35 Years

BANKING
THAT IS
PROUDLY
HUMAN

بنك ظفار
BankDhofar

ANNUAL REPORT 2024

Banking that is Proudly Human

As we reflect on the past year and set our sights on the future, our bank remains steadfast in its commitment to innovation, people, and progress. Embracing digital transformation, we harness cutting-edge technology while keeping our customers and communities at the heart of everything we do.

Our dedicated team has been instrumental in driving meaningful change, fostering inclusivity, and strengthening connections. With a focus on sustainability, trust, and long-term value, we look forward to continuing to shape the future of banking and advancing toward a brighter tomorrow.

35 Years

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HUMAN

بنك ظفار
BankDhofar

His Majesty

Sultan Haitham Bin Tarik

Visionary Growth

Charting a Path to the Future

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Empowering People

A Commitment to Our Customers and Communities

THE BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Dear Shareholders,

On behalf of the Board of Directors of BankDhofar S.A.O.G., I am pleased to present Bank's financial statements for year ended 31 December 2024.

Oman's economic recovery is going strong, and inflation is well under control due to favourable oil prices and ongoing reform momentum. The average oil price during the year 2024 was at US$ 82/b which was 37% higher than budgeted oil price of US$ 60/b. As per preliminary results of 2024, the budget is expected to generate a surplus of RO 519 million against a budgeted deficit of RO 640 million for financial year 2024, this is attributable to the increase in oil prices and continued fiscal prudence.

Oman was upgraded to BB+ Positive outlook by Fitch and Ba1 Positive outlook by Moody's, due to improvement on debt reduction and non-oil growth on hydrocarbon, domestic consumption, and robust foreign investment and tourism.

2024 Financial Overview

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

	31 December 2024	31 December 2023	Variance
	RO million	RO million	%
Net interest income and income from Islamic financing	114.17	110.82	3.02%
Net fee and other operating income	38.67	33.26	16.27%
Operating income	152.84	144.08	6.08%
Operating expenses	78.85	68.65	14.86%
Expected credit losses (net of recovery of bad debts)	23.80	31.66	(24.81)%
Net profit for the year	43.61	38.76	12.52%
Total assets	5,085.05	4,685.80	8.52%
Net loans and Islamic financing	3,933.62	3,765.58	4.46%
Customer deposits	3,762.86	3,299.22	14.05%
Total equity	740.43	732.95	1.02%

The Bank reported net profit of RO 43.61 million for the year ended 31 December 2024 compared to RO 38.76 million for the comparative year which represents an increase of 12.52%.

Bank's interest income on loans and Islamic financing receivables reached RO 279.89 million compared to RO 261.61 million resulting in a year on year (YoY) growth of 6.99%. However, the interest expense YoY was higher by 9.90%. As the growth in interest income was higher than the increase in interest expense in 2024, the net interest and financing income increased to RO 114.17 million for the year ended 31 December 2024 as compared to RO 110.82 million for the year 2023.

Net fee and other operating income grew significantly by 16.27% reaching RO 38.67 million as compared to RO 33.26 million for the year 2023. The Growth in fee and other operating income was across all business segments, including Wholesale, Retail and Islamic Business and our new business i.e corporate advisory, asset management etc.

With increase in net fee and other operating income, the total operating income correspondingly improved to RO 152.84 million for the year ended December 2024 as compared to RO 144.08 million during 2023, showing a growth of 6.08%.

Operating expenses increased by 14.86% to RO 78.85 million in 2024 as compared to RO 68.65 million in 2023. As the increase in Operating expenses by 14.86% was higher than the growth in operating income by 6.08%, the same resulted in Bank's cost to income ratio increasing to 51.59% during 2024 as compared to 47.6% for the last year.

Net loans and advances including Islamic financing, recorded YoY growth of 4.46% and reached RO 3.93 billion as at 31 December 2024 from RO 3.77 billion as at 31 December 2023. Customer Deposits including Islamic deposits, also witnessed a a significant growth of 14.05% increasing to RO 3.76 billion as at 31 December 2024 as compared to RO 3.30 billion as at end of previous year.

Net Expected Credit Loss 'ECL' for the year ending 2024 stood at RO 23.80 million after recoveries of RO 19.52 million as compared to RO 31.66 million after recovery of 20.76 million for the year 2023, a reduction of RO 7.86 million. Gross NPL ratio for the Bank improved to 4.67% as at 31 December 2024 from 5.39% as at 31 December 2023. However NPL, net of ECL and interest reserve increased to 2.12% as at 31 December 2024 compared to 2.05% at 31 December 2023.

The earnings per share (EPS) for year ended 31 December 2024 were at RO 0.0110 as compared to RO 0.0093 for the same previous year last year. The Return on Shareholder Equity (RoSE) increased to 7.66% as at 31 December 2024 from 6.90% as at 31 December 2023.

Key Strategic Initiatives in the year 2024

In 2024, Bank achieved significant milestones, showcasing its commitment to growth, innovation, and customer-centricity. The bank expanded its branch network to 130 branches, comprising 105 conventional and 25 Islamic branches, reflecting its focus on accessibility and inclusivity. Across all business segments, the range of products and services were significantly enhanced, catering to the diverse needs of customers in both conventional and Islamic banking. The launch of the BankDhofar Money Market Fund marked the bank's foray into fund offerings, while its role as issue manager for the successful OQ Base Industries IPO demonstrated its leadership in financial services.

On the technology front, Bank made substantial investments to enhance customer interactions and support business enablement. It became the first bank to launch tokenization via Dhofar Pay, enabling customers to make payments by simply tapping their mobile phones at POS machines. Additionally, the bank was among the firsts in the country to offer Samsung Pay and Apple Pay. To further support its corporate customers, it introduced bulk cash deposit machines and launched Dhofar EasyBiz, an automated platform for collections and reconciliation. BankDhofar also pioneered an end-to-end direct debit process, enabling customers to manage registration, approval, and acceptance through digital banking channels.

Customer-centricity remained a key focus, with the rollout of customer service values across the organization and notable improvements in response and resolution times for customer feedback and complaints. The bank's relentless efforts in customer acquisition resulted in a customer base of over 600,000 across conventional and Islamic banking. Further enhancing its offerings, the bank soft-launched its retail wealth proposition, and is in the process of establishing partnerships with leading global asset managers to provide diverse investment opportunities for individuals, institutions, and corporates.

Driven by its philosophy of simplifying banking, the bank undertook multiple initiatives to streamline processes and deliver a seamless experience to customers. In addition, significant advancements were made in cybersecurity, reinforcing the bank's commitment to safeguarding its customers and operations. These accomplishments underscore BankDhofar's dedication to innovation, customer satisfaction, and its leadership in the banking sector.

Dhofar Islamic - Financial Performance Highlights

Dhofar Islamic, the BankDhofar (SAOG) Islamic Banking Window has shown a positive growth in key financial performance indicators throughout the year of 2024. Gross financing portfolio has grown to RO 724.19 million at December 2024 from RO 672.09 million at December 2023, an of growth of 7.75% over last year. The total customer deposits of Dhofar Islamic reached to RO 691.04 million at December 2024, registering a significant growth of 23.34% compared to RO 560.25 million at December 2023.

The gross sukuk investment portfolio increased by 38.56% from RO 90.18 million at December 2023 to RO 124.95 million at December 2024 due additional investments in Sukuk and Shares portfolio of about RO 35 million. Dhofar Islamic total assets has shown a growth of 10.24% reaching RO 899.76 million at December 2024 from RO 816.16 million at December 2023.

As at December 2024, Dhofar Islamic registered a profit before tax of RO 8.99 million which is 4.05% higher than the last year profit before tax of RO 8.64 million. Dhofar Islamic profit expense increased by 26.29% to RO 29.69 million as at December 2024 from RO 23.51 million at December 2023. This increase is a factor of both increase in liability portfolio and the rising cost of funds in the banking sector. Dhofar Islamic was able to partially offset the adverse impact of higher cost of funds with increase in gross profit income by 14.40% to RO 47.83 million as at December 2024 from RO 41.81 million at December 2023.

Dhofar Islamic total income for the period ended December 2024 stood at RO 23.29 million compared to RO 22.90 million at December 2023, posting an increase of 1.70%. Cost to income ratio has increased to 50.58% as at December 2024 from 48.91% during the same period last year. The administrative cost has been managed efficiently throughout the year and increase was restricted to mere 5.18% to reach RO 11.78 million compared to RO 11.20M last year. Net expected credit loss 'ECL' charge has reduced by 17.97% to RO 2.51 million as at December 2024 from RO 3.06 million at December 2023 due to prudent lending and effective recoveries efforts during the year.

On a non-financial front, Dhofar Islamic has expanded its branch network to 25 across Sultanate of Oman, from 22 branches in 2023. Dhofar Islamic continued investment in its product and services to cater to customer needs and to enhance customer experience has paved the way for the growth in its customer base and in its financial portfolio during the year 2024.

Capital Adequacy

The Bank continues to hold robust capital position of Core Equity Tier 1 Ratio (CET-1) of 12.43% as at 31 December 2024 (2023: 12.99%), Tier 1 capital ratio of 16.07% (2023: 16.79%) and total capital adequacy ratio of 16.51% (2023: 17.48%), compared to regulatory minimum of 9.5%, 11.5% and 13.5% respectively.

Distributed & Proposed Dividends

The Board of Directors proposed a 6.55% cash dividend and 1.45% stock dividend as distribution for the year ended 31 December 2024, subject to Shareholders approval.

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

Year	2020	2021	2022	2023	2024
Cash Dividend	4%	2%	5%	7.75%	6.55%
Stock Dividend	Nil	Nil	Nil	Nil	1.45%

Awards & Accolades

- Being a customer centric and innovation focused organization, the Bank continue to develop and offer retail, corporate and investment banking solutions to enhance customer experience. This was evidenced with the Bank receiving following awards during 2024.
- Best Trade Finance Bank in Oman 2024 by The Asian Banker (TAB).
- Oman's Best Trade Finance Bank by Global Trade Review in 2024.
- Best Customer - Centric Banking Brand by The Global Brands Magazine.
- Innovating Customer Experience with Analytics by Verint.
- Customer Experience Innovation Awards by Qorus- Infosys.
- Best Trade Finance Bank - Oman 2024 by Global Banking and Finance Review.
- Best Trade Finance Bank in Oman Award by GTR.
- Best Banking Service Provider for Women in Oman 2024 by Women's Tabloid Awards.
- Best SME Bank Award - Oman 2024 by Brands Review Magazine.
- Fastest Branch Network Award - Oman 2023 by Global Business and Finance Magazine.
- Straight through Processing STP excellence award by Citi.
- Achievement in enabling Visa Tap to phone in Oman Award by Visa.
- Best Bank for Corporates Award by Euromoney.
- The Digital Transformation in Human Resources Management in the private sector Award by The Omani Society for Human Resource Management (OSHRM).

Year Ahead (2025)

Oman 2025 State Budget envisioned continuation of ongoing economic recovery. The 2025 Budget assumes oil price of US$ 60 per barrel.

The key initiative include development projects in various sectors such as Education, Health, Infrastructure, Tourism, Housing, Sport, 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 which include the National Program for Fiscal Sustainability and Development Financial Sector (Estidamah), National Program for Economic Diversification (Tanwea'a), Government Digital Transformation program, National Program for Investment and Exports Development (Nazdahir), National Employment Program (Tashgheel).

Government led programmes, aimed at creating wealth through economic diversification and private sector partnership, building world-class infrastructure, and preserving environment sustainability.

Acknowledgment

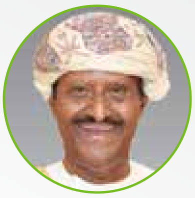
On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the Executive Management. I convey my gratitude to the shareholders, Sharia Supervisory Board of Dhofar Islamic, Management and Staff for their relentless efforts and contributions during the year 2024.

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

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

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

THE BOARD OF DIRECTORS



Eng. Abdul Hafidh Salim Rajab Al Ojaili
Basis of Membership:
Chairman Non-executive
Non-Independent
Shareholder Director

Mr. Ahmed Said Mohammed Al Mahrezi
Basis of Membership:
Vice-Chairman Non-executive
Independent Non-shareholder Director

No. of other directorships held: 1

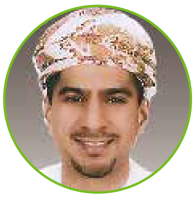
Mr. Mohammed Yousuf Alawi Al Ibrahim
Basis of Membership:
Member Non-executive Independent
Representative Non-shareholder
Director**No. of other directorships held: 1**

Mr. Tarik Abdul Hafidh Salim Al Aujaili
Basis of Membership:
Member Non-executive Non-Independent
Representative Shareholder Director

No. of other directorships held: 3

Mr. Hamdan Abdul Hafidh Al Farsi
Basis of Membership:
Member Non-executive Independent
Non-shareholder Director

No. of other directorships held: 1



Mr. Faisal Mohammed Moosa Al Yousef
Basis of Membership:
Member Non-executive Non-Independent
Representative Shareholder Director

No. of other directorships held: 0

Sheikh Khalid Said Salim Al Wahaibi
Basis of Membership:
Member Non-executive Independent
Representative Shareholder Director

No. of other directorships held: 0

Sheikh Tariq Salim Mustahil Al Mashani
Basis of Membership:
Member Non-executive Independent
Representative Shareholder Director

No. of other directorships held: 1

Sheikh Ahmed Sultan Rashid Al Yaqoubi
Basis of Membership:
Member Non-executive Independent
Non-shareholder Director

No. of other directorships held: 0

THE EXECUTIVE TEAM

Karumathil Gopakumar
Acting Chief Executive Officer

Kamal Uddin Hassan Al Maraza
General Manager & Chief Dhofar Islamic

Ahmed Said Salim Al Ibrahim
Chief Corporate Services Officer

Amjad Iqbal Hassan Al Lawati
Chief Retail Banking Officer

Mallikarjuna Korisepati
Chief Wholesale Banking Officer

Dr. Tariq Saleh Mohammed Taha
Chief Information Officer

Dr. Khalid Salim Ali Al Hamadani
Chief Human Resources Officer

Vikesh Mirani
Chief Financial Officer

Leen Kumar Sugumaran
Chief Risk Officer

Nicola Thompson
Chief Internal Auditor

Corporate Governance Report

BankDhofar SAOG

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

Private and confidential
Our ref.: aud/kn/zu/19929/25

Agreed-Upon Procedures Report on Code of Corporate Governance 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 the Bank Dhofar SAOG for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Financial Services Authority ("FSA") (formerly Capital Markets Authority) to assist in compliance of requirements prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose. This report is intended solely for the Bank Dhofar SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of the 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 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 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.

KPMG

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 the Bank Dhofar SAOG in the terms of engagement dated 1 May 2023, on the compliance with the Code:

S. No	Procedures	Findings
1	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.	No exceptions noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by the Bank Dhofar SAOG Board of Directors for the year ended 31 December 2024. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2024.	No non-compliance with the Code noted during the year.

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

KPMG

KPMG LLC
5 March 2025

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

Enclosures:
Bank Dhofar SAOG Corporate Governance Report

Part 1

1. Corporate Governance Philosophy:

BankDhofar's expansive Corporate Banking division is dedicated to delivering specialized and personalized Corporate Governance is an essential element in attaining, enhancing and retaining confidence of the Bank's stakeholders. Corporate governance lays down the relationship and responsibilities between shareholders, Board of directors and senior management of the Bank through the structure of setting objectives, formulating strategies, controlling and monitoring performance while ensuring compliance with regulations in letter and spirit and promoting a culture of transparency through disclosures and commitment to highest ethical standards.

The Board of Directors of BankDhofar SAOG (the Bank) bears the principal responsibility of 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 of strategic supervision of the Bank, apart from fulfilling statutory obligations. Some of the major responsibilities of the Board are discharged through four sub-committees, viz. the Board Executive Committee, the Board Audit Committee, the Board Risk Committee and the Board Nomination & Remuneration Committee. These sub-committees which operate under the Board approved charters have been meeting 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 the strategic plans and internal policies to institute adequate controls for achievement of the set objectives and compliance with rules and regulations. The executive management of the Bank comprises of the Senior Members headed by the Chief Executive Officer.

Through this two-tiered 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 of 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 the full authority to perform all acts required for managing the Bank and protecting and growing the shareholders' interests pursuant to its objectives besides securing the interests of other stakeholders. Such authority is not limited or restricted except as provided by the law, the Articles of Association or resolutions of the General Meetings. However, such authority is not extended to the operational matters and day-to-day affairs of the Bank which remains a responsibility of the 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 set plans.
- Approving the interim and annual financial statements and providing accurate information at the right time to the shareholders, in accordance with the guidelines of the Financial Services Authority
- Forming various Board sub-committees, approving their charters and reviewing the functions of these committees.
- Adopting internal regulations and bylaws pertinent to 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 functions and 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 2025.

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 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:

- Holding ten per cent (10%) or more of the company shares, its parent company, or any of its subsidiary or associate companies.
- Representing a juristic person who holds ten per cent (10%) or more of the company shares, its parent company, or any of its subsidiary or associate companies.
- Had 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.
- Being a first degree relative of any of the directors of the company, its parent company or any of its subsidiary or associate companies.
- 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.
- Being a director of the parent company or any of the subsidiary or associate companies of the company being nominated for its board membership.
- 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 ("CSO") where the latter received a support in excess of 25% of the annual budget of such CSOs).
- 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.
- Holding about 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 condition of the election of directors as issued by FSA. The election process is through 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 in the voting form is equivalent to the number of shares he/she holds.

At present all the 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
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

Sharia Supervisory Board was formed in the year 2012 for the Islamic Banking operations of the Bank's window, Dhofar Islamic Banking Services (previously Maisarah).

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 the Chairman of the Board Executive Committee. 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 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 & Administration, extending over a period of more than 37 years. Mr. Ahmed holds a Master of International Business Law.

Mr. Mohammed Yousuf Alawi Al Ibrahim – Director

Mr. Mohammed Yousuf Al Ibrahim is a member of the Board of Directors. He is also a member of the Board Executive Committee, a member of the Board Risk Committee and a member of the Board Nomination & Remuneration Committee. He has extensive experience in directorship of private and public companies. His diverse portfolio includes being Shareholder, Executive & Managing Director of various private companies & 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 and a member of the Board Nomination & Remuneration Committee. He has extensive experience of public companies' directorship. 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.

Dr. Hamdan Abdul Al Hafidh Al Farsi – Director

Mr. Hamdan Abdul Al Hafidh Farsi is a member of the Board of Directors. He is also the Chairman of the Board Audit Committee. He currently holds the position of Director of Governance, Risk Management & Compliance at the Social Protection Fund. He is a director of National Gas Co SAOG. He has a wealth of experience extending for 29 years in Finance, Internal Audit and Risk Management. Mr. Hamdan Al Farsi holds a Bachelor, Master degree in Accountancy and PhD in Management.

Mr. Faisal Mohamed Moosa Al Yousef – Director

Mr. Faisal Mohamed Moosa Al Yousef is a member of the Board of Directors and a member of the Board Executive Committee He is the Chairman of Muscat Finance Co SAOG, Chairman of Al Ruwad International for Education Services and Cactus Premier Drilling Services and a Board member of Al Anwar Investments. He is the Chief Executive Officer of Al Yousef Group. Mr. Faisal holds a Bachelor of Economics, an Executive MBA from Oxford university and holds an Advance Diploma in insurance. He is a fellow of the Association of Chartered Certified Accountants, U.K.

Sheikh Khalid Said Salim Al Wahaibi – Director

Sheikh Khalid Said Salim Al Wahaibi is a member of the Board of Directors, a member of the Board Executive Committee and a member of the Board Audit Committee. He is 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 28 years as a Director and Managing Director of Assarain Group of Companies. Sheikh Khalid holds a Bachelor of Business Administration.

Sheikh Tariq Salim Mustahil Al Mashani – Director

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

Sheikh Ahmed Sultan Rashid Al Yaqoubi – Director

Mr. Ahmed Sultan Al Yaqoubi has 26 years of work experience in the Ministry of Defense Pension Fund and has significantly contributed to the overall development of Fund and he was a core member of the Investment Team since the 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 served also on the Boards of Directors of Public listed companies e.g. Sohar Power & National Aluminum Products Co. Mr. Ahmed Al Yaqoubi holds a bachelor degree in Commerce & Economics.

Part 2

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-executive	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. Hamdan Abdul Al Hafidh Al Farsi	Member Non-executive	Independent	Non-shareholder Director	1
6	Mr. Faisal Mohammed Moosa Al Yousef	Member Non-executive	Independent	Non-shareholder Director	2
7	Sheikh Khalid Said Salim Al Wahaibi	Member Non-executive	Independent	Non-shareholder Director	2
8	Sheikh Tariq Salim Mustahil Al Mashani	Member Non-executive	Independent	Non-shareholder Director	2
9	Sheikh Ahmed Sultan Rashid Al Yaqoubi	Member Non-executive	Independent	Non-shareholder Director	-

The Board of Directors held 7 meetings during 2024, as follows:

28 January 2024	25 April 2024	04 July 2024	25 July 2024
03 October 2024	21 October 2024	16 December 2024	

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

S. No.	Name of Director	Basis of membership	No. of other directorships held in SAOG Companies	
			Sitting Fees Paid	Remuneration Proposed
1	Eng. Abdul Hafidh Salim Rajab Al-Ojaili	7	6,600	35,500
2	Mr. Ahmed Said Mohammed Al Mahrezi	7	10,000	34,000
3	Mr. Mohammed Yousuf Alawi Al Ibrahim	7	10,000	32,500
4	Mr. Tariq Abdul Hafidh Salim Rajab Al-Aujaili	7	10,000	34,000
5	Sheikh Ahmed Sultan Rashid Al Yaqoubi	7	8,600	32,500
6	Mr. Hamdan Abdul Al Hafidh Al Farsi	6	9,600	34,000
7	Mr. Faisal Mohammed Moosa Al Yousef	7	5,400	32,500
8	Sheikh Khalid Said Salim Al Wahaibi	7	9,000	32,500
9	Sheikh Tariq Salim Mustahil Al Mashani	5	6,850	32,500
	Total		**76,050**	**300,000**

2. Sharia Supervisory Board (SSB)

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

- To provide the Sharia rulings in all activities of the Islamic Banking Window (IBW)
- To supervise the compliance of the IBW with Islamic Sharia rules
- To enhance the IBW contribution in spreading the awareness and contribute in development of the Islamic banking.

The Sharia Supervisory Board for the period from 1/1/2024 to 31/12/2024 had held four meetings.

Name of SSB Members from 1/1/2024 to 31/12/2024	Designation	No. of Meetings Attended in 2024	Honorarium (Amount in OMR)	
			Fees Paid per meeting	Remuneration (Amount Paid in 2024) Annually
Sheikh Abdullah Bin Ali Al Shahri	Chairman	4	600 x 4= 2400	9000
Sheikh Azzan bin Nasser bin Farfoor Al Amri	Deputy Chairman	4	550 x 4=2200	7500
Sheikh Dr. Abdul Rub bin Salim bin Abdul Rub Al Yafai	Member	4	500 x 4=2000	7000
Sheikh Hilal bin Hassan bin Ali Al Lawati	Member	4	500 x 4=2000	7000
Sheikh Dr. Amin Fateh	Member	4	500 x 4=2000	7000

3. Board Executive Committee (BEC)

The BEC comprises five members of the Board of Directors and meets as and when there is a business need. The Board Executive committee (BEC) is entrusted to guide the Bank management on three key strategic areas:

- **Approval of credit proposals -** The BEC is responsible for approving certain credit proposals and overseeing the Bank's credit policy framework. The responsibilities of the BEC include reviewing and approving specific transactions up to the Bank's permitted risk limits, in particular those which exceed the authority of the senior management.

- **Strategy, Merger, Information & Transformation -** The committee oversees matters pertaining to Strategy, Information Technology (IT), Transformation and Mergers. Review major projects handled by Enterprise Project Management Office. Review IT Strategy and major decisions relating to IT. The committee is to review and set the direction on the Bank's potential merger/s on behalf of the Board of Directors of the Bank in compliance with CBO, FSA and MOCI and other regulators guidelines and regulations. To conduct and finalize negotiations in relation to the potential merger on behalf of the Board of Directors of the Bank and also to oversee the steps of the merger to its final potential conclusion.

- **Capital, Funding & Bank Proprietary Book Investments -** The Committee is tasked with reviewing and setting the direction on the capital and funding requirements of the Bank to ensure compliance with the CBO and Basel guidelines. It is also responsible for reviewing and setting the direction of the non-capital long-term funding requirements of the Bank, which are typically issued and listed on international or local markets, in addition to overseeing capital requirements. The Committee also oversees the management practices on investment matters. It monitors the Bank's investments and ensures that the Bank complies with its policies and regulatory requirements

The Members of the Board Executive (BEC) Committee are:

Name of Director	Designation	No. of Meetings Attended
Eng. Abdul Hafidh Salim Rajab Al Ojaili	Chairman of the BEC	3
Mr. Faisal Mohammed Moosa Al Yousef	Vice Chairman of the BEC	3
Mr. Mohammed Yousuf Alawi Al Ibrahim	Member	3
Sheikh Khalid Said Salim Al Wahaibi	Member	3
Sheikh Tariq Salim Mustahil Al Mashani	Member	1
Sheikh Ahmed Sultan Rashid Al Yaqoubi	Member	3

The BEC held 3 meetings in 2024.

4 - Board Audit Committee (BAC)

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

- To focus the attention of the Board and top management of the Bank on the importance of strong internal controls over financial reporting and governance practices.
- To review the adequacy and effectiveness of internal controls in the Bank and to recommend appropriate steps to improve them where required.
- To review the effectiveness of the system for monitoring the Bank's compliance with legal and regulatory provisions, Bank's Articles of Association, Charters, By-laws and internal policies and procedures established by the Board of Directors.
- To review the effectiveness of the internal audit function and approve the risk based internal audit plan as well as the availability of adequate resources and informational access.
- To recommend to the Board of Directors the appointment of the external auditors, their termination and remuneration and determine and review their terms of engagement.
- To meet the External Auditors and hear their views before forwarding 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 examination by supervisory authorities.

The Members of the Board Audit Committee (BAC) are:

Name of Director	Designation	No. of Meetings Attended
Mr. Hamdan Abdul Hafidh Al Farsi	Chairman of the Audit Committee	12
Mr. Ahmed Said Mohammed Al Mahrezi	Deputy Chairman	12
Sheikh Khalid Said Salim Al Wahaibi	Member	11

The (BAC) held 12 meetings in 2024.

5- Board Risk Committee (BRC):

The Board Risk Committee (BRC) was formed by the Board of Directors to focus on issues relating to Risk Management policies and procedures on a Bank-wide basis by arriving at a judicious policy decision collectively.

Roles and Responsibilities:

- To understand the risks undertaken by the Bank and ensure that they are appropriately managed.
- To develop risk policies, limits and procedures after assessment of the Bank's risk bearing capacity.
- To identify, monitor and measure the overall risk profile of the Bank.
- To verify models used for pricing complex products and transfer pricing.
- To review the risk models as development takes place in the markets and also identify new risks.
- To ensure that the risk policies developed clearly spell out the quantitative prudential limits on various segments of Bank's operations.
- To build stress scenarios and measure the impact of unusual market conditions and monitor variance between the actual volatility in portfolio values and those predicted by the risk measures.
- To monitor compliance with various risk parameters by business lines.
- To hold the line management accountable for the risks under their control.
- Apprise the Board of Directors on significant issues affecting Risk Management in a timely manner.
- To oversee and ensure the implementation of CBO's guidelines on risk management systems in Banks.

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

Name of Director	Designation	No. of Meetings Attended
Mr. Tariq Abdul Hafidh Salim Al Aujaili	Chairman of BRC	9
Mr. Ahmed Said Mohammed Al Mahrezi	Deputy Chairman	9
Mr. Mohammed Yousuf Alawi Al-Ibrahim	Member	9
Sheikh Tariq Salim Mustahil Al Mashani	Member	3

The (BRC) held 9 meetings in 2024.

6- Board Nomination and Remuneration Committee (BNRC):

The Board Nomination and Remuneration Committee (BNRC) is formed by the Board to ensure that the overall human resources developments at Board of Directors and executive management levels are as per 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 wProvide succession and development plans for the executive management.
- Develop 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 of any seat becomes vacant.
- Prepare and review compensation policy of executive management.
- Endorse compensation package (salary, increment, promotion, & bonus) of executive management for Board of Directors approval.

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 BNRC	6
Mr. Mohammed Yousuf Alawi Al-Ibrahim	Member	6
Mr. Tariq Abdul Hafidh Salim Rajab Al Aujaili	Member	6
Sheikh Tariq Salim Mustahil Al Mashani	Member	2
Sheikh Ahmed Sultan Rashid Al Yaqoubi	Member	6

The (BNRC) held 6 meetings in 2024.

7- Directors' Remuneration and Top Management

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 an annual remuneration and sitting fees for attending the Board / Committee meetings. Directors' proposed remuneration and sitting fees paid during 2024 are as follows:

	Proposed Remuneration (OMR)	Sitting Fees Paid (OMR)	Total (OMR)
Chairman of the Board	35,500	6,600	42,100
Board Members	264,500	69,450	333,950
Total	**300,000**	**76,050**	**376,050**

The 5 key management members and their salaries and bonuses and staff terminal benefit for 2024 was OMR 1,943,721 The amount disclosed is the amount paid for the reporting period. Certain components of the key management bonuses are paid on the deferral basis as per the guidelines issued by the Central Bank of Oman.

8- Other Disclosures

During the year, an amount of RO 64,000 and RO 31,000 was accrued to the auditors for the audit of the financial statements and audit related services respectively.

9 - Related Party Transactions, Dealings and Policy

The Bank adopts a comprehensive policy and by-laws regulating related party dealings placing procedures and guidelines governing and regulating such transactions and dealings with the directors who have strong and significant interest in the Bank's dealings.

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

10- Compliance with Regulatory and Control Requirements

In the last three years, the Bank paid a total amount of OMR 96,000 in penalties to the Central Bank of Oman "CBO". The Bank complied with all provisions of the Code of Corporate Governance issued by the Financial Services Authority.

11- Communication with Shareholders and Investors

All financial and non-financial information are disseminated in a timely manner. The management provides regular updates to the market on the Bank's performance and new developments, besides 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 investors' relations image, the Bank has taken the following steps:

- The Bank has created a separate section under its website "Investors' Relations" where all the relevant information, links, and documents of investors' interest and relevance are gathered under this section.
- The Bank has created an email ID: investorsrelations@bankdhofar.com, which is available on BankDhofar's website under "Investors' Relations" section for further communication ensuring attending investors' and other external stakeholders' queries on timely basis. 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 also hosts these and other relevant information on its website (www.bankdhofar.com) and 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 for the shareholders of the Bank. Bank's all official news releases are displayed on the Bank's website.

12- Market Price Data

a. Share Price Movements

2024	BankDhofar Share Price (RO)			MSX financial sector Index
Month	High	Low	Closing	Closing
January	0.151	0.150	0.150	7369.92
February	0.145	0.141	0.145	7094.12
March	0.160	0.160	0.160	7358.58
April	0.160	0.158	0.160	7763.07
May	0.157	0.157	0.157	8015.02
June	0.000	0.000	0.165	7684.90
July	0.000	0.000	0.154	7597.60
August	0.000	0.000	0.158	7695.31
September	0.157	0.157	0.157	7726.18
October	0.000	0.000	0.177	7914.24
November	0.000	0.000	0.177	7681.53
December	0.160	0.156	0.156	7725.85

b. Major Shareholders

The following are the major shareholders who own more than 5% of the outstanding shares as at 31 December 2024:

Sr. No.	Shareholder	Percentage of Ownership
1	H.E. Abdul Hafidh Salim Rajab Al Ojaili & his companies	24.99%
2	Dhofar International Development & Investment Holding Company (SAOG)	24.04%
3	Social Protection Fund	10.01%
4	H.E. Yousuf bin Alawi bin Abdullah & his companies	9.80%
5	Sheikh Mustahail Ahmed Al-Ma'ashani & his companies	7.45%
6	Others	23.71%
	Total	**100.00%**

13- Profile of the Statutory Auditors

The shareholders of the Company appointed KPMG as its auditors for 2023. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are five partners and five directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 273,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

14- Other Matters

The last Annual General Meeting was held on 27 March 2024. 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 Al Aujaili, Dr. Hamdan Abdul Hafidh Al Farsi, Mr. Faisal Mohammed Moosa Al Yousef , Sheikh Tariq Mustahil Al Mashani. Mr. Mohammed Yousuf Alawi Al-Ibrahim, Mr. Ahmed Sultan Al Yaqoubi and Sheikh Khalid Said Salim Al Wahaibi.

15- Acknowledgment:

The Board of Directors confirms the following:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- It has reviewed the efficiency and adequacy of internal control systems of the Bank and that it 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 Directors extends their sincere gratitude to the Bank's stakeholders for their trust and belief as well as to both the Central Bank of Oman (CBO) and 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 and peruses its success with great determinations and ambitions to stand remarkably.

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 32 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.

Kamal Uddin Hassan Al Maraza

General Manager & Chief Dhofar Islamic

Kamal Al Marazza is an experienced banker with over 24 years of experience in Corporate Banking, Relationship Management, Sales and Marketing, Risk Management and Business Strategy. Prior to his appointment as Chief Maisarah Islamic Banking Officer, he served in various banks in Oman.

Kamal holds a Bachelor's degree in Marketing from Saint Louis University in USA, and he attended Harvard Advanced Management Program, in addition to several specialized banking programs locally and internationally.

