



Annual Report 2025

بنك ظفار
BankDhofar





His Majesty
Sultan Haitham Bin Tarik



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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:

	31 December 2025	31 December 2024	Variance
	₪ million	₪ million	%
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 broadbased 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.

Earnings per share (EPS) for the year ended 31 December 2025 were ₪ 0.0133 compared to ₪ 0.0109 for the previous year. Return on Shareholder Equity (RoSE) increased to 8.66% as of 31 December 2025 from 7.66% as of 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 offers a robust, multichannel 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 the Bank's customer base, expanded offerings to NRI customers, and increased market presence in the NRI segment in Oman. The Bank has inked a strategic relationship with BOB, whereby the Bank will leverage BOB's extensive international network to enhance its correspondent banking services and cross-selling opportunities for 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 in 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 positive growth in earning assets, financing, deposits, and operating profit throughout 2025. The gross financing portfolio grew to **₹864.81 million** at 31 December 2025 from **₹735.19 million** at 31 December 2024, posting growth of 17.63% over last year. Total customer deposits of Dhofar Islamic reached **₹867.26 million** at 31 December 2025, registering growth of 24.61% compared to **₹695.98 million** at 31 December 2024.

The gross Sukuk investment portfolio 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**, compared to **₹47.83 million** during the same period last year. Net profit income (after cost of funds) increased by 24.31% year over 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 the year ended 31 December 2024. Administrative cost 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 last year's operating profit of **₹11.51 million**. The cost-to-income ratio continued its improving trend, declining to 47.11% during the year ended 31 December 2025 from 50.58% last year.

Dhofar Islamic registered profit before tax of **₹3.67 million** for the year ended 31 December 2025, compared to **₹9 million** during the year ended 31 December 2024, reflecting a decline of 59.22%. This decline was 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

BankDhofar 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 Program, with Phase I implemented across 34 new and 30 existing branches, with further rollout planned. This was complemented by motion-sensor initiatives and wider process digitization 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, BankDhofar 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, BankDhofar 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 a distribution for the year ended 31 December 2025, subject to shareholders' approval.

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

Cash Dividend

Year	
2021	2%
2022	5%
2023	7.75%
2024	6.55%
2025	7.5%

Stock Dividend

Year	
2021	Nil
2022	Nil
2023	Nil
2024	1.45%
2025	Nil

Awards & Accolades

In line with our commitment to customer-centricity and innovation, BankDhofar 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 – BankDhofar Ladies Account – Oman 2025 (Women’s Tabloid Awards 2025)
- BankDhofar won Fastest Growing Branch Network Award • BankDhofar won the 2025 Gazet International Awards – Best Bank (MENA) 2025
- Best Customer-Centric Banking Brand, Oman 2025 – 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 \$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 valued customers for their patronage and the confidence they have placed 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 2025.

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

Finally, on behalf of the Board of Directors, employees, and 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

THE BOARD OF DIRECTORS





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

Chairman
Non-Independent



**Mr. Ahmed Said
Mohammed Al Mahrezi**

Deputy Chairman
Independent



**Mr. Tariq Salim Mustahil
Al Mashani**

Board Member
Independent



**Mr. Mohammed Yousuf
Alawi Al Ibrahim**

Board Member
Independent



**Mr. Ahmed Sultan
Rashid Al Yaqoubi**

Board Member
Independent



**Mr. Tariq Abdul Hafidh
Al Aujailli**

Board Member
Non-Independent



**Mr. Zahir Marhoon
Mohammed Al Abri**

Board Member
Independent



**Mr. Khalid Said Salim
Al Wahaibi**

Board Member
Independent



**Mr. Khalid Sulaiman
Salim Al Kamyani**

Board Member
Independent

THE EXECUTIVE TEAM





Karumathil Gopakumar
Acting Chief Executive Officer



Amor Said Mohamed Al Amri
Chief Islamic Banking Officer



Ahmed Said Salim Al Ibrahim
Chief Corporate Services Officer



Khalid Salim Ali Al Hamadani
Chief Human Resources Officer



Amjad Iqbal Hassan Al Lawati
Chief Retail Banking Officer



Tariq Saleh Mohamed Taha
Chief Information Officer



Vikesh Mirani
Chief Financial Officer



Ali Khamis Hussain Al Zadjali
Chief Compliance Officer



Leen Kumar Sugumaran
Chief Risk Officer



Mallikarjuna Korisepati
Chief Wholesale Banking Officer



Ezideen Juma Mohamed Al Mazroui
Acting Chief Internal Auditor

CORPORATE GOVERNANCE REPORT

BankDhofar SAOG



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Sultanate of Oman
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Private and confidential

Our ref.: aud/pk/ij/25359/26

Agreed-Upon Procedures Report on Code of Corporate Governance ("the Code") of Bank Dhofar SAOG

To the Board of Directors of Bank Dhofar SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Bank Dhofar SAOG ("the Bank") in its submission on compliance with the Code of Corporate Governance (the "Code") to Financial Services Authority ("FSA") by performing agreed-upon procedures in relation to compliance with requirements prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (the "Governance Code"), and may not be suitable for another purpose. This report is intended solely for Bank Dhofar SAOG and FSA and should not be used by, or distributed to, any other parties.

Responsibilities of the Bank Dhofar SAOG

The Board of Directors of the Bank has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of the Bank is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

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

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

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



Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements, including independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with Bank Dhofar SAOG in the terms of engagement dated 1 May 2023:

S. No	Procedures	Findings
1	<p>We checked that the corporate governance report ("the Report") issued by the Board of Directors includes as a minimum, all items suggested by FSA to be covered by the Report, as detailed in the Annexure 3 of the Code, by comparing the Report with such suggested content in the Annexure 3.</p> <p>With respect to the procedure above, we have not checked the completeness of the information presented in the Report.</p>	No exceptions noted.
2	<p>We obtained the details regarding areas of non-compliance with the Code identified by the Bank's Board of Directors for the year ended 31 December 2025.</p> <p>We inquired and obtained written representation from management and those charged with governance regarding the completeness and accuracy of disclosure of non-compliance with the Code for the year ended 31 December 2025.</p>	No exceptions noted.

This report relates only to the items specified above, and does not extend to any financial statements of the Bank, taken as a whole.


 KPMG LLC
 Date: 3 March 2026
 Muscat, Oman


 KPMG LLC
 Children's Public Library Building
 4th floor, Shatti Al Qurum
 P O Box 641, PC 112
 Sultanate of Oman
 CR.No: 1358131

Corporate Governance Report

Part One

1 - Corporate Governance Philosophy:

Corporate governance is an essential element in attaining, enhancing, and retaining the confidence of the Bank's stakeholders. Corporate governance defines the relationships and responsibilities among shareholders, the Board of Directors, and senior management of the Bank through the structure of setting objectives, formulating strategies, and controlling and monitoring performance, while ensuring compliance with regulations in letter and in spirit and promoting a culture of transparency through disclosures and a commitment to the highest ethical standards.

The Board of Directors of BankDhofar SAOG (the Bank) bears the principal responsibility for establishing corporate governance as appropriate to the Bank within the broad framework laid down by the Central Bank of Oman (CBO) and the Financial Services Authority (FSA).

Decision-making within the Bank has been broadly divided into two levels. The Board of Directors (the Board), at the top level, as trustees of the shareholders, bears the responsibility for strategic supervision of the Bank, apart from fulfilling statutory obligations. Some of the major responsibilities of the Board are discharged through four subcommittees, namely the Board Executive Committee, the Board Audit Committee, the Board Risk Committee, and the Board Nomination & Remuneration Committee. These subcommittees, which operate under Board-approved charters, meet regularly and have contributed significantly to the effective functioning of the Code of Corporate Governance. The charters of these committees meet all the requirements as laid down in the Code of Corporate Governance. In addition, the Board carries the responsibility of approving strategic plans and internal policies to institute adequate controls for the achievement of set objectives and compliance with rules and regulations. The executive management of the Bank comprises senior members headed by the Chief Executive Officer.

Through this two-tier, interlinked governance process, an appropriate balance has been created between the need for focus and executive freedom and the need for supervision, control, and checks and balances on all activities and transactions.

The formal Code of Corporate Governance prescribes the highest ethical standards in the conduct of the Bank's business. The senior members of the Bank are fully cognizant of their responsibilities in setting personal examples so that the Code is internalized within the Bank and becomes part of its culture.

2 - Board of Directors

The Responsibilities of the Board of Directors

The Board has full authority to perform all acts required for managing the Bank and protecting and growing the shareholders' interests pursuant to its objectives, while also securing the interests of other stakeholders. Such authority is not limited or restricted except as provided by law, the Articles of Association, or resolutions of the General Meetings. However, such authority does not extend to operational matters and the day-to-day affairs of the Bank, which remain the responsibility of senior management.

The responsibilities and functions of the Board include the following:

- Charting the overall strategic direction of the Bank and reviewing and approving the annual business and strategic plans.
- Monitoring the Bank's performance and evaluating whether the business is properly managed in accordance with the Bank's plans.
- Approving the interim and annual financial statements and providing accurate information to shareholders in a timely manner, in accordance with the guidelines of the Financial Services Authority.

- Forming various Board subcommittees, approving their charters, and reviewing the functions of these committees.
- Adopting internal regulations and bylaws pertinent to the steering and management of the affairs of the Bank.
- Reviewing all audit reports submitted by internal and external auditors and statutory agencies.
- Ensuring that the Bank conducts its operations in an ethical and transparent manner.
- Assessing and approving the proper delegation of authorities to executive management.
- Appointing and evaluating the performance of the Chief Executive Officer and other key employees.

Further, the Board exercises objective, independent judgment on corporate affairs after having access to accurate, relevant, and timely information.

Size and Terms of the Board

The Board consists of nine (9) non-executive directors who are elected by the shareholders at the Annual General Meeting. The term of office of the Board of Directors is three years, and each director can be re-elected for a similar period. The term of office of the current Board expires in March 2028.

Composition and selection of the Board

Members of the Board of Directors are elected from among the Bank's shareholders or non-shareholders. All members of the Board of Directors are non-executive directors.

A minimum of one-third of the Board members shall be independent directors, meeting the definition of an independent director as defined in the FSA Code of Corporate Governance issued in July 2015, which states that a director shall be deemed non-independent in the following cases:

- (1) Holding ten percent (10%) or more of the company's shares, its parent company, or any of its subsidiary or associate companies.
- (2) Representing a juristic person who holds ten percent (10%) or more of the company's shares, its parent company, or any of its subsidiary or associate companies.
- (3) Having been, during the two years preceding candidacy or nomination to the Board, a senior executive of the company, its parent company, or any of its subsidiary or associate companies.
- (4) Being a first-degree relative of any of the directors of the company, its parent company, or any of its subsidiary or associate companies.
- (5) Being a first-degree relative of any of the senior executives of the company, its parent company, or any of its subsidiary or associate companies.
- (6) Being a director of the parent company or any of the subsidiary or associate companies of the company being nominated for Board membership.
- (7) Being, during the two years preceding candidacy or nomination to the Board, an employee of any parties contractually engaged with the company (including external auditors, major suppliers, or civil society organizations ("CSOs") where the latter received support in excess of 25% of the annual budget of such CSOs).
- (8) Being, during the two years preceding candidacy or nomination to the Board, an employee of the parent company or any of its subsidiary or associate companies.
- (9) Holding approximately 20% of the shares of any of the above-mentioned parties during the two years preceding candidacy or nomination to the Board.

The nomination of Board members is according to the rules and conditions for the election of directors as issued by the FSA. The election process is through a direct secret ballot whereby each shareholder shall have a number of votes equivalent to the number of shares he/she holds. Every shareholder shall have the right to vote for one candidate or more, provided the total number of votes on the voting form is equivalent to the number of shares he/she holds.

At present, all directors of the Board are non-executive; two are non-independent and seven are independent within the scope of the definition of independence laid down by the FSA Code of Corporate Governance.

Board Committees

The Board has the following four Board committees, whose objectives, powers, and procedures are governed by the charters of the respective committees, which are approved by the Board:

1. Board Executive Committee (which has been dissolved, and its delegated authorities were transferred to the full Board pursuant to Board Resolution No. (1)/2/2025).
2. Board Audit Committee
3. Board Risk Committee
4. Board Nomination & Remuneration Committee

Additional committees may be established from time to time based on business needs. Each committee has access to the information and resources it requires, including direct access to staff and consultants. The Board has selected the committee members based on their professional backgrounds, skills, and other qualities they bring to the committees.

Sharia Supervisory Board

The Sharia Supervisory Board was formed in 2012 for the Islamic banking operations of the Bank's window, Dhofar Islamic Banking Services.

Profiles of Members of the Board of Directors:

Eng. Abdul Hafidh Salim Rajab Al Ojaili – Chairman

Eng. Abdul Hafidh Salim Rajab Al Ojaili is currently the Chairman of BankDhofar. He is a promoter shareholder of well-established institutions in Oman such as BankDhofar, Dhofar International Development & Investment Holding Co. SAOG, Dhofar Power Company SAOC, and Oman Aviation Services Co. (SAOG). He holds a master's degree in mechanical engineering.

Mr. Ahmed Said Al Mahrezi – Deputy Chairman

Mr. Ahmed Said Al Mahrezi is a member of the Board of Directors. He is also the Deputy Chairman of the Board, the Chairman of the Board Nomination & Remuneration Committee, a member of the Board Risk Committee, and a member of the Board Audit Committee. He has extensive experience in the public sector in law, finance, investment, and administration, extending over a period of more than 38 years. Mr. Ahmed holds a Master of International Business Law.

Mr. Mohammed Yousuf Alawi Al Ibrahim – Director

Mr. Mohammed Yousuf Alawi Al Ibrahim is a member of the Board of Directors. He is a member of the Board Risk Committee and a member of the Board Nomination & Remuneration Committee. He has extensive experience as a director of private and public companies. His diverse portfolio includes being shareholder, executive, and managing director of various private companies and establishments. He is a Director of Dhofar University. Mr. Mohammed holds a Bachelor of Business Administration.

Mr. Tariq Abdul Hafidh Al Aujaili – Director

Mr. Tariq Abdul Hafidh Al Aujaili is a member of the Board of Directors. He is also the Chairman of the Board Risk Committee, a member of the Board Audit Committee, and a member of the Board Nomination & Remuneration Committee. He has extensive experience as a director of public companies. Other positions held by him include Vice Chairman of Dhofar International Development & Investment Holding Co. SAOG, Vice Chairman of Dhofar Insurance Co. SAOG, and Vice Chairman of Oman Investment & Finance Co. SAOG. Mr. Tariq holds a Bachelor of Accountancy & Finance.

Mr. Khalid Said Salim Al Wahaibi – Director

Mr. Khalid Said Salim Al Wahaibi is a member of the Board of Directors and the Chairman of the Board Audit Committee. He is also the Chairman of Al Omaniya Financial Services Co. SAOG and Deputy Chairman of National Gas Co. SAOG. He has a wealth of experience extending over 29 years as a Director and Managing Director of Assarain Group of Companies. Mr. Khalid holds a Bachelor of Business Administration.

Mr. Tariq Salim Mustahil Al Mashani – Director

Mr. Tariq Salim Mustahil Al Mashani is a member of the Board of Directors. He is also a member of the Board Risk Committee and a member of the Board Nomination & Remuneration Committee. He is the Chairman of Dhofar University and a Board Director of Al Omaniya Financial Services SAOG. He has extensive experience as a director of private companies. His diverse portfolio includes being shareholder, chairman, and director of various private companies and establishments. Mr. Tariq holds a Bachelor of Business Management.

Mr. Ahmed Sultan Rashid Al Yaqoubi – Director

Mr. Ahmed Sultan Rashid Al Yaqoubi is a member of the Board of Directors. He is also a member of the Board Audit Committee and the Board Nomination & Remuneration Committee. He has 27 years of work experience in the Ministry of Defense Pension Fund and has significantly contributed to the overall development of the Fund. He was a core member of the investment team since inception, graded with a global title in experience, as an expert in project management, real estate and the investment industry. He has significant experience in all aspects of project management. He has also served on the boards of directors of public listed companies (e.g., Sohar Power & National Aluminum Products Co.). Mr. Ahmed Al Yaqoubi holds a bachelor's degree in commerce and economics.

Mr. Khalid Sulaiman Salim Al Kamyani – Director

Mr. Khalid Sulaiman Salim Al Kamyani is a member of the Board of Directors. He is also a member of the Board Risk Committee. He has over 21 years of experience in various fields. He is a board member of several companies, including OQ EP SAOG, OMANREIT SAOG, Vodafone, and the Oman Development Fund. Mr. Khalid holds a bachelor's degree in accounting and a master's degree in investment banking.

Mr. Zahir Marhoon Mohammed Al Abri – Director

Mr. Zahir Marhoon Mohammed Al Abri is a member of the Board of Directors. He is also a member of the Board Risk Committee and a member of the Board Audit Committee. He has over 20 years of experience in management and financial administration. He also serves on the Board of Directors of the Oman Sovereign Sukuk Company. Mr. Zahir holds a bachelor's degree in accounting and a master's degree in finance.

The Senior Management profile is provided in the Bank's Annual Report.

Part Two

1 - Members of the Board of Directors:

The Board of Directors of BankDhofar (SAOG) consists of the following:

S. No.	Name of Director	Basis of membership			No. of other directorships held in SAOG Companies
1	Eng. Abdul Hafidh Salim Rajab Al-Ojaili	Chairman	Non-independent	Shareholder Director	-
2	Mr. Ahmed Said Mohammed Al Mahrezi	Deputy Chairman Non-executive	Independent	Non-shareholder Director	-
3	Mr. Mohammed Yousuf Alawi Al Ibrahim	Member Non-executive	Independent	Non-shareholder Director	-
4	Mr. Tariq Abdul Hafidh Salim Rajab Al-Aujaili	Member Non-executive	Non-independent	Non-shareholder Director	3
5	Mr. Zahir Marhoon Mohammed Al Abri	Member Non-executive	Independent	Non-shareholder Director	-
6	Mr. Khalid Sulaiman Salim Al Kamyani	Member Non-executive	Independent	Non-shareholder Director	2
7	Mr. Khalid Said Salim Al Wahaibi	Member Non-executive	Independent	Non-shareholder Director	2
8	Mr. Tariq Salim Mustahil Al Mashani	Member Non-executive	Independent	Non-shareholder Director	2
9	Mr. Ahmed Sultan Rashid Al Yaqoubi	Member Non-executive	Independent	Non-shareholder Director	-

The Board of Directors held 8 meetings during 2025, as follows:

26 January 2025	23 March 2025	27 April 2025	19 May 2025
27 July 2025	26 October 2025	17 November 2025	2 December 2025

Details of meetings and remuneration of the Board of Directors of BankDhofar (SAOG) are as follows:

S. No.	Name of Director	No. of meetings attended	Directors' benefits (Amount in ﷲ)	
			Sitting Fees Paid	Remuneration Proposed
1	Eng. Abdul Hafidh Salim Rajab Al Ojaili	8	7,300	35,500
2	Mr. Ahmed Said Mohammed Al Mahrezi	8	10,000	34,000
3	Mr. Mohammed Yousuf Alawi Al Ibrahim	6	8,000	32,500
4	Mr. Tariq Abdul Hafidh Salim Rajab Al-Aujaili	8	10,000	34,000
5	Mr. Ahmed Sultan Rashid Al Yaqoubi	7	10,000	32,500
6	Mr. Khalid Sulaiman Salim Al Kamyani*	6	6,400	25,199
7	Mr. Zahir Marhoon Mohammed Al Abri*	7	10,000	25,199
8	Mr. Khalid Said Salim Al Wahaibi	8	10,000	34,000
9	Mr. Tariq Salim Mustahil Al Mashani	7	7,800	32,500
10	Mr. Hamdan Abdulhafidh Al-Farsi*	1	2,600	7,301
11	Mr. Faisal Mohammed Al Yousef*	1	1,000	7,301
TOTAL			83,100	300,000

*On 23rd March 2025, the Bank held elections for new members of the Board of Directors from among shareholders and non-shareholders. Following the voting process, Mr. Hamdan Abdulhafidh Al Farsi and Mr. Faisal Mohammed Al Yousef were not re-elected and, accordingly, attended Board meetings only until March 2025. Effective April 2025, Mr. Zahir Marhoon Mohammed Al Abri and Mr. Khalid Sulaiman Salim Al Kamyani joined the Board as newly elected members and commenced participation in Board meetings.

2. Sharia Supervisory Board (SSB)

The SSB consists of five members. The objectives of the SSB include:

- To provide Sharia rulings on all activities of Dhofar Islamic.
- To Supervise the compliance of Dhofar Islamic with Islamic Sharia rules.
- To enhance Dhofar Islamic's contribution to spreading awareness and contributing to the development of Islamic banking.

The Sharia Supervisory Board for the period from 1/1/2025 to 31/12/2025 held four (4) meetings.

Name of SSB Members	Designation	No. of Meetings Attended in 2025	Honorary (Amount in ﷲ)	
			Fees Paid	Remuneration Proposed (Amount Paid in 2025)
Mr. Abdullah Bin Ali Al Shahri	Chairman	4	2,400	10,500
Mr. Azzan bin Nasser bin Farfoor Al Amri	Deputy Chairman	4	2,200	9,000
Dr. Abdul Rub bin Salim bin Abdul Rub Al Yafai	Member	4	2,000	7,500
Dr. Hilal bin Hassan bin Ali Al Lawati	Member	4	2,000	7,500
Dr. Amin Fateh	Member	4	2,000	7,500

3 - Board Audit Committee (BAC)

The Board Audit Committee (BAC) was formed by the Board of Directors with the following main objectives and responsibilities:

- To provide assurance to the Board and top management of the Bank on the accuracy and credibility of financial statements and financial reporting.
- To ensure the adequacy and effectiveness of internal controls, sound risk management, and governance practices in the Bank and to recommend appropriate steps to improve them where required.
- To ensure the effectiveness of the system for monitoring the Bank's compliance with laws, regulations, and internal policies established by the Board of Directors.
- To oversee the independence and effectiveness of the internal audit function and to approve the risk-based internal audit plan, as well as the availability of adequate resources and information access.
- To recommend to the Board of Directors the appointment of the external auditors, their termination and remuneration, and to determine, review, and approve their terms of engagement.
- To meet with the external auditors to obtain their insights before submitting the annual financial statements to the Board for approval.
- To report and bring to the attention of the Board any matters of concern with regard to the foregoing and any material accounting or auditing concerns identified as a result of the external or internal audits, or examinations by supervisory authorities.

Name of Director	Designation	No. of Meetings Attended
Mr. Khalid Said Salim Al Wahaibi	Chairman of the Audit Committee	12
Mr. Zahir Marhoon Mohammed Al Abri	Deputy Chairman	8
Mr. Ahmed Said Mohammed Al Mahrezi	Member	11
Mr. Ahmed Sultan Rashid Al Yaqoubi	Member	7
Mr. Tariq Abdul Hafidh Al Aujali	Member	7

The (BAC) held 12 meetings in 2025.

4 - Board Risk Committee (BRC):

The Board Risk Committee (BRC) was established by the Board of Directors to collectively formulate sound policy decisions on risk and compliance management across the Bank. Its mandate is to provide comprehensive oversight of risk-related policies, procedures, and frameworks, ensuring adherence to regulatory requirements and international best practices while safeguarding the Bank's integrity and resilience.

Roles and Responsibilities:

The Board Risk Committee (BRC) plays a critical role in ensuring robust governance and risk oversight across the Bank. Its mandate encompasses the following high-level responsibilities:

1. Governance & Regulatory Compliance

- Ensure adherence to Central Bank of Oman guidelines, Basel II/III standards, and international best practices.
- Maintain transparency and integrity in reporting to the Board.
- Oversee the Bank's Compliance Risk Management Framework, ensuring effective identification, assessment, monitoring, and reporting of compliance risks.
- Recommend policies for approval.

2. Risk Appetite & Strategy

- Align risk appetite with the Bank's strategic objectives.
- Approve methodologies, limits, stress-testing frameworks, and monitor risk trends.

3. Credit Risk Oversight

- Monitor credit portfolio performance, non-performing assets, and loan loss provisions.
- Enforce independent internal controls and approve counterparty limits.

4. Capital Adequacy (ICAAP)

- Oversee capital planning and adequacy in line with strategic objectives.
- Review stress-testing results and ensure sufficient capital against material risks.

5. Operational & Fraud Risk

- Define operational risk appetite and governance structure.
- Review major incidents, approve mitigations, and monitor system security and vulnerabilities.

6. Cybersecurity & Information Security

- Oversee the cyber risk landscape, compliance with frameworks, and resilience measures. Monitor data protection, incident response, and security control effectiveness.

7. Compliance Risk Assessment

- Approve the annual Compliance Risk Assessment.
- Ensure integration of CRA outcomes into the Bank's ERM, strategy, and risk appetite.

8. Compliance Monitoring

- Approve the annual Compliance Monitoring Plan.
- Review monitoring results, key findings, and remediation status.
- Oversee timely closure of high-risk compliance issues.

9. AML/CFT & Sanctions Oversight

- Review AML/CFT program performance, STR trends, monitoring alerts, sanctions screening, and KYC updates.
- Oversee remediation of significant AML/CFT or sanctions breaches.
- Ensure adequacy of AML/CFT and sanctions systems and resources.

10. Regulatory Compliance

- Monitor adherence to CBO and other regulatory requirements.
- Review regulatory inspection outcomes and remediation progress.
- Ensure timely escalation of material regulatory issues to the Board.

11. Conduct Risk & Customer Outcomes

- Oversee the conduct risk framework.
- Review reports on complaints, mis-selling, disciplinary actions, and sales practices.
- Promote a strong compliance and conduct culture.

12. Consumer Protection Framework

- Ensure compliance with the Financial Consumer Protection Regulatory Framework.
- Approve action plans.

13. Data Protection & Privacy

- Oversee compliance with data protection regulations.
- Review data breach reports and privacy control effectiveness.
- Ensure DPIAs for high-risk initiatives.

14. New Products & Third Party Compliance

- Ensure compliance review of all new products, services, and major process changes.
- Oversee compliance risks in outsourcing and third-party arrangements.

15. Reporting, Accountability and Escalation

- Receive periodic summaries on risk exposure, stress testing, breaches, fraud investigations, and major incidents.
- Hold line management accountable for risks under their control.
- Receive timely compliance risk reports and KRIs.
- Approve thresholds for escalation of serious breaches.
- Require immediate reporting of major breaches (regulatory, sanctions, AML/CFT, data privacy).

16. Independence and Resources

- Approve HR matters for the CRO and Head of Compliance to ensure independence and capability.
- Ensure adequate staffing and technical expertise for risk and compliance functions.
- Ensure the CCO has unrestricted access to the Committee and full independence.
- Review the adequacy of compliance staffing, tools, and budget.
- Conduct an annual effectiveness review of the compliance function.

The members of the Board Risk Committee (BRC) are:

Name of Director	Designation	No. of Meetings Attended
1. Mr. Tariq Abdul Hafidh Salim Al Aujaili	Chairman	11
2. Mr. Ahmed Said Mohammed Al Mahrezi	Deputy Chairman	10
3. Mr. Mohammed Yousuf Alawi Al-Ibrahim	Member	8
4. Mr. Tariq Salim Mustahil Al Mashani	Member	6
5. Mr. Zahir Marhoon Mohammed Al Abri	Member	8
6. Mr. Khalid Sulaiman Salim Al Kamyani	Member	7

The (BRC) held eleven (11) meetings in 2025.

5- Board Nomination and Remuneration Committee (BNRC):

The Board Nomination and Remuneration Committee (BNRC) is formed by the Board to ensure that overall human resources development at the Board of Directors and executive management levels aligns with the strategic direction of the Bank.

At a strategic level, the Committee is responsible for reviewing and monitoring the following:

- Nominate qualified persons to assume senior executive management positions for the Board of Directors approval.
- Provide succession and development plans for executive management.
- Develop a succession policy/plan for the Board of Directors, at least for the Chairman.
- Prepare detailed job descriptions for the Chairman and Directors.
- Nominate qualified persons to act as interim directors on the Board in the event that any seat becomes vacant.
- Prepare and review the compensation policy for executive management.
- Endorse the compensation package (salary, increment, promotion, and bonus) of executive management.

The members of the Board Nomination and Remuneration (BNRC) Committee are:

Name of Director	Designation	No. of Meetings Attended
Mr. Ahmed Said Mohammed Al Mahrezi	Chairman	7
Mr. Tariq Abdul Hafidh Al Aujaili	Member	7
Mr. Ahmed Sultan Al Yaqoubi	Member	7
Mr. Tariq Salim Mustahil Al Mashani	Member	3
Mr. Mohammed Yousuf Alawi Al Ibrahim	Member	3

The (BNRC) held seven (7) meetings in 2025.

6 - Directors' Remuneration

As all members of the Board are non-executive directors, no fixed salary or performance-linked incentives are applicable. The non-executive directors are paid annual remuneration and sitting fees for attending Board/Committee meetings. Directors' proposed remuneration and sitting fees paid during 2025 are as follows:

	Proposed Remuneration ﷲ	Sitting Fees Paid ﷲ	Total ﷲ
Chairman of the Board	35,500	7,300	42,800
Board Members	264,500	75,800	340,300
Total	300,000	83,100	383,100

7- Compensation Policy

In line with the CBO guidelines on remuneration disclosures, the Bank has described the relevant qualitative and quantitative disclosures in this Corporate Governance Report.

8 - (a) Qualitative Disclosures:

The Compensation Policy supports the Bank's long-term business objectives. Current compensation practices are in line with the guiding principles of the CBO guidelines spanning risk management and risk tolerance; supporting the business strategy, objectives, values, and long-term interests of the firm; avoiding conflicts of interest; governance; managing the control functions' pay; remuneration and capital management; and profit-based measurement and risk adjustment. The Policy is reviewed periodically. The Board of Directors of the Bank has a Board Nomination & Remuneration Committee (BNRC), which consists of a minimum of three Board members, with one member representing the Board Risk Committee. The Committee's mandate is to frame compensation policy, systems, and processes for implementation and/or review.

The Total Rewards Strategy of the Bank supports the growth of the Bank in line with the long-term vision and objectives that take into account the longer-term health of the institution and financial stability, while also accomplishing the following goals related to key talent:

- Attract and retain employees.
- Motivate and reward performance.
- Align rewards with the organizational culture.
- Drive synergy between organizational and employee performance.
- Encourage desired behaviors and recognize the required results.
- Focus employees on achieving organizational goals and objectives.
- Ensure the pay mix is appropriate to generate desired productivity, behaviour and in line with CBO guidelines.
- Maintain transparent and clear compensation systems to ensure employee adoption

(b) Malus and Claw Back

A malus and clawback policy is in place to ensure that bonuses are paid based on accurate financial and operating data. If the Bank determines that it should seek recovery of a bonus payment due to causes mentioned in the Policy, the Bank shall have the right to demand that the staff member reimburse such amount to the Bank.

c) Quantitative Disclosures

The Board Nomination and Remuneration Committee (BNRC) held seven (7) meetings in 2025. As per the Policy, the bonus pool is variable and depends on the overall performance of the Bank; the pool is funded by taking a percentage of net profit.

The five key management members' salaries, bonuses, and staff terminal benefit for 2025 were ~~₹~~ 1,710,109. The amount disclosed is the amount paid for the reporting period. Certain components of key management bonuses are paid on a deferred basis as per the guidelines issued by the Central Bank of Oman.

The period of service contract for expatriate executives is two years, while the notice period for top executives is three months.

9- Other Disclosures

For 2025, an amount of ~~₹~~122,500 was accrued/paid to the external auditors of the Bank for audit and other service-related work.

10 - Related Party Transactions, Dealings and Policy

The Bank adopts a comprehensive policy and bylaws regulating related party dealings, including procedures and guidelines governing and regulating transactions and dealings with directors who have a strong and significant interest in the Bank's dealings.

Details of such dealings and transactions, if any, are incorporated in the financial statements included in the annual report as public disclosures.

11- Compliance with Regulatory Requirements

Over the past three years, there were no fines imposed on the Bank by the Financial Services Authority (FSA). In 2023, the Central Bank of Oman (CBO) imposed a penalty of ~~₹~~30,000 following its 2022 examination. In 2024, the CBO imposed a penalty of ~~₹~~38,000 following its 2023 examination. In 2025, the CBO imposed a penalty of ~~₹~~348,000 following its 2024 examination, which identified various areas of non-compliance. A penalty of ~~₹~~26,000 was paid for non-compliance with a recently issued CBO regulatory requirement and the Oman Credit and Financial Information Center (Malaa).

12 - Corporate Governance Compliance

The Bank has complied with all provisions of the Code of Corporate Governance issued by the Financial Services Authority (FSA). Governance practices include independent Board oversight, committee charters, periodic performance evaluations, disclosure controls, and stakeholder engagement mechanisms.

13 - Compliance with the Financial Consumer Protection Regulatory Framework (FCPRF)

The Central Bank of Oman's Financial Consumer Protection Regulatory Framework (FCPRF) promotes fair treatment, responsible product delivery, prevention of unfair practices, and effective dispute resolution to uphold confidence in the financial system.

BankDhofar remains fully committed to protecting customer rights and maintaining a secure banking environment through the following measures aligned with the FCPRF:

Governance & Oversight:

Board Risk Committee and Management Risk Committee FCPRF oversee the implementation of CBO requirements.

Periodic Reviews:

Regular assessments of compliance with FCPRF requirements across all business units.

Monitoring and Reporting:

Quarterly reporting to the Board Risk Committee and Management Risk Committee.

Customer Charter:

A comprehensive charter is published on the Bank's website to strengthen awareness of customer rights, responsibilities, and available resources.

Information Hub:

An online resource center provides product information and guidance to support informed financial decisions.

Awareness & Education:

Ongoing campaigns via the website, SMS, and social media educate customers on fraud prevention, safe banking practices, and key product terms.

Customer Feedback Channels

Customers can submit complaints, suggestions, feedback, and inquiries through the following channels:

Conventional Banking (BankDhofar)

Phone (24/7): (+968) 2479 1111

Email: care@BankDhofar.com

Website & Social Media: <https://www.bankdhofar.com/>

Islamic Banking (Dhofar Islamic)

Phone (24/7): (+968) 2477 5777

Email: care@dhofarislamic.com

Website & Social Media: <https://www.dhofarislamic.com/>

Turnaround and Escalation

The Bank targets resolving complaints within five (5) business days from the date of lodgment. If a response or satisfactory resolution is not provided within this timeframe, customers may escalate to senior management via the following focal points:

Ahmed Said Al Ibrahim - Chief Government Banking Officer, Or
Aisha Nasser Al Siyabi - Head of Customer Feedback

Phone: (+968) 2265 2010 (Sunday–Thursday, 8:00 AM–2:00 PM)

14-Communication with Shareholders and Investors:

All financial and non-financial information is disseminated in a timely manner. Management provides regular updates to the market on the Bank's performance and new developments, in addition to detailed disclosures in accordance with regulatory requirements and international standards. The Management Discussion and Analysis Report forms part of the Annual Report.

As part of enhancing BankDhofar's investor relations image, the Bank has taken the following steps:

1. The Bank has created a separate section on its website, "Investors' Relations," where relevant information, links, and documents of interest to investors are gathered.
2. The Bank has created an email address, investorsrelations@bankdhofar.com, which is available on BankDhofar's website under the "Investors' Relations" section for further communication, ensuring that investor and other external stakeholder queries are addressed in a timely manner. The Bank receives various queries from external financial institutions and investors from time to time.

The Bank publishes its unaudited quarterly and audited annual financial statements and hosts these and other relevant information on its website (www.bankdhofar.com) and the Muscat Stock Exchange (MSX) website (www.msx.om). The quarterly and annual results are also published in two local newspapers in Arabic and English. These results remain available to the shareholders of the Bank. All official news releases are displayed on the Bank's website.

15- Market Price Data

a. Share Price Movements

The high/low share price information of the Bank during the financial year ended 31 December 2025, compared with the Muscat Stock Exchange Financial Sector Index, is as follows:

2025	BankDhofar Share Price 			MSX financial sector Index
Month	High	Low	Closing	Closing
January	0.151	0.151	0.151	7,824.033
February	0.151	0.151	0.151	7,739.695
March	0.143	0.143	0.143	7,690.733
April	0.149	0.149	0.149	7,641.100
May	0.147	0.147	0.147	7,941.945
June	0.129	0.129	0.129	7,849.626
July	0.127	0.127	0.127	8,120.054
August	0.129	0.129	0.129	8,372.129
September	0.136	0.135	0.136	8,524.917
October	0.162	0.158	0.162	9,228.599
November	0.156	0.154	0.155	9,212.147
December	0.152	0.147	0.148	9,908.904

b. Major Shareholders

The following are the major shareholders who own more than 5% of the outstanding shares as of 31 December 2025:

Sr. No.	Shareholder	Percentage of Ownership
1	Eng. Abdul Hafidh Salim Rajab Al Ojaili & his companies	24.99%
2	Dhofar International Development & Investment Holding Company (SAOG)	23.30%
3	Social Protection Fund	10.75%
4	Mr. Yousuf bin Alawi bin Abdullah & his companies	9.76%
5	Sheikh. Mustahail Ahmed Al-Ma'ashani & his companies	7.45%
6	Others	23.75%
Total		100.00%

16- Profile of the Statutory Auditors:

The shareholders of the Company appointed KPMG LLC as its external auditors for 2026. KPMG LLC has been operating in Oman since 1974 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 180 people, among whom are five partners and five other engagement leaders, including Omani nationals. KPMG is a global network of professional services firms providing audit, tax, and advisory services. It operates in 138 countries and territories and has 276,000 people working in member firms around the world. KPMG LLC and KPMG Middle East are member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

17- Other Matters:

The last Annual General Meeting was held on 23 March 2025. The meeting was conducted as per statutory requirements and attended by the Chairman, Eng. Abdul Hafidh Salim Rajab Al Ojaili, and the following members of the Board of Directors: Mr. Ahmed Said Mohammed Al Mahrezi, Mr. Tariq Abdul Hafidh Salim Rajab Al Aujaili, Mr. Zahir Marhoon Mohammed Al Abri, Mr. Tariq Salim Mustahil Al Mashani, Mr. Mohammed Yousuf Alawi Al Ibrahim, Mr. Ahmed Sultan Rashid Al Yaqoubi, and Mr. Khalid Said Salim Al Wahaibi.

18 - Corporate Social Responsibility

Corporate Social Responsibility (“CSR”) is a key pillar of BankDhofar’s operations, reflecting the Bank’s strong commitment to community development, social responsibility, and environmental sustainability. During the year, BankDhofar supported a range of CSR initiatives across social, educational, environmental, and community-focused areas, in line with national priorities and Oman Vision 2040.

With a total approved CSR budget of ~~₹~~120,000, the Bank allocated funds to initiatives that deliver meaningful and measurable impact. As of year-end, ~~₹~~90,950 was utilized to support diverse programs benefiting various segments of society.

Key CSR contributions during the year included:

- Supporting community and cultural initiatives through sponsorship of the Dar Al Atta Exhibition 2025 and the 4th Sohar Festival, reinforcing social engagement and local development.
- Contributing to education and youth development by supporting Sultan Qaboos University (SQU) Summer School and student activities through a strategic one-year proposal with Sultan Qaboos University, reflecting the Bank’s commitment to investing in future generations.
- Allocating 20% of the CSR budget to support the Oman Charitable Organization, underscoring the Bank’s dedication to social welfare and humanitarian causes.
- Supporting environmental sustainability initiatives in collaboration with the Environment Authority and through the Green Office Program proposal in partnership with EFP Oman, aimed at promoting sustainable practices and environmental awareness.
- Contributing to community well-being by supporting initiatives with Al Noor Association for the Blind and sponsoring the Haj and Umrah Exhibition, addressing social inclusion and community needs.
- Supporting environmental responsibility and sustainable mobility through the Hybrid Car Rental initiative for Dhofar Municipality, contributing to reduced environmental impact.

Through these initiatives, BankDhofar continues to reinforce its role as a responsible corporate citizen, ensuring that CSR investments are aligned with national development goals, stakeholder expectations, and the Bank’s long-term sustainability objectives.

19- Perpetual Tier 1 & Tier 2 Subordinated Loan

Tier 1 Securities

a) In October 2022, the Bank issued Perpetual Tier 1  Capital Securities (the “Tier 1  Securities”), amounting to 115,500,000, denominated in Omani riyals. These Tier 1  Securities are listed on the 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 semiannually in arrears and treated as a deduction from equity.

b) In December 2023, the Bank issued Perpetual Tier 1  Capital Securities (the “Tier 1  Securities”), amounting to 40,000,000, denominated in Omani riyals. These Tier 1  Securities are listed on the 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 semiannually in arrears and treated as a deduction from equity.

At its sole discretion, the Bank 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 one 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).

Tier 2 Subordinated Loan

In April 2025, the Bank raised  31 million through an unsecured subordinated loan with a tenure of 66 months. The loan carries interest rates ranging from 5.75% to 6.00%, payable semiannually, with the principal amount due at maturity. Subsequently, two additional tranches were issued under the same terms: 52.9 million on 6 November 2025 and 16.1 million on 25 November 2025, bringing the total subordinated loan to 100 million.

20- Acknowledgment:

The Board of Directors confirms the following:

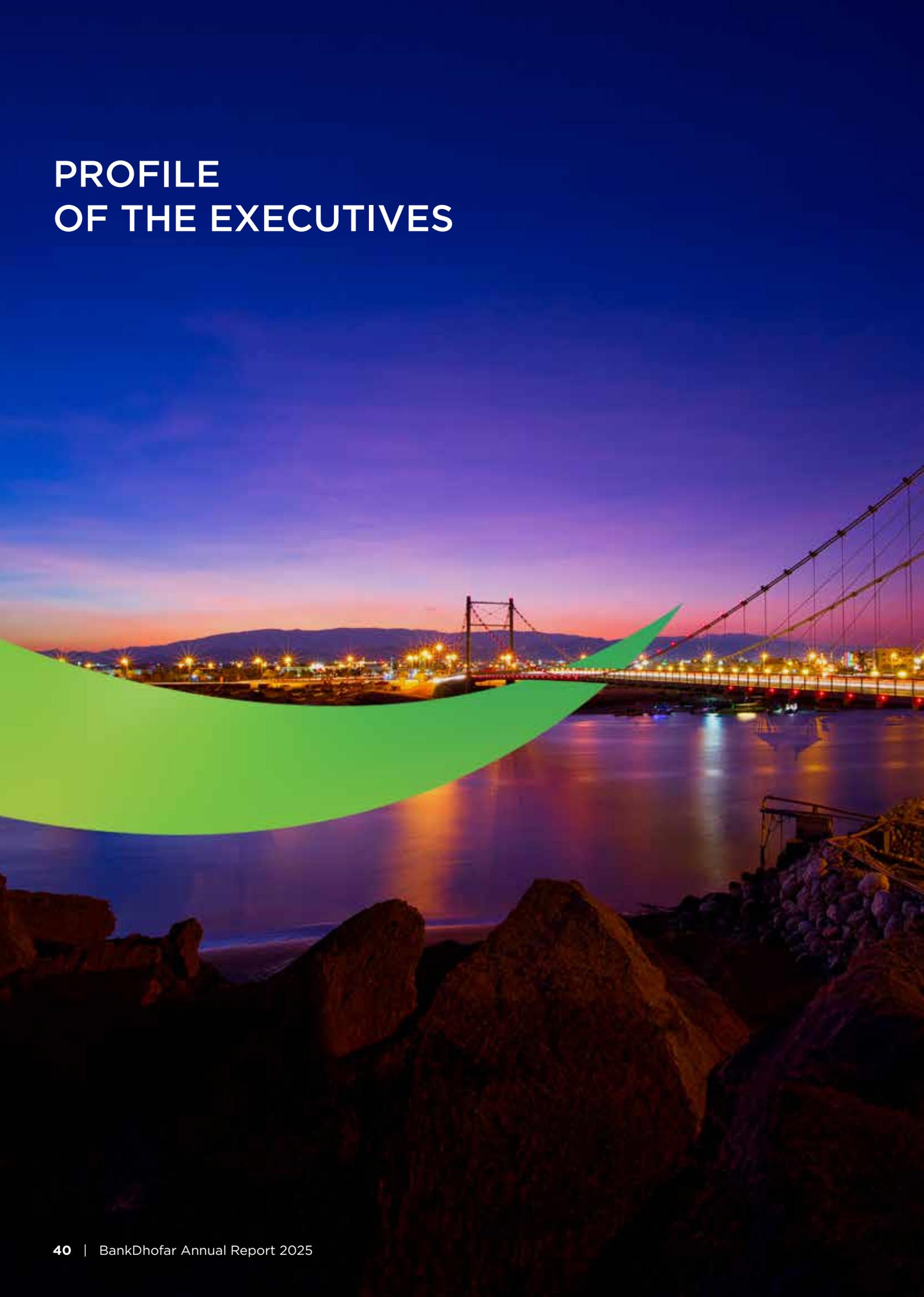
- Its responsibility for the preparation of the financial statements in accordance with applicable standards and rules.
- It has reviewed the efficiency and adequacy of the Bank's internal control systems and confirms that the Bank complies with rules and regulations and internal policies.
- There are no material matters that affect the continuation of the Bank and its ability to continue its operations during the next financial year.

On behalf of BankDhofar, the Board of Directors extends its sincere gratitude to the Bank's stakeholders for their trust and confidence, as well as to both the Central Bank of Oman (CBO) and the Financial Services Authority (FSA) for their collaborative guidance and supportive measures that enabled the Bank's growth based on solid fundamentals and strengthened the financial market. BankDhofar continues to pursue its success with great determination and ambition.



Eng. Abdul Hafidh Salim Rajab Al Ojaili
Chairman

PROFILE OF THE EXECUTIVES





Karumathil Gopakumar

Acting Chief Executive Officer

Karumathil Gopakumar joined BankDhofar as Deputy Chief Executive Officer in November 2021. He is a veteran finance professional with more than 33 years of experience in various leadership roles in Wholesale Banking, Retail Banking, Treasury & FI, Investment Banking, Asset Management, Private Banking, Financial Control and Operations with renowned financial institutions.

Prior to joining BankDhofar, Gopakumar held several leadership positions at banks in Oman. He is a Chartered Accountant, Cost Accountant and Company Secretary from India, a member of the Chartered Institute of Management Accountants, London, Member of the ACI - The Financial Markets Association, London and a Member of the Corporate Treasurers, London. He also holds an MBA from IMD Lausanne, Switzerland.



Amor Said Mohamed Al Amri

Chief Islamic Banking Officer

Mr. Amor Al Amri brings over two decades of extensive experience in Banking in both Islamic & Conventional domains.

Amor has led several strategic and transformative initiatives and comes with a wealth of knowledge in products, processes and systems.



Ahmed Said Salim Al Ibrahim

Chief Corporate Services Officer

Ahmed Al Ibrahim has 31 years of experience in the banking and finance industry. He currently serves as the Chief Corporate Services Officer at BankDhofar.

Ahmed holds an MBA from the University of Hull in the UK and a Bachelor's Degree in Mass Communication from Sultan Qaboos University. He also attended the Executive Leadership Program at the London Business School and several other programs in Management, Business and Banking.



Dr. Tariq Saleh Mohammed Taha

Chief Information Officer

Tariq Taha is the Chief Information Officer at BankDhofar and has over 25 years of professional experience in banking, telecom, oil & gas industries.

Prior to his current post, Tariq served as the Chief Retail Banking Officer and Digital Banking & Information Officer for several years.

Tariq holds a PhD in Management (Research) from Abdul Malik Sa'adi University in Morocco, Master of Management in Information Technology from University of Ballarat - Melbourne in Australia, and Higher National Diploma in Computer Science from the College of Banking & Financial Studies in Oman. He also attended various specialized banking programs both locally and internationally.



Amjad Iqbal Hassan Al Lawati

Chief Retail Banking Officer

Amjad joined BankDhofar as the Chief Retail Banking Officer in August 2022. He is a Senior Management Executive with 29 years of experience in retail banking segments within renowned banks in the GCC.

He holds a bachelor's degree in Business Information Systems from Lincolnshire & Humberside University - UK.



Mallikarjuna Korisepati

Chief Wholesale Banking Officer

Mr. Mallikarjuna joined the Bank as Chief Wholesale Banking Officer. He is a Senior Management Executive with 29 years of experience in Treasury, Capital Markets, Investments, Corporate & SME Banking, Retail Enterprises, Syndications & Global Financial Institutions with renowned global Banks. He has completed the Advanced Management Program from Harvard Business School. Mallikarjuna holds an MBA degree from SP Jain Institute, Mumbai, India, and a bachelor's degree in technology from IIT, Kharagpur, India.



Vikesh Mirani

Chief Financial Officer

Vikesh Mirani joined BankDhofar as the Chief Financial Officer in September 2021. He is responsible for all financial affairs and is in charge of setting the financial strategy and planning for the bank.

Prior to his appointment in BankDhofar, Vikesh was the Chief Financial Officer with Al Masraf in UAE and MD & Group Chief Financial Officer with Techcom Bank, an Associate of HSBC and one of the largest private sector banks in Vietnam. In his career spanning over 26 years, he has held various senior management roles in multinationals including HSBC, Standard Chartered, ABN AMRO and Emirates NBD.

Vikesh is an Associate Chartered Accountant (ACA) from The Institute of Chartered Accountants in England & Wales (ICAEW) and The Institute of Chartered Accountants of India (ICAI) and holds a Bachelor's Degree in Commerce with Honors in Accounting.



Leen Kumar Sugumaran

Chief Risk Officer

Leen Kumar is the Chief Risk Officer with over 31 years of professional experience in operations, strategic management, risk management, corporate and retail banking.

Prior to his current post, Leen held leadership and management positions in local and international banks.

Leen holds a Master's Degree in Business Management from Asian Institute of Management, Manila, and a Master's degree in Commerce from India. He is a certified Financial Risk Manager (FRM), Certified Management Accountant (CMA) and a Certified Financial Manager (CFM).



Dr. Khalid Salim Ali Al Hamadani

Chief Human Resources Officer

Dr. Khalid Al Hamadani joined BankDhofar in 2016 with over 29 years of professional human capital experience in both public and private sectors in Oman. He holds a PhD. in Human Resources Management from North Hampton Business School and a Master's Degree in Human Resources Management from Sheffield Business School in the UK, as well as a B.A. in Education from Sultan Qaboos University.



Ali Khamis Hussain Al Zadjali

Chief Compliance Officer

Mr. Ali is a seasoned senior-level executive with over 22 years of substantial experience in the Corporate and Regulatory domains. He has an MBA from Franklin University and a Bachelor's degree in Accounting & MIS from the USA.



Ezideen Juma Mohamed Al Mazroui

Acting Chief Internal Auditor

Mr. Ezideen is a seasoned executive with over 22 years of substantial experience in Risk and Regulatory domains. He holds an MBA from Strathclyde Business School, UK, and a Bachelor's degree in Finance & Management from the University of Missouri, USA.

MANAGEMENT DISCUSSION & ANALYSIS REPORT





Economic Scenario and Outlook

Amid a backdrop of global turbulence marked by geopolitical uncertainties and soaring inflation, Oman's financial landscape displayed commendable resilience and adaptability in 2025.

Guided by the prudent governance of His Majesty Sultan Haitham bin Tarik, the nation embarked on a trajectory of structural reforms and sustainable fiscal policies, lauded by institutions such as the International Monetary Fund (IMF) for catalyzing a robust economic resurgence. This resurgence was characterized by notable achievements including job creation, inflation moderation, significant reduction of public debt, and notable upgrades in Oman's sovereign credit ratings.

Despite a marginal decrease in oil production, Oman's GDP at constant prices demonstrated real growth of 2.27% in the first half of 2025, reaching **₹**20.66 billion at current prices, an increase of 2.44% from the previous year. This growth was predominantly driven by a dynamic non-oil sector, which witnessed a strong 4.14% increase in added value, supported by expansions in agriculture (+11.72%), services (+4.39%), and industrial activities (+2.50%). Meanwhile, the contribution of oil activities saw a slight contraction of 0.48%, aligned with a 0.61% decline in average crude production.

The government's proactive measures effectively countered global inflationary pressures, maintaining Oman's inflation rate within safe bounds. Notably, the consumer price index recorded an average increase of 0.82% during January–June 2025, compared to 0.36% during the same period in the previous year.

Through persistent implementation of financial control measures, public finances in early 2025 reflected a softening in revenues due to reduced oil and gas receipts, with total state revenues declining by 5.78% in the first half. However, Oman still maintained fiscal discipline, supported by prudent expenditure management and ongoing reforms. In the first quarter of 2025, Oman recorded a budget surplus equivalent to 6.2% of GDP, highlighting the continued strength of its fiscal framework.

Concurrently, effective debt management strategies continued to yield substantial results. Although the full-year debt figures for 2025 have not yet been published, the IMF confirmed that Oman's public debt-to-GDP ratio increased to 35.7% in 2025, compared to 34.0% in 2024.

The tangible improvements in Oman's economic indicators were underscored by sustained confidence from international rating agencies. Standard & Poor's maintained Oman's sovereign credit rating at BBB- with a stable outlook during the first half of 2025, reflecting trust in Oman's ability to preserve financial stability and meet its obligations.

Three years into the 10th Five-Year Development Plan, Oman remains steadfast in its pursuit of the ambitious goals outlined in "Oman Vision 2040." With GDP growth strengthening, non-oil activities accelerating, inflation remaining contained, and foreign direct investment rising to **₹**30.28 billion by mid-2025 (+12.8% YoY), the nation continues to make meaningful strides toward achieving a diversified and sustainable economic future.

Government Banking

The Government Banking division plays a vital role in providing specialized services to clients in the government and semi-government sectors, leveraging a team of experts and cutting-edge technology. BankDhofar is among the largest financial institutions in the Sultanate of Oman, and its relationships with government entities are a core element of its operations. Through a proactive approach and effective relationship management, the Bank caters to the needs of ministries, authorities, funds, and various other government institutions.

The Bank strives to enhance every relationship with its government clients promptly, utilizing its resources to maximize value. This integrated approach reflects our commitment to strategically and meticulously meeting our clients' needs.

Wholesale Banking Division

BankDhofar's expansive Corporate Banking division is dedicated to delivering specialized and personalized solutions that embody agility, innovation, and a profound understanding of customer requirements within the Sultanate of Oman. With a steadfast commitment to meeting the evolving needs of corporations boasting an annual turnover of **₹12 million** and above, we strive to create lasting value for our esteemed clientele.

Our approach is rooted in forging synergistic partnerships with our team of product specialists, enabling us to offer comprehensive financial solutions tailored to the unique needs of each customer. Operating from strategically positioned branches in Muscat, Sohar, and Salalah, our department places a premium on innovation and value-added services, consistently aiming for exceptional service delivery with swift execution.

The integration of cutting-edge digital solutions, such as Remote Check Capture & Deposit (RCCD) and a user-friendly online banking platform, serves to enhance operational efficiency and convenience for our valued clients. In line with this commitment, BankDhofar has inaugurated three strategically located corporate branches in Muscat, Salalah, and Sohar, providing specialized services and unwavering support to our corporate partners.

BankDhofar's Corporate Banking Solutions encompass a suite of sophisticated financial products meticulously crafted to address the diverse needs of our corporate clientele.

Crafted to address short-term working capital requirements with precision, our streamlined financing solutions offer unparalleled flexibility. The short-term loan option provides clients with the freedom to extend the facility for periods spanning 6, 9, or 12 months, empowering them to navigate fluctuations in their financial needs with ease. Furthermore, our meticulously designed bridge loan is strategically structured to seamlessly complement existing working capital, facilitating expansion and fostering venturesome business initiatives with confidence and assurance.

Our suite of Corporate Banking Solutions also includes tailored financing solutions for a broad spectrum of corporate needs, including term loans, property development financing, overdrafts, syndicated loans, and contract financing, among others. The Large Corporate Banking Division at BankDhofar remains committed to empowering our clients to efficiently manage their financial affairs and drive business growth through bespoke solutions and a collaborative approach that prioritizes their success.

BankDhofar Treasury and Investment Banking – Leading Financial Solutions Across Oman

Comprehensive Treasury & Investment Solutions

BankDhofar's Treasury and Investment Banking division delivers a full spectrum of products designed to meet the diverse needs of individuals, corporates, GREs, and government entities. Our offerings combine innovation, expertise, and market leadership to ensure optimal financial performance.

Core Functions

- Funding: Strategic liquidity management for corporates, project finance, retail, and financial institutions.
- Trading & Risk Management: Advanced portfolio strategies and derivatives for risk hedging and return optimization.
- Client Solutions: Tailored advisory and plain vanilla derivative products for effective risk mitigation.
- Investment Products: Access to T-bills, government bonds, CDs, committed lines, and repos.
- Treasury Desks:
 1. Money Market & Interbank Services
 2. Corporate Sales Desk for FX,
 3. Commodities,
 4. Interest rate products, and structured offerings

Market Leadership

- FX Expertise: Market leader in USD/OMR forwards and swaps with certified professionals offering 24/7 global service.
- Commodity Hedging: Specialized desk enabling corporates to manage commodity price volatility with bespoke solutions.

Strategic Advantage

- Exclusive Presence: BankDhofar is the only bank in Oman with branches in Muscat, Sohar, and Salalah, ensuring nationwide coverage.
- Global Connectivity: Strong relationships with leading regional and international banks empower us to deliver world-class solutions and liquidity access.

BankDhofar Investment Banking – Driving Strategic Growth

Comprehensive Investment Banking Solutions

BankDhofar's Investment Banking division delivers a full spectrum of advisory and capital market services, empowering corporates, government entities, and institutional clients across Oman. Our solutions combine deep market expertise, innovative structuring, and strong execution capabilities to deliver strategic value.

Three Core Departments

1. Asset Management

- Managing diversified portfolios across equities, fixed income, and alternative investments.
- Delivering tailored investment strategies to optimize returns and manage risk.

2. Corporate Financial Advisory

- Advisory on IPOs, rights issues, private placements, and capital structure optimization.
- Expertise in mergers & acquisitions (M&A), valuations, and strategic growth planning.

3. Proprietary Investment

- Investing BankDhofar's own capital in strategic opportunities across sectors.
- Focused on generating sustainable returns through disciplined risk management.

Strategic Advantage

- Global Connectivity: Strong relationships with leading regional and international banks provide access to global liquidity and expertise.
- Trusted Partner: Serving individuals, corporates, GREs, and government entities with bespoke solutions aligned with Oman's economic vision.

Mid Corporate Banking and SME

In alignment with Oman Vision 2040, BankDhofar is actively enhancing its support for Small and Medium Enterprises (SMEs) through a comprehensive approach that leverages our extensive branch network, cutting-edge digital solutions, and robust technology integration. Embracing the ethos of Oman Vision 2040, BankDhofar is dedicated to delivering tailored products and services that not only cater to local business needs but also adhere to global best practices.

