	-	227,522
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Movements during the year	<u>(30,950)</u>	<u>-</u>	<u>-</u>	<u>(30,950)</u>
Net Movement	<u>(30,950)</u>	<u>-</u>	<u>-</u>	<u>(30,950)</u>
Closing balance – 31 December 2024	<u><u>196,572</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>196,572</u></u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Loans and Advances

##### ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	12,986	56,042	98,719	167,747
Transfer between stages				
From Stage 1 to Stage 2	(1,006)	1,006	-	-
From Stage 2 to Stage 1	2,325	(2,325)	-	-
From Stage 1 and Stage 2 to Stage 3	1,214	(2,779)	1,565	-
Net Changes in Stage	<u>2,533</u>	<u>(4,098)</u>	<u>1,565</u>	<u>-</u>
Net Movement during the year	<u>(6,812)</u>	<u>11,279</u>	<u>27,373</u>	<u>31,840</u>
Net Movement	(6,812)	11,279	27,373	31,840
Write off	-	-	(43,782)	(43,782)
Closing balance – 31 December 2024	<u><u>8,707</u></u>	<u><u>63,223</u></u>	<u><u>83,875</u></u>	<u><u>155,805</u></u>

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	2,916,274	839,508	214,013	3,969,795
Transfer between stages				
From Stage 1 to Stage 2	(72,633)	72,633	-	-
From Stage 2 to Stage 1	5,502	(5,502)	-	-
From Stage 1 and Stage 2 to Stage 3	(485)	(4,885)	5,370	-
Net Changes in Stage	<u>(67,616)</u>	<u>62,246</u>	<u>5,370</u>	<u>-</u>
Net Movement during the year	<u>307,371</u>	<u>(135,140)</u>	<u>(27,395)</u>	<u>144,836</u>
Net Movement	307,371	(135,140)	(27,395)	144,836
Closing balance – 31 December 2024	<u><u>3,156,029</u></u>	<u><u>766,614</u></u>	<u><u>191,988</u></u>	<u><u>4,114,631</u></u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

##### Investment securities ECL Movement

	Stage 1	Stage 2	Stage 3	₹ '000 Total
Opening Balance – 1 January 2024	45	-	-	45
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	195	-	-	195
Net Movement	195	-	-	195
Closing balance – 31 December 2024	240	-	-	240

##### Exposure Movement

	Stage 1	Stage 2	Stage 3	₹ '000 Total
Opening Balance – 1 January 2024	29,463	-	-	29,463
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	54,100	-	-	54,100
Net Movement	54,100	-	-	54,100
Closing balance – 31 December 2024	83,563	-	-	83,563

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

Acceptance  
ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	23	12	-	35
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	416	(10)	-	406
Net Movement	416	(10)	-	406
Closing balance – 31 December 2024	439	2	-	441

Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	52,084	7,026	-	59,110
Transfer between stages				
From Stage 1 to Stage 2	(1,896)	1,896	-	-
From Stage 2 to Stage 1	861	(861)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(1,035)	1,035	-	-
Net Movement during the year	(10,535)	(2,189)	-	(12,724)
Net Movement	(10,535)	(2,189)	-	(12,724)
Closing balance – 31 December 2024	40,514	5,872	-	46,386

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

Letter of Credit/Guarantee  
ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	1,422	4,360	1,441	7,223
Transfer between stages				
From Stage 1 to Stage 2	(14)	14	-	-
From Stage 2 to Stage 1	1,221	(1,221)	-	-
From Stage 2 to Stage 3	-	(2)	2	-
Net Changes in Stage	<u>1,207</u>	<u>(1,209)</u>	<u>2</u>	<u>-</u>
Net Movement during the year	<u>(1,584)</u>	<u>(2,005)</u>	<u>41</u>	<u>(3,548)</u>
Net Movement	(1,584)	(2,005)	41	(3,548)
Closing balance – 31 December 2024	<u><u>1,045</u></u>	<u><u>1,146</u></u>	<u><u>1,484</u></u>	<u><u>3,675</u></u>

Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	562,259	109,961	3,282	675,502
Transfer between stages				
From Stage 1 to Stage 2	(4,031)	4,031	-	-
From Stage 2 to Stage 1	18,691	(18,691)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	<u>14,660</u>	<u>(14,660)</u>	<u>-</u>	<u>-</u>
Net Movement during the year	<u>49,537</u>	<u>(6,538)</u>	<u>(73)</u>	<u>42,926</u>
Net Movement	49,537	(6,538)	(73)	42,926
Closing balance – 31 December 2024	<u><u>626,456</u></u>	<u><u>88,763</u></u>	<u><u>3,209</u></u>	<u><u>718,428</u></u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

Loan commitment / unutilised limits

ECL Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	1,448	838	1	2,287
Transfer between stages				
From Stage 1 to Stage 2	(18)	18	-	-
From Stage 2 to Stage 1	36	(36)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	<u>18</u>	<u>(18)</u>	<u>-</u>	<u>-</u>
Net Movement during the year	<u>(669)</u>	<u>50</u>	<u>-</u>	<u>(619)</u>
Net Movement	(669)	50	-	(619)
Closing balance – 31 December 2024	<u><u>797</u></u>	<u><u>870</u></u>	<u><u>1</u></u>	<u><u>1,668</u></u>

Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	564,723	157,015	-	721,738
Transfer between stages				
From Stage 1 to Stage 2	(20,571)	20,571	-	-
From Stage 2 to Stage 1	7,484	(7,484)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	<u>(13,087)</u>	<u>13,087</u>	<u>-</u>	<u>-</u>
Net Movement during the year	<u>(133,284)</u>	<u>41,980</u>	<u>-</u>	<u>(91,304)</u>
Net Movement	(133,284)	41,980	-	(91,304)
Closing balance – 31 December 2024	<u><u>418,352</u></u>	<u><u>212,082</u></u>	<u><u>-</u></u>	<u><u>630,434</u></u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (h) Analysis of changes in the gross exposure and ECL (continued)

Sovereign

Exposure Movement

	Stage 1	Stage 2	Stage 3	<u>₹</u> '000 Total
Opening Balance – 1 January 2024	384,142	-	-	384,142
Transfer between stages				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 1	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Movement during the year	<u>96,171</u>	<u>-</u>	<u>-</u>	<u>96,171</u>
Net Movement	96,171	-	-	96,171
Closing balance – 31 December 2024	<u><u>480,313</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>480,313</u></u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 7. Loans, advances and financing to customers (continued)

#### (i). Reconciliation of financial assets and liabilities

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

31 December 25	Notes	Designated as at FVTPL	FVOCI – equity in- struments	FVOCI – debt instru- ments	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	179,798	179,798
Loans and advances to banks	6	-	-	-	212,066	212,066
Loans and advances to customers	7	-	-	-	4,176,548	4,176,548
Investment securities	8	12,494	101,409	156,133	443,721	713,757
Other assets	11	2,323	-	-	74,769	77,092
		<u>14,817</u>	<u>101,409</u>	<u>156,133</u>	<u>5,086,902</u>	<u>5,359,261</u>
Due to banks	12	-	-	-	268,377	268,377
Deposits from customers	13	-	-	-	4,116,829	4,116,829
Subordinated liabilities	15	-	-	-	100,905	100,905
Other liabilities	14	1,685	-	-	119,428	121,113
		<u>1,685</u>	<u>-</u>	<u>-</u>	<u>4,605,539</u>	<u>4,607,224</u>

Other assets include ₹ 2.25 million of positive fair value of derivatives financial instruments mandatorily measured at FVPTL and other liabilities includes negative fair value of derivatives financial instruments of ₹ 1.69 million.

31 December 24	Notes	Designated as at FVTPL	FVOCI – equity in- struments	FVOCI – debt instru- ments	Amortised cost	Total car- rying amount
Cash and balances with CBO	5	-	-	-	197,174	197,174
Loans and advances to banks	6	-	-	-	196,479	196,479
Loans and advances to customers	7	-	-	-	3,933,615	3,933,615
Investment securities	8	2,370	82,479	143,587	420,049	648,485
Other assets	11	6,095	-	-	69,742	75,837
		<u>8,465</u>	<u>82,479</u>	<u>143,587</u>	<u>4,817,059</u>	<u>5,051,590</u>
Due to banks	12	-	-	-	438,438	438,438
Deposits from customers	13	-	-	-	3,762,861	3,762,861
Other liabilities	14	4,469	-	-	127,337	131,806
		<u>4,469</u>	<u>-</u>	<u>-</u>	<u>4,328,636</u>	<u>4,333,105</u>

Other assets include ₹ 6.10 million of positive fair value of derivatives financial instruments mandatorily measured at FVPTL and other liabilities includes negative fair value of derivatives financial instruments of ₹ 4.47 million.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 8. Investment securities

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
<b>Equity investments:</b>		
Measured at FVTPL	12,494	2,370
Measured at FVOCI	101,409	82,479
<b>Gross equity investments</b>	<u>113,903</u>	<u>84,849</u>
<b>Debt investments:</b>		
Measured at FVOCI	158,423	143,827
Measured at amortized cost	443,721	420,049
<b>Gross debt investments</b>	<u>602,144</u>	<u>563,876</u>
<b>Total investment securities</b>	716,047	648,725
Less: Impairment loss allowance	<u>(2,290)</u>	<u>(240)</u>
<b>Total investment securities</b>	<u><u>713,757</u></u>	<u><u>648,485</u></u>
Investment securities measured as at FVTPL	12,494	2,370
Investment securities measured at FVOCI	257,542	226,066
Debt investments measured at amortised cost	443,721	420,049
	<u>713,757</u>	<u>648,485</u>

The Bank has designated some investments in equity instruments at FVOCI as these are investments that the Bank plans to hold in the long-term for strategic reasons. The movement of investment securities is summarised on the following pages.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 8. Investment securities (continued)

#### 8.1 Categories of investments by measurement

31 December 2025	Designated at FVTPL ₹'000	FVOCI ₹'000	Amortized cost ₹'000	Total ₹'000
<b>Quoted Equities:</b>				
Foreign securities	-	34,222	-	34,222
Services sector	-	2,292	-	2,292
Unit funds	11,722	-	-	11,722
Financial services sector	-	13,195	-	13,195
Industrial sector	-	50,895	-	50,895
	<u>11,722</u>	<u>100,604</u>	<u>-</u>	<u>112,326</u>
<b>Unquoted Equities:</b>				
Local securities	772	805	-	1,577
	<u>772</u>	<u>805</u>	<u>-</u>	<u>1,577</u>
<b>Gross Equity investments</b>	<u>12,494</u>	<u>101,409</u>	<u>-</u>	<u>113,903</u>
<b>Quoted Debt:</b>				
Government Bonds and Sukuk	-	67,427	356,543	423,970
Foreign Bonds	-	5,579	10,606	16,185
Local Bonds and Sukuks	-	35,042	26,572	61,614
	<u>-</u>	<u>108,048</u>	<u>393,721</u>	<u>501,769</u>
<b>Unquoted Debt:</b>				
Treasury Bills	-	-	50,000	50,000
Foreign Bonds	-	50,375	-	50,375
	<u>-</u>	<u>50,375</u>	<u>50,000</u>	<u>100,375</u>
<b>Gross debt investments</b>	<u>-</u>	<u>158,423</u>	<u>443,721</u>	<u>602,144</u>
<b>Total Investment Securities</b>	<u>12,494</u>	<u>259,832</u>	<u>443,721</u>	<u>716,047</u>
Less: Impairment losses on investments	-	(2,290)	-	(2,290)
	<u>12,494</u>	<u>257,542</u>	<u>443,721</u>	<u>713,757</u>

Government Bonds and Sukuks represents Oman Government Bonds and Oman Sovereign Sukuk having face value of ₹ 417.96 million (2024: ₹ 426.35 million) at average coupon rate of 4% to 6.75% maturing between 2026 and 2033.

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments ₹ 000's	FVOCI Eq- uity invest- ment ₹ 000's	Amortised cost ₹ 000's	FVTPL ₹ 000's	Total ₹ 000's
<b>At 1 January 2025</b>	143,609	82,457	420,049	2,370	648,485
Additions	230,281	17,193	232,727	10,384	490,585
Disposals and redemption	(221,717)	(6,626)	(209,491)	(641)	(438,475)
Gain from change in fair value	1,245	7,716	-	381	9,342
Amortisation of discount and premium	11	56	165	-	232
Movement in Interest Accrued	4,994	613	271	-	5,878
Total	<u>158,423</u>	<u>101,409</u>	<u>443,721</u>	<u>12,494</u>	<u>716,047</u>
Less: Impairment losses on investments	<u>(2,262)</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>(2,290)</u>
<b>At 31 December 2025</b>	<u>156,161</u>	<u>101,381</u>	<u>443,721</u>	<u>12,494</u>	<u>713,757</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 8. Investment's securities (continued)

#### 8.1 Categories of investments by measurement (continued)

31 December 2024	Designated at FVTPL ₹'000	FVOCI ₹'000	Amortized cost ₹'000	Total ₹'000
<b>Quoted Equities:</b>				
Foreign securities	-	33,337	-	33,337
Services sector	-	2,070	-	2,070
Unit funds	1,602	-	-	1,602
Financial services sector	-	13,098	-	13,098
Industrial sector	-	29,263	-	29,263
	<u>1,602</u>	<u>77,768</u>	<u>-</u>	<u>79,370</u>
<b>Unquoted Equities:</b>				
Local securities	768	4,711	-	5,479
	<u>768</u>	<u>4,711</u>	<u>-</u>	<u>5,479</u>
Gross Equity investments	<u>2,370</u>	<u>82,479</u>	<u>-</u>	<u>84,849</u>
<b>Quoted Debt:</b>				
Government Bonds and Sukuk	-	96,066	335,907	431,973
Foreign Bonds	-	-	5,334	5,334
Local Bonds and Sukuks	-	29,229	30,468	59,697
	<u>-</u>	<u>125,295</u>	<u>371,709</u>	<u>497,004</u>
<b>Unquoted Debt:</b>				
Treasury Bills	-	-	48,340	48,340
Foreign Bonds	-	18,532	-	18,532
	<u>-</u>	<u>18,532</u>	<u>48,340</u>	<u>66,872</u>
Gross debt investments	<u>-</u>	<u>143,827</u>	<u>420,049</u>	<u>563,876</u>
Total Investment Securities	2,370	226,306	420,049	648,725
Less: Impairment losses on investments	-	(240)	-	(240)
	<u>2,370</u>	<u>226,066</u>	<u>420,049</u>	<u>648,485</u>

The Bank has designated certain investments in equity instruments at FVOCI as these are investments that the bank plans to hold for long-term for strategic reasons.