Ahmed Said Salim Al Ibrahim
Chief Corporate Services Officer

Ahmed Al Ibrahim has 30 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 24 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 28 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 28 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 twenty-five 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 30 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

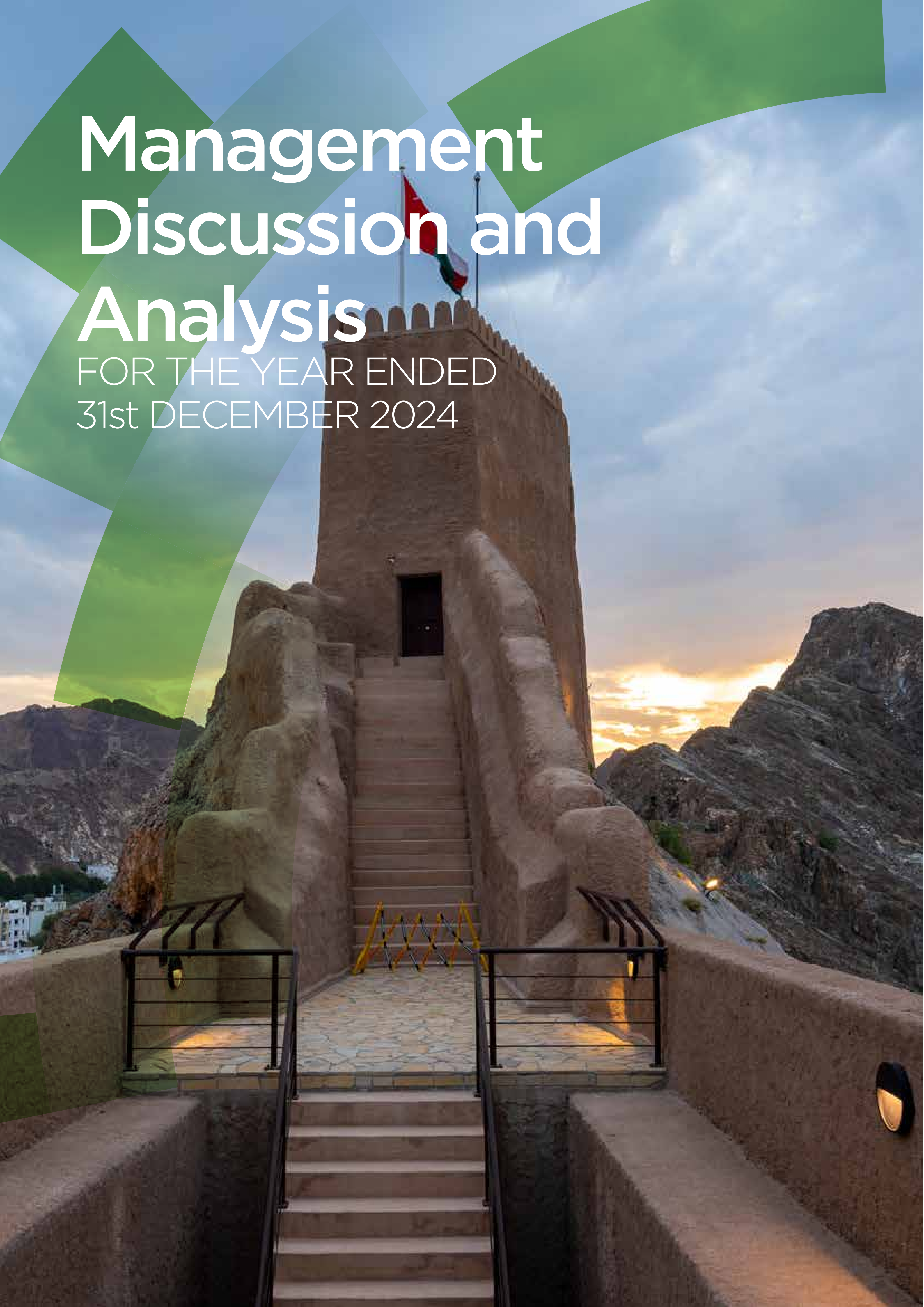
Dr. Khalid Al Hamadani joined BankDhofar in 2016 with over 28 years of professional human capital experience in both public and private sectors in Oman. He holds a PhD. in Human Resources Management from North Hampton Business School and a Master's Degree in Human Resources Management from Sheffield Business School in the UK, as well as a B.A. in Education from Sultan Qaboos University.

Nicola Thompson
Chief Internal Auditor

Ms. Nicola is a senior-level executive with over 22 years of International experience in Internal Audit, Risk Advisory and Corporate Governance in several leading GCC, USA & UK organizations and Financial Institutions. She holds a Master's Degree in Business administration, is a Certified Internal Auditor (CIA), a Certified Information System Auditor (CISA), and has recently completed Post Graduate certification in Data Science from MIT.

Management Discussion and Analysis

FOR THE YEAR ENDED 31st DECEMBER 2024



Economic Scenario and Outlook

Amidst a backdrop of global turbulence marked by geopolitical uncertainties and soaring inflation, Oman's financial landscape displayed commendable resilience and adaptability in 2024.

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 a resilient growth of 1.9%, reaching RO 27.1 billion by the third quarter of 2024. This growth was predominantly driven by a dynamic non-oil sector, which witnessed a commendable 3.8% increase in added value, constituting a substantial portion of the GDP. Meanwhile, the contribution of oil activities to the GDP remained significant, albeit with a modest increase of 0.5% at constant prices.

The government's proactive measures effectively countered global inflationary pressures, maintaining Oman's inflation rate within manageable bounds. Notably, the consumer price index recorded a modest 0.7% increase during the January-November 2024 period, reflecting a significant decrease from the previous year.

Through persistent implementation of financial control measures, public spending witnessed a notable decline, reaching approximately RO 8.5 billion. This prudent approach culminated in the state's general budget achieving a commendable financial surplus of RO 750 million.

Concurrently, effective debt management strategies yielded substantial results, with total public debt experiencing a significant reduction. By the end of October 2024, the total public debt had decreased by approximately RO 800 million, reflecting a decrease of 5.2% from the end-2023 level, and reaching approximately RO 14.5 billion. The tangible improvements in Oman's economic indicators were underscored by upgrades in its credit ratings by leading international rating agencies. Fitch, Standard & Poor's, and Moody's all revised their credit ratings upwards, reflecting confidence in Oman's improving financial performance and prudent fiscal management.

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 the GDP at current prices reaching RO 32.1 billion, the nation continues to make strides towards achieving a diversified and sustainable economic future.

Government and Investment Banking

The Government Banking Department ensures swift and tailored services for Government and quasi-Government clients through a dedicated team of professionals and advanced technological tools. As one of the largest financial institutions in the Sultanate, BankDhofar's associations with various Government entities are of paramount importance. With a dedicated team of professionals and a suite of technological solutions, the bank caters to the diverse requirements of ministries, pension funds, sovereign wealth funds, and other government-backed institutions through continued engagement and proactive relationship management.

Our department offers an integrated approach based on the Government and quasi-Government client's needs. We take great pride in approaching each relationship individually, as one team, leveraging the resources of BankDhofar to create the most value for its customers.

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 OMR 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 Cheque 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 extends to encompass 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.

Treasury

The Bank's treasury and investment solutions represent a comprehensive array of products tailored to meet the multifaceted needs of our clientele. From facilitating seamless remittances to offering meticulously structured offerings across money markets, interest rates, foreign exchange (FX), and Non-Deliverable Forwards (NDF), our suite of solutions embodies versatility and sophistication.

Key Functions

Funding: Strategically managing funds across various sectors including corporates, project finance, retail, financial institutions (FI), and short-term surpluses to optimize financial resources and support growth initiatives.

- Trading: Executing expert portfolio management strategies, inclusive of derivative instruments, to hedge risk and optimize returns.
- Client Needs: Providing tailored advice and solutions in plain vanilla derivatives to mitigate risk effectively.
- Investment: Actively participating in a diversified range of investment instruments such as T-bills, government bonds, Certificates of Deposit (CDs), while also facilitating committed lines and repurchase agreements (repos).
- Treasury Desks: Operating dynamic treasury desks offering a comprehensive suite of products and services encompassing money markets, interbank and central bank services, as well as a dedicated corporate sales desk providing expertise in FX, commodities, interest rate products, and structured offerings.

Market Leadership: BankDhofar leads the market in USD/OMR forward and swaps. Our certified treasury staff provides 24/7 global service.

Commodity Hedging Desk empowers corporate customers to manage exposure to market fluctuations in commodities. Our skilled professionals offer solutions for dynamic commodities, fostering resilience in business.

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 towards 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.

In our endeavor to be closer to our customers, we have expanded our dedicated branch network to include Sohar, adding to our existing branches in Muscat and Dhofar regions.

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' executions, BankDhofar boasts a cadre of project and structured finance transactions well-known for their domain proficiency, banking and regulatory insights, product structuring, advisory and risk management acumen.

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

Industrial (encompassing downstream Oil & Gas ventures, metals-based plants, cement mills, and manufacturing)

Infrastructure (encompassing power and water utilities, ports, and transport corridors)

Social Infrastructure (including educational institutions, 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.

Furthermore, through strategic partnerships with local and regional banks, BankDhofar demonstrates its capacity to offer mega-sized syndicated loans to customers.

Corporate Liabilities

We create value for our corporate customers via synergistic partnerships with our product specialists. This approach allows us to provide one-stop solutions for customers from account opening (current, saving, non-resident, offshore and Escrow Account for Real Estate Development Projects/Integrated Tourism Communities) to providing all corporate products such as Business Debit Card, Corporate/ Business Credit Card, Corporate Internet Banking, Point of Sale "POS" including Soft POS, E-commerce/ Payment Gateway, Business2Business "B2B", Remote Cheques Capture & Deposit "RCCD" services, E-statement and SMS Alerts.

Additionally, cross-selling within WSB with regards to Assets/Lending, Retail Banking and MIBS. Other products include non-funded products such as LCs and LGs. The department's top priority is ensuring the best customer experience for existing and potential customers.

Transaction Banking & Trade Finance

The Bank's Transaction Banking division aims to optimize capital and leverage future financial excellence for corporate, small 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. Their main objective is to help clients enter new markets and capitalize on existing sales and supply chains with aims to improve key relationships, mitigate risks, and optimize working capital while providing receivables and payables financing facilities.

The Trade Finance Sales unit under this division is a testament to the Bank's commitment to support and facilitate growth by enlisting 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 in providing world-class services to its clients.

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 fund and non-fund based 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 shares. Consequently, customers can free up their cash flow, unlock cash to reinvest in their businesses, enhance reconciliation, and enjoy financing support to key counterparties.

BankDhofar's Transactional Banking services underscore its relationship with its customers; it enhances 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.

Retail Banking Division

Continuing its commitment to delivering state-of-the-art products and services, Retail Banking launched several new initiatives and enhancements across its product range. These key initiatives covered loans, accounts, services, and customer segments.

The account opening process was revamped, significantly reducing the time customers spend in branches from over 20 minutes to just 5 minutes. To further support employees of Corporate and SME customers, Welcome Kits with Debit Cards are now issued through the Doorstep Banking service, eliminating the need for branch visits.

Retail Banking also introduced the "Promised to Serve" campaign, ensuring that all customers are attended to within 10 minutes of entering any branch. The campaign's performance is published weekly on social media, with the highest achievement reaching 97%.

Focusing on diverse customer segments, the Bank launched an exclusive Credit Card tailored for Ladies Banking, featuring added-value benefits. Additionally, the Bank continued offering special promotions for Ladies, Youth, Minors, and Children's accounts.

The Bank also played a pivotal role in the OQEP and OQBI IPO subscription process. Through its mobile app, customers were provided with the option to access instant financing at a 1.1 ratio.

Distribution Expansion

Distribution Expansion is a vital component of the bank's business growth strategy. By effectively broadening the distribution channel, the bank will enhance its reach, improve customer satisfaction, and ultimately drive sales growth.

By expanding the branch network in all governorates, BankDhofar seeks to be closer to customers and build a deep relationship with customers, retain them, and provide the best products at exceptional services. With the opening of new branches, BankDhofar has more than 100 branches distributed throughout the Sultanate. The bank opened branches in many of the universities and colleges across all regions in the Sultanate. In addition, the bank opened specially placed branches in Omantel and Oman Air H.O. The Bank expanded its ATMs / CDMs network to reach 388 ATMs, multi-use cash deposit machines, and multi-service interactive machines.

Al Riadah Priority Banking, Al Rifaa & Private Banking

Al Riadah Priority Banking is a premium banking service tailored to the financial needs and goals of affluent individuals. It provides personalized services and exclusive benefits to enhance our affluent customer's banking experience.

In addition to personalized financial solutions, Al Riadah members enjoy a range of exclusive privileges and benefits. These include preferential interest rates on deposits and loans, premium credit cards with enhanced features and rewards, access to exclusive lounges at select airports, and special discounts and offers from partner merchants.

BankDhofar also tied up with Entertainer to offer discounts to its clients on a variety of dining and lifestyle offerings via its premium Debit & Credit Cards.

Al Rifaa Privilege Banking is designed specifically for the Bank's valued clients, offering a superior banking experience complemented with individualized services, special advantages, and lucrative extras.

Account holders benefit from favorable interest rates on deposits, priority customer service for transactions and at the Bank's call center, and special rates on the High Yield savings account. They can also use branded Platinum Credit Card and Platinum Debit facilities. Among the many perks that the debit and credit cards provide are exclusive deals, entry to airport lounges, and reward points for both domestic and foreign purchases.

Private Banking offers financial and advisory services for high (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. The latter feature has become an increasingly prized commodity in an automated, digitized banking world. Also, it 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, have the ability to make bookings at world-renowned restaurants, and receive assistance in creating bespoke VIP travel itineraries.

Enterprise Sales

The Enterprise Sales function was introduced to bring banking closer to customers. The doorstep banking initiative from the Direct Sales Team has resulted in around 250-plus Open Days at corporates across the Sultanate in 2024 and has enabled customers to avail banking services without having to step out of their offices. The welcome kit proposition to the corporates resulted in opening of Salary accounts instantly, thereby eliminating any wastage of time by employees and employers, while enhancing customer experience.

Rewarding Banking

BankDhofar's Salary Transfer Account stands out with a range of benefits and rewards, including credit and debit cards, seamless digital banking access, competitive rates on loans and deposits, and access to an extensive branch network. This proposition provides customers with an array of advantages, such as a large network of branches and ATMs across Oman, ensuring convenient access to services and reflecting the commitment to bringing banking closer to customers.

The mobile banking app further enhances convenience, offering a seamless and user-friendly experience for on-the-go transactions, utility payments, and account opening. By transferring salaries to BankDhofar, customers can enjoy preferential interest rates on savings and deposits, contributing to accelerated wealth growth. The streamlined loan processing system ensures eligible customers access funds quickly and conveniently, while exclusive credit card offers, including cashback, rewards, and discounts on various purchases, make salary transfers even more rewarding.

The Recurring Deposit rewards commitment with an impressive 5% interest rate over three years, offering a flexible and accessible way to achieve savings goals. BankDhofar introduces the Children's Recurring Deposit Account, encouraging parents to save for their children's education with up to 5% p.a. interest and flexible tenors until the child reaches 18 years.

The High Yield Savings Account balances liquidity and returns, offering a generous 4% interest per annum, providing flexibility with an impressive interest rate. BankDhofar remains dedicated to empowering customers with wealth generation options that meet their diverse financial needs, emphasizing security, flexibility, and high returns.

The Bank introduced customer-centric Vertical Debit and Credit Cards, aiming to enhance the banking experience for valued customers. The portrait-oriented design aligns with how people use their cards, resembling smartphone orientation. The front displays customer details, issuer, and logos, while the back hides sensitive information for improved security and intuitive 'Tap and Pay.' A selected color scheme reflects specific segment colors, accompanied by a silver wave pattern symbolizing movement and endless possibilities. Key features include enhanced security with EMV chip technology, contactless payment through NFC technology, global acceptance for purchases and ATM withdrawals worldwide, and instant issuance at expanding branch networks, providing customers immediate account access.

Recognizing the importance of offering exceptional value to customers, we enhanced our reward platform by transforming everyday spends into exciting opportunities for shopping, travel, experiences, and more. The program is structured to help credit card users convert their day to day spends to rewarding experiences.

The Rewards Points program is updated to provide a seamless and user-friendly experience, making it easy for cardholders to track their points, browse the rewards, and redeem their points through BankDhofar's mobile app or website. With a diverse range of redemption options and an ever-expanding catalog of high-quality products and experiences, customers enjoy endless opportunities to indulge, explore, and save. Cardholders can even choose to redeem points for flight tickets at over 900 airlines, book a holiday, stay in more than 700,000 hotels or redeem at the Bank's partner outlets in Oman.

Credit cardholders can earn up to 1.87% as rewards on every purchase made internationally and 1.25% on purchases made in Oman as rewards. Percentages of reward values are higher for international purchases, with an offering of 1.87% each for Infinite and World, 1.5% for Platinum and 1.13% for Gold.

As part of the Retail Bank's initiatives to enrich the customer experience of customers by providing excellent electronic banking services, we have launched a PIN create / reset service for debit/credit cards via Automated Teller Machine (ATM), Mobile Banking, Internet Banking, Interactive Voice Response (IVR) and Interactive Voice Notification (IVN).

Digital Banking

BankDhofar continues to lead the charge in transforming Oman's financial landscape with a strong focus on innovation, customer convenience, and sustainability. By introducing cutting-edge digital solutions, we have redefined banking, making it smarter, faster, and more accessible. Here's a glimpse of our remarkable achievements:

Revolutionizing Mobile Banking

Our mobile banking platform has set a new benchmark for convenience and security:

- Upgraded App Standards: Compliance with API 33 ensures seamless performance and robust security.
- Advanced Features: Open Fixed and Recurring Deposits online, view live IBANs, and enjoy quick, free remittance to India for first-time users.
- Enhanced Security: SIM-based authentication and integrated SAS technology keep transactions secure.
- Tokenized Payments: Debit / Credit cards can now be tokenized, enabling safer and smoother digital transactions.

Empowering Corporates with Smarter Banking

We've revolutionized corporate internet banking by combining efficiency and advanced functionality:

- Intuitive Navigation: A tree-structured Ministry of Finance interface makes managing accounts easier than ever.
- Real-Time Transactions: From same-day settlements to detailed transaction pricing, corporates benefit from increased efficiency.
- Enhanced FX Payments: Streamlined cross-currency transactions and improved domestic SWIFT services keep businesses running smoothly.
- Data Transparency: Live exchange rates and downloadable statements empower decision-making.

Leading the Payments Ecosystem

We are at the forefront of payment innovation, driving Oman's digital transformation:

- SoftPOS Market Leader: Dominating the market with user-friendly, innovative solutions.
- Exclusive Partnerships: Proudly the official digital and payment partner for the Muscat Book Fair for three consecutive years.
- Supporting SMEs: In line with Oman's Vision 2040, we've introduced advanced, compliant payment technologies tailored to SME needs.
- Collaborating with FinTechs: Partnering with global leaders to launch breakthrough payment innovations.

Redefining ATM & Cash Handling

We are making banking accessible and efficient through groundbreaking ATM and cash management solutions:

- Accessible ATMs: Specially designed features for visually impaired customers.
- Cash Recycling: Smart machines that accept and dispense cash, reducing costs and environmental impact.
- Corporate Convenience: On-site cash deposit machines for corporate clients, enhancing operational efficiency.

Innovating Digital Onboarding

We're simplifying banking with digital onboarding solutions that cater to everyone:

- Child-Friendly Accounts: Families can easily open accounts for children, encouraging savings from a young age.
- High-Value Clients: Streamlined digital onboarding ensures premium experiences for our valued customers.

Strategic Innovations for the Future

Our strategic focus positions us as leaders in digital banking innovation:

- Tokenized Payment Platforms: The launch of Dhofar Pay, Apple Pay, and Samsung Pay has redefined how customers transact.
- Merchant Solutions: Virtual accounts offer merchants seamless collection and reconciliation processes.

Credit Cards

BankDhofar offers a wide range of debit and credit cards to suit customers' segmental needs. This ensures that you will find a BankDhofar Credit Card that perfectly fits your lifestyle – and even earn you rewards every time you use it.

Choose the ultra-premium Visa Infinite and World MasterCard; the exclusivity of Platinum MasterCard; the special benefits of Visa Gold and Gold MasterCard; the utility of Visa Classic and Standard MasterCard – or simply opt for the functionality of the E-Com MasterCard credit card for online shopping.

Key achievements in 2024 includes:

- Metallic debit and credit card - BankDhofar is first in the market to launch metallic debit and credit cards for the Private Banking Segment.
- Dhofar-Pay (BankDhofar and Dhofar Islamic) - First bank to launch tokenization service in the country.
- Samsung-Pay (BankDhofar and Dhofar Islamic) – The Bank was part of the first wave to launch Samsung-Pay.
- Apple-Pay (BankDhofar and Dhofar Islamic) – The Bank was part of the first wave to launch Apple-Pay and the only bank to have Apple-Pay on MasterCard Cards.
- Signature credit card - This new product was launched to serve the Riadah segment, enhancing the product offering for our customers.
- Ladies credit card - Special card design and offering to cater to Ladies Banking customers.

MasterCard World Credit Card (Dhofar Islamic)

- Priority customers now get premium product as an enhanced segment offering.
- Three new debit cards products for Minor, Youth, and ladies (Dhofar Islamic)
- Two new debit cards products for Minor and Youth (BankDhofar)
- Corporate credit card e-pin, e-statement and instant payment launched.
- Vertical debit and credit cards for Dhofar Islamic

- Retail cards to SME customers with cash margin
- BankDhofar provides its SME customers with a range of credit cards, namely MasterCard Gold, Visa Gold, MasterCard Platinum, Visa Signature, Visa Infinite, and MasterCard World, which will help them manage their financial accounts with ease and convenience.

Dhofar Islamic Banking Services

2024 marked a significant milestone in Maisarah's ten-year journey with its rebranding to Dhofar Islamic. The new Dhofar Islamic brand reflects a harmonious blend of heritage and modernity, positioning the institution as a dynamic and forward-thinking player in the Islamic banking sector.

In line with the bank's strong commitment to offering customers best-in-class products, services, and experiences, several notable achievements were accomplished. Five new retail segments—Rifa Privilege Banking, Riadah Priority Banking, Ladies, Children, and Youth—were launched to provide tailored financial solutions catering to the unique needs of each customer group. Additionally, Dhofar Islamic expanded its retail product portfolio with the introduction of its highly popular Savings Plan and MasterCard World Credit Card. The Savings Plan promotes an active saving culture in society with attractive profit rates, while the MasterCard World Credit Card enables customers to perform cashless transactions effortlessly while earning rewards for their usage.

On the corporate and investment banking front, Dhofar Islamic played a pivotal role in supporting the OQEP and OQ Base Industries (OQBi) initial public offerings, both as an investor and as a Collecting Bank for the offerings. Notably, Dhofar Islamic also served as the mandated Shariah Advisor for the OQBi initial public offering. Furthermore, the bank successfully established its 10-Year OMR 250 million Sukuk Al Musharaka Program, enabling access to Islamic capital markets for funding when required. These achievements were further bolstered by Dhofar Islamic's financing of several projects of national importance, in alignment with the Sultanate's Vision 2040.

Dhofar Islamic has also made significant investments to enhance its customer reach and distribution network. Its branch network has grown to 25 branches across the Sultanate. Additionally, initiatives have been launched to revamp Dhofar Islamic's digital and core banking platforms, with the aim of further enhancing customer access and experience.

Strategy, CX and Marketing

The Strategy Execution Unit has achieved notable milestones in aligning the bank's operations with its strategic vision. It successfully rolled out the bank's macro strategy, establishing a clear and unified long-term direction across all business, support, and control functions.

Additionally, the unit developed and implemented 32 detailed strategies, providing a comprehensive framework to navigate competitive challenges and drive sustainable growth and operational excellence. Through two rigorous rounds of the Ta'ziz program, it ensured robust governance in strategy execution, building strong momentum for implementation. The unit also led multiple large-scale change management initiatives, ensuring they delivered measurable business impact.

Furthermore, it championed innovation by identifying and adopting cutting-edge technologies, products, and services, fundamentally transforming the bank's operational approach. These accomplishments highlight the unit's pivotal role in shaping the bank's strategic trajectory and securing sustained success.

Customer Experience

The Customer Experience (CX) department plays a key role in shaping and implementing a customer-centric approach across the bank.

The department's objectives focused on providing smarter, simpler, and more personalized banking experiences, fostering relationships, attentively listening to customers, and continuously adapting for service improvement. The department proactively connects with customers on their channels of choice and uses their feedback to drive enterprise actions and accountability. This 'listen everywhere' strategy elevates customer experiences and drives tangible business outcomes.

The introduction of "Ethraa," an innovative Service Value System (SVS), marked a significant milestone in BankDhofar's commitment to delivering exceptional service. Ethraa integrates training with behavioral standards, instils a service-oriented mindset among customer-facing employees. Key pillars of Ethraa included building long-term relationships, taking ownership of customer interactions, capturing and acting upon customer feedback, continuous improvement through self-assessment, fair treatment and respect, ensuring the right to choose, reliability of service channels, and guaranteeing customer privacy.

This year marked the successful launch of the bank's Customer Lifecycle Management (CLM) program, a transformative initiative aimed at redefining how we engage with and support customers. Through the CLM program, the Customer Experience department implemented over 14 seamless end-to-end customer journeys, integrating key touch points across the customer lifecycle into a cohesive and customer centric framework. These journeys have been crafted to enhance convenience, personalization, and efficiencies addressing the evolving needs of customers while driving customer experience improvements.

Lastly, the launch of the BankDhofar Knowledge Hub has provided staff with a centralized resource for instant access to product and service knowledge, enabling more efficient and informed customer service. These initiatives underscore the unit's commitment to delivering a superior customer experience

Marketing and Corporate Communications

The Marketing & Corporate Communications has had an exceptional year, marked by significant achievements across media engagement, brand development, communication strategies, and digital innovation. Through a combination of strategic planning, creative execution, and collaboration, the department has successfully elevated the organization's brand presence, enhanced stakeholder engagement, and supported key business initiatives. Below is a summary of the department's key accomplishments:

The Department achieved significant milestones across various areas of communication and branding. Media engagement efforts included the publication of 97 press releases, 15 thought leadership articles, 7 testimonials, 16 podcasts, and 37 videos, all aimed at enhancing brand equity and effectively communicating value propositions. Media visibility was heightened with prominent coverage on platforms such as Oman TV, The Arabian Stories, Wisal, Hala FM, and Shabiba.

Internally, an engaging employee newsletter was launched, alongside improvements to the organization's website and intranet to enhance information accessibility. Over 500 internal communications were delivered, fostering a culture of transparency and collaboration. Targeted campaigns were designed to address the needs of specific customer segments, such as children, minors, youth, private banking clients, SMEs, and ladies.

A major rebranding initiative transitioned Maisarah to Dhofar Islamic, setting a new benchmark in brand transformation. Financial communications included managing two IPOs, which garnered extensive media coverage and investor interest. Digital achievements included verifying Facebook and Instagram accounts and winning an award for the best website.

Event management was optimized through the development of a robust Event Management Policy, ensuring the successful execution of key events. High-impact campaigns were launched, notably for Relationship Banking, Private Banking, and the "Promise to Serve" initiative. Comprehensive brand guidelines were developed and implemented to maintain consistency across all communications.

In IPO marketing, strategies were successfully executed for the offerings of OQEP and OQBI, promoting digital subscription platforms effectively. Leadership in payment solutions was demonstrated through the pioneering launch of Dhofar Pay, followed by Samsung Pay and Apple Pay. The organization's social media presence also grew significantly, with Instagram followers increasing to 108,000. Finally, service values campaigns, including Ethraa Service Values and BD Core Values, reinforced a customer-centric culture.

Sustainability Unit

The Sustainability Office has made significant progress in advancing the bank's environmental, social, and governance (ESG) objectives. A comprehensive ESG framework was developed, providing a detailed roadmap and identifying key initiatives to align with the bank's overall ESG strategy.

Demonstrating its commitment to transparency and sustainable practices, the office successfully published the bank's first sustainability report, highlighting achievements and progress in this critical area.

Additionally, the office has initiated and advanced the implementation of various ESG initiatives outlined in the framework, ensuring alignment with the bank's strategic sustainability goals. These efforts underscore the office's pivotal role in embedding sustainability into the bank's operations and long-term vision.

Financial Inclusion Initiatives

As part of Financial Inclusion initiatives, Marketing and Corporate Communications have taken the responsibility to communicate with all 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 and 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 130 branches (105 conventional and 25 Islamic), designed appropriately to accommodate disabled customers, across Oman, ensuring accessibility for all demographics and facilitating ease in banking for customers.

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

Lastly, the staff undergo regular training on multiple aspects of banking, especially focusing 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 in order 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 the team members to increase turnaround time and the quality of the work.
- There has been an increase in the number of case settlements with customers and quicker 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 the 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 the participation of 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 the 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: The Driving Force of Seamless Transactions

The Central Operations Department serves as the backbone of the bank, driving seamless, secure and efficient operations with main focus on

- **Centralization:** Simplifying and standardizing processes for consistency and improved efficiency
- **Automation:** Utilizing technology to enhance productivity and reduce manual tasks
- **Customer-centric alignment:** Adapting operations to meet evolving customer needs while maintaining exceptional service standards

The department is structured into key sections specializing in distinctive areas of operation to support the bank's over all functionality.

PAYMENTS: ENSURING SEAMLESS FINANCIAL TRANSACTIONS

Hub of Activity: Central Operations serves as the nucleus of our banking operations, where every financial transaction springs to life.

- **Payments Processing Symphony:** With precision and efficiency, the department orchestrates a seamless flow of ACC, RTGS, SWIFT, mobile payments, internet payments, ECC cheque operations, and more.
- **Backbone of Digital Payments:** ACH (Automated Clearing House) ensures swift and secure digital transactions for our customers.
- **Real-Time Settlement:** RTGS (Real Time Gross Settlement) promptly processes high-value transactions, providing real-time settlement.
- **Global Connectivity:** SWIFT (Society for Worldwide Interbank Financial Telecommunication) facilitates secure cross-border transactions, adhering to international standards.
- **Mobile and Internet Payment Operations:** The department ensures user-friendly mobile and internet payments processes, enabling ease of transactions in the digital age.

RETAIL CREDIT OPERATIONS: EMPOWERING CUSTOMERS' FINANCIAL ASPIRATIONS

Within Central Operations, Retail Credit Operations is a vital function that empowers customers' financial aspirations. This essential department streamlines loan approvals, providing branches with the necessary guidelines and tools for efficient loan processing. Additionally, it oversees credit card approvals, striking a balance between convenience and risk management. Retail Credit Operations plays a pivotal role in shaping customers' financial journeys, fostering growth and inclusion throughout our banking ecosystem.

CARD OPERATIONS: ELEVATING CONVENIENCE AND SECURITY

- **Card Acquiring and Issuing Services:** This ensures that the Bank offers the best Credit card issuance and POS services, ensuring unparalleled convenience to customers.
- **Vigilance Against Fraud:** The team actively manages fraud cases and disputes related to VISA and Mastercard, thus safeguarding customers' financial interests.

Operations Support Services

The Operations Support Services team plays a pivotal role in ensuring seamless banking experiences. This dedicated team manages various critical aspects:

- **ATM CDM Cash Management:** This team ensures efficient cash management for our ATMs and CDMs, guaranteeing availability of funds for our customers' convenience.
- **Cash Shortage & Excess Management:** By handling cash shortages and excesses with precision, the team ensures smooth cash flow across our branches.
- **Cash Operations:** The team oversees cash-related processes, maintaining accuracy and security in cash handling.
- **Standing Instructions Management (SI):** With meticulous attention to detail, the team manages standing instructions to ensure seamless and automated transactions for our customers.
- **Court Orders and Dispute Resolution:** Handling court orders is a critical responsibility within the operations of a bank. It involves prompt and accurate execution while adhering to legal requirements and maintaining the confidentiality of sensitive information. With a keen eye for detail and a commitment to upholding the highest standards of ethics, our team ensures that the bank fulfills its legal obligations with precision and professionalism.
- **Reconciliation of Nostro Accounts:** The team ensures accurate and timely reconciliation of Nostro accounts, contributing to a robust banking infrastructure. Maintaining meticulous records, the team handles suspense accounts efficiently to minimize discrepancies.
- **Data Quality Management:** With a focus on accuracy and reliability, the team upholds the highest standards of data quality to enhance our banking services.

Change Management: Driving Progress and Innovation

The Change Management team drives progress and fosters innovation. Committed to excellence, they lead continuous improvement initiatives, address challenges, and implement effective communication strategies. Agile and proactive, the team updates training documents, resolves IT issues efficiently, and stays ahead in the ever-evolving industry landscape. By embracing positive transformations, they undertake process reengineering, shaping a brighter and more dynamic future for the bank. Through these efforts, change becomes the bank's strongest ally, propelling it towards new horizons of success.

Islamic Banking Operations: Tailored Financial Solutions

Understanding the diverse needs of its valued customers, the bank takes pride in overseeing Islamic banking operations, including retail credit and card operations. In this area, payments and retail credit are governed by branches that strictly adhere to Shariah principles. With expertise in Islamic banking, the bank offers tailored financial solutions that resonate with the values of its customers. From providing Islamic retail credit facilities to offering Shariah-compliant card services, the bank ensures that its customers' financial aspirations are met with the utmost respect for their beliefs and values.

Trade Finance: empowering business with Seamless trade Solutions

This department plays a critical role in facilitating and streamlining international and domestic trade operations for corporate clients. Key functions include Issuing Letters of Guarantee, Bank Guarantees and Document Collections.

Information Technology

In 2024, the Technology Division continued to support the bank's strategy execution by delivering technology-driven solutions that empowered business units to achieve expansion and growth objectives.

The Technology Division focused on implementing new systems and applications, enhancing technology infrastructure and optimizing branch network bandwidth while maintaining the highest levels of uptime/availability of systems and channels. These efforts collectively played a pivotal role in driving value creation across the bank.