Going beyond traditional banking offerings, our Bank provides specialized advisory services aimed at assisting SMEs in selecting financing solutions that are perfectly aligned with their unique business models. Through the provision of market insights, we proactively address challenges to ensure the seamless operation of SMEs in a dynamic business environment.

Technology plays a pivotal role in our growth strategy, with significant investments directed toward enhancing efficiency, convenience, and security for our valued customers. We have undertaken several digital upgrades and enhancements to our digital journey, empowering clients with a range of technological services that enable them to efficiently manage their financial affairs.

Our commitment to SMEs extends beyond financial products to encompass specialized advisory services tailored to their specific needs. By offering insights and proactive solutions, we strive to ensure the sustained success of SMEs. Moreover, we provide a diverse range of investment solutions, including time deposits and other financial products, enabling businesses to grow and optimize surplus funds effectively.

As part of our commitment to enhancing customer proximity and accessibility, we expanded our dedicated branch network with a new branch in Sohar, alongside our established presence in Muscat and Dhofar. This expansion is strengthened by additional help desks operating in Sur, Sumail, and Barka.

Demonstrated leadership in grooming local talent by heading the delegation responsible for the SME Unit transition and representing Corporate Banking during the merger with Bank of Baroda.

Numo SME Banking

Retail Banking introduced SME Banking products in 2024. To broaden its reach, enhance service quality, and meet the specific needs of Small and Medium Enterprises (SMEs), a dedicated Numo SME Banking team was established in 2025 within Retail Banking. This specialized team allows us to serve customers more closely through Numo SME Centers and dedicated relationship managers. Numo now operates in five locations—Azaiba, Maabela, Nizwa, Sohar, and Salalah—where relationship managers provide personalized support and tailored solutions to SME clients.

Project Finance, Syndications

BankDhofar's prowess in project and structured finance is epitomized by its seasoned team, equipped with extensive expertise in tailoring financing solutions to suit the unique circumstances of each customer, their business operations, and available cash flows. Our comprehensive range of project and structured finance products and services, including term loans, working capital loans, LC/LG, and bill discounting, underscores BankDhofar's holistic approach to project and structured financing.

Recognized for its unparalleled "time-to-money" execution, BankDhofar boasts a cadre of project and structured finance transactions well known for their domain proficiency, banking and regulatory insights, product structuring, advisory capabilities, and risk management acumen.

Distinguished for its adeptness in crafting bespoke financing solutions, BankDhofar specializes in overarching project categories as follows:

- Industrial (including downstream oil and gas ventures, metals-based plants, cement mills, and manufacturing)
- Infrastructure (including power and water utilities, ports, and transport corridors)
- Social Infrastructure (including educational institutions and hospitals)
- Digital landscape (telecommunications, broadband, data centers, and telecom towers)

This strategic focus underscores BankDhofar's steadfast commitment to playing a central role in Oman's long-term socioeconomic progress. These sectors serve as the cornerstone of the nation's future development and prosperity, and by addressing their financial requirements, BankDhofar aligns perfectly with the objectives of Oman's Vision 2040.

Corporate Liabilities

We create value for our corporate customers through synergistic partnerships with our product specialists. This approach allows us to provide one-stop solutions for customers, from account opening (current, savings, non-resident, offshore, and escrow accounts for real estate development projects/integrated tourism communities) to a full suite of corporate products and services, including Business Debit Cards, Corporate/Business Credit Cards, Corporate Internet Banking, point-of-sale (POS) solutions (including SoftPOS), e-commerce/payment gateways, business-to-business (B2B) services, Remote Check Capture & Deposit (RCCD), e-statements, and SMS alerts.

Additionally, cross-selling within WSB with regards to assets/lending, retail banking, and Dhofar Islamic. Other products include nonfunded facilities such as LCs and LGs. The department's top priority is ensuring the best customer experience for existing and prospective customers.

Transaction Banking & Trade Finance

The Bank's Transaction Banking division aims to optimize capital and drive financial excellence for corporate, small and medium enterprises, and government clients.

The division is focused on providing clients with effective solutions to manage their collections and payments digitally, backed by a robust MIS and reconciliation platform. Its main objective is to help clients enter new markets and capitalize on existing sales and supply chains, with the aim of improving key relationships, mitigating risks, and optimizing working capital while providing receivables and payables financing facilities.

The division introduced "Easybiz," a collections digitization and reconciliation platform for its clients, and "Easydebit," an online platform for direct debits.

The Trade Finance Sales unit under this division is a testament to the Bank's commitment to supporting and facilitating growth by engaging professionals specialized in selling trade products and providing customers with effective trade solutions. The success of its operations delivery has been corroborated by customers in a recent survey, which demonstrated a high Net Promoter Score for providing world-class services to its clients.

The division introduced a trade portal for online letters of credit initiation and amendments.

Forging strong partnerships is the cornerstone of sustainable growth, which is why it seeks to closely understand the specific needs of its clients before sharing customized solutions, including funded and nonfunded structures. This not only helps mitigate payment risks for buyers and sellers but also accelerates expansion into new and existing markets, thereby driving revenues and market share. Consequently, customers can free up their cash flow, unlock cash to reinvest in their businesses, enhance reconciliation, and enjoy financing support for key counterparties.

BankDhofar's Transaction Banking services underscore its relationship with its customers; they enhance financial management while reinforcing trust and transparency. As the pioneer in introducing innovative banking solutions in Oman, BankDhofar continues to shape the future of banking and raise the bar for excellence.

Financial Institutions & Debt Capital Markets Department

We provide debt origination, structuring and syndication services across the issuer, rating and capital spectrum for our clients with an extensive experience in origination, structuring and syndication of public and private debt issuances for sovereigns, financial institutions and corporates.

Capitalizing on the excellent relationship with leading regional and global banks, the department actively assists the bank's corporate customers with their global trade finance requirements. The department ensures that the Bank's corporate and retail clients have access to the world through the wide network of leading correspondent banks and Capital Markets.

The department is responsible for raising funding from international sources through syndicated/bilateral/club/repo loans. The department also assists in raising equity capital from overseas sources for the bank.

Furthermore, through strategic partnerships with local and regional banks, BankDhofar demonstrates its capacity to offer mega-sized syndicated loans to customers. Additionally, the successful raising of **₹40 Million** through Additional Tier 1 bonds, in compliance with Basel III requirements, stands as a strategic initiative to fortify the bank's capital position and foster further growth. This underscores BankDhofar's commitment to proactive capital management and ensuring a resilient financial foundation, with the bonds being listed on the Muscat Stock Exchange.

Retail Banking Division

In 2025, the Acquiring and Digital teams delivered a set of strategic initiatives focused on enhancing merchant experience, strengthening SME enablement, and advancing the Bank's digital transformation agenda. The launch of the Merchant Portal empowered acquiring merchants with self-service access to transaction statements, digital support requests, and real-time issue tracking, resulting in improved transparency, faster service delivery, and greater operational efficiency. SoftPOS enablement for the taxi segment expanded cashless payment acceptance by allowing drivers to accept card payments directly on their smartphones at lower cost and with faster activation. In parallel, the Bank's collaboration with OCCI and SANAD streamlined SME onboarding through simplified documentation and faster account opening. Collectively, these initiatives reinforced financial inclusion, supported SME growth, and strengthened the Bank's position as a leading digital and SME-focused financial partner in Oman.

Smarteck Fintech Partnership – SME Onboarding & Acquiring Support

In 2025, the Bank signed a partnership with Smarteck Fintech as part of its fintech collaboration strategy to enhance SME onboarding and acquiring enablement. This partnership strengthens the Bank's fintech ecosystem, expands reach to emerging SMEs, and positions the Bank as a digitally progressive SME partner.

Key Achievements

<ul style="list-style-type: none">• Successfully enabled SME account openings through Smarteck Fintech	<ul style="list-style-type: none">• Close coordination between Smarteck Fintech and the Bank's SME Team	<ul style="list-style-type: none">• Accelerated onboarding of SMEs into the banking ecosystem
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Business Benefits

<ul style="list-style-type: none">• Faster and smoother SME account-opening journey	<ul style="list-style-type: none">• Expanded SME sourcing through fintech channels	<ul style="list-style-type: none">• Improved collaboration between fintech partners and internal SME teams
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Distribution Expansion

Distribution expansion is a vital and ongoing initiative within the Bank's business growth strategy. By effectively broadening its distribution channels, the Bank will enhance its reach, improve customer satisfaction, and ultimately drive sales growth.

By expanding its branch network across all governorates, BankDhofar seeks to be closer to its customers, build strong and lasting relationships, retain customers, and provide the best products with exceptional service. The Bank has opened more than 140 branches distributed throughout the Sultanate, including branches in many universities and colleges across all regions. In addition, the Bank has expanded its ATM and CDM network to reach 388 machines, including ATMs, multi-use cash deposit machines, and multi-service interactive machines.

Al Riadah & Al Rifaa & Private Banking

Al Riadah and Al Rifaa Banking Services

BankDhofar remains committed to delivering differentiated, high-value banking experiences tailored to the diverse needs of its affluent and valued clientele. Through our flagship premium offerings—Al Riadah Priority Banking and Al Rifaa Privilege Banking—we provide personalized financial solutions, exclusive privileges, and superior service standards that strengthen customer loyalty and contribute to non-interest income growth.

Al Riadah Priority Banking is meticulously designed for affluent individuals, offering a bespoke banking journey that aligns with their sophisticated financial goals and lifestyle aspirations. Clients benefit from dedicated relationship managers who deliver customized advisory services across wealth management, investments, and financing. Key privileges include:

- Preferential interest rates on deposits and loans to optimize returns and borrowing costs.
- Access to premium credit cards with enhanced reward programs, higher limits, and exclusive benefits.
- Complimentary entry to select international airport lounges for seamless travel experiences.
- Curated discounts and partnerships with leading merchants across dining, lifestyle, and leisure categories.

These features have positioned Al Riadah as a preferred choice for high-net-worth clients, supporting increased deposit mobilization, cross-selling of wealth products, and higher transaction volumes in 2025.

Al Rifaa Privilege Banking caters to our esteemed valued clients, providing an elevated tier of service characterized by priority handling, individualized attention, and rewarding extras. This segment emphasizes convenience and value, with dedicated priority support at branches and through our call center. Highlights include:

- Enhanced (preferential) interest rates on deposits, including boosted yields on the High Yield Savings Account.
- Branded Platinum Credit and Debit Cards offering exclusive deals, reward points on domestic and international purchases, and access to airport lounges.
- Priority processing for transactions, inquiries, and financing requests to ensure swift and efficient service.
- A suite of tailored perks designed to enrich everyday banking while delivering measurable financial advantages.

Both Al Riadah and Al Rifaa have played a pivotal role in our retail strategy, contributing to robust growth in customer deposits, fee-based income from card usage and partnerships, and overall customer satisfaction metrics.

Private Banking

Private Banking offers financial and advisory services for high-net-worth (HNW) and ultra-high-net-worth (UHNW) clients. Private Banking employs an exclusive, convenient, and collaborative approach where privacy is paramount. Private Banking, officially launched in June 2024, provides banking and investment services. It offers customized facilities like checking and savings accounts, designed specifically for wealthy clients, investment guidance, and prospects.

Private Banking offers clients a variety of perks, privileges, and personalized service. This has become an increasingly prized commodity in an automated digitized banking world. It also provides preferential pricing and alternative investments. Private Banking also introduced new metallic debit and credit cards to enhance concierge services, enabling customers to gain access to VIP events, make bookings at world-renowned restaurants, and receive assistance in creating bespoke VIP travel itineraries.

Wealth Management

Established in June 2024, Retail Wealth Management quickly positioned itself as a client-centric division, offering carefully curated investment solutions such as mutual funds, bonds/sukuk, and Model Portfolios (built with BlackRock). Within a short span, the division has focused on building trust through rigorous product evaluation, seamless service delivery, and collaboration with key stakeholders. Training initiatives and referral strategies have laid the groundwork for expanding our client base and fostering growth. As we move forward, we aim to integrate innovative tools, align with market trends, and drive exceptional value for our clients and the organization.

Key aspects of wealth management in banks include:

Investment Management: Crafting and managing a diversified portfolio tailored to the client's risk tolerance and financial goals.

Financial Planning: Developing strategies to achieve long-term financial objectives, including **retirement planning**, education planning, etc.

Retirement Solutions: Navigating retirement planning can be complex, but our experts simplify the process. We assist you in creating a retirement plan that ensures you can enjoy your golden years without financial concerns. We provide comprehensive support to help you build a secure and comfortable retirement. Our retirement solutions are tailored to your individual circumstances, considering your current financial situation, future income needs, and retirement goals.

At BankDhofar, we understand that wealth management doesn't transcend mere numbers; it's about realizing your financial dreams, growing your wealth, and securing your future. Our team of seasoned experts is dedicated to delivering bespoke wealth management solutions tailored to your unique needs and objectives.

Bancassurance

BankDhofar has a strategic partnership with Dhofar Insurance and MetLife to offer a range of innovative insurance solutions that provide enhanced financial protection to its valued customers. Under this collaboration, BankDhofar has introduced several insurance products designed to offer customers peace of mind and financial security during life's unexpected challenges.

Under these partnerships, the key products offered include the following.

With Dhofar Insurance (sold through the Bank's sales channels):

Endowment is a unique financial solution that combines life protection with disciplined savings, designed to meet the evolving needs of individuals and families across the Sultanate of Oman.

Motor insurance provides both comprehensive and third-party coverage, ensuring adequate insurance protection for customers' vehicles.

Home insurance plan provides protection for the building, its contents, and appliances against potential loss or damage resulting from fire, explosion, civil unrest, and natural disasters such as storms, hurricanes, floods, landslides, and earthquakes.

Travel insurance is an essential part of trip planning, offering several key benefits such as delayed departure and loss of luggage and passports, which can provide peace of mind during travel.

Health insurance covers family members and domestic workers. The health insurance plans are customized based on customers' requirements.

SME (business insurance) is a protective financial cover designed to help a company manage risks arising from unexpected events—such as accidents, lawsuits, property damage, or employee-related issues. It helps ensure that a business can continue operating even when something goes wrong.

With MetLife (offered through the Bank's sales channel):

Critical Illness Care Plus provides financial support to cover the costs of treatment or loss of income if diagnosed with any of the covered critical illnesses. The product is tailored to ensure that BankDhofar customers and their families can focus on recovery and well-being, knowing that their financial needs are taken care of.

Circle of Protection is designed to offer comprehensive life insurance coverage with flexible options. This product provides peace of mind to our customers by securing their family's future in case of unforeseen circumstances. It ensures that loved ones are financially protected and can maintain their quality of life.

Salary Protect aims to provide financial stability and support in times of need. Salary Protect ensures that individuals and their families are safeguarded from unexpected financial setbacks.

Critical Illness Care is a more affordable version of the Critical Illness Care Plus product aimed at targeting the mass segment of customers.

BankDhofar's role in facilitating the acquisition of insurance solutions or services is not limited to individuals; it also supports corporates by providing referral insurance services to help protect their property, investments, and assets from potential losses such as fraud, theft, and natural disasters, thus enhancing stability and continuity in providing financial services.

Enterprise sales

The Enterprise Sales function was introduced to bring banking closer to customers. The doorstep banking initiative from the Direct Sales Team resulted in around 250+ open days at corporates across the Sultanate this year and enabled customers to access banking services without having to step out of their offices. The welcome kit proposition to corporates resulted in the instant opening of salary accounts, thereby eliminating time wastage for employees and employers and enhancing the customer experience.

Digital Banking

The launch of Corporate Internet Banking (CIB) marks a significant step in strengthening the Bank’s digital service proposition for business customers by combining secure, scalable technology with enhanced transaction capabilities. As part of this initiative, CIB is now integrated with the Dhamani platform, enabling efficient medical-claim payment settlement and reconciliation, and supporting faster, more transparent healthcare-related transactions. In parallel, the Digital team has introduced a dedicated digital platform for SME customers, offering self-registration, secure and error-free salary payments, and a suite of transactional, informational, and value-added services, reinforcing the Bank’s commitment to delivering purpose-driven digital solutions across both corporate and SME segments

Mobile Banking

During the year, the Bank expanded its Mobile Banking proposition with the launch of instant remittances to Pakistan and Bangladesh, two of the most important corridors for our retail customer base. This enhancement enables customers to transfer funds securely and in real time, providing a fast, transparent, and highly reliable cross-border payment experience.

This initiative plays a significant role in strengthening the Bank’s brand presence within key expatriate communities, positioning us as a trusted and customer-centric financial partner. By addressing a critical everyday need for these segments, the service is expected to contribute meaningfully to new customer acquisition while deepening engagement and long-term loyalty among existing users.

In addition, the Bank introduced in-app provisioning of Samsung Pay, enabling customers to add their cards directly from the Mobile Banking App for instant, secure digital wallet activation. This marks another step forward in enhancing payment convenience and supporting the Bank’s shift toward a fully digital, card-on-file ecosystem. Together, these enhancements further reinforce the Bank’s commitment to delivering intuitive, customer-focused mobile experiences that align with evolving digital lifestyles.

Credit Cards

BankDhofar offers a wide range of debit and credit cards to suit customers’ needs across segments. This ensures that you will find a BankDhofar Credit Card that perfectly fits your lifestyle—and even earns you rewards every time you use it.

The Bank entered a strategic partnership with Mastercard, enabling the issuance of new Mastercard-branded cards. All existing Visa cards will be gradually replaced with Mastercard cards.

Choose the ultra-premium Mastercard cards; the exclusivity of World Elite and the Legend Mastercard; the special benefits of Mastercard Platinum—or simply opt for the functionality of the E-Com Mastercard credit card for online shopping.

The Bank also launched the domestic Maal debit card in line with Central Bank requirements.

Key achievements in 2025 include:

<ul style="list-style-type: none"> Domestic debit card launch - Maal Debit Card 	<ul style="list-style-type: none"> Launch of Mastercard World Elite credit card 	<ul style="list-style-type: none"> Launch of Mastercard World Legend credit card
<ul style="list-style-type: none"> Corporate credit card application automation 	<ul style="list-style-type: none"> Retail credit card for SME customers based on a lien on the SME account 	<ul style="list-style-type: none"> In-app provisioning for Samsung Pay
<ul style="list-style-type: none"> OTM credit cards sales channel setup 	<ul style="list-style-type: none"> DI credit card rebate process enhancement 	

Dhofar Islamic Banking Services

DI Corporate Banking Division

BankDhofar has a strategic partnership with Dhofar Insurance and MetLife to offer a range of During 2025, Dhofar Islamic Corporate Banking continued its growth trajectory, expanding its presence and strengthening its role in supporting Oman's economic diversification under Vision 2040. The division enhanced its geographic reach by establishing a dedicated Corporate Banking team in Sohar, complementing existing teams in Muscat and Salalah, to provide premier services across key regions including the Batinah corridor. This expansion was supported by an increased branch network, enabling Dhofar Islamic to serve a broader corporate customer base efficiently.

In line with national priorities, Dhofar Islamic focused on strategic sectors such as Energy, Power, and Mining. Notably, the division successfully led a syndicated Sharia-compliant project financing transaction for an underground copper mining project, with financial closure in progress and full participation secured. This landmark deal represents one of the first private-sector transactions of its kind in Oman. Additionally, Dhofar Islamic extended financing support to several projects of national importance, including Sultan Haitham City, Sultan Faisal Bin Turki Road, and Marsa LNG, reinforcing its commitment to infrastructure development and economic growth.

While the corporate banking portfolio continued to expand, emphasis remained on maintaining quality and diversification. The division onboarded new-to-bank clients to strengthen the portfolio across multiple economic sectors, ensuring prudent risk management and alignment with the Sultanate's Vision 2040 objectives. Dhofar Islamic remains steadfast in its mission to deliver innovative, Shariah-compliant financial solutions that empower businesses and contribute to Oman's sustainable development.

Overview

The Investment Banking & Capital Markets (IBCM) unit continued to strengthen its role as a strategic, nonfunded income and thought-leadership engine for Dhofar Islamic, despite a more cautious market environment.

Proprietary Investments

The proprietary portfolio was enhanced through targeted investments in local IPOs and high-quality GCC sukuk, improving risk-adjusted returns, liquidity, and income stability, while keeping the Bank closely aligned with local and regional Islamic capital markets.

Advisory & Restructuring

IBCM advised on multiple restructuring mandates, including Oman's first-ever sukuk restructuring, a landmark transaction that established Dhofar Islamic as the leading Islamic advisor for complex and distressed situations in the local market. The Bank was also mandated by OQBI for Shariah advisory services, further validating Dhofar Islamic's credibility with large government-linked institutions.

Market Leadership & Profile

Dhofar Islamic's leadership in Islamic capital markets was reinforced through speaking roles at the Kuala Lumpur Islamic Finance Forum (KLIFF) 2025 and IFN Oman Forum 2025, positioning the Bank as a national and regional reference point for Islamic capital markets and structuring expertise.

Outlook

IBCM is well placed to expand sukuk, advisory, and restructuring activities, supporting Dhofar Islamic's strategy of growing fee-based income and franchise value while strengthening Oman's Islamic capital market.

Retail Banking and Products

Dhofar Islamic introduced third-party banca takaful solutions together with comprehensive wealth management services in 2025, strengthening its position as a leading provider of Shariah-compliant financial offerings. These strategic enhancements, supported by Dhofar Islamic's extensive network of 30 branches—one of the largest Islamic branch networks in Oman—reflect the Bank's strong dedication to delivering holistic, one-stop financial solutions that empower customers to achieve their financial aspirations while remaining firmly aligned with Shariah principles.

Strategy, CX and Marketing

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, multichannel 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 resulted in diversification of the Bank's customer base, increased offerings to NRI customers, and increased market presence in the NRI segment in Oman. The Bank inked a strategic relationship with BOB, under which the Bank will leverage BOB's extensive international network to enhance its correspondent banking services and cross-selling opportunities for 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.

Customer Experience

The Bank focused on continuously strengthening its Customer Experience (CX) capabilities as a strategic enabler of sustainable growth, service consistency, and long-term customer value. During the year, the Bank's CX function continued its evolution from a primarily measurement-led approach toward a more proactive, insight-driven model that supports informed decision-making across the Bank.

Building on established foundations, the Bank further embedded structured customer listening mechanisms across key customer touchpoints. These insights were complemented by operational performance inputs and service quality assessments, enabling a more comprehensive understanding of customer needs, expectations, and experience drivers. This integrated approach allowed the Bank to move beyond reactive feedback management toward earlier identification of experience gaps and improvement opportunities.

A continued focus was placed on strengthening service standards and consistency across the branch network. Through a combination of customer feedback, service evaluations, and capability reinforcement, the Bank observed more stable and consistent service performance across branches. This focus supported improved reliability of frontline service delivery and reinforced a common understanding of expected service behaviors.

The Bank also advanced its lifecycle-based approach to customer management, supporting more structured engagement across key stages of the customer relationship. By aligning customer insights with lifecycle perspectives, the CX function contributed to a clearer understanding of customer activation, engagement, and retention dynamics. This approach strengthened the Bank's ability to prioritize experience improvements that matter most at critical moments in the customer journey.

In parallel, the Bank continued to invest in employee enablement and service culture. Initiatives aimed at reinforcing service values, enhancing product and service knowledge, and supporting informed customer interactions contributed to greater confidence and ownership among customer-facing teams. These efforts helped translate CX insights into practical, on-the-ground improvements.

Overall, the Bank's CX program remained a strategic focus area throughout the year, with continued progress toward a more mature, insight-led, and value-oriented customer experience capability. By strengthening the link between customer insights, service standards, and operational actions, the Bank reinforced its commitment to making customer interactions simpler, more consistent, and more meaningful, while supporting broader business objectives.

Marketing and Corporate Communications

In 2025, BankDhofar and Dhofar Islamic strengthened their market presence through integrated, insight-driven marketing and consistent brand storytelling across all channels. Campaigns supported key business priorities across retail, corporate, SME, and Islamic banking, aligned with product launches, national initiatives, and seasonal moments to ensure strong visibility across paid, owned, and earned media.

Digital and social media remained a core focus, with audience-centric content driving improved reach, engagement, and brand recall. Approximately 3,213 social media posts were published during the year, resulting in an increase of 27,273 followers.

Branding efforts emphasized consistency and clarity, ensuring unified brand expression across campaigns, branches, digital assets, events, and exhibitions. Targeted campaigns for Dhofar Islamic highlighted Shariah-compliant solutions, trust, and community relevance, supporting customer acquisition and relationship growth.

The Bank maintained a strong media presence through proactive communications, delivering 144 press releases, 6 thought leadership articles, 7 testimonials, 7 podcasts, and 26 videos, reinforcing trust and brand leadership in the Omani market.

Marketing and communications initiatives supported digital innovation, customer convenience, and key customer segments, including youth, ladies, SMEs, and private banking clients. High-impact campaigns and industry platforms further enhanced visibility, engagement, and the Bank's customer-centric positioning.

In addition to campaign execution and media engagement, the Marketing & Corporate Communications function delivered strong achievements through the successful planning and execution of high-profile events, exhibitions, and BankDhofar booth activations across the Sultanate. The Bank maintained a prominent presence at key national, sectoral, and customer-focused platforms, using branded booths as strategic engagement hubs to showcase products, services, and digital capabilities. BankDhofar's booth activities were designed to go beyond visibility, focusing on meaningful customer interaction, lead generation, and brand experience. These activations enabled direct engagement with diverse audiences, including retail customers, SMEs, youth, and high-net-worth individuals, while supporting product awareness, digital adoption, and relationship-building objectives. Consistent branding, interactive elements, and well-trained frontline teams ensured a cohesive and professional representation of the Bank across all events.

The year also marked several notable achievements, including the successful delivery of major customer and stakeholder events aligned with the Bank's strategic priorities, product launches, and market positioning. These events strengthened relationships with customers, partners, regulators, and media, while reinforcing BankDhofar's role as a trusted financial partner and active contributor to national economic and social initiatives. Collectively, these achievements enhanced brand equity, expanded market reach, and supported the Bank's broader growth and engagement agenda.

CSR is a key pillar of BankDhofar's operations, reflecting the Bank's strong commitment to community development, social responsibility, and environmental sustainability. During the year, BankDhofar supported a range of CSR initiatives across social, educational, environmental, and community-focused areas, in line with national priorities and Oman Vision 2040.

With a total approved CSR budget of ~~₹~~120,000, the Bank allocated funds to initiatives that deliver meaningful and measurable impact. As of year-end, ~~₹~~90,950 was utilized to support diverse programs benefiting various segments of society.

Key CSR contributions during the year included:

- Supported community and cultural initiatives through sponsorship of Dar Al Atta Exhibition 2025 and the 4th Sohar Festival, reinforcing social engagement and local development.
- Contributed to education and youth development by supporting Sultan Qaboos University (SQU) Summer School and student activities through a strategic one-year proposal with Sultan Qaboos, reflecting the Bank's commitment to investing in future generations.
- Allocated 20% of the CSR budget in support of the Oman Charitable Organization, underscoring the Bank's dedication to social welfare and humanitarian causes.
- Supported environmental sustainability initiatives in collaboration with the Environment Authority and through the Green Office Program proposal in partnership with EFP Oman, aimed at promoting sustainable practices and environmental awareness.
- Contributed to community well-being by supporting initiatives with Al Noor Association for the Blind and sponsoring the Haj and Umrah Exhibition, addressing social inclusion and community needs.
- Supported environmental responsibility and sustainable mobility through the Hybrid Car Rental initiative for Dhofar Municipality, contributing to reduced environmental impact.

Through these initiatives, BankDhofar continues to reinforce its role as a responsible corporate citizen, ensuring that CSR investments are aligned with national development goals, stakeholder expectations, and the Bank's long-term sustainability objectives.

Sustainability Unit

In 2025, the Sustainability Unit advanced BankDhofar's environmental, social, and governance (ESG) agenda by translating strategy into measurable action and embedding sustainability across the Bank's operations, culture, and governance framework. The Bank's comprehensive ESG framework, developed in 2024, was actively operationalized during 2025, providing a structured roadmap aligned with international best practices, the expectations of the Central Bank of Oman (CBO) and Muscat Stock Exchange (MSX), and the national priorities set out under Oman Vision 2040.

Key milestones achieved during the year included the publication of BankDhofar's second Sustainability Report, strengthening transparency, accountability, and ESG disclosures, and establishing a baseline for performance measurement and continuous improvement. The Sustainability Unit also enhanced ESG governance and oversight mechanisms, supporting improved coordination, monitoring, and reporting across business and support functions.

During the year, the Bank progressed a range of ESG initiatives across four strategic pillars: enabling climate action, uplifting customers and communities, focusing on people, and reinforcing governance. Key achievements included the launch of an Emerging Gulf recycling hub partnership to support waste management and circular economy practices; expansion of the Bank's hybrid vehicle fleet to reduce carbon emissions; implementation of LED and sensor-based lighting across buildings to improve energy efficiency; and internal partnerships to strengthen sustainability operations.

On the social front, the Bank advanced community engagement and awareness initiatives, including national student-focused environmental programs, marketing and awareness campaigns to promote sustainability, and internal training and engagement activities to reinforce responsible practices among employees. Governance and disclosure were further strengthened through the launch of a centralized sustainability webpage, improved ESG data coordination, and enhanced internal and external reporting practices.

Collectively, these achievements reinforce BankDhofar's commitment to responsible banking, regulatory alignment, and long-term value creation, while directly supporting Oman Vision 2040 objectives related to sustainable economic growth, environmental stewardship, social development, and strong institutional governance.

Financial Inclusion Initiatives

As part of financial inclusion initiatives, Marketing and Corporate Communications has taken responsibility for communicating with individuals and business owners about various products and services that meet their needs, delivered in responsible and sustainable ways. This includes awareness campaigns tailored to specific segments, sponsorship events, press releases, advertisements in newspapers, social media coverage, and more.

Social media channels play a crucial role in promoting products, services, and different offerings, alongside utilizing corporate communications tools to highlight BankDhofar's news and updates. The awareness campaigns not only target the existing customer base but also aim to reach the general population, encouraging them to join BankDhofar.

BankDhofar boasts a branch network of more than 140 branches across Oman, designed appropriately to accommodate customers with disabilities, ensuring accessibility for all demographics and facilitating ease in banking.

To ensure higher consumer engagement and retention, BankDhofar offers one of the best mobile banking applications, accessible 24/7 for multiple real-time transactions, aiming to transition customers to the mobile banking platform seamlessly.

Lastly, staff undergo regular training on multiple aspects of banking, with a particular focus on selling skills and products available for each segment, to ensure effective customer acquisition.

Legal Division

The Legal Department provides legal support and advice to all the Bank's departments and branches to safeguard the Bank's interests and prevent breaches. This is achieved by coordinating with the Bank's departments and branches to ensure correct implementation and interpretation of laws, regulations, circulars, and internal policies.

- The Legal Department is well established with an experienced team of legal counsels and paralegals. Work is streamlined between team members to improve turnaround time and the quality of work.
- There has been an increase in the number of case settlements with customers and faster responses to claims.
- The Legal Department conducts most of the review and drafting of contracts and agreements in-house to protect the Bank's interests and minimize legal risks while also improving quality and turnaround time.
- The Bank's policies and terms and conditions for both existing and new products, services, and standard forms are reviewed and updated in coordination with relevant departments.
- Various committees include participation from the Legal Department.
- The Legal Department promotes awareness by hosting seminars and workshops internally. These sessions help staff understand their responsibilities and boost accountability, ensuring everyone is informed and compliant with laws and regulations.
- The Legal Department coordinates with the Central Bank of Oman, Financial Services Authority, Royal Oman Police, Public Prosecution, and other authorities as required.

Central Operations

Awards

- Citibank's 2025 Straight Through Processing (STP) Excellence Award. The award is given annually to financial institutions that meet the highest global standards for efficiency and accuracy in processing international transactions. In this case, it was a near-perfect 99.9% STP rate for Trade Finance.
- Award for H.E. Ahmed Al Musalmi, the Governor of the Central Bank of Oman, recognizing the Bank as the first in the country to offer an e-mandate-based electronic payment solution to customers.
- **In Retail Credit Approval:** The division also manages individuals' credit scoring measurement and works to implement robust risk management protocols, safeguarding customer interests.
- **Branch Operations:** The team serves as the key support system for branch customers, addressing inquiries, resolving issues, and ensuring that the Bank's frontline team receives prompt and reliable assistance to enable customer satisfaction. One key element is the surprise check, in which branches are visited multiple times per year and critical control checks are performed, with reports shared with Retail Banking Management.
- **Payments:** The Bank now offers IBAN-based international payments in line with the directive of the Central Bank of Oman. It also offers partial payment of checks across all check-processing modules (go-live on November 30, 2025).

Business Continuity Management (BCM)

BankDhofar places paramount importance on Business Continuity Management (BCM) to ensure uninterrupted functioning of its operations. The Bank undertakes regular reviews through various methods to ensure its capability to meet contingencies arising out of unforeseen disasters, technological failures, and various other threats. The key purpose of the unit is to maintain operational stability, mitigate risks, and safeguard the interests of our stakeholders.

Key Components:

- **Risk Assessment:** The unit conducts comprehensive risk assessments to identify potential disruptions. Through proactive planning, we ensure preparedness for various scenarios, ranging from natural disasters and floods to unforeseen fluctuations.
- **Governance:** Our BCM framework is built on a foundation of robust governance, aligning with international standards. The oversight and guidance provided by our dedicated BCM team ensure the continual evolution and effectiveness of our strategies.
- **Technology Resilience:** In an era where technology is integral to banking, ensuring the resilience of our technological infrastructure is paramount. BankDhofar invests in state-of-the-art technologies and backup systems to guarantee the availability and security of digital services.
- **Employee Awareness:** We recognize that our employees are central to the seamless execution of BCM strategies. Regular training and awareness programs empower our workforce to respond effectively during disruptions, contributing to a culture of resilience.
- **Collaboration:** Collaborating closely with our suppliers and partners, we extend the principles of BCM across our ecosystem. This ensures a cohesive approach to business continuity, even in scenarios where external dependencies come into play.

BCM Success Stories:

BankDhofar's commitment to BCM has been exemplified in various real-life scenarios. Whether faced with unforeseen challenges or navigating industry shifts, our resilient BCM strategies have proven instrumental in maintaining the trust of our customers and sustaining our operations without compromise.

As part of strengthening our preparedness, we conducted a real-life BCM test during working hours. This exercise was designed to validate our readiness to respond effectively to any potential service disruption under real operating conditions. The successful execution of this test reaffirmed the robustness of our continuity plans and the agility of our teams in managing critical situations without impacting customer experience.

Policies and Procedures Department (PPD)

The Policies & Procedures Department (PPD) at BankDhofar is committed to strengthening the Bank's governance, ensuring effective risk management, and maintaining internal controls. PPD acts as a custodian, overseeing the upkeep and development of policies, procedures, and frameworks across all Bank departments.

Custodianship and Review

PPD is the focal point for the continuous review of policies and procedural documents. Every document within PPD's custody undergoes regular updates and thorough reviews in alignment with the defined periodic review cycles outlined in the approved Review Calendar.

Achievements in 2025:

In fiscal year 2025, PPD collaborated with other departments, control functions (Risk Management Division, Compliance Division, and Internal Audit Division), and the approving authority to successfully review and obtain approval for all documents listed in the 2025 Review Calendar.

Branch Processes: As part of continuous efforts to enhance branch operations and improve staff knowledge, PPD completed the first set of Branch Operations Processes to facilitate business operations at branches and provide easy access to essential information and details.

Bawaba Portal Enhancement: PPD focused on improving the user experience of the Bawaba Portal, introducing user-friendly features that elevate the overall portal experience.

As we progress, PPD remains dedicated to fostering a culture of continuous improvement, adaptability, and transparency. By aligning policies with industry best practices and leveraging technology for efficient document management, PPD will continue to play an important role in BankDhofar's governance framework.

Human Resources Division (HRD)

Fostering a Strong People & Performance Culture

The Human Resources Division has been pivotal in promoting a high-performance culture. Working closely with the leadership team and the Board, the department successfully implemented corporate HR transformation programs and projects, strategically designed to establish a strong performance-driven environment. BankDhofar prioritized the appointment of skilled Omani professionals in management roles, reinforcing the Bank's commitment to increasing Omanization within its leadership pipeline. We believe that effective organizational change fosters employee engagement, enhances operational efficiency, and drives higher productivity.

In 2025, our HR initiatives delivered measurable outcomes. Employee satisfaction indicators demonstrated positive progress, and our targeted training programs strengthened the competencies of our workforce. These achievements highlight the success of our comprehensive human capital strategy.

Talent Management, Development & Retention

We employ a strategic approach to attracting and retaining top talent, ensuring alignment with our organizational vision. Our rigorous recruitment process, coupled with continuous learning opportunities, enables employees to grow alongside the Bank.

Learning & Development

Recognizing the evolving nature of the financial industry, we invest in extensive training programs to upskill our workforce. This ensures our employees remain well-versed in the latest industry developments and technological advancements.

Our Academy features state-of-the-art facilities, including a mock branch and a flexible "Anytime, Anywhere Learning" digital platform. Employees can conveniently complete assigned courses via the Learning Management System (LMS) portal at their desks or through the LMS mobile app from home.

Annually, the Academy conducts a Training Needs Analysis (TNA) to identify skill gaps and departmental requirements. The insights gathered are used to formulate an annual training plan, incorporating local, international, and in-house training programs delivered by the Bank's in-house experts.

The Academy's mission is to address all learning needs in alignment with the Bank's strategic direction, equipping employees with specialized expertise across divisions. Our ultimate goal is to develop champions who will drive the Bank's sustainable growth and position it as a leading financial institution.

Digital People Program

The HR Division is committed to continuously enhancing employee-related services, ensuring efficiency, faster processing, and superior service quality. As part of our digital transformation strategy, BankDhofar automated 100% of employee services and benefits. Additionally, the establishment of an HR Contact Center improved support for staff.

A newly launched analytics and quality assurance unit provides data-driven insights through dynamic dashboards, ensuring all service processes remain agile and meet expected turnaround times. Furthermore, setting a benchmark in the industry, the Bank will digitize both its onboarding and offboarding processes—reducing paper waste, improving efficiency, and streamlining the experience for new employees.

Our HR initiatives are designed to cultivate a positive and engaging work culture. Open communication, continuous feedback mechanisms, and employee wellness programs contribute to a harmonious workplace. We uphold a performance-driven environment where accomplishments are acknowledged, and career growth is directly tied to individual contributions. Our performance management system incentivizes excellence and aligns with our long-term vision.

Compensation Policy

In adherence to CBO guidelines on remuneration disclosures, the Bank outlined relevant qualitative and quantitative compensation details in this Annual Report.

Qualitative Disclosures:

The Compensation Policy aligns with the Bank's long-term business objectives. Our remuneration framework is structured to support risk management, business strategy, corporate values, and sustainable growth, while also preventing conflicts of interest. The policy undergoes periodic reviews to maintain its effectiveness.

BankDhofar's Board Nomination & Remuneration Committee (BNRC) comprises at least three Board members, including a representative from the Board's Risk Management Committee. The Committee is responsible for formulating, reviewing, and overseeing the implementation of the Bank's compensation policies and processes.

The Bank's Total Rewards Strategy is designed to sustain long-term institutional health and financial stability while achieving the following key talent-related objectives:

- Attract and retain high-caliber professionals
- Motivate and recognize outstanding performance
- Align rewards with corporate values and culture
- Strengthen synergy between organizational and employee success
- Reinforce desired behaviors and reward measurable results
- Direct employees' focus toward achieving strategic goals
- Maintain an optimal pay structure that fosters productivity and aligns with CBO guidelines
- Ensure transparency and clarity in compensation systems for seamless employee adoption

This comprehensive HR strategy underscores our commitment to fostering a thriving workplace, where employees feel valued, engaged, and equipped to contribute to the Bank's ongoing success.

Risk Management Division

BankDhofar's Risk Management Division, comprising experienced professionals, ensures the continuous existence of an effective risk management framework. It acts as an interface between management and the Board, defining risk tolerance levels and tailoring policies accordingly. The Bank's risk management strategy focuses on compliance with regulatory capital requirements, balanced performance across business units, stable funding, strategic liquidity management, and maintaining adequate capital adequacy.

The Board of Directors has set risk policies, limits, and procedures by assessing the risk-bearing capacity of the Bank. They established the risk policies, limits, and procedures by assessing the bank's risk-bearing capacity. The Board delegated overall risk management to the independent Board Risk Committee (BRC), which, in turn, relies on the Risk Management Division (RMD) for effective execution.

The Bank reinforced its risk management through a transformation program, strengthening policies, procedures, processes, and risk information. The risk appetite framework, approved by the Board, sets quantitative and qualitative factors, providing an enforceable risk statement aligned with financial and strategic objectives.

The management of various risks includes credit risk, which is managed through a robust credit risk policy, risk-adjusted return on capital computation, stress tests, and prudent lending practices. Liquidity risk is overseen by the Asset-Liability Management Committee (ALCO), with policies covering liquidity gaps, lending ratios, and contingency measures. Market risk, including foreign exchange and interest rate risk, is managed through the ALM and Investment Management Policies. Operational risk is controlled through comprehensive policies, self-assessment, key risk indicators, and loss data management frameworks.

The Operational Risk Unit in RMD conducts regular training programs to instill risk awareness and foster a risk management culture. Lastly, country risk is addressed through the Country & Counterparty Bank Credit Risk Policy, employing a country risk assessment methodology to assign suitable limits based on internal risk rating grades.

The Bank continues to focus on strengthening its risk management practices, ensuring alignment with its strategic objectives and regulatory requirements.

Internal Audit Division

The Internal Audit Division of the Bank plays a critical role in ensuring effective governance, risk management, and internal control processes. Operating independently as the third line of defense, the Internal Audit Division (IAD) provides objective assurance and insights to the Board Audit Committee and Senior Management, aiming to enhance operational efficiency and safeguard the Bank's assets.

IAD conducts regular, risk-based audits across all functions, processes, products, and channels, ensuring compliance with regulatory requirements, internal policies, and international best practices. By identifying risks and recommending corrective actions, IAD contributes to maintaining the Bank's integrity, sustainability, and alignment with its strategic objectives.

In 2025, IAD provided assurance services to the Board and Senior Management through prioritization of the most critical processes, entities, and systems for general and specific audits. Opportunities for improvement were highlighted in various business, operational, and functional areas to strengthen internal controls, governance, and risk management processes. Coverage of risks and processes mandated through regulatory guidelines was fully complied with. Besides assurance services, IAD also provided advisory services during the year to strengthen internal controls. IAD continuously aligns divisional objectives with the organization's overall goals and employs internal quality assessment and continuous improvement programs to ensure compliance with applicable international standards and to build skills through staff development to meet future assurance and advisory needs. Enhanced utilization of data analytics throughout the audit process was specifically targeted during the year, and automation of audit tests for continuous auditing of critical processes will continue in the coming years.

Recovery

The Recovery Department, operating under the Legal Division, plays a pivotal role in managing Non-Performing Assets (NPAs). It ensures compliance with the Bank's policies on overdue recovery for non-performing loans and advances. The department aims to maximize recovery through methods such as customer follow-up, negotiation for settlements, restructuring accounts with reliable repayments, and declassification based on existing instructions and CBO regulations. It collaborates with the Legal Department, monitors legal progress, and coordinates with external entities like the Royal Oman Police and regulatory bodies. The department also assists court-appointed experts and manages asset classification, security/valuation of mortgaged assets, and provisions in accordance with IFRS 9/CBO norms.

Compliance

Overview

The Compliance Function at BankDhofar SAOG remains a fundamental pillar of the Bank's governance framework, ensuring alignment with the regulatory expectations of the Central Bank of Oman (CBO) and the Financial Services Authority (FSA). The function plays a crucial role in maintaining adherence to internal governance standards and international regulatory practices that guide the Bank's financial and nonfinancial reporting obligations.

Throughout 2025, as BankDhofar advanced its digital capabilities and expanded its service offerings, the Compliance Function remained steadfast in safeguarding regulatory compliance and consumer protection, and in promoting ethical conduct across all operations.

Governance Structure

Operating as an independent second-line function, Compliance maintains a clear separation from operational and revenue-generating units. The Chief Compliance Officer (CCO) reports to the Board Risk Committee (BRC), ensuring independence, objectivity, and the authority required for effective regulatory oversight. During 2025, Compliance further strengthened its contribution to the governance framework through a structured regulatory risk management approach. Key responsibilities included:

- Reviewing new and amended regulations issued by CBO and FSA
- Leading Bank-wide implementation of regulatory directives
- Updating internal policies, procedures, CDD standards, and reporting processes
- Assessing inherent and residual regulatory risks across business units
- Evaluating control effectiveness and identifying areas requiring remediation

These enhancements supported the consistent embedding of regulatory expectations across the Bank. The Compliance Division continued to operate within a robust governance structure aligned with BankDhofar's broader corporate governance framework. Ethical conduct remains a core component of the Bank's governance principles. The Compliance Function supported the Bank's commitment to transparency and accountability by:

- Delivering targeted compliance awareness initiatives
- Supporting employee training aligned with regulatory requirements
- Promoting adherence to the Bank's Code of Conduct

These efforts significantly strengthened a culture of integrity, accountability, and regulatory responsibility across the organization.

Key Achievements in 2025

The Compliance Function recorded several notable accomplishments during the year, including:

- Reinforcement of regulatory implementation oversight and enhancement of ongoing compliance testing
- Strengthening AML/CFT controls through enhanced monitoring and reporting capabilities
- Completion of comprehensive Compliance Quality Assurance (QA) reviews
- Supporting employee development by elevating regulatory awareness and embedding a stronger compliance culture
- Transitioning to a thematic compliance testing approach supported by improved review methodologies
- Promoting a stronger compliance culture across all departments through targeted engagement, enhanced accountability, and focused awareness programs

Customer Feedback

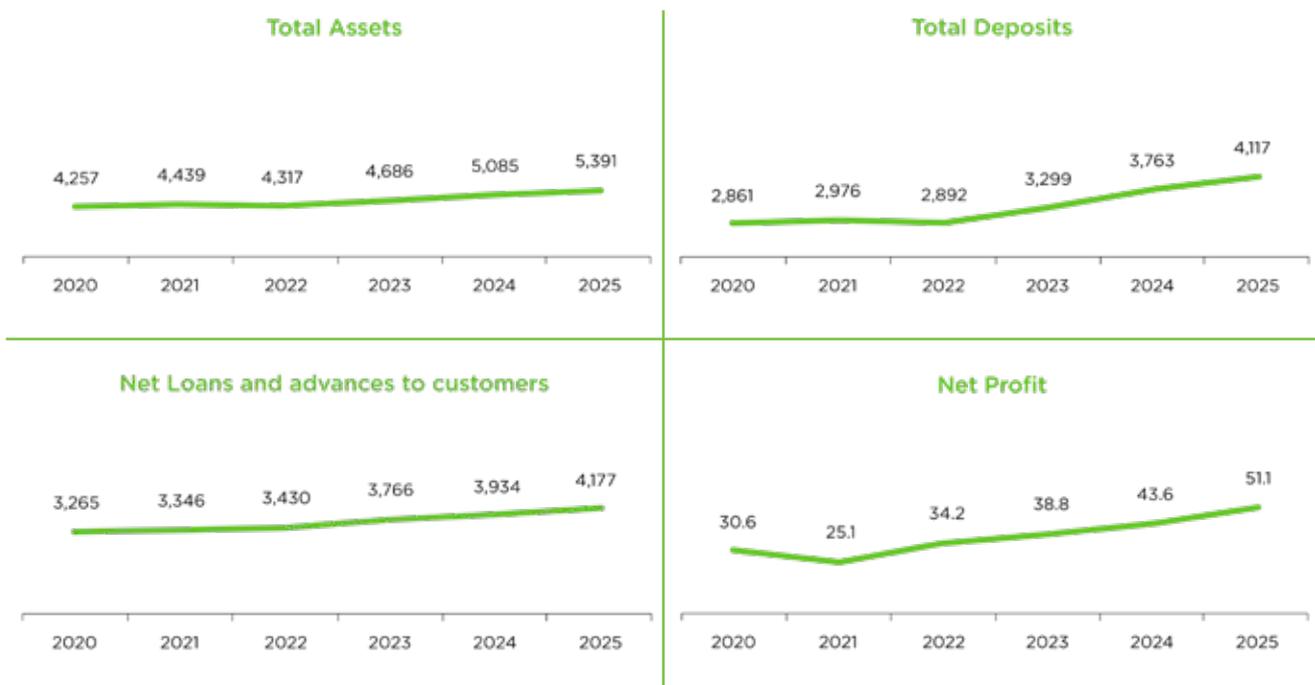
To ensure unparalleled customer satisfaction and to comply with regulatory guidelines, the Customer Feedback Department (CFD) handles feedback on products, operations, and quality of services offered by BankDhofar, including Dhofar Islamic. The main function of the department is to manage and administer the resolution process for new and existing customers. The department is also responsible for monitoring service quality related to complaint management through different measurement tools and initiatives.

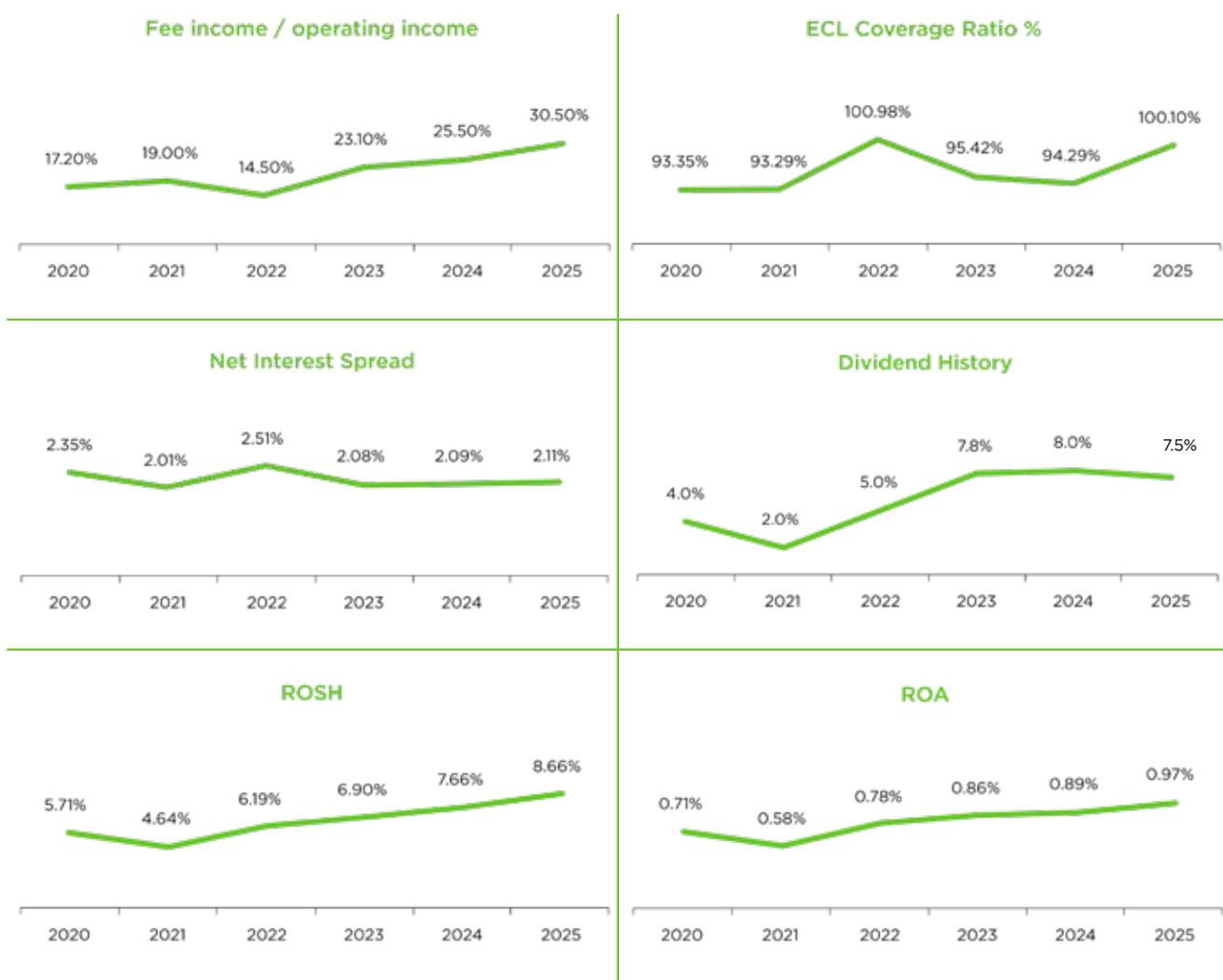
Customers can conveniently submit complaints, suggestions, and inquiries related to the Bank's products, services, and transactions through various accessible channels, including the branch network, call center, Customer Feedback Department, CBO, website, social media, and email. The Bank is dedicated to keeping customers informed about their respective feedback. Escalation of unresolved cases is directed to the Chief Corporate Services Officer or Head of Consumer Feedback on (+968) 22652010 (Sunday to Thursday, 8:00 a.m.-2:00 p.m.).

The department successfully updated its policy and instructions manual to ensure compliance with governance and regulatory requirements, reviewing workflows/processes with concerned departments to reduce turnaround time for complaint resolution. This included continuous communication with customers to improve satisfaction, alongside ongoing training and educational sessions for service agents and relevant teams to enhance service quality. To facilitate its workflow, the department implemented various system enhancements toward more efficient feedback management, significantly reducing timelines for complaint resolution with higher levels of customer satisfaction.

S _n	Complaints received by the Bank from its customers	Data for the reporting quarter	Data for the immediate previous quarter
1	No. of complaints pending at the beginning of the reporting quarter	1,348	1,682
2	No. complaints received during the quarter	9,866	13,405
2.1	Of which, no. of complaints received by the Bank from CBO, but not lodged with the Bank directly by the customer	41	46
3	No. of complaints closed during the quarter	10,163	13,739
3.1	Of which, no. of complaints rejected by the bank	0	0
4	No. of complaints pending at the end of the quarter	1,051	1,348
4.1	Of which, no. of complaints pending beyond 30 days	146	137
5	Average time taken (in days) to close the complaints	4.82	2.38

Financial Performance





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

Loans and advances (including Islamic financing receivables)

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

An analysis of our key gross loan portfolio by segment is tabulated below:

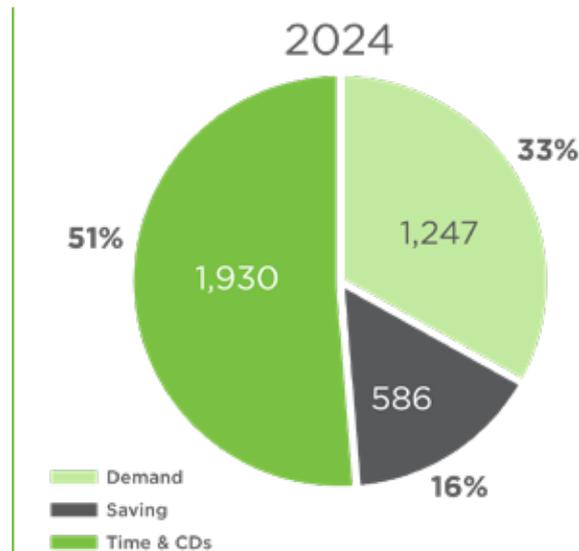
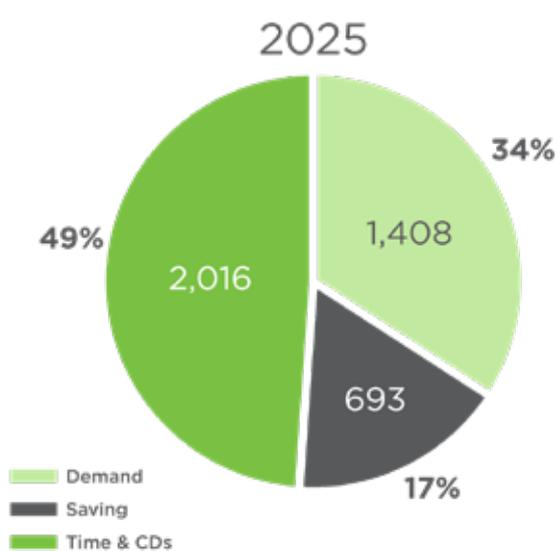


Analysis of our loan portfolio by product is tabulated below:

Loans, advances and financing to customers (₹('000))	31-Dec-25 (₹('000))	31-Dec-24 (₹('000))	Growth%
Overdrafts	143,307	140,489	2.01%
Loans	3,179,143	3,054,196	4.09%
Loans against trust receipts	137,112	140,504	(2.41%)
Bills discounted	44,293	29,869	48.29%
Advance against credit cards	18,592	14,379	29.30%
Islamic financing receivables	864,808	735,194	17.63%
Gross loans, advances and financing	4,387,255	4,114,631	6.63%

The analysis of our key deposits by product below:

Deposits from customers (₹ Million)	31-Dec-25	31-Dec-24	Growth%
Current accounts	1,060,197	995,920	6.45%
Savings accounts	560,104	486,194	15.20%
Time deposits	1,612,327	1,570,276	2.68%
Margin accounts	16,944	14,491	16.93%
Islamic Customer deposits	867,257	695,980	24.61%
Grand Total	4,116,829	3,762,861	9.41%



Analysis of income and expenses:

	31-Dec-25	31-Dec-24	Variance
	(₹'000)	(₹'000)	%
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's interest income on loans and Islamic financing receivables reached **₹289.82** million, compared to **₹279.89** million, resulting in year-over-year growth of 3.55%. However, interest expense YoY was higher by 3.72%. Net interest and financing income reached **₹117.94** million for the year ended December 31, 2025, compared to **₹114.17** million for 2024, reflecting a YoY increase of 3.30%.