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments ₹ 000's	FVOCI Eq- uity invest- ment ₹ 000's	Amortised cost ₹ 000's	FVTPL ₹ 000's	Total ₹ 000's
At 1 January 2024	123,420	45,143	290,159	755	459,477
Additions	48,539	40,011	203,305	1,601	293,456
Disposals and redemption	(24,383)	(2,483)	(73,869)	(18)	(100,753)
Loss from change in fair value	(1,715)	(832)	-	32	(2,515)
Amortisation of discount and premium	(6,742)	57	333	-	(6,352)
Movement in Interest Accrued	4,708	583	121	-	5,412
Total	<u>143,827</u>	<u>82,479</u>	<u>420,049</u>	<u>2,370</u>	<u>648,725</u>
Less: Impairment losses on investments*	<u>(218)</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>(240)</u>
At 31 December 2024	<u>143,609</u>	<u>82,457</u>	<u>420,049</u>	<u>2,370</u>	<u>648,485</u>

\* The amount of ECL is adjusted in the carrying value of FVOCI debt instruments and not recognised in other comprehensive income.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 9. Intangible assets

	31-Dec-2025	31-Dec-2024
	<u>₹'000</u>	<u>₹'000</u>
<b>Cost</b>		
1 January	42,463	39,003
Additions	5,007	3,484
Transfers	-	(24)
	<u>47,470</u>	<u>42,463</u>
<b>Depreciation</b>		
1 January	29,876	26,663
Charge for the year	3,166	3,213
	<u>33,042</u>	<u>29,876</u>
Carrying value	<u>14,428</u>	<u>12,587</u>

Intangible assets represents computer software acquired by the Bank over the period. The estimated useful life of these intangible assets ranges between four to ten years.

# BANK DHOFAR SAOG

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

## 10. Property and equipment

31 December 2025	Freehold Land	Buildings	Furniture and Fixtures	Motor Vehicles	Computer Equipment	Capital work-in-progress	Right use of Asset	Total
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
<b>Cost</b>								
1 January 2025	6,670	1,463	20,809	686	23,458	265	4,121	57,472
Additions	-	-	1,472	31	1,027	-	661	3,191
Disposals	-	-	(163)	(82)	-	-	-	(245)
Transfer	-	-	-	-	143	(143)	-	-
<b>31 December 2025</b>	<b>6,670</b>	<b>1,463</b>	<b>22,118</b>	<b>635</b>	<b>24,628</b>	<b>122</b>	<b>4,782</b>	<b>60,418</b>
<b>Depreciation</b>								
1 January 2025	-	1,463	17,359	647	19,272	-	3,327	42,068
Charge for the year	-	-	1,128	21	2,002	-	604	3,755
Disposals / Adjustments	-	-	(162)	(81)	-	-	(175)	(418)
<b>31 December 2025</b>	<b>-</b>	<b>1,463</b>	<b>18,325</b>	<b>587</b>	<b>21,274</b>	<b>-</b>	<b>3,756</b>	<b>45,405</b>
<b>Carrying value 31 December 2025</b>	<b>6,670</b>	<b>-</b>	<b>3,793</b>	<b>48</b>	<b>3,354</b>	<b>122</b>	<b>1,026</b>	<b>15,013</b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 10. Property and equipment (continued)

31 December 2024	Freehold Land	Buildings	Furniture and Fixtures	Motor Ve- hicles	Computer Equipment	Capital work-in- progress	Right use of Asset	Total
	<u>₹</u> '000	<u>₹</u> '000	<u>₹</u> '000	<u>₹</u> '000	<u>₹</u> '000	<u>₹</u> '000	<u>₹</u> '000	<u>₹</u> '000
Cost								
1 January 2024	140	1,463	20,530	998	21,912	79	3,434	48,556
Additions	6,530	-	1,612	42	1,591	186	687	10,648
Disposals	-	-	(1,333)	(354)	(45)	-	-	(1,732)
31 December 2024	<u>6,670</u>	<u>1,463</u>	<u>20,809</u>	<u>686</u>	<u>23,458</u>	<u>265</u>	<u>4,121</u>	<u>57,472</u>
Depreciation								
1 January 2024	-	1,463	17,406	976	17,262	-	2,849	39,956
Charge for the year	-	-	1,281	24	2,031	-	478	3,814
Disposals	-	-	(1,328)	(353)	(21)	-	-	(1,702)
31 December 2024	<u>-</u>	<u>1,463</u>	<u>17,359</u>	<u>647</u>	<u>19,272</u>	<u>-</u>	<u>3,327</u>	<u>42,068</u>
Carrying value 31 December 2024	<u>6,670</u>	<u>-</u>	<u>3,450</u>	<u>39</u>	<u>4,186</u>	<u>265</u>	<u>794</u>	<u>15,404</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 11. Other assets

	2025 ₹'000	2024 ₹'000
Acceptances	26,454	46,386
Prepaid expenses	2,055	5,543
Collaterals pending sale	8,500	-
Positive fair value of derivatives (note 30)	2,323	6,095
Other receivables	39,815	23,356
Less: allowance for expected credit losses	(6)	(441)
	<u>79,141</u>	<u>80,939</u>

Credit quality of acceptances and interest receivables is presented in note 32.

### 12. Due to banks

	2025 ₹'000	2024 ₹'000
Syndicated Inter bank borrowings	88,396	122,842
Interbank borrowings	177,421	313,965
Payable on demand	2,560	1,631
	<u>268,377</u>	<u>438,438</u>

At 31 December 2025, there were no interbank borrowings by the Islamic Banking Window with other banks (2024: ~~₹~~ 33.86 million).

At 31 December 2025, no interbank borrowing exceeding 20% individually of the due to bank outstanding balance (2024: nil) The Bank did not have any defaults of principal, interest, or other breaches during the year on its borrowed funds.

### 13. Deposits from customers

#### Conventional Banking

	2025 ₹'000	2024 ₹'000
Current accounts	1,060,197	995,920
Savings accounts	560,104	486,194
Time and certificate deposits	1,612,327	1,570,276
Margin accounts	16,944	14,491
	<u>3,249,572</u>	<u>3,066,881</u>

#### Islamic Banking

	2025 ₹'000	2024 ₹'000
Current accounts	318,907	229,022
Savings accounts	132,637	99,548
Time deposits	403,794	360,120
Margin accounts	11,919	7,290
	<u>867,257</u>	<u>695,980</u>

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to ~~₹~~ 1,605 million as at 31 December 2025 (2024: ~~₹~~ 1,494 million).

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 14. Other liabilities

	2025 S'000	2024 S'000
Acceptances	26,454	46,386
Creditors and accruals	83,984	72,949
Negative Fair Value of Derivative (note 30)	1,685	4,469
Lease liabilities	684	777
Allowance for expected credit losses on off-balance sheet items (note 7)	6,431	5,343
	<u>119,238</u>	<u>129,924</u>

Allowance for expected credit losses on off-balance sheet items consists of Loan commitments and financial guarantees, and Unutilised credit limit. Refer note 7.

### 14 (a) Employee benefit obligations

The Bank's net liability and the movement in the employee terminal benefits during the year are as follows:

	2025 S'000	2024 S'000
1 January	1,882	1,740
Charge for the year	270	349
Payments made during the year	(277)	(258)
Adjustments	-	51
	<u>1,875</u>	<u>1,882</u>

### 15. Subordinated loan

In April 2025, the Bank raised S 31 million through an unsecured subordinated loan with a tenure of 66 months. Subsequently, two additional tranches were issued under the same terms: S 52.9 million on 6 November 2025 and S 16.1 million on 25 November 2025, the total subordinated loan amounted to S 100 million. The loan carries interest rates ranging from 5.75% to 6%, payable semi-annually, with the principal amount due at maturity.

	2025 S'000	2024 S'000
Subordinated Loan	100,000	-
Interest payable on subordinated loan	905	-
	<u>100,905</u>	<u>-</u>

Details regarding movement in subordinated loan reserve are set out in note 19(b) of these financial statements.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 16. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of **₹** 0.100 each (2024: 5,000,000,000 ordinary shares of **₹** 0.100 each).

At 31 December 2025, the issued and paid-up share capital comprise 3,039,798,532 (2024: 2,996,351,436) ordinary shares of **₹** 0.100 each).

#### Shareholders:

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

	2025		2024	
	No. of shares	%	No. of shares	%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	759,797,455	24.99%	748,937,859	24.99%
Dhofar International Development & Investment Holding Company (SAOG)	708,202,540	23.30%	720,445,388	24.04%
Social Protection Fund	326,830,353	10.75%	299,912,988	10.01%
Others	1,244,968,184	40.96%	1,227,055,201	40.95%
<b>Total</b>	<b>3,039,798,532</b>	<b>100.00%</b>	<b>2,996,351,436</b>	<b>100.00%</b>

The Bank's Islamic Banking Window, "Dhofar Islamic" has an allocated capital of **₹** 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 31 December 2025 (2024: **₹** 70 million)

### 17. Perpetual Tier 1 Capital Securities

	2025 <b>₹</b> '000	2024 <b>₹</b> '000
Tier 1 <b>₹</b> Securities	155,500	155,500
	<b>155,500</b>	<b>155,500</b>

- (a) In October 2022, the Bank issued Perpetual Tier 1 **₹** Capital Securities (the "Tier 1 **₹** Securities"), amounting to **₹** 115,500,000, denominated in Riyal Omani. This Tier 1 **₹** Securities is listed on Muscat Stock Exchange.

The Tier 1 **₹** Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 **₹** Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion in October 2027 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 **₹** Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 6.75%. Thereafter the interest rate will be reset at five-year intervals. Interest will be payable semi-annually in arrears and treated as deduction from equity.

## 17 (b) Perpetual Tier 1 Capital Securities (continued)

### Tier 1 ~~₹~~ Securities (continued)

- (b) In December 2023, the Bank issued Perpetual Tier 1 ~~₹~~ Capital Securities (the “Tier 1 ~~₹~~ Securities”), amounting to ~~₹~~ 40,000,000, denominated in Riyal Omani. This Tier 1 ~~₹~~ Securities is listed on Muscat Stock Exchange.

The Tier 1 ~~₹~~ Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 ~~₹~~ Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion in December 2028 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 ~~₹~~ Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.00%. Thereafter the interest rate will be reset at five-year intervals. Interest will be payable semi-annually in arrears and treated as deduction from equity.

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 ~~₹~~ Securities, on a scheduled interest payment date (for whatever reason), then the Bank must not make any other distribution or payment on or with respect to its ordinary shares or any of its other Common Equity Tier 1 Instruments or securities, ranking junior to or pari passu with the Tier 1 ~~₹~~ Securities unless and until it has paid interest payment in full on the Tier 1 ~~₹~~ Securities. The Tier 1 ~~₹~~ Securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders of the Securities in certain circumstances.

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

## 18. Share premium

- i. In 2018, the Bank issued 361,842,105 ordinary shares by way of rights issue, a share premium of ~~₹~~ 0.050 per share, resulting in an increase of share capital and share premium by ~~₹~~ 36.18 million and ~~₹~~ 18.09 million, respectively.
- ii. In 2017, the Bank issued 216,216,216 shares by way of rights issue at a premium of ~~₹~~ 0.083 resulting in increase of share capital and share premium by ~~₹~~ 21.62 million and ~~₹~~ 17.95 million, respectively.
- iii. In 2016, the Bank issued 200,000,000 shares by way of rights issue at a premium of ~~₹~~ 0.098 resulting in increase of share capital and share premium by ~~₹~~ 20 million and ~~₹~~ 19.60 million, respectively.
- iv. In 2011, the shareholders of the Bank in the annual general meeting approved the issuance of 20.2% bonus shares amounting to ~~₹~~ 18.49 million (184,878,143 shares of par value ~~₹~~ 0.100 each) from the share premium account.
- v. In 2008, the Bank issued 176,921,306 shares by way of rights issue at a premium of ~~₹~~ 0.300 resulting in increase of share capital and share premium by ~~₹~~ 17.69 million and ~~₹~~ 53.08 million, respectively.
- vi. In 2003, pursuant to the “merger agreement”, the Bank has issued 6,681,818 shares of ~~₹~~ 1 each to erstwhile shareholders of Majan International Bank at a premium of ~~₹~~ 5.43 million. This is available for distribution.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 19. Reserves

#### (a) Legal reserve

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
1 January	76,192	71,831
Appropriation for the year	5,105	4,361
31 December	<u>81,297</u>	<u>76,192</u>

In accordance with the Commercial Companies Law of 2019, annual appropriations of 10% of net profit are made to the legal reserve until the accumulated balance of the reserve is equal to one-third of the Bank's paid up share capital. This legal reserve may be used for covering the Bank's losses and the increase of its share capital by way of issuing shares and it is not available for distribution to the shareholders as dividends except where the Bank reduces its share capital, provided that the legal reserve shall not be less than one third of the share capital after the reduction.

#### (b) Subordinated loan reserve

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
1 January	-	-
Appropriation for the year:		
Subordinated loan reserve	-	-
Transfer from retained earnings (refer (i) below)	6,200	-
31 December	<u>6,200</u>	<u>-</u>

(i) Consistent with the Bank for International Settlement ("BIS") Guidelines on capital adequacy, the Bank transfers an amount equivalent to 20% of the value of the subordinated loan each year to the subordinated loan reserve until the maturity of the loan. The amount of the reserve will be transferred to retained earnings through the statement of changes in equity upon settlement of the subordinated loan.

#### (c) Investment revaluation reserve

The investment revaluation reserve comprises of the cumulative net change in the fair value of equity securities measured at FVOCI and the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified.

The movement in the investment revaluation reserve is analysed below:

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
1 January	(2,605)	(58)
Change in fair value of debt instruments	1,245	(1,715)
Change in fair value of equity instruments	7,716	(832)
Change in investment reserve on disposal	(422)	-
31 December	<u>5,934</u>	<u>(2,605)</u>

#### (d) Special reserve

During 2021, CBO has approved to distribute ₹ 0.5 million from the special reserve to retained earnings for utilization of corporate social responsibility donation in relation to Cyclone Shaheen.

During 2020, CBO has approved to distribute ₹ 1 million from the special reserve to retained earnings for utilization of corporate social responsibility donation in relation to COVID-19.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 19. Reserves (continued)

#### (d) Special reserve (continued)

During 2013, the Bank recognised in statement of comprehensive income, recovery from a legal case of ~~₹~~ 26.1 million, out of which, the Bank allocated ~~₹~~ 18.49 million (equivalent amount that was used from share premium account for issuance of bonus shares, and which was approved by the Shareholders in the annual general meeting held on 28 March 2012) to a special reserve to strengthen its capital. Prior approval of CBO is required for any distribution from this 'special reserve account'

#### (e) Special reserve for restructured loans

In accordance with Central Bank of Oman circular BSD/2018/BKUP/Bank and FLC's/467 dated 20 June 2018, the banks are required to create a special reserve of 15% for all restructured financing after the date of circular. The amount is computed as an appropriation from net profit and is not eligible to be considered for the purpose of regulatory capital and dividend distribution. This requirement to create the special reserve at 15% on restructured financing has been dispensed on immediate effect based on Central Bank of Oman circular BSD/CB/FLC/2019/15 dated 18 November 2018.

#### (f) Special Impairment reserve – net of tax

CBO circular BM 1149 requires the Bank to create a reserve for the difference between provisions under CBO norms and IFRS 9 when provisions, under CBO norms are higher than IFRS 9 provisions. There is no transfer made during the year due to suspension of two track approach by CBO.

#### (g) Special investment revaluation reserve

From 1 January 2018, the Bank classified its portfolio of equity investments as FVOCI (elected). Certain investments were previously impaired, with the allowance for expected credit losses of ~~₹~~ 0.71 million charged to statement of comprehensive income. A one off adjustment was recorded on 1 January 2018 to retained earnings to account this as part of transition adjustments of the Bank under IFRS 9. This reserve will be released to retained earnings on disposal of investments.