A key highlight was the successful expansion of branches across the Sultanate along with the growth of the bank's self-service network. Another significant milestone was the initiation of the cloud journey, by leveraging a cloud-native platform for the implementation of a new Islamic Core Banking system, Digital Engagement Hub (DEH), Internet Banking and Mobile Banking applications for both conventional and Islamic banking. Additionally, the Technology Division supported various business units to enhance operational efficiencies by automating several business processes by leveraging Business Process Management (BPM) and Robotic Process Automation (RPA) platforms.

To advance the modernization of the bank's technology landscape, the Technology Division in collaboration with the Technology Enterprise Architecture team, developed a comprehensive technology roadmap, evaluated legacy system architectures, and aligned new business system architectures and infrastructure with the bank's strategic objectives.

These initiatives are strategically designed to deliver an agile, scalable, and secure infrastructure, aligning with both the Technology Division's vision and the overall bank strategy.

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 the contingency arising out of any unforeseen disasters, technological failures, and various other threats. The key purpose of the unit is to maintain operational stability, mitigating risks, and safeguarding 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, floods, 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 through industry shifts, our resilient BCM strategies have proven instrumental in maintaining the trust of our customers and sustaining our operations without compromise.

Our commitment to BCM reflects our unwavering pledge to deliver uninterrupted, secure, and reliable financial services to our valued customers and stakeholders.

Policies and Procedures Department (PPD)

The Policies & Procedures Department (PPD) at BankDhofar is committed to strengthen 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 2024:

In the fiscal year 2024, PPD collaborated seamlessly with other departments, control functions (Risk Management Division, Compliance Division & Internal Audit Division), and the approving authority to successfully review and obtain approval for 56 documents listed in the 2024 Review Calendar. Additionally, the department proactively managed and completed reviewing an extra 36 documents and completed translating more than 370 requests, showcasing a commitment to excellence.

Awareness Initiatives: PPD played a pivotal role in enhancing awareness among new staff regarding its activities and the critical policies governing the bank's operations.

Document Optimization: The team continued to optimize bank documents by merging Standard Operating Procedures with Instruction Manuals, streamlining processes for enhanced clarity and efficiency.

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 has successfully implemented corporate HR Transformation Programs and Projects, strategically designed to establish a strong performance-driven environment. BankDhofar has 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 2024, our HR initiatives have delivered measurable outcomes. Employee satisfaction indicators have demonstrated positive progress, and our targeted training programs have 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 has automated over 96% of employee services and benefits. Additionally, the establishment of an HR Contact Center has 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 has fully digitalized its onboarding process—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 has 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 towards 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.

Compensation Policy

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

Qualitative Disclosers:

The Compensation Policy supports the Bank's long-term business objectives. The current compensation practices are in line with the guiding principles of the CBO guidelines spanning across 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.

BankDhofar has a Board Nomination & Remuneration Committee (BNRC), which consists of a minimum of three Board Members, with one Member representing the Board's Risk Management Committee. The Committee's mandate is to frame compensation policies, 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 long-term health of the institution and financial stability while at the same time accomplishing the following goals related to our crucial talent:

- Attract and retain employees
- Motivate and reward performance
- Align rewards with the organizational culture
- Drive synergy between organizational and employee performance
- Encourage desired behaviours and recognize the required results
- Focus employees on achieving the organizational goals and objectives
- Ensure the pay mix is appropriate to generate desired productivity, and behavior and is in line with CBO guidelines
- Transparent and lucid compensation systems to ensure 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 the overall risk management to the independent Board Risk Committee (BRC), which, in turn, relies on the Risk Management Division (RMD) for effective execution.

In 2024, 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

The Internal Audit Division (IAD) plays a critical role in ensuring effective governance, risk management, and internal control processes. Operating independently as the third line of defense, the IAD provides objective assurance and valuable 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 2024, IAD provided assurance services to the Board and Senior Management by prioritizing the most critical processes, entities, and systems for general and specific audits. Opportunities for improvement were identified in various business, operational, and functional areas to strengthen internal controls, governance, and risk management processes. Regulatory guidelines were fully adhered to, ensuring comprehensive coverage of mandated risks and processes.

In addition to assurance services, IAD offered advisory services throughout the year to strengthen internal controls. The division continuously aligns its objectives with the organization's overall goals and employs a robust internal quality assessment and continuous improvement program. This approach ensures compliance with applicable international standards while fostering staff development to meet the Bank's future assurance and advisory needs.

Enhanced utilization of data analytics was a key focus during the year, leading to greater efficiency in the audit process. The automation of audit tests for the continuous auditing of critical processes will remain a priority in the coming years, further reinforcing IAD's commitment to innovation and excellence.

Recovery

The Recovery Department, operating under the Risk Management 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 de-classification 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 IFRS9/CBO norms.

Compliance

The Central Bank of Oman has issued the Financial Consumer Protection Regulatory Framework (FCPRF) to ensure fairness in the delivery of financial products and services to consumers, avoid unfair business conduct, and have effective dispute resolution mechanism with the aim to maintain consumer confidence in the Financial System.

BankDhofar remains committed to safeguarding the rights of its valued customers and ensuring a secure banking environment through the implementation of the following initiatives in line with the Financial Consumer Protection Regulatory Framework (FCPRF):

- Formed Board Level (Board Risk Committee) and Management level committee (FCPRF Implementation Committee) to oversee the implementation of FCPRF.
- Developed a comprehensive charter published on the official website to enhance customer awareness regarding their rights and responsibilities in the realm of banking services.
- Established an informative hub on the official website to empower customers with knowledge about banking products, aiding them in making informed financial decisions. Launched impactful campaigns across the website, SMS, and Social Media platforms to educate customers on safeguarding themselves from potential banking frauds and scams.

Customer Feedback Channels: BankDhofar customers can conveniently submit complaints, suggestions, and inquiries related to the Bank's products, services, and transactions through various accessible channels as given below:

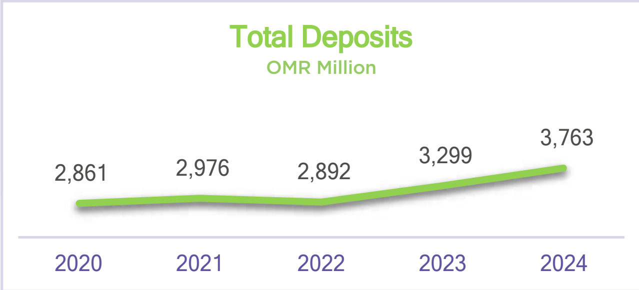
For Conventional Banking Customers:
Phone(24X7): (+968) 24791111
Email: care@BankDhofar.com
Bank's website and Social Media Channels

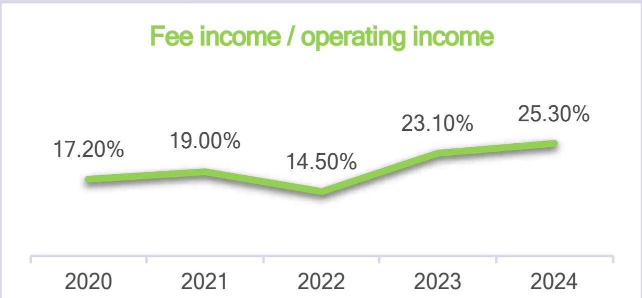
For Dhofar Islamic Banking Customers:
Phone(24X7): + 968) 24775777
Email: Care@dhofarislamic.com
Bank's website and Social Media Channels

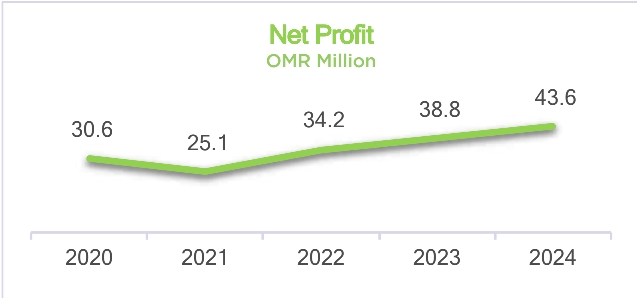
The Bank is dedicated to keeping the customer informed about his feedback. If the customer does not get an update within 5 working and escalation is available as given below:

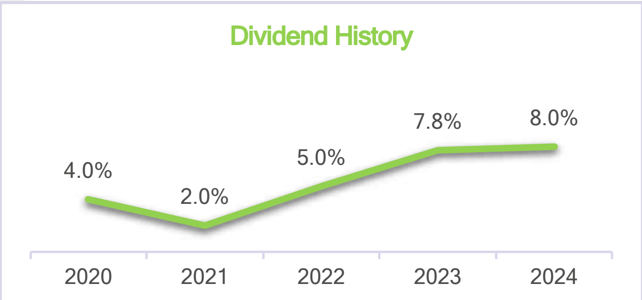
Ahmed Said Al Ibrahim - Chief Corporate Services Officer
on (+968) 22652010 (Sunday to Thursday 8:00 - 2:00 pm),
or Iman Musallam Al Amri - Head of Consumers Feedback
on (+968) 22652010 (Sunday to Thursday 8:00 -2:00 pm).

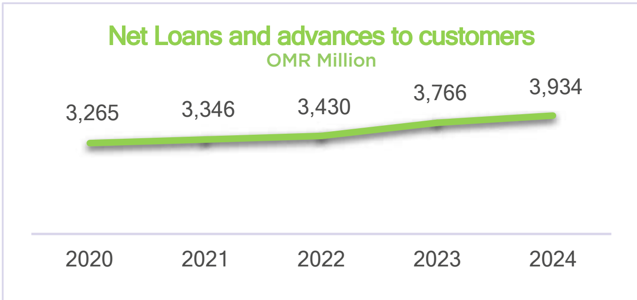
Financial Performance

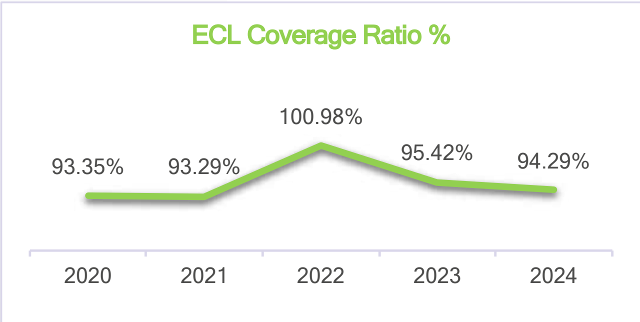


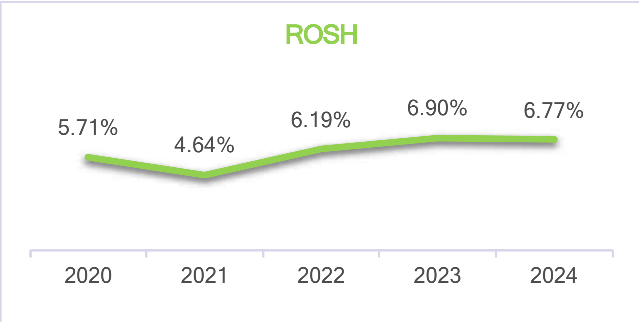


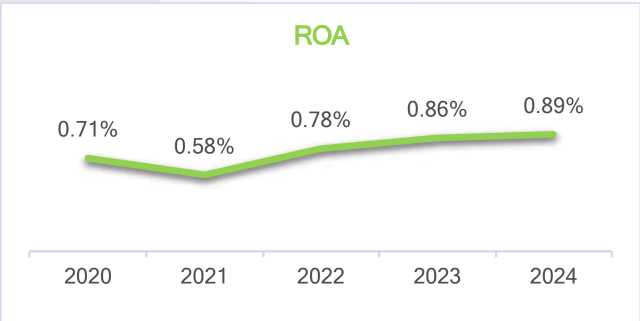










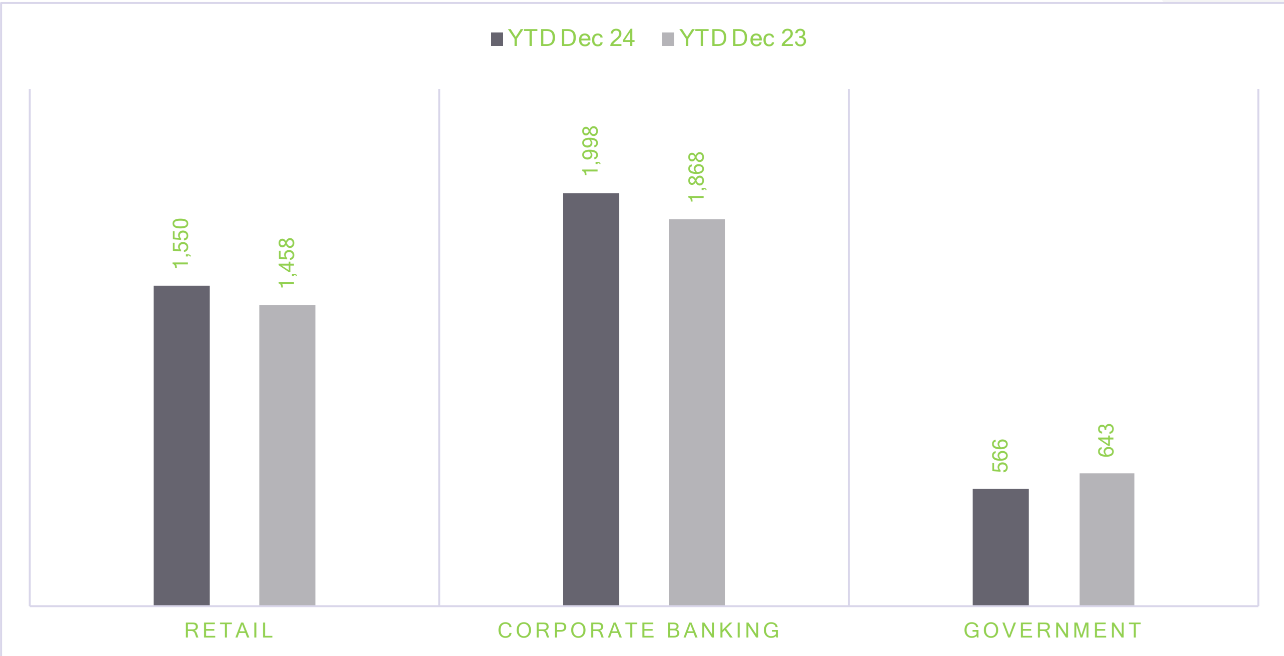


BankDhofar reported a net profit of RO 43.61 million for the year ended 31 December 2024, compared to RO 38.76 million for the year ended 31 December 2023, reflecting an increase of 12.52%.

Loans and Advances (Including Islamic Financing Receivables)

Net loans and advances, including Islamic financing, recorded a YoY growth of 4.46%, reaching RO 3.93 billion as of 31 December 2024, up from RO 3.77 billion as of 31 December 2023. Customer deposits, including Islamic deposits, also saw significant growth of 14.05%, rising to RO 3.76 billion as of 31 December 2024, compared to RO 3.30 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 RO'000	31-Dec-24 RO'000	31-Dec-23 RO'000	Growth%
Overdrafts	140,489	139,050	1.03%
Loans	3,054,196	2,946,503	3.65%
Loans against trust receipts	140,504	123,088	14.15%
Bills discounted	29,869	64,800	(53.91)%
Advance against credit cards	14,379	10,758	33.66%
Islamic financing receivables	735,194	685,596	7.23%
Gross loans, advances and financing	4,114,631	3,969,795	3.65%

Analysis of our key deposits by product below:

Deposits from customers (RO Million)	31-Dec-24	31-Dec-23	Growth%
Current accounts	995,920	825,264	20.68%
Savings accounts	486,194	414,476	17.30%
Time deposits	1,570,276	1,468,433	6.94%
Margin accounts	14,491	26,999	(46.33)%
Islamic customer deposits	695,980	564,051	23.39%
Grand Total	3,762,861	3,299,223	14.05%

Analysis of income and expenses:

	31-Dec-24	31-Dec-23	Variance
	RO'000	RO'000	%
Net Interest Income and Income from Islamic Financing	114.17	110.82	3.02%
Net fee and other operating income	38.67	33.26	16.27%
Operating income	152.84	144.08	6.08%
Operating expenses	78.85	68.65	14.86%
Expected credit losses (net of recovery of bad debts)	23.80	31.66	(24.83)%
Net profit for the year	43.61	38.76	12.52%
Total assets	5,085.05	4,685.80	8.52%
Net loans and Islamic financing	3,933.62	3,765.58	4.46%
Customer deposits	3,762.86	3,299.22	14.05%
Total equity	740.43	732.95	1.02%

Bank's interest income on loans and Islamic financing receivables reached RO 279.89 million compared to RO 261.61 million resulting in a year on year (YoY) growth of 6.99%. However, the interest expense YoY was higher by 9.90%. As the growth in interest income was higher than the increase in interest expense in 2024, the net interest and financing income increased to RO 114.17 million for the year ended 31 December 2024 as compared to RO 110.82 million for the year 2023.

Net fee and other operating income grew significantly by 16.27% reaching RO 38.67 million as compared to RO 33.26 million for the year 2023. The Growth in fee and other operating income was across all business segments, including Wholesale, Retail and Islamic Business and our new business i.e corporate advisory, asset management etc.

With increase in net fee and other operating income, the total operating income correspondingly improved to RO 152.84 million for the year ended December 2024 as compared to RO 144.08 million during 2023, showing a growth of 6.08%.

Operating expenses increased by 14.86% to RO 78.85 million in 2024 as compared to RO 68.65 million in 2023. As the increase in Operating expenses by 14.86% was higher than the growth in operating income by 6.08%, the same resulted in Bank's cost to income ratio increasing to 51.59% during 2024 as compared to 47.6% for the last year.

Net Expected Credit Loss 'ECL' for the year ending 2024 stood at RO 23.80 million after recoveries of RO 19.52 million as compared to RO 31.66 million after recovery of 20.76 million for the year 2023, a reduction of RO 7.86 million. Gross NPL ratio for the Bank improved to 4.67% as of 31 December 2024 from 5.39% as of 31 December 2023. However, NPL, net of ECL and interest reserve increased to 2.12% as at 31 December 2024 compared to 2.05% at 31 December 2023.

The earnings per share (EPS) for year ended 31 December 2024 were at RO 0.0110 as compared to RO 0.0093 for the same previous year last year. The Return on Shareholder Equity (RoSE) increased to 7.66% as at 31 December 2024 from 6.90% as at 31 December 2023.

Way Forward & Future Outlook

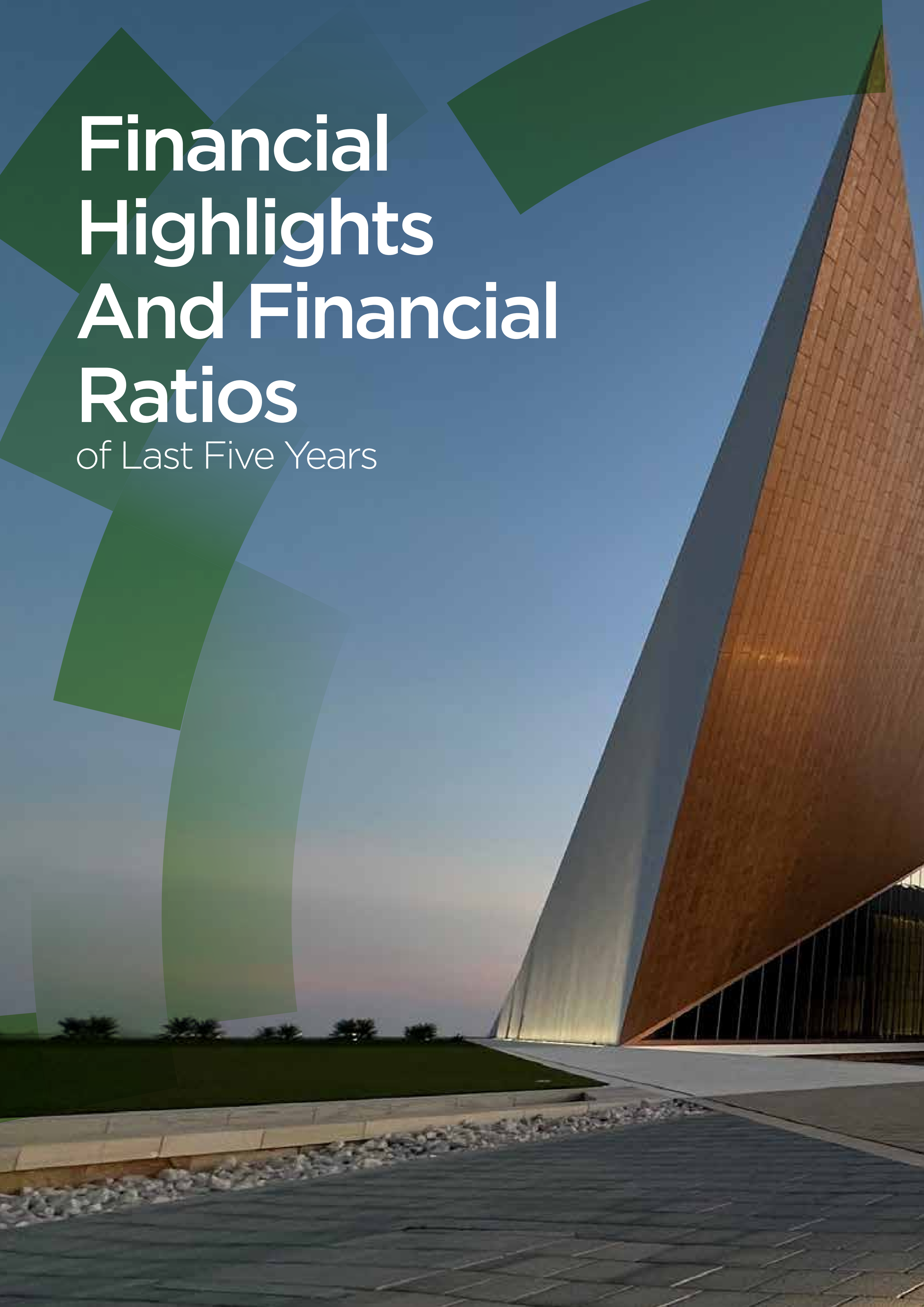
The Oman 2025 State Budget anticipates the continuation of the country's economic recovery, with an assumed oil price of US$ 60 per barrel.

A key focus of the budget is the advancement of development projects across multiple sectors, including education, health, infrastructure, tourism, housing, sports, and agriculture. Additionally, the government remains committed to implementing strategic national programs under the Tenth Five-Year Development Plan to align with the objectives of Oman Vision 2040. These initiatives include the National Program for Fiscal Sustainability and Financial Sector Development (Estidamah), the National Program for Economic Diversification (Tanwea'a), the Government Digital Transformation Program, the National Program for Investment and Exports Development (Nazdahir), and the National Employment Program (Tashgheel).

These government-led initiatives aim to drive economic diversification, enhance private sector partnerships, develop world-class infrastructure, and promote environmental sustainability—laying a strong foundation for long-term national growth.

Financial Highlights And Financial Ratios

of Last Five Years



FINANCIAL HIGHLIGHTS OF LAST FIVE YEARS

(OMR'000)	2024	2023	2022	2021	2020
NET INTEREST INCOME (CONVENTIONAL)	95,053	90,753	100,661	82,759	92,219
NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES	19,116	20,068	21,755	19,664	15,421
NON INTEREST INCOME	38,673	33,262	20,736	24,023	22,353
OPERATING COSTS	78,851	68,648	69,683	72,340	65,079
OPERATING PROFIT (before Impairment losses)	73,991	75,435	73,469	54,106	64,914
PROFIT FROM OPERATIONS	50,187	43,775	40,204	29,455	35,923
NET PROFIT FOR THE YEAR	43,609	38,758	34,173	25,123	30,585

At year-end	2024	2023	2022	2021	2020
TOTAL ASSETS	5,085,047	4,685,797	4,317,332	4,438,786	4,257,023
NET LOANS, ADVANCES AND FINANCING	3,933,615	3,765,584	3,430,486	3,346,223	3,265,488
CUSTOMER DEPOSITS	3,762,861	3,299,223	2,891,819	2,975,639	2,861,315
TOTAL EQUITY	740,431	732,954	717,077	698,519	695,864
SHARE CAPITAL	299,635	299,635	299,635	299,635	299,635
FULL SERVICE BRANCHES	130	108	69	64	67
ATMs / CDMs / FFMs/ MFKs	375	318	230	192	189
STAFF	1,720	1,689	1,509	1,481	1,522

Financial Ratios of Last Five Years

-	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
I. PROFITABILITY					
Return on Weighted Average Total Equity (including AT1)	**6.01%**	**5.40%**	**4.83%**	**3.60%**	**4.43%**
Return on Weighted Average Shareholders Equity	**7.66%**	**6.90%**	**6.19%**	**4.64%**	**5.71%**
Return on Weighted Average Paid-up Capital	**14.55%**	**12.94%**	**11.40%**	**8.38%**	**10.21%**
Return on Average Assets	**0.89%**	**0.86%**	**0.78%**	**0.58%**	**0.71%**
Non-Interest Income to Operating Income	**25.30%**	**23.09%**	**14.49%**	**19.00%**	**17.20%**
Operating Expenses to Operating Income	**51.59%**	**47.64%**	**48.68%**	**57.21%**	**50.06%**
II. LIQUIDITY					
Net Loans to Total Deposits	**104.54%**	**114.14%**	**118.63%**	**112.45%**	**113.17%**
liquidity Coverage Ratio	**157.54%**	**146.97%**	**107.71%**	**123.54%**	**201.47%**
Net Stable Funding Ratio	**109.68%**	**108.22%**	**107.95%**	**109.24%**	**117.94%**
III. ASSET QUALITY RATIOS					
Loan Loss Provisions to Total Loans	**4.40%**	**5.14%**	**5.93%**	**4.77%**	**4.23%**
Non-Performing Loans to Total Loans	**4.67%**	**5.39%**	**5.87%**	**5.11%**	**4.53%**
Non-Performing Loans Net of Interest Reserve to Total Loans	**4.05%**	**4.51%**	**4.76%**	**4.26%**	**3.81%**
Net Non-Performing Loans	**2.12%**	**2.05%**	**2.00%**	**1.91%**	**1.81%**
Non-Performing Loans Coverage Ratio	**94.29%**	**95.42%**	**100.98%**	**93.29%**	**93.35%**
IV. CAPITAL ADEQUACY					
Common Equity Tier 1 Ratio	**12.43%**	**12.99%**	**13.86%**	**12.89%**	**12.45%**
Tier 1 capital ratio	**16.07%**	**16.79%**	**16.74%**	**16.75%**	**16.27%**
Total Capital Adequacy Ratio	**16.51%**	**17.48%**	**18.90%**	**17.74%**	**17.70%**
Shareholder's Equity/ Total Assets	**11.50%**	**12.32%**	**13.01%**	**12.23%**	**12.69%**

BRANCH NETWORK

Branch Network

BankDhofar			
Adam	Bhsatin	Dhakliyah	Adam
Al Amerat	Amerat Al Mahg	Muscat	Amerat
Al Duqum	Duqum	Waste	Duqum
Al Kamil Al Wafi	Al Kamil	Sharqiya	Kamil Al Wafi
Al Khaboura	Al Masilah	Batinah North	Al Khaboura
Al Khadhra	Al Khadhra	Batinah North	Al Suwaiq
Al Khoudh	Al Khoudh	Muscat	Seeb
Al Mintrib	Al Mintrib	Sharqiya	Bidyah
Al Mudhaibi	Al Mudhaibi	Sharqiya	Al Mudhaibi
Al Qurum	Qurum	Muscat	Bausher
Al Suwaiq	Al Suwaiq	Batinah North	Al Suwaiq
Bahla	Bahla Souq	Dhakliyah	Bahla
Barka	Somahan	Batinah South	Barka
Bid Bid	Bid Bid	Dhakliyah	Fanja
Buraimi	Al Sahrah Al Jadidah	Buraimi	Buraimi
City Center Sur	Sur City Center	Sharqiya	Sur
Corporate Branch Azaiba	Azaiba	Muscat	Bausher
Corporate Branch Salalah	Salalah	Dhofar	Salalah
Ghala	Gahla	Muscat	Bausher
Hafeet	Hafeet	Batinah North	Saham
Ibra	Al Halaya	Sharqiya	Ibra
Ibri	Al Nahdah	Dhairah	Ibri
Izki	Al Manzlyah	Dhakliyah	Izki
Jalan Bani Bu Ali	Sayh Al Quraiha	Sharqiya	Jalan Bani Bu Ali
Jalan Bani Bu Hassan	Sakatah	Sharqiya	Jalan Bani Bu Hassan
Mall Of Muscat	Maabelah	Muscat	Seeb
MBD	CBD	Muscat	Muttrah
Mirbat	Mirbat	Dhofar	Mirbat
Mulladah	Mulladah	Batinah South	Musanah
Muscat	Muscat	Muscat	Muscat
Muscat Airport	Seeb	Muscat	Seeb
Muscat Grand Mall	Bausher	Muscat	Bausher
Muttrah Sook	Muttrah Souq	Muscat	Muttrah
New Bausher	Bausher	Muscat	Bausher
New Muscat Airport	New Muscat Airport	Muscat	Seeb
Nizwa	Al Wadi	Dhakliyah	Nizwa
Qurayat	Quriyat	Muscat	Qurayat
Royal Opera House	Shatti Qurum	Muscat	Bausher
Rustaq	Rustaq Souq	Batinah South	Rustaq
Ruwi	Ruwi	Muscat	Muttrah
Saada	Saada	Dhofar	Salalah

Saham	Al Howail	Batinah North	Saham
Salalah	23 July Street	Dhofar	Salalah
Salalah Garden Mall	Salalah Garden Mall	Dhofar	Salalah
Salalah Industrial Area	Salalah Industrial	Dhofar	Salalah
Samad Al - Shan	Al Shariah	Sharqiya	Al Mudhaibi
Seeb Town	New Seeb	Muscat	Seeb
Shinas	Al Gariafh	Batinah North	Shinas
Sinaw	Sinaw	Sharqiya	Sinaw
Sohar	Gail Al Shuboul	Batinah North	Sohar
Sohar China Downtown Mall	Falaj Al Qabail	Batinah North	Sohar
Sumail	Al Madarah	Dhakliyah	Sumail
Taqa	Taqa	Dhofar	Taqa
Yanqul	Al Shuadir	Dhairah	Yanqul
Al Azaiba, 18 November Street	Azaiba 18 Nov	Muscat	Bausher
MBD South Services	CBD	Muscat	Muttrah
Al Khoud (7) Services	Al Khoudh 7	Muscat	Seeb
Safalat Ibra Services	Safalat Ibra	Sharqiya	Ibra
Firq Nizwa	Firq	Dhakliyah	Nizwa
Iraqi Ibri	Iraqi	Dhairah	Ibri
Barka Services	Somahan	Batinah South	Barka
Al Amerat (6) Services	Amerat 6	Muscat	Amerat
Al Khuwair	Al Khuwair	Muscat	Bausher
Wattayah	Wattayah	Muscat	Muttrah
Liwa	Al Hoson	Batinah North	Liwa
Al Ashkhara	Al Ashkhara	Sharqiya	Jalan Bani Bu Ali
Mahoot	Mahoot	Sharqiya	Mahoot
Dhank	Dhank	Dhairah	Dhank
Khasab	Lulu Khasab	Musandam	Khasab
Sur Al Shariya	Al Shariya	Sharqiya	Sur
Military Technological Collage	Military Collage	Muscat	Seeb
Masirah	Masirah	Sharqiya	Masirah
Nakhal	Nakhal Mall	Batinah South	Nakhal
Suhar Al Hambar	Al Hambar	Batinah North	Suhar
Sahalnoot	Sahalnoot	Dhofar	Salalah
SQU Services	SQU	Muscat	Seeb
Al Biddaya	Al Biddaya	Batinah North	Al Suwaiq
Al Hail North	Al Hail	Muscat	Al Seeb
Kom	Kom 3	Muscat	Seeb
Al Suwadi	Al Suwadi	Batinah South	Barka
Mina Al Fahal	Mina Al Fahal	Muscat	Bausher
Ibri Al Murtafa	Ibri	Dhahira	Ibri
Suhar Corniche	Sohar Corniche	Batinah North	Sohar
Madinat Qaboos	MSQ	Muscat	Bausher

Al Khoudh 6	Al Khoudh	Muscat	Seeb
Mabellah 8	Maabelah	Muscat	Seeb
Jibreen Bahla Branch	Bahla	Al Dakhliya	Bahla
Maabelah	Maabelah	Muscat	Seeb
Suhar Port	Suhar Port	Al Batinah North	Suhar
University of Buraimi	Buraimi	Buraimi	University
Al Sharqiyah University	Ibra	Al Sharqiyah North	University
Rustaq Al Ghashab	Rustaq	Batinah South	Al Ghashab
Mawaleh	Mawaleh	Muscat	Seeb
Royal Oman Police Academy	Nizwa	Dhakliyah	ROP Academy
Nizwa University	Nizwa	Dhakliyah	University
Thumrait	Thumrait	Dhofar	Thumrait
Markaj Al Bahja	Seeb	Muscat	Seeb
Al Ghubra North	Al Ghubra	Muscat	Al Ghubra
Al Ansab	Al Ansab	Muscat	Bousher
The Village	The Village	Muscat	Seeb
Suhar University	University	Batinah North	Suhar
Oman Air HQ2	Seeb	Muscat	Seeb
Tharmad	Suwaiq	Batinah North	Tharmad
Al Khuwair South	Al Khuwair	Muscat	Al Khuwair
Al Haffa Salalah	Al Haffa	Dhofar	Salalah
Omantel HQ	Airport heights	Muscat	Seeb
Dhofar University	Salalah	Dhofar	Salalah

Dhofar Islamic			
Al Khuwair Jasmine	Al Khuwair	Muscat	Bausher
Azaiba	Azaiba	Muscat	Bausher
Al HAIL NORTH	Al Hail North	Muscat	Seeb
Sohar	Sohar	Batinah North	Sohar
Barkat Al Mouz	Barkat Al Mouz	Dhakliyah	Barkat Al Mouz
Iraqi	Iraqi	Dhairah	Ibri
Al Ees Sur	Al Ees	Sharqiya	Sur
23rd JULY STREET SALALAH	23 July Street	Dhofar	Salalah
Al Saada - Salalah - Al Nahdah Center	Saada	Dhofar	Salalah
MBD	CBD	Muscat	Muttrah
Al Amerat Lulu	Amerat	Muscat	Amerat
Barka	Somahan	Batinah South	Barka
Al Khoudh Branch	Al Khoudh	Muscat	Seeb
Maabelah Branch	Maabelah	Muscat	Seeb
Jalan Bani Bu Ali Branch	Sayh Al Quraiha	Sharqiya	Jalan Bani Bu Ali
Nizwa - Firq Branch	Firq	Dhakliyah	Nizwa
Rustaq Branch	Al Iraqi	Batinah South	Rustaq
SQU	SQU	Muscat	Seeb
Ibra Branch	Ibra	Sharqiya	Ibra
Shinas Branch	Shinas	Batinah North	Shinas
Izki Branch	Izki	Dakhliya	Izki
Saham Branch	Saham	Batinah North	Saham
Ibri Branch	Ibri	Dhairah	Ibri
Airport heights Branch	Airport heights	Muscat	Seeb
Bousher Branch	Bousher	Muscat	Bousher

Customer Engagement Hub contact details	
BankDhofar	24791111
Dhofar Islamic	24775777

Disclosure Requirements

Under Pillar-III Of Basel II & III

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

Private and confidential
Our ref.: aud/km/zu/19909/25

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 the Bank Dhofar SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of the 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 the 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.