Net fee and other operating income grew significantly by 34.08%, reaching **₹51.85** million compared to **₹38.67** million for 2024. The growth in fee and other operating income was supported by broad-based momentum across Wholesale, Retail, Investment, and Islamic Banking. With the increase in net fee and other operating income alongside higher net interest and financing income, total operating income correspondingly improved to **₹169.78** million for the year ended December 31, 2025, compared to **₹152.84** million for 2024, reflecting growth of 11.08%. Operating expenses increased by 2.93% to **₹81.16** million in 2025 compared to **₹78.85** million in 2024. The stronger income growth resulted in the Bank's cost-to-income ratio decreasing to 47.80% during 2025 compared to 51.59% in the previous year. Net loans and advances, including Islamic financing, recorded YoY growth of 6.18% and reached **₹4.18** billion as of December 31, 2025, compared to **₹3.93** billion as of December 31, 2024. Customer deposits, including deposits from Islamic banking customers, also witnessed significant growth of 9.41%, increasing to **₹4.12** billion as of December 31, 2025, compared to **₹3.76** billion at the end of the previous year. Net Expected Credit Loss (ECL) for the year ending 2025 stood at **₹30.20** million after recoveries of **₹17.00** million, compared to **₹23.80** million after recoveries of **₹19.52** million for 2024—an increase of **₹6.40** million. The Bank's gross non-performing loan (NPL) ratio increased to 4.80% as of December 31, 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 of December 31, 2025, from 2.12% in the previous year, reflecting strengthened provisioning and risk management practices. Earnings per share (EPS) for the year ended December 31, 2025, were **₹0.0133** compared to **₹0.0109** for the previous year. Return on Shareholders' Equity (RoSE) increased to 8.66% as of December 31, 2025, from 7.66% reported as of December 31, 2024.

Analysis of income and expenses:

Oman's 2025 State Budget envisioned continuation of the ongoing economic recovery. The 2025 Budget assumes an oil price of US\$60 per barrel. Key initiatives include development projects in various sectors such as education, health, infrastructure, tourism, housing, sports, and agriculture. The government also continues to take proactive steps to implement several national programs under the Tenth Five-Year Development Plan to meet the objectives of Oman Vision 2040, including the National Program for Fiscal Sustainability and Development of the Financial Sector (Estidamah), National Program for Economic Diversification (Tanwea'a), Government Digital Transformation Program, National Program for Investment and Exports Development (Nazdahir), and National Employment Program (Tashgheel).

Government-led programs are aimed at creating wealth through economic diversification and private-sector partnerships, building world-class infrastructure, and preserving environmental sustainability.

FINANCIAL RATIOS OF LAST FIVE YEARS



FINANCIAL HIGHLIGHTS OF LAST FIVE YEARS

(ﷲ'000)	2025	2024	2023	2022	2021
Net Interest Income (Conventional)	95,050	95,053	90,753	100,661	82,759
Net Income From Islamic Financing And Investment Activities	22,885	19,116	20,068	21,755	19,664
Non Interest Income	51,849	38,673	33,262	20,736	24,023
Operating Costs	81,160	78,851	68,648	69,683	72,340
Operating Profit (Before Impairment Losses)	88,624	73,991	75,435	73,469	54,106
Profit From Operations	58,420	50,187	43,775	40,204	29,455
Net Profit For The Year	51,051	43,609	38,758	34,173	25,123

(ﷲ'000)	2025	2024	2023	2022	2021
Total Assets	5,390,751	5,085,047	4,685,797	4,317,332	4,438,786
Net Loans, Advances And Financing	4,176,548	3,933,615	3,765,584	3,430,486	3,346,223
Customer Deposits	4,116,829	3,762,861	3,299,223	2,891,819	2,975,639
Total Equity	769,644	740,431	732,954	717,077	698,519
Share Capital	303,980	299,635	299,635	299,635	299,635
Full Service Branches	146	130	108	69	64
Atms / Cdms / Ffms/ Mfks	411	375	318	230	192
Staff	1,780	1,720	1,689	1,509	1,481

Financial Ratios of Last Five Years

1. PROFITABILITY	2025	2024	2023	2022	2021
Return on Weighted Average Total Equity (including AT1)	6.85%	6.01%	5.40%	4.83%	3.60%
Return on Weighted Average Shareholders Equity	8.66%	7.66%	6.90%	6.19%	4.64%
Return on Weighted Average Paid-up Capital	16.92%	14.55%	12.94%	11.40%	8.38%
Return on Average Assets	0.97%	0.89%	0.86%	0.78%	0.58%
Non-Interest Income to Operating Income	30.54%	25.30%	23.09%	14.49%	19.00%
Operating Expenses to Operating Income	47.80%	51.59%	47.64%	48.68%	57.21%

2. LIQUIDITY	2025	2024	2023	2022	2021
Net Loans to Total Deposits	101.45%	104.54%	114.14%	118.63%	112.45%
Liquidity Coverage Ratio	157.12%	157.54%	146.97%	107.71%	123.54%
Net Stable Funding Ratio	113.35%	109.68%	108.22%	107.95%	109.24%

3. ASSET QUALITY RATIOS	2025	2024	2023	2022	2021
Loan Loss Provisions to Total Loans	4.80%	4.40%	5.14%	5.93%	4.77%
Non-Performing Loans to Total Loans	4.80%	4.67%	5.39%	5.87%	5.11%
Non-Performing Loans Net of Interest Reserve to Total Loans	3.98%	4.05%	4.51%	4.76%	4.26%
Net Non-Performing Loans	2.04%	2.12%	2.05%	2.00%	1.91%
Non-Performing Loans Coverage Ratio	100.10%	94.29%	95.42%	100.98%	93.29%

4. CAPITAL ADEQUACY	2025	2024	2023	2022	2021
Common Equity Tier 1 Ratio	12.52%	12.43%	12.99%	13.86%	12.89%
Tier 1 capital ratio	16.06%	16.07%	16.79%	16.74%	16.75%
Total Capital Adequacy Ratio	18.64%	16.51%	17.48%	18.90%	17.74%
Shareholder's Equity/ Total Assets	11.39%	11.50%	12.32%	13.01%	12.23%

BRANCH NETWORK



Region	Branch
Muscat Central	Al Khuwair
	18 November
	Ghala
	Bausher
	Muscat International Airport
	New Muscat International Airport
	Muscat Grand Mall
	Military College
	Al Ansab
	Al Ghubra
	Al Khuwair South
	Oman Air HQ
	Omantell HO
	Bausher Polyclinic
	Corporate Centre
Muscat North	Khoudh
	Al Hail North
	Al Khoudh (7)
	Seeb Town
	Mabellah Industrial Area
	Mall Of Muscat
	Knowledge Oasis Muscat (KOM)
	Sultan Qaboos University
	Al Khoudh 6
	Mawaleh
	Mabellah Block (8)
	Al Bahja Complex
	The Village
	Rusail
Muscat South	Amerat
	Al Amerat 6
	MBD South
	MBD
	Royal Opera House Muscat ROHM (Al Riadah)
	Qurum
	Ruwi
	Muttrah
	Al Wattaya
	Muscat
	Quriyat
	Royal Academy
	Mina Al Fahl
	Madinat Sultan Qaboos
Greater Muttrah	

Region	Branch
Al Dakhliya	Adam
	Nizwa
	Firq
	Bahla
	Izki
	Bid Bid
	Sumail
	Jibreen
	Samail Lizeg
	Nizwa University
	Rop Academy
	Manah
	Al Hamra
	Al Sharqiyah North & Wusta
Masirah	
Mahoot	
Duqm	
Sinaw	
Ibra	
Samad Al Shan	
Safalt Ibra	
Sharqiyah University	
Al Sharqiyah South	Sur
	Al Ashkhara
	Mintrib
	Kamil Al Wafi
	Jalan Bani Bu Ali
	Jalan Bani Bu Hassan
	Sur Al Shariya
Batinah North	Saham
	Khaboura
	Sohar
	Hafeet
	Shinas
	Liwa
	Al Hambar Suhar
	Falaj Al Qabail
	Sohar Corniche
	Sohar Port
	Sohar University

Region	Branch
Batinah South	Suwaiq
	Khadhra
	Rustaq
	Nakhal
	Muladdah
	Barka
	Barka Center
	Al Bidaya
	Al Sawadi
	Al Ghashab
	Tharmad
Dhahira & Buraimi	Yanqul
	Ibri
	Buraimi
	Iraqi
	Dhank
	Ibri - Al Murtafa
	Buraimi University
Dhofar	Salalah
	Salalah Gardens Mall
	Saada
	Taqa
	Mirbat
	Salalah Industrial Area
	Sahalnout
	Thumrait
	Dhofar University
	Al Haffa
	Salalah Corporate
Musandam	Dibba
	Khasab

Dhofar Islamic

Al Araqi

Al Hail

Al Khoudh

Al Khuwair

Amerat

Azaiba

Bahla

Barka

Bausher

Bidaya

Birkat AlMauz

Greater Mutrah

Ibra

Ibri

Izki

Jalan Bani Bu Ali

Khazaen

Maabelah

New Salalah

Nizwa

Qurum

Rustaq

Saham

Salalah

Shinas

Sinaw

Sohar

Sultan Qaboos University

Sur

Customer Engagement Hub contact details

BankDhofar	2479 1111
Dhofar Islamic	2477 5777

AGREED-UPON PROCEDURES REPORT

ON BANKDHOFAR SAOG'S
BASEL II - PILLAR III AND
BASEL III DISCLOSURES

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Agreed-Upon Procedures Report on Bank Dhofar SAOG's Basel II - Pillar III and Basel III Disclosures

To the Board of Directors of Bank Dhofar SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Bank Dhofar SAOG for evaluating the compliance with the disclosure requirements set out in the Central Bank of Oman's ("the CBO") Circular No. BM 1009 dated 13 September 2006 and Circular No. BM 1114 dated 17 November 2013, and may not be suitable for another purpose. This report is intended solely for Bank Dhofar SAOG and the CBO and should not be used by, or distributed to, any other parties.

Responsibilities of Bank Dhofar SAOG

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of Bank Dhofar SAOG are responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

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

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

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

Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements, including independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described in Appendix I, which are included in BM 1027 dated 4 December 2007 issued by CBO, and which were agreed upon with Bank Dhofar SAOG in terms of the engagement letter dated 1 May 2023.

This report relates only to the items specified above, and does not extend to any financial statements of Bank Dhofar SAOG.



KPMG LLC
Date: 3 March 2026
Muscat, Oman

Enclosures:

Bank Dhofar SAOG's Basel II – Pillar III and Basel III Disclosures

Appendix I

S. No	Procedures	Findings
1	Checked that the Basel II – Pillar III Disclosures and Basel III related disclosures (“the Disclosures”) of Bank Dhofar SAOG (“Bank”) includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2025 (the “Summary”). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Disclosures.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2025. Checked that the following items are separately disclosed in the calculation: <ul style="list-style-type: none"> a) paid-up share capital/common stock b) reserves c) minority interests in the equity of subsidiaries (if any) d) innovative instruments e) other capital instruments f) regulatory calculation differences deducted from Tier 1 capital g) other items Further, checked that the following items have been deducted from the Tier 1 capital: <ul style="list-style-type: none"> a) goodwill, b) deferred taxation; c) investments 	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached.	No exceptions noted.
4	Agreed to the Bank’s audited financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: <ul style="list-style-type: none"> a) on-balance sheet items b) off-balance sheet items c) derivative financial instruments 	No exceptions noted.
5	Checked that the risk weights assigned by management on banking and trading books are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Bank.	No exceptions noted.
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and Bank records.	No exceptions noted.
9	Checked whether any content of the Disclosures are: <ul style="list-style-type: none"> a) internally inconsistent with other parts of the Disclosures. b) in respect of narrative items, inconsistent with numerical data in the Disclosures. c) inconsistent with the audited financial statements of the Bank. 	No exceptions noted.

With respect to the procedures above, we have not checked the completeness of the information presented in the Disclosures.

DISCLOSURE REQUIREMENTS

UNDER PILLAR - III OF BASEL II & III.



1. Introduction:

The following detailed qualitative and quantitative public disclosures are provided in accordance with Central Bank of Oman (CBO) rules and regulations on capital adequacy standards issued through circular BM 1009 (Guidelines on Basel II, Islamic Banking Regulatory Framework) and BM 1114 (Regulatory Capital and Composition of Capital Disclosure Requirement under Basel III). The purpose of these requirements is to complement the capital adequacy requirements and the Pillar II—supervisory review process. These disclosures are intended for market participants to assess key information about the Bank's exposure to various risks and to provide a consistent and understandable disclosure framework for easy comparison among banks operating in the market.

The major highlights of the Central Bank of Oman (CBO) regulations on capital adequacy are:

- a. To maintain a capital adequacy ratio (CAR) at a minimum of 11% effective from April 1, 2018. Previously, the minimum CAR requirement was 12%.
- b. The predominant form of capital shall be Tier 1 capital, of which Common Equity Tier 1 (CET1) will form the major component.
- c. To maintain a capital adequacy ratio (CAR) at a minimum of 13.5% (including the capital conservation buffer) effective from January 1, 2019.
- d. Ratios:
 - Within the overall requirement of 13.5% CAR (including the capital conservation buffer), the Tier 1 ratio is to be maintained at a minimum of 11.50%.
 - Within the minimum Tier 1 ratio of 11.50%, the minimum CET1 ratio is to be maintained at 9.50%.
 - Further, within the minimum overall capital ratio of 11% (excluding the capital conservation buffer), Tier 2 capital can be admitted up to a maximum of 2% of the Bank's risk-weighted assets (RWA).
- e. To adopt the Basel II standardized approach for credit risk, using national discretion for:
 - Adopting credit rating agencies as external credit assessment institutions (ECAIs) for claims on sovereigns and banks.
 - Adopting the simple/comprehensive approach for credit risk mitigants (CRMs).
 - Treating all corporate exposures as unrated and assigning a 100% risk weight.
- f. To adopt the standardized approach for market risk and the basic indicator approach for operational risk.
- g. Capital adequacy returns are submitted to CBO on a quarterly basis, and the Bank's external auditors provide an agreed-upon procedures report on capital adequacy returns on an annual basis.

As per Islamic Banking Regulatory Framework:

Islamic windows of domestic conventional banks shall have and at all times maintain an allocated capital of not less than ~~10~~10 million, or such higher amount as may be determined from time to time by the Central Bank.

Islamic windows are also required to maintain the minimum capital adequacy ratio of 11% of the RWA at all times. Within the 11% capital adequacy ratio, the Islamic window needs to maintain a minimum Tier 1 capital ratio of 9% of RWA. The capital buffer requirement is imposed at the consolidated level and, thus, is not applicable at the Islamic window level.

2. Scope of Application:

The Bank has no subsidiaries or significant investments. However, the Bank has introduced Islamic banking through an Islamic window named "Dhofar Islamic." Accordingly, the information in this document pertains to the consolidated entity i.e., both conventional banking and the Islamic window, Dhofar Islamic. The disclosure pertaining to Dhofar Islamic is provided separately.

3. Basel II & III Disclosures:

3.1 Capital Adequacy Norms

The Bank has calculated its Common Equity Tier 1 (CET1), Tier 1, and Total Capital Ratios in the following manner:

- i. CET1 Capital Ratio = Common Equity Tier 1 Capital / Total RWA
- ii. Tier 1 Capital Ratio = Tier 1 Capital / Total RWA
- iii. Total Capital Ratio = Total Capital / Total RWA

Tier 1 Capital is the sum of CET1 Capital and Additional Tier 1 Capital (AT1), and Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

The denominator, i.e., total risk-weighted assets (RWA), is calculated as the sum of credit risk-weighted assets, market risk-weighted assets, and operational risk-weighted assets, as provided for in CBO circular BM-1009 and the Islamic Banking Regulatory Framework. In the case of Islamic banks, CBO has provided an adjustment factor (alpha) of 30% in the RWA in the manner stipulated under Article 2.3.1 of Title 5 of the IBRF relating to capital adequacy. However, as per communication received from CBO, for the time being no adjustment is applicable in the computation of RWA.

Based on the presently prescribed level of capital adequacy, banks operating in the Sultanate will be required to maintain at all times the following minimum capital adequacy ratios as per Basel III with effect from March 18, 2020:

CET1 Capital Ratio: 9.50% of risk-weighted assets

Tier 1 Capital Ratio: 11.50% of risk-weighted assets (going-concern capital)

Total Capital Ratio: 13.50% of risk-weighted assets (going-concern capital)

With effect from January 1, 2016, the Capital Conservation Buffer (CCB) has been implemented in a phased manner. The CCB was enhanced by 0.625% each year up to 2019, thereby reached a level of 2.5% in 2019. Further, CBO has also finalized the Countercyclical Capital Buffer, which is intended to protect the banking sector as a whole from systemic risk that often develops during an economic upswing, when there is a tendency toward excessive aggregate credit growth. The Countercyclical Capital Buffer lies between 0% and 2.5% of the total RWA; however, at present the countercyclical capital buffer is not imposed. The capital buffer requirements shall be imposed at the consolidated level but will not be applied at the Islamic banking window level.

Based on the Basel III requirement, the capital structure of the Bank (including the Islamic banking window) is presented in Annexure I. Reference is invited to paragraph 91 of the Basel III rules, which states that banks should disclose “a full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements.” The reconciliation process laid down is aimed at addressing the issues of disconnect between the numbers disclosed for the calculation of regulatory capital and the numbers used in the published financial statements. However, there is no difference between the regulatory consolidation and the accounting consolidation. The components used in the definition of the capital disclosure template are provided in Annexure IIa and are mapped to the composition of capital disclosure template in Annexure IIb.

The Basel II, Pillar 3 guidance note states that banks should provide qualitative disclosure that sets out “summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments.” Banks are required to disclose a description of the main features of regulatory capital instruments along with the full terms and conditions of the regulatory capital instruments issued by them. The Bank presently has two types of capital instruments, namely common shares and perpetual bonds in the form of Additional Tier 1 Capital. The summary disclosure for these regulatory capital instruments issued by the Bank is provided in Annexure III.

3.2. Capital Structure:

The capital base for complying with capital standards is quite distinct from accounting capital. Regulatory capital is broadly classified into two categories—Tier I and Tier II. The Bank’s capital structure also consists of Tier I capital and Tier II capital.

Tier I capital includes paid-up capital, share premium, Additional Tier I capital instruments, legal and general reserves, and other disclosed free reserves, including subordinated loan reserves, noncumulative perpetual preferred stock, and retained earnings (available on a long-term basis), less regulatory adjustments such as cumulative losses of financial instruments classified as Fair Value Through Other Comprehensive Income (FVOCI), goodwill, and other intangibles.

Tier II (supplementary capital) consists of undisclosed reserves, revaluation reserves/cumulative fair value gains on FVOCI instruments, general loan loss provisions/general loan loss reserves in capital, and subordinated term debt subject to certain conditions. Tier II capital of the Bank also includes 45% of the investment revaluation reserve and general provisions to the extent of total Stage 1 Expected Credit Loss (ECL). Stage 1 provisions remain subject to 1.25% of the credit risk-weighted assets.

The details of the capital structure are provided below:

CAPITAL STRUCTURE:	₹ ('000) Amount
Paid-up capital	303,980
Share premium	95,656
Legal reserve	81,297
Special reserve	16,988
Proposed stock dividend	-
Subordinated loan reserve	6,200
Retained earnings	68,482
Common Equity Tier (CET) I capital	572,603
Deferred tax assets	-
Regulatory provision adjustment	(14,612)
Less Intangible assets, including losses, cumulative	(709)
Cumulative unrealized losses recognized directly in equity	(6,960)
CET I Capital - Regulatory Adjustments	(22,281)
Total CET I capital	550,322
Additional Tier I Capital	155,500
Total Tier I Capital	705,822
Investment revaluation reserve (45% only)	6,270
General provision (Sum of Stage 1 and permitted Stage 2 provision subject to max of 1.25% of credit RWA)	13,529
Subordinated loans	93,800
Total Tier II capital	113,599
Total eligible capital (Tier I + Tier II Capital)	819,421

The Bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) for assessing the Bank's capital adequacy in relation to its risk profiles, as well as a strategy for maintaining capital levels. The objective of the ICAAP document is to explain the risk policies adopted, target risk structure and capital planning, the process of assessing capital adequacy for credit, market, and operational risk, specific assessment procedures for risks not covered under Pillar I, the process of internal control mechanisms, and the stress-testing methodologies adopted by the Bank.

The Bank has also formed a working group on capital planning that meets periodically and assesses the capital adequacy required to support projected asset growth. The capital adequacy ratio is periodically assessed and reported to the Board Risk Committee (BRC). The composition of capital in terms of Common Equity Tier I, Additional Tier I, Total Tier I, and Tier II is also analyzed to ensure capital stability and to reduce volatility in the capital structure.

i) The position of risk-weighted assets is presented below:

Sl. No	Details	Gross Balances (Book Value) ₹ ('000)	Net Balances (Book Value) * ₹ ('000)	Risk Weighted Assets ₹ ('000)
1	On-balance-sheet items	5,364,385	5,186,887	3,462,296
2	Off-balance-sheet items	1,756,913	1,750,482	433,542
3	Derivatives	1,069,486	1,069,486	23,715
4	Total Credit Risk	8,190,784	8,006,855	3,919,553
5	Market Risk	-	-	183,776
6	Operational Risk	-	-	291,613
7	Total Risk Weighted Assets	-	-	4,394,942

*Net of provisions and interest reserve

ii) Detail of Capital Adequacy:

Sl.No	Details	₹ ('000)
1	Common Equity Capital	303,980
2	Tier 1 Capital	705,822
3	Tier 2 Capital	113,599
5	Total eligible capital	819,421
6	Risk-weighted assets for Credit Risk	3,919,553
7	Risk-weighted assets for Market Risk	183,776
8	Risk-weighted assets for Operational Risk	291,613
9	Total risk-weighted assets	4,394,942
10	Common Equity Capital Ratio	6.92%
11	Tier 1 Capital Ratio	16.06%

3.4 Risk Exposure and Assessment:

The risks to which banks are exposed and the techniques banks use to identify, measure, monitor, and control those risks are important factors that market participants consider in their assessment of an institution. In this section, several key banking risks are considered: credit risk, market risk, interest rate risk in the banking book, and operational risk. For each separate risk area (e.g., credit, market, operational, banking book interest rate risk), the Bank describes its risk management objectives and policies, including the scope and nature of risk reporting and/or measurement systems and risk mitigation strategies.

3.4.1 Credit Risk:

Credit risk is defined as the possibility that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from the Bank's dealings with, or lending to, a corporate, individual, another bank, financial institution, or a country. The objective of credit risk management is to minimize probable losses and maintain credit risk exposure within acceptable parameters.

The Bank has a well-established credit risk policy duly approved by the Board that establishes prudent standards and practices for managing credit risk and setting prudent benchmarks and limits for the management of credit risk. The credit risk policy is continuously reviewed to ensure that it continues to meet regulatory standards and the business environment.

The Board of Directors delegates credit approval powers for Wholesale Banking and Retail Banking functional areas, which are clearly defined in the Authority Matrix contained in the Manual on Delegation of Authority. All concerned executives are responsible for ensuring that they exercise their delegated powers in accordance with the approved Authority Matrix and seek appropriate special approvals wherever required.

The Board of Directors is the highest credit-approving authority of the Bank and is primarily responsible for approving all credit proposals beyond the authority level of the Management Credit Committee. Senior management executives are also empowered with certain loan-approval limits beyond which credit proposals shall be considered by the Management Credit Committee (MCC), which is empowered to consider all credit-related issues up to certain limits.

Credit risk is managed by the Risk Management Division (RMD) through a system of independent risk assessment of all corporate, mid-sector corporate banking, and project finance credit proposals before they are considered by the appropriate approving authorities. Borrowers in the Standard Category are assigned a risk rating on a scale of seven grades based on quantitative as well as qualitative parameters. All accounts reflecting weaknesses in financials or operations, as defined by CBO, are assigned Grade 8 (Special Mention Category) for closer monitoring. RMD approves the borrower's risk grade, identifies the risk factors in the credit proposal, and suggests suitable mitigation. This facilitates the approving authorities in making informed credit decisions. In addition, RMD reviews obligor grading and conducts regular analysis of the credit portfolio. Every corporate account is reviewed annually, and in the case of accounts graded 6, 7, and 8 (Special Mention Category), reviews are conducted more frequently.

The Bank has also established a Credit Control Department, which oversees the Loan Review Mechanism (LRM). LRM helps ensure credit compliance with post-sanction processes/procedures laid down by the Bank from time to time. It involves independent, account-specific reviews of individual credit exposures as per the Board-approved LRM Policy. The Credit Control Department also monitors various credit concentration limits. Counterparty/group exposures are limited to 15% of the Bank's net worth, as stipulated by CBO. Where a higher limit is required for projects of national importance, prior approval of CBO is obtained. The Credit Control Department also monitors retail loans.

Retail lending is in accordance with CBO guidelines. The Bank uses a scorecard as a selection tool for personal loans and housing loans in conventional banking. The Bank has also implemented a Loan Origination System (LOS), which has automated the workflow of retail loan credit proposals in conventional banking. In Dhofar Islamic, retail financing is mainly in the auto and housing finance categories.

In addition, the Bank undertakes business with international and local banks. Maximum exposures to international banks are defined through an internally developed model, and total exposure to such counterparty banks is linked to the Bank's net worth and the regulatory ceiling. Maximum exposure to local banks is capped at 15% of the Bank's net worth. The Bank has also implemented country risk limits approved by the Board to ensure portfolio diversification in terms of sovereign and geographic exposure. Specific country risk limits have been set based on the internal risk-rating grades assigned to various countries, and these limits are reviewed semiannually. In addition to internal limits, the Bank also strictly adheres to limits for countries and counterparty banks prescribed by CBO.

In the absence of an acceptable external credit rating agency in the Sultanate of Oman, the Bank has obtained approval of CBO to treat all corporate exposures as unrated and accordingly assign a risk weight of 100% for computing capital requirements under Basel II. The same convention has also been applied to Dhofar Islamic financing.

Past-due and impaired exposures are defined in accordance with relevant CBO regulations. The Bank has adopted International Financial Reporting Standards (IFRS) 9 guidelines for the estimation of Expected Credit Loss as per the International Accounting Standards Board (IASB) and CBO guidelines on IFRS 9 on Financial Instruments, effective January 1, 2018.

**Credit Risk exposure of the Consolidated entity
(i.e. both Conventional banking & Dhofar Islamic)**

i) Analysis of gross credit exposures, plus average gross exposure over the period, broken down by major types of credit exposure:

Sl. No.	Type of Credit Exposure	Average Gross exposure		Total Gross exposures	
		₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
	Conventional	2025	2024	2025	2024
1	Overdrafts	147,798	136,754	143,307	140,489
2	Loans	3,180,426	2,857,276	3,179,143	3,054,196
3	Loans against trust receipts	153,613	127,561	137,112	140,504
5	Bills purchased /discounted	36,732	35,957	44,293	29,869
6	Advance against credit cards	16,078	12,734	18,592	14,379
	Conventional Total	3,534,647	3,172,282	3,522,447	3,379,437
7	Murabaha receivables	27,776	27,704	30,030	27,340
8	Mudaraba financing	5,017	7,019	4,851	4,601
9	Ijarah assets	66,162	61,382	67,244	60,405
10	Wakala financing	138,556	105,856	159,293	103,150
11	Diminishing Musharaka financing	562,057	484,292	603,390	539,698
	Total Islamic	799,568	686,253	864,808	735,194
	Grand Total	4,334,215	3,858,535	4,387,255	4,114,631

ii) Geographic distribution of exposures, broken down in significant areas by major types of credit exposure:

Sl.No	Type of Credit Exposure	Oman	Other GCC Countries	*OECD Countries	India	Pakistan	Other	Total
		₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
		1	2	3	4	5	6	7
1	Overdrafts	143,307	-	-	-	-	-	143,307
2	Personal loans	3,179,143	-	-	-	-	-	3,179,143
3	Loans against trust Receipts	137,112	-	-	-	-	-	137,112
4	Bills purchased / negotiated	43,789	-	-	-	-	504	44,293
5	Advance against credit cards	18,592	-	-	-	-	-	18,592
6	Total - Conventional	3,521,943	-	-	-	-	504	3,522,447
	Islamic							
7	Murabaha receivables	30,030	-	-	-	-	-	30,030
8	Mudaraba financing	4,851	-	-	-	-	-	4,851
9	Ijarah Assets	67,244	-	-	-	-	-	67,244
10	Wakala financing	159,293	-	-	-	-	-	159,293
11	Diminishing Musharaka financing	603,390	-	-	-	-	-	603,390
12	Total - Islamic	864,808	-	-	-	-	-	864,808
13	Total - Consolidated	4,386,751	-	-	-	-	504	4,387,255

*Excluding countries included in column 2

iii) Industry or counterparty type distribution of exposures broken down by major types of credit exposure:

Sl.No	Economic Sector	Overdraft	Loans & Financing	Bills Purchased	Others	Total	Off balance sheet exposure
		₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
1	Import trade	20,618	156,942	2,488	41,828	221,876	149,096
2	Export trade	74	429	-	454	957	2,902
3	Wholesale/ retail trade	6,090	81,828	952	7,856	96,726	44,179
4	Mining and quarrying	2,045	172,765	17,511	22	192,343	13,086
5	Construction	38,908	418,593	1,380	18,922	477,803	406,421
6	Manufacturing	16,752	217,833	1,655	39,846	276,086	229,234
7	Electricity, gas, and water	1,060	308,317	347	469	310,193	49,169
8	Transport and communication	3,298	108,258	7,142	655	119,353	62,860
9	Financial institutions	11,021	150,350	10,674	8	172,053	285,875
10	Services	23,839	443,252	42	3,448	470,581	88,043
11	Personal loans	14,265	1,605,703	-	22,336	1,642,304	59,272
12	Agriculture and allied activities	1,782	19,644	-	10,734	32,160	29,849
13	Government	706	199,708	-	-	200,414	242,355
14	Non-resident lending	-	-	504	-	504	-
15	Others	2,849	160,329	1,598	9,126	173,902	94,590
	Total (1 to 15)	143,307	4,043,951	44,293	155,704	4,387,255	1,756,913

iv) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure:

Sl.No	Time Band	Overdrafts	Loans & Financing	Bills Purchased/ Discounted	Others	Total	Off-Balance Sheet Exp.
		₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
1	Up to 1 month	7,152	482,804	0	447	490,403	361,666
2	1 - 3 months	7,152	265,597	423	1	273,173	504,355
3	3 - 6 months	7,152	58,027	211	5,228	70,618	177,821
4	6 - 9 months	7,152	39,195	1,288	3,566	51,201	52,272
5	9 - 12 months	7,152	156,896	6,827	6,912	177,787	51,720
6	1 - 3 years	35,759	477,085	8,648	50,731	572,223	150,509
7	3 - 5 years	35,759	494,033	6,787	17,170	553,749	80,024
8	Over 5 years	36,029	2,070,314	20,109	71,649	2,198,101	378,546
	TOTAL	143,307	4,043,951	44,293	155,704	4,387,255	1,756,913

v) Analysis of the loan and financing book by major industry or counterparty type:

Sl.No	Economic Sector	Performing Loans	Non-Performing Loans	Expected Credit Loss for Stage 1 & 2 Exposure	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)
1	Import trade	213,825	8,052	1,918	4,044	7,850	3,452	3,872
2	Export trade	789	168	138	173	50	114	-
3	Wholesale/retail trade	93,590	3,136	464	1,027	70	(4,944)	196
4	Mining and quarrying	174,803	28	4,700	6	1,899	2,141	-
5	Construction	379,908	123,932	19,273	50,736	18,167	23,363	2,621
6	Manufacturing	267,205	8,606	12,015	3,672	866	(5,034)	2,964
7	Electricity, gas, and water	310,932	570	683	358	6	(598)	521
8	Transport and communication	109,532	3,026	312	271	81	(221)	-
9	Financial institutions	168,521	1	1,946	-	-	(92)	-
10	Services	472,924	8,288	29,590	3,365	626	11,931	291
11	Personal loans	1,595,858	41,536	4,912	25,239	4,795	1,014	287
12	Agriculture and allied activities	32,159	-	177	-	-	71	-
13	Government	200,413	-	564	-	-	392	-
14	Non-resident lending	504	-	-	-	-	-	-
15	Others	155,803	16,098	3,874	7,052	1,260	(638)	657
	TOTAL (1 to 15)	4,176,766	213,441	80,566	95,943	35,670	30,951	11,409

*Including stage 3 OBS

vi) Geographic distribution of amount of gross loans and impaired loans:

Sl. No	Countries	Exposure to Stage 1 & 2 ₹ ('000)	Exposure to Stage 3 ₹ ('000)	Stage 1 & 2 ECL ₹ ('000)	Stage 3 ECL ₹ ('000)	Interest Reserve ₹ ('000)	ECL Made During the Year ₹ ('000)	Advances Written Off During the Year ₹ ('000)
1	Oman	4,176,262	213,441	80,566	95,943	35,670	30,951	11,409
2	Other GCC countries	-	-	-	-	-	-	-
3	OECD countries*	-	-	-	-	-	-	-
4	India	-	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-	-
6	Others	504	-	-	-	-	-	-
7	TOTAL	4,176,766	213,441	80,566	95,943	35,670	30,951	11,409

3.3.2 Credit Risk: Disclosures for portfolios subject to the Standardized Approach:

i) The Bank has obtained CBO approval vide its letter dated December 11, 2006, to use the ratings of Moody's, Standard & Poor's (S&P), or Fitch for risk-weighting claims on sovereigns and banks. However, as mentioned earlier, the Bank has obtained CBO approval to treat all corporate exposures as unrated and assign a 100% risk weight to all of them. A similar convention has been applied for Dhofar Islamic as well.

ii) The Bank is adopting the simplified approach for collateral recognition under the standardized approach, where a 0% risk weight is assigned to exposures covered by cash collateral. All other credit exposures of corporate and retail are assigned a 100% risk weight (except mortgage loans, where the valuation of the mortgaged residential property is not more than three years old, which are assigned a 35% risk weight; 75% for retail borrowers other than mortgage loans; and 75% for SME borrowers).

Quantitative Disclosure

The total exposure after risk mitigation subject to the standardized approach as at December 31, 2025, is as follows:

*excluding countries included in row 2

vii) Movement of Gross Loans/Financing:

Sl.No	Stage 1 ₹ ('000)	Stage 2 ₹ ('000)	Stage 3 ₹ ('000)	Total ₹ ('000)	
1	Opening Balance	3,156,029	766,614	191,988	4,114,631
2	Migration/changes (+/-)	64,895	(84,724)	19,829	-
3	New loans	2,824,696	482,288	16,773	3,329,905
4	Recovery from loans	(2,519,587)	(513,445)	(6,692)	(3,045,872)
5	Loans written off	-	-	(11,409)	(11,409)
6	Closing Balance	3,526,033	650,733	210,489	4,387,255
7	Total Provisions	10,473	70,093	94,471	175,037

Sl. No	Risk bucket	0%	1%	5%	20%	35%	50%	75%	80%	90%	100%	150%	300%	Total
		₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)	₹('000)
1	Sovereigns (rated)	649,783	-	-	-	-	-	-	-	-	-	-	-	649,783
2	Banks (rated)	-	-	80,257	80,257	143,493	143,493	-	-	-	22,514	90	-	246,354
3	Corporate	200,413	-	-	-	-	-	77,407	168,069	216,796	1,696,322	-	-	2,359,007
4	SME	-	-	-	-	-	-	139,280	-	-	-	-	4,455	143,735
5	Retail	-	-	-	-	-	-	155,711	-	-	619,498	-	-	775,209
6	Claims secured by residential property	-	-	-	-	761,766	-	-	-	-	60,017	-	-	821,783
7	Claims secured by commercial property	-	-	-	-	-	-	15,783	281	2,462	202,182	-	-	220,708
8	Past due loans	-	-	-	-	-	-	-	-	-	63,476	-	-	63,476
9	Other assets	4,179	-	-	-	-	50,050	-	-	-	221,314	-	-	275,543
10	Un-drawn exposure	-	-	-	-	974	-	26,013	-	-	89,700	-	165	116,852
11	Derivative	-	895,506	170,106	-	-	-	-	-	-	3,874	-	-	1,069,486
12	Non-funded—Bank	-	-	-	5,797	-	68,998	-	-	-	43,949	-	-	118,744
13	Non-funded—Customer	195,388	-	-	101,374	-	164,331	6,701	58,379	11,603	82,282	-	-	620,059
	Total	1,049,763	895,506	170,106	187,428	762,740	426,872	420,895	226,729	230,861	3,105,129	90	4,620	7,480,739

iii) The Bank also conducts stress tests on a portfolio basis at regular intervals to assess the impact of movements in staging on profitability and capital adequacy. The same is placed before the Board Risk Committee.

3.3.3 Credit Risk Mitigation (CRM): Disclosures for Standardized approaches:

The Bank has adopted the simple approach for credit risk mitigation and no offsetting of collateral is done to calculate the capital requirement. However, the main CRM techniques followed by the Bank are based on collateral that the Bank endeavors to obtain for its exposures, as far as commercially practicable. The collateral mainly consists of real estate properties, shares listed on the Muscat Securities Market (MSM), government bonds, unlisted shares, and bank fixed deposits. However, the Bank's predominant form of eligible collateral as defined by CBO in its guidelines and for capital adequacy computation purposes is in the form of cash, acceptable bank guarantees, and shares listed on the MSX main index.

The Bank has a credit risk rating framework comprising a risk rating system that is a single-point indicator of diverse risk factors of a borrower and assists in taking credit decisions in a consistent manner. The risk rating framework has eight performing loan grades (including special mention) and three nonperforming loan grades. The rating grade indicates the default probability of the borrower's obligation.

The Bank has also implemented a facility rating system based on the Basel II foundation approach, which considers collateral support, seniority, and other structural aspects of the facilities provided.

The Bank has also implemented a Risk-Adjusted Return on Capital (RAROC) model for conventional banking, which provides risk-based pricing. Risk-based pricing refers to a process of identifying risks, understanding them, and subsequently pricing them appropriately. It is an important aspect of prudent credit risk management and is essential for maintaining financial discipline while extending credit. It helps not only in identifying but also in understanding the risk and pricing it appropriately. The RAROC system provides a competitive edge to the Bank in improving portfolio quality and covering the cost of doing business through pricing.

The Bank has strengthened its existing credit risk management systems and is committed to improving them further.

3.4.4 Counterparty Credit Risk

Counterparty credit risk (CCR) is the possibility that a customer or trading counterparty will fail to fulfill contractual obligations, and such failure may result in the termination or replacement of the transaction at a loss to the Bank. Such exposures arise primarily in relation to over-the-counter (OTC) derivatives. The majority of CCR exposure is incurred in transactions designed to help clients manage their interest rate and currency risks.

To measure RWA, BankDhofar uses the Current Exposure Method (CEM), which is the sum of current credit exposure (CCE) and potential future exposure (PFE). The CCE is the sum of net positive fair values and the PFE is an estimate of the maximum amount of exposure that could occur over a one-year horizon. BankDhofar has a total notional amount of **ﷲ** 2.47 billion in OTC derivatives (such as interest rate swaps) and risk-weighted assets of **ﷲ** 23.72 million as of December 31, 2025.

3.4.5 Market Risk:

Market risk is the risk to the Bank's earnings and capital due to changes in interest rates, profit rates, or prices of securities, foreign exchange, and equities. The Bank for International Settlements (BIS) defines market risk as "the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices." Market risk has been categorized into interest rate risk, profit rate risk, foreign exchange risk, commodity price risk, and equity price risk.

The Bank has a comprehensive Asset Liability Management (ALM) Policy for the conventional entity and Islamic banking, and an Investment Management Policy for conventional banking, which encompasses assessment, monitoring, and management of all the above market risks. The Bank has defined various internal limits to monitor market risk and computes the capital requirement as per the standardized approach of Basel II.

Details of various market risks faced by the Bank are set out below:

i) Interest Rate Risk (IRR): Interest rate risk is the risk that changes in market interest rates might adversely affect a bank's financial condition. The immediate impact (up to one year) of changes in interest rates is on net interest income (NII), and the long-term impact (more than one year) is on the Bank's net worth.

Responsibility for interest rate risk management rests with the Bank's Asset and Liability Management Committee (ALCO). The Bank periodically computes IRR on the banking book arising due to repricing mismatches in interest rate-sensitive assets and liabilities. The impact of IRR on the Bank's earnings is computed and presented to ALCO on a monthly basis. An internal limit has been set to monitor the impact of interest rate risk on NII. Similarly, the Bank has developed a model to assess the impact of IRR on the Bank's net worth based on the duration gap analysis method, and an internal limit has also been set for the same.

Details relating to repricing mismatches and the related interest rate risk are monitored by ALCO on a periodic basis. In addition, scenario analysis assuming a 200-basis-point parallel shift in interest rates and its impact on interest income and net profit are assessed on a quarterly basis and presented to the Board Risk Committee, with proposals for corrective action if necessary.

Impact on earnings and economic value of equity due to adverse movement of 100 bps and 200 bps in interest rates in consolidated banking is provided below:

	(S in 000's)	
Position as at 31.12.2025 Impact on:	+ or - 1%	+ or - 2%
Earnings	11,170	22,340
Economic Value of Equity	46,488	92,976
Impact on earning as a % of NII	9.47%	18.94%
Impact as a % of Bank's Net worth	5.70%	11.39%

ii) Profit Rate Risk (PRR): Profit rate risk is the risk that Dhofar Islamic will incur a financial loss as a result of a mismatch in profit rates on assets and Investment Account Holders (IAH). Profit distribution to IAH is based on profit-sharing agreements. Therefore, Dhofar Islamic is not subject to any significant PRR. However, profit-sharing agreements may result in displaced commercial risk when Dhofar Islamic results do not allow it to distribute profits in line with market rates.

Dhofar Islamic has a Profit Distribution Policy in place that details the process and management of profit distribution, including the setting up of Profit Equalization and Investment Risk Reserves. Responsibility for profit rate risk management rests with the Bank's Asset and Liability Management Committee (ALCO). Dhofar Islamic periodically computes PRR on the banking book.

iii) Foreign Exchange Risk: Foreign exchange risk may be defined as the risk that a bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in an individual foreign currency.

Responsibility for the management of foreign exchange risk rests with the Treasury Department. The Bank has set internal limits to monitor foreign exchange open positions. Most foreign exchange transactions are conducted for corporate customers and are largely on a back-to-back basis. The Bank has also defined various limits for foreign currency borrowing and lending.

The Bank also conducts stress tests to assess the impact of foreign exchange risk on capital adequacy, and the same is presented to the Board Risk Committee on a regular basis.

iv) Commodity Risk: Commodity risk occurs due to volatility in the prices of commodities. At present, the Bank has no exposure to the commodity market.

v) Equity Position Risk: Equity position risk occurs due to changes in the market value of the Bank's portfolio as a result of diminution in the market value of equity securities. Responsibility for the management of equity position risk rests with the Investment Management Department. The Bank does not hold trading positions in equities in conventional banking and does not hold any positions in equities in Dhofar Islamic. The Bank's portfolio is marked to market on a regular basis, and differences between book value and market value are adjusted against the revaluation reserve. The Bank also conducts regular stress tests on equity position risk and assesses the impact on profitability and capital adequacy.

The Bank has introduced the Value at Risk (VaR) method in conventional banking for domestic quoted equity for the conventional entity ~~₹~~43.19 million and for the Islamic window (~~₹~~23.19 million); at the consolidated level, this totals ~~₹~~66.38 million. The monthly VaR of this portfolio is ~~₹~~9.86 million over a one-month horizon at a 99% confidence level in normal conditions. The present VaR is 15% of the domestic quoted portfolio.

vi) The Capital Charges: The capital charge for the entire market risk exposure is computed as per the standardized approach using the duration method and in accordance with the guidelines issued by CBO in circular BM 1009. The Bank adopts the duration method in measuring interest rate risk in respect of debt securities held in the trading book. The Bank does not hold any trading positions in equities or commodities necessitating capital charges to cover market risk.

Foreign exchange risk capital charge is computed on the three-month 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 capital charge for various components of market risk is presented below:

Trading Book - Risk Weighted Assets	₹ '000 Amount
Capital Charge on specific market risk	
Equity Position Risk	471
Capital charge on general market risk	
Interest Rate Risk	526
Equity Position Risk	-
Commodities Position risk	-
Foreign Exchange position risk	13,705
TOTAL	14,702

3.4.6 Liquidity Risk

Liquidity risk is the potential inability to meet liabilities as they become due. It arises when banks are unable to generate cash to cope with a decline in deposits or an increase in assets.

The Bank's liquidity risk management is governed by the ALM Policy approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management. The ALM Policy also incorporates contingency funding plans and measures so as to be in a position to meet all maturing liabilities and to fund asset growth and business operations. The contingency funding plan includes effective monitoring of cash flows on a day-to-day basis, holding tradable high-quality liquid assets that may be readily disposed of in sizable amounts, etc.

The Bank monitors liquidity risk through a cash flow approach and a stock approach. Under the cash flow approach, the Bank generates a Maturity of Assets and Liabilities (MAL) report, which captures all maturing assets and liabilities into various preset time buckets ranging from one month to above five years. The mismatches in various time buckets indicate liquidity gaps, and the Bank strictly adheres to internal limits of cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets up to one year. In addition, the Bank has also set internal limits on mismatches in time buckets beyond one year. Under the stock approach, the Bank monitors liquidity risk through liquidity ratios, which portray liquidity stored in the balance sheet.

The Treasury Department controls and monitors liquidity risk and ensures that the Bank is not exposed to undue liquidity risk and, at the same time, makes optimal use of its funds. The Middle Office in the Risk Management Division also monitors the liquidity position of the Bank and provides liquidity gap positions to the Treasury Department to manage.

The Middle Office also undertakes regular stress tests that provide the requirement of liquidity over a given time horizon.

The Bank has reconciled the statement of maturity of assets and liabilities under IFRS (refer to Note 33 of the financial statements).

3.4.7 Operational Risk:

The Basel Committee on Banking Supervision has defined operational risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, and punitive damages resulting from supervisory actions, as well as private settlements.

The Bank has a well-defined Operational Risk Management (ORM) policy, which, inter alia, includes operational risk events, operational risk losses, and the ORM process. Business and functional units are primarily responsible for taking and managing operational risk on a day-to-day basis. The Risk Management Division provides guidance and assistance in the identification of risk and in the ongoing operational risk management process. The Bank has set up an Operational Risk Management Unit to identify, manage, measure, monitor, mitigate, and report operational risks.

Basel II has provided three different approaches, namely the Basic Indicator Approach (BIA), the Standardized Approach (TSA), and the Advanced Measurement Approach, to compute the capital charge for operational risk. The Bank has adopted the BIA for computing the capital charge for operational risk as per CBO guidelines. The approach requires the Bank to provide 15% of the average gross income for the last three years as the capital charge for operational risk.

The Bank uses various operational risk tools such as loss data management (LDM), key risk indicators (KRIs), and risk control and self-assessment (RCSA) for effective operational risk management. The system of collecting and collating data on operational risk events has been further improved to build a strong loss database and improve control effectiveness. Loss data are captured using the Operational Risk Management System, and a complete history of loss data is maintained.

The Bank undertakes risk control and self-assessment exercises through which inherent risk in various processes of each business unit is identified, and controls against these risks are assessed for design and effectiveness. Residual risk (i.e., inherent risk after controls) provides the potential loss amount, and based on residual risk, controls are further improved.

The Bank also identifies and monitors key risk indicators (KRIs) for each business unit. Each KRI has a defined threshold limit and an escalation criterion. A breach of a KRI threshold escalates the risk to higher authority. All operational risk management tools are configured in the Operational Risk Management System.

4. Liquidity Standards:

The Bank has adopted Basel III liquidity standards and is reporting the Liquidity Coverage Ratio and Net Stable Funding Ratio to CBO with effect from March 2014.

4.1 Liquidity Coverage Ratio (LCR): This ratio aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a time horizon under a significantly severe liquidity stress scenario. The ratio is calculated as follows:

LCR = Stock of High-Quality Liquid Assets / Total Net Cash Outflows over the next 30 calendar days

As per guidelines, the LCR should be a minimum of 100% on an ongoing basis with effect from January 1, 2019. The Bank is meeting the regulatory limit of LCR as at December 31, 2025, on a consolidated basis.

4.2 Net Stable Funding Ratio (NSFR):

The Net Stable Funding Ratio is designed to ensure that banks rely more on long-term funding and maintain a sound funding structure over a horizon of one year to withstand bank-specific stress events. The ratio aims to reduce overreliance on short-term funding to create long-term assets, especially during times of volatile liquidity conditions. The ratio is calculated as follows:

Net Stable Funding Ratio = Available Stable Funding (ASF) / Required Stable Funding (RSF) *100

In terms of CBO guidelines, the standard for NSFR became effective from January 1, 2018, with a minimum ratio of 100%. Presently, the Bank is meeting the regulatory limit of NSFR as at December 31, 2025.

Net Stable Funding Ratio = Available Stable Funding (ASF) / Required Stable Funding (RSF) *100

5. Basel III Leverage Ratio

As per CBO guidelines on leverage ratio standards, the Bank is expected to maintain a leverage ratio of 4.5%. The leverage ratio standard is not applicable to the Islamic banking window. The Bank's leverage ratio, calculated in accordance with CBO guidelines for the consolidated entity, is as follows:

In terms of CBO guidelines, the standard for NSFR became effective from January 1, 2018, with a minimum ratio of 100%. Presently, the Bank is meeting the regulatory limit of NSFR as at December 31, 2025.

5. Basel III Leverage Ratio

As per CBO guidelines on leverage ratio standards, the Bank is expected to maintain a leverage ratio of 4.5%. The leverage ratio standard is not applicable to the Islamic banking window. The Bank's leverage ratio, calculated in accordance with CBO guidelines for the consolidated entity, is as follows:

Table 1: Summary comparison of accounting assets vs. leverage ratio exposure measure

(Please refer to paragraph 52 of the Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

	Item	As of 31st December 2025	As of 31st December 2024
1	Total consolidated assets as per published financial statements	5,390,751	5,085,047
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	11,197	17,414
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	376,084	230,654
7	Other adjustments	-	-
8	Leverage ratio exposure	5,778,032	5,333,115

Table 2: Leverage ratio common disclosure template

(Please refer to paragraph 53 of the Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

	Item	As of 31st December 2025	As of 31st December 2024
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	5,390,751	5,085,047
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	5,390,751	5,085,047
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	-	-
5	Add-on amounts for PFE associated with all derivatives transactions	11,197	17,414
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	Leverage ratio exposure	5,778,032	5,333,115
8	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	11,197	17,414
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-

Table 2: Leverage ratio common disclosure template

13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	863,145	718,428
18	(Adjustments for conversion to credit equivalent amounts)	(487,061)	(487,774)
19	Off-balance sheet items (sum of lines 17 and 18)	376,084	230,654
Capital and total exposures			
20	Tier 1 capital	705,822	686,301
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,778,032	5,333,115
Leverage Ratio			
22	Basel III leverage ratio (%)	12.22%	12.87%

With reference to CBO BSD/CB/2020/005, the Bank's leverage ratio is 12.22%.