### 20. Retained earnings

Retained earnings represent the undistributed profits generated by the Bank since incorporation.

### 21. Net assets per share

Net assets per share are calculated by dividing net assets attributable to equity holders of the Bank at the year-end by the number of shares outstanding at 31 December as follows:

	2025 <del>₹</del> '000	2024 <del>₹</del> '000
Net assets ( <del>₹</del> )	614,144,000	584,931,437
Number of shares outstanding at the end of the year	<u>3,039,798,532</u>	<u>2,996,351,436</u>
Net assets per share ( <del>₹</del> )	<u>0.202</u>	<u>0.195</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 22. Interest income / Income from Islamic financing and Investments

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
<b>Conventional Banking</b>		
Loans and advances	194,421	191,789
Due from banks	18,163	19,187
Investments	24,285	21,084
<b>Total</b>	<u>236,869</u>	<u>232,060</u>
	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
<b>Islamic Banking</b>		
Islamic financing receivables	46,181	42,406
Islamic due from banks	679	503
Investments	6,090	4,918
<b>Total</b>	<u>52,950</u>	<u>47,827</u>

### 23. Interest expense / Unrestricted investment account holders' share of profit and profit expense

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
<b>Conventional Banking</b>		
Customers' deposits	(111,653)	(108,715)
Subordinated liabilities	(1,799)	-
Bank borrowings	(28,367)	(28,292)
<b>Total</b>	<u>(141,819)</u>	<u>(137,007)</u>

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
<b>Islamic Banking</b>		
Customer Deposits	(28,960)	(26,815)
Islamic bank borrowings	(1,105)	(1,896)
<b>Total</b>	<u>(30,065)</u>	<u>(28,711)</u>

#### (a) Other operating income

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
Foreign exchange	6,892	4,753
Investment income 23 (b)	7,925	4,066
Miscellaneous income	1,180	1,281
	<u>15,997</u>	<u>10,100</u>

#### (b) Investment income by measurement category

	2025	2024
	<u>₹'000</u>	<u>₹'000</u>
Dividend income	4,501	1,513
Income from perpetual securities	3,014	2,521
Gain on disposals of investments	49	-
Fair value gain on investments	361	32
	<u>7,925</u>	<u>4,066</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 24. Staff and administrative costs

#### (a) Staff costs

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Salaries and allowances	(39,668)	(41,038)
Other personnel costs	(9,906)	(8,230)
Social insurance contribution	(3,604)	(3,282)
Non-Omani employees' terminal benefit	(441)	(350)
	<u>(53,619)</u>	<u>(52,900)</u>

On 31 December 2025, the Bank had 1,780 employees (2024: 1,720 employees).

#### (b) Administrative costs

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Occupancy costs	(4,247)	(4,169)
Operating and administration cost	(13,030)	(14,018)
Others	(3,343)	(730)
	<u>(20,620)</u>	<u>(18,917)</u>
Total staff and administrative cost	<u>(74,239)</u>	<u>(71,817)</u>

### 25. Income tax

#### (a) Income tax expense:

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
<b>Current tax</b>		
Current year charge	7,801	7,078
Prior years	(1,244)	(6,345)
	<u>6,557</u>	<u>733</u>
<b>Deferred tax</b>		
Current year	812	(114)
Prior years	-	5,959
	<u>812</u>	<u>5,845</u>
<b>Tax expense for the year</b>	<u>7,369</u>	<u>6,578</u>

Interest on Additional Tier 1 Securities is reflected in the statement of changes in equity for the years ended 31 December 2015 to 31 December 2025. The Tax Authority ("TA") has completed the assessment for the years 2015 to 2021 wherein the TA has disallowed interest on Additional Tier 1 Securities. The Bank would pursue the matter further by filing an appeal with the TA. However, on a conservative basis, the Bank has created a current tax provision against the disallowance of the interest on Additional Tier 1 Securities.

The tax rate applicable to the Bank is 15% (2024: 15%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 12.61% (2024: 13.11%).

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 25. Income tax (continued)

- (a) The reconciliation of taxation on the accounting profit before tax for the year at ₹ 58.4 million (2024: ₹ 50.19 million) and the taxation charge in the financial statements is as follows:

	2025 <u>₹</u> '000	2024 <u>₹</u> '000
Profit before tax	<u>58,420</u>	<u>50,187</u>
Income tax as per rates mentioned above	8,763	7,528
Tax exempt revenue	(966)	(227)
Non-deductible expenses	4	(223)
Current tax Prior years	(1,244)	(6,345)
Deferred tax - current years	812	(114)
Deferred tax - prior years	-	5,959
Tax expense for the year	<u>7,369</u>	<u>6,578</u>

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

- (b) The deferred tax asset/liability has been recognised at the effective tax rate of 15% (2024 - 15%) Deferred tax asset / (liability) in the statement of financial position and the deferred tax credit / (charge) in the statement of comprehensive income relates to the tax effect of provisions, allowance for expected credit losses on financial instruments, change in fair value of FVOCI investment and derivatives, accelerated depreciation and expenses disallowed which give rise to deferred tax asset are as follows:

	Opening <u>₹</u> '000	Recognised in SCI	2025 <u>₹</u> '000	Recognised in SOCE
<b>Particulars</b>				
Property and equipment	(796)	28	(768)	-
Provision for legal claim	267	(15)	252	-
Right of Use Asset and lease liability	(14)	(54)	(68)	-
Allowance for expected credit losses on financial instruments	570	(570)	-	-
Investment revaluation (Non listed)	121	473	594	-
Fair value derivatives	(130)	44	(86)	-
Cash flow hedge reserve	(114)	105	(9)	-
Investment carried at fair value through profit and loss account	460	(823)	(363)	-
Net deferred tax asset	<u>364</u>	<u>(812)</u>	<u>(448)</u>	<u>-</u>
	Opening <u>₹</u> '000	Recognised in SCI	2024 <u>₹</u> '000	Recognised in SOCE
<b>Particulars</b>				
Property and equipment	(930)	134	(796)	-
Provision for legal claim	240	27	267	-
Right of Use Asset and lease liability	(9)	(5)	(14)	-
Allowance for expected credit losses on financial instruments	6,874	(6,304)	570	-
Investment revaluation (Non listed)	121	-	121	-
Fair value derivatives	(96)	(34)	(130)	-
Cash flow hedge reserve	-	(114)	(114)	-
Investment carried at fair value through profit and loss account	9	451	460	-
Net deferred tax asset	<u>6,209</u>	<u>(5,845)</u>	<u>364</u>	<u>-</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 25. Income tax (continued)

#### (c) Status of previous year returns:

The tax assessments of the bank up to and including the Tax Year 2021 has been assessed and finalized by the TA. The bank has filed a grievance with tax grievance committee for disallowance of Interest on Additional Tier 1 Securities for the Tax Years 2015 to 2020. The Bank is in process of filing an objection with the Tax Authority for tax year 2021. The tax assessment of the Bank for the Tax Year 2022 to 2024 is yet to be taken up by the TA.

#### (d) Tax liabilities

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

	2025 S'000	2024 S'000
At 1 January	11,511	15,509
Charge for the year	6,557	733
Payments during the year	(4,633)	(4,731)
At 31 December	<u>13,435</u>	<u>11,511</u>

### 26. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the year attributable to ordinary shareholders as follows:

	2025	2024
Profit for the period (S)	51,051,000	43,608,974
Less: Additional Tier 1 Coupon	(10,580,908)	(10,625,281)
Profit for the period attributable to equity holders of the Bank	<u>40,470,092</u>	<u>32,983,693</u>
Weighted average number of shares outstanding during the period	<u>3,039,798,532</u>	<u>3,039,798,532</u>
Earnings per share basic and diluted (S)	<u>0.0133</u>	<u>0.0109</u>

Earnings per share (basic and diluted) have been derived by dividing the profit for the year attributable to the shareholders by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

For the purpose of earning per share calculation, the Bank has restated the previous year weighted average number of shares outstanding, to include 1.45% bonus shares and bonus element (43,447,096 shares) in respect of bonus shares issued during the year.

### 27. Related parties' transactions

In the ordinary course of business, the Bank conducts certain transactions on mutually agreed terms with its Directors, shareholders and companies over which they are able to exert significant influence. The aggregate amounts of balances with such related parties are as follows:

	2025 S'000	2024 S'000
<b>Loans, advances and financing</b>		
Shareholders holding 20% or more interest in the Bank and their related entities	81,929	111,844
Other related parties	<u>67,793</u>	<u>86,883</u>
	<u>149,722</u>	<u>198,727</u>
<b>Subordinated loan</b>		
Shareholders holding 20% or more interest in the Bank and their related entities	13,388	-
Other related parties	<u>25,432</u>	<u>-</u>
	<u>38,820</u>	<u>-</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 27. Related parties' transactions (continued)

	2025 <u>₹ '000</u>	2024 <u>₹ '000</u>
<b>Deposit and other accounts</b>		
Shareholders holding 20% or more interest in the Bank and their related entities	98,282	145,712
Other related parties	<u>368,916</u>	<u>439,375</u>
	<u>467,198</u>	<u>585,087</u>
<b>Contingent liabilities and commitments</b>		
Shareholders holding 20% or more interest in the Bank and their related entities	4,432	4,901
Other related parties	<u>6,956</u>	<u>11,037</u>
	<u>11,388</u>	<u>15,938</u>

Interest Income earned from Loans and advances to Related Parties amounts to ₹ 8.12 million (2024: ₹ 7.84 million) of which ₹ 4.64 million (2024: ₹ 4.61 million) pertains to Directors, shareholders (holding 20% or more interest in the Bank).

Interest Expense incurred on Deposits from Related parties amounts to ₹ 26.76 million (2024: ₹ 20.85 million) of which ₹ 9.61 million (2024: ₹ 20.15 million) pertains to Directors, shareholders (holding 20% or more interest in the Bank).

Majority of the loans and advances given to related parties are classified as Stage 1 and attract an ECL consistent with the methodology and assumptions for all stage 1 exposures as explained in note 7.

Balances and transactions with other related parties in the table above substantially represent the transactions and balances with shareholders holding less than 20% share capital of the Bank and their related entities, transaction and balances with entities where directors have control or common directors. These are considered related parties under regulatory requirements.

	2025 <u>₹ '000</u>	2024 <u>₹ '000</u>
<b>Remuneration paid to Directors</b>		
<b>Chairman</b>		
– remuneration paid	36	36
– sitting fees paid	7	7
<b>Other Directors</b>		
– remuneration paid	264	264
– sitting fees paid	76	69
	<u>383</u>	<u>376</u>
<b>Other transactions</b>		
Rental payment to related parties	<u>582</u>	<u>564</u>
Insurance	<u>4,238</u>	<u>4,997</u>
Other transactions	<u>517</u>	<u>771</u>
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	<u>52</u>	<u>53</u>
<b>Key management compensation</b>		
Salaries and other short-term benefits	<u>3,851</u>	<u>4,350</u>
Staff terminal benefit	<u>77</u>	<u>68</u>

Loans to related parties carry interest at rates ranging between 2% and 7.5% (2024: 2% and 7.51%). Deposits from related parties attract interest at rates ranging between 0.5% and 6% (2024: 0.5% and 6.25%).

Key management comprises of 18 personnel (2024: 22) of the management executive committee in the year 2025. The Bank considers the personnel of Management Executive Committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures'.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 27. Related parties' transactions (continued)

#### Single borrower and senior members

Single borrowers are connected counterparties with credit exposure in excess of 15% of the Bank's capital. Senior members include senior positions directly related to the top management of the Bank, a holding company owning 25% of more of the net worth of the Bank and their related business interests/affiliates.

#### (a) Single borrower

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
<b>Single borrower</b>		
Total direct exposure	545,563	442,315
Number of members	<u>2</u>	<u>2</u>

#### (b) Senior members

The information in the below table is also included in the exposure with related parties disclosed in note 27.

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Total exposure:		
Direct	149,722	198,727
Indirect	<u>7,388</u>	<u>15,938</u>
	<u>157,110</u>	<u>214,665</u>
Number of members	<u>41</u>	<u>41</u>

### 28. 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 ₹ 70.09 million (2024: ₹ 44.56 million).

### 29. Contingent liabilities and commitments

#### (a) Credit related contingent items

Letters of credit and guarantees provided by the Bank to the customers are as follows:

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Letters of credit	106,640	76,811
Guarantees and performance bonds	<u>756,505</u>	<u>641,617</u>
	<u>863,145</u>	<u>718,428</u>

At 31 December 2025, letters of credit, guarantees and other commitments amounting to ₹ 246.07 million (2024: ₹ 226.08 million) are counter guaranteed by other banks.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 29. Contingent liabilities and commitments *(continued)*

#### (a) Credit related contingent items *(continued)*

At 31 December 2025, the Irrevocable unutilised limits towards the loans, advances and financing to customers amount to ₹ 893.77 million (2024: 630.43 million).

Refer to note 7 and note 32 for the details on credit loss allowances and credit quality of financial assets.

#### (b) Capital and investment commitments

	2025 <u>₹</u> '000	2024 <u>₹</u> '000
Contractual commitments for property and equipment/computer software	<u>5,778</u>	<u>3,864</u>

#### (c) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2025. Directors have made an assessment of these cases and made appropriate provisions. The recognised provision reflects the directors' best estimate of the most likely outcome. In cases where no provisions have been made, professional advice indicates that it is unlikely that any significant loss will arise.