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of 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 the Bank Dhofar SAOG in the terms of engagement dated 01 May 2023, on the Bank Dhofar SAOG Basel II – Pillar III and Basel III Disclosures:

S. No	Procedures	Findings
1	We have performed the procedures prescribed in the CBO Circular No. BM 1027 dated 4 December 2007 with respect to the Basel II - Pillar III Disclosures and Basel III related disclosures ("the Disclosures") of Bank Dhofar SAOG as at and for the year ended 31 December 2024.	No exceptions noted.

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

KPMG

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

KPMG LLC
Date: 05 March 2025
Muscat, Oman

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

Bank Dhofar S.A.O.G

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 on Guidelines on Basel II, Islamic Banking Regulatory Framework and BM 1114 on 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 capital adequacy ratio (CAR) at a minimum of 11% effective from 01 April 2018. Previously the minimum CAR requirement was 12%;
b. The predominant form of capital shall be Tier 1 capital of which Common Equity Tier (CET1) will form the major component;
c. To maintain capital adequacy ratio (CAR) at a minimum of 13.5% (including capital conservation buffer) effective from 01 January 2019.
d. ratios:
    - Within the overall requirement of 13.5% CAR (including capital conservation buffer), Tier 1 ratio is to be maintained at a minimum of 11.50%.
    - Within the minimum Tier 1 ratio of 11.50%, minimum CET 1 ratio is to be maintained at 9.50%; and
    - Further, within the minimum overall capital ratio of 11% (excluding capital conservation buffer), Tier 2 capital can be admitted up to a maximum of 2% of Risk Weighted Assets (RWA) of the Bank;
e. To adopt the Basel II standardized approach for credit risk, using national discretion for:
    - Adopting the credit rating agencies as external credit assessment institutions (ECAI) for claims on sovereigns and Banks;
    - Adopting simple/comprehensive approach for Credit Risk Mitigants (CRM);
    - Treating all corporate exposures as unrated and assign 100% risk weight.
f. To adopt standardized approach for market risk and 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 agreed upon procedure report on capital adequacy returns on an annual basis.

<u>As per Islamic Banking Regulatory Framework:</u>
Islamic Windows of domestic conventional banks shall have and at all times maintain an allocated capital of not less than OMR 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 11% Capital adequacy ratio, Islamic Window needs to maintain minimum of 9% of RWA as Tier 1 Capital ratio. 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, Bank has introduced Islamic Banking through an Islamic window named as "Dhofar Islamic". Accordingly, the information in the document pertains to the consolidated entity i.e., for both conventional banking & 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 Islamic Banking Regulatory Framework. In the case of Islamic banks, CBO has provided an adjustment factor of alpha at 30% in the RWA in the manner stipulated under Article 2.3.1 of title 5 of 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 18 March 2020;

CET 1 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 01 January 2016, 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 Countercyclical Capital Buffer, which is intended to protect the banking sector as a whole from systemic risk that is often developed during an economic upswing, when there is a tendency towards excessive aggregate credit growth. The Countercyclical Capital Buffer lies between 0% and 2.5% of the total RWA; however presently the countercyclical capital buffer is not imposed. The capital buffer requirements shall be imposed at consolidated level but will not be applied at the Islamic Banking Window level. CBO has provided some exceptions earlier, from 18 March 2020 onwards, assuming a zero countercyclical capital buffer, banks shall operate above CET1, Tier 1 and Total Capital levels of 8.25%, 10.25% and 12.25% respectively due to Covid-19 situation. However, CBO has reverted back the ratios to pre-Covid-19 levels and banks are expected to operate above CET1, Tier 1 and Total Capital levels of 9.5%, 11.5% and 13.5% respectively.

Based on the Basel III requirement, the capital structure of the Bank (including Islamic banking window) is presented as per Annexure I. A 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 capital disclosure template are provided as per Annexure IIa and the same are mapped to the composition of capital disclosure template as per Annexure IIb.

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. Bank presently has two types of capital instruments viz., 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 at Annexure III.

3.2. Capital Structure:

The capital base for complying with capital standards is quite distinct from accounting capital. The regulatory capital is broadly classified into two categories – Tier I and Tier II. 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, non-cumulative perpetual preferred stocks and retained earnings (available on a long term basis) less regulatory adjustments like cumulative losses of financial instruments classified as Fair Value through Other Comprehensive income (FVOCI), goodwill & other intangibles.

Tier II (Supplementary capital) consists of undisclosed reserves, revaluation reserves/cumulative fair value gains on FVOCI instruments, general loan loss provision/ general loan loss reserve in capital and subordinated term debt subject to certain conditions. Tier II capital of the Bank also includes 45% of Investment revaluation reserve and general provisions to the extent of total Stage 1 Expected Credit Loss (ECL) and permitted Stage 2 ECL i.e. 20% of the incremental ECL (Stage 2 ECL at a respective reporting date minus stage 2-ECL as at 31 December 2019) may be added back to the Tier 2 capital. The incremental stage 2 ECL would not be subject to any ceiling for the time being. The existing Stage 1 and Stage 2 ECL shall remain subject to 1.25% of the Credit Risk Weighted Assets.

The details of capital structure are provided as under:

CAPITAL STRUCTURE:	RO'000
	Amount
Paid up capital	299,635
Share premium	95,656
Legal reserve	76,192
Special reserve	16,988
Proposed stock dividend	4,345
Retained earnings	61,693
Common Equity Tier (CET) I capital	554,509
Deferred tax assets	(364)
Less Intangible assets, including losses, cumulative	(709)
Cumulative unrealized losses recognized directly in equity	(4,977)
Regulatory provision adjustments	(17,658)
CET I Capital – Regulatory Adjustments	(23,708)
Total CET I capital	530,801
Additional Tier I Capital	155,500
Total Tier I Capital	686,301
Investment revaluation reserve (45% only)	1,608
General provision (Sum of Stage 1 and permitted Stage 2 provision subject to max of 1.25% of credit RWA)	17,429
Total Tier II capital	19,037
Total eligible capital (Tier I + Tier II Capital)	705,338

3.3 Capital Adequacy Ratio:

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 of external credit assessment institutions is used. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the CBO.

The Bank's capital adequacy ratio is 16.51% as against the CBO requirement of 13.50% as at 31 December 2024. The Bank's Total Capital Adequacy Ratio, without add-back of the incremental Stage 2 ECL to Tier-2 capital is 16.36%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks the Bank is exposed to and provides market return to the shareholders. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors and senior creditors. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalized at all times.

The Bank has in place Internal Capital Adequacy Assessment Process (ICAAP) for assessing Bank's capital adequacy in relation to the risk profiles as well as a strategy for maintaining the capital level. The objective of ICAAP document is to explain the Risk policies adopted, Target risk structure and Capital planning, the process of assessing the capital adequacy for credit, market and operational risk, Specific assessment procedures for risks not covered under Pillar I, process of Internal Control Mechanism and stress testing methodologies adopted by the Bank.

Bank has also formed working group on capital planning which meets periodically and assess the capital adequacy 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 are also analyzed to ensure capital stability and to reduce volatility in the capital structure.

i) Position of Risk Weighted Assets is presented as under:

Sl. No	Details	Gross Balances (Book Value) RO'000	Net Balances (Book Value) * RO'000	Risk Weighted Assets RO'000
1	On balance sheet items	5,072,011	4,915,432	3,389,596
2	Off balance sheet items	1,348,862	1,343,519	421,068
3	Derivatives	1,883,092	1,883,092	19,809
4	Total Credit Risk	8,303,965	8,142,043	3,830,473
5	Market Risk	-	-	166,075
6	Operational Risk	-	-	275,000
7	Total Risk Weighted Assets	-	-	4,271,548

* Net of provisions and, reserve interest

ii) Detail of Capital Adequacy:

Sl.No	Details	RO'000
1	Common Equity Capital	299,635
2	Tier 1 Capital	686,301
3	Tier 2 Capital	19,037
5	Total eligible capital	705,338
6	Risk weighted assets for Credit Risk	3,830,473
7	Risk weighted assets for Market Risk	166,075
8	Risk weighted assets for Operational Risk	275,000
9	Total Risk weighted assets	4,271,548
10	Common Equity Capital Ratio	7.01%
11	Tier 1 Capital Ratio	16.07%

3.4 Risk Exposure and Assessment:

The risks to which banks are exposed to and the techniques that 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 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 the probable losses and maintaining credit risk exposure within acceptable parameters.

The Bank 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 credit risk policy is continuously reviewed to ensure that it always meets regulatory standards and the business environment.

The Board of Directors delegate credit approval powers for Wholesale Banking and Retail Banking functional areas, which are clearly defined in Authorities Matrix contained in the Manual on Delegation of Authority. All concerned executives are responsible to ensure 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 loan 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 Corporate, Mid sector corporate banking and Project finance credit proposals before they are considered by the appropriate approving authorities. The borrowers 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 grade 8 (Special Mention category) for closer monitoring. RMD approves the risk grade of the borrower and also 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); reviews are conducted at higher frequency.

The Bank has also established Credit Control department which looks after Loan Review Mechanism (LRM). LRM helps in ensuring credit compliance with the post-sanction processes/ procedures laid down by the Bank from time to time. It involves taking up independent account-specific reviews of individual credit exposures as per the Board approved LRM Policy. Credit Control department also monitors various credit concentration limits. Counterparty/group exposures are limited to 15% of the Bank's networth as stipulated by CBO and where a higher limit is required for projects of national importance, prior approval of CBO is obtained. The credit control department also undertakes monitoring of the retail loans.

Retail lending is in accordance with the CBO guidelines. The Bank uses a score card as a selection tool for the personal loans, housing loans in conventional banking. Bank has also implemented 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 auto and housing finance category.

In addition to these, the Bank also undertakes business with international and local banks. The maximum exposures to international banks are defined through internally developed model and the total exposure to such counterparty banks is linked to the net worth of the Bank and regulatory ceiling. The 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 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 on half yearly basis. In addition to the internal limits, the Bank also adheres to the limits for countries and counterparty banks prescribed by CBO strictly.

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 has also been applied to Dhofar Islamic financing.

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 1 January 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	
		RO'000	RO'000	RO'000	RO'000
	Conventional	2024	2023	2024	2023
1	Overdrafts	136,754	128,755	140,489	139,050
2	Loans	2,857,276	2,780,810	3,054,196	2,946,503
3	Loans against trust receipts	127,561	113,885	140,504	123,088
5	Bills purchased /discounted	35,957	47,998	29,869	64,800
6	Advance against credit cards	12,734	8,575	14,379	10,758
	Conventional Total	3,172,282	3,080,023	3,379,437	3,284,199
	Islamic				
7	Murabaha Receivables	27,704	24,392	27,340	29,515
8	Mudaraba Financing	7,019	8,071	4,601	7,511
9	Ijarah Assets	61,382	63,261	60,405	63,159
10	Wakala Financing	105,856	84,787	103,150	100,670
11	Diminishing Musharaka Financing	484,292	452,304	539,698	484,741
	Total Islamic	686,253	632,815	735,194	685,596
	Grand Total	3.858,535	3,712,838	4,114,631	3,969,795

Sl.No	Type of Credit Exposure	Oman	Other GCC Countries	*OECD Countries	India	Pakistan	Other	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		1	2	3	4	5	6	7
1	Overdrafts	140,489	-	-	-	-	-	140,489
2	Personal Loans	3,054,196	-	-	-	-	-	3,054,196
3	Loans against trust Receipts	140,374	-	-	-	-	130	140,504
5	Bills Purchased / negotiated	29,869	-	-	-	-	-	29,869
6	Advance against credit cards	13,934	-	-	-	-	445	14,379
7	Total - Conventional	3,378,862	-	-	-	-	575	3,379,437
	Islamic							
8	Murabaha Receivables	27,340	-	-	-	-	-	27,340
9	Mudaraba Financing	4,601	-	-	-	-	-	4,601
10	Ijarah Assets	60,896	-	-	-	-	-	60,896
11	Wakala Financing	103,150	-	-	-	-	-	103,150
10	Diminishing Musharaka Financing	539,207	-	-	-	-	-	539,207
13	Total - Islamic	735,194	-	-	-	-	-	735,194
14	Total - Consolidated	4,114,056	-	-	-	-	575	4,114,631

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

*Excluding countries included in column 2

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

Sl.No	Economic Sector	Overdraft	Loans & Financing	Bills purchased	Others	Total	Off balance sheet exposure
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import trade	20,282	135,973	-	33,369	189,624	41,431
2	Export trade	1,070	5,009	-	10	6,089	2,868
3	Wholesale/retail trade	4,934	94,826	-	6,242	106,002	18,147
4	Mining and quarrying	1,865	137,290	-	167	139,322	40,388
5	Construction	39,438	425,893	-	49,032	514,363	205,760
6	Manufacturing	23,815	240,589	4,427	32,156	300,987	28,898
7	Electricity, gas, and water	1,154	188,254	-	1,805	191,213	8,443
8	Transport and Communication	1,460	116,127	-	305	117,892	5,305
9	Financial institutions	4,739	224,741	986	421	230,887	219,730
10	Services	30,902	368,781	380	8,448	408,511	26,641
11	Personal loans	4,330	1,533,216	-	12,894	1,550,440	6,976
12	Agriculture and allied Activities	1,018	19,543	-	9,070	29,631	676
13	Government	-	106,325	-	-	106,325	108,155
14	Non-resident lending	-	-	-	-	-	-
15	Others	5,482	192,823	24,076	964	223,345	5,010
	Total (1 to 15)	140,489	3,789,390	29,869	154,883	4,114,631	718,428

v) 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.
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Up to 1 month	7,012	234,081	-	46,288	287,381	4,033
2	1 - 3 months	7,012	242,275	-	37	249,324	35,029
3	3 - 6 months	7,012	32,220	-	5,036	44,268	42,186
4	6 - 9 months	7,012	25,120	-	12,787	44,919	46,734
5	9 - 12 months	7,012	54,250	-	9,592	70,854	66,007
6	1 - 3 years	35,061	337,172	-	47,002	419,235	120,910
7	3 – 5 years	35,061	191,116	-	14,727	240,904	43,403
8	Over 5 years	35,307	2,673,156	29,869	19,414	2,757,746	360,126
	TOTAL	140,489	3,789,390	29,869	154,883	4,114,631	718,428

v) Analysis of loan & 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
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import trade	177,208	12,411	2,756	6,005	1,599	883	1,710
2	Export trade	5,940	154	136	75	36	39	-
3	Wholesale/retail trade	103,667	2,335	5,573	794	138	549	2,187
4	Mining and quarrying	137,198	6,063	428	2,902	1,134	893	-
5	Construction	405,309	109,054	13,238	42,107	10,215	3,699	18,103
6	Manufacturing	285,913	15,074	8,841	6,272	6,474	1,473	17
7	Electricity, gas, and water	227,999	1,283	946	594	105	1,395	-
8	Transport and communication	101,295	-	883	1	1	644	13
9	Financial institutions	230,887	-	2,038	-	-	1,427	-
10	Services	481,553	2,688	19,863	1,313	474	579	1,799
11	Personal loans	1,511,140	39,300	6,593	23,055	4,284	8,208	-
12	Agriculture and allied activities	29,654	-	106	-	-	122	19,668
13	Government	106,682	-	172	-	-	678	5
14	Non-resident lending	575	-	-	-	-	4	-
15	Others	117,623	6,835	10,357	2,242	751	3,211	280
	TOTAL (1 to 15)	3,922,643	195,197*	71,930	85,360	25,211	23,804	43,782

*Including stage 3 OBS

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

Sl. No	Countries	Exposure to Stage 1 & 2	Exposure to Stage 3	Stage 1 & 2 ECL	Stage3 ECL	Interest reserve	ECL made during the year	Advances written off during the year
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	3,922,068	195,197	71,930	85,360	25,211	23,804	43,782
2	Other GCC countries	-	-	-	-	-	-	-
3	OECD countries*	-	-	-	-	-	-	-
4	India	-	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-	-
6	Others	575	-	-	-	-	-	-
7	TOTAL	3,922,643	195,197	71,930	85,360	25,211	23,804	43,782

*excluding countries included in row 2

vii) Movement of Gross Loans/Financing:

Sl.No		Stage 1	Stage 2	Stage 3	Total
		RO'000	RO'000	RO'000	RO'000
1	Opening Balance	2,916,274	839,508	214,013	3,969,795
2	Migration/changes (+/-)	(67,616)	62,246	5,370	-
3	New Loans	1,847,666	373,312	37,011	2,257,989
4	Recovery from Loans	(1,540,295)	(508,452)	(20,624)	(2,069,371)
5	Loans written off	-	-	(43,782)	(43,782)
6	Closing Balance	3,156,029	766,614	191,988	4,114,631
7	Total Provisions	8,911	63,019	83,875	155,805

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&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. 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 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 RO 389.48 million. All other credit exposures of Corporate and Retail are assigned 100% risk weight (except mortgage loans, where valuation of the mortgaged house property is not older than 3 years, are assigned 35% risk weight, 75% for Retail borrower other than mortgage loan and 75% for SME borrowers).

Quantitative Disclosure

The total exposure after risk mitigation subject to Standardized Approach as at 31 December 2024 is as follows:

Sl. No	Risk bucket	0%	1%	5%	20%	35%	50%	75%	100%	150%	300%	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Sovereigns(Rated)	673,273	-	-	-	-	-	-	-	-	-	673,273
2	Banks(Rated)	-	-	-	57,225	-	153,216	-	14,435	19	-	224,894
3	Corporate	106,325	-	-	-	-	-	-	1,963,053	-	4,184	2,073,562
4	SME	-	-	-	-	-	-	132,504	-	-	47	132,551
5	Retail	-	-	-	-	-	-	143,062	618,307	-	-	761,369
6	Claims secured by residential property	-	-	-	-	697,650	-	-	47,414	-	-	745,064
7	Claims secured by commercial property	-	-	-	-	-	-	-	230,712	-	-	230,712
8	Past due loans	-	-	-	-	-	-	-	82,015	-	-	82,015
9	Other assets	3,635	-	-	-	-	18,480	-	190,283	-	-	212,398
10	Un-drawn exposure	-	-	-	-	771	-	20,561	71,345	-	494	93,171
11	Derivative	-	831,629	104,335	-	-	-	-	6,276	-	-	942,240
12	Non funded- Bank	-	-	128	94,989	-	206,954	5,252	206,092	-	-	513,415
	Total	783,233	831,629	104,463	152,214	698,421	378,649	301,380	3,429,932	19	4,725	6,684,666

iii) The Bank also conducts stress tests on portfolio basis at regular intervals to assess the impact of movement in the staging on its 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 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, 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 credit risk rating framework comprising of Risk Rating system which 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 is having 8 performing loan grades (including special mention) and 3 non-performing loan grades. The rating grade indicates the default probability of the borrower's obligation. The Bank has also implemented the facility rating system based on Basel II foundation approach which considers the collateral support, seniority and other structural aspects of the facilities provided.

Bank has also implemented model on Risk Adjusted Return on Capital (RAROC) for conventional banking, which provides the risk based pricing, which 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 giving loans. It helps in not only identifying, but also understanding the risk and pricing it appropriately. The RAROC system provides a competitive edge to the Bank in improving the quality of the portfolio and also covers the cost of doing business in the form of pricing.

The Bank has strengthened its existing credit risk management systems and is committed to improve it 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 our clients manage their interest rate and currency risks.

To measure RWA, Bank Dhofar uses the Current Exposure Method (CEM), which is the sum of current credit exposure (CCE) and the 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 the exposure that could occur over a one year horizon. Bank Dhofar has a total notional amount of RO 201.24 million in OTC derivatives (such as interest rate swap) and risk weighted assets of RO 3.6 million as at 31 Dec 2024.

3.4.5 Market Risk:

Market Risk is the risk to the Bank's earnings and capital due to changes in the 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.

Bank has a comprehensive Asset Liability Management (ALM) Policy for conventional entity and Islamic banking and Investment Management Policy for conventional banking 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.

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

i) Interest Rate Risk (IRR): Interest rate risk is the risk where 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 the Net Interest Income (NII) and a long-term impact (more than one year) of changing interest rates is on the Bank's networth.

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

Details relating to re-pricing mismatches and the interest rate risk thereon is monitored by ALCO on periodic basis. In addition, scenario analysis assuming a 200 basis point parallel shift in interest rates and its impact on the interest income and net profit of the Bank are assessed on a quarterly basis and placed to 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 rate in consolidated banking is provided as under:

(RO in 000's)

Position as at 31.12.2024 Impact on:	+ or – 1%	+ or – 2%
Earnings	6,230	12,459
Economic Value of Equity	57,418	114,835
Impact on earning as a % of NII	5.46%	10.91%
Impact as a % of Bank's Net worth	7.99%	15.98%

ii) Profit Rate Risk (PRR):

Profit rate risk is the risk that Dhofar Islamic will incur a financial loss as a result of mismatch in the Profit rates on assets & Investment Account Holder (IAH). The profit distribution to IAH is based on Profit Sharing Agreements. Therefore, Dhofar Islamic is not subject to any significant PRR. However, the profit sharing agreements will result in displaced commercial risk when Dhofar Islamic result does not allow it to distribute profits in line with the market rates.

Dhofar Islamic has a 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 Bank's Asset and Liability Management Committee (ALCO). Dhofar Islamic periodically computes the PRR on the Banking book.

iii) Foreign Exchange Risk:

Foreign Exchange Risk maybe 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.

The responsibility of management of foreign exchange risk rests with the Treasury department. The Bank has set up internal limit to monitor foreign exchange open positions. Most of the foreign exchange transactions are conducted for corporate customers and mostly are on back to back basis. 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 placed to Board Risk Committee on regular basis.

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

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

Bank has introduced the Value at Risk (VaR) method in conventional banking for The domestic quoted equity for conventional entity RO 26.30 million and for Islamic widow RO 12.09 million and at consolidated level RO 38.39 Million , and the monthly VaR of this portfolio is RO 5.79 million, over a horizon of one month at 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 its circular BM 1009. The Bank adopts duration method in measuring interest rate risk in respect of debt securities held in trading book. The Bank does not hold any trading position in equities and in commodities necessitating capital charge to cover the 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	RO'000 Amount
Capital Charge on Specific Market Risk	
Equity Position Risk	128
Capital charge on General Market risk	
Interest Rate Risk	61
Equity Position Risk	-
Commodities Position risk	-
Foreign Exchange position risk	13,096
TOTAL	13,285

3.4.6 Liquidity Risk

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

The Bank's Liquidity Risk Management is governed by the ALM Policy document 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 as well as to fund asset growth and business operations. The contingency funding plan includes effective monitoring of the cash flows on a day to day basis, holding of tradable high quality liquid assets, which may be readily disposed off in sizeable amount etc.

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 above five years. The mismatches in various time buckets indicate liquidity gap and the Bank strictly adheres to the CBO set limit of cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets up to one year. In addition, the Bank has also set up internal limit on mismatches in time buckets beyond one year. Under stock approach, the Bank monitors the liquidity risk through liquidity ratios, which portrays the liquidity stored in the balance sheet.

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 makes optimum use of its funds. Middle office in Risk Management Division also monitors the liquidity position of the Bank and provides the liquidity gap positions to Treasury Department to manage it.

Middle office also undertakes regular stress test that provides the requirement of liquidity over a given time horizon.

The Bank has reconciled the statement of Maturity of Assets and Liabilities with the discussions under IFRS (Refer item no. 32 of the notes to financial statements).

3.4.7 Operational Risk:

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, punitive damages resulting from supervisory actions, as well as private settlements.

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

Basel II has provided three different approaches viz., Basic Indicator approach (BIA), The standardized approach (TSA) and Advanced measurement approach to compute the capital charge of 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 capital charge for operational risk.

Bank uses various operational risk tools like loss data management (LDM), Key Risk Indicators (KRI), Risk Control and Self-Assessment (RCSA) for effective operational risk management. The system of collecting and collating data on operational risk events has been improved further to build a strong loss data base and to improve control effectiveness. The loss data are being captured using Operational Risk Management System and complete history of the loss data is maintained.

Bank undertakes Risk Control and Self-Assessment exercise by which the inherent risk in various processes of each business unit is identified and control against these risks are assessed for their design and effectiveness. The residual risk (i.e. inherent risk after controls) provides the potential loss amount and based on residual risk, the controls are improved further.

Bank is also identifying and monitoring the Key Risk Indicators (KRIs) for each business unit. Each KRI has a defined threshold limit and an escalation criterion is also attached to it. A breach in threshold of the KRI escalates the risk to the higher authority. All the Operational Risk Management tools are configured in Operational Risk Management System.

4. Liquidity Standards:

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 30 calendar day 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 value of the LCR should be minimum 100% on an ongoing basis with effect from 01 January 2019. The Bank is meeting the regulatory limit of LCR as at 31st December 2024 on 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 they maintain a sound funding structure over a horizon of one year to withstand Bank specific stress events. The ratio aims to reduce over-reliance 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 has become effective from 1st January 2018, with a minimum ratio of 100%. Presently, the Bank is meeting the regulatory limit of NSFR as at 31st December 2024.

5. Basel III Leverage Ratio

As per CBO guidelines on Leverage Ratio standards, Bank is expected to maintain a leverage ratio of 4.5%. The leverage ratio standard is not applicable to Islamic Banking Window. The Bank's leverage ratio, calculated in accordance with the 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 Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)			
	Item	As at 31st December 2024	As at 31st December 2023
1	Total consolidated assets as per published financial statements	5,085,047	4,685,797
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 recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		-
4	Adjustments for derivative financial instruments	17,414	9,734
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)	230,654	290,266
7	Other adjustments		
8	Leverage ratio exposure	5,333,115	4,985,797

	Table 2: Leverage ratio common disclosure template (Please refer to paragraph 53 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)		
	Item	As at 31st December 2024	As at 31st December 2023
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	5,085,047	4,685,797
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)	5,085,047	4,685,797
	Derivative Exposures		
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	17,414	9,734
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
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)	17,414	9,734
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	-
14	CCR exposure for SFT assets	0	-
15	Agent transaction exposures		-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	0	-
	Other Off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	718,428	675,502
18	(Adjustments for conversion to credit equivalent amounts)	(487,774)	(385,236)
19	Off-balance sheet items (sum of lines 17 and 18)	230,654	290,266
	Capital and total exposures		
20	Tier 1 capital	686,301	686,808
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,333,115	4,985,797
	Leverage Ratio		
22	Basel III leverage ratio (%)	12.87%	13.78%

With reference to CBO BSD/CB/2020/005 the Bank 's leverage ratio (12.87%)

Basel III Capital Disclosure Template 31st/12/2024

	Basel III common disclosure template to be used during the transition of regulatory adjustments		Amount Subject to Pre-Basel III treatment
		(RO '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	61,693	
3	Accumulated other comprehensive income (and other reserves)	93,180	
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	554,509	
	Common Equity Tier 1 Capital: Regulatory Adjustments		
7	Prudential valuation adjustments	5,686	
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)	364	
11	Cash Flow hedge reserve	-	
12	Shortfall of provisions to expected loss	17,658	
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	-	

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	23,708	
29	Common Equity Tier 1 capital (CET 1)	530,801	
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)	-	
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)	686,301	
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	19,037	
51	Tier 2 capital before regulatory adjustments	19,037	
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)	19,037	
59	Total Capital (TC = T 1 + T 2)	705,338	
	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)	4,271,548	
60a	of which: Credit Risk Weighted Assets	3,830,473	
60b	of which: Market Risk Weighted Assets	166,075	
60c	of which: Operational Risk Weighted Assets	275,000	
Capital Ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.43%	
62	Tier 1 (as a percentage of risk weighted assets)	16.07%	
63	Total capital (as a percentage of risk weighted assets)	16.51%	
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)	2.93%	
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)	19,037	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	47,881	
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	554,509
2	Regulatory Adjustments to CET1	23,708
3	CET1	530,801
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)	686,301
8	Tier 2 Capital before Regulatory Adjustments	19,037
9	Regulatory Adjustments to Tier 2 Capital	-
10	Tier 2 Capital (T2)	19,037
11	Total Capital (11=7+10)	705,338
12	Total Risk Weighted Assets (TRWA) (12=13+14+15)	4,271,548
13	Credit Risk Weighted Assets	3,830,473
14	Market Risk Weighted Assets	166,075
15	Operational Risk Weighted Assets	275,000
16	CET1 (as a percentage of TRWA) (in %) 9.50%	12.43%
17	Tier 1 (as a percentage of TRWA) (in %) 11.50%	16.07%
18	Total capital (as a percentage of TRWA) (in %) 13.50%	16.51%

Consolidated Conventional and Dhofar Islamic	
Bank Dhofar SAOG	31-Dec-2024
Details	Amount RO ' 000
Common Equity Tier 1 capital (CET 1)	530,801
Tier I Capital (after supervisory deductions)	686,301
Tier II capital (after supervisory deductions & upto eligible limits)	19,037
Tier III Capital (upto a limit where Tier II & Tier III does not exceed Tier I)	-
Of which, Total Eligible Tier III Capital	-
Risk Weighted Assets – Banking Book	3,830,473
Risk Weighted Assets – Operational Risk	275,000
Total Risk Weighted Assets – Banking Book + Operational Risk	4,105,473
Minimum required capital to support RWAs of banking book & operational risk	451,602
i) Minimum required Tier I Capital for banking book & operational risk	432,565
ii) Tier II Capital required for banking book & operational risk	19,037
Tier I capital available for supporting Trading Book	253,736
Tier II capital available for supporting Trading Book	-
Risk Weighted Assets – Trading Book	166,075
Total capital required to support Trading Book	18,268
Minimum Tier I capital required for supporting Trading Book	5,206
Used Eligible Tier III Capital	-
Total Regulatory Capital	705,338
Total Risk Weighted Assets – Whole bank	4,271,548
Common Equity Tier 1 Ratio	12.43%
Tier 1 Ratio	16.07%
Total Capital Adequacy Ratio	16.51%
Unused but eligible Tier III Capital	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets	2.93%

The components used in the definition of 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
	As at Period End	As at Period end	
Assets			
Cash & Balances with CBO	197,174	-	
Balances with bank and money at call and short notice	196,479	-	
Investments:	648,485	-	
Of which Held to Maturity	-	-	
Out of investments in Held to Matiruty:	-	-	
Investments in Subsidiaries	-	-	
Investments in Associates & Joint Ventures	-	-	
Of which Available for Sale	-	-	
Out of investments in Available for Sale:	-	-	
Investments in Subsidiaries	-	-	
Investments in Associates & Joint Ventures	-	-	
Of which Held for Trading	-	-	
Loans & Advances - Conventional	3,221,225	-	
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	712,390	-	
Fixed Assets	15,404	-	
Other Asset	80,939	-	
Of which,	-	-	
Goodwill & Intangible Assets	-	-	a
Out of which	-	-	
Goodwill	-	-	
Other Intangibles (excluding MSRs)	12,587	-	
Deferred Tax Assets	364	-	
Goodwill on Consolidation	-	-	
Debit balance in Profit & Loss Account	-	-	
Total Assets	5,085,047		
Capital & Liabilities			
Paid up capital	455,135	-	

of which:			
Amount eligible for CET 1	299,635	-	h
Amount eligible for AT1	155,500	-	i
Reserves & Surplus	285,296	-	j
Share Premium	95,656	-	k
Legal Reserve & Special Reserve	93,180	-	l
Special reserve – restructured loans	1,281	-	
Cash flow hedge reserve	645	-	m
Special reserve Impairment Ifrs9	12,184	-	
Special revaluation reserve investment Ifrs9	(709)	-	
Investment Revaluation Reserve (Gains are included at 45% in Tier II and losses in full are deducted from Tier I)	(2,605)	(5,772)	n
Proposed Stock Dividend		4,345	
Retained Earnings ((The proposed dividend payment amount is excluded from retained earnings)	85,664	61,693	o
Total Capital			
Deposits			
Of which,	-	-	
Deposit from Banks	438,438	-	
Customer Deposits	3,066,881	-	
Deposit of Islamic Banking Window	695,980	-	
Other deposits (pl specify)	-	-	
Borrowings		-	
Of which,	-	-	
From CBO	-	-	
From Banks	-	-	
Borrowings in the form of bonds, debentures & Sukuks	-	-	
Others (Plz specify) (Subordinated Loans)	-	-	
Other liabilities & provisions	143,317	-	
Of which,	-	-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
Total Liabilities	5,085,047.00		

Statement IIB

The components mentioned in 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	61,693	
3	Accumulated other comprehensive income (and other reserves)	188,836	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	554,509	
7	Prudential valuation adjustments	5,686	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)	364	

Annexure III

Main features template for capital instruments

Bank has three types of capital instruments viz., Common Equity Shares, Additional Tier 1 Perpetual bonds and Subordinated Debt. The minimum level of summary disclosure for these regulatory capital instrument issued by the Bank is presented as under:

Common Shares

Disclosure for Main Features of regulatory capital instruments – Common Shares		
1	Issuer	Bank Dhofar
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements	OM0000002549
3	Governing law(s) of the instrument	law of 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 Mn, as of most recent reporting date)	299.635
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 18 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
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	Bank Dhofar
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 the Oman 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 Mn, as of most recent reporting date)	OMR 40 million
9	Par Value of Instrument	OMR 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
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 convertibel into	Not applicable
29	If convertibe, 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: 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.
32	If Write down, full or partial	Full or Part
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	Bank Dhofar
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 Oman 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 Mn, as of most recent reporting date)	OMR 115.5 Mn
9	Par Value of Instrument	OMR 115.5 Mn
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	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
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 complaint features	Not applicable

DISCLOSURE UNDER BASEL III LIQUIDITY STANDARDS

Liquidity Coverage Ratio:

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. The high quality liquid assets include cash; reserves held with CBO; investment in CBO Certificate of Deposits, CBO Treasury Bills, Government Development Bonds; Sovereign Treasury Bills; and investment in equity listed on Muscat Securities Market. LCR is a measure of adequacy of liquid assets that will enable the Bank to survive an acute stress scenario lasting for 30 days. As per CBO guidelines, the LCR is to be maintained at a minimum of 100% from 01.01.2019. In compliance with the CBO guidelines, the Bank is meeting the regulatory limit of LCR as at 31st December 2024.