Basel III Capital Disclosure Template

31/12/2025

Basel III common disclosure template to be used during the transition of regulatory adjustments Amount subject to pre-Basel III treatment

Ⓐ ('000)

Common Equity Tier 1 Capital: Instruments and reserves

1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	399,636
2	Retained Earnings	68,482
3	Accumulated other comprehensive income (and other reserves)	104,485
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
	Public Sector capital injections grandfathered until 1 January 2018	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET 1)	-
6	Common Equity Tier 1 Capital before regulatory adjustments	572,603
Common Equity Tier 1 Capital: Regulatory Adjustments		
7	Prudential valuation adjustments	7,669
8	Goodwill (net of related tax liability)*	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)*	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash Flow hedge reserve	-
12	Shortfall of provisions to expected loss	14,612
13	Securitization gain on sale (as set out in para 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross holdings in common equity	-

Basel III common disclosure template to be used during the transition of regulatory adjustments		Amount subject to pre-Basel III treatment
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold)	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
	Regulatory adjustments applied to common equity Tier 1 in respect of amount subject to pre-Basel III treatment	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
27	Regulatory adjustments applied to common equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to common equity Tier 1	22,281
29	Common Equity Tier 1 capital (CET 1)	550,322
	Additional Tier 1 Capital: Instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	155,500
31	of which: classified as equity under applicable accounting standards	155,500
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET 1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT 1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	155,500
	Additional Tier 1 Capital: Regulatory Adjustments	
37	Investments in own additional Tier 1 instruments	-
38	Reciprocal cross holdings in additional Tier 1 instruments	-
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-

Basel III common disclosure template to be used during the transition of regulatory adjustments		Amount subject to pre-Basel III treatment
41	National specific regulatory adjustments	-
	Regulatory adjustments applied to Additional Tier 1 in respect of amount subject to pre-Basel III treatment	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1	-
44	Additional Tier 1 capital (CET 1)	155,500
45	Tier 1 capital (T1 = CET 1 + AT 1)	705,822
	Regulatory adjustments applied to common equity Tier 1 in respect of amount subject to pre-Basel III treatment	-
	Tier 2 capital: Instruments and provisions	
48	Tier 2 instruments (and CET 1 and AT 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions and Cumulative fair value gains on available for sale instruments	-
51	Tier 2 capital before regulatory adjustments	113,599
	Tier 2 capital: Regulatory Adjustments	
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
55	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
	Regulatory adjustments applied to Tier 2 in respect of amount subject to pre-basel III treatment	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
57	Total Regulatory Adjustments to Tier 2 capital	-
58	Tier 2 Capital (T 2)	113,599
59	Total Capital (TC = T 1 + T 2)	819,421

Basel III common disclosure template to be used during the transition of regulatory adjustments		Amount subject to pre-Basel III treatment
60	Total Risk Weighted Assets (60a + 60b + 60c)	4,394,942
60a	of which: Credit Risk Weighted Assets	3,919,553
60b	of which: Market Risk Weighted Assets	183,776
60c	of which: Operational Risk Weighted Assets	291,613
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.52%
62	Tier 1 (as a percentage of risk weighted assets)	16.06%
63	Total capital (as a percentage of risk weighted assets)	18.64%
64	Institution specific buffer requirement (minimum CET 1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/ D-SIB buffer requirements expressed as a percentage of risk weighted assets)	8.25%
65	of which: capital conservation buffer requirement	1.25%
66	of which: bank specific countercyclical buffer requirement	-
67	of which: D-SIB/ G-SIB buffer requirements	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.27%
National Minima (if different from Basel III)		
69	National common equity Tier 1 minimum ratio (if different from Basel III minimum)	NA
70	National Tier 1 minimum ratio (if different from Basel III minimum)	NA
71	National total capital minimum ratio (if different from Basel III minimum)	NA
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	113,599
77	Cap on inclusion of provisions in Tier 2 under standardized approach	48,994
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2024)		
80	Current cap on CET 1 instruments subject to phase out arrangements	N.A
81	Amount excluded from CET 1 due to cap (excess over cap after redemptions and maturities)	N.A
82	Current cap on AT 1 instruments subject to phase out arrangements	N.A
83	Amount excluded from AT 1 due to cap (excess over cap after redemptions and maturities)	N.A
84	Current cap on T 2 instruments subject to phase out arrangements	N.A
85	Amount excluded from T 2 due to cap (excess over cap after redemptions and maturities)	N.A

CA Report 1 (For CBO Use only)

1	Common Equity Tier 1 Capital (CET1) before Regulatory Adjustments	572,603
2	Regulatory Adjustments to CET1	22,281
3	CET1	550,322
4	Additional Tier 1 Capital (AT1) before Regulatory Adjustments	155,500
5	Regulatory Adjustments to AT1	-
6	AT1	155,500
7	Tier 1 Capital (7=3+6)	705,822
8	Tier 2 Capital before Regulatory Adjustments	113,599
9	Regulatory Adjustments to Tier 2 Capital	-
10	Tier 2 Capital (T2)	113,599
11	Total Capital (11=7+10)	819,421
12	Total Risk Weighted Assets (TRWA) (12=13+14+15)	4,394,942
13	Credit Risk Weighted Assets	3,919,553
14	Market Risk Weighted Assets	183,776
15	Operational Risk Weighted Assets	291,613
16	CET1 (as a percentage of TRWA) (in %) 9.50%	12.52%
17	Tier 1 (as a percentage of TRWA) (in %) 11.50%	16.06%
18	Total capital (as a percentage of TRWA) (in %) 13.50%	18.64%

Consolidated Conventional and Dhofar Islamic

BankDhofar SAOG	31-Dec-2025
Details	Amount [₹] ' 000
Common Equity Tier 1 capital (CET 1)	547,276
Tier I Capital (after supervisory deductions)	705,822
Tier II capital (after supervisory deductions & up to eligible limits)	113,599
Tier III Capital (up to a limit where Tier II & Tier III does not exceed Tier I)	-
Of which, Total Eligible Tier III Capital	-
Risk Weighted Assets - Banking Book	3,919,553
Risk Weighted Assets - Operational Risk	291,613
Total Risk Weighted Assets - Banking Book + Operational Risk	4,211,166
Minimum required capital to support RWAs of banking book & operational risk	463,228
i) Minimum required Tier I Capital for banking book & operational risk	349,629
ii) Tier II Capital required for banking book & operational risk	113,599
Tier I capital available for supporting Trading Book	353,147
Tier II capital available for supporting Trading Book	-
Risk Weighted Assets - Trading Book	183,776
Total capital required to support Trading Book	20,215
Minimum Tier I capital required for supporting Trading Book	5,761
Used Eligible Tier III Capital	-
Total Regulatory Capital	819,421
Total Risk Weighted Assets - Whole bank	4,394,942
Common Equity Tier 1 Ratio	12.52%
Tier 1 Ratio	16.06%
Total Capital Adequacy Ratio	18.64%
Unused but eligible Tier III Capital	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.02%

The components used in the definition of the capital disclosure template are provided below:

Table 2b: Reconciliation of reported balance sheet and the regulatory scope of consolidation			
	Balance Sheet as in Published Financial Statement	Under regulatory scope of consolidation	Reference
Assets			
Cash & Balances with CBO	179,798	-	
Balances with bank and money at call and short notice	212,066	-	
Investments:	-	-	
Of which Held to Maturity	443,721	-	
Out of investments in Held to Maturity:	-	-	
Investments in Subsidiaries	-	-	
Investments in Associates & Joint Ventures	-	-	
Of which Available for Sale	257,542	-	
Out of investments in Available for Sale:	-	-	
Investments in Subsidiaries	-	-	
Investments in Associates & Joint Ventures	-	-	
Of which Held for Trading	12,494	-	
Loans & Advances - Conventional	3,344,653	-	
Of which,		-	
Loans & Advances to domestic banks	-	-	
Loans & Advances to Non-Resident Banks	-	-	
Loans & Advances to domestic customers	-	-	
Loans & Advances to Non-Resident Customers for domestic operations	-	-	
Loans & Advances to Non-Resident Customers for operations abroad	-	-	
Loans & Advances to SMEs	-	-	
Financing from Islamic Banking Window	831,895	-	
Fixed Assets	15,013	-	
Other Asset	79,141	-	
Of which,	-	-	
Goodwill & Intangible Assets	-	-	a
Out of which	-	-	
Goodwill	-	-	
Other Intangibles (excluding MSRs)	14,428	-	
Deferred Tax Assets	-	-	
Goodwill on Consolidation	-	-	
Debit balance in Profit & Loss Account	-	-	

Total Assets	5,390,751		
Capital & Liabilities			
Paid up capital	459,480	-	
of which:			
Amount eligible for CET 1	303,980	-	h
Amount eligible for AT1	155,500	-	i
Reserves & Surplus	310,164	-	j
Share Premium	95,656	-	k
Legal Reserve & Special Reserve	98,285	-	l
Special reserve - restructured loans	1,281	-	
Subordinated loan reserve	6,200	-	
Cash flow hedge reserve	53	-	m
Special reserve Impairment lfrs9	12,184	-	
Special revaluation reserve investment lfrs9	(709)	-	
Investment Revaluation Reserve (Gains are included at 45% in Tier II and losses in full are deducted from Tier I)	5,934	(7,669)	n
Proposed Stock Dividend	-	-	-
Retained Earnings (The proposed dividend payment amount is excluded from retained earnings)	91,280	68,482	o
Total Capital			
Deposits	-	-	
Of which,	-	-	
Deposit from Banks	268,377	-	
Customer Deposits	3,249,572	-	
Deposit of Islamic Banking Window	867,257	-	
Other deposits (pl specify)		-	
Borrowings	-	-	
Of which,	-	-	
From CBO	-	-	
From Banks	-	-	
Borrowings in the form of bonds, debentures & Sukuks	-	-	
Others (Please specify) (Subordinated Loans)	100,905	-	
Other liabilities & provisions	134,996	-	
Of which,	-	-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
Total Liabilities	5,390,751		

Statement IIB

The components mentioned in the above table are mapped to the composition of capital disclosure template, which is provided below:

Table 2c: Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	303,980	h
2	Retained earnings	68,482	
3	Accumulated other comprehensive income (and other reserves)	193,941	k,l,m,o
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	566,403	
7	Prudential valuation adjustments	7,669	n
8	Goodwill (net of related tax liability)	-	a
9	Other intangibles other than mortgage-servicing rights (net of related tax liability) *	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	

Annexure III

Main features template for capital instruments

The Bank has three types of capital instruments, namely common equity shares, Additional Tier 1 perpetual bonds, and subordinated debt. The minimum level of summary disclosure for these regulatory capital instruments issued by the Bank is presented below:

Common Shares

Disclosure for Main Features of regulatory capital instruments - Common Shares		
1	Issuer	BankDhofar
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	OM0000002549
3	Governing law(s) of the instrument	Law of the Sultanate of Oman
Regulatory Treatment		
4	Transitional Basel III rules	Common Equity Tier I
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount to be recognized in regulatory capital (currency in million, as of most recent reporting date)	303.980
9	Par Value of Instrument	0.1
10	Accounting Classification	Shareholder's equity
11	Original date of issuance	Common shares have been announced many times. The change in position of common shares during the year has been provided in point 16 of notes to accounts.
12	Perpetual or dated	Perpetual
13	Original Maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
Coupons / Dividends		
17	Fixed or floating dividend coupon	No coupon
18	Coupon rate & any related index	Not applicable
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No

Disclosure for Main Features of regulatory capital instruments – Common Shares

22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write down features	Yes
31	If write down, write down triggers	Non-viability
32	If write down, full or partial	Full
33	If write down, permanent or temporary	Permanent
34	If temporary write down, description of write up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Fully subordinated (Subordinated debt are senior to ordinary shares)
36	Non-compliant transitioned features	No
37	If yes, specify non complaint features	Not applicable

Disclosure for Main Features of regulatory capital instruments – Perpetual Tier I Capital Securities

1	Issuer	BankDhofar
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	OM0000009205
3	Governing law(s) of the instrument	The Capital Securities (except for Condition on Subordination of the Capital Securities) and any non-contractual obligations arising out of or in connection with the Capital Securities will be governed by Omani law.
	Regulatory Treatment	
4	Transitional Basel III rules	Additional Tier I
5	Post-transitional Basel III rules	Additional Tier I
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Perpetual Tier I Capital Securities
8	Amount to be recognized in regulatory capital (currency in million, as of most recent reporting date)	﷮ 40 million
9	Par Value of Instrument	﷮ 40 million
10	Accounting Classification	Equity
11	Original date of issuance	27-Dec-2023
12	Perpetual or dated	Perpetual
13	Original Maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Redeemable by the Bank at its discretion on 27 Dec 2028 or on any interest payment date thereafter subject to the prior consent of the regulatory authority and after giving suitable notice
16	Subsequent call dates, if applicable	Any interest payment date occurring after 27 Dec 2028, means each 27 June and 27 December thereafter, at the option of the Bank.
17	Fixed or floating dividend coupon	Fixed
18	Coupon rate & any related index	The Bonds shall bear interest from (and including) the Issue Date to (but excluding) the First Call Date at a rate of 7.0% per annum (Initial Interest Rate) on the outstanding principal amount of the Bonds. The Bonds shall bear interest from each Reset Date to the next Reset Date at the then prevailing Relevant 5 Year Reset Rate as defined in the Prospectus. Reset date is the First Call Date and every fifth anniversary thereafter.
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No

Disclosure for Main Features of regulatory capital instruments – Perpetual Tier I Capital Securities

22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write down features	Yes
		Write down will take place in case of a non-viability event that means: The Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without a Write-down; or (b) a decision is taken to make a public sector injection of capital (or equivalent support) without which the Bank is, or will become, Non-Viable, whichever is earlier In relation to the Bank, non-viable means (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or (b) any other event or circumstance which is specified as constituting non-viability by the Regulator or as is set out in the applicable banking regulations.
31	If write down, write down triggers	
32	If write down, full or partial	Full or Partial
33	If write down, permanent or temporary	Permanent
34	If temporary write down, description of write up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to ordinary shares and subordinate to Tier II instruments like Subordinated Debt
36	Non-compliant transitioned features	No
37	If yes, specify non complaint features	Not applicable

Disclosure for Main Features of regulatory capital instruments - Perpetual Tier I Capital Securities

1	Issuer	BankDhofar
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	OM0000008850
3	Governing law(s) of the instrument	The Capital Securities (except for Condition on Subordination of the Capital Securities) and any non-contractual obligations arising out of or in connection with the Capital Securities will be governed by the Omani law.
Regulatory Treatment		
4	Transitional Basel III rules	Additional Tier I
5	Post-transitional Basel III rules	Additional Tier I
6	Eligible at solo/ group/ group & solo	Group & Solo
7	Instrument type (types to be specified by each jurisdiction)	Perpetual Tier I Capital Securities
8	Amount to be recognized in regulatory capital (currency in Million, as of most recent reporting date)	₹ 115.5 million
9	Par Value of Instrument	₹ 115.5 million
10	Accounting Classification	Equity
11	Original date of issuance	5-Oct-2022
12	Perpetual or dated	Perpetual
13	Original Maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
Coupons / Dividends		
17	Fixed or floating dividend coupon	Fixed
18	Coupon rate & any related index	6.75%
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary

Disclosure for Main Features of regulatory capital instruments – Perpetual Tier I Capital Securities

21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write down features	Yes
31	If write down, write down triggers	Write down will take place in case of a non-viability event that means: (a) a notification to the Bank in writing by the Central Bank of Oman that the Central Bank has determined that the Bank will become non-viable without a write-down; or (b) a decision is taken to make a public sector injection of capital, or equivalent support, without which the Bank will become non-viable.
32	If write down, full or partial	Full
33	If write down, permanent or temporary	Permanent
34	If temporary write down, description of write up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to ordinary shares and subordinate to Tier II instruments like Subordinated Debt
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Disclosure for Main Features of regulatory capital instruments - Subordinated debt

1	Issuer	BankDhofar
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	Not applicable
3	Governing law(s) of the instrument	Law of the Sultanate of Oman
Regulatory Treatment		
4	Transitional Basel III rules	Tier II
5	Post-transitional Basel III rules	Tier II
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Loan
8	Amount to be recognized in regulatory capital (currency in million, as of most recent reporting date)	₹ 100 million (₹ 4 million +27 million +52.9 million + 13 million + 3.1 million)
9	Par Value of Instrument	₹ 100 million
10	Accounting Classification	Subordinated Loan
11	Original date of issuance	27-Apr-25 30-Apr-25 06-Nov-25 20-Nov-25 25-Nov-25
12	Perpetual or dated	Dated
13	Original Maturity date	66 months from drawdown date (please insert date(s))
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
Coupons / Dividends		
17	Fixed or floating dividend coupon	Fixed
18	Coupon rate & any related index	5.75% p.a. (₹ 31 million) 6.00% p.a. (₹ 69 million)
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No

Disclosure for Main Features of regulatory capital instruments – Subordinated debt

22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write down features	Yes
31	If write down, write down triggers	<p>Trigger event means earlier of:</p> <p>(a) a notification to the Bank in writing by the Central Bank of Oman that the Central Bank is of the opinion that a write-off of the Facility is necessary without which the Borrower shall become non-viable; or</p> <p>(b) a decision is taken to make a public sector injection of capital, or equivalent support, without which the borrower would have become non-viable.</p>
32	If write down, full or partial	Full
33	If write down, permanent or temporary	Permanent
34	If temporarily write down, description of write up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All the depositors & General Creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features (20.4 (ii) of CP1 of CBO guidelines)	Not applicable

DISCLOSURE UNDER BASEL III LIQUIDITY STANDARDS

Liquidity Coverage Ratio:

The Bank has adopted Basel III liquidity standards and is reporting the Liquidity Coverage Ratio (LCR) to the Central Bank of Oman (CBO) with effect from March 2013. The LCR is defined as the proportion of high-quality liquid assets to total net cash outflows over the next 30 days. High-quality liquid assets include cash; reserves held with CBO; investments in CBO certificates of deposit, CBO treasury bills, government development bonds, sovereign treasury bills; and investments in equities listed on the Muscat Securities Market. LCR is a measure of the adequacy of liquid assets that will enable the Bank to survive an acute stress scenario lasting 30 days. As per CBO guidelines, the LCR is to be maintained at a minimum of 100% from January 1, 2019. In compliance with CBO guidelines, the Bank is meeting the regulatory limit of LCR as at December 31, 2025.

The disclosure for the Liquidity Coverage Ratio for BankDhofar consolidated (i.e., conventional entity + Islamic window entity) as of December 31, 2025, is as follows:

Bank Dhofar Consolidated Entity LCR Disclosure for Four quarters ended December 2025	Total Unweighted Value (Average) ₹ ('000)	Total Weighted Value (Average) ₹ ('000)
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		685,103.69
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	454,478.81	40,815.8
3 Stable deposits	661,72.56	1,985.18
4 Less stable deposits	388,306.25	38,830.62
5 Unsecured wholesale funding, of which:	1,435,624.21	607,273.67
6 Operational deposits (all counterparties) and deposits in networks of		
7 Non-operational deposits (all counterparties)	1,435,624.21	607,273.67
8 Unsecured debt		
9 Secured wholesale funding		
10 Additional requirements, of which	351,013.41	31,454.88
11 Outflows related to derivative exposures and other collateral		
12 Outflows related to loss of funding on debt products		
13 Credit and liquidity facilities	351,013.41	31,454.88
14 Other contractual funding obligations	76,379.89	76,379.89
15 Other contingent funding obligations	767,880.44	38,394.02
16 TOTAL CASH OUTFLOWS		794,318.27
Cash Inflows		
17 Secured lending (e.g. reverse repos)		
18 Inflows from fully performing exposures	570,540.57	267,709.86
19 Other cash inflows	48,626.21	48,626.21
20 TOTAL CASH INFLOWS	619,166.77	316,336.06
		Total Adjusted Value
21 TOTAL HQLA		685,103.69
22 TOTAL NET CASH OUTFLOWS		477,982.21
23 LIQUIDITY COVERAGE RATIO (%)		143.33

The above-mentioned values for high-quality liquid assets, cash outflows, and cash inflows are the arithmetic average of the values for the last four quarters. LCR is computed on a monthly basis and the year-end position for LCR is 157.12% as of December 31, 2025 (157.54% as of December 31, 2024). The Bank is in compliance with the regulatory limit of LCR as of December 31, 2025, with an LCR of 143.33% calculated on the weighted average value for the year (2024: 147.83%).

The Bank provides Sharia-compliant services and products through a window under the name “Dhofar Islamic (DI).” LCR for Dhofar Islamic is computed separately, and the average position as of December 31, 2025, is given below:

Dhofar Islamic Banking Services (DI) LCR Disclosure for Four quarters ended December 2025	Total Unweighted Value (Average) S (‘000)	Total Weighted Value (Average) S (‘000)
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		132,355.51
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	126,037.30	12,295.79
3 Stable deposits	4,399.12	131.97
4 Less stable deposits	121,638.18	12,163.82
5 Unsecured wholesale funding, of which:	333,938.82	140,911.46
6 Operational deposits (all counterparties) and deposits in networks of		
7 Non-operational deposits (all counterparties)	333,938.82	140,911.46
8 Unsecured debt		
9 Secured wholesale funding		
10 Additional requirements, of which	45,265.17	3,970.26
11 Outflows related to derivative exposures and other collateral		
12 Outflows related to loss of funding on debt products		
13 Credit and liquidity facilities	45,265.17	3,970.26
14 Other contractual funding obligations	15,130.48	15,130.48
15 Other contingent funding obligations	68,394.44	3,419.72
16 TOTAL CASH OUTFLOWS		175,727.72
Cash Inflows		
17 Secured lending (e.g. reverse repos)		
18 Inflows from fully performing exposures	177,549.72	72,901.00
19 Other cash inflows	12,911.40	12,911.40
20 TOTAL CASH INFLOWS	190,461.12	85,812.40
		Total Adjusted Value
21 TOTAL HQLA		132,355.51
22 TOTAL NET CASH OUTFLOWS		89,915.32
23 LIQUIDITY COVERAGE RATIO (%)		147.20

The above disclosed values for high-quality liquid assets, cash outflows, and cash inflows are the arithmetic average of the values for the last four quarters.

LCR is computed on a monthly basis and the year-end position for LCR is 164.48% as of December 31, 2025 (2024: 137.59%). The Bank is in compliance with the regulatory limit of LCR as of December 31, 2025, with an LCR of 147.20% calculated on the weighted average value for the year (2024: 199.57%).

Net Stability Funding Ratio (NSFR):

The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It has been effective since January 2018, with a minimum ratio of 100% as per regulatory guidance.

The disclosure for the Net Stable Funding Ratio for BankDhofar consolidated (i.e., conventional entity + Islamic window entity) is as follows:

NSFR disclosures		Year ended: Dec-25				
Bank:	Dhofar (consolidated)	(S '000)				
Unweighted value by residual maturity						
ASF Item		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
1	Capital:	734,071.48	-	-	-	734,071.48
2	Regulatory capital	734,071.48				734,071.48
3	Other capital instruments	-				-
4	Retail deposits and deposits from small business customers	901,783.51	75,914.48	125,692.20	-	1,013,414.24
5	Stable deposits	379,294.34	10,639.30	17,327.83		386,898.40
6	Less stable deposits	522,489.17	65,275.18	108,364.36		626,515.84
7	Wholesale funding:	978,726.56	499,285.42	569,996.80	951,792.30	1,975,796.69
8	Operational deposits	6,638.60				3,319.30
9	Other wholesale funding	972,087.97	499,285.42	569,996.80	951,792.30	1,972,477.39
10	Liabilities with matching interdependent assets					-
11	Other liabilities:					
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in above categories	508,170.03				-
14	Total ASF					3,723,282.41
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					59,550.12
16	Deposits held at other financial institutions for operational purposes	27,547.55				13,773.78
17	Performing loans and securities:	-	106,784.11	1,047,170.88	3,033,860.57	2,991,624.19
18	Performing loans to financial institutions secured by Level 1 HQLA		-			-

NSFR disclosures		Year ended:	Dec-25		
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		106,784.11	17,488.33	24,761.78
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which			1,029,682.55	514,841.27
21	-With a risk weight of less than or equal to 35% under the Basel II Standardized approach for credit risk				
22.	Performing residential mortgages, of which:			2,365,775.56	2,010,909.23
23	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk			633,801.77	411,971.15
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities			34,283.24	29,140.75
25	Assets with matching interdependent liabilities				
26	Other Assets:	-	1,319.90	340,756.47	342,076.38
27	Physical traded commodities, including gold				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				
29	NSFR derivative assets		1,319.90	1,319.90	3,319.30
30	NSFR derivative liabilities before deduction of variation margin posted			-	951,792.30
31	All other assets not included in the above categories			340,756.47	340,756.47
32	Off-balance sheet items				55,944.69
33	TOTAL RSF				3,462,969.15
34	NET STABLE FUNDING RATIO (%)				107.52%

The above disclosed values for required stable funding and available stable funding are the arithmetic average of the values for the last four quarters reflecting the average during the year 2025.

NSFR is computed on a monthly basis and the year-end position of NSFR for BankDhofar (consolidated entity) is 113.35% as of December 31, 2025 (2024: 109.68%). The Bank is in compliance with the regulatory limit of NSFR as of December 31, 2025.

Compensation Policy

In line with the CBO guidelines on remuneration disclosures, the Bank has described the relevant qualitative and quantitative disclosures in this report.

(a) Qualitative Disclosures:

The Compensation Policy supports the Bank's long-term business objectives. Current compensation practices are in line with the guiding principles of CBO guidelines spanning risk management and risk tolerance; supporting the business strategy, objectives, values, and long-term interests of the firm; avoiding conflicts of interest; governance; managing the control functions' pay; remuneration and capital management; and profit-based measurement and risk adjustment. The Policy is reviewed at periodic intervals. The Board of Directors has a Board Nomination & Remuneration Committee (BNRC), which consists of a minimum of three Board Members, with one Member representing the Risk Committee of the Board. The Committee's mandate is to frame compensation policy, systems, and processes for implementation and/or review.

The Total Rewards Strategy of the Bank supports the growth of the Bank in line with the long-term vision and objectives that take into account the longer-term health of the institution and financial stability, while at the same time accomplishing the following goals related to key talent:

Attract and retain employees

- Motivate and reward performance
- Align rewards with the organizational culture
- Drive synergy between organizational and employee performance
- Encourage desired behaviors and recognize required results
- Focus employees on achieving organizational goals and objectives
- Ensure the pay mix is appropriate to generate desired productivity and behavior and is in line with CBO guidelines
- Maintain transparent and clear compensation systems to ensure employee adoption

(b) Material Risk Takers

Material Risk Takers (MRTs) for the Bank have been identified in line with CBO guidelines and are defined as individuals who are in senior positions, heads of control functions, and/or, through their daily activities, have a material impact on the Bank's risk profile. Bonus payments for MRTs are distributed over a four-year period to account for any anticipated risks. The first-year payout is 55% of the bonus, with the remaining balance payout distributed equally over the following three years, subject to certain conditions such as malus and clawback provisions. MRT bonuses are paid based on performance and are deferred as per CBO guidelines. Performance of the heads of control functions is independently assessed by the respective Board Committees to which they report.

(c) Control Functions

Bonuses for all staff employed in control functions will be derived through a specific plan designed to adhere to CBO guidelines.

(d) Malus and Claw-back

A malus and clawback policy is in place to ensure that bonuses are paid based on accurate financial and operating data. If the Bank determines it must seek recovery of bonus payments due to causes mentioned in the Policy, the Bank shall have the right to demand that the staff reimburse such amounts to the Bank.

Quantitative Disclosures

As per the Compensation Policy, the variable compensation pool is determined based on Key Performance Indicators (KPIs), including the Bank's performance as well as risk-based measures. The pool is funded by taking a percentage of net profit. The Bank-wide bonus pool is reviewed by the BNRC and approved by the Board of Directors.

Compensation of Material Risk Takers, control and non-control functionaries (including top six senior executives):

Group	Total Fixed and Variable pay including Deferred Amount (₹)	Total Deferred Amount (₹)
MRT-Excluding Control Functionaries	3,245,970	372,708
MRT- Control Functionaries	604,685	48,944
Total	3,850,655	421,652

The six key management members' salaries and bonuses and staff terminal benefits for 2025 were ₹2,086,451. The amount disclosed is the amount paid for the reporting period. Certain components of key management bonuses are paid on a deferred basis as per the guidelines issued by the Central Bank of Oman.

The period of service contract for expatriate executives is two years, while the notice period for top executives is three months.

INDEPENDENT AUDITORS' REPORT





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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.

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Continued from page 1

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	How the matter was addressed in our audit
<p>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.</p> <p>Complex disclosure requirements exist regarding credit quality of the portfolio, including explanation of key judgments and material inputs used in the estimation of ECL.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> • 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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Continued from page 2

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"> • 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. • Assessing the adequacy of the Bank's disclosures by reference to the requirements of the relevant accounting standards.

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.

Continued on page 4

Continued from page 3

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.

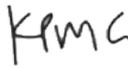
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report, unless law or regulation 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



Statement Of Financial Position As at 31 December 2025		31-Dec-2025	31-Dec-2024
	Notes	₹'000	₹'000
Assets			
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
Total assets		5,390,751	5,085,047
Liabilities			
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	-
Total liabilities		4,621,107	4,344,616
Shareholders' equity			
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
Total equity attributable to the equity holders of the Bank		614,144	584,931
Perpetual Tier 1 Capital Securities	17	155,500	155,500
Total equity		769,644	740,431
Total liabilities and equity		5,390,751	5,085,047
Contingent liabilities and commitments	29 (a)	863,145	718,428
Net assets per share (Rial Omani)	21	0.202	0.195

The financial statements including notes and other explanatory information on pages 139 to 243 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



K. Gopakumar
Acting Chief Executive Officer

Statement Of Comprehensive Income For The Year Ended 31 December 2025		31-Dec-2025	31-Dec-2024
	Notes	₹'000	₹'000
Interest income	22	236,869	232,060
Interest expense	23	(141,819)	(137,007)
Net interest income		95,050	95,053
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)
Net income from Islamic financing and Investment activities		22,885	19,116
Fees and commission income	30	48,283	38,414
Fees and commission expense	30	(12,431)	(9,841)
Net fees and commission income		35,852	28,573
Other operating income	23 (a)	15,997	10,100
Operating income		169,784	152,842
Staff and administrative costs	24	(74,239)	(71,817)
Depreciation	9&10	(6,921)	(7,034)
Operating expenses		(81,160)	(78,851)
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)
Profit from operations after provision		58,420	50,187
Income tax expense	25	(7,369)	(6,578)
Profit for the period		51,051	43,609
Other comprehensive income:			
Items that will not be reclassified to Profit and Loss:			
Movement in fair value reserve - FVOCI equity instrument		7,716	(832)
Realised loss FVOCI equity instrument		-	(383)
Items that are or may be reclassified to profit or loss in subsequent periods:			
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)
Total comprehensive income for the period		59,420	41,324
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	26	0.0133	0.0109

The notes on pages 139 to 243 are an integral part of these financial statements.

Statement Of Changes In Equity For The Year Ended 31 December 2025		Notes	Share capital S'000	Share premium S'000	Legal reserve S'000	Special reserve S'000	Special restructured loan S'000	Special impairment reserve S'000	Special revaluation reserve S'000	Cash flow hedge reserve S'000	Subordinated loan reserve S'000	Investment revaluation reserve S'000	Retained earnings S'000	Total S'000	Perpetual Tier 1 capital securities S'000	Total equity S'000
Balances as at 1 January 2025			299,635	95,656	76,192	16,988	1,281	12,184	(709)	645	-	(2,605)	85,664	584,931	155,500	740,431
Profit for the period			-	-	-	-	-	-	-	-	-	-	51,051	51,051	-	51,051
<i>Other comprehensive income for the period:</i>																
Net changes of fair value reserve																
FVOCI equity instruments		19 (c)	-	-	-	-	-	-	-	-	-	7,716	-	7,716	-	7,716
Transfer on disposal of FVOCI investment		19 (c)	-	-	-	-	-	-	422	-	-	(422)	-	-	-	-
FVOCI debt instruments		19 (c)	-	-	-	-	-	-	-	-	-	1,245	-	1,245	-	1,245
Change in fair value of cashflow hedge		31	-	-	-	-	-	-	-	(592)	-	-	-	(592)	-	(592)
Total comprehensive income for the period			-	-	-	-	-	-	-	(592)	-	8,539	51,473	59,420	-	59,420
Transfer to legal reserve		19 (a)	-	-	5,105	-	-	-	-	-	-	-	(5,105)	-	-	-
Transfer to Subordinated reserve		19 (b)	-	-	-	-	-	-	-	-	6,200	-	(6,200)	-	-	-
<i>Perpetual Tier 1 capital securities:</i>																
Payment towards perpetual 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)
Balances as at 31 December 2025			303,980	95,656	81,297	16,988	1,281	12,184	(709)	53	6,200	5,934	91,280	614,144	155,500	769,644

The notes on pages 139 to 243 are an integral part of these financial statements.

**Statement Of Changes In
Equity
For The Year Ended 31
December 2025**

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Cash flow hedge reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
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
Other comprehensive income for the period:														
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)	-	-	-	-	-	-	-	-	-	-	-	-	-
Perpetual Tier 1 capital securities:														
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 139 to 243 are an integral part of these financial statements.

Statement Of Changes In Equity For The Year Ended 31 December 2025	Notes	31-Dec-2025 ₹'000	31-Dec-2024 ₹'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		58,420	50,187
Adjustment for:			
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)
Operating profit before operating assets and liabilities changes		92,460	81,309
Net increase/(decrease) in:			
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
Cash generated from operations before tax and end of service benefits		(154)	298,697
Taxes paid	25	(4,633)	(4,731)
End of service benefits paid	14 (a)	(277)	(258)
Net cash (used in) / generated from operating activities		(5,064)	293,708
CASH FLOWS FROM INVESTING ACTIVITIES			
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)	-
Net cash used in investing activities		(82,696)	(200,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
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)	-
Net cash generated from / (used in) financing activities		67,994	(33,847)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(19,766)	59,489
Cash and cash equivalents at beginning of the year		324,808	265,319
Cash and cash equivalents at end of the year		305,042	324,808
Cash and cash equivalent comprise of:			
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
		305,042	324,808

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 139 to 243 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 (“R”), 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 BASIS OF PREPARATION (continued)

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.

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
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7); and 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)

(a) 3.2.2 Classification (continued)

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.

(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.

(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.

(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.

3.5 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.

3.9 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 MATERIAL ACCOUNTING POLICIES (continued)

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

1. 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:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis; and
- 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 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

4.4 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	2024
	₹'000	₹'000
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	2	2
	<u>179,798</u>	<u>197,174</u>

Balances with CBO includes capital deposit of ₹ 1 million (2024: ₹.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).

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

	2025	2024
	₹'000	₹'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
	212,231	196,572
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	2024
	₹'000	₹'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 ₹'000	2024 ₹'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	3,522,447	3,379,437
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 ₹'000	2024 ₹'000
Housing finance	262,203	232,180
Corporate finance	573,552	479,226
Consumer finance	29,053	23,788
	864,808	735,194
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 ₹ 32.11 million and ₹ 3.56 million respectively (2024: ₹ 22.35 million and ₹ 2.86 million).

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

	2025 ₹'000	2024 ₹'000
i. Allowance for loan for expected credit losses (conventional and Islamic)		
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	(11,409)	(43,782)
Balance at the end of the year	<u>175,037</u>	<u>155,805</u>
ii. Reserved interest		
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	(2,327)	(17,082)
Balance at the end of the year	<u>35,670</u>	<u>25,211</u>
Total impairment allowance	<u>210,707</u>	<u>181,016</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.

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

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

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.

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

₹'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	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)	(7) = (3) - (4)	(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	-	-	-	-	-	-	-	-
Subtotal		3,706,215	47,225	18,762	28,463	3,658,990	3,687,453	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	470,551	4,451	61,804	(66,513)	456,940	408,747	-	9,160
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		470,551	4,451	61,804	(66,513)	456,940	408,747	-	9,160
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	17,356	4,329	5,500	(1,697)	12,501	11,856	-	526
Subtotal		17,356	4,329	5,500	(1,697)	12,501	11,856	-	526
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	23,017	9,793	9,144	(210)	12,365	13,873	-	859
Subtotal		23,017	9,793	9,144	(210)	12,365	13,873	-	859
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	170,116	120,523	79,827	15,571	24,468	90,289	-	25,125
Subtotal		170,116	120,523	79,827	15,571	24,468	90,289	-	25,125
Total loans and advances		4,387,255	186,321	175,037	(24,386)	4,165,264	4,212,218	-	35,670
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	-	-
Subtotal		2,734,043	147	8,892	(8,745)	2,733,896	2,725,151	-	-
Total (31 December 2025)	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
Total		7,121,298	186,468	183,929	(33,131)	6,899,160	6,937,369	-	35,670

* Net of provision and reserve interest as per CBO norms

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

₹'000

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

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

7. Loans, advances and financing to customers (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 Provisions ₹'000	% of Provisions ₹'000
31-Dec-25						
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%
Total	3,243	213,441	26,510	95,943	122,453	57.37%
31-Dec-24						
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%
Total	2,598	195,197	20,935	85,360	106,295	54.46%

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

₹'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	89,992	389	475	(86)	89,603	89,517	-	-
	Stage 2	318,317	3,016	52,961	(49,945)	315,301	265,356	-	-
	Subtotal	408,309	3,405	53,436	(50,031)	404,904	354,873	-	-
Classified as non-performing	Stage 3	29,919	19,470	8,703	8,126	7,808	21,216	-	2,641
	Sub total	29,919	19,470	8,703	8,126	7,808	21,216	-	2,641
Total (31 December 2025)	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
	Total	438,228	22,875	62,139	(41,905)	412,712	376,089	-	2,641

* Net of provision and reserve interest as per CBO norms

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

At 31 December 2024

₹'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	As per IFRS 9	Difference
	₹'000	₹'000	₹'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 ₹ 26.51 million.

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	As per IFRS 9	Difference
	₹'000	₹'000	₹'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	As per IFRS 9	Difference
	₹'000	₹'000	₹'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	186,468	183,929	2,539
Total after tax (Net)			2,158

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

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

	£'000
At 1 January 2025 and 31 December 2025	12,184

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

	As per CBO Norms £'000	As per IFRS 9 £'000	Difference £'000
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	168,647	161,922	6,725
Total after tax (Net)			5,716

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

	£'000
At 1 January 2024 and 31 December 2024	12,184

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			
Gross exposure	Stage 1	Stage 2	Stage 3	Total
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
Total funded gross exposure	4,489,227	664,669	210,489	5,364,385
Letters of credit/guarantee	769,297	90,896	2,952	863,145
Loan commitment / unutilized limits	729,642	164,126	-	893,768
Total non-funded gross exposure	1,498,939	255,022	2,952	1,756,913
Total gross exposure	5,988,166	919,691	213,441	7,121,298
Allowance for expected credit losses				
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
Total funded impairment	10,838	72,189	94,471	177,498
Letters of credit/guarantee	946	1,310	1,472	3,728
Loan commitment/unutilized limits	1,745	958	-	2,703
Total non-funded impairment	2,691	2,268	1,472	6,431
Total impairment	13,529	74,457	95,943	183,929
Net exposure				
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
Total funded net exposure	4,478,389	592,480	116,018	5,186,887
Letter of credit/guarantee	768,351	89,586	1,480	859,417
Loan commitment/unutilized limits	727,897	163,168	-	891,065
Total net non-funded exposure	1,496,248	252,754	1,480	1,750,482
Total net exposure	5,974,637	845,234	117,498	6,937,369

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

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:

	₹'000			
Gross exposure	Stage 1	Stage 2	Stage 3	Total
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.

7. Loans, advances and financing to customers (continued)
(g) Stage wise exposure, allowance for expected credit losses and net exposures (continued)

	£'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance – as of 1 January 2025				
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
Total	11,321	65,241	85,360	161,922
Net transfer between stages				
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)	-
Total	2,689	(2,307)	(382)	-
Charge for the year (net of recoveries)				
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
Sub total	(481)	11,523	22,374	33,416
ECL on acquired assets	-	-	-	(401)
Total net of recovery	(481)	11,523	22,374	33,015
Written off	-	-	(11,409)	(11,409)
Closing Balance – as at 31 December 2025				
- 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
Total expected credit loss	13,529	74,457	95,943	183,929

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.

7. Loans, advances and financing to customers (continued)
(g) Stage wise exposure, allowance for expected credit losses and net exposures (continued)

	S'000			
	Stage 1	Stage 2	Stage 3	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
Total	16,368	61,252	100,161	177,781
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)	-	-
Total	3,758	(5,325)	1,567	-
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)
Total net of recovery	(8,805)	9,314	27,414	27,923
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
Total expected credit loss	11,321	65,241	85,360	161,922

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

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

2025:

Due from Bank

ECL Movement

	£'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance - 1 January 2025	93	-	-	93
Transfer between stages				
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	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movements during the year	72	-	-	72
Net Movement	72	-	-	72
Closing balance - 31 December 2025	165	-	-	165

Exposure Movement

	£'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance - 1 January 2025	196,572	-	-	196,572
Transfer between stages				
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	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movements during the year	15,659	-	-	15,659
Net Movement	15,659	-	-	15,659
Closing balance - 31 December 2025	212,231	-	-	212,231

7. **Loans, advances and financing to customers** (continued)
(h) Analysis of changes in the gross exposure and ECL (continued)

Loans and Advances

ECL Movement

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

Exposure Movement

	<u>€</u> '000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance - 1 January 2025	3,156,029	766,614	191,988	4,114,631
Transfer between stages				
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)	-
Net Changes in Stage	64,895	(84,724)	19,829	-
Net Movement during the year	305,109	(31,157)	(1,328)	272,624
Net Movement	305,109	(31,157)	(1,328)	272,624
Closing balance - 31 December 2025	3,526,033	650,733	210,489	4,387,255

7. Loans, advances and financing to customers (continued)
(h) Analysis of changes in the gross exposure and ECL (continued)

Investment securities

ECL Movement

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

Exposure Movement

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

7. **Loans, advances and financing to customers** (continued)
(h) Analysis of changes in the gross exposure and ECL (continued)

Acceptance
ECL Movement

	£'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance - 1 January 2025	439	2	-	441
Transfer between stages				
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	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	(435)	-	-	(435)
Net Movement	(435)	-	-	(435)
Closing balance - 31 December 2025	4	2	-	6

Exposure Movement

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

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

	S'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance - 1 January 2025	1,045	1,146	1,484	3,675
Transfer between stages				
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)	-
Net Changes in Stage	46	276	(322)	-
Net Movement during the year	(145)	(112)	310	53
Net Movement	(145)	(112)	310	53
Closing balance - 31 December 2025	946	1,310	1,472	3,728

Exposure Movement

	S'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance - 1 January 2025	626,456	88,763	3,209	718,428
Transfer between stages				
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)	-
Net Changes in Stage	1,289	(874)	(415)	-
Net Movement during the year	141,552	3,007	158	144,717
Net Movement	141,552	3,007	158	144,717
Closing balance - 31 December 2025	769,297	90,896	2,952	863,145

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

	S'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance - 1 January 2025	797	870	1	1,668
Transfer between stages				
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	-	-	-	-
Net Changes in Stage	-	-	-	-
Net Movement during the year	948	88	(1)	1,035
Net Movement	948	88	(1)	1,035
Closing balance - 31 December 2025	1,745	958	-	2,703

Exposure Movement

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

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

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

Sovereign

Exposure Movement

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

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

	£'000			
	Stage 1	Stage 2	Stage 3	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	-	-	-	-
Net Movements during the year	(351)	-	-	(351)
Net Movement	(351)	-	-	(351)
Closing balance - 31 December 2024	93	-	-	93

Exposure Movement

	£'000			
	Stage 1	Stage 2	Stage 3	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	-	-	-	-
Net Movements during the year	(30,950)	-	-	(30,950)
Net Movement	(30,950)	-	-	(30,950)
Closing balance - 31 December 2024	196,572	-	-	196,572

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

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

Loans and Advances

ECL Movement

₹'000

	Stage 1	Stage 2	Stage 3	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	2,533	(4,098)	1,565	-
Net Movement during the year	(6,812)	11,279	27,373	31,840
Net Movement	(6,812)	11,279	27,373	31,840
Write off	-	-	(43,782)	(43,782)
Closing balance - 31 December 2024	8,707	63,223	83,875	155,805

Exposure Movement

₹'000

	Stage 1	Stage 2	Stage 3	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	(67,616)	62,246	5,370	-
Net Movement during the year	307,371	(135,140)	(27,395)	144,836
Net Movement	307,371	(135,140)	(27,395)	144,836
Closing balance - 31 December 2024	3,156,029	766,614	191,988	4,114,631

7. Loans, advances and financing to customers (continued)
(h) Analysis of changes in the gross exposure and ECL (continued)

Investment securities

ECL Movement

	S'000			
	Stage 1	Stage 2	Stage 3	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

	S'000			
	Stage 1	Stage 2	Stage 3	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

7. Loans, advances and financing to customers (continued)
(h) Analysis of changes in the gross exposure and ECL (continued)

Acceptance
ECL Movement

	R'000			
	Stage 1	Stage 2	Stage 3	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

	R'000			
	Stage 1	Stage 2	Stage 3	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

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

	SAR'000			
	Stage 1	Stage 2	Stage 3	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	1,207	(1,209)	2	-
Net Movement during the year	(1,584)	(2,005)	41	(3,548)
Net Movement	(1,584)	(2,005)	41	(3,548)
Closing balance - 31 December 2024	<u>1,045</u>	<u>1,146</u>	<u>1,484</u>	<u>3,675</u>

Exposure Movement

	SAR'000			
	Stage 1	Stage 2	Stage 3	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	14,660	(14,660)	-	-
Net Movement during the year	49,537	(6,538)	(73)	42,926
Net Movement	49,537	(6,538)	(73)	42,926
Closing balance - 31 December 2024	<u>626,456</u>	<u>88,763</u>	<u>3,209</u>	<u>718,428</u>

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

£'000

	Stage 1	Stage 2	Stage 3	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	18	(18)	-	-
Net Movement during the year	(669)	50	-	(619)
Net Movement	(669)	50	-	(619)
Closing balance - 31 December 2024	797	870	1	1,668

Exposure Movement

£'000

	Stage 1	Stage 2	Stage 3	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	(13,087)	13,087	-	-
Net Movement during the year	(133,284)	41,980	-	(91,304)
Net Movement	(133,284)	41,980	-	(91,304)
Closing balance - 31 December 2024	418,352	212,082	-	630,434

7. Loans, advances and financing to customers (continued)
(h) Analysis of changes in the gross exposure and ECL (continued)

Sovereign
Exposure Movement

	SAR'000			
	Stage 1	Stage 2	Stage 3	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	-	-	-	-
Net Movement during the year	96,171	-	-	96,171
Net Movement	96,171	-	-	96,171
Closing balance - 31 December 2024	480,313	-	-	480,313

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 instruments	FVOCI - debt instruments	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 instruments	FVOCI - debt instruments	Amortised cost	Total carrying 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.

8. Investment securities

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

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.

8. Investment securities (continued)

8.1 Categories of investments by measurement

31 December 2025	Designated at FVTPL	FVOCI	Amortized cost	Total
	₹'000	₹'000	₹'000	₹'000
Quoted Equities:				
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>
Unquoted Equities:				
Local securities	772	805	-	1,577
	<u>772</u>	<u>805</u>	<u>-</u>	<u>1,577</u>
Gross Equity investments	<u>12,494</u>	<u>101,409</u>	<u>-</u>	<u>113,903</u>
Quoted Debt:				
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>
Unquoted Debt:				
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>
Gross debt investments	<u>-</u>	<u>158,423</u>	<u>443,721</u>	<u>602,144</u>
Total Investment Securities	<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	FVOCI Equity investment	Amortised cost	FVTPL	Total
	₹'000	₹'000	₹'000	₹'000	₹'000
At 1 January 2025	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	(2,262)	(28)	-	-	(2,290)
At 31 December 2025	<u>156,161</u>	<u>101,381</u>	<u>443,721</u>	<u>12,494</u>	<u>713,757</u>

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
Quoted Equities:				
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>
Unquoted Equities:				
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>
Quoted Debt:				
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>
Unquoted Debt:				
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	<u>2,370</u>	<u>226,306</u>	<u>420,049</u>	<u>648,725</u>
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	FVOCI Equity investment ₹'000	Amortised cost ₹'000	FVTPL ₹'000	Total ₹'000
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.

9. Intangible assets

	31-Dec-2025	31-Dec-2024
	£'000	£'000
Cost		
1 January	42,463	39,003
Additions	5,007	3,484
Transfers	-	(24)
	<u>47,470</u>	<u>42,463</u>
Depreciation		
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.

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
Cost								
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)	-	-
31 December 2025	<u>6,670</u>	<u>1,463</u>	<u>22,118</u>	<u>635</u>	<u>24,628</u>	<u>122</u>	<u>4,782</u>	<u>60,418</u>
Depreciation								
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)
31 December 2025	<u>-</u>	<u>1,463</u>	<u>18,325</u>	<u>587</u>	<u>21,274</u>	<u>-</u>	<u>3,756</u>	<u>45,405</u>
Carrying value 31 December 2025	<u>6,670</u>	<u>-</u>	<u>3,793</u>	<u>48</u>	<u>3,354</u>	<u>122</u>	<u>1,026</u>	<u>15,013</u>

10. Property and equipment (continued)

31 December 2024	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
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	6,670	1,463	20,809	686	23,458	265	4,121	57,472
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	-	1,463	17,359	647	19,272	-	3,327	42,068
Carrying value 31 December 2024	6,670	-	3,450	39	4,186	265	794	15,404

11. Other assets

	2025	2024
	₹'000	₹'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)
	79,141	80,939

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

12. Due to banks

	2025	2024
	₹'000	₹'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	2024
	₹'000	₹'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	2024
	₹'000	₹'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).

14. Other liabilities

	2025	2024
	₹'000	₹'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	2024
	₹'000	₹'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 ₹ 31 million through an unsecured subordinated loan with a tenure of 66 months. Subsequently, two additional tranches were issued under the same terms: ₹ 52.9 million on 6 November 2025 and ₹ 16.1 million on 25 November 2025, the total subordinated loan amounted to ₹ 100 million. The loan carries interest rates ranging from 5.75% to 6%, payable semi-annually, with the principal amount due at maturity.

	2025	2024
	₹'000	₹'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.

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%
Total	3,039,798,532	100.00%	2,996,351,436	100.00%

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

- (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.

19. Reserves

(a) Legal reserve

	2025 ₹'000	2024 ₹'000
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 ₹'000	2024 ₹'000
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 ₹'000	2024 ₹'000
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.

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

22. Interest income / Income from Islamic financing and Investments

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

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

	2025	2024
	₹'000	₹'000
Conventional Banking		
Customers' deposits	(111,653)	(108,715)
Subordinated liabilities	(1,799)	-
Bank borrowings	(28,367)	(28,292)
Total	(141,819)	(137,007)
	2025	2024
	₹'000	₹'000
Islamic Banking		
Customer Deposits	(28,960)	(26,815)
Islamic bank borrowings	(1,105)	(1,896)
Total	(30,065)	(28,711)

(a) Other operating income

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

(b) Investment income by measurement category

	2025	2024
	₹'000	₹'000
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
Total	7,925	4,066

24. Staff and administrative costs

(a) Staff costs

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

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	58,420	50,187
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
Particulars				
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
Particulars				
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>

25. Income tax (continued)

(b) 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 filling 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.

(c) Tax liabilities

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

	2025	2024
	₹'000	₹'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 (₹)	51,051,000	43,608,974
Less: Additional Tier 1 Coupon	<u>(10,580,908)</u>	<u>(10,625,281)</u>
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 (₹)	<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 ₹'000	2024 ₹'000
Loans, advances and financing		
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>
Subordinated loan		
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>
Deposit and other accounts		
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>
Contingent liabilities and commitments		
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.

27. Related parties' transactions (continued)

	2025 S'000	2024 S'000
Remuneration paid to Directors		
Chairman		
- remuneration paid	36	36
- sitting fees paid	7	7
Other Directors		
- remuneration paid	264	264
- sitting fees paid	76	69
	<u>383</u>	<u>376</u>
Other transactions		
Rental payment to related parties	582	564
Insurance	4,238	4,997
	<u>517</u>	<u>771</u>
Other transactions		
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	52	53
	<u>52</u>	<u>53</u>
Key management compensation		
Salaries and other short-term benefits	3,851	4,350
Staff terminal benefit	77	68
	<u>3,928</u>	<u>4,418</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.

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% or more of the net worth of the Bank and their related business interests/affiliates.

(a) Single borrower

	2025 S'000	2024 S'000
Single borrower		
Total direct exposure	545,563	442,315
Number of members	2	2

(b) Senior members

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

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

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

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

(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.

30. Disaggregation of net fees and commission income

	Retail banking	Corporate banking	Treasury and investment banking	Sub Total	Islamic Banking	Total
31 December 2025	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Fee Income						
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 related services	1,519	7,545	2,581	11,645	1,499	13,144
Advisory and asset management services	-	-	-	-	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>
Fee Expense						
Transactional Services	(11,169)	(90)	(279)	(11,538)	(564)	(12,102)
Syndication and Other Financing related services	-	-	(149)	(149)	(180)	(329)
Fee Expense	<u>(11,169)</u>	<u>(90)</u>	<u>(428)</u>	<u>(11,687)</u>	<u>(744)</u>	<u>(12,431)</u>
Net fee and commission income	<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 Total	Islamic Banking	Total
31 December 2024	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Fee Income						
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 related services	1,240	6,920	3,420	11,580	1,234	12,814
Advisory and asset management services	-	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>
Fee Expense						
Transactional Services	(8,025)	(93)	(282)	(8,400)	(81)	(8,481)
Syndication and Other Financing related services	-	-	(1,151)	(1,151)	(209)	(1,360)
Fee Expense	<u>(8,025)</u>	<u>(93)</u>	<u>(1,433)</u>	<u>(9,551)</u>	<u>(290)</u>	<u>(9,841)</u>
Net fee and commission income	<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.

	£ 000's					
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
Derivatives:						
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
Total	2,323	1,685	2,541,828	467,064	1,295,253	779,511

31. Derivative financial instruments (continued)

000's

31 December 2024	Positive	Negative	Notional amount total	Notional amounts by term to maturity		
	fair value	Fair Value		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
Total	6,095	4,469	2,428,864	933,367	595,086	900,411

*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	31-Dec-2024	31-Dec-2025	31-Dec-2024
	000	000	000	000
Expected cash flows	638	1,626	638	1,626

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.

31. Derivative financial instruments (continued)

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.

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	2024
	₹'000	₹'000
At 1 January	645	-
Change in fair value during the year	(503)	759
Less: related deferred tax liabilities	(89)	(114)
At 31 December	<u>53</u>	<u>645</u>

	2025	2024
	₹'000	₹'000
Effective portion of hedge recognized during the year	875	1,300
Less: Gains on hedge recycled to profit or loss	(1,378)	(541)
Change in fair value of cash flow hedge during the year	<u>(503)</u>	<u>759</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).

32. Fair value information (Continued)

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

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

32. Fair value information (Continued)

Level 3 movement – 31 December 2024

	FVTPL	FVOCI	Total
	₹'000	₹'000	₹'000
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 Cyclical Index) used is determined from the observed historical macro-economic factors. The cyclical 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 Cyclical 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.

33. Financial risk management (continued)

A. Credit Risk (continued)

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).

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.

33. Financial risk management (continued)

A. Credit Risk (continued)

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
Total	438,228	62,139	489,124	49,367

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
31 December 2025						
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>
31 December 2024						
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.

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
31 December 2025						
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>
31 December 2024						
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
31 December 2025				
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	<u>371,534</u>	<u>155,352</u>	<u>18,700</u>	<u>118,827</u>
	<u>4,387,255</u>	<u>4,116,829</u>	<u>863,145</u>	<u>893,768</u>

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
Total	<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
31 December 2025			
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)
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 including Islamic financing ₹'000	Bills discounted ₹'000	Others ₹'000	Total ₹'000	Contingent liabilities ₹'000	Loan commitments ₹'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 quarrying	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 Communication	3,298	108,258	7,142	655	119,353	4,246	58,596
Financial institutions	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 allied Activities	1,782	19,644	-	10,734	32,160	800	29,049
Government	706	199,708	-	-	200,414	195,574	46,781
Non-resident lending	-	-	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>

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 financing	Bills discounted	Others	Total	Contingent liabilities	Loan commitments
	₹'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 Communication	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	2024
	₹'000	₹'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
Total funded net exposure	<u>5,235,202</u>	<u>4,938,788</u>
Off-balance sheet items		
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.

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	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
31 December 2025				
<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
Total	5,988,166	919,691	213,441	7,121,298
Provision for expected credit losses	13,529	74,457	95,943	183,929

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	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
31 December 2024				
<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
Total	5,152,345	1,073,331	195,197	6,420,873
Provision for expected credit losses	11,321	65,241	85,360	161,922

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.

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)

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.

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	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Due from banks at Amortised cost				
High Grade	73,120	-	-	73,120
Standard Grade	132,802	-	-	132,802
Satisfactory Grade	6,309	-	-	6,309
Total	212,231	-	-	212,231

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Corporate Loans and advances / Islamic financing receivables at Amortised cost				
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
Total	1,931,428	642,860	170,663	2,744,951

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Retail Loans and advances / Islamic financing receivables at Amortised cost*				
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
Total	1,594,605	7,873	39,826	1,642,304

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

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Sovereign				
High Grade	473,970	-	-	473,970
Standard Grade	-	-	-	-
Satisfactory Grade	-	-	-	-
Total	473,970	-	-	473,970

33. Financial risk management (continued)

A. Credit risk (continued)

(x) Credit Quality (continued)

31 December 2025

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Debt investment securities at FVOCI				
High Grade	62,071	-	-	62,071
Standard Grade	18,925	-	-	18,925
Satisfactory Grade	-	10,000	-	10,000
Total	80,996	10,000	-	90,996

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Debt investment securities at Amortised cost				
High Grade	13,701	-	-	13,701
Standard Grade	23,477	-	-	23,477
Satisfactory Grade	-	-	-	-
Total	27,178	-	-	37,178

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

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Letter of credit and guarantees*				
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
Total	769,297	90,896	2,952	863,145

* includes Corporate & SME , Retail and Banks

33. Financial risk management (continued)**A. Credit risk** (continued)**(x) Credit Quality** (continued)**31 December 2024:**

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

33. Financial risk management (continued)**B. Credit risk** (continued)**(x) Credit Quality** (continued)**31 December 2024**

	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
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

	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
Debt investment securities at FVOCI				
High Grade	5,261	-	-	5,261
Standard Grade	42,500	-	-	42,500
Satisfactory Grade	-	-	-	-
Total	47,761	-	-	47,761

	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
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

	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
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

	Stage 1	Stage 2	Stage 3	Total
	₹'000	₹'000	₹'000	₹'000
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

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-performing loans	Expected Credit Loss for Stage 1 & 2 Exposure	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
31 December 2025							
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 communication	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 activities	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
	4,176,766	213,441	80,566	95,943	35,670	30,951	11,409

33. Financial risk management (continued)
B. Credit risk (continued)
(xi) Distribution of impaired loans (continued)

	Performing loans	Non-performing loans	Expected Credit Loss for Stage 1 & 2 Exposure	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
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 communication	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 activities	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
	3,922,643	195,197	71,930	85,360	25,211	31,881	43,782

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 reserve	ECL during the year	Advances written off during the year
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
31 December 2025							
Sultanate of Oman	4,176,262	213,441	80,566	95,943	35,670	30,951	11,409
Other countries	504	-	-	-	-	-	-
	4,176,766	213,441	80,566	95,943	35,670	30,951	11,409
31 December 2024							
Sultanate of Oman	3,922,068	195,197	71,930	85,360	25,211	31,881	43,782
Other countries	575	-	-	-	-	-	-
	3,922,643	195,197	71,930	85,360	25,211	31,881	43,782

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 ₹'000	2024 ₹'000
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 ₹'000	2024 ₹'000
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.

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
31 December 2025	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
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
Total Assets Funded	712,070	618,335	339,868	1,511,841	2,392,365	5,574,478
Spot and Forward Purchases (notional value)	55,284	142,644	135,155	170,106	-	503,189
Total Assets Funded and Non Funded	767,354	760,979	475,023	1,681,947	2,392,365	6,077,667
Future Interest cash inflows	20,481	96,808	94,341	494,881	445,844	1,152,355
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
Total liabilities	2,458,567	531,188	297,017	517,093	795,053	4,598,918
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
Total Liabilities Funded and Non Funded	3,214,288	1,730,253	432,276	687,419	795,053	6,859,289
Future Interest cash outflows	7,982	66,722	73,523	196,122	285,918	630,267
Cumulative Liabilities	3,214,288	4,944,541	5,376,817	6,064,236	6,859,289	
Gap	(2,446,934)	(969,274)	42,747	994,528	1,597,312	
Cumulative Gap	(2,446,934)	(3,416,208)	(3,373,462)	(2,378,934)	(781,622)	

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
31 December 2024	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
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
Total Assets Funded	732,124	509,706	254,066	1,240,872	2,501,714	5,238,482
Spot and Forward Purchases (notional value)	306,466	118,976	72,309	104,335	-	602,086
Total Assets Funded and Non Funded	1,038,590	628,682	326,375	1,345,207	2,501,714	5,840,568
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
Total liabilities	2,161,320	512,172	396,235	988,006	268,147	4,325,880
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
Total Liabilities Funded and Non Funded	3,007,295	1,440,446	468,548	1,092,501	268,147	6,276,937
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)	

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	2024
	₹'000	₹'000
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	32,237	2,902
	<u>183,454</u>	<u>128,744</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:

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	2024	2025	2024
	₹ '000	₹ '000	₹ '000	₹ '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	2024	2025	2024
	₹ '000	₹ '000	₹ '000	₹ '000
Impact on Equity in absolute terms	46,488	57,418	92,976	114,835

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	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 2025	%	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
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
Total Assets		1,391,686	1,292,809	551,178	600,629	1,346,346	391,831	5,574,478
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
Total liabilities		2,431,301	654,205	501,550	759,473	108,162	144,227	4,598,918
On-balance sheet gap		(1,039,615)	638,604	49,628	(158,844)	1,238,184	247,604	
Cumulative interest sensitivity gap		(1,039,615)	(401,011)	(351,383)	(510,227)	727,957	975,561	

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
Total Assets		1,234,255	1,151,989	613,493	585,700	1,270,753	204,291	5,060,482
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
Total liabilities		2,221,599	576,697	432,387	941,157	5,543	148,497	4,325,880
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 workspace 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 apprised 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.

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	(14,612)	(17,658)
Total CET 1 capital	<u>550,322</u>	<u>530,801</u>
Additional Tier I capital (AT1)	155,500	155,500
Total Tier 1 Capital (T1=CET1+AT1)	<u>705,822</u>	<u>686,301</u>
TIER II CAPITAL		
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>
Risk weighted assets		
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.

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 investments	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)
Profit for the period	12,435	20,377	14,870	3,369	-	51,051
Segment assets	1,449,043	2,305,229	878,496	1,057,199	(86,048)	5,603,919
Less: Impairment allowance	(33,983)	(143,820)	(282)	(35,083)	-	(213,168)
Total segment assets	1,415,060	2,161,409	878,214	1,022,116	(86,048)	5,390,751
Segment Liabilities	1,025,445	2,421,769	354,845	898,665	(86,048)	4,614,676
Add: Impairment allowance	8	5,770	322	331	-	6,431
Total segment Liabilities	1,025,453	2,427,539	355,167	898,996	(86,048)	4,621,107

Substantially income generated by the Bank and the non-current assets arise from the Sultanate of Oman.

35. Segmental information (continued)

31 December 2024	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Intersegment	Total
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'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.

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	2024
	£'000	£'000
Right-of-use assets		
Leased Premises	<u>1,026</u>	<u>794</u>
Lease liabilities		
Current	121	55
Non-current	<u>563</u>	<u>722</u>
	<u>684</u>	<u>777</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	2024
	£'000	£'000
Depreciation charge of right-of-use assets		
Leased Premises	<u>429</u>	<u>478</u>
		-
Interest expense	<u>48</u>	<u>70</u>
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	2024
	£'000	£'000
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

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:

Assets	₹'000
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
Total assets	92,468
Liabilities	
Customers' deposits	63,338
Other liabilities	4,353
Total liabilities	67,691
Fair value of net identifiable assets at acquisition date	24,777
Total Consideration Paid in Cash	24,777

DHOFAR ISLAMIC - WINDOW OF BankDhofar SAOG FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2025

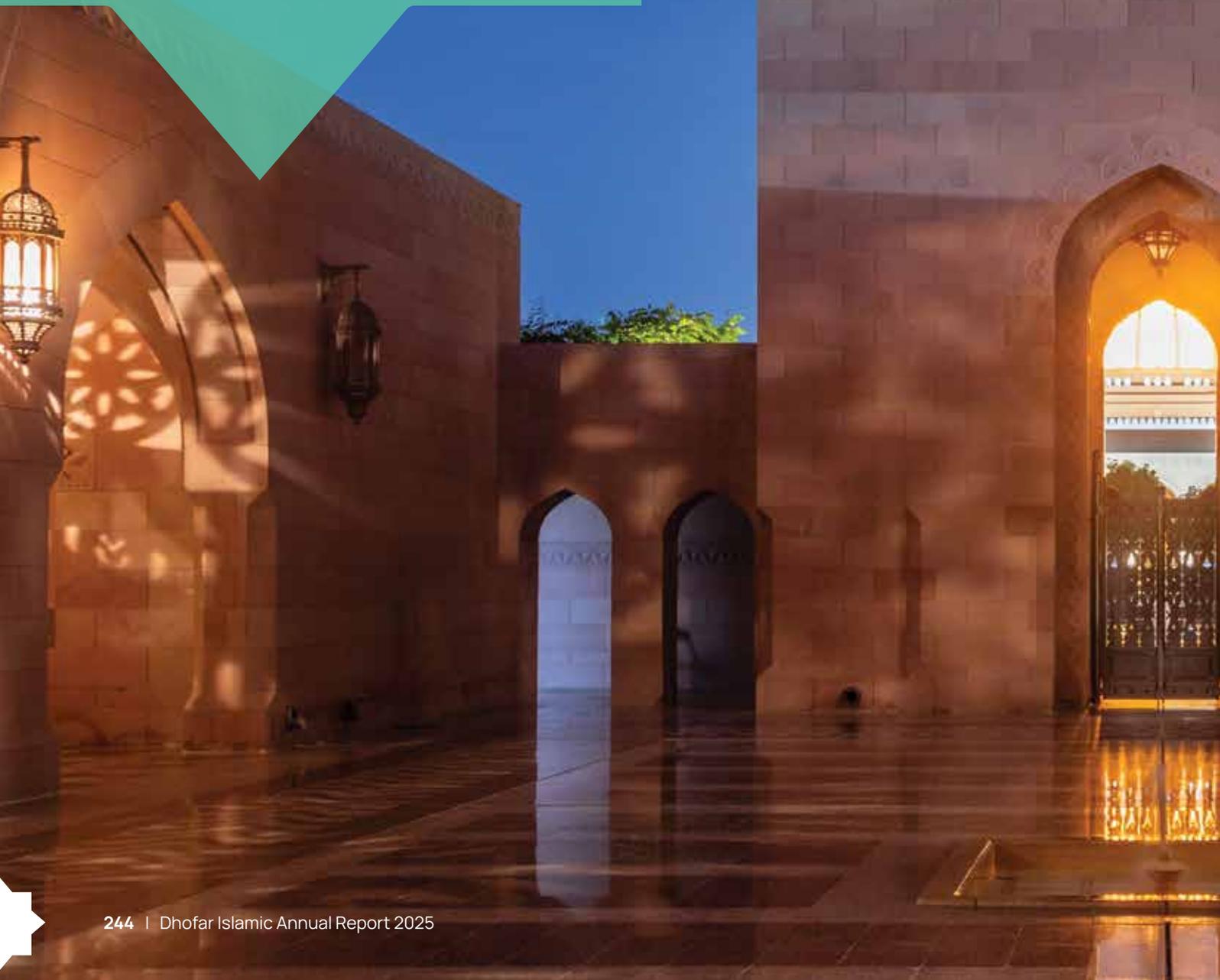


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MANAGEMENT DISCUSSION
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The background of the page is a photograph of a cityscape with a prominent mosque featuring a large, ornate golden dome and a tall minaret. The scene is viewed from an elevated position, looking over a wall with a crenelated top. The sky is filled with soft, white clouds. A large, teal-colored geometric shape, resembling a stylized arrow or a large 'L' rotated 90 degrees, is overlaid on the left side of the image, containing the text.