# BANK DHOFAR SAOG

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

## 30. Disaggregation of net fees and commission income

	Retail banking	Corporate banking	Treasury and invest- ment bank- ing	Sub To- tal	Islamic Banking	Total
31 December 2025	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>
<b>Fee Income</b>						
Transactional services	24,407	592	55	25,054	1,641	26,695
Trade services	50	4,092	2,395	6,537	841	7,378
Syndication and other financing re- lated services	1,519	7,545	2,581	11,645	1,499	13,144
Advisory and asset management ser- vices	-	-	-	-	1,066	1,066
	<u>25,976</u>	<u>12,229</u>	<u>5,031</u>	<u>43,236</u>	<u>5,047</u>	<u>48,283</u>
<b>Fee Expense</b>						
Transactional Services	(11,169)	(90)	(279)	(11,538)	(564)	(12,102)
Syndication and Other Financing re- lated services	-	-	(149)	(149)	(180)	(329)
	<u>(11,169)</u>	<u>(90)</u>	<u>(428)</u>	<u>(11,687)</u>	<u>(744)</u>	<u>(12,431)</u>
<b>Net fee and commission income</b>	<u>14,807</u>	<u>12,139</u>	<u>4,603</u>	<u>31,549</u>	<u>4,303</u>	<u>35,852</u>
	Retail banking	Corporate banking	Treasury and investment banking	Sub To- tal	Islamic Banking	Total
31 December 2024	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>	<u>₹'000</u>
<b>Fee Income</b>						
Transactional services	14,891	535	319	15,745	1,029	16,774
Trade services	14	4,484	2,524	7,022	752	7,774
Syndication and other financing re- lated services	1,240	6,920	3,420	11,580	1,234	12,814
Advisory and asset management ser- vices	-	227	-	227	825	1,052
	<u>16,145</u>	<u>12,166</u>	<u>6,263</u>	<u>34,574</u>	<u>3,840</u>	<u>38,414</u>
<b>Fee Expense</b>						
Transactional Services	(8,025)	(93)	(282)	(8,400)	(81)	(8,481)
Syndication and Other Financing re- lated services	-	-	(1,151)	(1,151)	(209)	(1,360)
	<u>(8,025)</u>	<u>(93)</u>	<u>(1,433)</u>	<u>(9,551)</u>	<u>(290)</u>	<u>(9,841)</u>
<b>Net fee and commission income</b>	<u>8,120</u>	<u>12,073</u>	<u>4,830</u>	<u>25,023</u>	<u>3,550</u>	<u>28,573</u>

**31. Derivative financial instruments**

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 instruments for non-hedging purposes:

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. No exchange of principal takes place, except for certain currency swaps. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities shown within other assets and other liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

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

31 December 2025	Positive fair value	Negative Fair Value	Notional amount total	Notional amounts by term to maturity		
				within 3 months	4-12 months	> 12 months
<b>₹ 000's</b>						
<b>Derivatives:</b>						
Cash flow hedge	-	53	76,018	-	-	76,018
Commodities purchase contracts	240	-	1,811	-	1,811	-
Commodities sale contracts	-	239	1,810	-	1,810	-
Interest rate swaps		949	165,928	-	-	165,928
IRS with customer	949		165,928	-	-	165,928
Forward purchase contracts	-	444	1,065,612	233,574	646,063	185,975
Forward sales contracts	1,134	-	1,064,721	233,490	645,569	185,662
<b>Total</b>	<b>2,323</b>	<b>1,685</b>	<b>2,541,828</b>	<b>467,064</b>	<b>1,295,253</b>	<b>779,511</b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 31. Derivative financial instruments (continued)

31 December 2024	Positive fair value	Negative Fair Value	Notional amount to- tal	Notional amounts by term to maturity		
				within 3 months	4-12 months	> 12 months
Derivatives:						
Cash flow hedge	759	-	153,018	-	-	153,018
Commodities purchase contracts	305	-	15,788	8,657	7,131	-
Commodities sale contracts	-	228	15,711	8,625	7,086	-
Interest rate swaps*	-	3,919	94,129	-	-	94,129
IRS with customer*	3,919	-	94,129	-	-	94,129
Forward purchase contracts	-	322	1,028,567	458,167	290,743	279,657
Forward sales contracts	1,112	-	1,027,522	457,918	290,126	279,478
<b>Total</b>	<b>6,095</b>	<b>4,469</b>	<b>2,428,864</b>	<b>933,367</b>	<b>595,086</b>	<b>900,411</b>

\*Interest rate swaps entered by the Bank are back-to-back arrangements and therefore the amount of positive and negative fair value is equal.

The following table indicates the positive fair values of derivatives (net) associated with derivatives that are recognised in the statement of comprehensive income.

	Assets		Liabilities	
	31-Dec-2025 S'000	31-Dec-2024 S'000	31-Dec-2025 S'000	31-Dec-2024 S'000
Expected cash flows	<b>638</b>	<b>1,626</b>	<b>638</b>	<b>1,626</b>

#### 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 had entered into interest rate swaps that are designated as cash flow hedges for hedging the cash flow volatility risk on certain foreign currency denominated liabilities. The cumulative change in the fair value of the hedged liabilities attributable to the risk hedged is recorded as part of their respective carrying values and are accordingly presented in statement of financial position.

#### 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.

#### Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments net of tax. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

#### Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

**31. Derivative financial instruments (continued)****Cashflow hedge reserve**

In 2024, the Bank has entered into an Interest Rate Swap (IRS) agreement to hedge pool of bank borrowings amounting to USD 197.45 million at market competitive swap rates. Details of the hedge are under:

Hedged instrument	SOFR linked pool of Bank borrowing portfolio
Hedging instrument	Pay floating receive fixed Interest rate swaps
Hedge risk	Interest rate risk fluctuations of SOFR

There is an economic relationship between the hedged item and the hedging instrument.

Accordingly, the movement in the cash flow hedge reserve during the year is as follows:

The following amounts were recognised in the statement of other comprehensive income during the year

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
At 1 January	645	-
Change in fair value during the year	(503)	759
Less: related deferred tax liabilities	<u>(89)</u>	<u>(114)</u>
At 31 December	<u><u>53</u></u>	<u><u>645</u></u>
	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Effective portion of hedge recognized during the year	875	1,300
Less: Gains on hedge recycled to profit or loss	<u>(1,378)</u>	<u>(541)</u>
Change in fair value of cash flow hedge during the year	<u><u>(503)</u></u>	<u><u>759</u></u>

**32. Fair value information**

The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position (Level 3).

**Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 32. Fair value information (Continued)

At 31 December 2025	Level 1 ₹'000	Level 2 ₹'000	Level 3 ₹'000	Total ₹'000	Cost ₹'000
<b>Financial assets</b>					
Investments at FVOCI	197,200	11,452	51,180	259,832	252,296
Investments at FVTPL	11,722	-	772	12,494	12,353
<i>Derivative financial instruments</i>					
Commodities purchase contracts	-	240	-	240	-
Forward foreign exchange contracts	-	1,134	-	1,134	-
IRS customer	-	949	-	949	-
<b>Total</b>	<b>208,922</b>	<b>13,775</b>	<b>51,952</b>	<b>274,649</b>	<b>264,649</b>
<b>Financial liabilities</b>					
<i>Derivative financial instruments</i>					
Cash flow hedge	-	53	-	53	-
Commodities sale contracts	-	239	-	239	-
Forward foreign exchange contracts	-	444	-	444	-
Interest rate swaps	-	949	-	949	-
<b>Total</b>	<b>-</b>	<b>1,685</b>	<b>-</b>	<b>1,685</b>	<b>-</b>
At 31 December 2024	Level 1 ₹'000	Level 2 ₹'000	Level 3 ₹'000	Total ₹'000	Cost ₹'000
<b>Financial assets</b>					
Investments at FVOCI	192,347	10,716	23,243	226,306	228,062
Investments at FVTPL	1,602	-	768	2,370	2,589
<i>Derivative financial instruments</i>					
Cash flow hedge	-	759	-	759	-
Commodities purchase contracts	-	305	-	305	-
Forward foreign exchange contracts	-	1,112	-	1,112	-
IRS customer	-	3,919	-	3,919	-
<b>Total</b>	<b>193,949</b>	<b>16,811</b>	<b>24,011</b>	<b>234,771</b>	<b>230,651</b>
<b>Financial liabilities</b>					
<i>Derivative financial instruments</i>					
Commodities sale contracts	-	228	-	228	-
Forward foreign exchange contracts	-	322	-	322	-
Interest rate swaps	-	3,919	-	3,919	-
<b>Total</b>	<b>-</b>	<b>4,469</b>	<b>-</b>	<b>4,469</b>	<b>-</b>

The impact of change in estimates used in measurement of fair value of level 3 securities is not material to the financial statements. The following table demonstrates the movement of the Bank's level 3 investments:

#### Level 3 movement – 31 December 2025

	FVTPL ₹ 000's	FVOCI ₹ 000's	Total ₹ 000's
<b>At 1 January</b>	<b>768</b>	<b>23,243</b>	<b>24,011</b>
Total gains/(losses)	4	(3,906)	(3,902)
Purchases	-	50,375	50,375
Sales/Maturities	-	(18,532)	(18,532)
<b>At 31 December</b>	<b>772</b>	<b>51,180</b>	<b>51,952</b>

**32. Fair value information (Continued)****Level 3 movement – 31 December 2024**

	FVTPL ₹ 000's	FVOCI ₹ 000's	Total ₹ 000's
At 1 January	755	691	1,446
Total gains	13	61	74
Purchases	-	22,491	22,491
At 31 December	<u>768</u>	<u>23,243</u>	<u>24,011</u>

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index process and expected price volatilities and correlations.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

**Transfer between level 1 and level 2**

During the year 2024, FVOCI corporate debt Sukuk with a carrying amount of ₹ 10 million were transferred from Level 1 to Level 2. To determine the fair value of Sukuk, management used a valuation technique in which all significant inputs were based on observable market data.

**33. Financial risk management**

The important types of financial risks to which the Bank is exposed are credit risk, liquidity risk and market risk. The Risk Management Division of the Bank is an independent and dedicated unit reporting directly to the Board Risk Committee ("BRC"). The division's primary responsibility is to assess, monitor and recommend strategies for control of credit, market and operational risk. The absence of any direct or indirect reporting lines and permanent membership in all the Bank's committees are among the factors which reflect the independence of the Risk Management Divisions (RMD) working and the key role it plays within the Bank.

The risk management framework is pivoted on a host of committees involving the executive management and the Board of Directors ("the Board") for approval and reporting purposes. The Board has the overall authority for approval of strategies and policies, which it exercises through its various sub-committees. The Board Risk Committee is responsible for reviewing and recommending to the full Board for approval of all risk policies and procedures. BRC also reviews the risk profile of the Bank as presented to it by the RMD and appraises the full Board in its periodic meeting.

**A. 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 arising principally from the loans, advances and Islamic financing, amounts due from banks and investment in debt securities. The Bank has an independent credit risk management function which identifies, assesses and manages the credit risk at an individual or entity level. All the Corporate credit proposals are assessed independently by RMD before they are considered by the appropriate approving authorities. The Bank has defined various levels of authorities for credit approval with Board of Directors being the final credit approving authority of the Bank and mainly responsible for approving all credit proposals beyond the authority level set for the management credit committee. This committee is also the final authority for approving investments beyond the set authority of the management credit committee. The Management Credit Committee ("MCC") is the credit decision making body at the management level which is empowered to consider all credit related issues up to certain limit.

**33. Financial risk management (continued)****A. Credit Risk (continued)**

The Bank has established robust credit risk management policies and procedures and a risk grading system for analysing the risk associated with credit. This facilitates the approving authorities in making their credit decision. In addition, RMD assists/reviews grading of obligors, conducts regular macro analysis of the credit portfolio and monitors credit concentration limits.

Maximum counterparty/Bank exposures are limited to 15% of the Bank's capital base as stipulated by CBO and where a higher limit is required for projects of national importance, prior CBO approval is obtained. Individual country limits using internal ratings have also been set up to ensure portfolio diversification in terms of sovereign risk ratings and geographical exposure. These limits are approved by the Board Risk Committee. Retail lending is strictly in accordance with the CBO.

As at 31 December 2025, the Bank has restructured loans amounting to ₹ 438.23 million, constituting 10% of the Gross loans and Advances. The Bank has also considered ECL to address significant increase in credit risk in certain accounts based on its judgment and experience.

The Bank estimates its expected credit losses (ECLs) considering the macroeconomic indicators and ECLs were estimated based on a range of forecasts for economic conditions as at that date, the Bank has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. The macro-economic variables for estimation of forward-looking factor in ECL were identified based on their level and direction of association with asset quality ratio of Oman Banking sector. The forward-looking factor (called as Cyclicity Index) used is determined from the observed historical macro-economic factors. The cyclicity index is used to forecast expected point-in-time probability of defaults for all the portfolio for which ECL is estimated and correlation is observed between the Cyclicity index and macro-economic factors. The forward-looking macro-economic model for Oman has been redeveloped in second half of year 2024 with macro-economic factors Real GDP growth and Oil Price. Also, a new world macro-economic model has been developed for the non-resident externally rated exposures (Banks and Sovereign). The macro-economic factors have been projected, in line with IMF. The macro-economic indicators for both models have been provided as under:

	Oman macro model		World macro model	
	GDP growth (annual %) Lag 2	Oil Price	GDP growth (annual %)	
Present	1.30%	55.26	3.23%	
Year 1	1.20%	52.92	3.16%	
Year 2	3.10%	51.52	3.14%	

The ECL has been calculated as a probability weighted figure for three scenarios i.e. Base case, Upside and Downside with analytically derived weights. No change has been considered in the weightage. Currently, the scenario weights are calculated in the application, derived based on the distribution fitting to the historical default rate and the macroeconomic projection. Real GDP growth is two years lagged variable in the model and hence the last two years realized GDP growth will influence the projections for current year and next year PDs. Macroeconomic projections for average oil price are showing declining trend for the next three years. Real GDP growth projections have reduced, as considered in Oman budget 2026 for 2025 and for the next three years projection is provided by IMF.

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its usual model refinement exercise. Bank has not considered any other change in ECL model. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. To meet any additional challenge, Bank has also considered additional customer specific overlays, based on the management experience and close monitoring of the customers with significant increase in credit risk.

The total expected credit loss as at 31 December 2025 stood at ₹ 183.93 million as compared to ₹ 161.92 million as at 31 December 2024. The total ECL has increased by ₹ 22.01 million, which is 13.59% more than the last year position. Out of ₹ 183.93 million, Bank is maintaining ECL of ₹ 136.78 million (2024: ₹ 114.02 million) in corporate portfolio, ₹ 14.18 million (2024: ₹ 12.17 million) in SME portfolio and ₹ 30.18 million (2024: ₹ 29.62 million) in Retail portfolio. Since, the models may not always capture all the stressed events, it is therefore prudent to incur additional ECL based on the management experience and current uncertain situation in the economy. Accordingly, Bank has considered account specific post model adjustments of ₹ 4.62 million (31 December 2024: ₹ 5.52 million).

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit Risk (continued)

Other receivables of the Bank are generally short term in nature and with history of insignificant default and hence ECL impact from this balance considered to be immaterial.

#### Sensitivity of ECL to future economic conditions

The Bank is currently using three scenarios viz., Base case, Upside and Downside with analytically derived weights applied to the estimation of ECL. The below table provides the impact on ECL on major assets, if weight of 100% is applied to Base case and Downside scenarios.

#### 2025

Scenarios	ECL for				Total
	Loans and advances (₹ 000's)	Islamic financing receivables (₹ 000's)	Investment securities carried at amortised cost (₹ 000's)	Other Portfolio (₹ 000's)	(₹ 000's)
Scenarios currently used by Bank	145,687	29,350	2,290	6,602	183,929
100% Base case scenario	146,439	29,572	2,327	6,767	185,105
100% Downside scenario	159,264	33,124	2,850	10,631	205,869

#### 2024

Scenarios	ECL for				Total
	Loans and advances (₹ 000's)	Islamic financing receivables (₹ 000's)	Investment securities carried at amortised cost (₹ 000's)	Other Portfolio (₹ 000's)	(₹ 000's)
Scenarios currently used by Bank	135,864	19,941	240	5,877	161,922
100% Base case scenario	135,901	19,968	231	5,787	161,887
100% Downside scenario	149,540	23,608	417	9,283	182,848

The above table reveals that in case of 100% downside scenario, the ECL may increase by ₹ 21.94 million (2024: 20.93 million) from the current position.

#### Accounting for modification loss

The Bank have done an extensive exercise on determining the modification loss/gain and has determined that the re-structuring done are in line with CBO guidelines which did not result in de-recognition of financial assets and the modification loss arising from the restructured loan was accounted for within ECL.