The disclosure for Liquidity Coverage Ratio for Bank Dhofar consolidated (i.e. conventional entity + Islamic Window entity) as at 31st December 2024 is as follows:

Bank Dhofar Consolidated Entity **LCR Disclosure for the quarter ended December 2024**	Total Unweighted Value (average) OMR '000	Total Weighted Value (average) OMR '000
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		574,341.87
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which	660,274.01	41,561.33
3 Stable deposits	349,515.24	10,485.46
4 Less stable deposits	310,758.77	31,075.88
5 Unsecured wholesale funding, of which:	1,276,263.67	559,077.71
6 Operational deposits (all counterparties) and deposits in networks of		
7 Non-operational deposits (all counterparties)	1,276,263.67	559,077.71
8 Unsecured debt		
9 Secured wholesale funding		
10 Additional requirements, of which	271,042.80	24,822.87
11 Outflows related to derivative exposures and other collateral		
12 Outflows related to loss of funding on debt products		
13 Credit and liquidity facilities	271,042.80	24,822.87
14 Other contractual funding obligations	50,993.29	50,993.29
15 Other contingent funding obligations	640,715.02	32,035.75
16 TOTAL CASH OUTFLOWS		708,490.95
Cash Inflows		
17 Secured lending (e.g. reverse repos)		
18 Inflows from fully performing exposures	606,119.08	269,741.92
19 Other cash inflows	50,228.46	50,228.46
20 TOTAL CASH INFLOWS	656,347.54	319,970.38
		Total Adjusted Value
21 TOTAL HQLA		574,341.87
22 TOTAL NET CASH OUTFLOWS		388,520.57
23 LIQUIDITY COVERAGE RATIO (%)		147.83

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 year end position for LCR is 157.54% % as at 31.12.2024 (146.97% as at 31.12.2023). The Bank is in compliance of the regulatory limit of LCR as at 31st December 2024, with LCR of 147.83% calculated on weighted average value for the year (2023: 130.24%).

The Bank provides Shari'a compliant services and products through a window under the name of "Dhofar Islamic (DI)". LCR for Dhofar Islamic is separately computed and the average position as at 31st December 2024 is given below:

Dhofar Islamic (DI) LCR Disclosure for the quarter ended December 2024	Total Unweighted Value (average) OMR '000	Total Weighted Value (average) OMR '000
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		109,427.25
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which	120,810.24	10,211.00
3 Stable deposits	26,714.62	801.44
4 Less stable deposits	94,095.61	9,409.56
5 Unsecured wholesale funding, of which:	227,669.33	104,400.75
6 Operational deposits (all counterparties) and deposits in networks of		
7 Non-operational deposits (all counterparties)	227,669.33	104,400.75
8 Unsecured debt		
9 Secured wholesale funding		
10 Additional requirements, of which	34,218.90	2,987.84
11 Outflows related to derivative exposures and other collateral		
12 Outflows related to loss of funding on debt products		
13 Credit and liquidity facilities	34,218.90	2,987.84
14 Other contractual funding obligations	10,907.25	10,907.25
15 Other contingent funding obligations	44,122.07	2,206.10
16 **TOTAL CASH OUTFLOWS**		130,712.95
Cash Inflows		
17 Secured lending (e.g. reverse repos)		
18 Inflows from fully performing exposures	182,918.44	63,032.33
19 Other cash inflows	12,849.40	12,849.40
20 **TOTAL CASH INFLOWS**	195,767.83	75,881.73
		Total Adjusted Value
21 **TOTAL HQLA**		109,427.25
22 **TOTAL NET CASH OUTFLOWS**		54,831.22
23 **LIQUIDITY COVERAGE RATIO (%)**		199.57

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 year end position for LCR is 137.59% as at 31.12.2024 (366.45% as at 31.12.2023). The Bank is in compliance of the regulatory limit of LCR as at 31st December 2024, with LCR of 199.57% calculated on weighted average value for the year (2023: 181.06%).

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 is effective January 2018, with a minimum ratio of 100% as per the regulatory guidance.

The disclosure for Net Stability Funding Ratio for Bank Dhofar consolidated (i.e. conventional entity + Islamic Window entity) is as follows:

NSFR disclosures		Year ended:	Dec-24			
Bank:	Dhofar (consolidated)				(RO '000)	
		Unweighted value by residual maturity				
ASF Item						
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
1	Capital:	710,426.33	-	-	-	710,426.33
2	Regulatory capital	710,426.33				710,426.33
3	Other capital instruments	-				-
4	Retail deposits and deposits from small business customers	790,873.19	64,130.13	84,701.31	-	864,388.15
5	Stable deposits	355,879.31	6,741.85	10,458.51		354,425.69
6	Less stable deposits	434,993.88	57,388.28	74,242.80		509,962.47
7	Wholesale funding:	884,681.06	365,389.95	462,503.19	1,019,523.98	1,875,811.08
8	Operational deposits	2,698.58				1,349.29
9	Other wholesale funding	881,982.48	365,389.95	462,503.19	1,019,523.98	1,874,461.79
10	Liabilities with matching interdependent assets					-
11	Other liabilities:	416,860.55				
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in above categories	416,860.55				-
14	Total ASF					3,450,625.57
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					36,255.86
16	Deposits held at other financial institutions for operational purposes	19,788.08				9,894.04
17	Performing loans and securities:	-	201,726.18	1,164,382.12	2,562,041.38	2,706,986.46
18	Performing loans to financial institutions secured by Level 1 HQLA		-			-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		201,726.18	25,824.75		43,171.30
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			1,138,557.37		569,278.69
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:				2,124,737.27	1,806,026.68
23	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk				415,993.52	270,395.79
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities				21,310.58	18,114.00
25	Assets with matching interdependent liabilities					
26	Other Assets:	-	948.50		275,811.20	276,759.70
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				948.50	948.50
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories				275,811.20	275,811.20
32	Off-balance sheet items					45,587.89
33	TOTAL RSF					3,075,483.94
34	NET STABLE FUNDING RATIO (%)					112.20%

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. The current compensation practices are in line with the guiding principles of the CBO guidelines spanning across 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 the periodic intervals. 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 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 our 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 behaviours and recognize the required results
- Focus employees on achieving the organizational goals and objectives
- Ensure Pay mix is appropriate to generate desired productivity, behaviour and in line with CBO guidelines
- Transparent and lucid compensation systems to ensure employee adoption

(b) Material Risk Takers

Material Risk Takers (MRTs) for the Bank have been identified in line 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. Bonuses payments for MRTs are distributed over a four-year to factor for any anticipated risks. The first-year payout is 55% of the bonus, with the remaining balance payout being equally distributed over the following three years, subject to certain conditions such as malus and claw back provisions. MRT bonuses are paid based on their performance and are deferred as per CBO guidelines. Performance of the heads of control functions specifically are independently assessed by the respective Board Committees they report to.

(c) Control Functions

The Bonus for all staff employed in the Control Functions will be derived through a specific plan designed to adhere to the CBO guidelines.

(d) Malus and Claw-back

The policy of Malus & Claw Back is in place, to ensure that the bonus is paid based on accurate financial and operating data. If the Bank determines to seek recovery for the bonus payment due to causes that are mentioned in the Policy, the Bank shall have the right to demand from the staff to reimburse such amount 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 the Net Profit. The Bank-wide bonus pool is reviewed by the BNRC and approved by the Board of Directors.

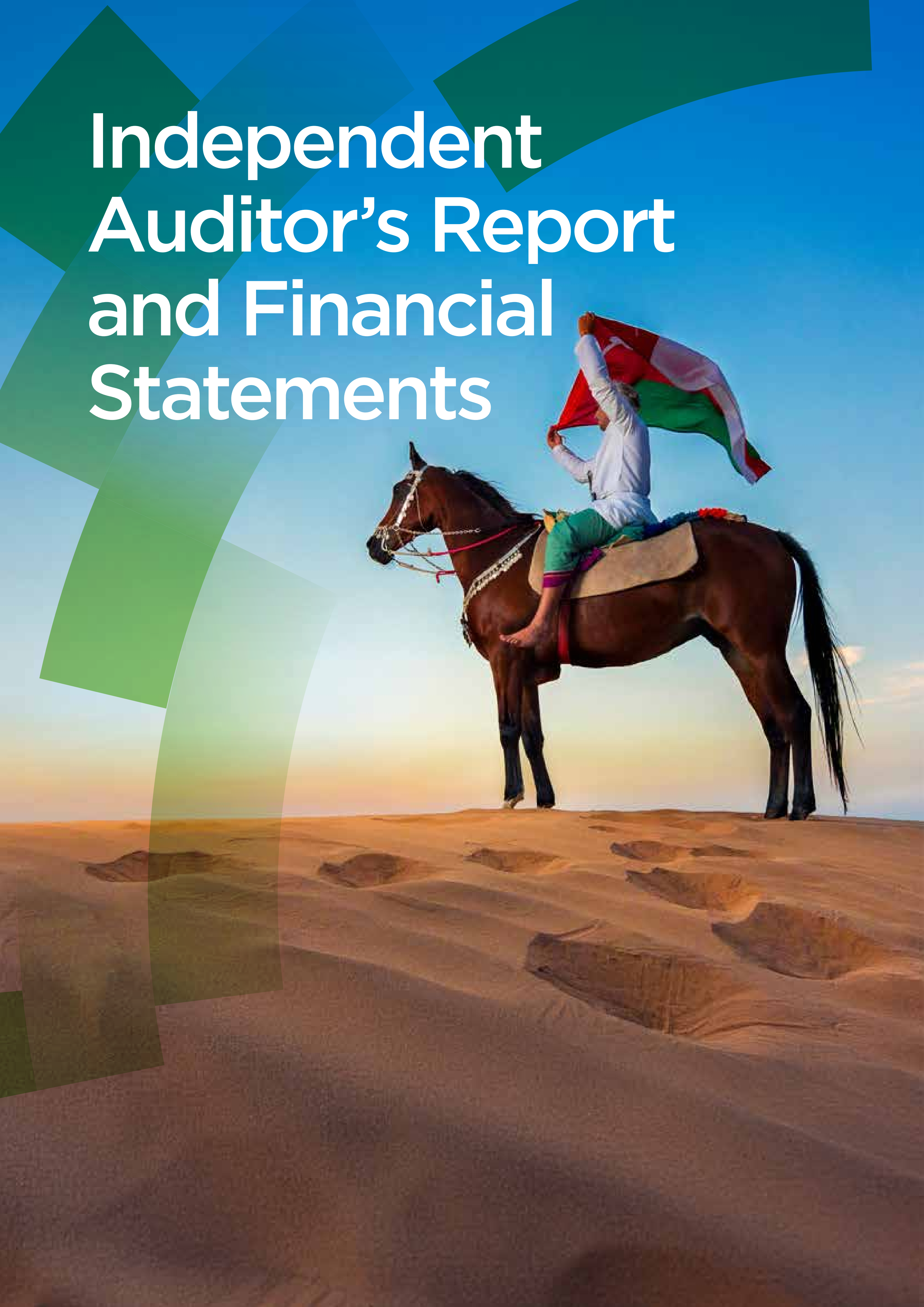
Compensation of Material Risk Takers, Control & Non-Control Functionaries (including top 5 Senior Executives):

Group	Total Fixed and Variable pay including Deferred Amount (OMR)	Total Deferred Amount (OMR)
MRT-Excluding Control Functionaries	3,774,705	367,402
MRT- Control Functionaries	575,086	42,359
Total	4,349,791	409,761

The 5 key management members and their salaries and bonuses and staff terminal benefit for 2024 was OMR 1,943,721. The amount disclosed is the amount paid for the reporting period. Certain components of the key management bonuses are paid on the deferral basis as per the guidelines issued by the Central Bank of Oman.

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

Independent Auditor's Report and Financial Statements



KPMG

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

Independent auditors' report

To the Shareholders of 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 2024, 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 2024, 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) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Continued from page 5

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 32(A) to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Bank recognised allowances for credit losses in the financial statements using expected credit loss ("ECL") models. The Bank exercise significant judgment and make a number of assumptions in developing ECL models determined as a function of the probability of default ("PD"), loss given default ("LGD"), adjusted for the forward looking information, and exposure at default ("EAD") associated with the underlying exposures subject to ECL. Complex disclosure requirements exist regarding credit quality of the portfolio including explanation of key judgments and material inputs used in estimation of ECL. It is necessary to estimate ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weights applied to them. This is considered a key audit matter, as the estimation of ECL involves significant management judgement, estimates, use of complex models and assumptions and has a material impact on the financial statements of the Bank.	Our audit procedures in this area include the following, among others: • 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 walkthrough on 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, understanding the methods, assumptions and data used to develop the accounting estimate. Assessing the design, implementation and testing the operating effectiveness of selected controls in relation to governance and data migration. • Involving our Financial Risk Management ("FRM") specialists, for a selection of models, to assess the reasonableness and appropriateness of the methodology and assumptions used in various components of ECL modelling and the application of expert credit judgment to determine the ECL. This includes, where applicable, challenging key assumptions / judgments relating to significant increase in credit risk ("SICR"), definition of default, PD, use of macro-economic variables and 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.

Continued from page 6

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 32(A) to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
	• 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, source 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 calculation 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 the Chairman's Report, Management Discussion and Analysis Report, Corporate Governance Report, Financial statements of Dhofar Islamic, Basel II and III – Pillar III Report of the Bank and Basel II and III – Pillar III Report of Dhofar Islamic, which we obtained prior to the date of this auditors' report, and the 2024 Annual Report, which 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.

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

If, based on the work we have performed 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with the relevant requirements of the Financial Services Authority (formerly the Capital Market 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 the 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.

Continued from page 8

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 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 2024, comply, in all material respects, with the:

- relevant requirements of the Financial Services Authority (formerly the Capital Market Authority); and
- applicable provisions of the Commercial Companies Law of 2019.

Kenneth Macfarlane
Date: 5 March 2025

KPMG LLC

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

BANK DHOFAR SAOG

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	31-Dec-2024 RO'000	31-Dec-2023 RO'000
Assets			
Cash and balances with Central Bank of Oman	*5*	**197,174**	125,931
Investment securities	*8*	**648,485**	459,477
Loans, advances, and financing to banks	*6*	**196,479**	227,078
Loans, advances, and financing to customers (conventional)	*7 (a)*	**3,221,225**	3,099,314
Islamic financing receivables	*7 (b)*	**712,390**	666,270
Other assets	*11*	**80,939**	80,578
Deferred tax assets	*24*	**364**	6,209
Property and equipment	*10*	**15,404**	8,600
Intangible assets	*9*	**12,587**	12,340
Total assets		**5,085,047**	4,685,797
Liabilities			
Due to banks	*12*	**438,438**	505,916
Deposits from customers (conventional)	*13*	**3,066,881**	2,735,172
Islamic customers deposits	*13*	**695,980**	564,051
Other liabilities	*14*	**129,924**	130,455
Tax liabilities	*24 (e)*	**11,511**	15,509
Employee benefit obligations	*14 (a)*	**1,882**	1,740
Total liabilities		**4,344,616**	3,952,843
Shareholders' equity			
Share capital	*15*	**299,635**	299,635
Share premium	*17*	**95,656**	95,656
Legal reserve	*18 (a)*	**76,192**	71,831
Special reserve	*18 (c)*	**16,988**	16,988
Special reserve –restructured loans	*18 (d)*	**1,281**	1,281
Special impairment reserve	*18 (e)*	**12,184**	12,184
Special revaluation reserve - investment	*18 (f)*	**(709)**	(709)
Investment revaluation reserve	*18 (b)*	**(2,605)**	(58)
Cash flow hedge reserve	*30*	**645**	-
Retained earnings	*19*	**85,664**	80,646
Total equity attributable to the equity holders of the Bank		**584,931**	577,454
Perpetual Tier 1 Capital Securities	*16*	**155,500**	155,500
Total equity		**740,431**	732,954
Total liabilities and equity		**5,085,047**	4,685,797
Contingent liabilities and commitments	*28 (a)*	**718,428**	675,502
Net assets per share (Rial Omani)	*20*	**0.195**	0.193

The financial statements including notes and other explanatory information on pages 123 to 218 were approved and authorised for issue by the Board of Directors on 26 January 2025 and were signed on their behalf by:

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

K. Gopakumar
Acting Chief Executive Officer

BANK DHOFAR SAOG

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	31-Dec-2024 RO'000	31-Dec-2023 RO'000
Interest income	*21*	**232,060**	219,801
Interest expense	*22*	**(137,007)**	(129,048)
Net interest income		**95,053**	90,753
Income from Islamic financing / Investments	*21*	**47,827**	41,812
Unrestricted investment account holders' share of profit and profit expense	*22*	**(28,711)**	(21,744)
Net income from Islamic financing and Investment activities		**19,116**	20,068
Fees and commission income	*29*	**38,414**	30,441
Fees and commission expense	*29*	**(9,841)**	(5,749)
Net fees and commission income		**28,573**	24,692
Other operating income	*22 (a)*	**10,100**	8,570
Operating income		**152,842**	144,083
Staff and administrative costs	*23*	**(71,817)**	(62,144)
Depreciation	*9&10*	**(7,034)**	(6,504)
Operating expenses		**(78,851)**	(68,648)
Net Impairment losses on financial assets	*7*	**(27,923)**	(32,510)
Recovery of bad debts written-off		**4,176**	850
Bad debts written-off		**(57)**	-
Profit from operations after provision		**50,187**	43,775
Income tax expense	*24*	**(6,578)**	(5,017)
Profit for the period		**43,609**	38,758
Other comprehensive income:			
Items that will not be reclassified to Profit and Loss:			
Movement in fair value reserve - FVOCI equity instrument		**(832)**	142
Realised loss FVOCI equity instrument		**(383)**	(455)
Items that are or may be reclassified to profit or loss in subsequent periods:			
Movement in fair value reserve - FVOCI debt Instruments		**(1,715)**	3,306
Change in fair value of cashflow hedge		**645**	-
Other comprehensive (loss) / income for the period		**(2,285)**	2,993
Total comprehensive income for the period		**41,324**	41,751
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	25	**0.0110**	0.0083

The notes on pages 123 to 218 are an integral part of these financial statements.

BANK DHOFAR SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Cash flow hedge reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'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	*18 (c)*	-	-	-	-	-	-	-	645	(832)	(383)	(570)	-	(570)
FVOCI debt instruments	*18 (c)*	-	-	-	-	-	-	-	-	(1,715)	-	(1,715)	-	(1,715)
Total comprehensive income for the period		-	-	-	-	-	-	-	645	(2,547)	43,226	41,324	-	41,324
Transfer to legal reserve	*18 (a)*	-	-	4,361	-	-	-	-	-	-	(4,361)	-	-	-
Transfer to Subordinated reserve	*18 (b)*								-		-			
Transfer to retained earnings	*18(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 123 to 218 are an integral part of these financial statements.

BANK DHOFAR SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Cash flow hedge reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balances as at 1 January 2023		299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,506)	72,093	561,577	155,500	717,077
Profit for the period		-	-	-	-	-	-	-	-	-	38,758	38,758	-	38,758
Other comprehensive income for the period:														
Net changes of fair value reserve														
FVOCI equity instruments	*18 (c)*	-	-	-	-	-	-	-	-	142	(455)	(313)	-	(313)
FVOCI debt instruments	*18 (c)*	-	-	-	-	-	-	-	-	3,306	-	3,306	-	3,306
Total comprehensive income for the period		-	-	-	-	-	-	-	-	3,448	38,303	41,751	-	41,751
Transfer to legal reserve	*18 (a)*	-	-	3,876	-	-	-	-	-	-	(3,876)	-	-	-
Transfer to Subordinated reserve	*18 (b)*								-		-			
Transfer to retained earnings	*18(d)*	-	-	-	-	-	-	-	-	-	-	-	-	-
Perpetual Tier 1 capital securities:												-	-	-
Repayment of Tier 1 capital securities	*16*	-	-	-	-	-	-	-	-	-	-	-	(40,000)	(40,000)
Issuance of Tier 1 capital securities	*16*	-	-	-	-	-	-	-	-	-	-	-	40,000	40,000
Payment towards perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	(10,797)	(10,797)	-	(10,797)
AT 1Issuance Cost		-	-	-	-	-	-	-	-	-	(94)	(94)		(94)
Dividend Paid	*35*	-	-	-	-	-	-	-	-	-	(14,983)	(14,983)	-	(14,983)
Balances as at 31 December 2023		299,635	95,656	71,831	16,988	1,281	12,184	(709)	-	(58)	80,646	577,454	155,500	732,954

The notes on pages 123 to 218 are an integral part of these financial statements.

BANK DHOFAR SAOG

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	31-Dec-2024 RO'000	31-Dec-2023 RO'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		**50,187**	43,775
Adjustment for:			
Depreciation, amortisation and impairment	*9&10*	**7,034**	6,504
Net Impairment on financial asset and recovery of bad debts written-off	*7*	**27,866**	33,270
Dividend income	*22 (b)*	**(4,034)**	(1,712)
End of Service provision for the year		**350**	351
Revaluation loss		**-**	(38)
Gain on Sale of property and equipment		**(62)**	-
Gain on sale of investments		**(32)**	(39)
Operating profit before operating assets and liabilities changes		**81,309**	82,111
Net increase/(decrease) in:			
Due to banks		**(67,478)**	(66,926)
Loans, advances, and financing to banks		**19,196**	(38,739)
Loans, advances and financing to customers		**(199,928)**	(366,545)
Other assets		**(767)**	(13,114)
Customer deposits		**463,638**	407,404
Other liabilities		**2,726**	8,145
Cash generated from operations before tax and end of service benefits		**298,697**	12,336
Taxes paid	*24*	**(4,731)**	(3,140)
End of service benefits paid	*14 (a)*	**(258)**	(126)
Net cash generated from operating activities		**293,708**	9,070
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets		**(14,118)**	(8,297)
Dividends received from investment securities		**4,034**	1,712
Purchase of investments		**(291,104)**	(66,576)
Proceeds from sale/maturities of investments		**100,733**	79,605
Proceeds from sale of property and equipment		**83**	-
Net cash (used in) / generated from investing activities		**(200,372)**	6,444
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(23,222)**	(14,983)
Issuance of AT 1 securities (OMR)		**-**	40,000
Payment of AT 1 securities (USD)		**-**	(40,000)
Interest on Tier 1 perpetual bond		**(10,625)**	(10,797)
AT 1 issuance cost		**-**	(94)
Net cash (used in) financing activities		**(33,847)**	(25,874)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**59,489**	(10,360)
Cash and cash equivalents at beginning of the year		**265,319**	275,679
Cash and cash equivalents at end of the year		**324,808**	265,319
Cash and cash equivalent comprise of:			
Cash and balances with Central Bank of Oman		**197,174**	125,931
Capital deposit with Central Bank of Oman		**(500)**	(500)
Due from banks with a short term maturity of 3 months or less		**128,134**	139,888
		324,808	265,319

Interest received was RO 238.04 million (2023: RO 256.23 million) and interest paid was RO 138.76 million (2023: RO143.73 million). These are part of the operating cash flows of the Bank.

There are no significant non-cash changes to be disclosed for 2024 and 2023.

The notes on pages 123 to 218 are an integral part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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 RO 70 million (2023: RO 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), 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 2023 expect 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 (“RO”), which is the Bank’s functional (currency of primary economic environment in which the Bank operates) and presentation currency, rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgements

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

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

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 2024 and relevant for the Bank's operations:

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

- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a sale and Lease back – Amendments to IFRS 16
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

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 2024:

- Lack of Exchangeability (Amendments to IAS 21) [effective from 1 January 2025]
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 [effective from 1 January 2026]
- IFRS 18 Presentation and Disclosures in Financial Statements [effective from 1 January 2027]
- IFRS 19 Subsidiaries without Public Accountability [effective from 1 January 2027]
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 MATERIAL ACCOUNTING POLICIES *(continued)*

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.

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
- 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.

3.2.3 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.

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.

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'.

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.

(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 unlikeliness 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.

3.10 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).

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 36.

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.

3.17 Financial guarantees contracts

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

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

3.18 Borrowings

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

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

3.19 Dividend on ordinary shares

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

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

3.20 Directors' remuneration

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

3.21 Revenue and expense recognition

I. Interest income and expense

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

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

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

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

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

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

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

II. Fees and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income is recognised over time on a straight-line basis as the services are rendered in cases when the customer simultaneously receives and consumes the benefits provided by the Bank's performance or at a point in time when the Bank satisfies performance obligation, usually upon execution of the underlying transaction. Other fees and commission income include account servicing fees, credit related fees, administration fees and other management fees, sales commission, placement fees, advisory fees and syndication fees.

Fees and commission income is measured based on the consideration specified in the contract with the customers. The products and services of the Bank covered under IFRS 15 along with its nature, timing of satisfaction of performance obligations and significant payment terms are as follows:

Transaction services

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

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

Trade services

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

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

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 2023.

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 32.

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 24 for disclosures related to income taxes.

4.3 Modification of financial assets

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

4.4 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

	2024	2023
	RO'000	RO'000
Cash in hand	**46,628**	30,278
Balances with the Central Bank of Oman	**133,219**	64,837
Placements with Central Bank of Oman	**17,325**	30,816
Cash held by a custodian	**2**	-
	197,174	125,931

Balances with CBO includes capital deposit of RO 0.5 million (2023: RO 0.5 million). This is not available for day-to-day operations of the Bank and cannot be withdrawn without the Central Bank of Oman's approval. During the year, the average minimum balance to be kept with Central Banks as statutory reserves was RO 105.34 million (2023: RO 90.95 million).

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

	2024 RO'000	2023 RO'000
Syndicated loans to other banks	**29,579**	-
Placements with other banks	**141,800**	185,404
Current clearing accounts	**25,193**	42,118
	196,572	227,522
Less: impairment allowance	**(93)**	(444)
	196,479	227,078

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

	2024 RO'000	2023 RO'000
Opening balance as on 1 January	**444**	104
(Write Back) / Charge for the year	**(351)**	340
Closing balance as on 31 December	**93**	444

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

(a) Conventional Banking

	2024 RO'000	2023 RO'000
Loans	**3,054,196**	2,946,503
Overdraft	**140,489**	139,050
Loans against trust receipts	**140,504**	123,088
Bills discounted	**29,869**	64,800
Advances against credit cards	**14,379**	10,758
Gross Loans, advances and financing to customers	**3,379,437**	3,284,199
Less: Impairment allowance including reserved interest	**(158,212)**	(184,885)
	3,221,225	3,099,314

(b) Islamic Banking Window Financing

	2024 RO'000	2023 RO'000
Housing finance	**232,180**	205,682
Corporate finance	**479,226**	459,379
Consumer finance	**23,788**	20,535
	735,194	685,596
Less: Impairment allowance	**(22,804)**	(19,326)
	712,390	666,270

Allowance for expected credit losses includes the amount of interest reserve and profit reserve amounting to RO 22.35 million and RO 2.86 million respectively (2023: RO 33.33 million and RO 1.70 million).

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

	2024	2023
	RO'000	RO'000
i. Allowance for loan for expected credit losses (conventional and Islamic)		
1 January	**169,188**	175,801
Reclassification of ECL related to off balance sheet / interest accrued	**(1,441)**	1,252
Allowance made during the year	**47,180**	50,786
Released to the profit or loss during the year	**(15,340)**	(19,910)
Written off during the year	**(43,782)**	(38,741)
Balance at the end of the year	**155,805**	169,188
ii. Reserved interest		
1 January	**35,023**	40,366
Reserved during the year	**22,784**	21,333
Recoveries to profit or loss during the year	**(15,514)**	(11,758)
Written-off during the year	**(17,082)**	(14,918)
Balance at the end of the year	**25,211**	35,023
Total impairment allowance	**181,016**	204,211

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 2024, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 244.49 million (2023: RO 257.04 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

Proposals for waivers / write-offs are not formula driven and are decided on a case by case basis after weighing all pros and cons. The rationale is invariably documented. In all cases, the Bank aims to recover the maximum value through enforcement of collaterals / guarantees of guarantors. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. In 2024, the Bank has written off RO 60.86 million (2023- RO 53.66 million) of provisions which includes RO 43.78 million (2023 - RO 38.74 million) of principal amount and RO 17.09 million (2023 – RO 14.92 million) of reserved interest as technical write off which are still subject to enforcement activity.

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

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 2024

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(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	(42,347)	464,832	426,761	-	4,276
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		473,663	4,490	46,837	(42,347)	464,897	426,826	-	4,276
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	8,376	2,100	2,830	(730)	6,091	5,546	-	185
Subtotal		8,376	2,100	2,830	(730)	6,091	5,546	-	185
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	32,907	10,109	10,788	(679)	21,365	22,119	-	1,433
Subtotal		32,907	10,109	10,788	(679)	21,365	22,119	-	1,433
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	150,705	105,777	70,257	35,520	25,611	80,448	-	19,317
Subtotal		150,705	105,777	70,257	35,520	25,611	80,448	-	19,317
Total loans and advances		4,114,631	168,500	155,805	12,695	3,920,920	3,958,826	-	25,211
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,996,316	147	2,410	(2,263)	1,996,169	1,993,906	-	-
	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

At 31 December 2023

O'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)-(10)	(8) = (3)-(5)	(9)	(10)
	Stage 1	2,916,274	36,897	12,985	23,912	2,879,377	2,903,289	-	-
Standard	Stage 2	502,559	5,495	19,492	(13,997)	497,064	483,067	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,418,833	42,392	32,477	9,915	3,376,441	3,386,356	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	336,949	3,827	36,550	(32,723)	331,857	300,399	-	1,265
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		336,949	3,827	36,550	(32,723)	331,857	300,399	-	1,265
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	27,849	6,830	9,373	(2,543)	20,107	18,476	-	912
Subtotal		27,849	6,830	9,373	(2,543)	20,107	18,476	-	912
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,960	3,300	2,775	525	4,191	5,185	-	469
Subtotal		7,960	3,300	2,775	525	4,191	5,185	-	469
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	178,204	127,015	86,572	40,443	18,812	91,632	-	32,377
Subtotal		178,204	127,015	86,572	40,443	18,812	91,632	-	32,377
Total loans and advances		3,969,795	183,364	167,747	15,617	3,751,408	3,802,048	-	35,023
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,915,846	179	3,383	(3,204)	1,915,667	1,912,463	-	-
	Stage 2	274,002	-	5,210	(5,210)	274,002	268,792	-	-
	Stage 3	3,282	-	1,441	(1,441)	3,282	1,841	-	-
Subtotal		2,193,130	179	10,034	(9,855)	2,192,951	2,183,096	-	-
	Stage 1	4,832,120	37,076	16,368	20,708	4,795,044	4,815,752	-	-
Total (31 December 2023)	Stage 2	1,113,510	9,322	61,252	(51,930)	1,102,923	1,052,258	-	1,265
	Stage 3	217,295	137,145	100,161	36,984	46,392	117,134	-	33,758
	Total	6,162,925	183,543	177,781	5,762	5,944,359	5,985,144	-	35,023

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

(c) 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 2024

RO'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)	(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	6,531	10,439	18,885	-	1,915
Sub total		25,458	13,104	6,573	6,531	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	6,531	10,439	18,885	-	1,915
	Total	489,124	17,672	49,367	(31,695)	469,537	439,757	-	1,915

* Net of provision and reserve interest as per CBO norms

At 31 December 2023

RO'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)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	92,368	927	1,585	(658)	91,441	90,783	-	-
	Stage 2	378,069	3,732	42,405	(38,673)	373,072	335,664	-	1,265
Subtotal		470,437	4,659	43,990	(39,331)	464,513	426,447	-	1,265
Classified as non-performing	Stage 3	19,003	6,955	7,700	(745)	10,640	11,303	-	1,408
Sub total		19,003	6,955	7,700	(745)	10,640	11,303	-	1,408
Total (31 December 2023)	Stage 1	92,368	927	1,585	(658)	91,441	90,783	-	-
	Stage 2	378,069	3,732	42,405	(38,673)	373,072	335,664	-	1,265
	Stage 3	19,003	6,955	7,700	(745)	10,640	11,303	-	1,408
	Total	489,440	11,614	51,690	(40,076)	475,153	437,750	-	2,673

* Net of provision and reserve interest as per CBO norms

(e) 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 2024

	As per CBO Norms	As per IFRS 9	Difference
	RO'000	RO'000	RO'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%**	**0.00%**
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 RO 20.94 million.