Annual Report of **SHARI'A SUPERVISORY BOARD**

31 December 2025

بسم الله الرحمن الرحيم

هيئة الرقابة الشرعية

SHARIA SUPERVISORY BOARD



To: General Assembly and Board of Directors of Dhofar Islamic– Bank Dhofar (S.A.O.G)	إلى: الجمعية العمومية ومجلس إدارة ظفار الإسلامي – بنك ظفار (ش.م.ع.ع)
Assalam Alaikum Wa Rahmat Allah Wa Barakatuh	السلام عليكم ورحمة الله وبركاته،،
All perfect praise be to Allah; and may Allah send blessing and peace upon the noblest of Messengers, our Prophet Muhammad, sallallahu ‘alayhi wa sallam, his family and companions.	الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد، وعلى آله وصحبه وسلم، وبعد:
In compliance with the letter of appointment, we are required to submit the following report for the year ended 31/12/2025:	فإنه وفقاً لخطاب التعيين، يسعدنا أن نقدم لكم تقرير الرقابة والالتزام الشرعي للسنة المنتهية في 2025/12/31م:
1. During 2025, the Shariah Supervisory Board (SSB) of Dhofar Islamic held four meetings to review various products, Sukuks, policies & procedures and issues, referred to us.	1. خلال عام 2025م، عقدت هيئة الرقابة الشرعية لظفار الإسلامي أربعة اجتماعات لمراجعة مختلف المنتجات والصكوك والسياسات والإجراءات والقضايا التي أحيلت إليها.
2. During 2025, SSB has issued four Fatwas related to various Product and other matters related to bank.	2. خلال عام 2025م، أصدرت هيئة الرقابة الشرعية أربع فتاوى تتعلق بمختلف الصكوك والمنتجات والاكتتاب العام الأولي.
3. During the year 2025, Sharia Supervisory Board has conducted two public awareness sessions on Islamic Banking which are attended by large number of participants.	3. خلال عام 2025م، عقدت هيئة الرقابة الشرعية جلستين توعويتين حول الصيرفة الإسلامية حضرها عدد كبير من المشاركين.
4. We have reviewed the principles and the contracts relating to the transactions and applications introduced by Dhofar Islamic during the year ended on 31/12/2025. We have also conducted our review to form an opinion as to whether the Dhofar Islamic has complied with Sharia principles and also with the specific Fatawa, rulings and guidelines issued by SSB.	4. لقد قمنا بالإشراف والمراجعة الشرعية لعمليات وأنشطة ظفار الإسلامي وقد شملت السياسات والعقود والمنتجات والمعاملات خلال السنة المنتهية 2025/12/31م. وقد أجرينا المراجعة اللازمة حتى تتمكن من تكوين رأي مستقل عن ظفار الإسلامي إذا كان قد امتثل لمبادئ الشريعة الإسلامية والفتاوى والأحكام والمبادئ التي أصدرتها هيئة الرقابة الشرعية الموقرة.
5. Dhofar Islamic’s management is responsible for ensuring that the Dhofar Islamic conducts its business in accordance with Sharia principle. It is our	5. هذا ولا بد من التوضيح بأن إدارة ظفار الإسلامي مسؤولة بشكل كامل عن ضمان التزام ظفار الإسلامي بمبادئ الشريعة الإسلامية في كل

<p>responsibility to form an independent opinion, based on our review of the operations of Dhofar Islamic, and report to you.</p> <p>6. We conducted our review which included examining, on a test basis, of each type of transaction, the relevant documentation and procedure adopted by Dhofar Islamic.</p> <p>7. We planned and performed our review so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Dhofar Islamic has not violated Sharia principles.</p>	<p>أنشطته، ومسؤوليتنا هي تكوين رأي مستقل بناء على مراجعتنا لعمليات ظفار الإسلامي، وتقديم تقرير لكم بذلك.</p> <p>6. لقد قمنا بالمراجعة والتي شملت فحص عينة من كل نوع من أنواع المعاملات، والوثائق والإجراءات ذات الصلة التي اعتمدها ظفار الإسلامي.</p> <p>7. لقد خططنا ونفذنا مراقبتنا بحيث يتسنى لنا الحصول على جميع المعلومات والإيضاحات التي نعتبرها ضرورية لتزويدنا بأدلة كافية تعطينا التأكيد الكافي بأن ظفار الإسلامي لم يخالف مبادئ الشريعة الإسلامية.</p>
<p>In our opinion:</p> <p>a) The affairs of Dhofar Islamic have been carried out in accordance with the rules and principles of Sharia, Central Bank's regulations and guidelines related to Sharia compliance and other rules as well as with specific Fatwa and rulings issued by the SSB from time to time.</p> <p>b) The contacts, transactions and dealings entered into by the Dhofar Islamic during the year ended 2025 that we have reviewed are in compliance with Sharia principles and no profit was channeled to charity.</p> <p>c) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Sharia principles.</p> <p>d) Earnings that have been realized from sources or by means prohibited by Sharia principles have been identified and segregated for disposal to charity.</p>	<p>فإننا نرى أن:</p> <p>(أ) تسير أوضاع ظفار الإسلامي وفقاً لأحكام ومبادئ الشريعة وإرشادات ولوائح البنك المركزي ذات العلاقة بالالتزام الشرعي وأية لوائح أخرى والفتاوى والأحكام الصادرة عن هيئة الرقابة الشرعية من حين لآخر.</p> <p>(ب) العقود والصفقات والمعاملات التي أبرمها ظفار الإسلامي خلال السنة المنتهية 2025م والتي قمنا بمراجعتها هي متوافقة مع مبادئ الشريعة الإسلامية، ولم يجنب أي شيء من أرباحها.</p> <p>(ج) يتفق توزيع الأرباح وتحميل الخسارة على حسابات الاستثمار مع الأساس الذي تم اعتماده من قبلنا وفقاً لمبادئ الشريعة الإسلامية.</p> <p>(د) الإيرادات التي تحققت من مصادر أو وسائل لم تتفق مع أحكام الشريعة الإسلامية تم تجنيبها وتحويلها إلى صندوق الخيرات.</p>
<p>We have identified the following areas where we believe there is room for further improvement by the management of Dhofar Islamic in order to follow truly the letter and spirit of the Sharia and to enhance the public's confidence in Islamic banking in general and the Dhofar Islamic in particular:</p>	<p>لقد حددنا المجالات التالية التي نعتقد بأنه من خلالها يكون لإدارة ظفار الإسلامي دور مهم في تحسين وتطوير الالتزام بالشريعة الإسلامية الغراء روحاً ونصاً، ومن أجل تعزيز ثقة الجمهور في الصيرفة الإسلامية بشكل عام وظفار الإسلامي على وجه الخصوص:</p>

<p>a) During the year, Dhofar Islamic took various initiatives to digitalize various products and steps. However, we recommend Dhofar Islamic to focus more on digitalization of products and processes wherever possible.</p> <p>b) More public awareness programs and seminars should be conducted to create awareness of Islamic banking.</p> <p>c) More efforts to tap new customer segments particularly kids and SMEs.</p> <p>d) The SSB advises Dhofar Islamic to actively participate in Sharia compliant social and community activities to fulfill its corporate responsibilities.</p>	<p>أ. خلال العام، اتخذ ظفار الإسلامي مبادرات مختلفة لرقمنة العديد من المنتجات والخطوات. ومع ذلك، نوصي ظفار الإسلامي بالتركيز بشكل أكبر على رقمنة المنتجات والعمليات حيثما أمكن ذلك.</p> <p>ب. القيام بتنظيم أكثر برامج توعية عامة وندوات لنشر الوعي المصرفي الإسلامي بين مختلف أطراف المجتمع.</p> <p>ج. بذل المزيد من الجهود لجذب شرائح جديدة من العملاء، وخاصة الأطفال والشركات الصغيرة والمتوسطة.</p> <p>د. تحث هيئة الرقابة الشرعية ظفار الإسلامي على المشاركة في الأنشطة المجتمعية في ظل المسؤولية الاجتماعية وذلك بما يتوافق مع الشريعة الإسلامية.</p>
<p>We beg Allah the almighty to grant us all the success and straight-forwardness.</p>	<p>نرجو من الله العلي القدير أن يسدد خطانا ويهدينا إلى ما يحب ويرضى.</p>
<p>Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.</p>	<p>والسلام عليكم ورحمة الله وبركاته،،،</p>



1. فضيلة الشيخ عبد الله بن علي بن أسلم الشحري، الرئيس

2. فضيلة الشيخ عزان بن ناصر بن فرفور العامري، نائب الرئيس

3. فضيلة الشيخ الدكتور عبد الرب بن سالم بن عبد الرب اليافعي، عضو

4. فضيلة الشيخ الدكتور هلال بن حسن بن علي اللواتي، عضو

5. فضيلة الشيخ الدكتور أمين فاتح، عضو

Date: January 19, 2026

Place: Muscat, Sultanate of Oman

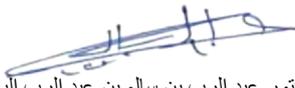


رأي هيئة الرقابة الشرعية في رهن مشترك

<p>There are some customers who have availed financing from Dhofar Islamic and taken a loan from Bank Dhofar. These customers sometime request to create a joint mortgage to secure their exposure with both Dhofar Islamic and Bank Dhofar on the same asset i.e. same asset as mortgage between Dhofar Islamic and Bank Dhofar covering their respective exposure.</p>	<p>هناك بعض العملاء الذين استفادوا من تمويل ظفار الإسلامي وحصلوا على قرض من بنك ظفار. يطلب هؤلاء العملاء أحياناً إنشاء رهن مشترك لضمان تمويلهم لكل من ظفار الإسلامي وبنك ظفار على نفس الأصل، أي نفس الأصل مرهون لدى كلا ظفار الإسلامي وبنك ظفار لتغطية تمويلهم.</p>
<p>In this regard, there can be two possible scenarios from Sharia compliance perspective:</p>	<p>في هذا الصدد، هناك حالتان محتملتان من منظور الامتثال للشريعة الإسلامية:</p>
<p>1. The asset is only a mortgage and Dhofar Islamic does not have any ownership in the asset i.e. this asset is fully owned by the customer but mortgage to Dhofar Islamic against the financing facility.</p> <p>2. The Dhofar Islamic has an undivided ownership in the asset though Diminishing Musharakah or Ijarah financing and same asset is also a mortgage to Dhofar Islamic.</p>	<p>1. الأصل هو مجرد رهن، ولا يملك ظفار الإسلامي أي ملكية فيه، أي أن هذا الأصل مملوك بالكامل للعميل ولكنه رهن لظفار الإسلامي مقابل تسهيل التمويل.</p> <p>2. يمتلك ظفار الإسلامي ملكية غير مقسمة في الأصل من خلال تمويل المشاركة المتناقصة أو الإجارة، ويكون نفس الأصل أيضاً رهناً لظفار الإسلامي.</p>
<p>SSB Opinion</p>	<p>رأي هيئة الرقابة الشرعية</p>
<p>First Scenario:</p> <p>From Sharia compliance perspective, Dhofar Islamic does not have the ownership in the asset i.e. asset is fully owned by the customer. This asset can serve as a joint/ common mortgage between Dhofar Islamic and Bank Dhofar because it is only a mortgage asset which is solely owned by the customer provided that Dhofar Islamic will first educate the customer to avail Islamic financing. However, if the customer from his own wish still want to continue with conventional banking than the mortgage created on the same asset by Dhofar Islamic and Bank Dhofar should</p>	<p>الحالة الأولى:</p> <p>من منظور الامتثال للشريعة الإسلامية، لا يملك بنك ظفار الإسلامي ملكية الأصل، أي أن الأصل مملوك بالكامل للعميل. يمكن أن يكون هذا الأصل بمثابة رهن مشترك بين بنك ظفار الإسلامي وبنك ظفار، لأنه مجرد أصل رهن يملكه العميل وحده، بشرط أن يقوم بنك ظفار الإسلامي أولاً بتثقيف العميل بشأن الاستفادة من التمويل الإسلامي. ومع ذلك، إذا رغب العميل بناءً على رغبته في الاستمرار في</p>

<p>be independent of each other and only cover their respective exposure without effecting the other. Dhofar Islamic will not be allowed to hold the mortgage on behalf of Bank Dhofar or any conventional bank.</p>	<p>التعامل مع الخدمات المصرفية التقليدية، فيجب أن يكون الرهن الذي يُنشئه بنك ظفار الإسلامي وبنك ظفار على نفس الأصل مستقلاً عن بعضهما البعض، ويغطي فقط تمويل أحدهما دون التأثير على الآخر. ولن يُسمح لبنك ظفار الإسلامي بالاحتفاظ بالرهن نيابة عن بنك ظفار أو أي بنك تقليدي.</p>
<p>Second Scenario:</p> <p>The bank has an undivided ownership in the asset through Diminishing Musharakah/ Ijarah financing than as an Islamic bank, Dhofar Islamic cannot allow the DM/ Ijarah asset as a mortgage to cover conventional bank facility this is to avoid assisting the client in to avail conventional banking loan using the asset in which Dhofar Islamic has an undivided ownership.</p>	<p>الحالة الثانية:</p> <p>يكون للبنك ملكية غير مقسمة في الأصول من خلال تمويل المشاركة المتناقصة / الإجارة بدلاً من كونه بنكاً إسلامياً، لا يجوز لبنك ظفار الإسلامي السماح بأصول المشاركة المتناقصة/ الإجارة أن تكون رهناً لتغطية تسهيلات البنك التقليدي، وذلك لتجنب مساعدة الزبون في الاستفادة من قرض مصرفي تقليدي باستخدام الأصول التي يمتلك بنك ظفار الإسلامي ملكية غير مقسمة فيها.</p>
<p>We beg Allah the almighty to grant us all the success and straight-forwardness.</p>	<p>نرجو من الله العليّ القدير أن يسدد خطانا ويهدينا إلى ما يجب ويرضى.</p>


فضيلة الشيخ عبد الله بن علي بن أسلم الشكري، رئيس الهيئة


فضيلة الشيخ الدكتور عبد الرب بن سالم بن عبد الرب اليافعي، عضو


فضيلة الشيخ الدكتور أمين فاتح، عضو


فضيلة الشيخ عزان بن ناصر بن فرفور العامري، نائب الرئيس


فضيلة الشيخ الدكتور هلال بن حسن بن علي اللواتي، عضو



توزيع الأرباح والخسائر

<p>Currently the bank has a single pool compressing of bank equity, liability accounts (Mudarabah & Wakala deposits) and financing/ asset accounts. The profit generated from the financing/ asset accounts are shared/ distributed to Mudarabah and Wakala depositors in-line with Profit and Loss distribution policy as approved by SSB.</p> <p>Recently, due to increase in the Expected Credit Loss (ECL) on non-performing financing accounts in the pool wherein if a financing customer default on payment for certain number of days than as per the international accounting standards and CBO regulations the bank needs to classify the account as non performing with suspension of the profit accrual and build ECL/ Provision for future expected loss on such financing accounts.</p> <p>As these accounts are the part of the deposit pool therefore these losses are currently charged to the pool resulting in a significant under performance of the deposit pool i.e. overall return of the pool decreases which ultimately impact the depositors.</p>	<p>حاليًا يملك البنك محفظة واحدة تضم حقوق ملكية البنك وحسابات المطلوبات (ودائع المضاربة والوكالة) وحسابات التمويل/الأصول. يتم توزيع الأرباح الناتجة من حسابات التمويل/الأصول على المودعين في حسابات المضاربة والوكالة وفقًا لسياسة توزيع الأرباح والخسائر المعتمدة من قبل هيئة الرقابة الشرعية.</p> <p>مؤخرًا، وبسبب الارتفاع في مخصصات الخسائر الائتمانية المتوقعة (ECL) على حسابات التمويل المتعثرة ضمن المحفظة، حيث إذا تخلف العميل عن السداد لعدد معين من الأيام، فإنه وفقًا للمعايير المحاسبية الدولية ولوائح البنك المركزي العماني، يتعين على البنك تصنيف الحساب كحساب متعثر، مع تعليق احتساب الأرباح وبناء مخصصات لخسائر متوقعة مستقبلية على مثل هذه الحسابات.</p> <p>ونظرًا لأن هذه الحسابات هي جزء من محفظة الودائع، فإن هذه الخسائر تُحْمَل حاليًا على المحفظة مما يؤدي إلى انخفاض كبير في أداء المحفظة، أي انخفاض العائد الإجمالي للمحفظة مما يؤثر في نهاية المطاف على المودعين.</p>
<p>This situation limits our ability to meet depositor's profit rate expectations and places us at a competitive disadvantage.</p> <p>While giving Hiba or using the reserves could be considered as a possible solution to address this problem, the following challenges persist:</p> <ul style="list-style-type: none">▪ Hiba cannot be given on continuous basis for more than three months as per Central Bank of Oman regulations. In addition to this system constraints also prevent its effective implementation. We would also like to mention that currently bank is under the process of changing the core banking system.	<p>إن هذا الوضع يحد من قدرة البنك على تلبية توقعات المودعين بشأن معدلات الأرباح ويضعه في موقف تنافسي صعب.</p> <p>وفي حين أنه يمكن النظر في منح الهبة أو استخدام الاحتياطات كحل محتمل لمعالجة هذه المشكلة، إلا أن التحديات التالية لا تزال قائمة:</p> <ul style="list-style-type: none">▪ لا يمكن منح الهبة على أساس مستمر لأكثر من ثلاثة أشهر وفقًا للوائح البنك المركزي العماني. بالإضافة إلى ذلك، فإن القيود التنظيمية تمنع التطبيق الفعال لهذا الإجراء. كما نود الإشارة إلى أن البنك حاليًا في طور تغيير النظام المصرفي الأساسي، وبالتالي فإن إجراء أي تغييرات رئيسية على النظام الحالي غير ممكن في هذه المرحلة.



<p>Therefore, any major changes in the current system are not possible at this stage.</p> <ul style="list-style-type: none"> ▪ Currently the bank doesn't have enough reserves available to compensate the significant drop in income due to higher ECLs. <p>The bank requests SSB to review the above situation and seek its guidance to address the above situation.</p>	<ul style="list-style-type: none"> ▪ لا تتوفر لدى البنك في الوقت الحالي احتياطات كافية لتعويض الانخفاض الكبير في الدخل الناتج عن زيادة مخصصات الخسائر الائتمانية المتوقعة. <p>وعليه، يطلب البنك من هيئة الرقابة الشرعية مراجعة الوضع أعلاه وطلب التوجيه لمعالجة هذا الأمر.</p>
<p>Shari'a Supervisory Board Opinion:</p> <p>As per the Islamic banking rules of pool management, the saving and term depositors who have deposited the funds with DI on Mudarabah and Wakala basis are entitled to receive profit that are generated from the financing/ investments made in the pool.</p> <p>Accordingly, these depositors are also required to bear any loss or drop in income in proportion to their respective deposit share in the pool provided that such loss or drop in income is not due to the negligence of the Mudarib/ Wakeel. Considering this principle, any provisions/ ECL created against non-performing assets, write-offs and loss on sale of investments shall be charged to respective pool along with other direct expenses. In case of any reversal of the provisions expense, the benefit shall be allocated to the same pool.</p> <p>Considering the current situation as presented to SSB by the management and its potential negative impact on over Islamic banking in Oman and DI in particular, we propose the following on exceptional basis to protect the interest of depositors and DI:</p>	<p>رأي هيئة الرقابة الشرعية:</p> <p>وفقاً لقواعد إدارة المحافظ في المصارف الإسلامية، فإن مودعي حسابات التوفير والودائع لأجل الذين أودعوا أموالهم لدى البنك على أساس المضاربة والوكالة، يستحقون الحصول على الأرباح الناتجة من التمويلات/الاستثمارات التي تتم في المحفظة.</p> <p>وعليه، يتوجب عليهم تحمل أي خسائر أو انخفاض في الدخل بنسبة تتناسب مع حصتهم في المحفظة، بشرط ألا يكون هذا الانخفاض ناتجاً عن إهمال أو تقصير من المضارب/الوكيل. وبناءً على هذا المبدأ، فإن أي مخصصات لخسائر ائتمانية متوقعة يتم إنشاؤها على الأصول المتعثرة، أو شطب أصول، أو خسائر من بيع استثمارات، يجب تحميلها على المحفظة المحددة مع المصاريف المباشرة الأخرى. وفي حال حدوث عكس لهذه المخصصات، تتم إعادة المنفعة إلى نفس المحفظة.</p> <p>وبالنظر إلى الوضع الحالي كما تم عرضه للهيئة الشرعية من قبل الإدارة ولتأثيره السلبي المحتمل على الصيرفة الإسلامية في سلطنة عمان وعلى البنك بشكل خاص، فإننا نقدم المقترح التالي كأستثناء ولغرض حماية مصالح المودعين والبنك:</p>
<p>1. If there is a significant ECL provisioning in any particular month leading to underperformance of the pool in a way that the bank may not able to achieve the expected profit rate in a particular month than in that specific month the bank may</p>	<p>1. في حال وجود مخصصات خسائر ائتمانية كبيرة في أي شهر معين تؤدي إلى انخفاض أداء المحفظة بطريقة قد تمنع البنك من تحقيق معدل الربح المتوقع في ذلك الشهر، فإنه يمكن للبنك في ذلك الشهر تحديداً أن يقوم من طرف واحد بخفيض حصته من الأرباح (المعروفة بحصة المضارب) من نسبة تقاسم الأرباح</p>

<p>unilaterally reduce its profit share (commonly known as Mudarib share) from profit sharing ratio agreed between bank and depositors at the start of the month. This reduction will be considered as one of basis for that particular month only i.e. it will not impact the profit sharing ratio between Bank and Depositors for the future periods unless it is changed as per the approved profit and loss distribution policy. This reduction of the Mudarib share can also happen at the end of the particular month i.e. the end of particular profit distribution cycle.</p> <p>2. As mentioned in above point, the Bank can unilaterally reduce its profit-sharing ratio hence it is not a right of the depositors and depositors may not demand the bank to meet expected profit rate.</p> <p>3. It must be considered that bank cannot guarantee any profit rate or profit amount to any depositor in any manner.</p>	<p>المتفق عليها بين البنك والمودعين في بداية الشهر. ويعتبر هذا التخفيض استثناءً لذلك الشهر فقط، ولا يؤثر على نسب تقاسم الأرباح المستقبلية ما لم يتم تعديلها وفقاً لسياسة توزيع الأرباح والخسائر المعتمدة. كما يمكن تطبيق هذا التخفيض في نهاية الشهر أو في نهاية دورة توزيع الأرباح الخاصة بذلك الشهر.</p> <p>2. كما ذكر في النقطة أعلاه، يمكن للبنك من طرف واحد تخفيض حصته من الأرباح، وبالتالي فإن ذلك لا يعتبر حقاً للمودعين، ولا يحق للمودعين مطالبة البنك بتحقيق معدلات الربح المتوقعة.</p> <p>3. يجب الأخذ في الاعتبار أن البنك لا يمكنه بأي حال من الأحوال أن يضمن أي معدل ربح أو مبلغ ربح لأي مودع بأي وسيلة.</p>
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فضيلة الشيخ عبد الله بن علي بن أسلم الشحري، رئيس الهيئة

فضيلة الشيخ الدكتور عبد الرب بن سالم بن عبد الرب اليافعي،

عضو

فضيلة الشيخ الدكتور أمين فاتح،

عضو

فضيلة الشيخ عزان بن ناصر بن فرفور العامري،

نائب الرئيس

فضيلة الشيخ الدكتور هلال بن حسن بن علي اللواتي،

عضو



الأمانة العامة لهيئة الرقابة الشرعية ظفار الإسلامي



الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى آله وصحبه أجمعين وبعد،،،

الوعد:	Wa'ad:
قامت هيئة الرقابة الشرعية في بنك ظفار الإسلامي بمراجعة المنتج والوثائق المتعلقة به وأصدرت الفتوى التالية:	The Sharia Supervisory Board (SSB) of Dhofar Islamic has reviewed the subject Product and its related documents and gives the following Fatwa:
أولاً: مفهوم المنتج والأساس الشرعي:	First: Product Concept and Sharia Basis:
يعتمد منتج الوعد من ظفار الإسلامي على المبدأ الشرعي للوعد. بموجب هذا المنتج، يُبرم الزبون وعداً من طرف واحد بشراء العملة الأجنبية/العملة المحلية في تاريخ مستقبلي بسعر صرف متفق عليه.	Dhofar Islamic Wa'ad product is based on the Sharia concepts of Wa'ad (Promise). Under this product, customer will enter into unilateral promise to purchase the foreign currency (FCY)/ Local currency (LCY) on a future date at an agreed exchange rate.
في تاريخ الشراء، يعرض الزبون شراء/بيع العملة الأجنبية بتوقيع عرض الشراء، والذي يقبله البنك لاحقاً بتوقيع قبول عرض الشراء. تتم عملية البيع الفعلية بين البنك والزبون في تاريخ الشراء أو قبله.	On the purchase date, the customer will offer to purchase/ sell the Foreign Currency (FCY) through signing of Offer to Purchase which will be subsequently accepted by the bank through signing of Acceptance of Offer to Purchase. The actual sale transaction between bank and customer will take place on or before the purchase date.
ثانياً: الاتفاقيات المتعلقة بالمنتج:	Second: The Agreements Related to the product:
1. اتفاقية المتاجرة في العملات الرئيسية	1. Master FX Agreement
أ) وعد بالشراء من طرف واحد	i. Unilateral Promise to Purchase
ب) عرض الشراء	ii. Offer to Purchase
ج) قبول عرض الشراء	iii. Acceptance of Offer to Purchase
وافقت هيئة الرقابة الشرعية على المنتج المذكور أعلاه وقررت أن منتج الوعد متوافق مع أحكام الشريعة الإسلامية.	The Sharia Supervisory Board hereby approved the above product and pronounced that Wa'ad product is in conformity with the provisions of Islamic Sharia.

We seek Allah guidance and Allah knows the best.

نسأل الله التوفيق والسداد والله أعلم.



فضيلة الشيخ عبد الله بن علي بن أسلم الشحري، رئيس الهيئة



فضيلة الشيخ الدكتور عبد الرب بن سالم بن عبد الرب
اليافعي، عضو



فضيلة الشيخ عزان بن ناصر بن فرفور العامري، نائب
الرئيس



فضيلة الشيخ الدكتور أمين فاتح، عضو



فضيلة الشيخ الدكتور هلال بن حسن بن علي اللواتي، عضو



الأمانة العامة لهيئة الرقابة الشرعية ظفار الإسلامي



الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى آله وصحبه أجمعين وبعد،،،

Escrow Account:	حساب الضمان:
The Sharia Supervisory Board (SSB) of Dhofar Islamic has reviewed the subject Product and its related documents and gives the following Fatwa:	قامت هيئة الرقابة الشرعية لبنك ظفار الإسلامي بمراجعة المنتج والوثائق المتعلقة به وأصدرت الفتوى التالية:
First: Product Concept and Shari'ah Basis:	أولاً: مفهوم المنتج والأساس الشرعي:
Dhofar Islamic Escrow account product is offered under following Sharia concept:	يتم تقديم منتج حساب الضمان الإسلامي في ظفار الإسلامي وفقاً لمفهوم الشريعة الإسلامية التالي:
1. Qard, wherein the customer will provide Qard to Dhofar Islamic and Dhofar Islamic will be obliged to return the Qard amount to the customer upon demand. The bank will not pay any profit on the Qard balance. However, the bank has the right to use the Qard amount for any Sharia compliant purposes as deemed appropriate.	١. القرض، حيث يُقدّم الزبون القرض إلى بنك ظفار الإسلامي، ويلتزم البنك بإعادة مبلغ القرض إليه عند الطلب. لن يدفع البنك أي ربح على رصيد القرض. مع ذلك، يحق للبنك استخدام مبلغ القرض لأي غرض يتوافق مع الشريعة الإسلامية، حسبما يراه مناسباً.
The bank may charge the customer a fee for performing the escrow services in respect of opening, maintaining, and operating the Escrow Account(s), which will be agreed with the customer at the time of concluding the escrow agreement.	يجوز للبنك أن يفرض على الزبون رسوماً مقابل أداء خدمات الضمان فيما يتعلق بفتح وصيانة وتشغيل حساب الضمان (الحسابات)، والتي سيتم الاتفاق عليها مع الزبون في وقت إبرام اتفاقية الضمان.
Second: The Agreements Related to the product	ثانياً: الاتفاقيات المتعلقة بالمنتج
1. Escrow Agreement	أ) اتفاقية الضمان
2. Accounts Opening Application Form for Corporates	ب) نموذج طلب فتح حسابات للشركات
3. General terms and conditions for Accounts	ج) الشروط والأحكام العامة للحسابات
The Sharia Supervisory Board hereby approved the above product and pronounced that Escrow Account	وافقت هيئة الرقابة الشرعية على المنتج المذكور أعلاه وقررت أن منتج حساب الضمان متوافق مع أحكام الشريعة الإسلامية.

product is in conformity with the provisions of Islamic Sharia.	
We seek Allah guidance and Allah knows the best.	نسأل الله التوفيق والسداد والله أعلم.



فضيلة الشيخ عبد الله بن علي بن أسلم الشحري، رئيس الهيئة



فضيلة الشيخ الدكتور عبد الرب بن سالم بن عبد الرب
اليافعي، عضو



فضيلة الشيخ عزان بن ناصر بن فرفور العامري، نائب
الرئيس



فضيلة الشيخ الدكتور أمين فاتح، عضو



فضيلة الشيخ الدكتور هلال بن حسن بن علي اللواتي، عضو

SHARI'A SUPERVISORY BOARD MEMBERS



SHARI'A SUPERVISORY BOARD MEMBERS



Sheikh Abdullah bin Ali bin Aslam Al Shihri
Chairman



Sheikh Azzan bin Nasser bin Farfoor Al Amri
Deputy Chairman



Sheikh Dr. Abdul Rub bin Salim bin Abdul Rub Al Yafai
Member



Sheikh Hilal bin Hassan bin Ali Al Lawati
Member



Dr. Amin Fateh
Member

MANAGEMENT TEAM





Amor Said Mohammed Al Amri
Chief Islamic Banking Officer



Bilal Faiz Muhammad Al Raiisi
AGM & Head of Retail Banking



Fawaz Rajab Omar Al Ojaili
Acting AGM & Head Corporate Banking



Yahya Mohamed Ahmed Al Sharaiqi
Head of Treasury



Mohsin Shaik Bin Sehu Mohamed
Head of Investment Banking & Capital Markets



Abdul Hakim bin Osman
Head of Shariah Compliance & Audit

MANAGEMENT DISCUSSION & ANALYSIS REPORT

31 DECEMBER 2025



Dhofar Islamic Banking Services

Management Discussion & Analysis – DI Corporate Banking Division

During 2025, Dhofar Islamic Corporate Banking continued its growth trajectory, expanding its presence and strengthening its role in supporting Oman's economic diversification under Vision 2040. The division enhanced its geographic reach by establishing a dedicated Corporate Banking team in Sohar, complementing existing teams in Muscat and Salalah, to provide premier services across key regions including the Batinah corridor. This expansion was supported by an increased branch network, enabling Dhofar Islamic to serve a broader corporate customer base efficiently.

In line with national priorities, Dhofar Islamic focused on strategic sectors such as Energy, Power, and Mining. Notably, the division successfully led a syndicated Shariah-compliant project financing transaction for an underground copper mining project, with financial closure in progress and full participation secured. This landmark deal represents one of the first private-sector transactions of its kind in Oman. Additionally, Dhofar Islamic extended financing support to several projects of national importance, including Sultan Haitham City, Sultan Faisal Bin Turki Road, and Marsa LNG, reinforcing its commitment to infrastructure development and economic growth.

While the corporate banking portfolio continued to expand, emphasis remained on maintaining quality and diversification. The division onboarded new-to-bank clients to strengthen the portfolio across multiple economic sectors, ensuring prudent risk management and alignment with the Sultanate's Vision 2040 objectives. Dhofar Islamic remains steadfast in its mission to deliver innovative, Shariah-compliant financial solutions that empower businesses and contribute to Oman's sustainable development.

Overview

The Investment Banking & Capital Markets (IBCM) unit continued to strengthen its role as a strategic, non-funded income and thought-leadership engine for Dhofar Islamic, despite a more cautious market environment.

Proprietary Investments

The proprietary portfolio was enhanced through targeted investments in local IPO's and high-quality GCC sukuk, improving risk-adjusted returns, liquidity and income stability, while keeping the Bank closely aligned with local and regional Islamic capital markets.

Advisory & Restructuring

IBCM advised on multiple restructuring mandates, including Oman's first-ever Sukuk restructuring, a landmark transaction that established Dhofar Islamic as the leading Islamic advisor for complex and distressed situations in the local market. The Bank was also mandated by OQBI for Shariah advisory services, further validating Dhofar Islamic's credibility with large government-linked institutions.

Market Leadership & Profile

Dhofar Islamic's leadership in Islamic capital markets was reinforced through speaking roles at the Kuala Lumpur Islamic Finance Forum (KLIFF) 2025 and IFN Oman Forum 2025, positioning the Bank as a national and regional reference point for Islamic capital markets and structuring expertise.

Outlook

IBCM is well placed to expand sukuk, advisory and restructuring activities, supporting Dhofar Islamic's strategy of growing fee-based income and franchise value while strengthening Oman's Islamic capital market.

Retail Banking and Products

Dhofar Islamic introduced third-party banca takaful solutions together with comprehensive wealth management services in 2025, strengthening its position as a leading provider of Shariah-compliant financial offerings. These strategic enhancements, supported by Dhofar Islamic's extensive network of 30 branches, one of the largest Islamic branch networks in Oman, reflect the Bank's strong dedication to delivering holistic, one-stop financial solutions that empower customers to achieve their financial aspirations while remaining firmly aligned with Shariah principles.



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Independent Reasonable Assurance Report on Control Procedures Relating to Shari'a compliance and Governance Structure of Dhofar Islamic (Islamic Window of Bank Dhofar SAOG)

To the Board of Directors of Bank Dhofar SAOG

Introduction

We were engaged by the Board of Directors of Bank Dhofar SAOG ("the Bank") to perform an independent reasonable assurance engagement on Dhofar Islamic's ("Islamic Window of the Bank") management report (the "Report") on control procedures relating to Shari'a Compliance and the assertions related to compliance with the Islamic Banking Regulatory Framework ("IBRF") issued by Central Bank of Oman ("CBO") and guidelines of the Shari'a Supervisory Board ("SSB"). This report, in respect of the year ended 31 December 2025, sets out our independent reasonable assurance conclusion on whether management's statement that the Report is properly prepared, in all material respects, based on the requirements of the IBRF related to Shari'a Compliance, guidelines and decisions of SSB, and Shari'a standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"); and that the Shari'a Governance Structure was suitably designed and implemented; is fairly stated.

Management's responsibilities

The Management of the Bank is responsible for preparation and presentation of the Report that is free from material misstatement, including completeness, accuracy and development of control objectives of the Shari'a Compliance and Governance Structure; in accordance with relevant provisions of the IBRF issued by the CBO, the guidelines and directives issued by its SSB and Shari'a standards as issued by AAOIFI and for the information contained therein. The Management of the Bank is also responsible for the prevention and detection of fraud, error and non-compliance with the laws and regulations applicable to the activities of the Bank, including compliance with IBRF and the guidelines and directives issued by the SSB.

Our Responsibilities

Our responsibility is to examine the Report prepared by the Bank and to express an independent reasonable assurance conclusion thereon based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the Auditing Standard for Islamic Financial Institutions ("ASIFI") 6, *External Shari'ah Audit (Independent Assurance Engagement on an Islamic Financial Institution's Compliance with Shari'ah Principles and Rules)* issued by AAOIFI. These standards require that we plan and perform our procedures to obtain reasonable assurance about whether the Report is fairly stated, in all material respects.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Report in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control over the preparation and presentation of the Report. Our engagement also included: assessing the appropriateness of the Report, considering the suitability of the criteria used by the Bank in preparing the Report in the circumstances of the engagement, evaluating the appropriateness of the procedures used in preparation of the Report and the reasonableness of estimates made by the Bank and evaluating the overall presentation of the Report. Reasonable assurance is less than absolute assurance.

Criteria

The criteria for this engagement against which the Management's Shari'a Compliance and Governance Report for the year ended 31 December 2025 is assessed comprise the Shari'a principles and rules that, for the purpose of external Shari'a compliance audit, means the following, in the sequence provided below:

- a) The regulations issued by the CBO's Islamic Banking Regulatory Framework, insofar as these entail the regulatory Shari'a requirements;
- b) The rulings of the CBO's High Shari'a Supervisory Authority;
- c) The Shari'a standards issued by AAOIFI;
- d) Requirements of the applicable Financial Accounting Standards as issued by AAOIFI, insofar as these entail Shari'a related requirements; and
- e) Approvals and rulings given by the Shari'a Supervisory Board of the Bank.

Work performed

Our work included:

- 1) Discussion with the Bank's Management on the Shari'a compliance and governance structure of the Bank;
- 2) Review of documentation and systems established by the Bank to develop the Shari'a compliance and governance framework, in order to develop an understanding of the Shari'a compliance and governance framework and an understanding of the related internal controls. This included:
 - a. Review of minutes of meetings of the Shari'a Supervisory Board and Board of Directors;
 - b. Review of policies and procedures;
 - c. Review of selected job descriptions;
 - d. Review of reports prepared by the Shari'a Supervisory Board; and
 - e. Review of reports prepared by the Internal Shari'a Auditor;
- 3) Assessing the risks that Management's assertion on the description of controls may be materially misstated;
- 4) Performing further procedures on the identified risks, as deemed appropriate, using a combination of inspection, observation, confirmation and inquiry;
- 5) On a sample basis, testing of transaction level controls listed in the Management's Shari'a compliance and governance report;
- 6) On a sample basis, testing of product specific controls listed in the Management Shari'a compliance and governance report;
- 7) Review of pool management and profit distribution system of the Bank;
- 8) Checking on compliance with employee training procedures of the Bank; and
- 9) On a sample basis, testing of other controls listed in the Shari'a compliance and governance report.

The scope of our work is also in compliance with 'Scope of the Auditor's Work' as outlined in AAOIFI Auditing Standard No.4 regarding "Testing for Compliance with Shari'a Rules and Principles by an External Auditor".

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Report, nor of the underlying records, or other sources from which the Report was extracted.

Characteristics and Limitations of the Report

The report on control procedures relating to Shari'a compliance is prepared to meet the needs of a range of users and may not, therefore, include every aspect of the control procedures that each user may consider important in their own particular environment.

Our procedures regarding adequacy of systems and controls relating to the Bank's compliance with the SSB's guidelines and directives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust.

The conclusion relates only to the year ended 31 December 2025. The conclusion does not provide assurance in relation to any future periods, as changes to systems or controls may alter the validity of our conclusion.



Dhofar Islamic (Islamic Window of Bank Dhofar SAOG)
*Report on Control Procedures relating
to Shari'a Compliance and
Governance Structure*

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the Bank's Management's assertion that the Report is properly prepared, in all material respects, based on the requirements of the IBRF related to Shari'a Compliance, guidelines and decisions of SSB, and Shari'a standards as issued by AAOIFI; and that the Shari'a Governance Structure was suitably designed and implemented; is fairly stated.

Intended Users and Purpose

In accordance with the terms of our engagement, this independent reasonable assurance report on the Bank's Shari'a compliance and governance framework and its compliance with the relevant provisions of the IBRF and guidelines and directives issued by the SSB, has been prepared for the Board of Directors of the Bank and the CBO, solely to assist the Management to meet the requirement of clauses 2.5.1.22 to 2.5.1.24 of Title 2 of the IBRF and circular no. BDD/IB/CB/2013/7941 dated 2 September 2013 issued by the CBO, and for no other purpose or in any other context.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Bank and CBO for any purpose or in any context. Any party other than the Bank and CBO who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. We accept or assume no responsibility and deny any liability to any party other than the Bank and CBO for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to the Bank and CBO on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Bank's own internal purposes) or in part, without our prior written consent.

3 March 2026



1. SCOPE OF APPLICATION

1.1. QUALITATIVE DISCLOSURE

i. Dhofar Islamic is an Islamic Window of BankDhofar SAOG (the Bank), established after obtaining license from the Central Bank of Oman (CBO). The principal activities of the Dhofar Islamic include accepting savings and investment accounts, providing Shari'a Compliant forms of financing as well as managing investors' money based on Mudaraba or Wakala, providing commercial banking services and other investment activities.

ii. A complete set of financial statements of Dhofar Islamic is included in the annual report of the Bank. The disclosures in this document have been prepared in accordance with the CBO requirements outlined in the Islamic Banking Regulatory Framework (IBRF), Title 5: Capital Adequacy.

iii. There is no restriction on the transfer of funds from the Bank towards Dhofar Islamic. However, under the IBRF, Title 9, section 1.10.2, transfer of funds from Dhofar Islamic to the Bank is not permissible.

1.2. QUANTITATIVE DISCLOSURE

i. Dhofar Islamic does not own any interest in any entities including Takaful company.

2. CAPITAL STRUCTURE

2.1. QUALITATIVE DISCLOSURE

i. Islamic Windows of domestic conventional banks shall have and at all times maintain an allocated capital of not less than ~~10~~ 10 million or such higher amount as may be determined from time to time by CBO. Islamic windows are also required to always maintain the minimum capital adequacy ratio of 11% of the RWA. The capital buffer requirement as per Basel III is imposed at the consolidated level and thus, is not applicable at the Islamic window level.

Dhofar Islamic's regulatory capital is calculated as per the guidelines issued by the CBO. The regulatory capital is broadly classified into two categories – Tier I and Tier II capital. Dhofar Islamic's capital structure mainly consists of Tier I capital. Tier I capital includes paid up capital, retained earnings (available on a long-term basis) and reduced by unrealized losses on investments categorized as fair value through other comprehensive income. Within 11% Capital adequacy ratio, Islamic Window need to maintain minimum of 9% of Risk Weighted Assets (RWA) as Tier 1 Capital ratio.

Tier II (supplementary capital) consists of undisclosed reserves, revaluation reserves / cumulative fair value gains on instruments classified as other comprehensive income and impairment provision subject to certain conditions.

Deposits of Unrestricted Investment Account Holders (URIA) are not considered part of regulatory capital and Dhofar Islamic is not reducing its risk weighted assets for jointly financed assets.

2.2. QUANTITATIVE DISCLOSURE

i. The details of capital structure are provided as under:

ELEMENTS OF CAPITAL	₹ ('000)
Common Equity Tier I Capital (CET1)	
Paid up capital	70,000
Share Premium	-
Legal Reserve	-
Subordinated Debt Reserve	-
Retained earnings	49,671
Proposed Stock Dividend	-
Common Equity Tier I Capital (CET1)	119,671
Prudential valuation adjustments	(227)
Additional Tier I Capital (AT1)	-
Total Tier I Capital (TI=CET1+AT1)	119,444
Tier 2 Capital (T2): Instruments and provisions	
Subordinated Debt	-
45% of cumulative fair value gains of FVOCI instruments	1,654
Impairment provision (up to 1.25% of risk-weighted assets) *	2,201
Total Tier 2 Capital (T2)	3,855
TOTAL REGULATORY CAPITAL (TC=CET1+AT1+ T2)	123,299

* As per CBO Circular BSD/CB/2020/005 dated June 3, 2020, Expected Credit Loss (ECL) under Stage 1 shall be considered for Tier II capital provided such amount should not exceed 1.25% of the credit risk weighted assets.

ii. The elements of equity of Unrestricted Investment Account Holders (URIA) are provided as under:

ELEMENTS OF EQUITY OF URIA	₹ ('000)
Total URIA Funds	133,576
Profit Equalization Reserve (PER) - Shareholders' Component	65
Profit Equalization Reserve (PER) - Investment Account Holders' Component)	65
Investment Risk Reserve (IRR)	32
Total	133,738

3. CAPITAL ADEQUACY

3.1. QUALITATIVE DISCLOSURE

i. The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Under Standardized approach for credit risk, the Bank has adopted simple approach for recognizing collaterals in the Banking Book and for risk weighting the claims on Sovereigns and Banks, credit ratings from external credit assessment institutions are used. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the CBO.

Dhofar Islamic capital adequacy ratio is 12.88% as against the CBO requirement of 11% of Minimum capital adequacy ratio. The Bank's policy is to manage and maintain its window's capital with the objective of maintaining strong capital ratio and high rating. Dhofar Islamic maintains capital levels that are sufficient to absorb all material risks to which it is exposed to and provides market return to the shareholders. Dhofar Islamic also ensures that the capital levels comply with regulatory requirements. The whole objective of the capital management process in Dhofar Islamic is to ensure that it always remains adequately capitalized.

ii. In principle, risk weighted assets (RWA) financed by Profit Sharing Investment Accounts (PSIA) are excluded in the calculation of the denominator of the capital ratio, as to the extent the commercial risk of these assets does not affect the capital of the shareholders. However, as per communication received from CBO, RWA shall be computed similar to that in conventional banking. Therefore, PSIA is not deducted. Assets funded by PSIA are also assigned same risk weights as the assets funded by own equity.

3.2. QUANTITATIVE DISCLOSURE

i. Capital Requirement

Details	Risk Weighted Assets	Capital Requirements *
	₹ ('000)	₹ ('000)
Credit Risk	828,822	91,170
Market Risk	23,900	2,629
Operational Risk	104,728	11,520
Total Risk Weighted Assets	957,450	105,319

* Calculated as 11% of risk weighted assets as per the CBO requirement.

ii. Capital Adequacy Ratio

Sr. No.	Details	₹ ('000)
1	Tier I Capital (after supervisory deductions)	119,444
2	Tier II Capital (after supervisory deductions and up to eligible limits)	3,855
3	Of which, Total Eligible Tier III Capital	-
4	Risk weighted assets – banking book	828,822
5	Risk weighted assets – operational risk	104,728
6	Total risk weighted assets – Banking Book + Operational risk	933,550
7	Minimum required capital to support RWAs of banking book and operational risk	102,691
7 (i)	Minimum required Tier I capital for banking book and operational risk	98,836
7 (ii)	Tier II capital required for banking book and operational risk	3,855
8	Tier I capital available for supporting trading book	20,608
9	Tier II capital available for supporting trading book	-
10	Risk weighted assets – trading book	23,900
11	Total capital required to support trading book	2,629
12	Minimum Tier I capital required for supporting trading book	749
13	Used Eligible Tier III Capital	-
14	Total regulatory capital	123,299
15	Total risk weighted assets	957,450
16	BIS capital adequacy ratio	12.88%

iii. Ratio of Total and Tier I Capital to RWA

Details	₹ ('000) / %
Tier I capital	119,444
Total capital	123,299
Total RWA	957,450
Ratio of total capital to RWA	12.88%
Ratio of tier I capital to RWA	12.48%

iv. Ratio of Total Capital to Total Assets

Details	₹ ('000) / %
Total capital	123,299
Total assets	1,022,115
Ratio of Total Capital to Total Assets	12.06%

v. Capital Requirement for Each Category of Shari'a Compliant Financing Contracts

Details	Credit Risk		Market Risk	
	RWA	Capital Requirement	RWA	Capital Requirement
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Murabaha and other Receivables	27,218	2,994	-	-
Mudaraba Financings	13,354	1,469	-	-
Ijarah Assets	43,515	4,787	-	-
Diminishing Musharaka Financing	427,712	47,048	-	-
Wakala Financing	153,311	16,864	-	-
Total	665,110	73,162	-	-

vi. Disclosure of Displaced Commercial Risk

Details	ﷲ ('000)
Total profits available for distribution	54,733
Profit sharing	
-	50,367
-	4,366
Mudarib fee charged by Dhofar Islamic	(2,135)
Profits for IAHs before smoothing	2,231
Amount adjustment for profit smoothing	(53)
Profits paid out to IAH after smoothing	2,178

4. DISCLOSURE FOR INVESTMENT ACCOUNT HOLDERS (IAH)

4.1. INVESTMENT ACCOUNTS (BOTH RESTRICTED AND UNRESTRICTED IAH)

4.1.1. QUALITATIVE DISCLOSURE

i. Policy for profit and loss distribution is in place which governs the management of unrestricted funds. The policy includes the management and investment of fund strictly in Shari'a compliant investments and financing opportunities.

ii. Currently, Dhofar Islamic offers following types of unrestricted Mudaraba deposits to customers:

- High Yield Savings accounts;
- Mudaraba Saving accounts; and
- Term deposits of various maturities.

These products are made available to the investors through Dhofar Islamic branches. Further, the products are also listed on Dhofar Islamic's website with detailed product information.

iii. Asset and Liability Committee (ALCO) is the governing body responsible for the determination of assets to form the pool of assets. Basis for allocation of expenses and profit is provided in detail under disclosure 4.2.1.

iv. The policy [identified in point (i) of this disclosure] is in place which governs the management of both unrestricted and restricted IAH funds, approaches to the management of investment portfolio, establishment of prudential reserves, and the calculation, allocation and distribution of profits.

4.1.2. QUANTITATIVE DISCLOSURE

i. PER to IAH Ratio

4.1.1. QUALITATIVE DISCLOSURE
Represents the amount of total PER / Amount of PSIA by type of IAH

Details	ﷲ ('000) / %
Profit Equalization Reserve	130
Unrestricted Investment Account Holders funds	133,576
PER to IAH ratio	0.097%

ii. IRR to IAH Ratio

Represents the amount of total IRR / Amount of PSIA by type of IAH

Details	ﷲ ('000) / %
Investment Risk Reserve (IRR)	32
Unrestricted Investment Account Holders funds	133,576
IRR to IAH ratio	0.024%

iii. Return on Assets (RoA)

Represent the amount of total net income (before distribution of profit to unrestricted IAH) / Total amount of assets financed by shareholders' equity and minority interests, Unrestricted IAH, and current accounts and other liabilities).

Details	ﷲ ('000) / %
Total net income (before distribution to IAHs)	5,848
Total assets	1,022,115
RoA	0.572%

iv. Return on Equity (RoE)

Represents the amount of total net income (after distribution of profit to IAH) / Amount of shareholders' equity.

Details	ﷲ ('000) / %
Total net income (after distribution to IAHs)	3,670
Total shareholder's equity	123,119
RoE	2.981%

v. Ratios of Profit Distributed to PSIA by type of IAH

Details	%
Savings deposit	99.3%
Term deposit	0.7%
Total	100.0%

vi. Ratios of Financing to PSIA by type of IAH

Details	ﷲ ('000) / Ratio
Total Financing	844,238
IAH deposits	133,576
Financing to PSIA	6.32

4.2. UNRESTRICTED INVESTMENT ACCOUNTS

4.2.1. QUALITATIVE DISCLOSURE

i. During the current year, there was no major change in the investment strategy of Dhofar Islamic which affects the investment accounts. Dhofar Islamic continued the commingling of IAHs funds with its own funds or with the funds which Dhofar Islamic has the right to use.

ii. Income from Mudaraba pool, comprising of Shari'a compliant assets, is reduced by direct expenses. PER is appropriated from the net income before allocating the Mudarib's share of income. Thereafter, Mudarib's fee is charged which shall not exceed 80% of the profit earned by Dhofar Islamic. IRR is deducted from investment accountholders' share after allocating the Mudarib's share of profit. Net distributable income is distributed to different classes of investment accountholders in accordance with the weights based on amount and tenor.

iii. PER is the amount Dhofar Islamic appropriates in excess of the profit to be distributed to equity of investment accountholders before allocating the Mudarib's share of income to maintain a certain level of return. PER will revert to owner's equity and equity of investment accountholders as per terms and conditions of Mudaraba contract. IRR is deducted from investment accountholders' share after allocating the Mudarib's share of profit as per the approved policy in order to cater against future losses of equity of investment accountholders. Investment risk reserve will revert to the investment accountholders as per terms and conditions of Mudaraba contract.

iv. ALCO determines the category of expenses that should be deducted from the total return (gross returns) of the investment pools as direct expenses. Direct expenses such as depreciation, prepaid expenses, commission of direct investments (such as Sukuk) or any other direct related expenses shall be charged to the relevant pool. Dhofar Islamic does not charge any operating expenses against the profits from the joint pool other than the aforementioned direct expenses.

v. The administration expenses are only charged to Dhofar Islamic.

4.2.2. QUANTITATIVE DISCLOSURE

i. Unrestricted IAH Funds and Sub-Total by Asset Category

Details	ﷲ ('000) / %
Assets	
Murabaha	3,723
Diminishing Musharaka	80,499
Ijarah Muntahia Bittamleek	9,101
Wakala financing	21,214
Mudaraba financing	662
Investment in Sukuk and shares	18,110
Wakala placement	263
Murabaha and Musawama inventory	-
Advances	4
Total Unrestricted IAH Funds (allocated based on proportion)	133,576

ii. Share of Profit to IAH before and after transfer of funds

Details	ﷲ ('000)	%
Share of profit of IAHs before PER and IRR for the year	2,231	1.67%
Transfers To:		
PER	(43)	-0.03%
IRR	(10)	-0.01%
Share of profit of IAHs after PER and IRR for the year	2,178	1.63%

iii. Movement of PER and IRR

Details	PER	IRR
	ﷲ ('000)	ﷲ ('000)
Balance as of 1 January 2025	87	22
Add: Amount apportioned from income allocated	43	10
Less: Amount utilized during the year	-	-
Balance as of December 31, 2025	130	32

iv. Utilization of PER and IRR

PER and IRR have not been utilized during the year.

v. 5 Years Profits Earned and Profits Paid

Deposit Category	Average rate over 5 years	Position as at				
		Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021
High Yield Saving (RO)	1.99%	2.67%	2.20%	2.34%	1.51%	1.21%
High Yield Saving (USD)	0.43%	1.13%	0.38%	0.19%	0.20%	0.22%
Mudaraba Saving	0.56%	0.38%	0.55%	0.57%	0.61%	0.68%
Saving Plan 12-M	3.87%	4.12%	3.63%			
Saving Plan 18-M	4.11%	4.11%				
Saving Plan 24-M	4.32%	4.59%	4.06%			
Saving Plan 36-M	4.55%	4.83%	4.27%			
Saving Plan 48-M	4.55%	4.83%	4.27%			
Saving Plan 60-M	4.55%	4.83%	4.27%			

vi. Administrative Expenses

Dhofar Islamic does not charge any administrative expenses to unrestricted IAH.

vii. Asset Allocation During Last Six Months

There have been no material changes in asset allocation during the last six months.

viii. Off Balance Sheet Exposures

No off-balance sheet exposure is allocated to the pool.

ix. Limits Imposed on Investment Amount

Dhofar Islamic has not imposed any limits on the amount that can be invested in any one type of asset.

4.3. RESTRICTED INVESTMENT ACCOUNTS

i. The Bank does not have any restricted investment accounts as at the reporting date.

5. RETAIL INVESTOR-ORIENTED DISCLOSURES FOR IAH

Disclosures for IAHs, mentioned in section 4, is equally applicable for the retail investors. Below are some of the salient features for retail investors:

i. The deposits being accepted by the Bank under URIA are structured according to Mudaraba contracts. Under the Mudaraba, the Bank acts as a Manager (Mudarib) of the depositor / Investor (Rabb-ul-Maal).

ii. Under the arrangement of URIA, the Bank is authorized to invest the IAHs' funds strictly in Shari'a compliant investment and financing opportunities. Under this arrangement, the Bank can mix the IAHs funds with its own funds. Accordingly, IAHs, and the Bank share in the returns on the invested funds in proportion to their respective investments.

iii. Different categories of deposits are assigned variable weights / utilization rates based on the investment amount and tenor. The higher the investment amount and the longer the investment tenor, the higher shall be the weights / utilization rates.

iv. In case of premature withdrawals, the bank may apply a lower weights / utilization rate. Where a deposit is withdrawn by the IAH before the completion of its term, the effective weight / utilization rate for the highest tenor completed by the investment shall be applied on the actual investment days for profit calculation.

v. Profit on the investment jointly financed by the Bank and IAHs, shall be allocated between them according to their respective investment portions. Any loss due to negligence or misconduct on the part of the Bank shall be deducted from the Bank's share in the profits of the jointly financed investment.

vi. The profit from URIA accounts shall be calculated and allocated based on the profit calculation frequency and the weights / utilization rates assigned to each category of deposits.

vii. The banks shall charge only direct expense to the pool income such as depreciation on Ijarah assets; and will not deduct any indirect expenses such as salary, admin costs etc.

viii. To cater the situation where actual profit rate is less than the market rate (known as Displaced Commercial Risk) and to cater the future losses, the Bank maintains a certain percentage of profits as Profit Equalization Reserve and Investment Risk Reserve respectively.