As of 31st December 2025, the restructured loans, advances and financing amounts to ₹ 438.23 million and the stagewise details are as follows:

Classification/Stage As per IFRS-9	2025		2024	
	Restructured (₹ 000's)	ECL (₹ 000's)	Restructured (₹ 000's)	ECL (₹ 000's)
Stage 1	89,992	475	83,794	860
Stage 2	318,317	52,961	379,872	41,934
Stage 3	29,919	8,703	25,458	6,573
<b>Total</b>	<b>438,228</b>	<b>62,139</b>	<b>489,124</b>	<b>49,367</b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit Risk (continued)

##### 1. Credit Exposure

The following table sets out the Credit Exposure to customers of the Bank:

##### (i) Geographical concentrations

	Assets			Liabilities		
	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
<b>31 December 2025</b>						
Sultanate of Oman	83,178	4,386,751	615,361	4,115,217	13,453	454,293
Other GCC countries	52,986	504	84,166	123	116,098	80,412
Europe and North America	44,050	-	11,482	1,141	107,641	174,148
Africa and Asia	32,017	-	5,038	348	31,185	154,292
	<u>212,231</u>	<u>4,387,255</u>	<u>716,047</u>	<u>4,116,829</u>	<u>268,377</u>	<u>863,145</u>
<b>31 December 2024</b>						
Sultanate of Oman	82,459	4,114,056	591,665	3,761,609	116,536	444,008
Other GCC countries	38,733	-	57,060	329	199,065	90,050
Europe and North America	53,594	575	-	753	44,984	168,258
Africa and Asia	21,786	-	-	170	77,853	16,112
	<u>196,572</u>	<u>4,114,631</u>	<u>648,725</u>	<u>3,762,861</u>	<u>438,438</u>	<u>718,428</u>

Loan commitment of ₹ 893.77 million as at 31 December 2025 (31 December 2024: ₹ 630.43 million) arises from the customers in the Sultanate of Oman.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit Risk (continued)

##### (iii) Customer concentrations

	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
<b>31 December 2025</b>						
Personal	-	1,642,304	-	1,067,738	-	243
Corporate	212,231	2,073,599	197,518	1,088,894	268,377	321,297
Government	-	671,352	518,529	1,960,197	-	541,605
	<u>212,231</u>	<u>4,387,255</u>	<u>716,047</u>	<u>4,116,829</u>	<u>268,377</u>	<u>863,145</u>
<b>31 December 2024</b>						
Personal	-	1,550,440	-	995,105	-	239
Corporate	196,572	1,998,284	168,412	783,019	438,438	279,397
Government	-	565,907	480,313	1,984,737	-	438,792
	<u>196,572</u>	<u>4,114,631</u>	<u>648,725</u>	<u>3,762,861</u>	<u>438,438</u>	<u>718,428</u>

Loan commitment of ₹ 893.77 million as at 31 December 2025 (31 December 2024: ₹ 630.43 million) substantially arises from the corporate customers.

##### (iii) Economic sector concentrations

	Gross loans, advances and financing to customers	Deposits from customers	Contingent Liabilities	Loan Commitment
	₹ '000	₹ '000	₹ '000	₹ '000
<b>31 December 2025</b>				
Personal	1,642,304	1,618,626	20,802	38,470
International trade	222,833	115,561	70,193	81,804
Construction	503,840	116,326	210,450	195,971
Manufacturing	275,811	166,036	50,493	178,741
Wholesale and retail trade	96,726	36,417	22,286	21,893
Communication and utilities	157,730	45,123	15,141	65,819
Financial services	168,521	44,040	217,853	68,022
Government	200,413	1,513,629	195,574	46,781
Other services	747,543	305,719	41,653	77,440
Others	371,534	155,352	18,700	118,827
	<u>4,387,255</u>	<u>4,116,829</u>	<u>863,145</u>	<u>893,768</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit Risk (continued)

##### (iii) Economic sector concentrations (continued)

	Gross loans, advances and financing to customers	Deposits from customers	Contingent Liabilities	Loan Commitment
	₹ '000	₹ '000	₹ '000	₹ '000
31 December 2024				
Personal	1,550,440	1,408,770	6,976	26,590
International trade	195,713	93,287	44,299	48,529
Construction	514,363	102,690	205,760	125,331
Manufacturing	300,987	132,216	28,898	63,587
Wholesale and retail trade	106,002	29,746	18,147	22,992
Communication and utilities	117,892	24,578	5,433	23,297
Financial services	230,887	49,801	219,730	86,851
Government	106,325	1,284,042	108,155	43,074
Other services	484,221	172,424	26,641	88,971
Others	507,801	465,307	54,389	101,212
	<u>4,114,631</u>	<u>3,762,861</u>	<u>718,428</u>	<u>630,434</u>

##### (iv) Gross credit exposure

	Total gross exposure	
	2025	2024
	₹ '000	₹ '000
Overdrafts	143,307	140,489
Loans	3,179,143	3,054,196
Loans against trust receipts	137,112	140,504
Bills discounted	44,293	29,869
Advance against credit cards	18,592	14,379
Islamic Banking Window financing	864,808	735,194
<b>Total</b>	<u>4,387,255</u>	<u>4,114,631</u>

##### (v) Geographical distribution of funded exposures:

	Sultanate of Oman	Other countries	Total
	₹ '000	₹ '000	₹ '000
<b>31 December 2025</b>			
Overdrafts	143,307	-	143,307
Loans	3,179,143	-	3,179,143
Loans against trust receipts	137,112	-	137,112
Advance against credit cards	18,592	-	18,592
Bills discounted and advances against receivables	43,789	504	44,293
Islamic Banking Window financing	864,808	-	864,808
	<u>4,386,751</u>	<u>504</u>	<u>4,387,255</u>

### 33. Financial risk management (continued)

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### A. Credit Risk (continued)

	Sultanate of Oman ₹'000	Other countries ₹'000	Total ₹'000
31 December 2024			
Overdrafts	140,489	-	140,489
Loans	3,054,196	-	3,054,196
Loans against trust receipts	140,374	130	140,504
Advance against credit cards	14,379	-	14,379
Bills discounted and advances against receivables	29,424	445	29,869
Islamic Banking Window financing	735,194	-	735,194
	<u>4,114,056</u>	<u>575</u>	<u>4,114,631</u>

### (vi) Industry type distribution of exposures by major types of credit exposures:

	Overdrafts ₹'000	Loans includ- ing Islamic fi- nancing ₹'000	Bills dis- counted ₹'000	Others ₹'000	Total ₹'000	Contingent li- abilities ₹'000	Loan commit- ments ₹'000
31 December 2025							
Import trade	20,618	156,942	2,488	41,828	221,876	70,079	79,017
Export trade	74	429	-	454	957	114	2,788
Wholesale/retail trade	6,090	81,828	952	7,856	96,726	22,286	21,893
Mining and quarry- ing	2,045	172,765	17,511	22	192,343	2,952	10,134
Construction	38,908	418,593	1,380	18,922	477,803	210,450	195,971
Manufacturing	16,752	217,833	1,655	39,846	276,086	50,493	178,741
Electricity, gas and water	1,060	308,317	347	469	310,193	26,152	23,017
Transport and Com- munication	3,298	108,258	7,142	655	119,353	4,246	58,596
Financial institu- tions	11,021	150,350	10,674	8	172,053	217,853	68,022
Services	23,839	443,252	42	3,448	470,581	26,397	61,646
Personal loans	14,265	1,605,703	-	22,336	1,642,304	20,802	38,470
Agriculture and al- lied Activities	1,782	19,644	-	10,734	32,160	800	29,049
Government	706	199,708	-	-	200,414	195,574	46,781
Non-resident lend- ing	-	-	504	-	504	-	-
Others	2,849	160,329	1,598	9,126	173,902	14,947	79,643
	<u>143,307</u>	<u>4,043,951</u>	<u>44,293</u>	<u>155,704</u>	<u>4,387,255</u>	<u>863,145</u>	<u>893,768</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit Risk (continued)

##### (vi) Industry type distribution of exposures by major types of credit exposures: (continued)

	Overdrafts	Loans including Islamic financ- ing	Bills dis- counted	Others	Total	Contingent li- abilities	Loan commit- ments
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
31 December 2024							
Import trade	20,282	135,973	-	33,369	189,624	41,431	46,727
Export trade	1,070	5,009	-	10	6,089	2,868	1,802
Wholesale/retail trade	4,934	94,826	-	6,242	106,002	18,147	22,992
Mining and quarrying	1,865	137,290	-	167	139,322	40,388	34,648
Construction	39,438	425,893	-	49,032	514,363	205,760	125,331
Manufacturing	23,815	240,589	4,427	32,156	300,987	28,898	63,587
Electricity, gas and water	1,154	188,254	-	1,805	191,213	8,443	36,850
Transport and Com- munication	1,460	116,127	-	305	117,892	5,305	26,501
Financial institutions	4,739	224,741	986	421	230,887	219,730	86,851
Services	30,902	368,781	380	8,448	408,511	26,641	73,773
Personal loans	4,330	1,533,216	-	12,894	1,550,440	6,976	26,590
Agriculture and allied Activities	1,018	19,543	-	9,070	29,631	676	4,427
Government	-	106,325	-	-	106,325	108,155	43,074
Non-resident lending	-	-	575	-	575	-	-
Others	5,482	192,823	23,501	964	222,770	5,010	37,281
	<u>140,489</u>	<u>3,789,390</u>	<u>29,869</u>	<u>154,883</u>	<u>4,114,631</u>	<u>718,428</u>	<u>630,434</u>

##### (vii) Maximum exposure to credit risk (net of impairment) without consideration of collateral held:

	2025 ₹'000	2024 ₹'000
Cash held by custodian and Central Bank balances	136,301	150,546
Due from Banks	212,066	196,479
Sovereign	473,970	480,313
Investment Securities at amortized Cost	37,178	35,802
Investment Securities at FVOCI	88,706	47,521
Loans and advances	4,212,218	3,958,826
Other receivables	48,315	23,356
Acceptances	26,448	45,945
<b>Total funded net exposure</b>	<u>5,235,202</u>	<u>4,938,788</u>
<i>Off-balance sheet items</i>		
Loan commitments / unutilised limits	891,065	628,766
Letter of credit/guarantee	859,417	714,753
	<u>6,985,684</u>	<u>6,282,307</u>

As at 31 December 2025, the Bank has total gross impaired financing of ₹ 239.95 million (2024: ₹ 216.13 million) which includes interest reserved of ₹ 26.51 million (2024: ₹ 20.94 million) against principal outstanding of ₹ 213.44 million (2024: ₹ 195.20 million) expected credit losses of ₹ 95.94 million (2024: ₹ 85.36 million) have been carried.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit Risk (continued)

##### (viii) Credit Quality Analysis

The financial assets have been segregated into various portfolios like exposure to Banks, Sovereign, Wholesale Banking and Retail customers. Exposure to Retail customer includes personal loans, housing loans and credit cards. Exposure to Wholesale Banking customer includes exposure other than retail and bank exposure.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 3.3. The following table provides the exposure to financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at 31 December 2025 including loan commitment and financial guarantees:

	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
<b>31 December 2025</b>				
<i>Exposure</i>				
Banks and cash held with a custodian	348,532	-	-	348,532
Sovereigns	473,970	-	-	473,970
Wholesale banking	3,455,369	901,803	171,146	4,528,318
Retail banking	1,592,121	7,888	42,295	1,642,304
Investments	118,174	10,000	-	128,174
<b>Total</b>	<b>5,988,166</b>	<b>919,691</b>	<b>213,441</b>	<b>7,121,298</b>
<b>Provision for expected credit losses</b>	<b>13,529</b>	<b>74,457</b>	<b>95,943</b>	<b>183,929</b>

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 3.3. The following table provides the exposure to non-trading financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at 31 December 2024 including loan commitment and financial guarantees:

	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
<b>31 December 2024</b>				
<i>Exposure</i>				
Banks and cash held with a custodian	347,118	-	-	347,118
Sovereigns	480,313	-	-	480,313
Wholesale banking	2,734,806	1,067,031	157,602	3,959,439
Retail banking	1,506,545	6,300	37,595	1,550,440
Investments	83,563	-	-	83,563
<b>Total</b>	<b>5,152,345</b>	<b>1,073,331</b>	<b>195,197</b>	<b>6,420,873</b>
<b>Provision for expected credit losses</b>	<b>11,321</b>	<b>65,241</b>	<b>85,360</b>	<b>161,922</b>

**33. Financial risk management (continued)**

**A. Credit Risk (continued)**

**(ix) Inputs, assumptions and techniques used for estimating impairment**

**a. Significant increase in credit risk (SICR)**

The assessment of SICR since origination of a financial asset considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking information. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

For retail exposures, significant increase in credit risk is more objective and is estimated at account level. The assessment is done using days past due information as well change in the rating grade of the borrower. The process of identifying the significant increase in credit risk has been automated and based on the days past due or deterioration in the rating grade of the borrower the significant increase in credit risk is assessed. For non-retail exposures, the Bank uses both quantitative and qualitative criteria. Under quantitative criteria, Bank uses the days past due parameter or change in the rating grade to assess significant increase in credit risk. Under qualitative criteria, Bank uses various criteria like change in value or quality of collateral, modification of terms including extension of moratorium, deferment of payment, waiver of covenants (restructure), frequent change in senior management, deferment / delay in commencement of commercial operations etc. to assess the significant increase in credit risk.

***Incorporation of forward looking information***

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. Dynamic scenario weights are calculated in the ECL application, derived based on the distribution fitting to the historical default rate and the macroeconomic projection. External information considered includes economic data and forecasts published by monetary authorities. A comprehensive review is performed at least annually on the design of the scenarios by the Bank's senior management.

**b. Economic variable assumptions**

The Bank uses the macroeconomic forecast to convert the Through the Cycle (TTC) PD into Point in Time (PIT) PD. Real GDP growth rate and Oil Revenue to GDP are considered for establishing the relationship with historical non-performing loans (NPLs) data of the banking system, as they were observed to be more statistically significant parameters reflecting the state of economy. The forecast of macro-economic indicators are considered for next 3 years for Real GDP (2 years lag) and oil price. Also, a new world macro-economic model has been developed for the non-resident externally rated exposures (Banks and Sovereign). The macroeconomic indicators used as at 31 December 2025 including the projections used is presented as under:

**31 December 2025**

	Oman macro model		World macro model
	GDP growth (annual %) Lag 2	Oil Price	GDP growth (annual %)
Present	1.30%	55.26	3.23%
Year 1	1.20%	52.92	3.16%
Year 2	3.10%	51.52	3.14%

Predicted relationships between the macroeconomic indicators, default and loss rates on various portfolios of financial assets have been developed based on analysing historical data.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### (ix) Inputs, assumptions and techniques used for estimating impairment (continued)

#### b. Economic variable assumptions (continued)

31 December 2024

	Oman macro model			World macro model
	GDP growth (annual %) Lag 2	Oil Price		GDP growth (annual %)
Present	4.31%	58.96		3.18%
Year 1	1.30%	55.26		3.23%
Year 2	1.20%	52.92		3.16%
Year 3	3.10%	51.52		3.14%

The following tables shows estimate of the ECL on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at 31 December 2025, with 100% probability of happening each scenario.