At 31 December 2023

	As per CBO Norms	As per IFRS 9	Difference
	RO'000	RO'000	RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	183,543	177,781	5,762
Gross NPL ratio	5.39%	5.39%	0.00%
Net NPL ratio	1.09%	2.05%	(0.97)%

Gross NPL (Non-performing Loans) are 5.39% and Net NPL is 2.05% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 33.76 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 2023 to 2024. During the period no reserve has been transferred to 'Impairment Reserve' as there is no additional provision required as per CBO guidelines.

ii. Special impairment reserve

During 2024, no amount (2023 – Nil) of special reserves was transferred from retained earnings to the special impairment reserve because CBO has suspended the two-track approach for the financial year 2023 and 2024.

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

	As per CBO Norms RO'000	**As per IFRS 9 RO'000**	**Difference RO'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

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

There is no additional impact on the net profits if additional provisions as per the Central Bank of Oman requirements had been made.

Movement of provisions under IFRS 9 and CBO norms for the year ended 31 December 2023

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Opening Balance – 1 January 2023	185,912	184,011	1,901
Allowance for expected credit losses charge for the year	56,282	52,421	3,861
Less: write-back during the year	(19,910)	(19,910)	-
Less: written off during the year	(38,741)	(38,741)	-
Closing balance – 31 December 2023	183,543	177,781	5,762
Total after tax (Net)			4,898

Movement of IFRS 9 Special Impairment Reserve for the year ended 31 December 2023

	RO'000
At 1 January 2023 and 31 December 2023	12,184

There is no additional impact on the net profits if additional provisions as per the Central Bank of Oman requirements had been made.

(f) 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 2024:

				RO'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 RO 191.99 million under stage 3 includes reserved interest of RO 20.94 million.

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 2023:

RO'000

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	95,653			95,653
Cash held by a custodian	-	-	-	-
Due from Banks	227,522	-	-	227,522
Sovereign	384,142	-	-	384,142
Investment Securities at amortized cost	9,989	-	-	9,989
Investment Securities at FVOCI	19,474	-	-	19,474
Loans and advances	2,916,274	839,508	214,013	3,969,795
Acceptance	52,084	7,026	-	59,110
Total funded gross exposure	3,705,138	846,534	214,013	4,765,685
Letters of credit/guarantee	562,259	109,961	3,282	675,502
Loan commitment / unutilized limits	564,723	157,015	-	721,738
Total non-funded gross exposure	1,126,982	266,976	3,282	1,397,240
Total gross exposure	4,832,120	1,113,510	217,295	6,162,925
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Cash held by a custodian	-	-	-	-
Due from Banks	444	-	-	444
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	45	-	-	45
Loans and advances	12,985	56,042	98,720	167,747
Acceptance	23	12	-	35
Total funded impairment	13,497	56,054	98,720	168,271
Letters of credit/guarantee	1,422	4,360	1,441	7,223
Loan commitment/unutilized limits	1,449	838	-	2,287
Total non-funded impairment	2,871	5,198	1,441	9,510
Total impairment	16,368	61,252	100,161	177,781
Net exposure				
Central Bank balances	95,653	-	-	95,653
Cash held by a custodian	-	-	-	-
Due from Banks	227,078	-	-	227,078
Sovereign	384,142	-	-	384,142
Investment Securities at amortized Cost	9,989	-	-	9,989
Investment Securities at FVOCI	19,429	-	-	19,429
Loans and advances	2,903,289	783,466	115,293	3,802,048
Acceptance	52,061	7,014	-	59,075
Total funded net exposure	3,691,641	790,480	115,293	4,597,414
Letter of credit/guarantee	560,837	105,601	1,841	668,279
Loan commitment/unutilized limits	563,274	156,177	-	719,451
Total net non-funded exposure	1,124,111	261,778	1,841	1,387,730
Total net exposure	4,815,752	1,052,258	117,134	5,985,144

Gross exposure of loans and advances of RO 214.01 million under stage 3 includes reserved interest of RO 33.76 million.

				RO'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

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.

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as of 1 January 2023				
Due from banks	104	-	-	104
Loans and advances to customers	12,711	62,163	100,927	175,801
Investment securities at FVOCI (Debt)	64	-	-	64
Loan commitments and financial guarantees	1,670	3,266	1,252	6,188
Acceptances	13	6	-	19
Unutilised	1,162	673	-	1,835
Total	15,724	66,108	102,179	184,011
Net transfer between stages				
Loans and advances to customers	(1,819)	(15,657)	17,476	-
Loan commitments and financial guarantees	(11)	11	-	-
Unutilised	(55)	55	-	-
Total	(1,885)	(15,591)	17,476	-
Charge for the Year (net of recoveries)				
Due from banks	340	-	-	340
Loans and advances to customers	2,094	9,536	19,057	30,687
Investment securities at FVOCI (Debt)	(19)	-	-	(19)
Loan commitments and financial guarantees	(237)	1,083	189	1,035
Acceptances	10	6	-	16
Unutilised	341	110	-	451
Total net of recovery	2,529	10,735	19,246	32,510
Written-off			(38,741)	(38,741)
Closing Balance – as at 31 December 2023				
- 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 expected credit loss	16,368	61,252	100,161	177,781

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

2024:

Due from Bank
ECL Movement

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

Exposure Movement

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

Loans and Advances
ECL Movement

	Stage 1	Stage 2	Stage 3	Total
				RO'000
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	(6,608)	11,075	27,373	31,840
Net Movement	(6,608)	11,075	27,373	31,840
Write off	-	-	(43,782)	(43,782)
Closing balance – 31 December 2024	8,911	63,019	83,875	155,805

Exposure Movement

	Stage 1	Stage 2	Stage 3	Total
				RO'000
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

Investment securities
ECL Movement

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

Exposure Movement

	Stage 1	Stage 2	Stage 3	Total
				RO'000
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

Acceptance
ECL Movement

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

Exposure Movement

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

Letter of Credit/Guarantee
ECL Movement

RO'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	1,045	1,146	1,484	3,675

Exposure Movement

RO'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	626,456	88,763	3,209	718,428

Loan commitment / unutilised limits
ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	1,448	838	1	2,287
Transfer between stages				
From Stage 1 to Stage 2	(18)	18	-	-
From Stage 2 to Stage 1	36	(36)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	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

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2024	564,723	157,015	-	721,738
Transfer between stages				
From Stage 1 to Stage 2	(20,571)	20,571	-	-
From Stage 2 to Stage 1	7,484	(7,484)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(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

Sovereign

Exposure Movement

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

2023:

Due from Bank

ECL Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	104	-	-	104
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	340	-	-	340
Net Movement	340	-	-	340
Closing balance – 31 December 2023	444	-	-	444

Exposure Movement

	Stage 1	Stage 2	Stage 3	*RO'000* Total
Opening Balance – 1 January 2023	148,457	-	-	148,457
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	79,065	-	-	79,065
Net Movement	79,065	-	-	79,065
Closing balance – 31 December 2023	227,522	-	-	227,552

Loans and Advances
ECL Movement

RO'000

	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	12,711	62,163	100,927	175,801
Transfer between stages				
From Stage 1 to Stage 2	(6,295)	1,523	(4)	(4,776)
From Stage 2 to Stage 1	4,548	(4,548)	-	-
From Stage 1 and Stage 2 to Stage 3	(72)	(12,632)	17,480	4,776
Net Changes in Stage	(1,819)	(15,657)	17,476	-
Net Movement during the year	2,094	9,536	19,057	30,687
Net Movement	2,094	9,536	19,057	30,687
Write off			(38,741)	(38,741)
Closing balance – 31 December 2023	12,986	56,042	98,719	167,747

Exposure Movement

RO'000

	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	2,657,029	775,544	214,079	3,646,652
Transfer between stages				
From Stage 1 to Stage 2	(52,770)	52,782	(12)	-
From Stage 2 to Stage 1	36,358	(36,358)	-	-
From Stage 1 and Stage 2 to Stage 3	(4,249)	(6,273)	10,522	-
Net Changes in Stage	(20,661)	10,151	10,510	-
Net Movement during the year	279,906	53,813	(10,576)	323,143
Net Movement	279,906	53,813	(10,576)	323,143
Closing balance – 31 December 2023	2,916,274	839,508	214,013	3,969,795

Investment securities
ECL Movement

				RO'000
	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	64	-	-	64
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	(19)	-	-	(19)
Net Movement	(19)	-	-	(19)
Closing balance – 31 December 2023	45	-	-	45

Exposure Movement

				RO'000
	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	56,349	-	-	56,349
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	(26,886)	-	-	(26,886)
Net Movement	(26,886)	-	-	(26,886)
Closing balance – 31 December 2023	29,463	-	-	29,463

Acceptance
ECL Movement

				RO'000
	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	13	6	-	19
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	10	6	-	16
Net Movement	10	6	-	16
Closing balance – 31 December 2023	23	12	-	35

Exposure Movement

				RO'000
	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	34,225	5,771	-	39,996
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	17,859	1,255	-	19,114
Net Movement	17,859	1,255	-	19,114
Closing balance – 31 December 2023	52,084	7,026	-	59,110

Letter of Credit/Guarantee
ECL Movement

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – 1 January 2023	1,670	3,266	1,252	6,188
Transfer between stages				
From Stage 1 to Stage 2	(38)	38	-	-
From Stage 2 to Stage 1	27	(27)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(11)	11	-	-
Net Movement during the year	(237)	1,083	189	1,035
Net Movement	(237)	1,083	189	1,035
Closing balance – 31 December 2023	1,422	4,360	1,441	7,223

Exposure Movement

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – 1 January 2023	559,104	100,588	3,056	662,748
Transfer between stages				
From Stage 1 to Stage 2	(27,488)	27,488	-	-
From Stage 2 to Stage 1	1,129	(1,129)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(26,359)	26,359	-	-
Net Movement during the year	29,514	(16,986)	226	12,754
Net Movement	29,514	(16,986)	226	12,754
Closing balance – 31 December 2023	562,259	109,961	3,282	675,502

Loan commitment / unutilised limits
ECL Movement

	Stage 1	Stage 2	Stage 3	Total
				RO'000
Opening Balance – 1 January 2023	1,162	673	-	1,835
Transfer between stages				
From Stage 1 to Stage 2	(66)	66	-	-
From Stage 2 to Stage 1	11	(11)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(55)	55	-	-
Net Movement during the year	341	110	-	451
Net Movement	341	110	-	451
Closing balance – 31 December 2023	1,448	838	-	2,286

Exposure Movement

	Stage 1	Stage 2	Stage 3	Total
				RO'000
Opening Balance – 1 January 2023	416,116	198,823	-	614,939
Transfer between stages				
From Stage 1 to Stage 2	(30,933)	30,933	-	-
From Stage 2 to Stage 1	4,351	(4,351)	-	-
From Stage 2 to Stage 3	-	-	-	-
Net Changes in Stage	(26,582)	26,582	-	-
Net Movement during the year	175,189	(68,390)	-	106,799
Net Movement	175,189	(68,390)	-	106,799
Closing balance – 31 December 2023	564,723	157,015	-	721,738

Sovereign

Exposure Movement

				RO'000
	Stage 1	Stage 2	Stage 3	Total
Opening Balance – 1 January 2023	398,445	-	-	398,445
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	(14,303)	-	-	(14,303)
Net Movement	(14,303)	-	-	(14,303)
Closing balance – 31 December 2023	384,142	-	-	384,142

(h). 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 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
		8,465	82,479	143,587	4,817,059	5,051,590
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
		4,469	-	-	4,328,636	4,333,105

Other assets include RO 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 RO 4.47 million.

31 December 23	Notes	Designated as at FVTPL	FVOCI – equity instruments	FVOCI – debt instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	*5*	-	-	-	125,931	125,931
Loans and advances to banks	*6*	-	-	-	227,078	227,078
Loans and advances to customers	*7*	-	-	-	3,765,584	3,765,584
Investment securities	*8*	755	45,162	123,401	290,159	459,477
Other assets	*11*	3,623	-	-	73,054	76,677
		4,378	45,162	123,401	4,481,806	4,654,747
Due to banks	*12*	-	-	-	505,916	505,916
Deposits from customers	*13*	-	-	-	3,299,223	3,299,223
Other liabilities	*14*	3,386	-	-	128,809	132,195
		3,386	-	-	3,933,948	3,937,334

Other assets include RO 3.62 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 RO 3.39 million.

8. Investment securities

	2024 RO'000	2023 RO'000
Equity investments:		
Measured at FVTPL	2,370	755
Measured at FVOCI	82,479	45,162
Gross equity investments	84,849	45,917
Debt investments:		
Measured at FVOCI	143,827	123,446
Measured at amortized cost	420,049	290,159
Gross debt investments	563,876	413,605
Total investment securities	648,725	459,522
Less: Impairment loss allowance	(240)	(45)
Total investment securities	648,485	459,477

Investment securities measured as at FVTPL	2,370	755
Investment securities measured at FVOCI	226,066	168,563
Debt investments measured at amortised cost	420,049	290,159
	648,485	459,477

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 in the following pages.

8. 1 Categories of investments by measurement

31 December 2024	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'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
	1,602	77,768	-	79,370
Unquoted Equities:				
Local securities	768	4,711	-	5,479
	768	4,711	-	5,479
Gross Equity investments	2,370	82,479	-	84,849
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
	-	125,295	371,709	497,004
Unquoted Debt:				
Treasury Bills	-	-	48,340	48,340
Foreign Bonds	-	18,532	-	18,532
	-	18,532	48,340	66,872
Gross debt investments	-	143,827	420,049	563,876
Total Investment Securities	2,370	226,306	420,049	648,725
Less: Impairment losses on investments	-	(240)	-	(240)
	2,370	226,066	420,049	648,485

Government Bonds and Sukuks represents Oman Government Bonds and Oman Sovereign Sukuk having face value of RO 426.35 million (2023: RO 358.28 million) at average coupon rate of 4% to 6% maturing between 2025 and 2030.

The movements in investment securities are summarised as follows:

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

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

31 December 2023	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Services sector	-	2,334	-	2,334
Unit funds	-	22,220	-	22,220
Financial services sector	-	8,485	-	8,485
Industrial sector	-	11,432	-	11,432
	-	44,471	-	44,471
Unquoted Equities:				
Local securities	755	691	-	1,446
	755	691	-	1,446
Gross Equity investments	755	45,162	-	45,917
Quoted Debt:				
Government Bonds and Sukuk	-	103,972	261,045	365,017
Foreign Bonds	-	-	5,125	5,125
Local Bonds and Sukuks	-	19,474	9,989	29,463
Treasury Bills	-	-	14,000	14,000
Gross debt investments	-	123,446	290,159	413,605
Total Investment Securities	755	168,608	290,159	459,522
Less: Impairment losses on investments	-	(45)	-	(45)
	755	168,563	290,159	459,477

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 RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2023	141,464	13,963	313,278	717	469,422
Additions	10,001	31,713	24,881	-	66,595
Disposals and redemption	(34,763)	(1,251)	(48,000)		(84,014)
Gain from change in fair value	2,893	142	-	38	3,073
Amortisation of discount and premium	(51)	41	-	-	(10)
Movement in Interest Accrued	3,902	554	-	-	4,456
Total	123,446	45,162	290,159	755	459,522
Less: Impairment losses on investments*	(26)	(19)	-	-	(45)
At 31 December 2023	123,420	45,143	290,159	755	459,477

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

9. Intangible assets

	31-Dec-2024 RO'000	31-Dec-2023 RO'000
Cost		
1 January	**39,003**	36,248
Additions	**3,484**	2,755
Disposals	**(24)**	-
	42,463	39,003
Depreciation		
1 January	**26,663**	23,679
Charge for the year	**3,220**	2,984
Disposals	**(7)**	-
	29,876	26,663
Carrying value	**12,587**	12,340

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 2024	Freehold Land	Buildings	Furniture and Fixtures	Motor Vehicles	Computer Equipment	Capital work-in-progress	Right use of Asset	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'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

10. Property and equipment *(continued)*

31 December 2023	Freehold Land	Buildings	Furniture and Fixtures	Motor Vehicles	Computer Equipment	Capital work-in-progress	Right use of Asset	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost								
1 January 2023	140	1,463	19,545	995	18,683	11	3,008	43,845
Additions	-	-	1,816	3	3,229	68	426	5,542
Disposals	-	-	(831)	-	-	-	-	(831)
31 December 2023	140	1,463	20,530	998	21,912	79	3,434	48,556
Depreciation								
1 January 2023	-	1,463	16,856	949	15,432	-	2,567	37,267
Charge for the year	-	-	1,381	27	1,830	-	282	3,520
Disposals	-	-	(831)	-	-	-	-	(831)
31 December 2023	-	1,463	17,406	976	17,262	-	2,849	39,956
Carrying value 31 December 2023	140	-	3,124	22	4,650	79	585	8,600

11. Other assets

	2024 RO'000	2023 RO'000
Acceptances	**46,386**	59,110
Prepaid expenses	**5,543**	3,936
Positive fair value of derivatives (note 30)	**6,095**	3,623
Other receivables	**23,356**	13,944
Less: allowance for expected credit losses	**(441)**	(35)
	80,939	80,578

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

12. Due to banks

	2024 RO'000	2023 RO'000
Syndicated Inter bank borrowings	**122,842**	308,005
Interbank borrowings	**313,965**	196,675
Payable on demand	**1,631**	1,236
	438,438	505,916

At 31 December 2024, inter bank borrowings includes Islamic Banking Window's inter bank borrowings with other banks of RO 33.86 million (2023: RO 23.5 million). The Bank has complied with the financial covenants of its borrowing facilities during the year 2024 and 2023.

At 31 December 2024, no interbank borrowing exceeding 20% individually of the due to bank outstanding balance (2023: two bank : 20%). 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

	2024 RO'000	2023 RO'000
Current accounts	**995,920**	825,264
Savings accounts	**486,194**	414,476
Time and certificate deposits	**1,570,276**	1,468,433
Margin accounts	**14,491**	26,999
	3,066,881	2,735,172

Islamic Banking

	2024 RO'000	2023 RO'000
Current accounts	**229,022**	138,551
Savings accounts	**99,548**	79,745
Time deposits	**360,120**	340,607
Margin accounts	**7,290**	5,148
	695,980	564,051

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,494 million as at 31 December 2024 (2023: RO 1,385.53 million).

14. Other liabilities

	2024 RO'000	2023 RO'000
Acceptances	**46,386**	59,110
Creditors and accruals	**72,949**	59,361
Negative Fair Value of Derivative (note 30)	**4,469**	3,386
Lease liabilities	**777**	529
Allowance for expected credit losses on off-balance sheet items (note 7)	**5,343**	8,069
	129,924	130,455

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:

	2024 RO'000	2023 RO'000
1 January	**1,740**	1,138
Charge for the year	**349**	351
Payments made during the year	**(258)**	(126)
Adjustments	**51**	377
	1,882	1,740

15. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2023: 5,000,000,000 ordinary shares of RO 0.100 each).

At 31 December 2024, the issued and paid up share capital comprise 2,996,351,436 (2023: 2,996,351,436 ordinary shares of RO 0.100 each).

Shareholders:

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

	2024		2023	
	No. of shares	**%**	No. of shares	%
Dhofar International Development and Investment Company SAOG	**720,445,388**	**24.04%**	722,013,458	24.10%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	**748,937,859**	**24.99%**	741,609,646	24.75%
Social Protection Fund	**299,912,988**	**10.01%**	-	-
Civil Service Employees Pension Fund	**-**	**0.00%**	315,528,426	10.53%
Others	**1,227,055,201**	**40.95%**	1,217,199,906	40.62%
Total	**2,996,351,436**	**100.00%**	2,996,351,436	100.00%

The Bank's Islamic Banking Window, "Dhofar Islamic" (formerly Maisarah Islamic Banking services) has an allocated capital of RO 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 31 December 2024 (2023 : RO 70 million)

*Social Protection Fund was established through Royal Decree No. 50/2023, which combined civilian pension funds into single entity. Hence, the shares held by Civil Service Employees Pension Fund and Public Authority for Social Insurance as of 31 December 2024, are reported under the holding of Social Protection Fund, excluding their other indirect holdings, as of 31 December 2024.

16. Perpetual Tier 1 Capital Securities

	2024	2023
	RO'000	RO'000
Tier 1 RO Securities	**155,500**	155,500
	155,500	155,500

Tier 1 RO Securities

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

The Tier 1 RO 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 RO 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 RO 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.

(b) In December 2023, the Bank issued Perpetual Tier 1 RO Capital Securities (the "Tier 1 RO Securities"), amounting to OMR 40,000,000, denominated in Riyal Omani. This Tier 1 RO Securities is listed on Muscat Stock Exchange.

The Tier 1 RO 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 RO 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 RO 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 RO 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 RO Securities unless and until it has paid one interest payment in full on the Tier 1 RO Securities. The Tier 1 RO 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).

17. Share premium

i. In 2018, the Bank issued 361,842,105 ordinary shares by way of rights issue, a share premium of RO 0.050 per share, resulting in an increase of share capital and share premium by RO 36.18 million and RO 18.09 million, respectively.

ii. In 2017, the Bank issued 216,216,216 shares by way of rights issue at a premium of RO 0.083 resulting in increase of share capital and share premium by RO 21.62 million and RO 17.95 million, respectively.

iii. In 2016, the Bank issued 200,000,000 shares by way of rights issue at a premium of RO. 0.098 resulting in increase of share capital and share premium by RO 20 million and RO 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 RO 18.49 million (184,878,143 shares of par value RO 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 RO 0.300 resulting in increase of share capital and share premium by RO 17.69 million and RO 53.08 million, respectively.

vi. In 2003, pursuant to the "merger agreement", the Bank has issued 6,681,818 shares of RO 1 each to erstwhile shareholders of Majan International Bank at a premium of RO 5.43 million. This is available for distribution.

18. Reserves

(a) Legal reserve

	2024 RO'000	2023 RO'000
1 January	71,831	67,955
Appropriation for the year	4,361	3,876
31 December	76,192	71,831

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) 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:

	2024 RO'000	2023 RO'000
1 January	(58)	(3,506)
Change in fair value of debt instruments	(1,715)	3,306
Change in fair value of equity instruments	(832)	142
31 December	(2,605)	(58)

(c) Special reserve

During 2021, CBO has approved to distribute RO 500K 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 RO 1 million from the special reserve to retained earnings for utilization of corporate social responsibility donation in relation to COVID-19.

During 2013, the Bank recognised in statement of comprehensive income, recovery from a legal case of RO 26.1 million, out of which, the Bank allocated RO 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 accoun

(d) 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.

(e) 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.

(f) 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 RO 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.

19. Retained earnings

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

20. 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:

	2024 RO'000	2023 RO'000
Net assets (RO)	**584,931,437**	577,454,577
Number of shares outstanding at the end of the year	**2,996,351,436**	2,996,351,436
Net assets per share (RO)	**0.195**	0.193

21. Interest income / Income from Islamic financing and Investments

	2024	2023
Conventional Banking	**RO'000**	RO'000
Loans and advances	**191,789**	180,712
Due from banks	**19,187**	20,327
Investments	**21,084**	18,762
Total	**232,060**	219,801

	2024	2023
Islamic Banking	**RO'000**	RO'000
Islamic financing receivables	**42,406**	37,488
Islamic due from banks	**503**	61
Investments	**4,918**	4,263
Total	**47,827**	41,812

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

	2024	2023
Conventional Banking	**RO'000**	RO'000
Customers' deposits	**(108,715)**	(86,358)
Bank borrowings	**(28,292)**	(42,690)
Total	**(137,007)**	(129,048)

	2024	2023
Islamic Banking	**RO'000**	RO'000
Customer Deposits	**(26,815)**	(19,329)
Islamic bank borrowings	**(1,896)**	(2,415)
Total	**(28,711)**	(21,744)

(a) Other operating income

	2024	2023
	RO'000	RO'000
Foreign exchange	**4,753**	4,546
Investment income *22 (b)*	**4,066**	1,751
Miscellaneous income	**1,281**	2,273
	10,100	8,570

(b) Investment income by measurement category

	2024	2023
	RO'000	RO'000
Dividend income	**1,513**	667
Income from perpetual securities	**2,521**	1,045
Gain on disposals of investments – FVTPL	**32**	39
	4,066	1,751

23. Staff and administrative costs

(a) Staff costs

	2024 RO'000	2023 RO'000
Salaries and allowances	(41,038)	(36,959)
Other personnel costs	(8,230)	(6,784)
Social insurance contribution	(3,282)	(2,438)
Non-Omani employees' terminal benefit	(350)	(351)
	(52,900)	(46,532)

On 31 December 2024, the Bank had 1,720 employees (2023: 1,689 employees).

(b) Administrative costs

	2024 RO'000	2023 RO'000
Occupancy costs	(4,169)	(3,286)
Operating and administration cost	(14,018)	(11,242)
Others	(730)	(1,084)
	(18,917)	(15,612)
Total staff and administrative cost	(71,817)	(62,144)

24. Income tax

(a) Income tax expense:

	2024 RO'000	2023 RO'000
Current tax		
Current year charge	7,078	7,048
Prior years	(6,345)	(1,949)
	733	5,099
Deferred tax		
Current year	(114)	-
Prior years	5,959	(82)
	5,845	(82)
Tax expense for the year	6,578	5,017

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 2024. The Tax Authority ("TA") has completed the assessment for the years 2015 to 2020 wherein the TA has disallowed interest on Additional Tier 1 Securities. The Bank would pursue the matter further by filing an Objection 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% (2023: 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 13.11% (2023: 15.74%).

(a) The reconciliation of taxation on the accounting profit before tax for the year at RO 50.19 million (2023: RO 43.78 million) and the taxation charge in the financial statements is as follows:

	2024 RO'000	2023 RO'000
Profit before tax	**50,187**	43,775
Income tax as per rates mentioned above	**7,528**	6,566
Tax exempt revenue	**(227)**	(3)
Non-deductible expenses	**(223)**	485
Current tax Prior years	**(6,345)**	(1,949)
Deferred tax - current years	**(114)**	-
Deferred tax - prior years	**5,959**	(82)
Tax expense for the year	**6,578**	5,017

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% (2023 - 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 *RO '000*	**Recognised in SCI**	**2024** *RO '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	**6,209**	**(5,845)**	**364**	**-**

	Opening *RO '000*	Recognised in SCI	2023 *RO '000*	Recognised in SOCE
Particulars				
Property and equipment	(717)	(213)	(930)	-
Provision for legal claim	462	(222)	240	-
Right of Use Asset and lease liability	(13)	4	(9)	-
Allowance for expected credit losses on financial instruments	6,364	510	6,874	-
Investment revaluation (Non listed)	121	-	121	-
Fair value derivatives	(96)	-	(96)	-
Investment carried at fair value through profit and loss account	6	3	9	-
Net deferred tax asset	6,127	82	6,209	-

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

The tax assessments of the Bank up to and including the Tax Year 2020 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 tax assessment of the Bank for the Tax Year 2021 to 2023 is yet to be taken up by the TA.

(d) **Tax liabilities**

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

	2024	2023
	RO'000	RO'000
At 1 January	15,509	13,632
Charge for the year	733	5,017
Payments during the year	(4,731)	(3,140)
At 31 December	11,511	15,509

25. 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:

	2024	2023
Profit for the period (RO)	43,608,974	38,758,150
Less: Additional Tier 1 Coupon	(10,625,281)	(10,796,750)
Profit for the period attributable to equity holders of the Bank	32,983,719	27,961,400
Weighted average number of shares outstanding during the period	2,996,351,436	2,996,351,436
Earnings per share basic and diluted (RO)	0.0110	0.009

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.

26. 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:

	2024	2023
	RO'000	RO'000
Loans, advances and financing		
Shareholders holding 20% or more interest in the Bank and their related entities	111,844	57,316
Other related parties	86,883	81,052
	198,727	138,368
Deposits and other accounts		
Shareholders holding 20% or more interest in the Bank and their related entities	145,712	105,292
Other related parties	439,375	454,395
	585,087	559,687
Contingent liabilities and commitments		
Shareholders holding 20% or more interest in the Bank and their related entities	4,901	6,853
Other related parties	11,037	5,041
	15,938	11,894

Interest Income earned from Loans and advances to Related Parties amounts to RO 7.84 million (2023: RO 4.62 million) of which RO 4.61 million (2023: RO 1.97 million) pertains to Directors, shareholders (holding 20% or more interest in the Bank).

Interest Expense incurred on Deposits from Related parties amounts to RO 20.85 million (2023: RO 18.79 million) of which RO 20.15 million (2023: RO 3.83 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.

	2024 RO'000	2023 RO'000
Remuneration paid to Directors		
Chairman		
– remuneration paid	36	36
– sitting fees paid	7	10
Other Directors		
– remuneration paid	264	264
– sitting fees paid	69	72
	376	382
Other transactions		
Rental payment to related parties	564	635
Insurance	4,997	5,408
Other transactions	771	2,758
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	53	44
Key management compensation		
Salaries and other short-term benefits	4,350	4,643
Staff terminal benefit	68	64

Loans to related parties carry interest at rates ranging between 2% and 7.51% (2023: 2% and 7.25%). Deposits from related parties attract interest at rates ranging between 0.50% and 6.25% (2023: 0.25% and 6.25%).

Key management comprises of 22 personnel (2023: 23) of the management executive committee in the year 2024. 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% of more of the net worth of the Bank and their related business interests/affiliates.

(a) Single borrower

	2024 RO'000	2023 RO'000
Single borrower		
Total direct exposure	442,315	446,616
Number of members	2	2

26. Related parties (continued)

Single borrower and senior members (continued)

(b) Senior members

The information in the below table is also included in the exposure with related parties disclosed in note 26.

	2024 RO'000	2023 RO'000
Total exposure:		
Direct	**198,727**	142,722
Indirect	**15,938**	11,898
	214,665	154,620
Number of members	**41**	41

27. 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 RO 44.56 million which is equivalent (2023: RO 0.42 Million).

28. Contingent liabilities and commitments

(a) Credit related contingent items

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

	2024 RO'000	2023 RO'000
Letters of credit	**76,811**	87,730
Guarantees and performance bonds	**641,617**	587,772
	718,428	675,502

At 31 December 2024, letters of credit, guarantees and other commitments amounting to RO 226.08 million (2023: RO 341.57 million) are counter guaranteed by other banks.

At 31 December 2024, the Irrevocable unutilised limits towards the loans, advances and financing to customers amount to RO 630.43 million (2023: 721.74 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

	2024 RO'000	2023 RO'000
Contractual commitments for property and equipment/computer software	**3,864**	4,164

(c) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2024. 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.

29. Disaggregation of net fees and commission income

31 December 2024	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Sub Total RO'000	Islamic Banking RO'000	Total RO'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
	16,145	12,166	6,263	34,574	3,840	38,414
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	(8,025)	(93)	(1,433)	(9,551)	(290)	(9,841)
Net fee and commission income	8,120	12,073	4,830	25,023	3,550	28,573

31 December 2023	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Sub Total RO'000	Islamic Banking RO'000	Total RO'000
Fee Income						
Transactional services	9,416	915	255	10,586	556	11,142
Trade services	-	4,045	2,689	6,734	226	6,960
Syndication and other financing related services	768	5,942	2,145	8,855	2,008	10,863
Advisory and asset management services	-	141	99	240	1,236	1,476
	10,184	11,043	5,188	26,415	4,026	30,441
Fee Expense						
Transactional Services	(3,473)	(282)	(1,793)	(5,548)	(28)	(5,576)
Syndication and Other Financing related services	-	-	-	-	(173)	(173)
Fee Expense	(3,473)	(282)	(1,793)	(5,548)	(201)	(5,749)
Net fee and commission income	6,711	10,761	3,395	20,867	3,825	24,692

30. 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.

RO 000's

31 December 2024	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	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**

RO 000's

31 December 2023	Positive fair value	Negative Fair Value	Notional amount total	Notional amounts by term to maturity within 3 months	4-12 months	> 12 months
Derivatives:						
Interest rate swaps	-	3,300	52,301	-	-	52,301
IRS customer	3,300	-	52,301	-	-	52,301
Forward purchase contracts	-	86	678,144	323,563	205,314	149,267
Forward sales contracts	323	-	677,915	323,976	205,370	148,569
Total	3,623	3,386	1,460,661	647,539	410,684	402,438

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-2024 RO'000	31-Dec-2023 RO'000	**31-Dec-2024 RO'000**	31-Dec-2023 RO'000
Expected cash flows	**1,626**	408	**1,626**	408

Derivatives held for hedging purposes

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

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

Cash flow hedge

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

Cash flow hedge reserve

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

Hedge effectiveness

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

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 407 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

	2024 RO'000	2023 RO'000
At 1 January	-	-
Change in fair value during the year	759	-
Less: related deferred tax liabilities	(114)	-
At 31 December	645	-

	2024 RO'000	2023 RO'000
Effective portion of hedge recognized during the year	1,300	-
Less: Gains on hedge recycled to profit or loss	(541)	-
Change in fair value of cash flow hedge during the year	759	-

31. 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).

At 31 December 2024	**Level 1 RO'000**	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**	**Cost RO'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	-

At 31 December 2023	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	167,007	910	691	168,608	167,823
Investments at FVTPL	-	-	755	755	1,008
Derivative financial instruments					
Forward foreign exchange contracts	-	323	-	323	-
IRS customer	-	3,300	-	3,300	-
Total	167,007	4,533	1,446	172,986	168,831
Financial liabilities					
Derivative financial instruments					
Forward foreign exchange contracts	-	86	-	86	-
Interest rate swaps	-	3,300	-	3,300	-
Total	-	3,386	-	3,386	-

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 2024

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

Level 3 movement – 31 December 2023

	FVTPL RO 000's	FVOCI RO 000's	Total RO 000's
At 1 January	717	691	1,408
Total gains	38	-	38
At 31 December	755	691	1,446

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

There were no transfers between level 1 and level 2 of the fair value hierarchy during the year.

32. 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 Executive Committee 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. This committee is also the final authority for approving investments beyond the set authority of the management. 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.