6. RISK MANAGEMENT, RISK EXPOSURES, AND RISK MITIGATION

6.1. GENERAL DISCLOSURE

6.1.1. QUALITATIVE DISCLOSURE

i. Bank has well-established risk management function which commonly serves the Conventional and Islamic window entity. The objective of the risk management function is to identify, measure, monitor and manage its risk exposures to ensure that:

- risks are understood;
- risks are within tolerances set by the Board of Directors;
- decisions having inherent risks are consistent with strategic business objectives;
- risk taking decisions are explicit and clear;
- the expected return compensates for the risk taken; and
- bank's performance incentives are aligned with risk tolerances or risk reward relationship.

Risk management is a continuous, forward-looking process that should address issues that could endanger achievement of critical objectives. A continuous risk management approach is applied to effectively anticipate and mitigate the risks that have critical impact on the business.

Bank's risk management strategy statement has been provided under Chapter on Management Discussion and Analysis. Bank has formulated various policies in various areas of operations of the Bank which are duly approved by the Board of Directors. Bank also has developed various procedures for smooth functioning and mitigating/ controlling risks.

ii. The overall risk management has been delegated to an independent Board Risk Committee (BRC) of the Bank, which monitors and controls the overall risk profile (including Dhofar Islamic). The BRC reports to the full Board, on matters of significance and keeps the Board continuously updated with the Risk Management process in the Bank. In this task, BRC relies on an independent Risk Management Division within the Bank.

The Bank has a well-established Risk Management Division (RMD) with a team of highly competent and experienced professionals. The primary responsibility of the RMD is to ensure, on a continuous basis, that an effective risk management framework exists and that the various divisions of the Bank, including Dhofar Islamic, function within this framework. RMD also functions as an interface between the Management and the Board in defining appropriate risk tolerance levels for various business lines and operating divisions of the Bank and in ensuring that policies and procedures are tailored to the defined tolerance levels.

iii. Depending on the type of risk, Bank has placed internal systems and models to measure various risks. The risk measurement system has been made effective by strengthening the Management Information System (MIS) to report about various to Senior Management and Board on a periodic basis. The measurement of risk takes into account the nature of the risk, exposure, profile, existence of mitigants, and the impact.

iv. Bank has defined various policies to define the collaterals and processes to mitigate various risks. A continuous risk management approach is applied to effectively anticipate and mitigate the risks that have a critical impact on the business. Bank has defined three lines of defense system for monitoring the risks. The Three Lines of Defense Framework defines roles and responsibilities of various entities in the Bank in addressing risks and controls; the aspect for which each entity is accountable, and how the efforts between entities are coordinated at the Bank-wide level. The framework addresses how specific duties related to risk and control could be assigned and coordinated within an organization and monitors the implementation of effective risk management practices.

6.1.2. QUANTITATIVE DISCLOSURE

i. Risk Measures for Restricted IAH Funds and Assets Funded by Restricted IAH

The Bank does not have any restricted investment accounts as at the reporting date.

ii. Assets Financed by Unrestricted IAH in RWA Calculation

Dhofar Islamic applies same treatment for calculation of RWA for assets financed by unrestricted IAH and shareholders.

iii. Financing by Contract Type

Details	ﷲ ('000)	% of total financing
Murabaha and other receivables	30,030	3.53%
Mudaraba Financings	4,851	0.57%
Ijarah Assets	66,696	7.84%
Diminishing Musharaka Financing	589,938	69.34%
Wakala Financing	159,293	18.72%
Total	850,808	100.00%

iv. Financing by Counterparty Category

Details	ﷲ ('000)	% of total financing
Corporate and SME	560,259	65.85%
Retail	290,549	34.15%
Total	850,808	100.00%

v. Assets Pledged as Collateral

As of the reporting date, Dhofar Islamic has not pledged any of its assets as collateral (2024: no assets were pledged).

vi. Guarantees or Pledges by Islamic Window

As of the reporting date, Dhofar Islamic has not extended any guarantees or pledges (2024: no guarantees or pledges).

6.2. CREDIT RISK

6.2.1. QUALITATIVE DISCLOSURE

i. Credit risk is defined as the possibility that a customer or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from Dhofar Islamic's dealings with or financing to a corporate, individual, another bank or financial institution. The objective of credit risk management is to minimize the probable losses and maintaining credit risk exposure within acceptable parameters.

ii. Dhofar Islamic has well-established credit risk policy duly approved by the Board which establishes prudent standards, practices in managing credit risk and setting up prudent benchmarks, limits for management of credit risks. The Board of Directors delegate credit approval powers for functional areas, which are clearly defined in Authorities Matrix contained in the Manual on Delegation of Authority. All concerned executives are responsible for ensuring that they exercise their delegated powers in terms of the approved Authorities Matrix and seek appropriate special approvals wherever required.

Board Executive Committee is the topmost credit approving authority of the Bank which is mainly responsible for approving all credit proposals beyond the authority level of the management. The senior management executives are also empowered with certain finance approving limits beyond which the credit proposals shall be considered by the Management Credit Committee (MCC) which is empowered to consider all credit related issues up to certain limits.

Credit risk is managed by the Risk Management Division (RMD) through a system of independent risk assessment of all the credit corporate proposals before they are considered by the appropriate approving authorities. The customers in the Standard Category are assigned a risk rating on a scale of 7 grades based on quantitative as well as qualitative parameters. All accounts reflecting weakness in financials or operations as defined by CBO are assigned the grade 8 (Special Mention category) for closer monitoring. RMD approves the risk grade of the customer and identifies the risk factors in the credit proposal and suggests suitable mitigation. This facilitates the approving authorities in making informed credit decision. In addition, RMD reviews grading of obligors, and conducts regular analysis of the credit portfolio. Every corporate account is reviewed annually and in case of accounts graded as 6, 7 and 8 (Special Mentioned category accounts), reviews have been prescribed at higher frequency.

Retail financing is strictly in accordance with the CBO guidelines.

iii. In addition to these, Dhofar Islamic also undertakes business with other banks. The maximum exposures to these banks are defined in the policy on exposure to non-resident borrowers, and restrictions are put in place on the total exposure to such counterparty banks. Dhofar Islamic has also implemented country risk limits approved by the Board to ensure portfolio diversification in terms of sovereign and geographical exposure. Specific country risk limits have been set up based on the internal risk rating grades assigned to various countries, and these limits are reviewed at least on yearly basis.

iv. In the absence of acceptable external credit rating agency in the Sultanate of Oman, the Bank has obtained approval of the CBO to treat all corporate exposures as unrated and accordingly assign risk weight of 100% for computing capital requirements under Basel II. The same convention is used for Dhofar Islamic as well.

v. The Bank's conventional entity has obtained CBO approval vide its letter dated December 11, 2006, to use the ratings of Moody's, Standard & Poor (S&P) or Fitch for risk weighting claims on sovereigns and banks. However, as mentioned earlier, the Bank has obtained CBO approval to treat all corporate exposures as unrated and assign 100% risk weight on all of them. The same convention has been adopted for Dhofar Islamic as well.

The Bank is adopting the simplified approach for collateral recognition under the standardized approach, where 0% risk weight is assigned for the exposures covered by cash collateral. The total exposure covered by cash collateral, which attracts 0% risk weight is NIL. All other credit exposures of Corporate and Retail are assigned 100% risk weight, except:

- 35% risk weight for house finance, where valuation of the property is not older than 7 years, have a maximum of 2 dwelling units per borrower, and LTV is less than or equal to 90%;
- 75% risk weight for personal finance (other than house finance), where the total borrower exposure is less than or equal to ~~₹~~ 250 thousand.
- 75% for SME borrowers.

vi. Past dues and impaired exposures are defined in accordance with the relevant CBO regulations. Bank has adopted the International Financial Reporting Standards (IFRS) 9 guidelines for estimation of Expected Credit Loss as per International Accounting Standards Board (IASB) and CBO guidelines on International Financial Reporting Standards (IFRS) 9 on Financial Instruments, effective from January 1, 2018. Dhofar Islamic has adopted FAS 30 Impairment and credit losses and onerous commitments for the purpose of recognizing impairment allowance. Since all financing, investments and receivables from customers are subject to credit risk, therefore, Dhofar Islamic has applied the credit loss approach for determining and measuring the estimated credit loss under various stages of credit risk.

6.2.2. QUANTITATIVE DISCLOSURE

i. Total Gross Credit and Average Gross Credit Exposure

December 2025 ,31	Total Gross Credit	Average Gross Credit
	₹ ('000)	₹ ('000)
Murabaha and other receivables	30,030	27,776
Mudaraba financing	4,851	5,017
Diminishing Musharaka financing	589,938	549,119
Wakala financing	159,293	138,556
Ijarah Muntahia Bittamleek	66,696	65,729
Total	850,808	786,197

December 2024 , 31	Total Gross Credit	Average Gross Credit
	ﷲ ('000)	ﷲ ('000)
Murabaha and other receivables	27,339	28,736
Mudaraba financing	4,601	7,200
Diminishing Musharaka financing	528,697	503,817
Wakala financing	103,150	107,812
Ijarah Muntahia Bittamleek	60,405	61,920
Total	724,192	709,485

Credit Card receivables and Profit share on Wakala Finance are funded exclusively by shareholders while all other financing exposures are funded jointly by shareholders and IAH. Percentage of funding of financing assets as of December 31, 2025 is as below:

Shareholders 84.30%

IAH 15.70%

ii. Total Gross Credit Exposure – Geographical Area

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Sultanate of Oman	30,030	4,851	589,938	159,293	66,696	850,808
Other GCC Countries	-	-	-	-	-	-
Europe and North America	-	-	-	-	-	-
Africa and Asia	-	-	-	-	-	-
Total	30,030	4,851	589,938	159,293	66,696	850,808

iii. Total Gross Credit Exposure – Counterparty

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Corporate & SME	1,259	4,851	364,614	159,293	30,242	560,259
Retail	28,771	-	225,324	-	36,454	290,549
Total	30,030	4,851	589,938	159,293	66,696	850,808

iv. Total Gross Credit Exposure – Industry

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Retail personal finances	28,771	-	225,324	-	36,454	290,549
Construction	365	2,899	175,023	16,291	16,598	211,176
Manufacturing	301	6	7,558	8,729	-	16,594
Services	-	43	77,381	4,357	-	81,781
Others	593	1,903	104,652	129,916	13,644	250,708
Total	30,030	4,851	589,938	159,293	66,696	850,808

v. Total Gross Credit Exposure – Residual Contractual Maturity

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
up to 1 month	3,287	4,851	1,655	33,700	1	43,494
1 – 3 months	156	-	132	54,227	-	54,515
3 – 6 months	332	-	3,740	32,050	12	36,134
6 – 9 months	104	-	148	4,887	27	5,166
9 – 12 months	89	-	3,569	-	9	3,667
1 – 3 years	2,322	-	55,791	612	382	59,107
3 – 5 years	4,021	-	55,888	12,333	654	72,896
Over 5 years	19,719	-	469,015	21,484	65,611	575,829
Total	30,030	4,851	589,938	159,293	66,696	850,808

vi. Total Gross Credit Exposure – Rating Category

Ratings	2025	2024
	ﷲ ('000)	ﷲ ('000)
Rating grade 1 – 3	142,646	101,166
Rating grade 4 – 5	451,702	401,644
Rating grade 6 – 8	225,383	196,762
Non – performing financing	31,077	24,620
Total Financing	850,808	724,192

vii. Total Gross Credit Exposure – Equity Based Financing

Equity based financing	December 31, 2025		December 31, 2024	
	Total Gross Credit	Average Gross Credit	Total Gross Credit	Average Gross Credit
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Mudaraba financing	4,851	5,017	4,601	7,200
Wakala financing	159,293	138,556	103,150	107,812
Total	164,144	143,573	107,751	115,012

viii. Past Due and Impaired Financing Assets – Counterparty

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
Corporate & SME						
Neither past due nor impaired	892	4,455	260,439	155,302	29,758	450,846
Past due but not impaired	-	-	78,586	2,048	484	81,118
Non-performing	367	396	25,589	1,943	-	28,295
Total financing	1,259	4,851	364,614	159,293	30,242	560,259
Stage 1 & 2 ECL	1	41	18,104	193	386	18,728
Stage 3 ECL	120	92	7,892	445	-	8,549
Total ECL	121	133	25,996	638	386	27,274
Retail						
Neither past due nor impaired	28,067	-	219,461	-	34,810	282,338
Past due but not impaired	343	-	4,267	-	819	5,429
Non-performing	361	-	1,596	-	825	2,782
Total financing	28,771	-	225,324	-	36,454	290,549
Stage 1 & 2 ECL	84	-	247	-	37	368
Stage 3 ECL	273	-	1,027	-	536	1,836
Total ECL	357	-	1,274	-	573	2,204

ix. Past Due and Impaired Financing Assets – Industry

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
Retail personal finances						
Neither past due nor impaired	28,067	-	219,461	-	34,810	282,338
Past due but not impaired	343	-	4,267	-	819	5,429
Non-performing	361	-	1,596	-	825	2,782
Total financing	28,771	-	225,324	-	36,454	290,549
Stage 1 & 2 ECL	84	-	247	-	37	368
Stage 3 ECL	273	-	1,027	-	536	1,836
Total ECL	357	-	1,274	-	573	2,204
Construction						
Neither past due nor impaired	365	2,503	146,576	15,058	16,464	180,966
Past due but not impaired	-	-	13,489	-	134	13,623
Non-performing	-	396	14,958	1,233	-	16,587
Total financing	365	2,899	175,023	16,291	16,598	211,176
Stage 1 & 2 ECL	1	32	12,015	40	35	12,123
Stage 3 ECL	-	92	3,708	241	-	4,041
Total ECL	1	124	15,723	281	35	16,164

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Manufacturing						
Neither past due nor impaired	301	6	7,027	8,729	-	16,063
Past due but not impaired	-	-	-	-	-	-
Non-performing	-	-	531	-	-	531
Total financing	301	6	7,558	8,729	-	16,594
Stage 1 & 2 ECL	-	-	255	12	-	276
Stage 3 ECL	-	-	277	-	-	277
Total ECL	-	-	532	12	-	544
Services						
Neither past due nor impaired	-	43	30,801	3,425	-	34,269
Past due but not impaired	-	-	46,580	328	-	46,908
Non-performing	-	-	-	604	-	604
Total financing	-	43	77,381	4,357	-	81,781
Stage 1 & 2 ECL	-	1	4,633	8	-	4,642
Stage 3 ECL	-	-	-	158	-	158
Total ECL	-	1	4,633	166	-	4,800

ix. Past Due and Impaired Financing Assets – Industry (continued)

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Others						
Neither past due nor impaired	226	1,903	76,035	128,090	13,294	219,548
Past due but not impaired	-	-	18,517	1,720	350	20,587
Non-performing	367	-	10,100	106	-	10,573
Total financing	593	1,903	104,652	129,916	13,644	250,708
Stage 1 & 2 ECL	-	8	1,201	133	351	1,693
Stage 3 ECL	120	-	3,907	46	-	4,073
Total ECL	120	8	5,108	179	351	5,766

x. Past Due and Impaired Financing Assets – Geographical Area

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Sultanate of Oman						
Neither past due nor impaired	28,959	4,455	479,900	155,302	64,568	733,184
Past due but not impaired	343	-	82,853	2,048	1,303	86,547
Non-performing	728	396	27,185	1,943	825	31,077
Total financing	30,030	4,851	589,938	159,293	66,696	850,808
Stage 1 & 2 ECL	85	41	18,351	193	423	19,093
Stage 3 ECL	393	92	8,919	445	536	10,385
Total ECL	478	133	27,270	638	959	29,478

xi. Loss Provisions

Details	Stage 1	Stage 2	Stage 3	Total
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
As of January 1, 2025	1,270	11,568	10,439	23,277
Added / (Reversed) during the year	931	7,826	7,982	16,739
Written back during the year	-	-	(4,603)	(4,603)
Written off during the year	-	-	-	-
As of December 31, 2025	2,201	19,394	13,818	35,413

xii. Penalties on Customers and Donation Payment

Details	ﷲ ('000)
Undistributed charity funds as of January 1, 2025	22
Shari'a non-compliant income	31
Disposition of charity funds	(22)
Undistributed charity funds as of December 31, 2025	31

6.3. CREDIT RISK MITIGATION

6.3.1. QUALITATIVE DISCLOSURE

i. Assets leased under Ijarah Muntahiyah Bittamleek is governed by the relevant product schemes of Corporate Ijarah and Home Finance. Asset under Ijarah is owned by Dhofar Islamic by registering it in its name throughout the period of Ijarah. Further, the asset is also secured through Takaful (Islamic Insurance), to cover Dhofar Islamic's exposure in case of loss.

ii. Hamish Jiddiyah / Urbun is a down payment taken from the customer as part of his contribution in the asset. With respect to pledge of asset, an asset in case of Ijarah remains in Dhofar Islamic's ownership during the term of financing. However, in case of Diminishing Musharaka the pledge is a primary collateral.

iii. Dhofar Islamic has well defined policies in place for the valuation and re-valuation of the collateral and its enforceability. It is principally governed through the Credit Risk Policy, combined with related product schemes such as Corporate Ijarah, Corporate Diminishing Musharaka, Home Finance and Property Finance. Further to this, the mechanism of disposing of such assets is also discussed in the policy and Instruction Manual Wholesale Banking and Instruction Manual Credit Administration.

iv. The Bank has adopted the simple approach for credit risk mitigation, and no offsetting of the collaterals is done to calculate the capital requirement. However, the main CRM techniques followed by the Bank are based on collaterals which the Bank endeavors to obtain for its exposures, as far as commercially practicable. The collaterals mainly consist of real estate properties.

v. The Bank has credit risk rating framework comprising of Risk Rating system which is a single point indicator of diverse risk factors of a customer and assists in taking credit decisions in a consistent manner. The risk rating framework is having 8 performing assets grades (including special mention) and 3 non-performing assets grades. The rating grade indicates the default probability of the customer's obligation. The same rating framework has been adopted by Dhofar Islamic as well.

Bank has also implemented Risk Adjusted Return on Capital (RAROC) methodology for Dhofar Islamic which provides the risk-based pricing. The RAROC system enables Dhofar Islamic to price its facilities after considering the cost and risk involved in a facility.

6.3.2. QUANTITATIVE DISCLOSURE

i. Total Carrying Amount by Type of Collateral

Total carrying amounts of collateral of non-performing corporate assets by type of collateral held by the window is as follows:

Collateral Type	Collateral Value	Haircut Applied	Total Collateral After Haircut Applied
	₹ ('000)	%	₹ ('000)
Mortgage	37,187	40	18,411
Mortgage	-	50	-
Total	37,187		18,411

ii. Assets Owned and Leased under Ijarah Muntahiyah Bittamleek

Carrying amount of assets under Ijarah Muntahia Bittamleek as of December 31, 2025 is

R 66,696 thousand.

6.4. LIQUIDITY RISK

6.4.1. QUALITATIVE DISCLOSURE

i. Dhofar Islamic's Liquidity Risk Management is governed by the Asset Liability Management Policy document approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management.

Overall, Bank follows CBO circular BM955 for liquidity risk management of Current Accounts and URIA, which requires the monitoring and managing based on the cash flow approach for liquidity risk profile. Dhofar Islamic monitors its liquidity risk through cash flow approach. Under cash flow approach Dhofar Islamic 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 above five years. The mismatches in various time buckets indicate liquidity gap and Dhofar Islamic strictly adheres to the limits set by CBO on cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets up to one year. In addition, Dhofar Islamic has also set up internal limit on mismatches in time buckets beyond one year.

Treasury department of Dhofar Islamic controls and monitors the liquidity risk and ensures that the Bank is not exposed to undue liquidity risk and at the same time makes optimum use of its funds. Middle office in Risk Management Division also monitors the liquidity position of Dhofar Islamic.

6.4.2. QUANTITATIVE DISCLOSURE

i. Indicators of Exposure to Liquidity Risk

Ratios	%
Liquid asset ratio	13.51%
Liquid assets to short term liabilities	56.71%
Liquidity Coverage Ratio	164.48%
Net Stable Funding Ratio	116.11%

ii. Maturity Analysis / Maturity Profile

	2025					
	Due on demand and up to 30 days	More than 1 month to	Haircut Applied	Total Collateral After Haircut Applied	Over 5 years	Total
	﷮ ('000)	﷮ ('000)	﷮ ('000)	﷮ ('000)	﷮ ('000)	﷮ ('000)
Cash and balances with Central Bank of Oman	37,093	-	-	-	-	37,093
Due from banks and financial institutions	5,781	16,138	-	-	-	21,919
Murabaha and other receivables	1,156	2,234	2,518	14,785	9,337	30,030
Ijarah Muntahia Bittamleek	222	448	545	2,224	1,412	4,851
Mudaraba	15,210	34,501	44,884	265,699	229,644	589,938
Diminishing Musharaka	34,650	16,652	13,445	31,011	20,827	116,585
Wakala	109,831	20,555	8,017	19,433	1,457	159,293
Investments in Sukuk and shares	667	3,260	4,177	31,855	26,737	66,696
Property and equipment	-	-	-	-	3,043	3,043
Intangible assets	-	-	-	-	913	913
Other assets	16,503	1,723	6,660	-	1,951	26,837
Allowance for ECL and profit suspended	(3,424)	-	(2,597)	-	(29,062)	(35,083)
Total assets	217,689	95,511	77,649	365,007	266,259	1,022,115
Due to FIs	13,292	-	-	-	-	13,292
Due to other counterparties	66,548	-	-	-	-	66,548
Other liabilities	18,927	2,702	493	462	731	23,315
Participatory accounts	402,035	124,186	71,818	160,445	37,195	795,679
Reserves of equity of investment accountholders	-	-	-	-	162	162
Owner's equity	-	-	-	-	123,119	123,119
Total liabilities and accountholders & owners' equity	500,802	126,888	72,311	160,907	161,207	1,022,115

6.5. MARKET RISK

6.5.1. QUALITATIVE DISCLOSURE

i. Market Risk is the risk to the Bank's earnings and capital due to changes in the profit rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes. The Bank for International Settlements (BIS) defines market risk as "the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices". Market Risk has been categorized into profit rate risk, foreign exchange risk, commodity price risk and equity price risk.

Dhofar Islamic has a comprehensive Asset Liability Management Policy which encompasses assessment, monitoring and management of all the above market risks. Bank has defined various internal limits to monitor market risk and is computing the capital requirement as per standardized approach of Basel II.

6.5.2. QUANTITATIVE DISCLOSURE

i. Breakdown of Market Risk RWA

Details	RWA
	ﷲ ('000)
Foreign exchange	23,900
Commodities position	-
Total	23,900

ii. Foreign Exchange Net Open Positions to Capital

Details	Amount
	ﷲ ('000)
Foreign exchange net open position	32,786
Total capital	123,299
Foreign exchange net open position to total capital	0.266

2.37% of the net open position is in pegged currencies.

iii. Commodity Net Open Positions to Capital

As at reporting date, Dhofar Islamic does not have an exposure to commodity positions.

iv. Equity Net Open Positions to Capital

As at reporting date, Dhofar Islamic does not have an exposure to equity positions under trading book.

v. Assets Subject to Market Risk by Type of Assets

Type of Assets	Gross Amount
	ﷲ ('000)
Total Sukuk and Shares	171,519
Net open position foreign currency	32,786

vi. Sensitivity analysis for different types of Market Risk

Impact on earnings due to profit rate risk in the banking book is as follows:

Currencies	+ or - 1%		+ or - 2%	
	2025	2024	2025	2024
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
All currencies	868	998	1,736	1,996

Impact on earnings due to foreign exchange risk:

Impact on earnings due to 10% devaluation of foreign exchange in the banking book is ﷲ 3,279 thousand.

6.6. OPERATIONAL RISK

6.6.1. QUALITATIVE DISCLOSURE

i. The Operational risk policy of the Bank sets out the loss mitigation tools. Bank has established a comprehensive disaster recovery and business continuity plan, considering various plausible scenarios in accordance with the 'Business Continuity Plan (BCP). Bank has implemented IT Security Policy and guidelines to mitigate the information technology security related risks.

The Bank has developed a comprehensive operational risk management framework comprising of the Risk Control and Self-Assessment, Key Risk Indicator and Loss Data Management (LDM) Framework. 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 on the Bank. Bank has created a comprehensive risk register which includes inherent risk events, control effectiveness and residual risks. The Key Risk Indicator (KRI) framework enables the Bank to identify and monitor the key risks at various levels. 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.

ii. Bank has set up Management Risk Committee to identify, manage, measure, monitor, mitigate and report operational risks.

Bank has the process of collecting and collating data on operational risk events to build a strong loss database and to improve the control effectiveness. The loss data are being captured using Operational Risk Management system. Further, other operational risk tools like Risk Control & Self-Assessment (RCSA) and Key Risk Indicators (KRIs) are also implemented.

In terms of regulatory guidelines, Bank has adopted the Basic Indicator Approach (BIA) for computing the capital charge for Operational Risk.

iii. Dhofar Islamic has in place the policies and procedures to increase the banking as well as the Islamic financing knowledge within its staff. During the year, Dhofar Islamic has conducted 115 training programs including both in-house as well as external training programs. These programs were conducted mainly in the areas of concepts of Islamic banking and the products and services of Islamic banking.

6.6.2. QUANTITATIVE DISCLOSURE

i. RWA Equivalent for Quantitative Operational Risk

Details	RWA
	ﷲ ('000)
Operational Risk	104,728

ii. Gross Income

Details	2025	2024	2025	2024
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Gross income	61,743	54,824	50,998	55,855

iii. Amount of Shari'a Non-Compliant Income

Amount of Shari'a non-compliant income transferred to charity was ﷲ 31 thousand.

6.7. RATE OF RETURN RISK

6.7.1. QUALITATIVE DISCLOSURE

i. Rate of return risk refers to the possible impact on the net income of Dhofar Islamic arising from the impact of changes in market rates and relevant benchmark rates on the return on assets and on the returns payable on funding. An increase in benchmark rates may result in IAHs having expectation of a higher rate of return, while the returns on assets may be adjusting more slowly due to longer maturities, thereby affecting the net income of Dhofar Islamic.

ii. The profit distribution to Investment Accounts is based on profit sharing agreements. Therefore, Dhofar Islamic is not subject to any significant profit rate risk. However, the profit-sharing agreements will result in Displaced Commercial Risk (DCR) when Dhofar Islamic results do not allow to distribute profits in line with the market rates. To cater against DCR, Dhofar Islamic creates Profit Equalization Reserve as explained in section 4.2.1.

6.7.2. QUANTITATIVE DISCLOSURE

i. Indicators of exposures to rate of return risk

31 December 2025	Effective average profit 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-profit bearing	Total
		₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
Cash and balances with Central Bank of Oman	1.04%	1,540	-	-	-	-	35,553	37,093
Receivables from, and participatory investments with, FIs	5.20%	1,925	-	-	-	-	3,856	5,781
Receivables	5.43%	3,725	1,964	2,065	13,466	8,416	(84)	29,552
Ijarah Muntahia Bittamleek	5.77%	667	3,260	3,971	31,987	26,275	(423)	65,737
Participatory investments	6.01%	139,019	126,676	110,368	154,652	210,090	(14,764)	726,041
Investments in Sukuk and shares	5.24%	34,650	16,652	13,445	31,011	20,827	13,968	130,553
Property and equipment	-	-	-	-	-	-	2,078	2,078
Intangible assets	-	-	-	-	-	-	1,878	1,878
Other assets	-	-	-	-	-	-	23,402	23,402
Total assets		181,526	148,552	129,849	231,116	265,608	65,464	1,022,115
Due to FIs	0.00%	-	-	-	-	-	13,292	13,292
Due to other counterparties	0.00%	-	-	-	-	-	66,548	66,548
Other liabilities	-	-	-	-	-	-	23,315	23,315
Participatory accounts	4.08%	138,839	134,060	78,723	179,838	264,219	-	795,679
Reserves of equity of investment accountholders	-	-	-	-	-	-	162	162
Owner's equity	-	-	-	-	-	-	123,119	123,119
Equity of accountholders & Total liabilities and shareholders' equity		138,839	134,060	78,723	179,838	264,219	226,436	1,022,115
On-balance sheet gap		42,687	14,492	51,126	51,278	1,389	(160,972)	-
Cumulative profit sensitivity gap		42,687	57,179	108,305	159,583	160,972	-	-

ii. Sensitivity Analysis

As per the sensitivity analysis of profit rate movement by 200 basis points on the rate sensitive assets and liabilities the impact is ~~₹~~3,589 thousand on the Net worth of Dhofar Islamic.

6.8. DISPLACED COMMERCIAL RISK

6.8.1. QUALITATIVE DISCLOSURE

i. Displaced Commercial Risk (DCR) refers to the market pressure to pay returns which exceed the rate that has been actually earned on each category of deposit. Reason may be underperforming assets as compared to market rates or commitment to retain customers by giving higher returns. To cater for DCR, to avoid fluctuations in the profits and to cater the risk of future losses, Dhofar Islamic maintains a certain percentage of the profits as PER and IRR in accordance with the detailed profit and loss distribution policy.

6.8.2. QUANTITATIVE DISCLOSURE

i. Disclosure of Historical Data Over the Past Years

Details	Position as at				
	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
Total profits available for sharing	54,733	49,016	42,356	36,901	33,588
Profit available for IAH before smoothing	4,366	3,208	1,526	1,000	2,051
Profit paid to IAH after smoothing	2,178	1,600	761	499	1,622

Details	Position as at				
	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021
	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)	ﷲ ('000)
PER	130	87	55	40	30
IRR	32	22	14	10	8

ii. Five-Year Comparison of Historical Rate of Return with Market Benchmark Rate

iii. No market benchmark rate is available for comparison purposes.

iv. Five-Year Comparison Between Return to IAHs and Return to Shareholders

Deposit Category	Position as at				
	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021
Investment Account Holders					
High Yield Saving accounts (RO)	2.67%	2.20%	2.34%	1.51%	1.21%
High Yield Saving accounts (USD)	1.13%	0.38%	0.19%	0.20%	0.22%
Mudaraba Saving Account	0.38%	0.55%	0.57%	0.61%	0.68%
Saving Plan 12-M	4.12%	3.63%			
Saving Plan 18-M	4.11%				
Saving Plan 24-M	4.59%	4.06%			
Saving Plan 36-M	4.83%	4.27%			
Saving Plan 48-M	4.83%	4.27%			
Saving Plan 60-M	4.83%	4.27%			
Equity	6.29%	5.45%	5.56%	5.92%	6.34%

iv. Profit Appropriated to PER and IRR

Appropriation of profit to PER and IRR is provided under disclosure (ii) of 4.2.2.

v. Analysis of difference between aggregate Mudaraba earned profits and profits distributed

Details	ﷲ ('000)
Total profits available for distribution to IAH	4,366
Mudarib fee charged by Dhofar Islamic	(2,135)
PER	(43)
IRR	(10)
Profit distributed to IAH	2,178

vi. Analysis of the proportion of the RWA funded by IAH

Details	RWA	RWA
Assets	₹ ('000)	%
Murabaha	3,400	3.44%
Diminishing Musharaka	58,363	59.00%
Ijarah Muntahia Bittamleek	5,938	6.00%
Wakala financing	20,414	20.64%
Mudaraba financing	1,822	1.84%
Investment in Sukuk	8,829	8.92%
Wakala placement	158	0.16%
Murabaha and Musawama inventory	-	0.00%
Advances to customers	4	0.00%
Total assets funded by IAH (allocated based on proportion)	98,928	100.00%

6.9. CONTRACT-SPECIFIC RISKS

6.9.1. QUALITATIVE DISCLOSURE

i. For the purpose of various types of Shari'a compliant financing contracts, the Bank assigns the risk-weightage based on the purpose of financing as well as the risk profile of the customer as prescribed in IBRF.

Sr.	Details	RWA
		₹ ('000)
1	Murabaha and other receivables	27,218
2	Mudaraba Financings	13,354
3	Ijarah Assets	43,515
4	Diminishing Musharaka Financing	427,712
5	Wakala Financing	153,311
Total		665,110

7. GENERAL GOVERNANCE AND SHARI'A GOVERNANCE DISCLOSURES

7.1. GENERAL GOVERNANCE DISCLOSURES

7.1.1. QUALITATIVE DISCLOSURE

i. Dhofar Islamic follows Financial Accounting Standard issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as required by the regulations of the Central Bank of Oman. There had been no departure from the financial reporting framework of AAOIFI during the year.

ii. Being the Islamic window operation of the Bank, Dhofar Islamic is managed under the same governance structure as the Bank. The details of which are disclosed in the main Pillar III document of the Bank. In addition, Dhofar Islamic's operations are governed and monitored by the Shari'a Supervisory Board (SSB) details of which is provided under disclosure 7.2.

iii. In the ordinary course of business, Dhofar Islamic conducts transactions with some of its directors, members of Shari'a Supervisory Board, shareholders and companies over which they are able to exert significant influence. The aggregate amounts of balances with such related parties are as follows:

Related parties' transactions	2025	2024
	﷮ ('000)	﷮ ('000)
Finances		
Directors, members of Shari'a Supervisory Board and shareholders holding 10% or more interest in the Bank	56	61
Deposits and other accounts		
Directors, members of Shari'a Supervisory Board and shareholders holding 10% or more interest in the Bank	34,663	47,092
Other transactions		
Rental payment to a related party	155	160
Income from finance to related parties	3	4
Profit expense on deposits from related parties	2,372	2,188
Key management compensation		
Salaries and other benefits	400	439

iv. In 2025, Dhofar Islamic reached significant milestones with strategic campaigns to strengthen adoption nationally, it launched product campaigns for personal and commercial finance, introduced exclusive Credit Card rewards to enhance customer engagement, and actively participated in events such as roadshows, branch openings and open days throughout the region. By launching a targeted Credit Card acquisition campaign and introducing the "Promise to Serve" initiative, guaranteeing transaction completion within 10 minutes to enhance operational efficiency. The Islamic banking window further supported the community with dedicated Ramadan campaigns and boosted digital adoption by offering free local transfers. These efforts were complemented by expanded branch networks, product campaigns for personal and commercial finance, and active participation in national forums and events. Dhofar Islamic also Conducted a Haj and Umrah Exhibition as a part of their CSR Initiatives. Additionally, Through weekly FM broadcasts, insightful podcasts, and influencer collaborations, Dhofar Islamic strengthened financial literacy and service visibility. Extensive press coverage of its growth in deposits and financing continues to cement its leadership and robust performance in Oman's banking sector.

v. Complaint management of Dhofar Islamic customers is handled at the parent entity level through the Complaint Management Department. The department has written procedures and processes whereby it handles the complaints received through branches, emails, and call centers. The complaints are lodged and a proper resolution mechanism in place including escalations as well as follow up with concerned departments and customers.

vi. During the year, Dhofar Islamic did not engage in social functions or charitable contributions such as Zakat, Qard, or Sadaqah.

7.2. SHARI'A GOVERNANCE DISCLOSURES

7.2.1. QUALITATIVE DISCLOSURE

i. The most distinct feature of any Islamic bank is its compliance with the principles of Shari'a in all its activities, operations, transactions and investments. To ensure compliance with the rules and principles of Shari'a, Dhofar Islamic has a fully independent setup of Shari'a Governance system.

The Shari'a Compliance and Audit Department have been set up with the purpose of examination and assessment of the extent to which the Institution is observing Shari'a Principles, Fatwas, guidelines and instructions issued by the Shari'a Supervisory Board (SSB) of Dhofar Islamic. It also ensures a proper segregation exists between Dhofar Islamic and the parent bank with regards to services, products, funds and investments. During 2025, the department has conducted 8 audits as compared to the target of 8. The Unit comes under the direct supervision of SSB. The SSB met 5 times (including 1 meeting with Board of Directors) in the year 2025.

ii. Dhofar Islamic is committed to contributing to charity any income generated from non-Islamic sources. Accordingly, any earning prohibited by Shari'a is credited to charity funds to be used for social welfare purposes.

iii. Shari'a rulings issued by the Shari'a Supervisory Board is binding on Dhofar Islamic.

7.2.2. QUANTITATIVE DISCLOSURE

i. Violation of Shari'a Compliance During the Year

During the year, Dhofar Islamic recorded and transferred to charity the Non Shari'a compliant income of **ﷲ** 31 thousand in respect of rebate received on nostro accounts and late payments from customers.

ii. Zakat Contributions of the Islamic Window

In accordance with the Policy of Dhofar Islamic, the responsibility to pay Zakat is on the shareholders & IAH.

iii. Remuneration of Shari'a Board Members

Details	2025	2024
	ﷲ ('000)	ﷲ ('000)
Chairman		
Remuneration	10	10
Sitting fees paid	3	3
Other Members		
Remuneration	32	32
Sitting fees paid	20	9

8. BASEL III

Bank has adopted Basel III liquidity standards and is reporting the liquidity coverage ratio and net stable funding ratio to CBO with effect from March 2014.

8.1. CAPITAL DISCLOSURE

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(R 000)			
Common Equity Tier 1 Capital: Instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus [Note 1]	70,000	
2	Retained Earnings	49,671	
3	Accumulated other comprehensive income (and other reserves)	-	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
	Public Sector capital injections grandfathered until January 1, 2018	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET 1)	-	
6	Common Equity Tier 1 Capital before regulatory adjustments	119,671	
Common Equity Tier 1 Capital: Regulatory Adjustments			
7	Prudential valuation adjustments	227	
8	Goodwill (net of related tax liability) *	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability) *	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash Flow hedge reserve	-	
12	Shortfall of provisions to expected loss	-	
13	Securitization gain on sale (as set out in para 14.9 of CP-1)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross holdings in common equity	-	

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(R 000)			
Common Equity Tier 1 Capital: Instruments and reserves			
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold)	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
	Regulatory adjustments applied to common equity Tier 1 in respect of amount subject to pre-Basel III treatment	-	
	of which: (insert name of adjustment)	-	
	of which: (insert name of adjustment)	-	
	of which: (insert name of adjustment)	-	
27	Regulatory adjustments applied to common equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to common equity Tier 1	227	
29	Common Equity Tier 1 capital (CET 1)	119,444	
Additional Tier 1 Capital: Instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET 1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT 1)		
35	of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 capital before regulatory adjustments	-	
Additional Tier 1 Capital: Regulatory Adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments	-	
	Regulatory adjustments applied to Additional Tier 1 in respect of amount subject to pre-Basel III treatment	-	
	of which: (insert name of adjustment)	-	
	of which: (insert name of adjustment)	-	
	of which: (insert name of adjustment)	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1	-	
44	Additional Tier 1 capital (CET 1)	-	
45	Tier 1 capital (T1 = CET 1 + AT 1)	119,444	

Basel III common disclosure template to be used during the transition of regulatory adjustments		Amount Subject to Pre-Basel III treatment
(R 000)		
Tier 2 capital: Instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET 1 and AT 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions and Cumulative fair value gains on available for sale instruments	3,855
51	Tier 2 capital before regulatory adjustments	3,855
Tier 2 capital: Regulatory Adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
55	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
	Regulatory adjustments applied to Tier 2 in respect of amount subject to pre-Basel III treatment	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
57	Total Regulatory Adjustments to Tier 2 capital	-
58	Tier 2 Capital (T 2)	3,855
59	Total Capital (TC = T 1 + T 2)	123,299
	Risk Weighted Assets in respect of amounts subject to pre-Basel III treatment	
	of which: (insert name of adjustment)	
	of which: (insert name of adjustment)	
60	Total Risk Weighted Assets (60a + 60b + 60c)	957,450
60a	of which: Credit Risk Weighted Assets	828,822
60b	of which: Market Risk Weighted Assets	23,900
60c	of which: Operational Risk Weighted Assets	104,728
	Regulatory adjustments applied to Additional Tier 1 in respect of amount subject to pre-Basel III treatment	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
	of which: (insert name of adjustment)	-
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.48%
62	Tier 1 (as a percentage of risk weighted assets)	12.48%
63	Total capital (as a percentage of risk weighted assets)	12.88%
64	Institution specific buffer requirement (minimum CET 1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/ D-SIB buffer requirements expressed as a percentage of risk weighted assets)	8.25%
65	of which: capital conservation buffer requirement	1.25%
66	of which: bank specific countercyclical buffer requirement	0.00%
67	of which: D-SIB/ G-SIB buffer requirements	0.00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.23%

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(R 000)			
National Minima (if different from Basel III)			
69	National common equity Tier 1 minimum ratio (if different from Basel III minimum)	NA	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	NA	
71	National total capital minimum ratio (if different from Basel III minimum)	NA	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	-	
73	Significant investments in the common stock of financials	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3,855	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	10,360	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between Jan 1, 2018, and Jan 1, 2022)			
80	Current cap on CET 1 instruments subject to phase out arrangements	NA	
81	Amount excluded from CET 1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT 1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT 1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T 2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T 2 due to cap (excess over cap after redemptions and maturities)	NA	

8.1. CAPITAL DISCLOSURE (CONTINUED)

Summarized Capital Adequacy is as follows:

Sr. No.	CA Report 1 (For CBO Use only)	₹ ('000)
1	Common Equity Tier 1 Capital (CET1) before Regulatory Adjustments	119,671
2	Regulatory Adjustments to CET1	227
3	CET1	119,444
4	Additional Tier 1 Capital (AT1) before Regulatory Adjustments	-
5	Regulatory Adjustments to AT1	-
6	AT1	-
7	Tier 1 Capital (7=3+6) (minimum at 0.625%)	119,444
8	Tier 2 Capital before Regulatory Adjustments	3,855
9	Regulatory Adjustments to Tier 2 Capital	-
10	Tier 2 Capital (T2)	3,855
11	Total Capital (11=7+10)	123,299
12	Total Risk Weighted Assets (TRWA) (12=13+14+15)	957,450
13	Credit Risk Weighted Assets	828,822
14	Market Risk Weighted Assets	23,900
15	Operational Risk Weighted Assets	104,728
16	CET1 (as a percentage of TRWA) (in %)	12.48
17	Tier 1 (as a percentage of TRWA) (in %)	12.48
18	Total capital (as a percentage of TRWA) (in %)	12.88

8.1. CAPITAL DISCLOSURE (CONTINUED)

Reconciliation of reported balance sheet and the regulatory scope of consolidation:

	Balance Sheet as in Published Financial Statement	Under regulatory scope of consolidation	Reference
	As at Period End - 31.12.2025	As at Period End - 31.12.2025	
Assets			
Cash & Balances with CBO	37,093		
Balances with bank and money at call and short notice	5,781		
Investments:	132,723		
Of which Held to Maturity	5,140		
Out of investments in Held to Maturity:			
Investments in Subsidiaries			
Investments in Associates & Joint Ventures			
Of which Available for Sale	127,583		
Out of investments in Available for Sale:			
Investments in Subsidiaries			
Investments in Associates & Joint Ventures			
Of which Held for Trading			
Loans & Advances	850,808		
Of which,			
Loans & Advances to domestic banks			
Loans & Advances to Non-Resident Banks			
Loans & Advances to domestic customers	808,923		
Loans & Advances to Non-Resident Customers for domestic operations			
Loans & Advances to Non-Resident Customers for operations abroad			
Loans & Advances to SMEs	41,885		
Financing from Islamic Banking Window			
Fixed Assets	3,956		
Other Assets	26,837		
Of which,			
Goodwill & Intangible Assets			a
Out of which			
Goodwill			
Other Intangibles (excluding MSRs)			
Deferred Tax Assets			
Goodwill on Consolidation			
Debit balance in Profit & Loss Account			
Total Assets	1,057,198	-	
Capital & Liabilities			
Paid up capital	70,000		
of which:			
Amount eligible for CET 1	70,000		h
Amount eligible for AT1	-		if
Reserves & Surplus			j
Share Premium	-		k

	Balance Sheet as in Published Financial Statement	Under regulatory scope of consolidation	Reference
	As at Period End - 31.12.2025	As at Period End - 31.12.2025	
Legal Reserve	-		l
Subordinated loan reserve	-		m
Investment Revaluation Reserve (Gains are included at 45% in Tier II and losses in full are deducted from Tier I)	3,448	1,427	n
Retained Earnings (The proposed dividend payment amount is excluded from retained earnings)	49,671	49,671	o
Total Capital	123,119		
Deposits	862,227		
Of which,			
Deposit from Banks			
Customer Deposits	862,227		
Deposit of Islamic Banking Window	-		
Other deposits - (Please specify)			
Borrowings	13,292		
Of which,			
From CBO			
From Banks (includes borrowing from HO)			
From other Institutions & Agencies			
Borrowings in the form of bonds, debentures & Sukuks			
Others (Please specify) (Subordinated Loans)			
Other liabilities & provisions	58,560		
Of which,			
DTLs related to goodwill			
DTLs related to intangible assets			
Total Liabilities	1,057,198	49,671	

Common Equity Tier 1 capital: instruments and reserves

Sr. No.		Component of regulatory capital reported by bank	RWA
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus 'Allocated Capital to Window from Core Capital'	70,000	h
2	Retained earnings	49,671	k, l, m, o
3	Accumulated other comprehensive income (and other reserves)		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory adjustments	119,671	
7	Prudential valuation adjustments	(227)	n
8	Goodwill (net of related tax liability)	-	a

8.2. LIQUIDITY COVERAGE RATIO

The window has also adopted Basel III liquidity standards and is estimating the liquidity coverage ratio (LCR). The LCR is defined as the proportion of high-quality liquid assets to total net cash outflows over the next 30 days. The high-quality liquid assets include cash; reserves held with CBO; investment in CBO Certificate of Deposits, CBO Treasury Bills, Government Sovereign Sukuk and Sovereign Treasury Bills. LCR is a measure of adequacy of liquid assets that will enable the Bank to survive an acute stress scenario lasting for 30 days.

The disclosure Liquidity Coverage Ratio for Dhofar Islamic is as follows:

		Total Unweighted Value (annual average)	Total Weighted Value (annual average)
		₹ ('000)	₹ ('000)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		132,355
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	126,037	12,296
3	Stable deposits	4,399	132
4	Less stable deposits	121,638	12,164
5	Unsecured wholesale funding, of which:	333,939	140,911
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	333,939	140,911
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which	45,265	3,970
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	45,265	3,970
14	Other contractual funding obligations	15,130	15,130
15	Other contingent funding obligations	68,394	3,420
16	TOTAL CASH OUTFLOWS		175,727
Cash Inflows			
17	Secured lending (e.g., reverse repos)		
18	Inflows from fully performing exposures	177,550	72,901
19	Other cash inflows	12,911	12,911
20	TOTAL CASH INFLOWS	190,461	85,812
			Total Adjusted Value
21	TOTAL HQLA		132,355
22	TOTAL NET CASH OUTFLOWS		89,915
23	LIQUIDITY COVERAGE RATIO (%)		147.20

The above disclosed values for high quality liquid assets, cash outflows and cash inflows are the arithmetic average of the average LCR reporting done on the quarterly basis.

The average LCR position for Dhofar Islamic as at December 31, 2025 is 147.20% (2024: 199.57%).

Further to the above, LCR is also monitored for US Dollar book of the Bank as a Consolidated entity and Dhofar Islamic on standalone basis. The exposure in US Dollar assets as a proportion of total assets (all currencies) at the Dhofar Islamic level is at 6% as of December 31, 2025 as compared to 6% as at December 31, 2024.

8.3. NET STABLE FUNDING RATIO

In terms of CBO guidelines, the standard for NSFR has become effective from 1 January 2018, with a minimum ratio of 100%. Bank has adopted Basel III liquidity standards and is reporting the Net Stable Funding Ratio to the Central Bank of Oman (CBO) with effect from March 2013. The NSFR is defined as the proportion of total Available Stable Funding to total Required Stable funding over the next 1 year.

The disclosure for Net Stable Funding Ratio for Dhofar Islamic is as follows:

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
ASF Item						
1	Capital:	117,585				117,586
2	Regulatory capital	117,585				117,586
3	Other capital instruments	-				-
4	Retail deposits and deposits from small business customers:	158,173	16,051	25,573	-	181,092
5	Stable deposits	10,615	5,713	9,167		24,221
6	Less stable deposits	147,558	10,338	16,406		156,871
7	Wholesale funding:	262,598	95,489	80,397	176,624	395,865
8	Operational deposits	9,129				4,564
9	Other wholesale funding	253,469	95,489	80,397	176,624	391,301
10	Liabilities with matching interdependent assets					
11	Other liabilities:	71,773				-
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in above categories	71,773				-
14	Total ASF					694,543
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					19,791
16	Deposits held at other financial institutions for operational purposes	4,795				2,398
17	Performing loans and securities:	-	20,992	197,151	578,569	
18	Performing loans to financial institutions secured by Level 1 HQLA		20,992			3149
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions			197,151		98,576
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which					
21	-With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk					
22	Performing residential mortgages, of which:				325,158	276,384
23	With a risk weight of less than or equal to 35% under the Basel II standardized Approach for credit risk				241,541	157,001
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities				11,870	10,089
25	Assets with matching interdependent liabilities					
26	Other Assets:	-	16	-	41,418	41,418
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets				16	16
30	NSFR derivative liabilities before deduction of variation margin posted					-
31	All other assets not included in the above categories				41,418	41,418
32	Off-balance sheet items					5,683
33	TOTAL RSF					614,505
34	NET STABLE FUNDING RATIO (%)					113.02%

The above disclosed values for required stable funding and the available stable funding are the arithmetic average of the average NSFR reporting done on quarterly basis. The average NSFR year-end position for Dhofar Islamic as of December 31, 2025, is at 113.02% (2024: 108.96%).



Dhofar Islamic
**INDEPENDENT
AUDITOR'S REPORT
& FINANCIAL
STATEMENT**

31 DECEMBER 2025



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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 accompanying financial statements of Dhofar Islamic (the "Islamic Window"), which comprise the statement of financial position as at 31 December 2025, the statements of income and other comprehensive income, changes in owner's equity, cash flows, and sources and uses of charity fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Islamic window as at 31 December 2025, and results of its operations, changes in owners' equity, its cash flows, and charity fund for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Central Bank of Oman (the "CBO").

In our opinion, the Islamic Window has also complied with the Islamic Shari'a Principles and Rules as determined by the Islamic Window's Shari'a Supervisory Board during the year ended 31 December 2025.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. 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 Islamic Window in accordance with AAOIFI's *Code of Ethics for Accountants and Auditors of Islamic Financial Institutions*, together with the ethical requirements that are relevant to the audits of the financial statements of the public interest entities in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Continued from page 1

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the Islamic Window's undertaking to operate in accordance with Islamic Shari'a Rules and Principles as determined by the Islamic Window's Shari'a Supervisory Board.

The Board of Directors is also responsible for the preparation and fair presentation of the financial statements in accordance with FAS as modified by CBO, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 ASIFIs 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 ASIFIs, 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 Islamic Window's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors 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 Islamic Window'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 Islamic Window to cease to continue as a going concern.

Continued on page 3



Continued from page 2

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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 the Board of Directors 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.

3 March 2026



Statement of financial position

At 31 December

	Note	2025	2024
		₹ 000	₹ 000
Assets			
Cash and balances with Central Bank of Oman	5	37,093	28,258
Receivables from, and participatory investments with, FIs	6	5,781	27,123
Receivables	7	29,552	26,956
Ijarah Muntahia Bittamleek	8	65,737	59,576
Participatory investments	9	726,041	617,610
Investments in Sukuk and shares	10	130,553	123,934
Property and equipment	11	2,078	1,559
Intangible assets	12	1,878	913
Other assets	13	23,402	13,827
Total assets		1,022,115	899,756
Liabilities, quasi-equity and owners' equity			
Liabilities			
Due to FIs	14	13,292	14,164
Due to other counterparties	15	66,548	58,235
Other liabilities	16	23,315	16,478
Total liabilities		103,155	88,877
Quasi-equity			
Participatory accounts	17	795,679	695,530
Reserves of equity of investment accountholders	18	162	109
Total quasi-equity		795,841	695,639
Owners' equity			
Allocated share capital	19	70,000	70,000
Reserves		3,448	(761)
Retained earnings		49,671	46,001
Total owners' equity		123,119	115,240
Total liabilities, quasi equity and owners' equity		1,022,115	899,756
Contingencies and commitments	20	75,520	53,575

The financial statements including notes and other information on pages 313 to 383 were approved by the Board of Directors on 25 January 2026 for issue in accordance with a resolution of Board of Directors and signed on their behalf by:

Chairman

Chief Islamic Banking Officer

Statement of income and other comprehensive income

For the year ended 31 December 2025

	Note	2025	2024
		₹ 000	₹ 000
Income			
Income, gains and losses from:			
Trade-based modes	21	1,432	1,459
Ijarah Muntahia Bittamleek	22	3,670	3,455
Participatory investments	23	41,758	37,995
Investments in Sukuk and shares	24	7,873	6,107
		54,733	49,016
Net income attributable to quasi-equity	25	(30,401)	(29,688)
		24,332	19,328
Other fees and commission income - net	26	4,303	3,531
Other income	27	556	426
Total operating income		29,191	23,285
Operating expenses			
Staff expenses	28	(7,180)	(6,528)
Depreciation and amortization	29	(804)	(666)
Other operating expenses	30	(5,766)	(4,586)
Total operating expenses		(13,750)	(11,780)
Net operating income - before expected credit losses		15,441	11,505
Allowance for expected credit losses - net	31	(11,441)	(2,480)
Bad debts written-off		(330)	(29)
Net income for the year		3,670	8,996
Other comprehensive income			
Items that may subsequently be classified to statement of income			
Fair value changes on investment carried at fair value through other comprehensive income			
		4,209	(1,501)
Total other comprehensive income for the year		4,209	(1,501)
Total comprehensive income		7,879	7,495

Notes to the financial statements from 313 to 383 are an integral part of these financial statements.
Independent auditors report - Pages 305-307.

Statement of changes in owner's equity

For the year ended 31 December 2025

31 December 2025

	Allocated share capital	Investment revaluation reserve	Retained earnings	Total
	₹ 000	₹ 000	₹ 000	₹ 000
Balance at 31 December 2024	70,000	(761)	46,001	115,240
Net income for the year	-	-	3,670	3,670
Other comprehensive income	-	4,209	-	4,209
Total comprehensive income	-	4,209	3,670	7,879
Balance as at 31 December 2025	70,000	3,448	49,671	123,119

31 December 2024

	Allocated share capital	Investment revaluation reserve	Retained earnings	Total
	₹ 000	₹ 000	₹ 000	₹ 000
Balance at 31 December 2023	70,000	740	37,005	107,745
Net income for the year	-	-	8,996	8,996
Other comprehensive income	-	(1,501)	-	(1,501)
Total comprehensive income	-	(1,501)	8,996	7,495
Balance as at 31 December 2024	70,000	(761)	46,001	115,240

Notes to the financial statements from 313 to 383 are an integral part of these financial statements.
Independent auditors report – Pages 305-307.

Statement of changes in cash flows

For the year ended 31 December 2025

	2025	2024
	₹ 000	₹ 000
Cash flows from operating activities		
Net income for the year	3,670	8,996
Less: dividend income	(1,191)	(624)
Adjustments for:		
Depreciation and amortization	804	666
Deferred Ijarah cost amortization	6	3
Depreciation on Ijarah assets	4,276	3,411
Allowance for expected credit losses - net	11,441	2,480
Bad debts written-off	330	29
Amortisation of premium / discount on investment	(77)	(12)
Profit equalisation reserve and Investment risk reserve	53	40
Operating income before changes in operating assets and liabilities	19,312	14,989
Net change in operating assets and liabilities:		
Receivables	(2,695)	2,190
Ijarah Muntahia Bittamleek	(10,567)	(1,146)
Participatory investments	(117,939)	(56,546)
Other assets	(9,436)	2,580
Other liabilities	6,611	561
Qard Hasan from Head Office (operational activities)	(872)	(14,217)
Net cash (used in) operating activities	(115,586)	(51,589)
Cash flows from investing activities		
Purchase of investments	(222,809)	(84,238)
Proceeds from Investments sold / matured	218,458	49,475
Dividend received	1,191	624
Acquisition of property and equipment	(562)	(340)
Acquisition of intangibles	(1,661)	(612)
Net cash (used in) from investing activities	(5,383)	(35,091)
Cash flows from financing activities		
Due to other counterparties	8,313	21,737
Increase in participatory accounts	100,149	68,253
Net cash generated from financing activities	108,462	89,990
(Decrease) / Increase in cash and cash equivalents	(12,507)	3,310
Cash and cash equivalents at the beginning of the year	55,381	52,071
Cash and cash equivalents at the end of the year	42,874	55,381
Cash and cash equivalents at the end of the year comprise:		
Cash and balances with Central Bank of Oman	37,093	28,258
Participatory investments with IFIs	5,781	27,123
	42,874	55,381

Notes to the financial statements from 313 to 383 are an integral part of these financial statements.
Independent auditors report – Pages 305-307.

Statement of sources and uses of charity fund

For the year ended 31 December 2025

	2025	2024
	₹ 000	₹ 000
Sources of charity funds		
Undistributed charity funds at beginning of the year	22	10
Shari'ah non-compliant income	31	22
Total sources of funds during the year	53	32
Uses of charity funds		
Distributed to charity organizations	(22)	(10)
Total uses of funds during the year	(22)	(10)
Undistributed charity funds at end of the year	31	22

Notes to the financial statements from 313 to 383 are an integral part of these financial statements.
Independent auditors report – Pages 305-307.

1 Legal status and principal activities

Dhofar Islamic was established in the Sultanate of Oman as window of Bank Dhofar SAOG (“the Bank”). Dhofar Islamic’s operations commenced on 3 March 2013 and it currently operates through 30 (2024: 25) branches in the Sultanate under the license issued by the Central Bank of Oman on 27 February 2013.

The principal activities of Dhofar Islamic are taking Shari’ah compliant demand, saving and time deposit accounts, providing Murabaha finance, Ijarah financing and other Shari’ah compliant forms of financing as well as managing investor’s money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities.

Dhofar Islamic’s activities are regulated by the Central Bank of Oman (“CBO”) and supervised by Shari’ah Supervisory Board (“SSB”) comprising of five members.

The window is not a separate legal entity. The assets and liabilities presented within the window remain the assets and liabilities of the Bank and are not legally separable from the Bank’s other assets and liabilities. As such legally, the assets of the window may be available to the other claims of the Bank. The separate financial statements of Islamic Banking Window have been prepared to comply with the requirements of Articles 1.5.1.2 to 1.5.1.4 of Title 2 ‘General Obligations and Governance’ of Islamic Banking Regulatory Framework (IBRF) issued by CBO.