Sensitivity of ECL estimates on non-impaired loans (excluding ECL on unutilised loans and interest receivables)	ECL (₹ million)	Impact on ECL due to Sensitivity (₹ million)
Scenario weighted ECL under IFRS 9 (Actual Estimate)**	88.0	N.A
Sensitivity:		
ECL if only Upside case happens - 100% probability	74.4	(13.6)
ECL if only Base case happens - 100% probability	89.0	1.0
ECL if only Downside case happens - 100% probability	109.8	21.8

\*\* for computation of ECL (i.e. actual estimates), Bank considers three scenario viz. a base case, which is the median scenario one upside and one downside. Dynamic scenario weights are calculated in the ECL application, derived based on the distribution fitting to the historical default rate and the macroeconomic projection.

The following tables shows estimate of the ECL on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at 31 December 2024, with 100% probability of happening each scenario.

Sensitivity of ECL estimates on non-impaired loans (excluding ECL on unutilised loans and interest receivables)	ECL (₹ million)	Impact on ECL due to Sensitivity (₹ million)
Scenario weighted ECL under IFRS 9 (Actual Estimate)**	74.2	N.A
Sensitivity:		
ECL if only Upside case happens - 100% probability	63.1	(11.1)
ECL if only Base case happens - 100% probability	74.5	0.3
ECL if only Downside case happens - 100% probability	93.8	19.6

\*\* for computation of ECL (i.e. actual estimates), Bank considers three scenario viz. a base case, which is the median scenario one upside and one downside. Dynamic scenario weights are calculated in the ECL application, derived based on the distribution fitting to the historical default rate and the macroeconomic projection.

## 33. Financial risk management *(continued)*

### (ix) Inputs, assumptions and techniques used for estimating impairment *(continued)*

#### b. Economic variable assumptions *(continued)*

#### c. Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

Retail portfolios

- (i) GDP, given the significant impact it has on mortgage collateral valuations; and
- (ii) Oil price index, given its impact on secured and unsecured borrowers' ability to meet their contractual repayments.

Wholesale portfolios

- (i) GDP, given the significant impact on companies' performance and collateral valuations; and
- (ii) Oil Price Index, given its impact on companies' likelihood of default.

### (x) Credit Quality

#### *Credit risk grading*

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank has adopted a risk rating framework having eight performing loan grades (including special mention) and three non-performing loan grades. The Bank's internal Risk Rating (RR) risk rates a customer and to associate a default probability to each rating grade. The ratings 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 is also set in terms of how much 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.

'High Grade' exposures includes the risk rate of 1-3 which includes the exposures with good to excellent business credit quality, good to exceptional capacity for timely fulfilment of the financial obligation and negligible or low probability of default and/or low levels of expected loss and in retail segment, exposures with no past due days are considered as High Grade.

'Standard Grade' exposures includes the risk rate of 4-5 which includes the exposures of acceptable to fair credit quality, satisfactory capacity for timely fulfilment of the financial obligation. These exposures carry average to marginally acceptable risk and in retail segment, exposures with less than thirty days of past dues are considered as Standard Grade.

'Satisfactory Grade' exposures includes the risk rate of 6-8 which includes the exposures with comparatively weak or less acceptable credit quality. The exposures carry high risk, caution and special mention category. Projected repayment capacity is strained and prospects may deteriorate at some future date. These reflect either weak operating environment or operations reflect weakness and in retail segment, exposures with more than thirty days of past dues are considered as Satisfactory Grade.

'Non-performing' exposures have been assessed as impaired and includes the risk rate of 9 to 11. These also include retail accounts that are delinquent by more than 90 days, unless individually they have been assessed as not impaired; and renegotiated loans that have met the requirements to be disclosed as impaired and have not yet met the criteria to be returned to the unimpaired portfolio.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit risk (continued)

##### (x) Credit Quality (continued)

An analysis of credit quality of gross exposures as at 31 December 2024 and changes in gross exposure balances from 1 January 2024 to 31 December 2025 is set out in the following tables by class of financial assets

#### 31 December 2025:

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Due from banks at Amortised cost</b>				
High Grade	73,120	-	-	73,120
Standard Grade	132,802	-	-	132,802
Satisfactory Grade	6,309	-	-	6,309
<b>Total</b>	<b>212,231</b>	<b>-</b>	<b>-</b>	<b>212,231</b>

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Corporate Loans and advances / Islamic financing receivables at Amortised cost</b>				
High Grade	488,441	20,047	-	508,488
Standard Grade	1,365,368	80,812	-	1,446,180
Satisfactory Grade	77,619	542,001	-	619,620
Non-performing	-	-	170,663	170,663
<b>Total</b>	<b>1,931,428</b>	<b>642,860</b>	<b>170,663</b>	<b>2,744,951</b>

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Retail Loans and advances / Islamic financing receivables at Amortised cost*</b>				
High Grade	804,312	2,045	-	806,357
Standard Grade	679,829	20	-	679,849
Satisfactory Grade	110,464	5,808	-	116,272
Non-performing	-	-	39,826	39,826
<b>Total</b>	<b>1,594,605</b>	<b>7,873</b>	<b>39,826</b>	<b>1,642,304</b>

\* includes Housing Loans, Personal Loans Credit Cards and Retail Overdrafts

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Sovereign</b>				
High Grade	473,970	-	-	473,970
Standard Grade	-	-	-	-
Satisfactory Grade	-	-	-	-
<b>Total</b>	<b>473,970</b>	<b>-</b>	<b>-</b>	<b>473,970</b>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit risk (continued)

#### (x) Credit Quality (continued)

31 December 2025

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Debt investment securities at FVOCI</b>				
High Grade	62,071	-	-	62,071
Standard Grade	18,925	-	-	18,925
Satisfactory Grade	-	10,000	-	10,000
<b>Total</b>	<b>80,996</b>	<b>10,000</b>	<b>-</b>	<b>90,996</b>

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Debt investment securities at Amortised cost</b>				
High Grade	13,701	-	-	13,701
Standard Grade	23,477	-	-	23,477
Satisfactory Grade	-	-	-	-
<b>Total</b>	<b>37,178</b>	<b>-</b>	<b>-</b>	<b>37,178</b>

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Acceptances at Amortised cost</b>				
High Grade	6,150	-	-	6,150
Standard Grade	14,058	1,953	-	16,011
Satisfactory Grade	2,310	1,983	-	4,293
<b>Total</b>	<b>22,518</b>	<b>3,936</b>	<b>-</b>	<b>26,454</b>

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Loan commitments</b>				
High Grade	229,222	7,412	-	236,634
Standard Grade	448,444	65,024	-	513,468
Satisfactory Grade	51,976	91,690	-	143,666
<b>Total</b>	<b>729,642</b>	<b>164,126</b>	<b>-</b>	<b>893,768</b>

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
<b>Letter of credit and guarantees*</b>				
High Grade	220,487	1,992	-	222,479
Standard Grade	456,407	43,246	-	499,653
Satisfactory Grade	92,403	45,658	-	138,061
Non-performing	-	-	2,952	2,952
<b>Total</b>	<b>769,297</b>	<b>90,896</b>	<b>2,952</b>	<b>863,145</b>

\* includes Corporate & SME , Retail and Banks

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit risk (continued)

##### (x) Credit Quality (continued)

#### 31 December 2024:

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
Due from banks at Amortised cost				
High Grade	51,059	-	-	51,059
Standard Grade	143,287	-	-	143,287
Satisfactory Grade	2,226	-	-	2,226
Total	196,572	-	-	196,572

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
Corporate Loans and advances / Islamic financing receivables at Amortised cost				
High Grade	433,285	60,787	-	494,072
Standard Grade	1,158,451	95,119	-	1,253,570
Satisfactory Grade	57,748	604,408	-	662,156
Non-performing	-	-	154,393	154,393
Total	1,649,484	760,314	154,393	2,564,191

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
Retail Loans and advances / Islamic financing receivables at Amortised cost*				
High Grade	842,615	62	-	842,677
Standard Grade	528,803	547	-	529,350
Satisfactory Grade	135,127	5,691	-	140,818
Non-performing	-	-	37,595	37,595
Total	1,506,545	6,300	37,595	1,550,440

\* includes Housing Loans, Personal Loans Credit Cards and Retail Overdrafts

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
Sovereign				
High Grade	423,493	-	-	423,493
Standard Grade	56,820	-	-	56,820
Satisfactory Grade	-	-	-	-
Total	480,313	-	-	480,313

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### B. Credit risk (continued)

##### (x) Credit Quality (continued)

#### 31 December 2024

	Stage 1 ₹ 000's	Stage 2 ₹ 000's	Stage 3 ₹ 000's	Total ₹ 000's
Debt investment securities at Amortised cost				
High Grade	15,287	-	-	15,287
Standard Grade	20,515	-	-	20,515
Satisfactory Grade	-	-	-	-
Total	35,802	-	-	35,802
Debt investment securities at FVOCI				
High Grade	5,261	-	-	5,261
Standard Grade	42,500	-	-	42,500
Satisfactory Grade	-	-	-	-
Total	47,761	-	-	47,761
Acceptances at Amortised cost				
High Grade	21,851	-	-	21,851
Standard Grade	18,417	1,221	-	19,638
Satisfactory Grade	246	4,651	-	4,897
Total	40,514	5,872	-	46,386
Loan commitments				
High Grade	98,624	35,081	-	133,705
Standard Grade	303,508	89,255	-	392,763
Satisfactory Grade	16,220	87,746	-	103,966
Total	418,352	212,082	-	630,434
Letter of credit and guarantees*				
High Grade	323,258	8,427	-	331,685
Standard Grade	233,733	35,032	-	268,765
Satisfactory Grade	69,465	45,304	-	114,769
Non-performing	-	-	3,209	3,209
Total	626,456	88,763	3,209	718,428

\* includes Corporate & SME , Retail and Banks

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit risk (continued)

##### (xi) Distribution of impaired loans

The following table presents the distribution of impaired loans, past due and not past due loans by type of industry:

	Performing loans	Non-per- forming loans	Expected Credit Loss for Stage 1 & 2 Ex- posure	Expected Credit Loss for Stage 3 Exposure	Interest reserve	Expected Credit Loss during the year	Advances written off during the year
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
<b>31 December 2025</b>							
Import trade	213,825	8,052	1,918	4,044	7,850	3,452	3,872
Export trade	789	168	138	173	50	114	-
Wholesale/retail trade	93,590	3,136	464	1,027	70	(4,944)	196
Mining and quarrying	174,803	28	4,700	6	1,899	2,141	-
Construction	379,908	123,932	19,273	50,736	18,167	23,363	2,621
Manufacturing	267,205	8,606	12,015	3,672	866	(5,034)	2,964
Electricity, gas and water	310,932	570	683	358	6	(598)	521
Transport and communi- cation	109,532	3,026	312	271	81	(221)	-
Financial institutions	168,521	1	1,946	-	-	(92)	-
Services	472,924	8,288	29,590	3,365	626	11,931	291
Personal loans	1,595,858	41,536	4,912	25,239	4,795	1,014	287
Agriculture and allied ac- tivities	32,159	-	177	-	-	71	-
Government	200,413	-	564	-	-	392	-
Non-resident lending	504	-	-	-	-	-	-
Others	155,803	16,098	3,874	7,052	1,260	(638)	657
	<u>4,176,766</u>	<u>213,441</u>	<u>80,566</u>	<u>95,943</u>	<u>35,670</u>	<u>30,951</u>	<u>11,409</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### B. Credit risk (continued)

##### (xi) Distribution of impaired loans (continued)

	Performing loans	Non-per- forming loans	Expected Credit Loss for Stage 1 & 2 Expo- sure	Expected Credit Loss for Stage 3 Exposure	Interest reserve	Expected Credit Loss dur- ing the year	Advances written off during the year
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
31 December 2024							
Import trade	177,208	12,411	2,756	6,005	1,599	1,183	1,710
Export trade	5,940	154	136	75	36	52	-
Wholesale/retail trade	103,667	2,335	5,573	794	138	735	2,187
Mining and quarrying	137,198	6,063	428	2,902	1,134	1,196	-
Construction	405,309	109,054	13,238	42,107	10,215	4,954	18,103
Manufacturing	285,913	15,074	8,841	6,272	6,474	1,973	17
Electricity, gas and water	227,999	1,283	946	594	105	1,868	-
Transport and communi- cation	101,295	-	883	1	1	863	13
Financial institutions	230,887	-	2,038	-	-	1,911	-
Services	481,553	2,688	19,863	1,313	474	775	1,799
Personal loans	1,511,140	39,300	6,593	23,055	4,284	10,993	-
Agriculture and allied ac- tivities	29,654	-	106	-	-	163	19,668
Government	106,682	-	172	-	-	908	5
Non-resident lending	575	-	-	-	-	5	-
Others	117,623	6,835	10,357	2,242	751	4,301	280
	<u>3,922,643</u>	<u>195,197</u>	<u>71,930</u>	<u>85,360</u>	<u>25,211</u>	<u>31,881</u>	<u>43,782</u>

The following table presents the distribution of impaired loans and gross loans by geographical distribution:

	Exposure to Stage 1 & 2	Exposure to Stage 3	Stage 1 & 2 ECL	Stage 3 ECL	Interest re- serve	ECL during the year	Advances written off during the year
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
<b>31 December 2025</b>							
Sultanate of Oman	4,176,262	213,441	80,566	95,943	35,670	30,951	11,409
Other countries	504	-	-	-	-	-	-
	<u>4,176,766</u>	<u>213,441</u>	<u>80,566</u>	<u>95,943</u>	<u>35,670</u>	<u>30,951</u>	<u>11,409</u>
31 December 2024							
Sultanate of Oman	3,922,068	195,197	71,930	85,360	25,211	31,881	43,782
Other countries	575	-	-	-	-	-	-
	<u>3,922,643</u>	<u>195,197</u>	<u>71,930</u>	<u>85,360</u>	<u>25,211</u>	<u>31,881</u>	<u>43,782</u>

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### A. Credit risk (continued)

##### (xi) Distribution of impaired loans (continued)

#### Analysis of impairment and collateral

(a) An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Property	575,399	2,293,756
Guarantee	2,303,990	1,266,908
Others	2,931,086	1,076,412
	<u>5,810,475</u>	<u>4,637,076</u>

(b) An estimate of the fair value of collateral and other security enhancements held against impaired financial assets is shown below:

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Property	124,519	120,817
Others	1,380	12,309
	<u>125,899</u>	<u>133,126</u>

The Bank has a financial asset of ₹ 3,120 million (2024: ₹ 4,879 million) against collateral or other security enhancements held.

The Bank holds above collaterals against certain of its credit exposures. Value of property held as collateral is obtained from external valuations held.

#### B. Liquidity risk

Liquidity risk is the potential inability to meet the Bank's liabilities that are settled by delivering cash or another financial asset as they become due. It arises when the Bank is unable to generate cash to cope with a decline in deposits or increase in assets.

The Bank manages its liquidity risk through a comprehensive framework governed by the Asset Liability Management Policy, as approved by the Board of Directors. This framework also incorporates the requirements and guidelines issued by the Central Bank of Oman (CBO) with regard to liquidity risk management.

In addition to the primary policy, the Bank has a separately approved Contingency Funding Plan (CFP). The CFP ensures that the Bank is consistently able to meet all maturing liabilities and support asset growth and ongoing business operations. The plan encompasses robust procedures for daily monitoring of cash flows and the maintenance of a portfolio of high-quality, tradable liquid assets that can be readily disposed of in substantial quantities if needed.