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 2024, the Bank has restructured loans amounting to OMR 391.73 million, constituting 9.52% 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 and considering that the situation is fast evolving, 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 Cyclicality Index) used is determined from the observed historical macro-economic factors. The cyclicality 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 Cyclicality 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	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 ECL has been calculated as probability weighted figure for three scenarios i.e. Base case, Upside and Downside with 50%, 25% and 25% weightings respectively. No change has been considered in the weightage. Real GDP growth projections have improved, as considered in Oman budget 2025 for 2024 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. Other than changes in the macro-economic indicators, 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. In order to meet any additional challenge, Bank has also considered additional customer specific overlays, based on the management experience and close monitoring of the customers with significant increase in credit risk.

The total expected credit loss as at 31 December 2024 stood at OMR 161.92 million as compared to OMR 177.78 million as at 31 December 2023. The total ECL has decreased by OMR 15.86 million, which is 8.9% less than the last year position. Out of OMR 161.92 million, Bank is maintaining ECL of OMR 114.02 million (2023: OMR 121.04 million) in Corporate portfolio, OMR 12.17 million (2023: OMR 4.71 million) in SME portfolio and OMR 29.62 million (2023: 43.44 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 OMR 5.52 million (31 December 2023- RO 1.72 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 and weightage of 50%, 25% and 25% respectively is applied to estimation the ECL. The below table provides the impact on ECL on major assets, if weight of 100% is applied to Base case and Downside scenarios.

2024

Amount RO 000's

Scenarios	**ECL for**				**Total**
	Loans and advances (RO 000's)	**Islamic financing receivables (RO 000's)**	**Investment securities carried at amortised cost (RO 000's)**	**Other Portfolio (RO 000's)**	**(RO 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**

2023

Amount RO 000's

Scenarios	ECL for				Total
	Loans and advances (RO 000's)	Islamic financing receivables (RO 000's)	Investment securities carried at amortised cost (RO 000's)	Other Portfolio (RO 000's)	(RO 000's)
Scenarios currently used by Bank	150,128	17,619	45	9,989	177,781
100% Base case scenario	148,651	17,345	41	811	166,848
100% Downside scenario	166,612	20,305	76	1,479	188,472

The above table reveals that in case of 100% downside scenario, the ECL may increase by OMR 20.93 million (2023: 10.69 million) from the current position.

Accounting for modification loss

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

As of 31st December 2024, the restructured loans, advances and financing amounts to RO 489.12 million and the stagewise details are as follows:

Classification/Stage As per IFRS-9	**2024**		2023	
	Restructured (RO 000's)	**ECL (RO 000's)**	Restructured (RO 000's)	ECL (RO 000's)
Stage 1	**83,794**	**860**	92,368	1,585
Stage 2	**379,872**	**41,934**	378,069	42,405
Stage 3	**25,458**	**6,573**	19,003	7,700
Total	**489,124**	**49,367**	489,440	51,690

Impact on the Capital Adequacy

Besides, the Bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. As per the Prudential filter, the Tier II capital of the Bank will comprise of Stage 1 ECL plus portion of Stage 2 ECL. Such portion shall be estimated as under:

- The Stage 2 ECL amount as on 31 December 2019 is considered "Base Year Amount" and the incremental ECL (i.e. Stage 2 ECL at a respective reporting date minus stage 2 ECL as at 31 December 2019) may be considered for Tier 2 capital subject to incremental reduction of 20% ECL every year (80% in 2021, 60% in 2022, 40% in 2023 etc).

The Tier II capital has improved by 0.41% (2023: 0.66%) due to application of above prudential filter.

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
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
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**
	196,572	**4,114,631**	**648,725**	**3,762,861**	**438,438**	**718,428**
31 December 2023						
Sultanate of Oman	48,510	3,969,247	434,438	3,298,560	105,645	447,705
Other GCC countries	52,932	-	25,084	356	351,651	100,445
Europe and North America	62,911	548	-	236	29,370	65,608
Africa and Asia	63,169	-	-	71	19,250	61,744
	227,522	3,969,795	459,522	3,299,223	505,916	675,502

Loan commitment of RO 630.43 million as at 31 December 2024 (31 December 2023: RO 721.74 million) arises from the customers in the Sultanate of Oman.

(ii) 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
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
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**
	196,572	**4,114,631**	**648,725**	**3,762,861**	**438,438**	**718,428**
31 December 2023						
Personal	-	1,458,267	-	940,676	-	-
Corporate	227,522	1,868,493	80,505	962,803	505,916	675,257
Government	-	643,035	379,017	1,395,744	-	245
	227,522	3,969,795	459,522	3,299,223	505,916	675,502

Loan commitment of RO 630.43 million as at 31 December 2024 (31 December 2023: RO 721.74 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
	RO'000	RO'000	RO'000	RO'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**
	4,114,631	**3,762,861**	**718,428**	**630,434**

	Gross loans, advances and financing to customers	Deposits from customers	Contingent Liabilities	Loan Commitment
	RO'000	RO'000	RO'000	RO'000
31 December 2023				
Personal	1,458,267	940,676	-	265,185
International trade	169,097	47,680	29,564	30,747
Construction	565,681	72,177	172,285	102,585
Manufacturing	228,524	126,880	37,842	41,553
Wholesale and retail trade	129,314	23,269	16,930	23,421
Communication and utilities	200,777	40,410	15,382	36,507
Financial services	246,702	40,044	266,326	44,858
Government	15,209	1,097,240	53,570	2,765
Other services	447,400	154,400	39,551	81,351
Others	508,824	756,447	44,052	92,766
	3,969,795	3,299,223	675,502	721,738

(iv) Gross credit exposure

	Total gross exposure	
	2024	2023
	RO'000	RO'000
Overdrafts	**140,489**	139,050
Loans	**3,054,196**	2,946,503
Loans against trust receipts	**140,504**	123,088
Bills discounted	**29,869**	64,800
Advance against credit cards	**14,379**	10,758
Islamic Banking Window financing	**735,194**	685,596
Total	**4,114,631**	3,969,795

(v) Geographical distribution of funded exposures:

	Sultanate of Oman	**Other countries**	**Total**
	RO'000	**RO'000**	**RO'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**
	4,114,056	**575**	**4,114,631**

	Sultanate of Oman	Other countries	Total
	RO'000	RO'000	RO'000
31 December 2023			
Overdrafts	139,050	-	139,050
Loans	2,946,503	-	2,946,503
Loans against trust receipts	122,847	241	123,088
Advance against credit cards	10,758	-	10,758
Bills discounted and advances against receivables	64,493	307	64,800
Islamic Banking Window financing	685,596	-	685,596
	3,969,247	548	3,969,795

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

	Overdrafts	Loans including Islamic financing	Bills discounted	Others	Total	Contingent liabilities	Loan commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'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	-	-	-	-	-	-	-
Others	5,482	192,823	24,076	964	223,345	5,010	37,281
	140,489	3,789,390	29,869	154,883	4,114,631	718,428	630,434

(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
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2023							
Import trade	18,220	74,864	127	4,129	97,340	23,183	29,529
Export trade	1,944	4,604	-	146	6,694	2,748	1,218
Wholesale/retail trade	6,954	99,728	-	6,530	113,212	16,601	23,421
Mining and quarrying	2,035	161,293	-	16	163,344	22,135	31,058
Construction	45,183	280,549	-	39,972	303,704	160,441	102,858
Manufacturing	19,176	138,648	6,561	17,384	181,769	37,337	41,553
Electricity, gas and water	1,003	185,733	-	1,968	188,704	15,382	36,507
Transport and Communication	8,315	173,462	-	556	182,333	1,492	33,705
Financial institutions	4,040	209,668	365	17,147	231,220	266,318	44,858
Services	20,535	338,602	125	15,960	375,222	38,093	81,351
Personal loans	3,640	1,213,350	-	11,834	1,228,824	2,199	265,185
Agriculture and allied Activities	3,657	635	-	6,245	10,537	922	3,907
Government	-	10	-	11,683	11,693	53,570	2,765
Non-resident lending	-	242	306	-	548	-	100
Others	4,348	812,711	57,316	276	874,651	35,081	23,723
	139,050	3,632,099	64,800	133,846	3,969,795	675,502	721,738

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

	2024	2023
	RO'000	RO'000
Cash held by custodian and Central Bank balances	**150,546**	125,931
Due from Banks	**196,479**	227,078
Sovereign	**480,313**	384,142
Investment Securities at amortized Cost	**35,802**	9,989
Investment Securities at FVOCI	**47,521**	19,429
Loans and advances	**3,958,826**	3,802,048
Other receivables	**23,356**	13,944
Acceptances	**45,945**	59,110
Total funded net exposure	**4,938,788**	4,641,671
Off-balance sheet items		
Loan commitments / unutilised limits	**628,766**	719,451
Letter of credit/guarantee	**714,753**	668,279
	6,282,307	6,029,401

As at 31 December 2024, the Bank has total gross impaired loans of RO 216.13 million (2023: RO 251.05 million) which includes interest reserved of RO 20.94 million (2023: RO 33.76 million) against principal outstanding of RO 195.20 million (2023: RO 217.30 million) expected credit losses of RO 85.36 million (2023: RO 100.16 million) million have been carried.

(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 2024 including loan commitment and financial guarantees:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**
31 December 2024				
Exposure				
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**

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 2023 including loan commitment and financial guarantees:

	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000
31 December 2023				
Exposure				
Banks and cash held with a custodian	323,175	-	-	323,175
Sovereigns	384,142	-	-	384,142
Wholesale banking	2,715,606	1,101,586	150,686	3,967,878
Retail banking	1,379,734	11,924	66,609	1,458,267
Investments	29,463	-	-	29,463
Total	4,832,120	1,113,510	217,295	6,162,925
Provision for expected credit losses	16,368	61,252	100,161	177,781

(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 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 2024 including the projections used is presented as under:

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%

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

31 December 2023

Real GDP growth (%)	Present	5.00%	**Oil revenue (%GDP)**	Present	29.42%
	Year 1 Projection	5.50%		Year 1 Projection	28.00%
	Year 2 Projection	1.90%		Year 2 Projection	27.97%
	Year 3 Projection	2.30%		Year 3 Projection	26.20%

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 (RO million)**	**Impact on ECL due to Sensitivity (RO million)**
Scenario weighted ECL under IFRS 9 (Actual Estimate)**	74.2	
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.

The following tables shows estimate of the ECL on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at 31 December 2023, with 100% probability of happening each scenario.

Sensitivity of ECL estimates on non-impaired loans (excluding ECL on unutilised loans and interest receivables)	ECL (RO million)	Impact on ECL due to Sensitivity (RO million)
Scenario weighted ECL under IFRS 9 (Actual Estimate)**	78	-
Sensitivity:		
ECL if only Upside case happens - 100% probability	61	(17)
ECL if only Base case happens - 100% probability	76	(2)
ECL if only Downside case happens - 100% probability	101	23

** for computation of ECL (i.e. actual estimates), Bank considers three scenario viz. base case, upside case and downside case with weightage of 50%, 25% & 25% respectively.

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.

d. Loss allowance

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

	No. of borrowers	Exposure	Reserved interest	Net Exposure	ECL	% of ECL
		RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024						
Wholesale banking	**383**	**157,602**	**16,167**	**141,435**	**61,979**	**43.82%**
Retail banking	**2,215**	**37,595**	**4,768**	**32,827**	**23,381**	**71.22%**
Total	**2,598**	**195,197**	**20,935**	**174,262**	**85,360**	**48.98%**
31 December 2023						
Wholesale banking	636	151,740	20,800	127,658	61,072	47.84%
Retail banking	3,088	65,555	12,958	52,597	39,089	74.32%
Total	3,724	217,295	33,758	180,255	100,161	55.57%

The Banks seeks to recover amounts it is legally owed in full, but which has been partially written off and in 2024 the Bank recovered RO 4.18 million (2023: RO 0.85 million)

(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.

An analysis of credit quality of gross exposures as at 31 December 2023 and changes in gross exposure balances from 1 January 2023 to 31 December 2024 is set out in the following tables by class of financial assets

31 December 2024:

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

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Corporate Loans and advances / Islamic financing receivables at Amortised cost				
High Grade	433,285	60,787	-	494,072
Standard Grade	1,158,451	95,119	-	1,253,570
Satisfactory Grade	57,748	604,408	-	662,156
Non-performing	-	-	157,602	157,602
Total	1,649,484	760,314	157,602	2,567,400

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

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

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

31 December 2024

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Debt investment securities at Amortised cost				
High Grade	15,287	-	-	15,287
Standard Grade	20,515	-	-	20,515
Satisfactory Grade	-	-	-	-
Total	35,802	-	-	35,802

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
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 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
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 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
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 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
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

31 December 2023:

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Due from banks at Amortised cost				
High Grade	75,635	-	-	75,635
Standard Grade	96,844	-	-	96,844
Satisfactory Grade	55,043	-	-	55,043
Total	227,522	-	-	227,522

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Corporate Loans and advances / Islamic financing receivables at Amortised cost				
High Grade	468,404	39,581	-	507,985
Standard Grade	1,045,544	421,042	-	1,466,586
Satisfactory Grade	25,953	362,546	-	388,499
Non-performing	-	-	148,458	148,458
Total	1,539,901	823,169	148,458	2,511,528

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Retail Loans and advances / Islamic financing receivables at Amortised cost*				
High Grade	1,200,217	-	-	1,200,217
Standard Grade	154,876	2,101	-	156,977
Satisfactory Grade	26,001	9,517	-	35,518
Non-performing	-	-	65,555	65,555
Total	1,381,094	11,618	65,555	1,458,267

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

31 December 2023

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Investment securities at FVOCI				
High Grade	132,816	-	-	132,816
Standard Grade	21,005	-	-	21,005
Satisfactory Grade	-	-	-	-
Total	153,821	-	-	153,821

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Debt investment securities at Amortised cost				
High Grade	290,159	-	-	290,159
Standard Grade	-	-	-	-
Satisfactory Grade	-	-	-	-
Total	290,159	-	-	290,159

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Acceptances at Amortised cost				
High Grade	35,585	856	-	36,441
Standard Grade	16,689	4,338	-	21,027
Satisfactory Grade	8	1,634	-	1,642
Total	52,282	6,828	-	59,110

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Loan commitments				
High Grade	214,343	23,894	-	238,237
Standard Grade	351,488	83,776	-	435,264
Satisfactory Grade	3,618	44,619	-	48,237
Total	569,449	152,289	-	721,738

	Stage 1 RO 000's	Stage 2 RO 000's	Stage 3 RO 000's	Total RO 000's
Letter of credit and guarantees*				
High Grade	259,284	2,445	-	261,729
Standard Grade	285,844	81,619	-	367,463
Satisfactory Grade	17,159	26,095	-	43,254
Non-performing	-	-	3,056	3,056
Total	562,287	110,159	3,056	675,502

* includes Corporate & SME , Retail and Banks

(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
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024							
Import trade	177,208	12,411	2,756	6,005	1,599	883	1,710
Export trade	5,940	154	136	75	36	39	-
Wholesale/retail trade	103,667	2,335	5,573	794	138	549	2,187
Mining and quarrying	137,198	6,063	428	2,902	1,134	893	-
Construction	405,309	109,054	13,238	42,107	10,215	3,699	18,103
Manufacturing	285,913	15,074	8,841	6,272	6,474	1,473	17
Electricity, gas and water	227,999	1,283	946	594	105	1,395	-
Transport and communication	101,295	-	883	1	1	644	13
Financial institutions	230,887	-	2,038	-	-	1,427	-
Services	481,553	2,688	19,863	1,313	474	579	1,799
Personal loans	1,511,140	39,300	6,593	23,055	4,284	8,208	-
Agriculture and allied activities	29,654	-	106	-	-	122	19,668
Government	106,682	-	172	-	-	678	5
Non-resident lending	575	-	-	-	-	4	-
Others	117,623	6,835	10,357	2,242	751	3,211	280
	3,922,643	195,197	71,930	85,360	25,211	23,804	43,782

	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
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2023							
Import trade	147,185	15,215	1,666	6,157	2,599	1,326	112
Export trade	6,543	154	93	33	18	55	-
Wholesale/retail trade	118,396	10,918	3,702	5,474	4,575	292	-
Mining and quarrying	165,686	5,124	353	2,566	710	1,395	-
Construction	463,655	102,026	14,774	41,874	12,038	4,620	35,764
Manufacturing	222,187	6,337	5,381	2,603	758	1,867	-
Electricity, gas and water	199,552	1,225	578	510	45	1,640	-
Transport and communication	185,346	18	508	7	1	1,514	-
Financial institutions	246,701	1	3,296	-	-	2,015	-
Services	444,936	2,464	24,066	520	291	3,654	776
Personal loans	1,393,192	65,229	8,860	39,478	13,420	11,912	1,026
Agriculture and allied activities	21,392	94	153	-	-	175	-
Government	15,209	-	226	-	-	124	-
Non-resident lending	548	-	-	-	-	4	-
Others	125,254	5,208	5,371	(502)	568	1,067	1,063
	3,755,782	214,013	69,027	98,720	35,023	31,660	38,741

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
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024							
Sultanate of Oman	**3,922,068**	**195,197**	**71,930**	**85,360**	**25,211**	**23,804**	**43,782**
Other countries	**575**	**-**	**-**	**-**	**-**	**-**	**-**
	3,922,643	**195,197**	**71,930**	**85,360**	**25,211**	**23,804**	**43,782**
31 December 2023							
Sultanate of Oman	3,755,234	214,013	69,027	98,720	35,023	31,660	38,741
Other countries	548	-	-	-	-	-	-
	3,755,782	214,013	69,027	98,720	35,023	31,660	38,741

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:

	2024 RO'000	2023 RO'000
Property	**2,293,756**	2,028,538
Guarantee	**1,266,908**	1,408,578
Others	**1,076,412**	1,109,359
	4,637,076	4,546,475

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

	2024 RO'000	2023 RO'000
Property	**120,817**	99,784
Others	**12,309**	8,624
	133,126	108,408

The Bank has a financial asset of RO 4,879 million (2023: RO 4,250 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's Liquidity Risk Management is governed by the Treasury Risk Policy document approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management. The Treasury risk policy also incorporates contingency plans and measures so as the Bank is always in a position to meet all maturing liabilities as well as to fund asset growth and business operations. The contingency funding plan includes effective monitoring of the cash flows on a day to day basis, holding of tradable high quality liquid assets, which may be readily disposed of in sizeable amount etc. The Bank also has in place adequate lines of credit from both local and international banks to meet any unforeseen liquidity requirements.

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. The mismatches in various time buckets indicate liquidity gap and the Bank strictly adheres to the CBO set limit of 15%, 20% and 25% of cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets up to one year. In addition, the Bank has also set up internal limit on mismatches in time buckets beyond one year. 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.

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	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'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*	492,126	294,435	137,996	818,908	2,190,150	3,933,615
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	813,578	497,916	242,275	1,181,916	2,321,781	5,057,466
Spot and Forward Purchases (notional value)	306,466	118,976	72,309	104,335	-	602,086
Total Assets Funded and Non Funded	1,120,044	616,892	314,584	1,286,251	2,321,781	5,659,552
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*	348,808	771,787	638,361	1,187,587	816,318	3,762,861
Other liabilities	24,632	18,284	9,223	8,004	64,438	124,581
Total liabilities	597,411	881,701	647,584	1,318,428	880,756	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	1,443,386	1,809,975	719,897	1,422,923	880,756	6,276,937
Future Interest cash outflows	10,402	65,812	73,445	175,191	259,465	584,315
Cumulative Liabilities	1,443,386	3,253,361	3,973,258	5,396,181	6,276,937	
Gap	(323,342)	(1,193,083)	(405,313)	(136,672)	1,441,025	
Cumulative Gap	(323,342)	(1,516,425)	(1,921,738)	(2,058,410)	(617,385)	

*The overdraft amounts included in loans and advances and the current and savings deposits in customer deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities. Where there are no contractual maturities, the balances are considered as "Due on demand".

	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
Loans and advances to customers	410,672	306,225	149,787	877,864	2,370,083	4,114,631
Deposits from customers	1,912,717	402,258	387,012	857,165	203,709	3,762,861

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 2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	125,931	-	-	-	-	125,931
Loans and advances to customers*	380,783	370,019	211,973	658,872	2,143,937	3,765,584
Loans and advances to banks	121,133	50,120	55,825	-	-	227,078
Investments securities	8,285	56,588	23,767	299,022	71,815	459,477
Other assets	44,542	-	11,751	-	20,349	76,642
Total Assets Funded	680,674	476,727	303,316	957,894	2,236,101	4,654,712
Spot and Forward Purchases (notional value)	175,088	269,016	84,773	149,267	-	678,144
Total Assets Funded and Non Funded	855,762	745,743	388,089	1,107,161	2,236,101	5,332,856
Future Interest cash inflows	14,424	75,617	62,693	378,076	319,333	850,143
Due to banks	168,410	106,506	19,250	211,750	-	505,916
Deposits from customers*	279,029	687,742	579,395	965,510	787,547	3,299,223
Other liabilities	53,376	20660	9,874	10,215	53,579	147,704
Total liabilities	500,815	814,908	608,519	1,187,475	841,126	3,952,843
Spot and Forward Purchases (notional value)	176,235	268,421	84,690	148,569	-	677,915
Loan commitments	721,738	-	-	-	-	721,738
Letter of credit	87,730	-	-	-	-	87,730
Guarantees and performance bonds	587,772	-	-	-	-	587,772
Total Liabilities Funded and Non Funded	2,074,290	1,083,329	693,209	1,336,044	841,126	6,027,998
Future Interest cash outflows	9,159	50,255	56,229	147,923	243,238	506,804
Cumulative Liabilities	2,074,290	3,157,619	3,850,828	5,186,872	6,027,998	
Gap	(1,218,528)	(337,586)	(305,120)	(228,883)	1,394,975	
Cumulative Gap	(1,218,528)	(1,556,114)	(1,861,234)	(2,090,117)	(695,142)	

*The overdraft amounts included in loans and advances and the current and savings deposits in customer deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities. Where there are no contractual maturities, the balances are considered as "Due on demand".

	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
Loans and advances to customers	494,354	358,065	200,019	599,097	2,114,049	3,765,584
Deposits from customers	1,614,132	413,447	391,236	685,498	194,910	3,299,223

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 2024, with LCR of 157.54 % (2023: 146.97%).

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 2024, with a NSFR of 109.68% (2023: 108.04%).

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

	2024 RO'000	2023 RO'000
Net assets denominated in US Dollars	**125,328**	9,820
Net assets denominated in UAE Dirham (AED)	**514**	61
Net assets denominated in other foreign currencies	**2,902**	1,618
	128,744	11,499

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:

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

	+ or – 1%		+ or – 2%	
	2024	2023	**2024**	2023
	RO'000	RO'000	**RO'000**	RO'000
Omani Rials	**7,609**	7,466	**15,219**	14,932
US Dollars	**3,396**	3,817	**6,791**	7,633
Others currencies	**123**	30	**247**	60
	11,128	11,313	**22,256**	22,625

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%	
	2024	2023	**2024**	2023
	RO'000	RO'000	**RO'000**	RO'000
Impact on Equity in absolute terms	**57,418**	57,511	**114,835**	115,023

Effect of IBOR reform

Reform and replacement of various inter-bank offered rates ('IBORs') has been transitioned to the relevant alternative benchmarks after 30 June 2023. The Bank has also enhanced its IT systems and internal processes which ensured smooth transition from IBOR to alternative benchmark interest rates.

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 2024	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	0.01%	-	-	-	-	-	197,174	197,174
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%	734,597	970,845	546,141	576,553	1,286,495	-	4,114,631
Other assets		-	-	-	-	-	81,380	81,380
Total Assets		892,919	1,100,140	609,816	898,389	1,357,835	379,383	5,238,482
Due to banks	3.99%	346,031	90,273	-	-	-	2,134	438,438
Deposits from customers*	3.81%	262,798	624,351	1,006,596	941,157	472,859	455,100	3,762,861
Other liabilities		-	-	-	-	-	124,581	124,581
Total liabilities		608,829	714,624	1,006,596	941,157	472,859	581,815	4,325,880
On-balance sheet gap		284,090	385,516	(396,780)	(42,768)	884,976	(202,432)	
Cumulative interest sensitivity gap		284,090	669,606	272,826	230,058	1,115,034	912,602	

*The current and saving deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities of the customer deposits. Where there are no contractual maturities, the balances are considered as "Due on demand".

	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
Deposits from customers	**1,875,567**	**486,424**	**432,387**	**941,157**	**5,543**	**21,783**	**3,762,861**

	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 2023	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	0.01%	30,800	-	-	-	-	95,131	125,931
Investment securities	5.50%	4,000	19,064	23,767	299,021	71,815	41,810	459,477
Loans, advances and financing to banks	4.36%	77,426	50,120	55,825	-	-	43,707	227,078
Loans, advances and financing to customers	6.06%	716,304	958,234	394,738	646,886	1,049,422	-	3,765,584
Other assets		-	-	-	-	-	80,578	80,578
Total Assets		828,530	1,027,418	474,330	945,907	1,121,237	261,226	4,658,648
Due to banks	6.46%	286,326	199,105	19,250	-	-	1,235	505,916
Deposits from customers*	3.69%	208,127	581,009	903,384	750,771	433,329	422,603	3,299,223
Other liabilities		-	-	-	-	-	147,704	147,704
Total liabilities		494,453	780,114	922,634	750,771	433,329	571,542	3,952,843
On-balance sheet gap		334,077	247,304	(448,304)	195,136	687,908	(310,234)	
Cumulative interest sensitivity gap		334,077	581,381	133,077	328,213	1,016,121	705,887	

*The current and saving deposits are based on behaviorial analysis which are inline with the regulatory requirements. Below table is based on the contractual maturities of the customer deposits. Where there are no contractual maturities, the balances are considered as "Due on demand".

	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
Deposits from customers	1,195,087	494,152	436,356	750,771	254	422,603	3,299,223

Other items which are excluded form the above table are expected to be realised or settled after 12 months.

II. 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 RO 10.23 million (2023: decrease by RO 8.40 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 RO 1.2 million (2023: decrease / increase by RO 0.1 million).

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. In the financial year 2023, the Bank's operational risks were well controlled and losses from operational risks were kept at low level. Trained and competent staff oversees the various operational functions of the Bank.

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.

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 OMR 40 million were replaced with new OMR 40 million Perpetual securities listed in the Muscat Stock Exchange.

33. 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 2024 (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 2024 is 16.51% (2023: 17.48%).

	31-Dec-24 RO'000	31-Dec-23 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL		
Paid up capital	**299,635**	299,635
Legal reserve	**76,192**	71,831
Share premium	**95,656**	95,656
Special reserve	**16,988**	16,988
Stock dividend	**4,345**	-
Retained earnings	**61,693**	57,424
CET I/Tier I Capital	**554,509**	541,534
Additional Tier I regulatory adjustments:		
Deferred tax assets	**(364)**	(6,209)
Negative investment revaluation reserve	**(5,686)**	(4,017)
Regulatory provision adjustments	**(17,658)**	-
Total CET 1 capital	**530,801**	531,308
Additional Tier I capital (AT1)	**155,500**	155,500
Total Tier 1 Capital (T1=CET1+AT1)	**686,301**	686,808
TIER II CAPITAL		
Investment revaluation reserve	**1,608**	1,564
General provision	**17,429**	26,989
Total Tier II capital	**19,037**	28,553
Total eligible capital	**705,338**	715,361
Risk weighted assets		
Banking book	**3,830,473**	3,751,112
Trading book	**166,075**	82,854
Operational risk	**275,000**	257,700
Total	**4,271,548**	4,091,666
Total Tier 1 Capital (T1=CET1+AT1)	**686,301**	686,808
Tier II capital	**19,037**	28,553
Total regulatory capital	**705,338**	715,361
Common Equity Tier 1 ratio	**12.43%**	12.99%
Tier I capital ratio	**16.07%**	16.79%
Total capital ratio	**16.51%**	17.48%

The Bank has complied with all externally imposed capital requirements as at 31 December 2024 and 31 December 2023.

34. 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 2024	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Intersegment	Total
	RO’000	RO’000	RO’000	RO’000	RO’000	RO’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 loses 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.

31 December 2023	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Intersegment	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment operating revenues	31,118	55,652	5,751	-	(1,769)	90,752
Net income from Islamic financing	-	-	-	18,299	1,769	20,068
Other revenues	8,859	9,539	10,266	4,599	-	33,263
Segment operating revenues	39,977	65,191	16,017	22,898	-	144,083
Operating expenses including depreciation	(32,767)	(20,335)	(4,346)	(11,200)	-	(68,648)
Net Impairment loses on financial assets	(2,168)	(26,072)	(365)	(3,055)	-	(31,660)
Profit from operations after provision	5,042	18,784	11,306	8,643	-	43,775
Tax expenses	(541)	(2,016)	(1,164)	(1,296)	-	(5,017)
Profit for the period	4,501	16,768	10,142	7,347	-	38,758
Segment assets	1,295,000	2,145,503	773,505	835,788	(159,264)	4,890,532
Less: Impairment allowance	(58,588)	(126,073)	(442)	(19,632)		(204,735)
Total segment assets	1,236,412	2,019,430	773,063	816,156	(159,264)	4,685,797
Segment Liabilities	708,552	2,140,501	546,836	708,149	(159,264)	3,944,774
Add: Impairment allowance	2	7,048	756	263		8,069
Total segment Liabilities	708,554	2,147,549	547,592	708,412	(159,264)	3,952,843

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

35. 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 6.55%, (six and fifty five) baizas per share and stock dividend of 1.45% (one and fourty five) baizas per share , total of RO 23.971 million (2023: 7.75%; RO 23.222 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 23 March 2025.

During the year, unclaimed dividend amounting to Nil (2023: Nil) was transferred to the Investor's Trust Fund account as per the guidelines issued by the Financial Services Authority of Oman.

36. 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:

	2024	2023
	RO'000	RO'000
Right-of-use assets		
Leased Premises	794	585
Lease liabilities		
Current	55	68
Non-current	722	461
	777	529

Additions to the right-of-use assets during the 2024 financial year were RO 0.62 million (2023: RO 0.36 million).

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2024	2023
	RO'000	RO'000
Depreciation charge of right-of-use assets		
Leased Premises	478	282
	-	
Interest expense	70	32
Expense relating to short-term leases	2,334	1,062

The total cash outflow for leases in 2024 was RO 2.8 million (2023: RO 0.20 million).

(iii) The following table shows the maturity analysis of lease liabilities:

	2024	2023
	RO'000	RO'000
More than 1 year	722	461

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.

(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.

37. Subsequent event

The Bank's has received CBO approval for the proposed acquisition of banking business of Bank of Baroda (BOB) – Oman Branch subject to complying with certain requirements. Subsequent to the approval, the Bank has entered into an binding agreement with Bank of Baroda - India for the acquisition of assets and liabilities of Bank of Baroda – Oman Branch.

DHOFAR ISLAMIC - WINDOW OF BankDhofar SAOG FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024

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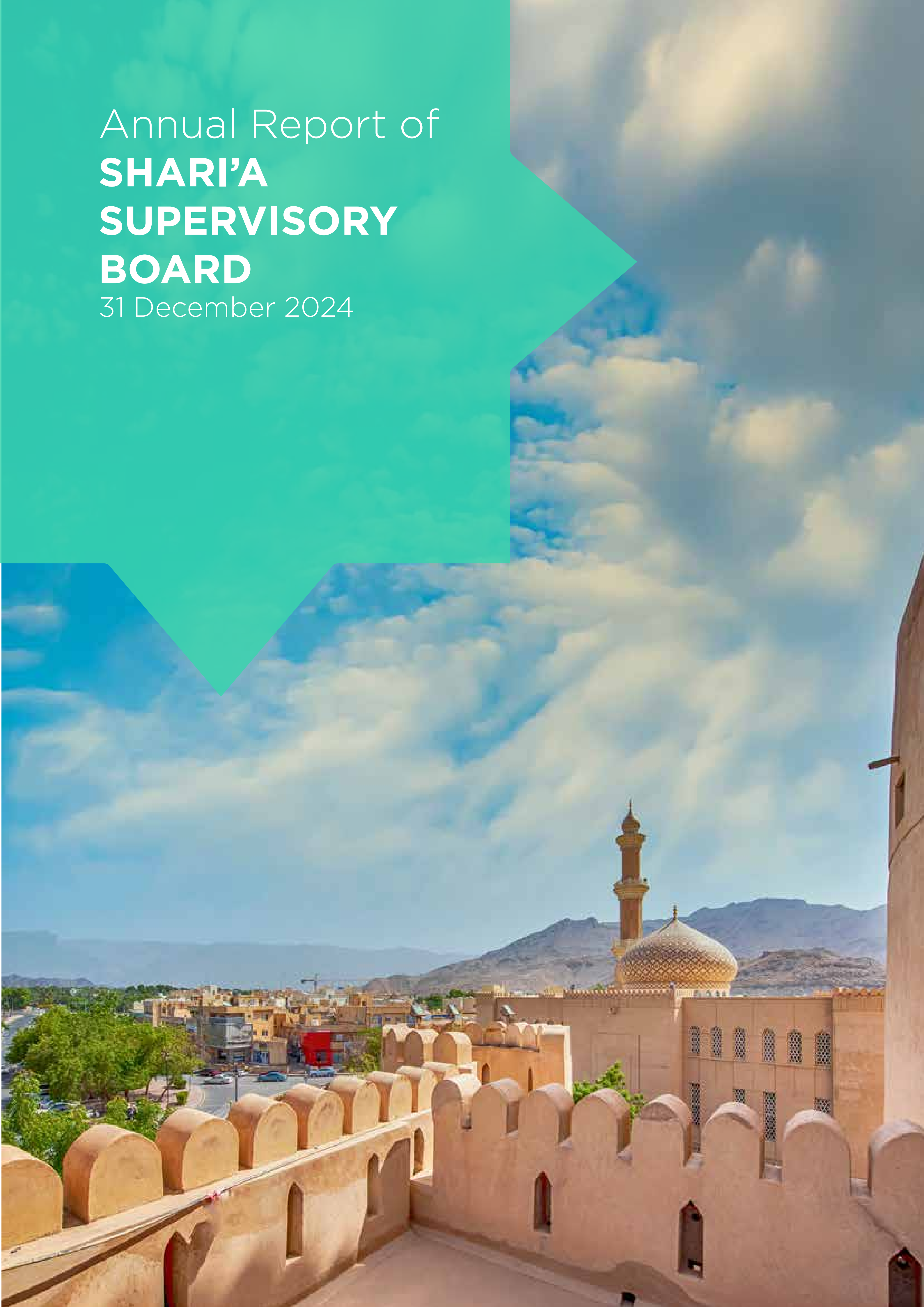
Annual Report of

SHARI'A SUPERVISORY BOARD

31 December 2024



To: General Assembly and Board of Directors of Dhofar Islamic– BankDhofar (S.A.O.G)

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

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.