1.1 Shari’ah governance framework

The bank has established the Sharia governance framework in accordance with section 2 of title 2 “General Obligations and Governance” of Islamic Banking Regulatory Framework (IBRF) issued by Central Bank of Oman (CBO). In line with the requirements of the same, the window has a comprehensive governance mechanism comprising of Sharia supervisory board, Internal Sharia Reviewer, Sharia compliance function, Internal Sharia audit, Sharia Risk Control. The bank has also appointed external auditors to conduct External Sharia Audit in-line with the criteria mentioned by the CBO.

These functions perform their responsibilities in line with CBO’s requirements related to Sharia governance framework as defined in IBRF. The CBO also require board of directors and those charged with governance to discharge their duties in line with Sharia governance and fiduciary responsibilities.

All business activities, products, transactions, agreements, contracts and other relevant documents are subject to the approval and supervision of the Dhofar Islamic SSB, which meets periodically and consists of five prominent Shari’a scholars appointed by the Shareholders for a period of three years, namely:

Sr. No.	Name	Title
1	Sheikh Abdullah bin Ali bin Aslam Al Shihri	Chairman
2	Sheikh Azzan bin Nasser bin Farfoor Al Amri	Deputy Chairman
3	Sheikh Dr. Abdul Rub bin Salim bin Abdul Rub Al Yafai	Member
4	Sheikh Dr. Hilal bin Hassan bin Ali Al Lawati	Member
5	Dr. Amin Fateh	Member

1.2 Shari’ah rules and principles

The window follows the hierarchy of Shari’ah principles and rules as defined in paragraph 8(k) of FAS 1 “General Presentation and Disclosure in the Financial Statements”.

2 Basis of preparation

2.1 Statement of compliance

In accordance with the requirements of Section 1.2 of Title 3 of the IBRF issued by CBO, the financial statements of Dhofar Islamic are prepared in accordance with the Financial Accounting Standards ("FAS") issued by AAOIFI as modified by CBO; the Shari'ah rules and principles as determined by the SSB of Dhofar Islamic; and the applicable laws and regulations issued by the CBO.

Dhofar Islamic complies with the requirements of AAOIFI, for matters for which no AAOIFI standards exist, Dhofar Islamic uses the relevant International Financial Reporting Standards ("IFRS") or International Accounting Standards ("IAS") as issued by International Accounting Standards Board ("IASB") provided the application does not lead to a conflict with Shari'ah principles and rules and AAOIFI "Conceptual Framework for Financing Reporting by Islamic Financial Institutions ("the conceptual framework").

These financial statements pertain to the Dhofar Islamic operations only and do not include financial results of the Bank. Statement of changes in restricted investment amount, statement of sources of funds in Zakah and statement of sources and uses of funds in Qard Fund have not been presented as these are not applicable / relevant to Dhofar Islamic's operations. A complete set of financial statements of the Bank is presented separately.

2.2 Basis of measurement

The financial statements are prepared on a historical cost basis, except for certain investment securities classified as investments at fair value through other comprehensive income.

2.3 Functional and presentation currency

Items included in Dhofar Islamic's financial statements are presented and measured using Rials Omani ("R") which is the currency of the primary economic environment in which Dhofar Islamic operates. All financial information presented in Rial Omani has been rounded to the nearest thousands, unless mentioned otherwise.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with AAOIFI and IFRS requires management to make judgments, 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

2.5 Change in accounting policy

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.

2 Basis of preparation (continued)

2.6 New standards, interpretations and amendments

For the year ended 31 December 2025, Dhofar Islamic has adopted all the new and revised amendments in standards issued by the AAOIFI that are relevant to its operations and effective for periods beginning on 1 January 2025.

2.6.1 Standards, amendments and interpretations effective in 2025

No new standard(s) and amendment(s) are applied by the Islamic window for the first time for its annual reporting period commencing from 1 January 2025.

2.6.2 Standards issued but not effective from 1 January 2025

- ***FAS 45 Quasi-Equity (Including Investment Accounts)***

AAOIFI had issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt. The window does not expect any significant impact on the adoption of this standard.

- ***FAS 46 Off-Balance-Sheet Assets Under Management***

AAOIFI had issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'ah and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management. This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)". The window does not expect any significant impact on the adoption of this standard.

2 *Basis of preparation (continued)*

2.6 *New standards, interpretations and amendments (continued)*

2.6.2 *Standards issued but not effective from 1 January 2025 (continued)*

- ***FAS 47 Transfer of Assets Between Investment Pools***

AAOIFI had issued Financial Accounting Standard (“FAS”) 47 “Transfer of Assets Between Investment Pools” during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution. The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification. The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. The window does not expect any significant impact on the adoption of this standard.

- ***FAS 48 Promotional Gifts and Prizes***

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) Promotional Gifts, where entitlement to gifts is declared instantly; b) Promotional Prizes, that are announced in advance to be awarded at a future date and c) Loyalty Programs, where the obligation is accumulated over the period. This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt. The window does not expect any significant impact on the adoption of this standard.

- ***FAS 49 Financial Reporting for Institutions Operating in Hyperinflationary Economies***

AAOIFI has issued FAS 49 Financial Reporting for institutions Operating in Hyperinflationary Economies in 2024. The objective of this standard is to establish the principles of financial reporting for the institutions applying AAOIFI FASs operating in hyperinflationary economies, duly considering the relevant Shari’ah principles and rules and their unique business models. This standard applies to the institutions preparing financial statements in line with the requirements of AAOIFI FASs, whose functional currency is the currency of a hyperinflationary economy. The standard will be effective from the financial periods beginning on or after 1 January 2026 with earlier adoption being permitted. The window does not expect any significant impact on the adoption of this standard.

2 *Basis of preparation (continued)*

2.6 *New standards, interpretations and amendments (continued)*

2.6.2 *Standards issued but not effective from 1 January 2025 (continued)*

- ***FAS 51 Participatory Ventures***

AAOIFI has issued FAS 51 Participatory Ventures in 2025. The objective of this standard is to prescribe the principles of accounting and financial reporting for the participatory ventures. This standard applies to participatory ventures, in respect of accounting and financial reporting by the investor(s), the working partner(s), as well as the participatory ventures. Participatory venture is a business venture constituted based on a Shari'ah compliant participatory structure, being a virtual entity but not a legal entity, including Musharaka and Mudaraba (or any similar structure creating a Shari'ah compliant partnership, irrespective of the nomenclature). The standard will be effective from the financial periods beginning on or after 1 January 2027 with earlier adoption being permitted. Based on the initial review, Management believes that there is no significant impact on Dhofar Islamic's financial statements.

- ***FAS 52 Deferred Delivery Sales - Salam and Istisna***

AAOIFI had issued Financial Accounting Standard ("FAS") 52 "Deferred Delivery Sales – Salam and Istisna" during 2025. This standard replaces FAS 7 Salam and Parallel Salam, and FAS 10 Istisna'a and Parallel Istisna'a. The objective of this standard is to establish guidance on the accounting and financial reporting principles for recognition, measurement, presentation and disclosures to apply in relation to deferred delivery sales transactions (comprising Salam and Istisna sales transactions) for the respective buyers and sellers. This standard applies to accounting and financial reporting for deferred delivery sales transactions carried out under Shari'ah principles and rules by Islamic financial institutions following FAS issued by AAOIFI, except for certain Istisna based transactions and contracts.

This standard shall be effective for the financial periods beginning on or after 1 January 2027 with an option to early adopt. The window does not expect any significant impact on the adoption of this standard.

- ***Withdrawal of FAS 26 Investment in Real Estate and Related Transitional Provisions***

AAOIFI issued a guidance relating to withdrawal of FAS 26 Investment in Real Estate and related transitional provisions ("Guidance"). Following the withdrawal, investment in real estate shall be accounted for in accordance with IAS 40 Investment property. This guidance is effective for the periods beginning on or after 1 January 2027 and with an option to early adopt. The window does not expect any significant impact on the adoption of this standard.

3 Significant accounting policies

The accounting policies set below have been consistently applied in dealing with items that are considered material in relation to Dhofar Islamic's financial statements to the period presented.

3.1 Cash and cash equivalents

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

3.2 Murabaha and other receivables

Murabaha and Musawama receivables are stated net of deferred profits, any amounts written off and provision for expected credit losses, if any.

In these transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis. Unlike Murabaha, it is not necessary to disclosure the profit element to the customer in Musawama.

Murabaha and Musawama receivables are sales on spot / deferred payment terms. The Bank arranges a transaction by buying goods (which represents the object of underlying contract) and then sells these goods to Customer (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is paid in instalments by the Customer over the agreed period. (Promise made in the Murabaha to the purchase orderer is not obligatory upon the customer or the Bank considers promise made in the Murabaha to the purchase orderer as obligatory).

Credit card receivable is based on the Islamic financial principle of profit-free Qard Hasan whereby the customer is required to repay the disbursed amount without any profit. In addition, the customer will be charged a monthly fee which could be waived off at the discretion of bank. Other receivable also include travel and education finance which is based on the Islamic financial principle of Service Ijarah where by the Bank purchases the service from service providers and then leases that service to the customer for an agreed service charge.

3.3 Ijarah assets

Bank as lessor: Ijarah Muntahia Bittamleek assets are initially recorded at cost. Ijarah Muntahia Bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease term), provided that all Ijarah instalments are settled. Depreciation is calculated as per Equal Monthly Instalment (EMI) method as per the terms agreed with customer.

Bank as lessee: Dhofar Islamic initially recognises right-of-use assets, Ijarah liability and deferred Ijarah cost at the commencement date of the lease. The right-of-use asset shall comprise of the prime cost; initial direct cost; and dismantling or decommissioning cost. The gross Ijarah liability shall be initially recognized as gross amount of total Ijarah rentals payable for the Ijarah term. Deferred Ijarah cost is the difference between the gross Ijarah liability and prime cost of right-of-use asset. Dhofar Islamic amortizes the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset which coincides with the end of Ijarah term. Gross Ijarah liability is reduced to reflect the Ijarah rentals made. Deferred Ijarah cost is amortized over the Ijarah term on a time proportionate basis.

3 Significant accounting policies (continued)

3.4 Mudaraba

Mudaraba is stated at the fair value of consideration given less any expected credit losses.

Mudaraba is a partnership in profit whereby one party provides capital (Rab al-maal) and the other party provides labour (Mudarib). In case Mudaraba capital is lost or damaged without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Bank. In case of termination or liquidation, unpaid portion by Mudarib is recognised as receivable due from Mudarib.

3.5 Diminishing Musharaka

Diminishing Musharaka is a contract, based on *Shirkat-ul-Mulk*, between the Bank and a customer for joint ownership of a fixed asset (e.g. house, land, plant or machinery). The Bank divides its share in the fixed asset into units and gradually transfers the ownership of these units to a customer (at carrying value). The use of Bank's share to the customer is based on an Ijarah agreement. Diminishing Musharaka is stated at the fair value of the consideration given, less any expected credit losses.

3.6 Wakala

Wakala is a contract where the Muwakil will enter into the Wakala agreement with the Wakil and establish a contractual and commercial relations between the parties by providing Wakala capital (Ras al Mal) to be utilized in customer's core business. The Wakil provides specialist work using its skill to manage the business. Dhofar Islamic enters into the Wakala agreement with the customer both as a principal and as an agent.

3.6.1 Investment Agency as a Principal

Investments made by Dhofar Islamic under investment agency instrument are accounted for under the Wakala venture approach based on the premise that the assets change frequently and hence the objective is not actually to hold a single asset through an agent and rather the intention is to maintain a revenue stream through series of investments.

Dhofar Islamic initially recognizes the investment made as an investment in Wakala venture at cost, at the time when it is made available to the agent for investment. In case the where the investment is made available to the agent, but the contract is yet to be initiated, such amount is represented as an Advance against investment in Wakala venture.

The investment in a Wakala venture is measured at the end of a financial period at carrying amount and is adjusted to include the investor's share in the profit or loss of the Wakala venture, net of any agent's remuneration payable as of that date. At the end of each period end, impairment in the value of investment in Wakala venture is determined in accordance with impairment policy under 3.8.

3.6.2 Investment Agency as an Agent

Deposits obtained from customers under the investment agency arrangement are recognized under on-balance sheet approach whereby, since the agent (Dhofar Islamic) controls the related assets and hence records the assets and related income and expenditure in the books of account.

3 Significant accounting policies *(continued)*

3.6 Wakala

3.6.2 Investment Agency as an Agent

Dhofar Islamic recognizes the deposits obtained under the investment agency arrangement as a quasi-equity instrument for accounting purpose, as the investment agency instrument is subordinated to all liabilities of the agent, but the same is neither perpetual nor convertible to ordinary share capital of the agent.

3.7 Investments

Investments comprise of equity-type, debt-type (including monetary and non-monetary), and other investment instruments classified as fair value through equity, fair value through income statement, or at amortised cost.

All investments are initially recognised at the fair value plus transaction costs, except for investments at fair value through statement of income. Transaction costs relating to investment at fair value through income statement are charged to the income statement when incurred.

Fair value through equity

Investments which are held with the objective of both collecting the expected cashflow and selling the investment and represent a non-monetary debt-type instrument are measured at investment at fair value through equity.

Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owner's equity and equity of investment account holders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in the owner's equity or equity of investment account holders is recognised in the statement of income. Where a reliable measure of fair value for equity instruments is not available, these are measured at cost. Investments carried at fair value through equity are tested for impairment at each reporting period in accordance with impairment policy under 3.8.

Fair value through income

Investments are measured at investment at fair value through income if it is not measured at fair value through equity or at amortised cost.

Subsequent to acquisition, investments designated at fair value through statement of income are re-measured at fair value with the resultant re-measurement gains or losses recognised in the statement of income taking into consideration the split between the portion related to owners' equity and the portion related to the equity of profit and loss taking stakeholders, including investment account holders. All other income and expenses arising from these investments are also recognised in the statement of income.

3 Significant accounting policies (continued)

3.7 Investments (continued)

Amortised cost

Investments which are held with the objective of both collecting the expected cashflow till maturity of the instrument and represent a debt-type instrument are measured at amortised cost.

Subsequent to acquisition, investment carried at amortised cost are re-measured at the end of each reporting period. All gains or losses arising from the amortisation process and those arising from de-recognition or impairment of the investment, are recognised in the statement of income. Investments carried at amortised cost are tested for impairment at each reporting period in accordance with impairment policy under 3.8.

Fair value is determined for each investment individually in accordance with the valuation policies set out below:

- For quoted investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- For unquoted investments, fair value is determined by reference to recent significant buy or sell transaction with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Islamic window using current profit rates. For investments with similar terms and risk characteristics.
- Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less impairment loss, if any.

3.8 Impairment and credit losses

Dhofar Islamic has adopted FAS 30 Impairment and credit losses and onerous commitments for the purpose of recognizing impairment allowance. Since all financing, investments and receivables from customers are subject to credit risk, therefore, Dhofar Islamic has applied the credit loss approach for determining and measuring the estimated credit loss under different stages of credit risk.

The Islamic window recognises impairment provision for Expected Credit Loss (ECL) on the following financial instruments:

- balances with Central Bank of Oman
- receivable from FIs
- financial assets that are debt-type instruments;
- financing receivables;
- financial guarantee contracts issued
- financing commitments issued; and
- other assets (acceptances and accrued profit).

3 Significant accounting policies (continued)

3.8 Impairment and credit losses (continued)

No ECL is recognised on equity investments.

The Islamic window measures impairment provision at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

12-month ECL is 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'.

Life-time 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'.

Impairment provision 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)

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

3 Significant accounting policies *(continued)*

3.8 Impairment and credit losses *(continued)*

Details of these statistical parameters / inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Dhofar Islamic expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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

- undrawn financing commitments: at the present value of the difference between the contractual cash flows that are due to the Dhofar Islamic if the commitment is drawn down and the cash flows that the Islamic window expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Dhofar Islamic expects to recover.

Credit impaired financial assets

At each reporting date, Dhofar Islamic assesses whether financial assets carried at amortised cost and debt securities carried at fair value through equity 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 customer or issuer;
- a breach of contract such as a default or past due event;
- restructuring of a financing by Dhofar Islamic on terms that Dhofar Islamic would not consider otherwise;
or
- it is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

3 Significant accounting policies *(continued)*

3.8 Impairment and credit losses *(continued)*

Credit impaired financial assets (continued)

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. Dhofar Islamic assesses whether debt instruments that are financial assets measured at amortised cost or fair value through equity are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, Dhofar Islamic considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance; and
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

A financing is considered credit-impaired when a concession is granted to the customer due to a deterioration in the customer's financial condition, unless there is an 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 below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

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.

Macroeconomic factors

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

Assessment of significant increase in credit risk

Dhofar Islamic 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-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

3 Significant accounting policies *(continued)*

3.8 Impairment and credit losses *(continued)*

Assessment of significant increase in credit risk (continued)

The common assessments for SICR on financial assets include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors is 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 rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Presentation of allowance for ECL in the statement of financial position

Allowance for ECL is presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through equity: no provision is recognized in the Statement of Financial Position because the carrying value of these assets is their fair value. However, the provision determined is disclosed and recognised in the fair value reserve; and
- Off-balance sheet credit risks include undrawn financing commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

Definition of default

Dhofar Islamic considers a financial asset to be in default when:

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

Credit facilities like overdrafts, line of credit etc. where no definite repayments are pre-determined are treated as past due if the outstanding balance remains continuously in excess of 10% of the sanctioned / authorized limit or in cases where the outstanding balance in the principal operating account is less than the sanctioned / authorized limit, but there are not enough credits in the account to cover the profit charged or unauthorized drawings have frequently been allowed.

3 Significant accounting policies (continued)

3.8 Impairment and credit losses (continued)

Definition of default (continued)

In assessing whether a counterparty is in default, the Islamic window considers indicators that are:

- Qualitative – e.g. breaches of covenant;
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Islamic window; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The Islamic window follows the definition of default as stipulated in CBO guidelines (BM 977 and subsequent guidelines issued by CBO).

For accounting of restructuring and modification losses, refer note 36.1.3.

3.9 Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment loss. Depreciation is calculated so as to write-off the cost of property and equipment, other than freehold land and capital work-in-progress, on straight line basis over their estimated useful lives from the date the asset is brought into use. The estimated useful lives are as follows:

	<i>Years</i>
Furniture, fixtures and equipment	3 - 7
Motor vehicles	3 - 5
Computer hardware	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to statement of 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 recognized in statement of income as an expense when incurred.

3.10 Intangibles

Intangible assets, including computer software and core banking system, are amortised over their estimated useful life of 4-10 years and carried at net of accumulated amortisation and impairment losses.

3 Significant accounting policies (continued)

3.11 Collaterals pending for sale

The Islamic window occasionally acquires real estate in settlement of certain receivables and financing. Real estate is stated at the lower of the net realisable value of the related receivables and financing 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 income.

3.12 Qard accounts

Balances in Qard accounts do not carry any return and are recognized when received by the window. The transactions are measured as the amount received by the window at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

3.13 Equity of investment accountholders

Equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled.

Equity of investment accountholders' share of income is calculated based on the income generated from investment accounts after deducting Mudarib's share. Operating expenses are charged to shareholders' funds and not included in the calculation.

The basis applied by the window in arriving at the equity of investment accountholders' share of income is total income from jointly financed Islamic assets less shareholders' income. Pre-agreed profit share generated from equity of investment accountholders is deducted as Mudarib's share after deducting profit equalisation reserve and the remaining amount is distributed to the equity of investment accountholders after deducting investment risk reserve.

3.14 Profit equalisation reserve

Dhofar Islamic appropriates certain amount in excess of the profit to be distributed to equity of investment accounts before taking into consideration the Mudarib share of income. This will be used to maintain a certain level of return on investment for equity of investment accountholders.

3.15 Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating Mudarib's share, to cater against future losses for equity of investment accountholders.

3.16 Provisions

A provision is recognised in the statement of financial position when Dhofar Islamic has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated.

3.17 Joint and self-financed

Investments, financing and receivables that are jointly owned by Dhofar Islamic and the equity of investment accounts holders are classified under the caption "jointly financed" in the financial statements. Investments, financing and receivables that are financed solely by Dhofar Islamic are classified under "self-financed".

3 Significant accounting policies (continued)

3.18 Funds for Dhofar Islamic

Dhofar Islamic functions with funds specifically available for Islamic Banking activities and there is no commingling of funds with conventional banking financial business.

3.19 Wa'ad

Wa'ad is a unilateral undertaking (constructive obligation) assumed by a party to the arrangement. The unilateral promise is understood to be binding in Shari'ah on the individual who makes it unless a legitimate excuse under Shari'ah arises and prevents its fulfilment.

Ancillary Wa'ad is a Wa'ad arrangement, where the customer, as a promisor, enters into the Wa'ad arrangement, which is ancillary to the core contracts of Murabaha, Ijarah and Diminishing Musharaka. Product Wa'ad is a Wa'ad arrangement, which is used as a stand-alone Shari'ah compliant arrangement in itself. An arrangement where the Bank enters into a foreign exchange forward promise with customers, give rise is recognised as product Wa'ad.

3.20 Revenue recognition

3.20.1 Murabaha and Musawama receivables

Profit from Murabaha and Musawama receivables are recognised on time apportioned basis from the date of contract. Income related to non-performing accounts is excluded from statement of income.

3.20.2 Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek assets is recognised on a time-apportioned basis over the lease term, net of depreciation of underlying asset. Income related to non-performing Ijarah Muntahia Bittamleek assets is excluded from statement of income.

3.20.3 Mudaraba financing

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas the losses are charged to statement of income on declaration by the Mudarib. Income related to non-performing accounts is excluded from statement of income.

3.20.4 Diminishing Musharaka Financing

Income from Diminishing Musharaka is recognised on time-apportioned basis over the lease term from the Bank's right to receive payment is established. The right to receive payment is established when a customer enters into an Ijarah agreement for acquiring Bank's ownership in the fixed asset. Income related to non-performing accounts is excluded from statement of income.

3.20.5 Wakala financing

Revenues, expenses, gains and losses, arising from investment in Wakala venture as well as the respective, agent's remuneration (including both, fixed fee and variable remuneration) are recognised periodically, on a net basis.

3.20.6 Dividends

Dividends are recognised when the right to receive payment is established.

3 Significant accounting policies (continued)

3.20 Revenue recognition (continued)

3.20.7 Fee and Commission income

Fee and commission income is recognised when earned.

3.20.8 Dhofar Islamic's share as a Mudarib

Dhofar Islamic's share as a Mudarib for managing equity of investment accountholders is accrued based on the terms and conditions of the related Mudaraba agreements.

3.20.9 Income allocation

Income from jointly financed activities is allocated proportionately between equity of investment accountholders in accordance to their pre-agreed assigned weightages and shareholders on the basis of the average balances outstanding during the year.

3.20.10 Profit suspension

Profit receivable which is doubtful of recovery is excluded from the profit recognised until it is received in cash.

3.21 Zakah

The responsibility of payment of Zakah is on individual shareholders and investment accountholders. Dhofar Islamic is neither obliged to collect and pay Zakah by any law, regulation, constitutional documents, resolution of shareholders, and contractual agreement with any of its stakeholder; nor acts as an agent to pay Zakah on behalf of any of the stakeholders.

3.22 Taxation

Dhofar Islamic is an Islamic banking window of Bank Dhofar SAOG, hence it is not taxable on a stand-alone basis as per the prevailing tax laws of Oman. Accordingly, no current tax and deferred tax has been accounted for in these financial statements.

Bank Dhofar SAOG is taxable on combined results i.e. including Dhofar Islamic's financial results, accordingly income tax is accounted for as per IFRS in the financial statements of Bank Dhofar SAOG. Currently, Bank Dhofar SAOG does not allocate income tax charge to Dhofar Islamic. The notional tax expense on Dhofar Islamic's result for the year at the statutory effective tax rate would amount to **₹** 301 thousand (2024: **₹** 1,349 thousand). Had the taxation been allocated, following would have been the impact:

	2025 ₹ 000	2024 ₹ 000
Profit after tax	3,369	7,647
Retained earnings	40,101	36,732
Capital adequacy ratio	11.87%	13.78%

3 Significant accounting policies *(continued)*

3.23 Employees' 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 income as incurred.

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

3.24 Shari'ah non-compliant income and charity

All the funds mobilised and income earned by Dhofar Islamic is from Islamic sources. Dhofar Islamic is committed to avoid recognizing any income generated from non-Shari'ah compliant sources. Accordingly, all non-Islamic income is credited to a charity account where Dhofar Islamic uses these funds for social welfare activities. It includes but not limited to cases/transactions classified by Shari'ah as non-compliant income and approved by the SSB to be forfeited, interest paid by other banks on Nostro accounts, late payment fee received from the customer in financing and investment transaction.

3.25 Foreign currency translations

At initial recognition, foreign currency transaction is translated into the functional currency using the exchange rate prevailing at the date of the transaction. Subsequently, the transaction is measured at exchange rate applicable at the reporting date, in case of monetary assets and liabilities. Exchange differences arising from settlement or translation at rates that are different from those at the time of initial recognition is reported in the statement of income.

3.26 Offsetting

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

Income and expenses are presented on a net basis only for permitted transactions.

3.27 Trade date accounting

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

3 Significant accounting policies (continued)

3.28 Segment reporting

A segment is a distinguishable component of Dhofar Islamic that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Dhofar Islamic currently operates only in the Sultanate of Oman. Dhofar Islamic's primary format for reporting segmental information is business segments, based upon management and internal reporting structure which are regularly reviewed by the Bank's Chief Operating Decision Maker (CODM). Dhofar Islamic's main business segments are retail banking, corporate banking, and treasury & investments.

3.29 Fiduciary assets

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

4 Critical accounting judgment and key sources of estimation uncertainty

4.1 Classification of investment under Wakala as Wakala Venture

Investments made under Wakala can be classified under pass-through approach or Wakala venture approach. Dhofar Islamic has opted to apply Wakala venture approach based on the condition that the investment is made in a single asset (or pool of assets) where such assets are subject to frequent changes throughout the term of the contract.

4.2 Significant increase in 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. 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.

4.3 Establishing Groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

4 Critical accounting judgment and key sources of estimation uncertainty *(continued)*

4.4 Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment 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.

4.5 Key sources of estimation uncertainty

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

- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market 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.
- Fair value measurement and valuation process: In estimating the fair value of a financial asset, the Islamic window uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Islamic window uses valuation models to determine the fair value of its financial instruments.

4.6 Useful life of property and equipment and Ijarah Muntahia Bittamleek

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

4.7 Taxation

Judgement applied by Dhofar Islamic in respect of taxation is covered under 3.22.

5 Cash and balances with Central Bank of Oman

	2025 ₹ 000	2024 ₹ 000
Cash in hand	4,179	3,635
Balances with Central Bank of Oman (5.1)	31,374	24,623
Participatory investment with Central Bank of Oman	1,540	-
	37,093	28,258

5.1 This represents the clearing account balances with Central Bank of Oman.

6 Receivables from, and participatory investments with, IFIs

Current / non-remunerative:

Head office – foreign currency	1	503
Foreign IFIs – foreign currency	3,855	2,750

Participatory investments with IFIs (6.1):

Local IFIs – foreign currency	1,925	8,470
Foreign IFIs – foreign currency	-	15,400
	5,781	27,123
Less: allowance for expected credit losses (note 31)	-	-
	5,781	27,123

6.1 At 31 December 2025, placement with one local bank individually represented 20% or more of the Islamic window's placements (2024: One overseas and one local bank individually represented 20% or more).

7 Receivables

Trade-based receivables (7.1)	27,282	25,446
Other than trade-based receivables (7.2)	2,748	1,893
Less: profit suspended (note 31)	(30)	(34)
Less: allowance for expected credit losses (note 31)	(448)	(349)
	29,552	26,956

7.1 Trade-based receivables

Murabaha receivables – gross	32,377	30,069
Less: deferred profit	(5,127)	(4,655)
Murabaha receivables – net	27,250	25,414
Ujrah receivables – gross	38	38
Less: deferred profit	(6)	(6)
Ujrah receivables – net	32	32
Total trade-based receivables	27,282	25,446
Less: profit suspended (note 31)	(30)	(34)
Less: allowance for expected credit losses (note 31)	(411)	(325)
	26,841	25,087

7 Receivables (continued)

7.2 Other than trade-based receivables

	2025 R 000	2024 R 000
Qard receivables – credit card	2,748	1,893
Less: allowance for expected credit losses (note 31)	<u>(37)</u>	<u>(24)</u>
	<u>2,711</u>	<u>1,869</u>

8 Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek – through gift or sale after the end of lease term

	66,696	60,405
Less: allowance for expected credit losses (note 31)	<u>(959)</u>	<u>(829)</u>
	<u>65,737</u>	<u>59,576</u>

8.1 Future lease rentals – liquidity schedule

	2025			Total R 000
	Past Due R 000	Due within one year R 000	Due within 1 to 5 years R 000	
Ijarah Muntahia Bittamleek – through gift or sale after the end of lease term	<u>825</u>	<u>11,641</u>	<u>76,901</u>	<u>89,367</u>
	2024			Total R 000
	Past Due R 000	Due within one year R 000	Due within 1 to 5 years R 000	
Ijarah Muntahia Bittamleek – through gift or sale after the end of lease term	<u>708</u>	<u>8,896</u>	<u>74,908</u>	<u>84,512</u>

9 Participatory investments

	2025 R 000	2024 R 000
Mudaraba unrestricted (9.1)	4,851	4,601
Diminishing Musharaka (9.2)	589,938	528,697
Al-Wakala Bi Al-Istithmar (9.3)	<u>159,293</u>	<u>103,150</u>
	754,082	636,448
Less: profit suspended for Mudaraba and Wakala (note 31)	(104)	(79)
Less: allowance for expected credit losses (note 31)	<u>(27,937)</u>	<u>(18,759)</u>
	<u>726,041</u>	<u>617,610</u>

9.1 Mudaraba unrestricted:

Mudaraba	4,851	4,601
Less: profit suspended	(52)	(27)
Less: allowance for expected credit losses	<u>(81)</u>	<u>(140)</u>
	<u>4,718</u>	<u>4,434</u>

9 Participatory investments (continued)

9.2 Diminishing Musharaka:

	2025 ₹ 000	2024 ₹ 000
Diminishing Musharaka	589,938	528,697
Less: allowance for expected credit losses	<u>(27,270)</u>	<u>(17,748)</u>
	<u>562,668</u>	<u>510,949</u>

9.3 Wakala - venture approach

Investment brought forward	103,150	100,670
Investment acquired during the year at cost	251,234	121,823
Investor's share in income of Wakala venture	1,042	501
Less: periodic capital redemptions	<u>(196,133)</u>	<u>(119,844)</u>
	159,293	103,150
Less: profit suspended	(52)	(52)
Less: allowance for expected credit losses	<u>(586)</u>	<u>(871)</u>
	<u>158,655</u>	<u>102,227</u>

10 Investments in Sukuk and shares

Investments in Sukuk - net (10.1)	114,415	112,744
Investments in shares - net (10.2)	<u>16,138</u>	<u>11,190</u>
	<u>130,553</u>	<u>123,934</u>

10.1 Investments in Sukuk

Fair value through other comprehensive income:

i) Non-monetary debt type Sukuk:

Local listed Sukuk	12,650	12,620
International unlisted Sukuk	50,050	18,480
Sovereign Sukuk	<u>37,854</u>	<u>67,473</u>
	100,554	98,573
Less: allowance for expected credit losses (note 31)	<u>(2,142)</u>	<u>(130)</u>
Total investments in debt type Sukuk	<u>98,412</u>	<u>98,443</u>

ii) Equity type Sukuk:

Local listed Sukuk	7,054	6,943
International listed Sukuk	<u>3,837</u>	<u>2,253</u>
	10,891	9,196
Less: allowance for expected credit losses (note 31)	<u>(28)</u>	<u>(22)</u>
Total investments in equity type Sukuk	<u>10,863</u>	<u>9,174</u>

Amortised Cost:

i) Non-monetary debt type Sukuk:

Sovereign Sukuk	5,140	5,127
Total investments in debt type Sukuk	<u>5,140</u>	<u>5,127</u>

Total investments in Sukuk

	<u>114,415</u>	<u>112,744</u>
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10 Investments in Sukuk and shares (continued)

10.2 Investments in shares

	2025 ₹ 000	2024 ₹ 000
Fair value through other comprehensive income:		
Local listed shares	16,138	11,190
Total investments in shares	16,138	11,190

During the year movement in investments value (excluding expected credit losses and impairment) at fair value through other comprehensive income and amortised cost:

	2025			
	Non-monetary debt type	Equity type	Shares	Total
	Sukuk	Sukuk		
	₹ 000	₹ 000	₹ 000	₹ 000
At 1 January	103,700	9,196	11,190	124,086
Additions	220,223	1,710	876	222,809
Disposals / Redemption	(218,265)	(193)	-	(218,458)
Gain from change in fair value	13	124	4,072	4,209
Amortisation of discount / premium - net	23	54	-	77
At 31 December	105,694	10,891	16,138	132,723
	2024			
	Non-monetary debt type	Equity type	Shares	Total
	Sukuk	Sukuk		
	₹ 000	₹ 000	₹ 000	₹ 000
At 1 January	77,356	8,375	5,081	90,812
Additions	77,149	-	7,089	84,238
Disposals / Redemption	(49,475)	-	-	(49,475)
Gain / (loss) from change in fair value	(1,284)	763	(980)	(1,501)
Amortisation of discount / premium - net	(46)	58	-	12
At 31 December	103,700	9,196	11,190	124,086

During the year changes in valuations for each level of investments:

	2025 ₹ 000	2024 ₹ 000
Gain / (loss) on Level 1 investments	4,209	(1,525)
Gain on Level 2 investments	-	24
Total gain / (loss) on investments	4,209	(1,501)

11 Property and equipment

	2025					
	Furniture, fixtures & equipment ₹ 000	Motor vehicles ₹ 000	Computer hardware ₹ 000	Right-of-Use Asset ₹ 000	Capital work in progress ₹ 000	Total ₹ 000
Cost						
at 1 January	2,356	58	955	137	404	3,910
Additions	-	-	-	65	562	627
Disposals / Transfers	428	-	136	-	(223)	341
at 31 December	2,784	58	1,091	202	743	4,878
Accumulated depreciation						
at 1 January	(1,680)	(42)	(590)	(39)	-	(2,351)
Charge for the year	(230)	(6)	(167)	(46)	-	(449)
Disposals	-	-	-	-	-	-
at 31 December	(1,910)	(48)	(757)	(85)	-	(2,800)
Net carrying value at 31 December	874	10	334	117	743	2,078
	2024					
	Furniture, fixtures & equipment ₹ 000	Motor vehicles ₹ 000	Computer hardware ₹ 000	Right-of-use Asset ₹ 000	Capital work in progress ₹ 000	Total ₹ 000
Cost						
at 1 January	2,150	81	846	70	201	3,348
Additions	-	19	-	67	321	407
Disposals / Transfers	206	(42)	109	-	(118)	155
at 31 December	2,356	58	955	137	404	3,910
Accumulated depreciation						
at 1 January	(1,483)	(81)	(449)	(16)	-	(2,029)
Charge for the year	(197)	(3)	(142)	(23)	-	(365)
Disposals	-	42	1	-	-	43
at 31 December	(1,680)	(42)	(590)	(39)	-	(2,351)
Net carrying value at 31 December	676	16	365	98	404	1,559

12 Intangible assets

	2025 ₹ 000	2024 ₹ 000
Cost		
at 1 January	3,284	2,870
Additions	1,661	612
Transfers to property and equipment	(341)	(198)
at 31 December	4,604	3,284
Accumulated amortisation		
at 1 January	(2,371)	(2,070)
Charge for the year	(355)	(301)
at 31 December	(2,726)	(2,371)
Net carrying value at 31 December	1,878	913

13 Other assets

	2025 ₹ 000	2024 ₹ 000
Accrued profit	15,939	12,182
Prepayments and advances	297	716
Collaterals pending sale	6,660	-
Others	1,654	1,542
Acceptances	2,287	2,142
	<u>26,837</u>	<u>16,582</u>
Less: profit suspended (note 31)	(3,424)	(2,750)
Less: allowance for expected credit losses on accrued profit (note 31)	(11)	(5)
Total	<u><u>23,402</u></u>	<u><u>13,827</u></u>

14 Due to Fls

Qard payables – Head Office:

Qard Term (14.1)	-	10,000
Current clearing account (14.2)	13,292	4,164
	<u>13,292</u>	<u>14,164</u>

14.1 This amount represents profit-free Qard Hasan facility obtained on real need basis from Head Office for a specific period as part of Dhofar Islamic's liquidity management.

14.2 This amount represents the vostro account of Dhofar Islamic opened with Head Office.

15 Due to other counterparties

Qard accounts (15.1)	54,630	50,945
Margin accounts	11,918	7,290
	<u>66,548</u>	<u>58,235</u>

15.1 Qard accounts

By sector:

Retail	8,293	7,849
Corporate	38,787	43,008
Government	7,550	88
Total	<u><u>54,630</u></u>	<u><u>50,945</u></u>

16 Other liabilities

Net Ijarah liability (16.1)	107	74
Provisions (16.2)	10,136	6,480
Payables	4,267	1,897
Profit payables	5,039	4,970
Charity fund	31	22
Others	1,448	893
Acceptances	2,287	2,142
Total	<u><u>23,315</u></u>	<u><u>16,478</u></u>

16 Other liabilities (continued)

16.1 Net Ijarah liability

16.1.1 Summary of gross and net Ijarah liability distributed as per amount due:

	2025		2024	
	Gross Ijarah	Net Ijarah	Gross Ijarah	Net Ijarah
Within next 12 months	70	66	39	36
More than 12 months but within next 5 years	43	41	40	38
Total	113	107	79	74

16.1.2 Unamortized deferred Ijarah cost movement:

	2025	2024
	₹ 000	₹ 000
At 1 January	5	5
Recognized during the year	7	3
Amortized during the year	(6)	(3)
At 31 December	<u>6</u>	<u>5</u>

16.2 Provisions:

Provision for employee benefits	272	293
Others provision	9,534	5,867
Allowance for expected credit losses of off-balance sheet items (note 31)	330	320
Total	10,136	6,480

17 Participatory accounts

Al-Wakala Bi Al-Istithmar – FIs (17.1)	-	62,730
Al-Wakala Bi Al-Istithmar – customers (17.2)	662,103	532,855
Mudaraba – customers (17.3)	133,576	99,945
Total	795,679	695,530

17.1 Al-Wakala Bi Al-Istithmar – FIs

Head office – foreign currency	-	3,850
Local FIs – local currency	-	25,000
Local FIs – foreign currency	-	8,855
Foreign FIs – foreign currency	-	25,025
Total	-	62,730

At 31 December 2025, inter bank borrowings were Nil (2024: inter bank borrowings with one local and one foreign FIs represented 20% or more of the Islamic window's due to banks).

17.2 Al-Wakala Bi Al-Istithmar – customers

Call accounts	264,158	178,032
Term deposit accounts	397,945	354,823
Total	662,103	532,855

17 Participatory accounts (continued)

17.3 Mudaraba – customers

	2025 ₹ 000	2024 ₹ 000
Saving account	132,631	99,542
Saving recurring deposits	945	403
Total	133,576	99,945

There is no restricted investment at reporting date.

Basis of distribution of the profit between owners' equity and equity of investment accountholders (Mudaraba deposits)

Under the Mudaraba deposit contract, the investment profits are distributed between owners' equity and equity of investment accountholders for the period ended 31 December 2025 and 2024 as follows:

	2025 %	2024 %
Equity of investment accountholders share	50%	50%
Mudarib's share	50%	50%

The profit equalisation reserve is the amount Dhofar Islamic appropriates in excess of the profit to be distributed to equity of investment accountholders before allocating the Mudarib's share of income to maintain a certain level of return. Profit equalisation reserve will revert to owner's equity and equity of investment accountholders as per terms and condition of Mudaraba contract. Equity of investment accountholders funds are commingled with Dhofar Islamic's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged to Dhofar Islamic.

The investment risk reserve is deducted from investment accountholders share after allocating the Mudarib's share of income as per the approved policy in order to cater against future losses of equity of investment accountholders. Investment risk reserve will revert to the investment accountholders as per terms and conditions of Mudaraba contract.

18 Reserves of equity of investment accountholders

	2025 ₹ 000	2024 ₹ 000
Profit equalization reserve (18.1)	130	87
Investment risk reserve (18.2)	32	22
Total	162	109

18.1 Movement in profit equalisation reserve

Balance as at 1 January	87	55
Amount apportioned from income allocable to quasi-equity	43	32
Balance as at 31 December	130	87

18 Reserves of equity of investment accountholders (continued)

18.2 Movement in investment risk reserve

	2025 ₹ 000	2024 ₹ 000
Balance as at 1 January	22	14
Amount apportioned from income after Mudarib shared	10	8
Balance as at 31 December	32	22

19 Allocated share capital

During 2024 and 2025, there was no increase in the assigned capital of Dhofar Islamic.

20 Contingencies and commitments

20.1 Contingent items

Letters of credit and other commitments for which there are corresponding customer liabilities:

Letters of credit	5,826	9,177
Guarantees	69,694	44,398
Total	75,520	53,575

20.2 Commitments

Contractual commitments for property and equipment	1,128	1,353
Unutilised limits of funded and non-funded exposure	114,540	101,588

20.3 Forward exchange contracts

Forward exchange contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. The values of the derivative instruments held are set out as below:

Forward exchange contracts	Contract / Notional Amount by term to Maturity			
	within 3 months ₹ 000	4-12 months ₹ 000	more than 12 months ₹ 000	Total ₹ 000
31 December 2025				
Currency forward - purchase contracts	-	38,500	-	38,500
Currency forward - sale contracts	-	38,513	-	38,513
Forward exchange contracts	Contract / Notional Amount by term to Maturity			
	within	4-12 months	more than	Total
	3 months	₹ 000	12 months	₹ 000
	₹ 000	₹ 000	₹ 000	₹ 000
31 December 2024				
Currency forward - purchase contracts	124,376	-	-	124,376
Currency forward - sale contracts	124,375	-	-	124,375

21 Income, gains and losses from trade-based modes

	2025 Rp 000	2024 Rp 000
Murabaha receivables	1,430	1,457
Ujrah fees	2	2
Total	1,432	1,459
Sales	13,650	19,114
Less: cost of sales	(11,481)	(17,149)
	2,169	1,965
Opening deferred profit	4,661	4,402
Less: closing deferred profit	(5,133)	(4,661)
Profit waived off	(269)	(233)
Profit suspended (note 31)	4	(14)
Net profit during the year	1,432	1,459

22 Income, gains and losses from Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek	7,946	6,866
Less: depreciation on Ijarah Muntahia Bittamleek assets	(4,276)	(3,411)
Net income	3,670	3,455

23 Income, gains and losses from participatory investments

Mudaraba unrestricted	318	477
Diminishing Musharaka	32,348	30,262
Al-Wakala Bi Al-Istithmar (23.1)	9,092	7,256
Total	41,758	37,995

23.1 Breakup of Al-Wakala Bi Al-Istithmar

Al-Wakala Bi Al-Istithmar – IFIs	679	503
Al-Wakala Bi Al-Istithmar – customers	8,413	6,753
Total	9,092	7,256

24 Income, gains and losses from investments in Sukuk and shares

Periodic profit payments – debt type Sukuk	6,013	4,906
Periodic profit payments – equity type Sukuk	592	565
Amortisation of premium / discount - net	77	12
Dividend received	1,191	624
Total	7,873	6,107

25 Net income attributable to quasi-equity

	2025 ₹ 000	2024 ₹ 000
Income attributable to investment accountholders:		
Al-Wakala Bi Al-Istithmar - IFIs	1,442	2,873
Al-Wakala Bi Al-Istithmar - customers	26,457	24,666
Hiba paid to the customers	324	549
	<u>28,223</u>	<u>28,088</u>
Income attributable to investment accountholders:		
Return on equity of investment accountholders before Mudarib share	4,313	3,168
Mudarib's share	(2,135)	(1,568)
	<u>2,178</u>	<u>1,600</u>
Total	<u><u>30,401</u></u>	<u><u>29,688</u></u>

26 Other fees and commission income

Fees and commission income	3,897	2,807
Service charges	309	262
Charges and commission on trade finance products	841	752
Fees and commission expense	(744)	(290)
Total	<u><u>4,303</u></u>	<u><u>3,531</u></u>

27 Other income

Foreign exchange gain – net	555	426
Other revenues	1	-
Total	<u><u>556</u></u>	<u><u>426</u></u>

28 Staff expenses

Salaries and allowances	5,340	5,501
Other personnel cost	1,823	994
Non-Omani employee terminal benefits	17	33
Total	<u><u>7,180</u></u>	<u><u>6,528</u></u>

29 Depreciation and amortization

Property and equipment (note 11)	403	342
Right-of-use-assets (note 11)	46	23
Intangible assets (note 12)	355	301
Total	<u><u>804</u></u>	<u><u>666</u></u>

30 Other operating expenses

Premises cost	622	614
Amortisation of deferred Ijarah cost	6	3
Operating and administration cost	5,138	3,969
Total	<u><u>5,766</u></u>	<u><u>4,586</u></u>

31 Allowance for expected credit losses – net

31.1 The following table contains an analysis of stage-wise risk exposures which are subject to ECL provision as at 31 December 2025 and 2024:

31 December 2025	Stage 1 ₹ 000	Stage 2 ₹ 000	Stage 3 ₹ 000	Total ₹ 000
Gross exposure				
Balances with Central Bank of Oman	32,914	-	-	32,914
Receivables from, and participatory investment with FIs	5,781	-	-	5,781
Receivables	28,967	335	728	30,030
Ijarah Muntahia Bittamleek	62,582	3,289	825	66,696
Participatory investments	469,273	255,285	29,524	754,082
Investments in Sukuk	106,585	10,000	-	116,585
Accrued profit	2,580	9,964	3,395	15,939
Acceptances	2,037	250	-	2,287
Total on-balance sheet gross exposure	710,719	279,123	34,472	1,024,314
Letter of credit / guarantee	58,433	17,025	62	75,520
Financing commitment/unutilised limits	76,570	27,728	-	104,298
Total off-balance sheet gross exposure	135,003	44,753	62	179,818
Total gross exposure	845,722	323,876	34,534	1,204,132
Allowance for ECL & profit suspended				
Balances with Central Bank of Oman	-	-	-	-
Receivables from, and participatory investment with FIs	-	-	-	-
Receivables	(80)	(4)	(394)	(478)
Ijarah Muntahia Bittamleek	(109)	(314)	(536)	(959)
Participatory investments	(1,765)	(16,821)	(9,455)	(28,041)
Investments in Sukuk	(74)	(2,096)	-	(2,170)
Accrued profit	(1)	(10)	(3,424)	(3,435)
Acceptances	(1)	-	-	(1)
Total on-balance sheet ECL & profit suspended	(2,030)	(19,245)	(13,809)	(35,084)
Letter of credit / guarantee	(79)	(56)	(9)	(144)
Financing commitment / unutilised limits	(92)	(93)	-	(185)
Total off-balance sheet ECL & profit suspended	(171)	(149)	(9)	(329)
Total allowance and profit suspended	(2,201)	(19,394)	(13,818)	(35,413)
Net exposure				
Balances with Central Bank of Oman	32,914	-	-	32,914
Receivables from, and participatory investment with FIs	5,781	-	-	5,781
Receivables	28,887	331	334	29,552
Ijarah Muntahia Bittamleek	62,473	2,975	289	65,737
Participatory investments	467,508	238,464	20,069	726,041
Investments in Sukuk	106,511	7,904	-	114,415
Accrued profit	2,579	9,954	(29)	12,504
Acceptances	2,036	250	-	2,286
Total on-balance sheet net exposure	708,689	259,878	20,663	989,230
Letter of credit / guarantee	58,354	16,969	53	75,376
Financing Commitment / Unutilised limits	76,478	27,635	-	104,113
Total off-balance sheet net exposure	134,832	44,604	53	179,489
Total net exposure	843,521	304,482	20,716	1,168,719

31 Allowance for expected credit losses (continued)

31 December 2024	Stage 1 ₹ 000	Stage 2 ₹ 000	Stage 3 ₹ 000	Total ₹ 000
Gross exposure				
Balances with Central Bank of Oman	24,623	-	-	24,623
Receivables from, and participatory investment with FIs	27,123	-	-	27,123
Receivables	26,242	366	731	27,339
Ijarah Muntahia Bittamleek	56,250	3,447	708	60,405
Participatory investments	341,741	271,526	23,181	636,448
Investments in Sukuk	112,896	-	-	112,896
Accrued profit	3,932	5,503	2,747	12,182
Acceptances	2,117	25	-	2,142
Total on-balance sheet gross exposure	594,924	280,867	27,367	903,158
Letter of credit / guarantee	47,710	5,773	92	53,575
Financing commitment/unutilised limits	55,646	28,495	-	84,141
Total off-balance sheet gross exposure	103,356	34,268	92	137,716
Total gross exposure	698,280	315,135	27,459	1,040,874
Allowance for ECL & profit suspended				
Balances with Central Bank of Oman	-	-	-	-
Receivables from, and participatory investment with FIs	-	-	-	-
Receivables	(58)	(9)	(316)	(383)
Ijarah Muntahia Bittamleek	(60)	(362)	(407)	(829)
Participatory investments	(817)	(11,086)	(6,935)	(18,838)
Investments in Sukuk	(152)	-	-	(152)
Accrued profit	(1)	(4)	(2,750)	(2,755)
Acceptances	(1)	-	-	(1)
Total on-balance sheet ECL & profit suspended	(1,089)	(11,461)	(10,408)	(22,958)
Letter of credit / guarantee	(77)	(16)	(31)	(124)
Financing commitment / unutilised limits	(104)	(91)	-	(195)
Total off-balance sheet ECL & profit suspended	(181)	(107)	(31)	(319)
Total allowance and profit suspended	(1,270)	(11,568)	(10,439)	(23,277)
Net exposure				
Balances with Central Bank of Oman	24,623	-	-	24,623
Receivables from, and participatory investment with FIs	27,123	-	-	27,123
Receivables	26,184	357	415	26,956
Ijarah Muntahia Bittamleek	56,190	3,085	301	59,576
Participatory investments	340,924	260,440	16,246	617,610
Investments in Sukuk	112,744	-	-	112,744
Accrued profit	3,931	5,499	(3)	9,427
Acceptances	2,116	25	-	2,141
Total on-balance sheet net exposure	593,835	269,406	16,959	880,200
Letter of credit / guarantee	47,633	5,757	61	53,451
Financing Commitment / Unutilised limits	55,542	28,404	-	83,946
Total off-balance sheet net exposure	103,175	34,161	61	137,397
Total net exposure	697,010	303,567	17,020	1,017,597

31 Allowance for expected credit losses *(continued)*

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

31.2.1 Comparison of provisions held as per Credit Loss approach 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 Credit Loss approach, and reserve profit required as per CBO are given below:

31 Allowance for expected credit losses (continued)

31.2.1 Comparison of provisions held as per Credit Loss (CL) approach and required as per CBO norms (continued)

		31 December 2025							
Asset Classification as per CBO Norms	Asset Classification	Gross Amount	Provision required as per CBO Norms	Provision held as per CL	Difference between provision required and held	Net Amount as per CBO norms*	Net Amount as per CL	Profit recognized	Reserve profit as per CBO norms
		₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
(1)	(2)	(3)	(4)	(5)	(6) = 4-5	(7) = 3-4-10	(8) = 3-5	(9)	(10)
Standard	Stage 1	560,822	5,849	1,954	3,895	554,973	558,868	-	-
	Stage 2	57,166	537	3,264	(2,727)	56,629	53,902	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		617,988	6,386	5,218	1,168	611,602	612,770	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	201,743	1,976	13,875	(11,899)	199,767	187,868	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		201,743	1,976	13,875	(11,899)	199,767	187,868	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	750	187	407	(220)	560	343	-	3
Subtotal		750	187	407	(220)	560	343	-	3
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	8,484	4,162	3,488	674	4,320	4,996	-	2
Subtotal		8,484	4,162	3,488	674	4,320	4,996	-	2
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	21,843	19,838	6,490	13,348	1,876	15,353	-	129
Subtotal		21,843	19,838	6,490	13,348	1,876	15,353	-	129
Other items	Stage 1	284,900	-	247	(247)	284,900	284,653	-	-
	Stage 2	64,967	-	2,255	(2,255)	64,967	62,712	-	-
	Stage 3	3,457	-	3,433	(3,433)	33	24	-	3,424
Subtotal		353,324	-	5,935	(5,935)	349,900	347,389	-	3,424
Total	Stage 1	845,722	5,849	2,201	3,648	839,873	843,521	-	-
	Stage 2	323,876	2,513	19,394	(16,881)	321,363	304,482	-	-
	Stage 3	34,534	24,187	13,818	10,369	6,789	20,716	-	3,558
Total		1,204,132	32,549	35,413	(2,864)	1,168,025	1,168,719	-	3,558

31 Allowance for expected credit losses (continued)

31.2.1 Comparison of provisions held as per Credit Loss (CL) approach and required as per CBO norms (continued)

		31 December 2025									
Asset Classification as per CBO Norms	Asset Classification	Gross Amount ₹ 000	Provision required as per CBO Norms ₹ 000	Provision held as per CL ₹ 000	Difference between provision required and held ₹ 000	Net Amount as per CBO norms* ₹ 000	Net Amount as per CL ₹ 000	Profit recognized ₹ 000	Reserve profit as per CBO norms ₹ 000		
			(4)	(5)	(6) = 4-5	(7) = 3-4-10	(8) = 3-5				
	(2)	(3)						(9)	(10)		
Standard	Stage 1	560,822	5,849	1,954	3,895	554,973	558,868	-	-	-	
	Stage 2	57,166	537	3,264	(2,727)	56,629	53,902	-	-	-	
	Stage 3	-	-	-	-	-	-	-	-	-	
Subtotal		617,988	6,386	5,218	1,168	611,602	612,770	-	-	-	
Special Mention	Stage 1	-	-	-	-	-	-	-	-	-	
	Stage 2	201,743	1,976	13,875	(11,899)	199,767	187,868	-	-	-	
	Stage 3	-	-	-	-	-	-	-	-	-	
Subtotal		201,743	1,976	13,875	(11,899)	199,767	187,868	-	-	-	
Substandard	Stage 1	-	-	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	-	-	
	Stage 3	750	187	407	(220)	560	343	-	-	3	
Subtotal		750	187	407	(220)	560	343	-	-	3	
Doubtful	Stage 1	-	-	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	-	-	
	Stage 3	8,484	4,162	3,488	674	4,320	4,996	-	-	2	
Subtotal		8,484	4,162	3,488	674	4,320	4,996	-	-	2	
Loss	Stage 1	-	-	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	-	-	
	Stage 3	21,843	19,838	6,490	13,348	1,876	15,353	-	-	129	
Subtotal		21,843	19,838	6,490	13,348	1,876	15,353	-	-	129	
Other items	Stage 1	284,900	-	247	(247)	284,900	284,653	-	-	-	
	Stage 2	64,967	-	2,255	(2,255)	64,967	62,712	-	-	-	
	Stage 3	3,457	-	3,433	(3,433)	33	24	-	-	3,424	
Subtotal		353,324	-	5,935	(5,935)	349,900	347,389	-	-	3,424	
Total	Stage 1	845,722	5,849	2,201	3,648	839,873	843,521	-	-	-	
	Stage 2	323,876	2,513	19,394	(16,881)	321,363	304,482	-	-	-	
	Stage 3	34,534	24,187	13,818	10,369	6,789	20,716	-	-	3,558	
Total		1,204,132	32,549	35,413	(2,864)	1,168,025	1,168,719	-	-	3,558	

31 Allowance for expected credit losses (continued)

31.2.1 Comparison of provisions held as per Credit Loss (CL) approach and required as per CBO norms (continued)

Other items disclosed above includes exposure which are not subjected to provision under BM 977 and related instructions. This represents outstanding and respective provisions held against letter of credit and guarantee, financing commitments / unutilised limits, investments at fair value through equity and other assets.

31.2.2 Restructured financing

		31 December 2025									
Asset Classification as per CBO Norms	Asset Classification	Gross Amount	Provision required as per CBO Norms	Provision held as per CL	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per CL	Profit recognized	Reserve profit as per CBO norms		
(1)	(2)	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000		
Classified as performing	Stage 1	3,622	25	41	(16)	3,597	3,581	-	-		
	Stage 2	156,132	1,514	12,994	(11,480)	154,618	143,138	-	-		
	Stage 3	-	-	-	-	-	-	-	-		
Subtotal		159,754	1,539	13,035	(11,496)	158,215	146,719	-	-		
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-		
	Stage 2	-	-	-	-	-	-	-	-		
	Stage 3	16,299	13,246	5,276	7,970	1,063	11,023	-	1,990		
Subtotal		16,299	13,246	5,276	7,970	1,063	11,023	-	1,990		
Total	Stage 1	3,622	25	41	(16)	3,597	3,581	-	-		
	Stage 2	156,132	1,514	12,994	(11,480)	154,618	143,138	-	-		
	Stage 3	16,299	13,246	5,276	7,970	1,063	11,023	-	1,990		
Total		176,053	14,785	18,311	(3,526)	159,278	157,742	-	1,990		

31 Allowance for expected credit losses (continued)

31.2.2 Restructured financing (continued)

31 December 2024									
Asset Classification as per CBO Norms	Asset Classification	Gross Amount	Provision required as per CBO Norms	Provision held as per CL	Difference between CBO provision required and held	Net Amount as per CBO norms*	Net Amount as per CL	Profit recognized	Reserve profit as per CBO norms
	(2)	₹ 000 (3)	₹ 000 (4)	₹ 000 (5)	₹ 000 (6) = 4-5	₹ 000 (7) = 3-4-10	₹ 000 (8) = 3-5	₹ 000 (9)	₹ 000 (10)
Classified as performing	Stage 1	1,342	12	19	(7)	1,330	1,323	-	-
	Stage 2	143,597	1,415	7,423	(6,008)	142,182	136,174	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		144,939	1,427	7,442	(6,015)	143,512	137,497	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	14,087	7,599	5,102	2,497	4,873	8,985	-	1,615
Subtotal		14,087	7,599	5,102	2,497	4,873	8,985	-	1,615
Total		159,026	9,026	12,544	(3,518)	148,385	146,482	-	1,615

* Net of provisions and reserve profit as per CBO norms.