Furthermore, the Bank maintains established lines of credit to address any unforeseen liquidity requirements that may arise, thereby reinforcing its ability to manage unexpected funding pressures.

The Bank monitors its liquidity risk through cash flow approach and stock approach. Under cash flow approach the Bank generates Maturity of Assets and Liabilities (MAL) report which captures all the maturing assets and liabilities into various pre-set time buckets ranging from one month to five years and the Bank has set up internal limit on mismatches in each time buckets. Under stock approach, the Bank monitors the liquidity risk through liquidity ratios, which portrays the liquidity available at the reporting date.

The treasury department of the Bank controls and monitors the liquidity risk and ensures that the Bank is not exposed to undue liquidity risk and at the same time make optimum use of its funds. Middle office in Risk Management Division also monitors the liquidity position of the Bank and provide the liquidity gap to Treasury Department to meet liquidity gaps.

# BANK DHOFAR SAOG

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

## 33. Financial risk management (continued)

### B. Liquidity risk (continued)

#### Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
<b>31 December 2025</b>						
Cash and balances with Central Bank of Oman	85,753	21,810	17,492	24,865	29,878	179,798
Loans and advances to customers	490,403	343,791	228,988	1,125,972	2,198,102	4,387,255
Loans and advances to banks	91,779	47,118	22,330	51,004	-	212,231
Investments securities	44,135	205,616	62,512	310,000	93,784	716,047
Other assets	-	-	8,546	-	70,601	79,147
<b>Total Assets Funded</b>	<b>712,070</b>	<b>618,335</b>	<b>339,868</b>	<b>1,511,841</b>	<b>2,392,365</b>	<b>5,574,478</b>
Spot and Forward Purchases (notional value)	55,284	142,644	135,155	170,106	-	503,189
<b>Total Assets Funded and Non Funded</b>	<b>767,354</b>	<b>760,979</b>	<b>475,023</b>	<b>1,681,947</b>	<b>2,392,365</b>	<b>6,077,667</b>
<b>Future Interest cash inflows</b>	<b>20,481</b>	<b>96,808</b>	<b>94,341</b>	<b>494,881</b>	<b>445,844</b>	<b>1,152,355</b>
Due to banks	89,511	90,475	-	88,391	-	268,377
Deposits from customers	2,322,798	424,764	286,933	391,508	690,826	4,116,829
Other liabilities	46,258	15,949	10,084	5,884	34,632	112,807
Subordinated loans	-	-	-	31,310	69,595	100,905
<b>Total liabilities</b>	<b>2,458,567</b>	<b>531,188</b>	<b>297,017</b>	<b>517,093</b>	<b>795,053</b>	<b>4,598,918</b>
Spot and Forward Purchases (notional value)	55,187	142,686	135,259	170,326	-	503,458
Loan commitments	355,276	538,492	-	-	-	893,768
Letter of credit	42,656	63,984	-	-	-	106,640
Guarantees and performance bonds	302,602	453,903	-	-	-	756,505
<b>Total Liabilities Funded and Non Funded</b>	<b>3,214,288</b>	<b>1,730,253</b>	<b>432,276</b>	<b>687,419</b>	<b>795,053</b>	<b>6,859,289</b>
<b>Future Interest cash outflows</b>	<b>7,982</b>	<b>66,722</b>	<b>73,523</b>	<b>196,122</b>	<b>285,918</b>	<b>630,267</b>
<b>Cumulative Liabilities</b>	<b>3,214,288</b>	<b>4,944,541</b>	<b>5,376,817</b>	<b>6,064,236</b>	<b>6,859,289</b>	
<b>Gap</b>	<b>(2,446,934)</b>	<b>(969,274)</b>	<b>42,747</b>	<b>994,528</b>	<b>1,597,312</b>	
<b>Cumulative Gap</b>	<b>(2,446,934)</b>	<b>(3,416,208)</b>	<b>(3,373,462)</b>	<b>(2,378,934)</b>	<b>(781,622)</b>	

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### B. Liquidity risk (continued)

##### Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
31 December 2024						
Cash and balances with Central Bank of Oman	96,030	21,389	18,097	36,361	25,297	197,174
Loans and advances to customers	410,672	306,225	149,787	877,864	2,370,083	4,114,631
Loans and advances to banks	140,140	28,875	22,747	4,810	-	196,572
Investments securities	38,896	153,217	63,435	321,837	71,340	648,725
Other assets	46,386	-	-	-	34,994	81,380
<b>Total Assets Funded</b>	<b>732,124</b>	<b>509,706</b>	<b>254,066</b>	<b>1,240,872</b>	<b>2,501,714</b>	<b>5,238,482</b>
Spot and Forward Purchases (notional value)	306,466	118,976	72,309	104,335	-	602,086
<b>Total Assets Funded and Non Funded</b>	<b>1,038,590</b>	<b>628,682</b>	<b>326,375</b>	<b>1,345,207</b>	<b>2,501,714</b>	<b>5,840,568</b>
Future Interest cash inflows	21,055	99,369	89,553	470,304	413,860	1,094,141
Due to banks	223,971	91,630	-	122,837	-	438,438
Deposits from customers	1,912,717	402,258	387,012	857,165	203,709	3,762,861
Other liabilities	24,632	18,284	9,223	8,004	64,438	124,581
<b>Total liabilities</b>	<b>2,161,320</b>	<b>512,172</b>	<b>396,235</b>	<b>988,006</b>	<b>268,147</b>	<b>4,325,880</b>
Spot and Forward Purchases (notional value)	306,430	118,957	72,313	104,495	-	602,195
Loan commitments	252,174	378,260	-	-	-	630,434
Letter of credit	30,724	46,087	-	-	-	76,811
Guarantees and performance bonds	256,647	384,970	-	-	-	641,617
<b>Total Liabilities Funded and Non Funded</b>	<b>3,007,295</b>	<b>1,440,446</b>	<b>468,548</b>	<b>1,092,501</b>	<b>268,147</b>	<b>6,276,937</b>
Future Interest cash outflows	10,402	65,812	73,445	175,191	259,465	584,315
Cumulative Liabilities	3,007,295	4,447,741	4,916,289	6,008,790	6,276,937	
Gap	(1,968,705)	(811,764)	(142,173)	252,706	2,233,567	
Cumulative Gap	(1,968,705)	(2,780,469)	(2,922,642)	(2,669,936)	(436,369)	

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### B. Liquidity risk (continued)

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding 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 maintained 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 157.12 % (2024: 157.54%).

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 a minimum ratio of 100% as per the regulatory guidance. The Bank is meeting the regulatory limit of NSFR as at 31 December 2025, with a NSFR of 113.35% (2024: 109.68%).

#### C. Market risk

Market risk includes currency risk, interest rate risk and equity price risk.

#### I. Currency risk

The Bank is exposed to currency risk through its transactions in foreign currencies. The major foreign currency to which the Bank is exposed is the US Dollar. Rial Omani is effectively pegged to US Dollar. The Bank finances a significant portion of its financial assets in the same currencies as the relevant measurement currencies to mitigate its foreign currency risk.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of comprehensive income. The Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. Foreign exchange risk is computed on the average of the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank. The foreign currency exposures are given below:

#### Foreign currency exposures

	2025 <u>₹'000</u>	2024 <u>₹'000</u>
Net assets denominated in US Dollars	150,953	125,328
Net assets denominated in UAE Dirham (AED)	264	514
Net assets denominated in other foreign currencies	<u>32,237</u>	<u>2,902</u>
	<u><b>183,454</b></u>	<u><b>128,744</b></u>

#### II. Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities are reset at different times. Risk management activities are aimed at optimising net interest income, given market interest rate levels, consistent with the Bank's business strategies. The Bank manages mismatches by following policy guidelines and reduces risk by matching the repricing of assets and liabilities. Details relating to re-pricing mismatches and the interest rate risk thereon are placed to the ALCO in its regular meetings and also to the Board Risk Committee. Impact on earnings due to interest rate risk in the banking book is as follows:

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### C. Market risk (continued)

#### II. Interest rate risk (continued)

##### Impact on earnings due to interest rate risk in the banking book

	+ or – 1%		+ or – 2%	
	2025 <u>₹</u> '000	2024 <u>₹</u> '000	2025 <u>₹</u> '000	2024 <u>₹</u> '000
Impact on Earnings	11,170	11,128	22,340	22,256

There is no interest rate risk on trading book of the Bank.

The impact on statement in changes of equity due to interest rate risk in the banking book is provided as under:

	+ or – 1%		+ or – 2%	
	2025 <u>₹</u> '000	2024 <u>₹</u> '000	2025 <u>₹</u> '000	2024 <u>₹</u> '000
Impact on Equity in absolute terms	46,488	57,418	92,976	114,835

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### C. Market risk (continued)

#### II. Interest rate risk (continued)

##### Interest rate sensitivity gap

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability. The Bank manages these mismatches by following policy guidelines and reduces risk by matching the repricing of assets and liabilities.

	Effective average interest rate	Due on demand and within 30 days ₹'000	Due within 1 to 6 months ₹'000	Due within 7 to 12 months ₹'000	Due within 1 to 5 years ₹'000	Due after 5 years ₹'000	Non-interest bearing ₹'000	Total ₹'000
<b>31 December 2025</b>	%							
Cash and balances with Central Bank of Oman	0.01%	-	-	-	-	-	179,798	179,798
Investment securities	5.17%	43,894	102,633	62,753	307,709	93,785	105,273	716,047
Loans, advances and financing to banks	3.85%	114,694	52,764	21,175	-	-	23,598	212,231
Loans, advances and financing to customers	5.64%	1,233,098	1,137,412	467,250	292,920	1,252,561	4,015	4,387,255
Other assets		-	-	-	-	-	79,147	79,147
<b>Total Assets</b>		<b>1,391,686</b>	<b>1,292,809</b>	<b>551,178</b>	<b>600,629</b>	<b>1,346,346</b>	<b>391,831</b>	<b>5,574,478</b>
Due to banks	2.88%	239,672	26,144	-	-	-	2,561	268,377
Deposits from customers	3.52%	2,191,629	628,061	501,550	759,473	7,257	28,859	4,116,829
Other liabilities		-	-	-	-	-	112,807	112,807
Subordinated loans	5.92%	-	-	-	-	100,905	-	100,905
<b>Total liabilities</b>		<b>2,431,301</b>	<b>654,205</b>	<b>501,550</b>	<b>759,473</b>	<b>108,162</b>	<b>144,227</b>	<b>4,598,918</b>
<b>On-balance sheet gap</b>		<b>(1,039,615)</b>	<b>638,604</b>	<b>49,628</b>	<b>(158,844)</b>	<b>1,238,184</b>	<b>247,604</b>	
<b>Cumulative interest sensitivity gap</b>		<b>(1,039,615)</b>	<b>(401,011)</b>	<b>(351,383)</b>	<b>(510,227)</b>	<b>727,957</b>	<b>975,561</b>	

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 33. Financial risk management (continued)

#### C. Market risk (continued)

#### II. Interest rate risk (continued)

##### Interest rate sensitivity gap (continued)

	Effective average interest rate	Due on demand and within 30 days	Due within 1 to 6 months	Due within 7 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-interest bearing	Total
31 December 2024	%	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Cash and balances with Central Bank of Oman	0.01%	-	-	-	-	-	19,174	19,174
Investment securities	5.35%	38,657	77,580	63,675	321,836	71,340	75,637	648,725
Loans, advances and financing to banks	3.98%	119,665	51,715	-	-	-	25,192	196,572
Loans, advances and financing to customers	6.00%	1,075,933	1,022,694	549,818	263,864	1,199,413	2,908	4,114,631
Other assets		-	-	-	-	-	81,380	81,380
<b>Total Assets</b>		<b>1,234,255</b>	<b>1,151,989</b>	<b>613,493</b>	<b>585,700</b>	<b>1,270,753</b>	<b>204,291</b>	<b>5,060,482</b>
Due to banks	3.99%	346,031	90,273	-	-	-	2,134	438,438
Deposits from customers*	3.81%	1,875,568	486,424	432,387	941,157	5,543	21,782	3,762,861
Other liabilities		-	-	-	-	-	124,581	124,581
<b>Total liabilities</b>		<b>2,221,599</b>	<b>576,697</b>	<b>432,387</b>	<b>941,157</b>	<b>5,543</b>	<b>148,497</b>	<b>4,325,880</b>
On-balance sheet gap		(987,344)	575,292	181,106	(355,457)	1,265,210	55,794	
Cumulative interest sensitivity gap		(987,344)	(412,052)	(230,946)	(586,402)	678,808	734,602	

#### III. Investment Price risk

Bank is exposed to the volatility in the prices of the securities held under equity and debt portfolio. Equity and debt investments held are for strategic/long term rather than for trading purposes and hence, the Bank does not hold trading positions in equity and debt investments. However the Bank's portfolio is marked to market on regular basis and the difference in the book value and market value are adjusted against investment revaluation reserve in shareholder's equity and for impaired investments.

Further, Bank also conducts stress testing and sensitivity analysis to take an informed decision on equity and debt risk exposure. If there is adverse impact of 5% on equity investment portfolio, the value of the portfolio may decrease by ₹ 3.91 million (2024: decrease by ₹ 2.39 million).

*If price for unlisted equity and debt instruments had been 5% lower:*

The financial statements include holdings in unlisted shares and bonds which are measured at fair value. Fair value is estimated using either Net Asset Value (NAV) provided by the fund managers or book value per share of the investee company. If the estimation were 5% lower / higher while all other variables were held constant, the carrying amount of the unlisted shares and bonds would decrease / increase by ₹ 0.62 million (2024: decrease / increase by ₹ 0.12 million).

### 33. Financial risk management (continued)

#### D. Operational risk

Operational risk is the deficiencies in information systems/internal controls or uncontrollable external events leading to financial/ non-financial losses for the Bank. The risk is associated with human error, systems failure and inadequate procedures or control and external causes. As per the Basel Committee on Banking Supervision (BCBS), operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The Bank has detailed policies and procedures that are regularly updated to ensure that a sound internal control environment exists. Board Risk Committee (BRC), a sub-committee of the Board, drives the implementation of the risk management framework, approved by the Board, at the apex level. The BRC ensure that the risk policies developed clearly spell out the quantitative prudential limits on various segments of the Bank's operations and also ensures implementation of Central Bank of Oman's guidelines on Risk Management/Basel II/Basel III and internationally accepted best practices in the area of risk management including Operational risk management. Management Risk Committee (MRC), comprising of Senior Management of the Bank, precedes RMC in reviewing, evaluating and monitoring of operational risk. Business Units are responsible for management of operational risks within their respective scope of duties.

Bank has developed a comprehensive operational risk management framework comprising of the Operational Risk Management (ORM) policy, Risk Control and Self-Assessment, Key Risk Indicator, Loss Data Management (LDM) Framework. The ORM policy of the Bank provides the ORM framework which includes ORM components, management process, measurement process and governance, roles and responsibilities. The Bank has also set up Operational Risk Management Software to aid assessment of operational risk as well as collection and analysis of operational losses and key risk indicators.