Asset Classification	31 December 2025		Difference
	As per CBO Norms	As per ECL	
Impairment loss charged to statement of income	₹ 000	₹ 000	₹ 000
Provision required as per CBO norms including reserve profit/held	10,096	11,441	(1,345)
Gross non-performing financing (percentage)	36,107	35,413	694
Net non-performing financing (percentage)	3.65%	3.65%	0.00%
	0.83%	2.52%	-1.69%
31 December 2024			
Asset Classification	As per CBO Norms	As per ECL	Difference
Impairment loss charged to statement of income	₹ 000	₹ 000	₹ 000
Provision required as per CBO norms including reserve profit/held	9,382	2,480	6,902
Gross non-performing financing (percentage)	25,316	23,277	2,039
Net non-performing financing (percentage)	3.40%	3.40%	0.00%
	1.32%	2.41%	-1.09%

31 Allowance for expected credit losses (continued)

31.3 Following tables show the movement in expected credit losses allowance for the year:

31 December 2025	Stage 1 <i>₹ 000</i>	Stage 2 <i>₹ 000</i>	Stage 3 <i>₹ 000</i>	Total <i>₹ 000</i>
Impairment allowance at beginning	1,270	11,568	10,439	23,277
Charge / (Reversal) for the year – Stage 1	931	-	-	931
Charge / (Reversal) for the year – Stage 2	-	7,826	-	7,826
Charge for the year – Stage 3	-	-	5,173	5,173
Reversal of charge – Stage 3	-	-	(2,489)	(2,489)
Net charge for the year	931	7,826	2,684	11,441
Impairment allowance at end before profit suspended	2,201	19,394	13,123	34,718
Add: Increase in profit suspended	-	-	695	695
Impairment allowance at end	2,201	19,394	13,818	35,413
31 December 2024	Stage 1 <i>₹ 000</i>	Stage 2 <i>₹ 000</i>	Stage 3 <i>₹ 000</i>	Total <i>₹ 000</i>
Impairment allowance at beginning	1,915	8,972	8,745	19,632
Charge / (Reversal) for the year – Stage 1	(645)	-	-	(645)
Charge / (Reversal) for the year – Stage 2	-	2,596	-	2,596
Charge for the year – Stage 3	-	-	4,562	4,562
Reversal of charge – Stage 3	-	-	(4,033)	(4,033)
Net charge for the year	(645)	2,596	529	2,480
Impairment allowance at end before profit suspended	1,270	11,568	9,274	22,112
Add: Increase in profit suspended	-	-	1,165	1,165
Impairment allowance at end	1,270	11,568	10,439	23,277

32 Distribution of assets by ownership

31 December 2025	Self-financed	Jointly financed	Total
	₹ 000	₹ 000	₹ 000
Cash and balances with Central Bank of Oman	37,093	-	37,093
Receivables from, and participatory investments with, FIs			
Current / non-remunerative	3,856	-	3,856
Participatory investments with IFIs	-	1,925	1,925
Less: Allowance for expected credit losses	-	-	-
Receivables			
Murabaha receivables – net	-	27,250	27,250
Ujrah receivables – net	-	32	32
Less: Profit suspended	-	(30)	(30)
Qard receivables – credit card	2,748	-	2,748
Less: Allowance for expected credit losses	(94)	(354)	(448)
Ijarah Muntahia Bittamleek			
Total through gift or sale after the end of lease	-	66,696	66,696
Less: Allowance for expected credit losses	(423)	(536)	(959)
Participatory investments			
Mudaraba unrestricted	-	4,851	4,851
Diminishing Musharaka	-	589,938	589,938
Al-Wakala Bi Al-Istithmar	3,822	155,471	159,293
Less: Profit suspended for Mudaraba and Wakala	(104)	-	(104)
Less: Allowance for expected credit losses	(18,586)	(9,351)	(27,937)
Investments in Sukuk and shares			
Sukuk and shares at FVOCI	-	132,723	132,723
Less: Allowance for expected credit losses	(2,170)	-	(2,170)
Property and equipment	2,078	-	2,078
Intangible assets	1,878	-	1,878
Other assets	23,372	30	23,402
Total assets	53,470	968,645	1,022,115

32 Distribution of assets by ownership (continued)

31 December 2024	Self-financed	Jointly financed	Total
	₹ 000	₹ 000	₹ 000
Cash and balances with Central Bank of Oman	28,258	-	28,258
Receivables from, and participatory investments with, FIs			
Current / non-remunerative	3,253	-	3,253
Participatory investments with IFIs	-	23,870	23,870
Less: Allowance for expected credit losses	-	-	-
Receivables			
Murabaha receivables – net	-	25,414	25,414
Ujrah receivables – net	-	32	32
Less: Profit suspended	-	(34)	(34)
Qard receivables – credit card	1,893	-	1,893
Less: Allowance for expected credit losses	(67)	(282)	(349)
Ijarah Muntahia Bittamleek			
Total through gift or sale after the end of lease	-	60,405	60,405
Less: Allowance for expected credit losses	(422)	(407)	(829)
Participatory investments			
Mudaraba unrestricted	-	4,601	4,601
Diminishing Musharaka	-	528,697	528,697
Al-Wakala Bi Al-Istithmar	2,780	100,370	103,150
Less: Profit suspended for Mudaraba and Wakala	(79)	-	(79)
Less: Allowance for expected credit losses	(11,903)	(6,856)	(18,759)
Investments in Sukuk and shares			
Sukuk and shares at FVOCI	-	124,086	124,086
Less: Allowance for expected credit losses	(152)	-	(152)
Property and equipment	1,559	-	1,559
Intangible assets	913	-	913
Other assets	13,385	442	13,827
Total assets	39,418	860,338	899,756

33 Segment reporting

Dhofar Islamic is organised into three main business segments:

- (1) Retail banking – incorporating private customer current accounts, savings account, term deposits, Murabaha, Diminishing Musharaka financing and Ijarah Muntahia Bittamleek;
- (2) Corporate banking – incorporating current accounts, savings account, term deposits, Murabaha, Mudaraba, Wakala and Diminishing Musharaka financing; and
- (3) Treasury & investments

Segment assets and liabilities including quasi-equity comprise operating assets and liabilities.

	2025			Total ₹ 000
	Retail banking ₹ 000	Corporate banking ₹ 000	Treasury and investments ₹ 000	
Segment operating revenue	7,399	14,120	1,030	22,549
Other revenues	1,461	2,901	2,280	6,642
Total segment operating revenue	8,860	17,021	3,310	29,191
Segment cost				
Operating expenses including depreciation	(6,135)	(6,166)	(1,449)	(13,750)
Net impairment & written off	(524)	(9,225)	(2,022)	(11,771)
Net profit for the year before tax	2,201	1,630	(161)	3,670
Segment assets	292,927	585,791	178,480	1,057,198
Less: Provision for impairment	(2,433)	(30,475)	(2,175)	(35,083)
Total segment assets	290,494	555,316	176,305	1,022,115
Segment liabilities & Quasi equity	269,514	613,098	16,384	898,996
	2024			
	Retail banking ₹ 000	Corporate banking ₹ 000	Treasury and investments ₹ 000	Total ₹ 000
Segment operating revenue	5,479	11,541	1,119	18,139
Other revenues	1,049	2,333	1,764	5,146
Net operating income	6,528	13,874	2,883	23,285
Segment cost				
Operating expenses including depreciation	(5,316)	(5,242)	(1,222)	(11,780)
Net impairment & written off	16	(2,415)	(110)	(2,509)
Net profit for the year before tax	1,228	6,217	1,551	8,996
Segment assets	266,639	474,725	181,349	922,713
Less: Provision for impairment	(1,849)	(20,955)	(153)	(22,957)
Total segment assets	264,790	453,770	181,196	899,756
Segment liabilities & Quasi equity	205,955	499,989	78,572	784,516

34 Financial instruments

34.1 Fair values of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates. As at the reporting date the fair values of Dhofar Islamic's financial instruments are not significantly different from their carrying values.

34.2 Fair values of financial instruments valuation hierarchy

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).

Transfer between hierarchy levels

At 31 December 2025, FVOCI corporate debt-type 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.

Fair value information	31 December 2025			
	Level 1 <i>₹</i> 000	Level 2 <i>₹</i> 000	Level 3 <i>₹</i> 000	Total <i>₹</i> 000
Investments at fair value through other comprehensive income	117,583	10,000	-	127,583

Fair value information	31 December 2024			
	Level 1 <i>₹</i> 000	Level 2 <i>₹</i> 000	Level 3 <i>₹</i> 000	Total <i>₹</i> 000
Investments at fair value through other comprehensive income	124,086	-	-	124,086

35 Related party transactions

In the ordinary course of business, Dhofar Islamic conducts transactions with certain of its directors, members of Shari'ah Supervisory Board, 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 ₹ 000	2024 ₹ 000
Finances		
Directors, members of Shari'ah Supervisory Board and shareholders holding 10% or more interest in the Bank	<u>56</u>	<u>61</u>
Deposits and other accounts		
Directors, members of Shari'ah Supervisory Board and shareholders holding 10% or more interest in the Bank	1,631	91
Other related parties	<u>33,032</u>	<u>47,001</u>
	<u>34,663</u>	<u>47,092</u>
Remuneration paid to Shari'ah Board members & Shari'ah Supervisor		
Chairman		
- remuneration	10	10
- sitting fees paid	3	3
Other Members		
- remuneration	32	32
- sitting fees paid	<u>20</u>	<u>9</u>
	<u>65</u>	<u>54</u>
Other transactions		
Rental payment to a related party	<u>155</u>	<u>160</u>
Income from finance to related parties	<u>3</u>	<u>3</u>
Profit expense on deposits from related parties	<u>2,372</u>	<u>2,042</u>
Key management compensation		
Salaries and other benefits	<u>400</u>	<u>439</u>

At 31 December 2025, profit rate for finance of 4.75% (2024: 4.75%), and profit rate for deposits range from 0.0% to 5.90% (2024: 0.0% to 5.80%).

36 Risk Management

The important types of financial risks to which Dhofar Islamic is exposed are credit risk, liquidity risk and market risk. The risk management division of Dhofar Islamic 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 committees of the Bank are among the factors which reflect the independence of the Risk Management Division's working and the key role it plays within Dhofar Islamic.

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. BRC is responsible for reviewing and recommending to the full Board, approval of risk policies and procedures. BRC also reviews the risk profile of Dhofar Islamic as presented to it by the Risk Management Division and appraises the full Board in its periodic meetings.

A. Credit risk

The most important risk to which Dhofar Islamic is exposed is credit risk. To manage the level of credit risk, Dhofar Islamic deals with counter-parties of good credit. Board Executive Committee is the final credit approving authority of Dhofar Islamic which is mainly responsible for approving all credit proposals beyond the authority level of the management. Management Credit Committee ("MCC") is the management decision making body which is empowered to consider all credit related issues up to certain limits.

Credit risk is managed by the Risk Management Division ("RMD") through a system of independent risk assessment in credit proposals before they are considered by the appropriate approving authorities. Dhofar Islamic has in place a risk grading system for analysing the risk associated with credit. This facilitates the approving authorities in making informed credit decision. Maximum counterparty/group 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. Retail financing is strictly in accordance with the CBO guidelines.

36 Risk management (continued)

A. Credit risk (continued)

36.1 Measures at the window Level

In line with the CBO guidelines, the window has considered restructuring of all eligible accounts whose cash flows have been impacted by the COVID-19 situation and has backed by specific requests from them. For such cases, every review includes an assessment on whether the strain on cash flows observed are on account of the COVID impact or otherwise and in case these are identified to be otherwise, the accounts are suitably staged. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of related accounting standard. **As at 31 December 2025, the window has restructured financing amounting to ~~₹~~ 176,053 thousand, constituting 21% of total financing.** Window has also considered additional ECL to address significant increase in credit risk in certain accounts based on its judgment and experience.

The window has also undertaken other initiatives to manage the potential business disruption on its operations and financial performance. This entails reviewing counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of financing, wherever required. The set-up of robust digital technology supported in maintaining customer service and experience during these trying times.

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available. In assessing forecast conditions, consideration have been given both to the effects of COVID (including various variants of virus) and the government support measures being undertaken.

36.1.1 Impact on SICR:

The window has given specific consideration to the relevant impact of COVID on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances as disclosed in note 34 to the financial statements. Further, the monitoring of overdue and SICR have been enhanced by reviewing all exceptional reports and undertaking quarterly reviews in respect of accounts in risk grade of 5 to 8. Additional exposure is undertaken on selective basis duly supported by the cashflows that can be firmly established, and the requirements are considered with proper monitoring mechanism.

36.1.2 Impact on ECL:

The window estimates its Expected Credit Losses (ECLs) considering the macroeconomic indicators and ECLs were estimated based on forward-looking macro-economic factors considering the severity and likelihood of economic scenarios. 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 factors, called as Cyclical Index, is used to forecast expected point-in-time probability of defaults for all the portfolio for which ECL is estimated. Also, a new world macro-economic model has been developed during 2024 for the non-resident externally rated exposures (Banks and Sovereign). The revision made in the macro-economic indicators during the year is provided as under:

36 Risk management (continued)

A. Credit risk (continued)

36.1 Measures at the window Level (continued)

36.1.2 Impact on ECL (continued):

	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 probability weighted figure for three scenarios i.e. Base case, Upside and Downside with analytically derived weights respectively. 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 realised 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.

The window's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement exercise. Other than changes in the macro-economic indicators, the window has also considered 12-month ECL for revolving credit facilities as advised by the regulator. The total ECL of Dhofar Islamic has increased from ~~₹~~ 20,414 thousand as at Dec-24 to ~~₹~~ 31,855 thousand as at Dec-25, thereby increasing the ECL by ~~₹~~ 11,441 thousand. 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.

Sensitivity of ECL to future economic conditions

The window is currently using three scenarios viz., Base case, Upside and Downside. The below tables provide the impact on ECL on major assets, if weight of 100% is applied to Base case and Downside scenarios:

As at 31 December 2025	ECL for Financing / Receivables ₹ 000	ECL for Investment securities ₹ 000	ECL for Other Portfolio ₹ 000	Total ₹ 000
Scenarios currently used by the window	29,350	2,174	331	31,855
100% Base case scenario	29,572	2,203	346	32,120
100% Downside scenario	33,124	2,639	581	36,344

As at 31 December 2024	ECL for Financing / Receivables ₹ 000	ECL for Investment securities ₹ 000	ECL for Other Portfolio ₹ 000	Total ₹ 000
Scenarios currently used by the window	19,941	152	321	20,414
100% Base case scenario	19,968	147	317	20,432
100% Downside scenario	23,608	265	547	24,420

The above tables reveal that in case of 100% downside scenario, the ECL may increase by ~~₹~~ 4,489 thousand (2024: 4,006 thousand) from the current position.

36 Risk management *(continued)*

A. Credit risk *(continued)*

36.1 Measures at the window Level *(continued)*

36.1.3 Accounting for modification loss and restructuring:

In case of corporate customers, the window plans to add the simple profit accrued during the deferral period to the principal outstanding and either extend the original maturity period of the financing or increase the instalments at the end of the deferral period. The window has determined that the modifications due to deferment of instalment and waiver of profit allowed in line with CBO relaxation measures did not result in derecognition of financial assets.

Considering the specific nature of Islamic Financial Institutions (IFIs), in line with the Shari'ah principles and rules, AAOIFI does not allow either recording a receivable (Dain) on net present value (NPV) or applying the concept of opportunity cost in accounting.

36.1.4 Impact on the Capital Adequacy:

The window has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1. As per the Prudential filter, the Tier II capital of the window will comprise of Stage 1 ECL only.

36 Risk management (continued)

A. Credit risk (continued)

Gross exposures subjected to credit risk exposure are as follows:

(a) Portfolio concentrations (Gross)

	2025 ₹ 000	2024 ₹ 000
Balances with CBO	32,914	24,623
Receivables from, and participatory investments with, Fls	5,781	27,123
Receivables and investments – customers	850,808	724,192
Investments in Sukuk	116,585	112,896
Letter of credit / Guarantee	75,520	53,575
Acceptances	2,287	2,142
Unutilized exposure	104,298	84,141
Accrued profit	15,939	12,182
Total	1,204,132	1,040,874

(b) Geographical concentrations (Gross)

	2025				
	Sultanate of Oman ₹ 000	Other GCC Countries ₹ 000	Europe and North America ₹ 000	Africa and Asia ₹ 000	Total ₹ 000
Balances with CBO	32,914	-	-	-	32,914
Receivables from, and participatory investments with, Fls	1,926	976	2,879	-	5,781
Receivables and investments – customers	850,808	-	-	-	850,808
Investments in Sukuk	62,698	53,887	-	-	116,585
Letter of credit / Guarantee	72,460	887	118	2,055	75,520
Acceptances	1,131	4	52	1,100	2,287
Unutilized exposure	104,298	-	-	-	104,298
Accrued profit	15,591	348	-	-	15,939
Total	1,141,826	56,102	3,049	3,155	1,204,132

	2024				
	Sultanate of Oman ₹ 000	Other GCC Countries ₹ 000	Europe and North America ₹ 000	Africa and Asia ₹ 000	Total ₹ 000
Balances with CBO	24,623	-	-	-	24,623
Receivables from, and participatory investments with, Fls	8,973	16,531	1,619	-	27,123
Receivables and investments – customers	724,192	-	-	-	724,192
Investments in Sukuk	92,163	20,733	-	-	112,896
Letter of credit / Guarantee	46,435	6,049	4	1,087	53,575
Acceptances	36	84	188	1,834	2,142
Unutilized exposure	84,141	-	-	-	84,141
Accrued profit	12,110	72	-	-	12,182
Total	992,673	43,469	1,811	2,921	1,040,874

36 Risk management (continued)

A. Credit risk (continued)

(c) Customer concentrations (Gross)

	2025			
	Retail Rp 000	Corporate Rp 000	Government Rp 000	Total Rp 000
Balances with CBO	-	-	32,914	32,914
Receivables from, and participatory investments with, FIs	-	5,781	-	5,781
Receivables and investments – customers	290,549	560,259	-	850,808
Investments in Sukuk	-	73,591	42,994	116,585
Letter of credit / Guarantee	242	75,278	-	75,520
Acceptances	-	2,287	-	2,287
Unutilized exposure	-	104,298	-	104,298
Accrued profit	707	15,103	129	15,939
Total	291,498	836,597	76,037	1,204,132

	2024			
	Retail Rp 000	Corporate Rp 000	Government Rp 000	Total Rp 000
Balances with CBO	-	-	24,623	24,623
Receivables from, and participatory investments with, FIs	-	27,123	-	27,123
Receivables and investments – customers	255,122	469,070	-	724,192
Investments in Sukuk	-	40,296	72,600	112,896
Letter of credit / Guarantee	239	53,313	23	53,575
Acceptances	-	2,142	-	2,142
Unutilized exposure	-	79,164	4,977	84,141
Accrued profit	846	10,968	368	12,182
Total	256,207	682,076	102,591	1,040,874

36 Risk management (continued)

A. Credit risk (continued)

(d) Sector concentrations (Gross)

	2025									
	Balances with CBO	Receivables from, and participatory investments with, Fis	Receivables and investments - customers	Investments in Sukuk	Letter of credit / Guarantee	Acceptances	Unutilized exposure	Accrued profit	Total	
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Import trade	-	-	100,380	-	17,901	999	25,975	174	145,429	
Export trade	-	-	-	-	5	-	-	-	5	
Wholesale & retail trade	-	-	16,692	-	87	-	3,971	29	20,779	
Mining & quarrying	-	-	28,735	-	65	-	1,584	68	30,452	
Construction	-	-	211,176	-	42,214	1,091	38,482	10,245	303,208	
Manufacturing	-	-	16,594	-	507	197	3,576	79	20,953	
Electricity, gas and water	-	-	45,156	-	10,895	-	7,223	16	63,290	
Transport & communication	-	-	-	-	1,973	-	2,069	-	4,042	
Financial institutions	-	5,781	904	73,591	75	-	901	1,800	83,052	
Services	-	-	81,781	-	1,270	-	5,446	1,890	90,387	
Government	32,914	-	-	42,994	-	-	-	129	76,037	
Retail	-	-	290,549	-	242	-	-	707	291,498	
Agriculture and allied Activities	-	-	9,392	-	100	-	-	2	9,494	
Others	-	-	49,449	-	186	-	15,071	800	65,506	
Total	32,914	5,781	850,808	116,585	75,520	2,287	104,298	15,939	1,204,132	

36 Risk management (continued)

A. Credit risk (continued)

(d) Sector concentrations (Gross) (continued)

	Balances with CBO ₹ 000	Receivables from, and participatory investments with, Fls ₹ 000	Receivables and investments - customers ₹ 000	Investments in Sukuk ₹ 000	Letter of credit / Guarantee ₹ 000	Acceptances ₹ 000	Unutilized exposure ₹ 000	Accrued profit ₹ 000	Total ₹ 000
Import trade	-	-	56,751	-	14,689	1,869	16,382	21	89,712
Export trade	-	-	-	-	5	-	-	-	5
Wholesale & retail trade	-	-	12,722	-	787	-	2,228	25	15,762
Mining & quarrying	-	-	7,342	-	65	-	736	27	8,170
Construction	-	-	221,636	-	33,295	194	18,878	6,717	280,720
Manufacturing	-	-	14,935	-	483	79	18,857	116	34,470
Electricity, gas and water	-	-	16,597	-	128	-	549	-	17,274
Transport & communication	-	-	-	-	2,214	-	508	-	2,722
Financial institutions	-	27,123	18,000	40,296	18	-	1,790	854	88,081
Services	-	-	70,637	-	1,421	-	4,785	2,677	79,520
Government	24,623	-	-	72,600	23	-	4,977	368	102,591
Retail	-	-	255,122	-	239	-	-	846	256,207
Agriculture and allied Activities	-	-	8,291	-	10	-	6,000	2	14,303
Others	-	-	42,159	-	198	-	8,451	529	51,337
Total	24,623	27,123	724,192	112,896	53,575	2,142	84,141	12,182	1,040,874

36 Risk management (continued)

A. Credit risk (continued)

(e) Credit quality concentration (Gross)

	2025			Total ₹ 000
	Performing Not Past Due ₹ 000	Performing Past Due ₹ 000	Non- Performing ₹ 000	
Balances with CBO	32,914	-	-	32,914
Receivables from, and participatory investments with, FIs	5,781	-	-	5,781
Receivables and investments – customers	733,187	86,544	31,077	850,808
Investments in Sukuk	116,585	-	-	116,585
Letter of credit / Guarantee	75,458	-	62	75,520
Acceptances	2,287	-	-	2,287
Unutilized exposure	104,298	-	-	104,298
Accrued profit	10,398	2,146	3,395	15,939
Total	1,080,908	88,690	34,534	1,204,132

	2024			Total ₹ 000
	Performing Not Past Due ₹ 000	Performing Past Due ₹ 000	Non- Performing ₹ 000	
Balances with CBO	24,623	-	-	24,623
Receivables from, and participatory investments with, FIs	27,123	-	-	27,123
Receivables and investments – customers	595,207	104,365	24,620	724,192
Investments in Sukuk	112,896	-	-	112,896
Letter of credit / Guarantee	53,483	-	92	53,575
Acceptances	2,142	-	-	2,142
Unutilized exposure	84,141	-	-	84,141
Accrued profit	6,587	2,848	2,747	12,182
Total	906,202	107,213	27,459	1,040,874

(f) Amounts arising from Expected Credit Loss (ECL)

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk (SICR)

The assessment of SICR since origination of a financial asset considers customer-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.

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

Significant increase in credit risk (SICR) (continued)

For retail exposures, a significant increase in credit risk cannot be assessed using forward-looking information at an individual account level. Therefore, the assessment is done at the segment level. Segment migration thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices in which case the review is brought forward.

For non-retail exposures the window uses an internal risk rating scale for its non-retail exposures. All non-retail exposures have an internal rating grade assigned that reflects the probability of default of the customer. Both customer specific and non-customer specific (i.e. macroeconomic) forward-looking information is considered and reflected in the internal rating grade. Significant increase in credit risk is evaluated based on the migration of the exposures among rating grades.

Incorporation of forward-looking information

The window 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 window 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.

Economic variable assumptions

The window uses the macroeconomic forecast to convert the Through the Cycle (TTC) PD into Point in Time (PIT) PD. Real GDP growth rate and Oil price are considered for establishing the relationship with historical non-performing financing (NPFs) 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:

	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.

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

Credit risk grading

The window uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The window has adopted a risk rating framework having 8 performing financings and receivables grades (including special mention) and 3 non-performing financings and receivables grades. The window'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 customers, grade wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing financings and receivables etc. Risk appetite is also set in terms of how much exposure the window 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 include 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 include 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 include 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 financings and receivables that have met the requirements to be disclosed as impaired and have not yet met the criteria to be returned to the unimpaired portfolio.

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

31 December 2025	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Balances with CBO								
High grade	-	32,914	-	-	-	-	-	32,914
Standard grade	-	-	-	-	-	-	-	-
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	-	32,914	-	-	-	-	-	32,914
Receivables from, and participatory investments with, Fls								
High grade	-	3,855	-	-	-	-	-	3,855
Standard grade	-	1,926	-	-	-	-	-	1,926
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	-	5,781	-	-	-	-	-	5,781
Receivables and investments - customers								
Corporate and SME								
High grade	176	102,451	66	14,532	-	-	242	116,983
Standard grade	1,405	164,683	2,484	25,079	-	-	3,889	189,762
Satisfactory grade	48	6,645	14,546	218,574	-	-	14,594	225,219
Non-performing	-	-	-	-	8,549	28,295	8,549	28,295
Total	1,629	273,779	17,096	258,185	8,549	28,295	27,274	560,259
Retail (Personal)								
High grade	69	25,597	1	65	-	-	70	25,662
Standard grade	3	307	-	-	-	-	3	307
Satisfactory grade	-	-	2	22	-	-	2	22
Non-performing	-	-	-	-	246	316	246	316
Total	72	25,904	3	87	246	316	321	26,307
Retail (Housing and credit card receivables)								
High grade	253	261,139	6	171	196	369	455	261,679
Standard grade	-	-	26	308	60	118	86	426
Satisfactory grade	-	-	8	158	73	118	81	276
Non-performing	-	-	-	-	1,261	1,861	1,261	1,861
Total	253	261,139	40	637	1,590	2,466	1,883	264,242
Total receivables and investments - customers	1,954	560,822	17,139	258,909	10,385	31,077	29,478	850,808
Investments								
High grade	-	42,994	-	-	-	-	-	42,994
Standard grade	74	63,591	-	-	-	-	74	63,591
Satisfactory grade	-	-	2,096	10,000	-	-	2,096	10,000
Non-performing	-	-	-	-	-	-	-	-
Total	74	106,585	2,096	10,000	-	-	2,170	116,585
Letter of credit / Guarantees								
Corporate and SME	79	58,191	56	17,025	9	62	144	75,278
Retail	-	242	-	-	-	-	-	242
Total	79	58,433	56	17,025	9	62	144	75,520
Others								
Unutilised	92	76,570	93	27,728	-	-	185	104,298
Acceptances	1	2,037	-	250	-	-	1	2,287
Accrued profit	1	2,580	10	9,964	3,424	3,395	3,435	15,939
Total	94	81,187	103	37,942	3,424	3,395	3,621	122,524
Total portfolio	2,201	845,722	19,394	323,876	13,818	34,534	35,413	1,204,132

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

31 December 2024	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Balances with CBO								
High grade	-	24,623	-	-	-	-	-	24,623
Standard grade	-	-	-	-	-	-	-	-
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	-	24,623	-	-	-	-	-	24,623
Receivables from, and participatory investments with, Fls								
High grade	-	18,139	-	-	-	-	-	18,139
Standard grade	-	8,984	-	-	-	-	-	8,984
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	-	27,123	-	-	-	-	-	27,123
Receivables and investments – customers								
Corporate and SME								
High grade	85	45,812	142	33,940	-	-	227	79,752
Standard grade	644	127,713	1,521	44,056	-	-	2,165	171,769
Satisfactory grade	-	-	9,562	194,963	-	-	9,562	194,963
Non-performing	-	-	-	-	6,425	22,586	6,425	22,586
Total	729	173,525	11,225	272,959	6,425	22,586	18,379	469,070
Retail (Personal)								
High grade	51	21,400	-	14	-	-	51	21,414
Standard grade	-	157	-	-	-	-	-	157
Satisfactory grade	-	-	7	90	-	-	7	90
Non-performing	-	-	-	-	177	237	177	237
Total	51	21,557	7	104	177	237	235	21,898
Retail (Housing and credit card receivables)								
High grade	155	229,151	175	1,771	100	213	430	231,135
Standard grade	-	-	17	427	22	45	39	472
Satisfactory grade	-	-	8	30	17	43	50	121
Non-performing	-	-	-	-	917	1,496	917	1,496
Total	155	229,151	225	2,276	1,056	1,797	1,436	233,224
Total receivables and investments - customers	935	424,233	11,457	275,339	7,658	24,620	20,050	724,192
Investments								
High grade	-	-	-	-	-	-	-	-
Standard grade	-	72,600	-	-	-	-	-	72,600
Satisfactory grade	152	40,296	-	-	-	-	152	40,296
Non-performing	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Letter of credit / Guarantees								
Corporate and SME	77	47,471	16	5,773	31	92	124	53,336
Retail	-	239	-	-	-	-	-	239
Total	77	47,710	16	5,773	31	92	124	53,575
Others								
Unutilised	104	55,646	91	28,495	-	-	195	84,141
Acceptances	1	2,117	-	25	-	-	1	2,142
Accrued profit	1	3,932	4	5,503	2,750	2,747	2,755	12,182
Total	106	61,695	95	34,023	2,750	2,747	2,951	98,465
Total portfolio	1,270	698,280	11,568	315,135	10,439	27,459	23,277	1,040,874

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

The gross exposure of the financial assets as at **31 December 2025** along with reconciliations from the opening to the closing balance by class of financial instruments are as follows:

31 December 2025	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Balances with CBO								
Opening balance	-	24,623	-	-	-	-	-	24,623
Transfer between stages								
- Transfer from Stage 1 to 2	-	-	-	-	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
Re-measurement of outstanding	-	6,751	-	-	-	-	-	6,751
Financial asset originated during the year	-	1,540	-	-	-	-	-	1,540
Financial asset matured during the year	-	-	-	-	-	-	-	-
Closing balance	-	32,914	-	-	-	-	-	32,914
Receivables from, and participatory investments with, Fls								
Opening balance	-	27,123	-	-	-	-	-	27,123
Transfer between stages								
- Transfer from Stage 1 to 2	-	-	-	-	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
Re-measurement of outstanding	-	(21,342)	-	-	-	-	-	(21,342)
Financial asset originated during the year	-	-	-	-	-	-	-	-
Financial asset matured during the year	-	-	-	-	-	-	-	-
Closing balance	-	5,781	-	-	-	-	-	5,781
Receivables and investments – customers								
Opening balance	935	424,233	11,457	275,339	7,658	24,620	20,050	724,192
Transfer between stages								
- Transfer from Stage 1 to 2	(53)	(22,645)	53	22,645	-	-	-	-
- Transfer from Stage 1 to 3	(1)	(647)	-	-	1	647	-	-
- Transfer from Stage 2 to 3	-	-	(1,858)	(5,553)	1,858	5,553	-	-
- Transfer from Stage 2 to 1	533	20,781	(533)	(20,781)	-	-	-	-
- Transfer from Stage 3 to 1	151	782	-	-	(151)	(782)	-	-
Re-measurement of outstanding	630	(1,729)	(2,338)	(3,689)	1,708	5,418	-	-
Financial asset originated during the year	9	(13,929)	6,005	(3,518)	1,349	(87)	7,363	(17,534)
Financial asset matured during the year	459	195,845	6,098	99,002	1,181	5,506	7,738	300,353
Financial asset matured during the year	(79)	(43,598)	(4,083)	(108,225)	(1,511)	(4,380)	(5,673)	(156,203)
Closing balance	1,954	560,822	17,139	258,909	10,385	31,077	29,478	850,808

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

31 December 2025	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Corporate and SME								
Opening balance	729	173,525	11,225	272,959	6,425	22,586	18,379	469,070
Transfer between stages								
- Transfer from Stage 1 to 2	(53)	(22,188)	53	22,188	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 3	-	-	(1,811)	(5,174)	1,811	5,174	-	-
- Transfer from Stage 2 to 1	394	19,122	(394)	(19,122)	-	-	-	-
- Transfer from Stage 3 to 1	58	580	-	-	(58)	(580)	-	-
	399	(2,486)	(2,152)	(2,108)	1,753	4,594	-	-
Re-measurement of outstanding	184	(3,323)	6,005	(3,491)	684	(37)	6,873	(6,851)
Financial asset originated during the year	386	138,434	6,098	99,002	1,181	5,506	7,665	242,942
Financial asset matured during the year	(69)	(32,371)	(4,080)	(108,177)	(1,494)	(4,354)	(5,643)	(144,902)
Closing balance	1,629	273,779	17,096	258,185	8,549	28,295	27,274	560,259
Retail								
Opening balance	206	250,708	232	2,380	1,233	2,034	1,671	255,122
Transfer between stages								
- Transfer from Stage 1 to 2	-	(457)	-	457	-	-	-	-
- Transfer from Stage 1 to 3	(1)	(647)	-	-	1	647	-	-
- Transfer from Stage 2 to 3	-	-	(47)	(379)	47	379	-	-
- Transfer from Stage 2 to 1	139	1,659	(139)	(1,659)	-	-	-	-
- Transfer from Stage 3 to 1	93	202	-	-	(93)	(202)	-	-
	231	757	(186)	(1,581)	(45)	824	-	-
Re-measurement of outstanding	(175)	(10,606)	-	(27)	665	(50)	490	(10,683)
Financial asset originated during the year	73	57,411	-	-	-	-	73	57,411
Financial asset matured during the year	(10)	(11,227)	(3)	(48)	(17)	(26)	(30)	(11,301)
Closing balance	325	287,043	43	724	1,836	2,782	2,204	290,549
Investments								
Opening balance	152	112,896	-	-	-	-	152	112,896
Transfer between stages								
- Transfer from Stage 1 to 2	(87)	(10,000)	87	10,000	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
	(87)	(10,000)	87	10,000	-	-	-	-
Re-measurement of outstanding	(2)	(176)	2,009	-	-	-	2,007	(176)
Financial asset originated during the year	32	52,538	-	-	-	-	32	52,538
Financial asset matured during the year	(21)	(48,673)	-	-	-	-	(21)	(48,673)
Closing balance	74	106,585	2,096	10,000	-	-	2,170	116,585

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

31 December 2025	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Letter of credit / Guarantees								
Opening balance	77	47,710	16	5,773	31	92	124	53,575
Transfer between stages								
- Transfer from Stage 1 to 2	(1)	(259)	1	259	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	11	2,401	(11)	(2,401)	-	-	-	-
	10	2,142	(10)	(2,142)	-	-	-	-
Re-measurement of outstanding	(13)	(4,713)	3	13	(9)	-	(19)	(4,700)
Financial asset originated during the year	29	28,106	48	14,410	2	5	79	42,521
Financial asset matured during the year	(24)	(14,812)	(1)	(1,029)	(15)	(35)	(40)	(15,876)
Closing balance	79	58,433	56	17,025	9	62	144	75,520
Acceptances								
Opening balance	1	2,117	-	25	-	-	1	2,142
Transfer between stages								
- Transfer from Stage 1 to 2	-	-	-	-	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
Re-measurement of outstanding	-	-	-	-	-	-	-	-
Financial asset originated during the year	1	2,037	-	250	-	-	1	2,287
Financial asset matured during the year	(1)	(2,117)	-	(25)	-	-	(1)	(2,142)
Closing balance	1	2,037	-	250	-	-	1	2,287
Unutilised limits								
Opening balance	104	55,646	91	28,495	-	-	195	84,141
Transfer between stages								
- Transfer from Stage 1 to 2	(11)	(3,161)	11	3,161	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	11	3,245	(11)	(3,245)	-	-	-	-
	-	84	-	(84)	-	-	-	-
Re-measurement of outstanding	(44)	(4,282)	18	4,310	-	-	(26)	28
Financial asset originated during the year	57	49,791	10	5,422	-	-	67	55,213
Financial asset matured during the year	(25)	(24,669)	(26)	(10,415)	-	-	(51)	(35,084)
Closing balance	92	76,570	93	27,728	-	-	185	104,298
Accrued profit								
Opening balance	1	3,932	4	5,503	2,750	2,747	2,755	12,182
Transfer between stages								
- Transfer from Stage 1 to 2	(1)	(2,070)	1	2,070	-	-	-	-
- Transfer from Stage 1 to 3	-	(17)	-	-	-	-	-	-
- Transfer from Stage 2 to 3	-	-	-	(14)	-	-	-	-
- Transfer from Stage 2 to 1	-	141	-	(141)	-	-	-	-
- Transfer from Stage 2 to 1	-	45	-	-	-	(45)	-	-
	(1)	(1,901)	1	1,915	-	(14)	-	-
Re-measurement of outstanding	1	367	6	3,324	1,180	1,207	1,187	4,898
Financial asset originated during the year	-	572	-	161	121	108	121	841
Financial asset matured during the year	-	(390)	(1)	(939)	(627)	(653)	(628)	(1,982)
Closing balance	1	2,580	10	9,964	3,424	3,395	3,435	15,939

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

31 December 2024	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Balances with CBO								
Opening balance	-	25,768	-	-	-	-	-	25,768
Transfer between stages								
- Transfer from Stage 1 to 2	-	-	-	-	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Re-measurement of outstanding	-	(1,145)	-	-	-	-	-	(1,145)
Financial asset originated during the year	-	-	-	-	-	-	-	-
Financial asset matured during the year	-	-	-	-	-	-	-	-
Closing balance	-	24,623	-	-	-	-	-	24,623
Receivables from, and participatory investments with, Fls								
Opening balance	2	23,346	-	-	-	-	2	23,346
Transfer between stages								
- Transfer from Stage 1 to 2	-	-	-	-	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Re-measurement of outstanding	-	4,785	-	-	-	-	-	4,785
Financial asset originated during the year	-	20,552	-	-	-	-	-	20,552
Financial asset matured during the year	(2)	(21,560)	-	-	-	-	(2)	(21,560)
Closing balance	-	27,123	-	-	-	-	-	27,123
Receivables and investments – customers								
Opening balance	1,704	407,118	8,869	245,096	7,121	19,877	17,694	672,091
Transfer between stages								
- Transfer from Stage 1 to 2	(844)	(78,476)	844	78,476	-	-	-	-
- Transfer from Stage 1 to 3	(2)	(484)	-	-	2	484	-	-
- Transfer from Stage 2 to 3	-	-	(342)	(4,636)	342	4,636	-	-
- Transfer from Stage 2 to 1	110	3,521	(110)	(3,521)	-	-	-	-
- Transfer from Stage 3 to 1	(736)	(75,439)	392	70,319	344	5,120	-	-
	(257)	11,436	1,140	(8,868)	(8)	(236)	875	2,332
Re-measurement of outstanding	311	110,765	3,892	111,034	667	1,485	4,870	223,284
Financial asset originated during the year	(87)	(29,647)	(2,836)	(142,242)	(466)	(1,626)	(3,389)	(173,515)
Financial asset matured during the year	935	424,233	11,457	275,339	7,658	24,620	20,050	724,192
Closing balance	1,704	407,118	8,869	245,096	7,121	19,877	17,694	672,091

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

31 December 2024	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Corporate and SME								
Opening balance	1,273	185,154	8,423	242,880	6,305	18,466	16,001	446,500
Transfer between stages								
- Transfer from Stage 1 to 2	(835)	(77,184)	835	77,184	-	-	-	-
- Transfer from Stage 1 to 3	-	(76)	-	-	-	76	-	-
- Transfer from Stage 2 to 3	-	-	(253)	(4,223)	253	4,223	-	-
- Transfer from Stage 2 to 1	16	2,876	(16)	(2,876)	-	-	-	-
	(819)	(74,384)	566	70,085	253	4,299	-	-
Re-measurement of outstanding	80	19,299	1,156	(8,746)	(415)	(205)	821	10,348
Financial asset originated during the year	270	66,421	3,883	110,818	617	1,372	4,770	178,611
Financial asset matured during the year	(75)	(22,965)	(2,803)	(142,078)	(335)	(1,346)	(3,213)	(166,389)
Closing balance	729	173,525	11,225	272,959	6,425	22,586	18,379	469,070
Retail								
Opening balance	431	221,964	446	2,216	816	1,411	1,693	225,591
Transfer between stages								
- Transfer from Stage 1 to 2	(9)	(1,292)	9	1,292	-	-	-	-
- Transfer from Stage 1 to 3	(2)	(408)	-	-	2	408	-	-
- Transfer from Stage 2 to 3	-	-	(89)	(413)	89	413	-	-
- Transfer from Stage 2 to 1	94	645	(94)	(645)	-	-	-	-
	83	(1,055)	(174)	234	91	821	-	-
Re-measurement of outstanding	(337)	(7,863)	(16)	(122)	407	(31)	54	(8,016)
Financial asset originated during the year	41	44,344	9	216	50	113	100	44,673
Financial asset matured during the year	(12)	(6,682)	(33)	(164)	(131)	(280)	(176)	(7,126)
Closing balance	206	250,708	232	2,380	1,233	2,034	1,671	255,122
Investments								
Opening balance	41	85,731	-	-	-	-	41	85,731
Transfer between stages								
- Transfer from Stage 1 to 2	-	-	-	-	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Re-measurement of outstanding	7	(26,888)	-	-	-	-	7	(26,888)
Financial asset originated during the year	108	54,053	-	-	-	-	108	54,053
Financial asset matured during the year	(4)	-	-	-	-	-	(4)	-
Closing balance	152	112,896	-	-	-	-	152	112,896

36 Risk management (continued)

A. Credit risk (continued)

(f) Amounts arising from Expected Credit Loss (ECL) (continued)

31 December 2024	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000	₹ 000
Letter of credit / Guarantees								
Opening balance	51	19,136	38	8,204	-	-	89	27,340
Transfer between stages								
- Transfer from Stage 1 to 2	(5)	(1,095)	5	1,095	-	-	-	-
- Transfer from Stage 1 to 3	-	(37)	-	-	-	37	-	-
- Transfer from Stage 2 to 3	-	-	(2)	(52)	2	52	-	-
- Transfer from Stage 2 to 1	1	298	(1)	(298)	-	-	-	-
	(4)	(834)	2	745	2	89	-	-
Re-measurement of outstanding	(19)	(674)	(19)	(1,278)	29	-	(9)	(1,952)
Financial asset originated during the year	57	35,786	3	1,100	-	3	60	36,889
Financial asset matured during the year	(8)	(5,704)	(8)	(2,998)	-	-	(16)	(8,702)
Closing balance	77	47,710	16	5,773	31	92	124	53,575
Acceptances								
Opening balance	1	2,412	1	198	-	-	2	2,610
Transfer between stages								
- Transfer from Stage 1 to 2	-	-	-	-	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	-	-	-	-	-	-	-
Re-measurement of outstanding	-	-	-	-	-	-	-	-
Financial asset originated during the year	1	2,117	-	25	-	-	1	2,142
Financial asset matured during the year	(1)	(2,412)	(1)	(198)	-	-	(2)	(2,610)
Closing balance	1	2,117	-	25	-	-	1	2,142
Unutilised limits								
Opening balance	115	56,916	57	14,904	-	-	172	71,820
Transfer between stages								
- Transfer from Stage 1 to 2	(3)	(1,682)	3	1,682	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	-	177	-	(177)	-	-	-	-
	(3)	(1,505)	3	1,505	-	-	-	-
Re-measurement of outstanding	(10)	2,604	4	(1,112)	-	-	(6)	1,492
Financial asset originated during the year	78	40,782	54	21,239	-	-	132	62,021
Financial asset matured during the year	(76)	(43,151)	(27)	(8,041)	-	-	(103)	(51,192)
Closing balance	104	55,646	91	28,495	-	-	195	84,141
Accrued profit								
Opening balance	1	3,747	7	8,941	1,624	1,614	1,632	14,302
Transfer between stages								
- Transfer from Stage 1 to 2	-	(280)	-	280	-	-	-	-
- Transfer from Stage 1 to 3	-	(1)	-	-	-	(1)	-	-
- Transfer from Stage 2 to 3	-	-	-	(249)	-	(249)	-	-
- Transfer from Stage 2 to 1	-	20	-	(20)	-	-	-	-
	-	(261)	-	11	-	250	-	-
Re-measurement of outstanding	(1)	(423)	(2)	(910)	1,165	959	1,162	(374)
Financial asset originated during the year	1	1,298	1	2,228	51	49	53	3,575
Financial asset matured during the year	-	(429)	(2)	(4,767)	(90)	(125)	(92)	(5,321)
Closing balance	1	3,932	4	5,503	2,750	2,747	2,755	12,182

B. Liquidity risk

Liquidity risk is the potential inability to meet Dhofar Islamic's liabilities as they become due, because of the difficulty in liquidating assets (market liquidity risk) or in obtaining adequate funding (funding liquidity risk). It arises when Dhofar Islamic is unable to generate cash to cope with a decline in deposits or increase in assets.

Dhofar Islamic's liquidity risk management is governed by the ALM risk policy document approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management. Dhofar Islamic monitors its liquidity risk through cash flow approach. Under cash flow approach Dhofar Islamic 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. The mismatches in various time buckets indicate liquidity gap and Dhofar Islamic strictly adheres to the CBO set limit of 15% of cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets up to one year. In addition, Dhofar Islamic has also set up internal limit on mismatches in time buckets beyond one year.

Treasury department of Dhofar Islamic controls and monitors the liquidity risk and ensures that the window is not exposed to undue liquidity risk and at the same time makes optimum use of its funds. Middle office in Risk Management Division also monitors the liquidity position of Dhofar Islamic.

The CBO 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 with effect from 01 January 2019 and the window is in compliance of regulatory limit of LCR as at **31 December 2025**, with **LCR of 164.48%** (2024: 137.59%).

The NSFR is a longer-term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. Dhofar Islamic needs to maintain a minimum ratio of 100% as per the regulatory guidance. The NSFR of the window as at **31 December 2025** is **116.11%** (2024: 109.30%) based on closing balance position.

The full report on LCR and NSFR is disclosed by the Bank on its website.

36 Risk management (continued)

B. Liquidity risk (continued)

Maturity profile of financial assets and liabilities including future expected cashflows:

	2025					Total ₹ 000
	Due on demand and up to 30 days ₹ 000	More than 1 month to 6 months ₹ 000	More than 6 months to 12 months ₹ 000	More than 1 year to 5 years ₹ 000	Over 5 years ₹ 000	
Balances with Central Bank of Oman	32,914	-	-	-	-	32,914
Receivables from, and participatory investments with, FIs	5,782	-	-	-	-	5,782
Receivables and investments – customers	134,323	78,260	75,099	400,067	360,053	1,047,802
Investments in Sukuk	34,934	18,153	15,075	39,040	21,875	129,077
Other assets	16,503	1,723	6,660	-	1,951	26,837
Total assets – funded	224,456	98,136	96,834	439,107	383,879	1,242,412
Forward purchases	-	-	38,500	-	-	38,500
Total assets – non funded (Forwards)	-	-	38,500	-	-	38,500
Total assets – funded and non funded	224,456	98,136	135,334	439,107	383,879	1,280,912
Due to FIs	13,292	-	-	-	-	13,292
Due to other counterparties	66,548	-	-	-	-	66,548
Other liabilities	11,256	1,759	36	64	64	13,179
Participatory accounts	440,557	134,497	79,613	179,725	37,231	871,623
Total liabilities and accountholders equity	531,653	136,256	79,649	179,789	37,295	964,642
Forward sales	-	-	38,513	-	-	38,513
Letter of credit and guarantees	75,520	-	-	-	-	75,520
Unutilised limits for financing and receivables	104,298	-	-	-	-	104,298
Total liabilities non funded (Forwards)	179,818	-	38,513	-	-	218,331
Total liabilities funded and non funded; and accountholders equity	711,471	136,256	118,162	179,789	37,295	1,182,973
Gap	(487,015)	(38,120)	17,172	259,318	346,584	97,939
Cumulative gap	(487,015)	(525,135)	(507,963)	(248,645)	97,939	-

36 Risk management (continued)

B. Liquidity risk (continued)

Maturity profile of financial assets and liabilities including future expected cashflows (continued):

	2024					
	Due on demand and up to 30 days ₹ 000	More than 1 month to 6 months ₹ 000	More than 6 months to 12 months ₹ 000	More than 1 year to 5 years ₹ 000	Over 5 years ₹ 000	Total ₹ 000
Balances with Central Bank of Oman	24,623	-	-	-	-	24,623
Receivables from, and participatory investments with, FIs	27,140	-	-	-	-	27,140
Receivables and investments – customers	90,066	57,278	62,084	360,244	314,887	884,559
Investments in Sukuk	18,894	2,561	33,099	42,432	35,252	132,238
Other assets	13,141	1,183	-	-	2,258	16,582
Total assets – funded	173,864	61,022	95,183	402,676	352,397	1,085,142
Forward purchases	123,200	1,176	-	-	-	124,376
Total assets – non funded (Forwards)	123,200	1,176	-	-	-	124,376
Total assets – funded and non funded	297,064	62,198	95,183	402,676	352,397	1,209,518
Due to FIs	4,164	-	10,000	-	-	14,164
Due to other counterparties	58,235	-	-	-	-	58,235
Other liabilities	8,615	1,220	37	64	62	9,998
Participatory accounts	399,284	104,277	81,373	129,520	37,730	752,184
Total liabilities and accountholders equity	470,298	105,497	91,410	129,584	37,792	834,581
Forward sales	123,200	1,175	-	-	-	124,375
Letter of credit and guarantees	53,575	-	-	-	-	53,575
Unutilised limits for financing and receivables	84,141	-	-	-	-	84,141
Total liabilities non funded (Forwards)	260,916	1,175	-	-	-	262,091
Total liabilities funded and non funded; and accountholders equity	731,214	106,672	91,410	129,584	37,792	1,096,672
Gap	(434,150)	(44,474)	3,773	273,092	314,605	112,846
Cumulative gap	(434,150)	(478,624)	(474,851)	(201,759)	112,846	-

36 Risk management (continued)

C. Market risk (continued)

Fair Valuation of Securities:

Given the current economic outlook, the **reduction** in fair valuation of certain instruments at **31 December 2025** is by **₹ 28 thousand** (2024: 2,440 thousand).

Market risk includes currency risk, profit rate risk, equity price risk and displaced commercial risk.

(a) Currency risk

Dhofar Islamic is exposed to currency risk through its transactions in foreign currencies. The major foreign currency to which Dhofar Islamic is exposed is the US Dollar which is effectively pegged to Rial Omani.

	2025			2024		
	Assets ₹ 000	Liabilities ₹ 000	Net ₹ 000	Assets ₹ 000	Liabilities ₹ 000	Net ₹ 000
US Dollars	105,054	73,388	31,666	109,742	119,156	9,414
Pound Sterling	-	7	7	-	1	1
Euro	107,590	107,734	144	95,440	95,483	43
Japanese Yen	-	-	-	503	578	75
UAE Dirham	665	6	659	520	5	515
Others	310	-	310	612	-	612
Total	213,619	181,135	32,786	206,817	215,223	10,660

(b) Profit rate risk

Profit rate risk (PRR) is the risk that Dhofar Islamic will incur a financial loss as a result of mismatch in the profit rates on assets & investment accountholders. The profit distribution to investment accountholders is based on profit sharing agreements. However, the profit sharing agreements will result in displaced commercial risk when Dhofar Islamic results do not allow it to distribute profits in line with the market rates.

Dhofar Islamic has a detailed profit distribution policy in place which details the process and management of profit distribution, including setting up of profit equalization & investment risk reserve. The responsibility of profit rate risk management rests with the Dhofar Islamic's Asset and Liability Management Committee (ALCO).

Profit rate sensitivity gap

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

36 Financial risk management (continued)

C. Market risk (continued)

Profit rate sensitivity gap (continued)

	Effective average profit rates %	2025						Total R 000
		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-profit bearing ₺ 000	
Cash and balances with Central Bank of Oman	1.04%	1,540	-	-	-	-	35,553	37,093
Receivables from, and participatory investments with, FIs	5.20%	1,925	-	-	-	-	3,856	5,781
Receivables	5.43%	3,725	1,964	2,065	13,466	8,416	(84)	29,552
Ijarah Muntahia Bittamleek	5.77%	667	3,260	3,971	31,987	26,275	(423)	65,737
Participatory investments	6.01%	139,019	126,676	110,368	154,652	210,090	(14,764)	726,041
Investments in Sukuk and shares	5.24%	34,650	16,652	13,445	31,011	20,827	13,968	130,553
Property and equipment	-	-	-	-	-	-	2,078	2,078
Intangible assets	-	-	-	-	-	-	1,878	1,878
Other assets	-	-	-	-	-	-	23,402	23,402
Total assets		181,526	148,552	129,849	231,116	265,608	65,464	1,022,115
Due to FIs	0.00%	-	-	-	-	-	13,292	13,292
Due to other counterparties	0.00%	-	-	-	-	-	66,548	66,548
Other liabilities							23,315	23,315
Participatory accounts-	4.08%	138,839	134,060	78,723	179,838	264,219	-	795,679
Reserves of equity of investment accountholders	0.00%	-	-	-	-	-	162	162
Owner's equity	-	-	-	-	-	-	123,119	123,119
Total liabilities, quasi equity and owners' equity		138,839	134,060	78,723	179,838	264,219	226,436	1,022,115
On-balance sheet gap		42,687	14,492	51,126	51,278	1,389	(160,972)	-
Cumulative profit sensitivity gap		42,687	57,179	108,305	159,583	160,972	-	-

36 Financial risk management (continued)

C. Market risk (continued)

Profit rate sensitivity gap (continued)

	Effective average profit rates %	Due on demand and within 30 days ₺ 000	2024					Due after 5 years ₺ 000	Non-profit bearing ₺ 000	Total ₺ 000
			Due within 1 to 6 months ₺ 000	Due within 7 to 12 months ₺ 000	Due within 1 to 5 years ₺ 000	Due within 6 to 10 years ₺ 000	Due within 11 to 15 years ₺ 000			
Cash and balances with Central Bank of Oman		-	-	-	-	-	-	28,258	28,258	
Receivables from, and participatory investments with, FIs	2.21%	23,870	-	-	-	-	-	3,253	27,123	
Receivables	5.43%	4,799	2,090	1,742	11,203	7,189	(67)	26,956		
Ijarah Muntahia Bittamleek	5.61%	475	2,290	2,794	22,508	31,931	(422)	59,576		
Participatory investments	6.25%	185,832	163,018	47,410	65,341	165,132	(9,123)	617,610		
Investments in Sukuk and shares	4.94%	18,673	-	30,387	31,150	32,686	11,038	123,934		
Property and equipment	-	-	-	-	-	-	1,559	1,559		
Intangible assets	-	-	-	-	-	-	913	913		
Other assets	-	-	-	-	-	-	13,827	13,827		
Total assets		233,649	167,398	82,333	130,202	236,938	49,236	899,756		
Due to FIs	0.00%	-	-	-	-	-	-	14,164	14,164	
Due to other counterparties	0.00%	-	-	-	-	-	-	58,235	58,235	
Other liabilities	-	-	-	-	-	-	-	16,478	16,478	
Participatory accounts	4.49%	193,724	108,512	82,004	133,230	178,060	-	695,530		
Reserves of equity of investment accountholders	-	-	-	-	-	-	109	109		
Owner's equity	-	-	-	-	-	-	115,240	115,240		
Equity of accountholders & Total liabilities and shareholders' equity		193,724	108,512	82,004	133,230	178,060	204,226	899,756		
On-balance sheet gap		39,925	58,886	329	(3,028)	58,878	(154,990)	-		
Cumulative profit sensitivity gap		39,925	98,811	99,140	96,112	154,990	-	-		

36 Financial risk management (continued)

C. Market risk (continued)

(c) Equity risk

Equity risk is the risk that the fair value of equities held-for-trading purpose decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity risk exposure arises from equity securities classified as FVOCI.

(d) Displaced commercial risk

Displaced Commercial Risk (DCR) refers to the market pressure to pay returns which exceed the rate that has been actually earned on each category of deposit. The reason may be underperforming assets as compared to market rates or commitment to retain customers by giving higher returns. To cater for DCR, to avoid fluctuations in the profits and to cater the risk of future losses, the window maintains a certain percentage of the profits as PER and IRR in accordance with the detailed profit and loss distribution policy.

D. Operational risk

The Operational risk policy of the Bank sets out the loss mitigation tools. Bank has established a disaster comprehensive recovery and business continuity plan, considering various plausible scenarios in accordance with the 'Business Continuity Plan (BCP)'. Bank has implemented IT Security Policy and guidelines to mitigate the information technology security related risks.

The Bank has developed a comprehensive operational risk management framework comprising of the Risk Control and Self-Assessment, Key Risk Indicator and Loss Data Management (LDM) Framework. 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 on the Bank. Bank has created a comprehensive risk register which includes inherent risk events, control effectiveness and residual risks. The Key Risk Indicator (KRI) framework enables the Bank to identify and monitor the key risks at various levels. 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.

Bank has set up Management Risk Committee to identify, manage, measure, monitor, mitigate and report operational risks.

Bank has the process of collecting and collating data on operational risk events to build a strong loss data base and to improve the control effectiveness. The loss data are being captured using Operational Risk Management system. Further, other operational risk tools like Risk Control & Self-Assessment (RCSA) and Key Risk Indicators (KRIs) are also implemented.

In terms of regulatory guidelines, Bank has adopted the Basic Indicator Approach (BIA) for computing the capital charge for Operational Risk.

Dhofar Islamic has in place the policies and procedures to increase the banking as well as the Islamic financing knowledge within its staff. During the year, the window has conducted various training programs including both in-house as well as external training programs. These programs were conducted mainly in the areas of concepts of Islamic banking and the products and services of Islamic banking.

37 Capital management

CBO sets and monitors capital requirements for the Bank as whole as well as individually for Islamic window. A minimum of 11% ratio of total capital to total risk-weighted assets ratio is required to be maintained by Dhofar Islamic. The regulatory capital of Islamic window is analysed into the following tiers:

- Tier I capital, which includes share capital allocated from the Head office; deduction of unrealized loss on investment at fair value through equity; and retained earnings; and
- Tier II capital, which includes the impairment provision.

	2025 S 000	2024 S 000
Types of capital		
Tier I capital	119,444	115,084
Tier II capital	3,855	2,930
Total Regulatory Capital	123,299	118,014
Risk weighted assets (RWA)		
Credit risk weighted assets	828,822	674,010
Market risk weighted assets	23,900	12,572
Operational risk weighted assets	104,728	93,178
Total risk weighted assets	957,450	779,760
Capital ratios		
Tier I capital ratio (%)	12.48%	14.76%
Total capital as a % of RWA	12.88%	15.13%

38 Fiduciary asset

These activities consist of investment management activities conducted under Wakala agreements with the customers. The aggregate amounts of funds managed are as follows:

	2025 S 000	2024 S 000
Funds under management	9,726	2,400