#### Business Continuity Planning (BCP)

Business Continuity Management is the implementation and management of preventative measures, planning and preparation to ensure the Bank can continue to operate following an incident, significant unplanned event or major operational disruption. The Bank ensures that its systems and procedures are resilient to ensure business continuity through potential situations of failure. Bank has adopted Business Continuity / Disaster Recovery Plan with a view to continue business operations and critical customers services at all times both at Conventional and Maisarah entity. The plan addresses employee health and safety, potential disruptions from the unanticipated loss of services or infrastructure and resumption of business operations in the face of an emergency or disaster. Business Impact Analysis, Business Continuity/ Disaster Recovery testing, Awareness Programs etc. are conducted in tune with the regulatory guidelines for meeting any unforeseen circumstances. The key initiatives on the business continuity readiness included the following:

- Business Continuity Management (BCM) Steering Committee, a Management level committee has been set up and entrusted with the responsibility of overall supervision for the implementation and maintaining a sound BCM for the Bank. The committee ensures that plans formulated are implemented and tested.
- The Bank maintains an alternate / Business Continuity Plan (BCP) site equipped with redundancy and contingency features to ensure business continuity for resuming critical business activities in emergent scenarios. Bank has strengthened BCP site seating capacity and infrastructure considering various worst case scenarios. Additional work-space has been created for critical business units to resume business services in the event of a disaster.
- The Bank-wide BCP testing exercise and Information Technology Disaster Recovery Drill is conducted to test check the resilience of technical as well as business recovery. Testing was conducted in coordination with business units to test check transaction systems using business test cases and also to test the preparedness, recovery of applications, recovery timings, assembly of key resources, functioning of equipment's, coordination of business units / branches etc. The testing results along with the gaps and action taken are appraised to the risk committees at the Management and Board level.

### 33. Financial risk management (continued)

#### D. Operational risk (continued)

The Risk Control and Self-Assessment (RCSA) framework enables the Bank to identify the operational weaknesses in the process and procedures by conducting self-assessment workshops. A team of experts in various departments assess the operational weaknesses in various processes and its likely impact. RMD in association with business units has been able to complete the RCSA exercise for all the departments and branches of the conventional banking. During RCSA exercise, processes in various departments were reviewed from operational risk point of view and wherever high risk events were identified, the extant controls were reviewed.

The Key Risk Indicator (KRI) framework enables the Bank to identify and monitor the key risks. KRIs of all the departments have been identified and are being monitored on a monthly basis. Loss Data Management framework lays down the procedure to identify, record and report the internal and external loss events. The data on operational loss is collated on a regular basis and is presented to the Management and Board level committees.

Operational Risk Unit (ORU) in RMD is responsible for implementation, development and coordination of all the operational risk activities of the Bank, while working towards achievement of stated goals and objectives. Risk Management Division (RMD) conducts regular training programs for staff at various levels to inculcate 'risk awareness' and to spread the general 'risk management culture' in the Bank. Professional training in diversified forms is also imparted to improve the employees' risk management skills.

- As part of creating awareness, specific as well as comprehensive awareness programme are also conducted to imbibe the importance of BCP amongst staff.
- The communication numbers of key persons are provided to all the staff so that they can contact the relevant person in case of emergency.

#### Internal Capital Adequacy Assessment Process (ICAAP):

The Bank has put in place Internal Capital Adequacy Assessment Process (ICAAP) with an objective to explain the Risk policies adopted, Risk policy principles, Target risk structure and Capital planning, the process of assessing the capital adequacy for all the three risks viz., Credit Risk, Market Risk and Operational Risk, Specific assessment procedures for all material risks like interest rate risk in banking book, reputational risk, credit concentration risk etc, the process of Internal Control Mechanism and the stress testing methodologies adopted by the Bank.

As a part of capital planning process, ICAAP provides a detailed assessment of its current capital adequacy, and also project future capital requirement to meet the regulatory capital adequacy ratios in line with approved business plans. The process covers a forward looking plan for the next 4 years. The overall framework has introduced a structured methodology for a comprehensive forward-looking assessment of capital based on the Bank's risk profile. It is also expected that the establishment of ICAAP in the Bank will facilitate the awareness for risk sensitive topics when it comes to strategic decisions like acquisitions, launch of new products or organic growth targets. ICAAP is approved by the Board of Directors through Board Risk Committee. On a quarterly basis, reporting is done to the Board on the adequacy of capital. The Bank believes that its current and foreseen capital endowment is suitable to support its business strategy in a soothing market environment. The capital planning is reviewed on half yearly basis and the entire ICAAP document is updated at least annually for a forward-looking planning period of 4 years.

In order to determine the Bank's capability to withstand adverse conditions, in addition to the base case, scenario and sensitivity analysis is also carried out. The scenario analysis entails boom in the economy & rise in oil prices, Decline in GDP due to economic downturn or due to decline in oil prices and capital adequacy sensitivity due to increase & decrease in growth of loans and advances. Besides this, Bank also conducts stress testing to assess the potential impact of the stress situations on the Bank's earnings & capital position and enable the Bank to understand its risk profile & adjusting it in accordance with the risk appetite.

In December 2023, the additional Perpetual securities (AT1) of ~~₹~~ 40 million were replaced with new ~~₹~~ 40 million Perpetual securities listed in the Muscat Stock Exchange.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 34. Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders within acceptable risk return framework. The Bank's overall strategy remains unchanged from prior year. As per CBO guidelines, the Bank needs to maintain capital adequacy ratio (CAR) at a minimum of 13.50% (including the capital conservation buffer) as at 31 December 2025 (including the capital conservation buffer) with effect from 1 January 2019.

The capital base of the Bank consists of debt, which includes borrowings disclosed in note 15, and equity attributable to shareholders of the Bank comprising issued share capital, share premium, reserves and retained earnings and Perpetual Tier I Capital securities, as disclosed in notes 16 to 19.

#### Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for the year ended 31 December 2025 is 18.64% (2024: 16.51%).

	31-Dec-25 S'000	31-Dec-24 S'000
Common Equity Tier (CET) I/ TIER I CAPITAL		
Paid up capital	303,980	299,635
Legal reserve	81,297	76,192
Share premium	95,656	95,656
Special reserve	16,988	16,988
Stock dividend	-	4,345
Subordinated loan reserve	6,200	-
Retained earnings	68,482	61,693
CET I/Tier I Capital	<u>572,603</u>	<u>554,509</u>
Additional Tier I regulatory adjustments:		
Deferred tax assets	-	(364)
Negative investment revaluation reserve	(7,669)	(5,686)
Regulatory provision adjustments	<u>(14,612)</u>	<u>(17,658)</u>
<b>Total CET 1 capital</b>	<u>550,322</u>	<u>530,801</u>
Additional Tier I capital (AT1)	<u>155,500</u>	<u>155,500</u>
<b>Total Tier 1 Capital (T1=CET1+AT1)</b>	<u>705,822</u>	<u>686,301</u>
<b>TIER II CAPITAL</b>		
Investment revaluation reserve	6,270	1,608
General provision	13,529	17,429
Subordinated loans	93,800	-
Total Tier II capital	<u>113,599</u>	<u>19,037</u>
Total eligible capital	<u>819,421</u>	<u>705,338</u>
<b>Risk weighted assets</b>		
Banking book	3,919,553	3,830,473
Trading book	183,776	166,075
Operational risk	291,613	275,000
Total	<u>4,394,942</u>	<u>4,271,548</u>
Total Tier 1 Capital (T1=CET1+AT1)	<u>705,822</u>	<u>686,301</u>
Tier II capital	<u>113,599</u>	<u>19,037</u>
Total regulatory capital	<u>819,421</u>	<u>705,338</u>
Common Equity Tier 1 ratio	<u>12.52%</u>	<u>12.43%</u>
Tier I capital ratio	<u>16.06%</u>	<u>16.07%</u>
Total capital ratio	<u>18.64%</u>	<u>16.51%</u>

The Bank has complied with all externally imposed capital requirements as at 31 December 2025 and 31 December 2024.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 35. Segmental information

The Bank is organised into four main business segments:

- 1) Retail banking – incorporating, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- 2) Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- 3) Treasury and investments;
- 4) Islamic Banking

Other operations comprise investment management and institutional finance neither of which constitutes a separately reportable segment which are included in “Treasury and investments” segment. Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income or expense between the business segments. Segment total revenue presented in the table below is the total Interest income, income from Islamic financing/investments, net fees and commission income and other operating income.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position. The profit for the period also includes inter segment revenues

31 December 2025	Retail banking	Corporate banking	Treasury and invest- ments	Islamic Banking	Intersegment	Total
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Segment operating revenues	37,942	52,071	5,373	-	(336)	95,050
Net income from Islamic financing	-	-	-	22,550	336	22,886
Other revenues	15,546	12,703	16,957	6,642	-	51,848
Segment operating revenues	53,488	64,774	22,330	29,192	-	169,784
Operating expenses including depreciation	(39,003)	(22,937)	(5,469)	(13,751)	-	(81,160)
Net Impairment losses on financial assets	(103)	(18,269)	(61)	(11,771)	-	(30,204)
Profit from operations after provision	14,382	23,568	16,800	3,670	-	58,420
Tax expenses	(1,947)	(3,191)	(1,930)	(301)	-	(7,369)
<b>Profit for the period</b>	<b>12,435</b>	<b>20,377</b>	<b>14,870</b>	<b>3,369</b>	<b>-</b>	<b>51,051</b>
<b>Segment assets</b>	<b>1,449,043</b>	<b>2,305,229</b>	<b>878,496</b>	<b>1,057,199</b>	<b>(86,048)</b>	<b>5,603,919</b>
Less: Impairment allowance	(33,983)	(143,820)	(282)	(35,083)	-	(213,168)
<b>Total segment assets</b>	<b>1,415,060</b>	<b>2,161,409</b>	<b>878,214</b>	<b>1,022,116</b>	<b>(86,048)</b>	<b>5,390,751</b>
<b>Segment Liabilities</b>	<b>1,025,445</b>	<b>2,421,769</b>	<b>354,845</b>	<b>898,665</b>	<b>(86,048)</b>	<b>4,614,676</b>
Add: Impairment allowance	8	5,770	322	331	-	6,431
<b>Total segment Liabilities</b>	<b>1,025,453</b>	<b>2,427,539</b>	<b>355,167</b>	<b>898,996</b>	<b>(86,048)</b>	<b>4,621,107</b>

Substantially income generated by the Bank and the non-current assets arise from the Sultanate of Oman.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 35. Segmental information (continued)

31 December 2024	Retail banking ₹'000	Corporate banking ₹'000	Treasury and investments ₹'000	Islamic Banking ₹'000	Intersegment ₹'000	Total ₹'000
Segment operating revenues	32,882	59,424	4,726	-	(977)	96,055
Net income from Islamic financing	-	-	-	17,137	977	18,114
Other revenues	9,537	11,084	12,906	5,146	-	38,673
Segment operating revenues	42,419	70,508	17,632	22,283	-	152,842
Operating expenses including depreciation	(37,756)	(24,148)	(5,167)	(11,780)	-	(78,851)
Net Impairment losses on financial assets	(223)	(21,452)	380	(2,509)	-	(23,804)
Profit from operations after provision	4,440	24,908	12,845	7,994	-	50,187
Tax expenses	(566)	(3,176)	(1,637)	(1,199)	-	(6,578)
Profit for the period	3,874	21,732	11,208	6,795	-	43,609
Segment assets	1,401,782	2,250,378	782,445	922,713	(90,481)	5,266,837
Less: Impairment allowance	(32,065)	(126,590)	(179)	(22,956)	-	(181,790)
Total segment assets	1,369,717	2,123,788	782,266	899,757	(90,481)	5,085,047
Segment Liabilities	833,932	2,347,492	464,134	784,196	(90,481)	4,339,273
Add: Impairment allowance	1	5,021	-	321	-	5,343
Total segment Liabilities	833,933	2,352,513	464,134	784,517	(90,481)	4,344,616

Substantially income generated by the Bank and the non-current assets arise from the Sultanate of Oman.

### 36. Dividends – proposed and declared

Considering the market conditions and to preserve the capital through internally generated profits, the Board of Directors of Directors proposed a total cash dividend of 7.50%, (seven and fifty) baizas per share, total of ₹ 22.799 million (2024: cash dividend 6.55% and stock dividend 1.45%; ₹ 23.971 million). This is subject to the shareholders' approval.

A resolution to approve these distributions will be presented to the shareholders at the Annual General Meeting to be held on 30 March 2026.

During the year, unclaimed dividend amounting to Nil (2024: Nil) was transferred to the Investor's Trust Fund account as per the guidelines issued by the Financial Services Authority of Oman.

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

### 37. Leases

This note provides information for leases where the Bank is a lessee.

#### (i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2025 <u>£'000</u>	2024 <u>£'000</u>
<b>Right-of-use assets</b>		
Leased Premises	<u>1,026</u>	<u>794</u>
<b>Lease liabilities</b>		
Current	121	55
Non-current	<u>563</u>	<u>722</u>
	<u><u>684</u></u>	<u><u>777</u></u>

Additions to the right-of-use assets during the 2025 financial year were £ 0.66 million (2024: £ 0.62 million).

#### (ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2025 <u>£'000</u>	2024 <u>£'000</u>
<b>Depreciation charge of right-of-use assets</b>		
Leased Premises	<u>429</u>	<u>478</u>
<b>Interest expense</b>	48	70
Expense relating to short-term leases	<u>2,411</u>	<u>2,334</u>

The total cash outflow for leases in 2025 was £ 3.59 million (2024: £ 2.8 million).

#### (iii) The following table shows the maturity analysis of lease liabilities:

	2025 <u>£'000</u>	2024 <u>£'000</u>
More than 1 year	<u>563</u>	<u>722</u>

The Bank leases various offices, storage facilities, and retail space for its branches. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

## 37. Leases (continued)

### (iv) *The Bank's leasing activities and how these are accounted for*

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Bank, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Each lease payment is allocated between principle and finance cost. The finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- any restoration costs.

The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Bank does not have any Low-value assets as of the respective reporting date.

### (v) *Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Bank. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable by the Bank and by the respective lessor. Extension options are not included in the lease term because it is not reasonably certain that the leases will be extended or not terminated.

#### *Critical judgements in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

- For leases of premises, the following factors are normally the most relevant:
- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in premises leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption. The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the financial year, the Bank did not revise the lease term as no significant events or changes occurred.

## 38. Business combination – Purchase consideration and identifiable net assets acquired

# BANK DHOFAR SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (Continued)

The business combination with BoB Oman branch has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair value on the acquisition date.

The purchase has been allocated to the acquired assets and liabilities using their preliminary fair values at the acquisition date. The calculation of the purchase consideration and its allocation to the net assets of the acquired entity is based on their respective fair values as of the acquisition date.

The fair value of identifiable assets and liabilities of BoB Oman branch as at the acquisition date are as follows:

<b>Assets</b>	<b>₹'000</b>
Cash and balances with Central Bank of Oman	31,599
Due from affiliates and other Banks	148
Investment securities	34,730
Loans and advances (net)	25,342
Other assets	626
Property and equipment	23
<b>Total assets</b>	<b>92,468</b>
<b>Liabilities</b>	
Customers' deposits	63,338
Other liabilities	4,353
<b>Total liabilities</b>	<b>67,691</b>
<b>Fair value of net identifiable assets at acquisition date</b>	<b>24,777</b>
<b>Total Consideration Paid in Cash</b>	<b>24,777</b>