In compliance with the letter of appointment, we are required to submit the following report for the year ended 31/12/2024:

1. During 2024, the Shariah Supervisory Board (SSB) of Dhofar Islamic held four meetings to review various products, Sukuks, policies & procedures and issues, referred to us.
2. During 2024, SSB has issued three Fatwas related to various Sukuk, Product and IPO.
3. We have reviewed the principles and the contracts relating to the transactions and applications introduced by Dhofar Islamic during the year ended on 31/12/2024. 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. Dhofar Islamic's management is responsible for ensuring that the Dhofar Islamic conducts its business in accordance with Sharia principle. It is our responsibility to form an independent opinion, based on our review of the operations of Dhofar Islamic, and report to you.
5. 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.
6. 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.

In our opinion:

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.

b) The contacts, transactions and dealings entered into by the Dhofar Islamic during the year ended 2024 that we have reviewed are in compliance with Sharia principles.

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.

d) Earnings that have been realized from sources or by means prohibited by Sharia principles have been identified and segregated for disposal to charity.

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:

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.
b) Public awareness programs and seminars should be conducted to create awareness of Islamic banking.
c) The SSB advises Dhofar Islamic to actively participate in Sharia compliant social and community activities to fulfill its corporate responsibilities.

We beg Allah the almighty to grant us all the success and straight-forwardness.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

Sheikh Abdullah bin Ali Al Shihri
Chairman

Sheikh Azzan bin Nasser Al Amri
Vice Chairman

Dr. Abdul Rub bin Salim Al Yafai
Member

Dr. Amin Fateh
Member

Sheikh Hilal bin Hassan Al Lawati
Member

Date: January 28, 2025
Place: Muscat, Sultanate of Oman

فتوى هيئة الرقابة الشرعية لظفار الإسلامي

بسم الله الرحمن الرحيم
الحمد لله رب العالمين. والصلاة والسلام على أشرف الأنبياء والمرسلين وعلى آله وصحبه أجمعين.

Pronouncement of the Dhofar Islamic Sharia Supervisory Board

In the name of Allah, the Most Gracious, the Most Merciful
All praise is due to Allah, the Cherisher of the world
Peace be upon the Prophet of Allah, on his family and all his companions

صكوك المشاركة – ظفار الإسلامي (القائمة على أساس شركة الملك)

Dhofar Islamic Sukuk al Musharaka (based on Shirkat-ul-Milk)

The Dhofar Islamic Sharia Supervisory Board (the SSB) has been presented with the below described structure and documentation for the purpose of Sukuk issuance.		عرضت على هيئة الرقابة الشرعية لظفار الإسلامي الهيكلة والمستندات المذكورة أدناه لأجل إصدار الصكوك.	
1. Structure paper		**.1 الورقة التعريفية**	
1.1	This structure paper sets out the proposed structure for the establishment of a trust certificates (*Sukuk*) issuance programme (the **Sukuk Programme**) for Dhofar Islamic (the **Bank**). The Certificates (as defined in paragraph 2 below) will be issued by a newly formed special purpose vehicle which will take the form of an Oman incorporated sole proprietor company. The Proceeds (as defined in paragraph 2.1 below) of any issuance of Certificates (as defined in paragraph 2 below) under the Sukuk Programme will be utilised by the Bank for its *Shari'a* compliant financing activities.	تستعرض هذه الورقة التعريفية الهيكل المقترح لإنشاء برنامج لإصدار شهادات الأمانة (الصكوك) (**برنامج الصكوك**) لبنك ظفار الإسلامي (**البنك**). يتم إصدار الشهادات (كما هو معرف في الفقرة 2 أدناه) من شركة غرض خاص جديدة والتي ستتخذ شكل شركة فردية مقيمة في سلطنة عمان. تُستخدم حصيلة الصكوك (كما هو محدد في الفقرة 2.1 أدناه) أي إصدار للشهادات (كما هو محدد في الفقرة 2 أدناه) في برنامج الصكوك من قبل البنك لأنشطته التمويلية المتوافقة مع الشريعة الإسلامية.	1.1
1.2	The Certificates issued under the Sukuk Programme will be listed on the Bond and Sukuk market of the Muscat Securities Market and may be offered on a private placement basis to institutional investors and may also be offered to the retail investors in each case subject to FSA approval. The payment obligations of the Bank (acting in any capacity) under the transaction documents (as listed in paragraph 6 below) to which it is a party will constitute direct, unconditional, unsecured and general obligations of the Bank and will rank *pari passu* with all other unsecured, unsubordinated and general obligations of the Bank.	يتم إدراج الشهادات لجهة الإصدار في إطار برنامج الصكوك في سوق السندات والصكوك في بورصة مسقط وقد يتم عرضها على أساس طرح خاص للمستثمرين المؤسسين وقد يتم أيضًا عرضها للمستثمرين في قطاع التجزئة لكل حالة على حدة، بشرط موافقة هيئة الخدمات المالية. تشكل التزامات الدفع من البنك (بأي صفة) في إطار وثائق الصفقة (كما هو مدرج في الفقرة 6 أدناه) التي هو طرف فيها التزامات مباشرة وغير مشروطة وغير مؤمّنة وعامة للبنك وستكون متساوية مع جميع التزامات العامة غير المؤمّنة وغير التابعة للبنك.	1.2

2.Introduction The Sukuk Programme will allow for the issuance of certificates (Sukuk) (the **Certificates**) in series (each a **Series**). The structure of the Sukuk Programme will be as follows:		سوف يسمح برنامج الصكوك بإصدار شهادات (صكوك) (**الشهادات**) في فئات (تسمى كل منها **فئة**). سيكون هيكل برنامج الصكوك على النحو التالي:	.2 **المقدمة**
2.1	a special purpose vehicle, established as an Omani sole proprietor company (the **Issuer**) will issue the Certificates to investors (the **Certificateholders**) and collect the proceeds (the **Proceeds**) from the investors. The Issuer will be wholly owned by Dhofar Islamic. The Issuer shall be registered with the Ministry of Commerce and Industry and Investment Promotion (the **MoCIIP**) and licensed by the Financial Services Authority, Sultanate of Oman (the **FSA**). The Issuer will remain in existence for the duration of the Programme;	كيان لأغراض خاصة، تأسست كشركة فردية مقيمة في سلطنة عمان (جهة الإصدار)، وتقوم بإصدار الشهادات للمستثمرين (**أصحاب الشهادات**) وجمع حصيلة الصكوك (**حصيلة الصكوك**) من المستثمرين. يقوم ظفار الإسلامي بامتلاك جهة الإصدار بالكامل. يجب أن يتم تسجيل جهة الإصدار لدى وزارة التجارة والصناعة وترويج الاستثمار (**وزارة التجارة والصناعة وترويج الاستثمار**) وترخيصه من قبل هيئة الخدمات المالية، سلطنة عمان (**هيئة الخدمات المالية**). تظل جهة الإصدار قائمة طيلة فترة البرنامج؛	2.1
2.2	the Issuer, in its capacity as trustee (the **Trustee**), pursuant to a master declaration of trust (the **Master Declaration of Trust**), as supplemented for each Series by a supplemental declaration of trust (each a **Supplemental Declaration of Trust**), will declare a trust in favour of the relevant Certificateholders over, among other things, the Proceeds and the assets in which the Proceeds are invested in respect of that Series;	تقوم جهة الإصدار، بصفتها الأمين (**الأمين**)، وفقًا لإعلان الأمانة الرئيس (**إعلان الأمانة الرئيس**)، على النحو المُكمّل لكل فئة بإعلان أمانة تكميلي (يُطلق على كل منها **إعلان أمانة تكميلي**)، كأمانة لصالح أصحاب الشهادات ذوي الصلة على، بين أمور أخرى، حصيلة الصكوك والأصول التي يتم فيها استثمار حصيلة الصكوك فيما يتعلق بتلك الفئة.	2.2
2.3	the Issuer, in its capacity as Trustee, pursuant to the Master Declaration of Trust, will appoint an independent third party as the certificateholders' agent (the **Certificateholders' Agent**) to protect the interests of the Certificateholders including monitoring the Issuer's compliance with its obligations under the offering documents (as required under Oman law). The Certificateholders' Agent can be Muscat Clearing and Depository S.A.O.C. (**MCDC**) or any other company appropriately licensed by the FSA; and	تقوم جهة الإصدار، بصفتها الأمين، وفقًا لإعلان الأمانة الرئيس، بتعيين جهة ثالثة مستقلة كوكيل لأصحاب الشهادات (**وكيل أصحاب الشهادات**) لحماية مصالح أصحاب الشهادات بما في ذلك مراقبة مدى امتثال جهة الإصدار لالتزاماتها فيما يتعلق بوثائق العرض (كما هو مطلوب بموجب القانون العماني). يمكن أن يكون وكيل أصحاب الشهادات هو مسقط للمقاصة والإيداع أو أي شركة أخرى مرخصة بالشكل الملائم من قبل هيئة الخدمات المالية؛ و	2.3
2.4	the Issuer will, pursuant to a service agency agreement (the **Service Agency Agreement**) entered into on the date that the Sukuk Programme is established, appoint the Bank as its servicing agent (in such capacity, the **Servicing Agent**) to service, on behalf of the Issuer, the Co-ownership Assets (as defined in paragraph 3.1 below) relating to each Series in respect of which the Issuer will pay the Servicing Agent a nominal fee.	تقوم جهة الإصدار، وفقًا لاتفاقية وكالة الخدمة (**اتفاقية وكالة الخدمة**) المبرمة في تاريخ إنشاء برنامج الصكوك، بتعيين البنك بصفته وكيل الخدمة (**وكيل الخدمة**) لخدمة، نيابة عن جهة الإصدار، الأصول المملوكة المشتركة (كما هو معرف في الفقرة 3.1 أدناه) المتعلقة بكل فئة تتحمل جهة الإصدار فيها تكلفة قليلة لوكيل الخدمة.	2.4
3. Co-ownership Assets		**الأصول المملوكة المشتركة**	.3

	The structure of the Sukuk is based on "Shirkat-ul-Milk" i.e. co-ownership interest in tangible assets. On the issue date (the **Issue Date**) of each Series of the Certificates:	هيكل الصكوك قائم على أساس "شركة الملك" أي الاهتمام المشترك بالأصول الملموسة. في تاريخ الإصدار (**تاريخ الإصدار**) لكل فئة من الشهادات:	
3.1	the Issuer will use the Proceeds of the relevant Series to purchase from the Bank pursuant to a master purchase agreement (entered into on the date that the Sukuk Programme is established) (the **Master Purchase Agreement**), as supplemented by a supplemental purchase contract relating to that Series (each a **Supplemental Purchase Contract**) an undivided co-ownership interest or "Shirkat-ul-Milk" (the **Co-ownership Assets**) in the Bank's existing co-ownership interest (such co-ownership interest of the Bank being derived from diminishing musharakah and/or ijarah arrangements with its customers) in *Shari'a* compliant income generating tangible co-ownership assets. The Co-ownership Assets will be clearly segregated and identified, and the Supplemental Purchase Contract will specify in respect of each asset underlying the Co-ownership Assets:	تستخدم جهة الإصدار حصيلة صكوك الفئة ذات الصلة للشراء من البنك وفقًا لاتفاقية الشراء الرئيسة (التي يتم إبرامها في تاريخ إنشاء برنامج الصكوك) (**اتفاقية الشراء الرئيسة**)، مع تكميلها بعقد شراء إضافي يتعلق بتلك الفئة (كل **عقد شراء إضافي**) حصة الملكية المشتركة غير المقسمة أو "شركة الملك" (**الأصول المملوكة المشتركة**) في مصلحة الملكية المشتركة الحالية للبنك (مثل هذه المصلحة المشتركة للبنك تكون مستمدة من ترتيبات المشاركة المتناقصة و/أو الإجارة مع زبائنه) في أصول الملكية المشتركة الملموسة التي من خلالها يتم تشغيل دخل متوافق مع الشريعة. تكون الأصول المملوكة المشتركة منفصلة ومحددة بوضوح، ويحدد عقد الشراء الإضافي فيما يتعلق بكل من الأصول الأساسية الخاضعة للأصول المملوكة المشتركة:	3.1
	(i) the co-ownership interest of each of the Bank and the relevant customer; and (ii) the proportion of the Bank's co-ownership interest in the underlying asset that is to be sold to the Issuer. The Bank will hold the benefit of any existing security interest that it holds in respect of the Co-ownership Assets for itself and as agent for the Issuer;	(أ) حصة الملكية المشتركة لكل من البنك والزبون ذو الصلة؛ و (ب) النسبة المئوية لحصة الملكية المشتركة للبنك في الأصول الأساسية التي سيتم بيعها لجهة الإصدار. يحتفظ البنك بمنفعة أي حق ضمان موجود يمتلكه فيما يتعلق بالأصول المملوكة المشتركة لنفسه وبصفته وكيلاً لجهة الإصدار؛	
3.2	the Servicing Agent will be obliged under the Service Agency Agreement to maintain three separate book-entry ledger accounts (such book-entry ledger accounts being referred to as the **Principal Collection Account**, the **Income Collection Account** and the **Income Reserve Collection Account**) in which all income and principal revenues from the Co-ownership Assets (the **Co-ownership Revenues**) will be recorded by the Servicing Agent. As these three accounts will be book-entry ledger accounts, and not actual bank accounts, there will be no physical transfer of funds to or from these book-entry ledger accounts. The Servicing Agent will record the following cash-flows in these book-entry ledger accounts:	يلتزم وكيل الخدمة وفقًا لاتفاقية وكالة الخدمة بالحفاظ على ثلاثة حسابات دفترية منفصلة (يُشار إليها باسم **حساب التحصيل الرئيس**، و**حساب تحصيل الدخل** و**حساب تحصيل الدخل الاحتياطي**) يسجل فيها جميع العائدات والعائدات الرئيسة من الأصول المملوكة المشتركة (**العائدات المشتركة**). حيث أن هذه الحسابات الدفترية الثلاثة تكون حسابات دفترية، وليست حسابات مصرفية فعلية، فلن يتم تحويل الأموال بشكل فعلي من أو إلى هذه الحسابات الدفترية. يقوم وكيل الخدمة بتسجيل التدفقات النقدية التالية في هذه الحسابات الدفترية:	3.2

	3.2.1 a credit entry will be made to the Principal Collection Account in respect of all revenues (if any) in the nature of sale proceeds, capital or principal payments in respect of any Co-ownership Asset (the **Co-ownership Principal Revenues**);	3.2.1 يتم إدخال قيد دائن في حساب التحصيل الرئيس بالنسبة لجميع العائدات (إن وجدت) من نوع عائدات البيع، والدفعات الرأسمالية أو الأساسية فيما يتعلق بأي من الأصول المملوكة المشتركة (**العائدات الرئيسة المشتركة**)؛	
	3.2.2 a credit entry will be made to the Income Collection Account in respect of all Co-ownership Revenues other than Co-ownership Principal Revenues (the **Co-ownership Income Revenues**); and	3.2.2 يتم إدخال قيد دائن في حساب تحصيل الدخل بالنسبة لجميع العائدات المشتركة غير العائدات الرئيسة المشتركة (**العائدات الدخل المشترك**)؛ و	
	3.2.3 a credit entry will be made to the Income Reserve Collection Account in respect of any surplus amounts remaining following payment to the Issuer of sufficient Co-ownership Income Revenues for the payment of each relevant periodic distribution under the Certificates of the relevant Series to be applied as follows:	3.2.3 يتم إدخال قيد دائن في حساب تحصيل الدخل الاحتياطي بالنسبة لأي مبالغ فائضة تبقى بعد الدفع لجهة الإصدار العائدات المشتركة الكافية لدفع كل توزيع دوري ذي صلة بالشهادات للفئة ذات الصلة لتُطبق على النحو التالي:	
	a) 90% of such surplus amounts to be paid to the Servicing Agent as an incentive fee to be used for its own account; and	(أ) 90% من المبالغ الفائضة تدفع لوكيل الخدمة كرسوم تحفيزية ليتم استخدامها لحسابهم الخاص؛ و	
	b) 10% of such surplus amounts to be credited to the Income Reserve Collection Account.	(ب) 10% من المبالغ الفائضة تدخل إلى حساب تحصيل احتياطي الدخل.	
	The Servicing Agent will be entitled to deduct amounts standing to the credit of the Income Reserve Collection Account at any time prior to the scheduled dissolution date of the relevant Certificates and use such amounts for its own account, provided that such amounts must be re-credited to the Income Reserve Collection Account by the Servicing Agent if so required by the Issuer to fund a shortfall (see paragraph 4.3 below) or upon a Dissolution Event (as defined in paragraph 5);	يكون وكيل الخدمة مخولاً بخصم المبالغ المتواجدة لصالح حساب تحصيل احتياطي الدخل في أي وقت قبل تاريخ التصفية المقرر للشهادات ذات الصلة واستخدام تلك المبالغ لحسابهم الخاص، شريطة أن يتم إعادة تحويل تلك المبالغ إلى حساب تحصيل احتياطي الدخل من قبل وكيل الخدمة إذا كان ذلك مطلوبًا من قبل جهة الإصدار لتمويل النقص في المبلغ (انظر الفقرة 4.3 أدناه) أو عند حدوث تصفية (كما هو محدد في الفقرة 5)؛	
3.3	the Servicing Agent will also be obliged to provide certain other services in relation to its appointment for the servicing of the Co-ownership Assets including, but not limited to:	يكون وكيل الخدمة ملزمًا أيضًا بتقديم خدمات أخرى معينة فيما يتعلق بتعيينه لخدمة الأصول المملوكة المشتركة بما في ذلك، على سبيل المثال لا الحصر:	3.3
	3.3.1 ensuring the timely receipt of all Co-ownership Revenues (if any);	3.3.1 ضمان استلام جميع العائدات المشتركة في الوقت المناسب (إن وجدت)؛	
	3.3.2 doing all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers reasonably necessary to ensure the assumption of, and compliance by each relevant obligor with its covenants, undertakings or	3.3.2 القيام بجميع الأعمال والمهام (بما في ذلك تنفيذ مثل هذه الوثائق، وإصدار الإشعارات وبدء أي إجراءات) التي يعتبرها ضرورية بشكل معقول لضمان الافتراض، والامتثال من قبل كل ملتزم ذو صلة بالتزاماته وتعهداته	

	other obligations under the contracts to which it is a party in respect of the relevant assets comprising the Co-ownership Assets;	أو التزامات أخرى بموجب العقود التي يكون طرفًا فيها فيما يتعلق بالأصول ذات الصلة التي تشكل الأصول المملوكة المشتركة؛	
	3.3.3 discharging or procuring the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of the relevant assets comprising the Co-ownership Assets, it being acknowledged that the Servicing Agent may appoint one or more agents to discharge these obligations on its behalf; and	3.3.3 تنفيذ أو تأمين تنفيذ جميع الالتزامات التي يجب أن يُسددها البنك (بأي صفة) فيما يتعلق بالأصول ذات الصلة التي تشكل الأصول المملوكة المشتركة، مع الاعتراف بأن وكيل الخدمة قد يعين وكيلاً واحدًا أو أكثر لتنفيذ هذه الالتزامات نيابة عنه؛ و	
	3.3.4 to invest (for and on behalf of the Issuer) all Co-ownership Principal Revenues standing to the credit of the Principal Collection Account in additional eligible Co-ownership Assets;	3.3.4 استثمار جميع العائدات الرئيسة المشتركة المتواجدة لصالح حساب التحصيل الرئيس في أصول الملكية المشتركة الإضافية المؤهلة؛	
3.4	under the terms of the Service Agency Agreement, the Servicing Agent will use its best endeavours to ensure (but shall not, for the avoidance of doubt, be obliged to guarantee) that, in respect of each Series, at all times the aggregate of:	بموجب شروط اتفاقية وكالة الخدمة، يبذل وكيل الخدمة قصارى جهده لضمان (ولكن لا يجب، لتجنب الشك، أن يكون ملزمًا بضمان) أنه، فيما يتعلق بكل فئة، في جميع الأوقات يكون مجموع:	3.4
	3.4.1 the aggregate Value (as defined below) of the Co-ownership Assets; and	3.4.1 قيمة المجموع الإجمالي (كما هو معرف أدناه) للأصول المملوكة المشتركة؛ و	
	3.4.2 the amount of Co-ownership Principal Revenues standing to the credit of the Principal Collection Account, is at least equal to the aggregate outstanding face amount of the Certificates for the relevant Series, where **Value** means the Issuer's co-ownership interest in the outstanding base or principal amounts payable by the relevant third party obligor(s) or other equivalent fixed instalment amounts payable by the relevant third party obligor(s) in the nature of capital or principal payments in respect of the relevant asset;	3.4.2 مبلغ العائدات الرئيسة المشتركة المتواجدة في حساب التحصيل الرئيس للدخل، على الأقل يساوي مجموع القيمة الإجمالية للشهادات الباقية الصادرة للفئة ذات الصلة، حيث تعني القيمة الحصة المملوكة المشتركة لجهة الإصدار في المبالغ الأساسية الباقية أو المبالغ الرئيسة التي يتعين دفعها من قبل الطرف الثالث الملتزم ذي الصلة أو المبالغ الثابتة المعادلة الأخرى التي يتعين دفعها من قبل الطرف الثالث الملتزم ذي الصلة في طبيعة الدفعات الرأسمالية أو الأساسية فيما يتعلق بالأصول ذات الصلة؛	
3.5	provided that no Dissolution Event has occurred and is continuing, the Servicing Agent may at any time substitute (in accordance with the Sale Undertaking) any Co-ownership Asset. In addition, the Bank (as Servicing Agent) shall use its reasonable endeavours to identify further Co-ownership Asset(s) in replacement for any Co-ownership Asset in respect of which there is a default, and, after such identification, the Bank (as Servicing Agent) shall deliver a substitution instruction to the Issuer (in accordance with the Service Agency Agreement) in respect of the relevant Co-ownership Assets (following which the Issuer shall be deemed to have exercised its right under the Purchase	شريطة عدم حدوث أي تصفية وبشكل مستمر، يجوز لوكيل الخدمة في أي وقت استبدال (وفقًا للتعهد بالبيع) أي من الأصول المملوكة المشتركة. بالإضافة إلى ذلك، يقوم البنك (بصفته وكيل الخدمة) ببذل جهود معقولة لتحديد أصول الملكية المشتركة الإضافية كبديل لأي من الأصول المملوكة المشتركة فيما يتعلق بها عجز، وبعد التحديد، يقوم البنك (بصفته وكيل الخدمة) بتسليم تعليمات الاستبدال إلى جهة الإصدار(وفقًا لاتفاقية وكالة الخدمة) فيما يتعلق بالأصول المملوكة المشتركة ذات الصلة (بعد ذلك يُعتبر أن جهة الإصدار قد مارست حقها بموجب التعهد بالشراء لاستبدال تلك الأصول المملوكة المشتركة)، شريطة أن تكون قيمة	3.5

	Undertaking to substitute those Co- ownership Assets), provided that the Value of any substitute assets shall be at least equal to the Value of the Co-ownership Assets to be so substituted;	أي أصول بديلة على الأقل تساوي قيمة الأصول المملوكة المشتركة التي ستحل محلها؛	
3.6	the Issuer and the Servicing Agent will agree in the Service Agency Agreement that any Servicing Agent Liabilities Amounts incurred by the Servicing Agent in providing the services to be undertaken under the Service Agency Agreement in relation to a Series shall be paid by the Issuer by way of the application of amounts standing to the credit of the Income Collection Account by the Servicing Agent on the Issuer's behalf in payment of such amounts on each distribution date. For this purpose, **Servicing Agent Liabilities Amount** means, in relation to each Series, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Servicing Agent or other payments made by the Servicing Agent on behalf of the Issuer, in each case in providing the services to be undertaken under the Service Agency Agreement during an income period; and	يقوم كل من جهة الإصدار ووكيل الخدمة بالاتفاق في اتفاقية وكالة الخدمة على أن أي مبالغ للالتزامات الناتجة عن الوكالة التي يتحملها وكيل الخدمة في تقديم الخدمات المتعين تقديمها بموجب اتفاقية وكالة الخدمة فيما يتعلق بفئة، يجب أن تقوم جهة الإصدار بدفعها من خلال تطبيق المبالغ المتواجدة لصالح حساب تحصيل الدخل بواسطة وكيل الخدمة نيابة عن جهة الإصدار في دفع هذه المبالغ في كل تاريخ توزيع. لهذا الغرض، يعني **مبلغ الالتزامات لوكيل الخدمة**، فيما يتعلق بكل فئة، المبلغ الناتج عن أي مطالبات وخسائر وتكاليف ومصاريف يتحملها وكيل الخدمة أو أية مدفوعات أخرى تتم من قبل وكيل الخدمة نيابة عن جهة الإصدار، في كل حالة في تقديم الخدمات التي يتعين تقديمها بموجب اتفاقية وكالة الخدمة خلال فترة الدخل؛ و	3.6
3.7	the Servicing Agent will be required under the Service Agency Agreement, at all times, to: (i) keep accurate records of all of the Co-ownership Assets as may be reasonably necessary for the collection of all amounts due in respect of the Co-ownership Assets; and (ii) service the Co-ownership Assets in accordance with generally accepted *Shari'a* principles.	يُطالب وكيل الخدمة بموجب اتفاقية وكالة الخدمة، في جميع الأوقات، بما يلي: (أ) الاحتفاظ بسجلات دقيقة لجميع الأصول المملوكة المشتركة كما قد يكون ذلك ضروريًا بشكل معقول لتحصيل جميع المبالغ المستحقة فيما يتعلق بالأصول المملوكة المشتركة؛ و (ب) خدمة الأصول المملوكة المشتركة وفقًا لمبادئ الشريعة الإسلامية المعتمدة عمومًا.	3.7
4.Periodic Distributions		**4. التوزيعات الدورية**	
4.1	Prior to each periodic distribution date under each Series of Certificates, the amounts standing to the credit of the Income Collection Account will be applied by the Servicing Agent in the following order of priority: (i) first in payment of any Servicing Agent Liabilities Amounts then due; (ii) second, an amount equal to the lesser of the Expected Amount (as defined below) payable on such periodic distribution date and the balance of the Income Collection Account will be paid by the Servicing Agent, in accordance with the Service Agent Agreement, into a bank account (the Transaction Account) which will be opened in the Issuer's name and will be held with the	قبل كل تاريخ توزيع دوري بموجب كل فئة من الشهادات، يتم تطبيق المبالغ المتواجدة في حساب تحصيل الدخل بالترتيب التالي من حيث الأولوية: (أ) أولاً، في دفع أي مبالغ للالتزامات لوكيل الخدمة التي تستحق في ذلك الوقت؛ (ب) ثانياً، يتم دفع مبلغ يساوي أقل ما يتوجب (كما هو معرف أدناه) المستحق في ذلك التاريخ للتوزيع الدوري والرصيد المتبقي في حساب تحصيل الدخل من قبل وكيل الخدمة، وفقًا لاتفاقية وكيل الخدمة، إلى حساب مصرفي (حساب المعاملات) يتم فتحه بالاسم الخاص بجهة الإصدار ويتم الاحتفاظ به مع الوكيل الرئيس للدفع في عمان (لن يكون للبنك أي تحكم في حساب المعاملات أو أي مبالغ تتواجد في	4.1

	principal paying agent in Oman (the Bank will have no control over the Transaction Account nor any amounts standing to the credit thereto and the Transaction Account will be the only account into which any cash amounts will be paid by the Bank for the purposes of discharging its obligations under the transaction documents); and (iii) third, in repayment of any amounts advanced under the non-interest bearing liquidity facility referred to in paragraph 4.3 below. The Expected Amount means the aggregate periodic distribution amounts then due and payable under the Certificates of the relevant Series;	الرصيد وحساب المعاملات يكون الحساب الوحيد الذي سيتم إيداع أي مبالغ نقدية فيها من قبل البنك لأغراض تنفيذ التزاماته بموجب وثائق المعاملات؛ و (ج) ثالثًا، في سداد أي مبالغ متقدمة بموجب تسهيل السيولة غير الربوية المعتمدة المذكورة في الفقرة 4.3 أدناه. يعني المبلغ المتوقع المجموع الأموال المتوقعة آنذاك والمستحقة بموجب الشهادات للفئة ذات الصلة؛	
4.2	the balance of any amounts still standing to the credit of the Income Collection Account following payment of all of the above amounts will be applied as follows:	يتم تطبيق الرصيد المتبقي لأي مبالغ ما زالت متواجدة على حساب تحصيل الدخل بعد دفع كل المبالغ المذكورة أعلاه على النحو التالي:	4.2
	4.2.1 90% of such amounts to be paid to the Servicing Agent as an incentive fee to be used for its own account; and	4.2.1 90% من هذه المبالغ تُدفع لوكيل الخدمة كرسوم تحفيزية تُستخدم لحسابهم الخاص؛ و	
	4.2.2 10% of such amounts to be credited to the Income Reserve Collection Account; and	4.2.2 10% من هذه المبالغ تُحتسب لحساب تحصيل الدخل الاحتياطي؛ و	
4.3	in the event that the relevant Co-ownership Income Revenues is less than the Expected Amount in respect of any periodic distribution date, the Servicing Agent will apply any amounts standing to the credit of the relevant Income Reserve Collection Account (after the re-crediting of previously deducted amounts as described in paragraph 3.2 above) to cover such shortfall and in the event such amounts are insufficient for this purpose, the Servicing Agent may, in its sole discretion, provide a *Shari'a* compliant non-interest bearing liquidity facility to the Issuer, in the amount required to ensure that the Issuer receives no later than the business day immediately preceding such periodic distribution date, the full amount of the periodic distribution amount payable on such date.	في حال كانت عائدات الملكية المشتركة ذات الصلة أقل من المبلغ المتوقع فيما يتعلق بأي تاريخ توزيع دوري، يقوم وكيل الخدمة باستخدام أي مبالغ متواجدة على حساب تحصيل الدخل الاحتياطي (بعد إعادة احتساب المبالغ التي تم خصمها مسبقًا كما هو موضح في الفقرة 3.2 أعلاه) لتغطية هذا العجز وفي حال كانت تلك المبالغ غير كافية لهذا الغرض، قد يقدم وكيل الخدمة، بناءً على تقديره الخاص، تسهيل سيولة غير ربوية متوافقة مع الشريعة الإسلامية إلى جهة الإصدار، بالمبلغ المطلوب لضمان أن جهة الإصدار تتلقى قبل نهاية يوم العمل الذي يسبق هذا التاريخ التوزيع الدوري، المبلغ الكامل للتوزيع الدوري القابل للدفع في ذلك التاريخ.	4.3
5.Redemption of the Certificates		**استبدال الشهادات**	**5.**
5.1	upon the occurrence of a Dissolution Event (as defined below) or the maturity of each Series of the Certificates, the Issuer will be entitled to exercise a purchase undertaking (the **Purchase Undertaking**) granted by the Bank in favour of the Issuer pursuant to which the Bank would purchase the Co-	عند حدوث حالة التصفية (كما هو معرف أدناه) أو استحقاق كل فئة من الشهادات، تكون جهة الإصدار مخولة بممارسة التعهد بالشراء (**التعهد بالشراء**) الممنوح من البنك لصالح جهة الإصدار بموجبه يقوم البنك بشراء الأصول المملوكة المشتركة بسعر (**سعر الممارسة**) يساوي مجموع:	5.1

	ownership Assets at a price (the **Exercise Price**) equal to the aggregate of: (i) the aggregate Value of the Co-ownership Assets; (ii) all accrued and unpaid periodic distribution amounts (if any); and (iii) any outstanding Servicing Agent Liabilities Amount. The Purchase Undertaking and the Service Agency Agreement will provide that to the extent that there is any outstanding Servicing Agent Liabilities Amount, such amount will be set-off in full against the Exercise Price;	(أ) القيمة الإجمالية للأصول المملوكة المشتركة؛ (ب) جميع مبالغ التوزيعات الدورية المستحقة وغير المدفوعة (إن وجدت)؛ و (ج) أي مبالغ مستحقة للالتزامات لوكيل الخدمة. ستنص التعهدات بالشراء واتفاقية وكالة الخدمة على أنه في حال وجود أي مبلغ مستحق للالتزامات لوكيل الخدمة، يتم استيفاء هذا المبلغ بالكامل من سعر الممارسة؛	
5.2	if so specified in the applicable Final Terms relating to the Series, and provided that an outstanding exercise notice has not been delivered by the Bank under the Sale Undertaking, the Issuer will also be entitled to exercise the Purchase Undertaking on a Certificateholder Put Option Date, which will result in a Certificateholder of that Series having the right to require the early redemption (the **Certificateholder Put Option**) of some or all of the Certificates held by it, in which case the Bank would purchase a portion of the Co-ownership Assets the Value of which is not greater than the aggregate face amount of the Certificates of that Series in respect of which Certificateholders have exercised their Certificateholder Put Option on the relevant Certificateholder Put Option Date at a price (the **Put Right Exercise Price**) equal to the aggregate of: (i) the aggregate face amount of the Certificates being redeemed; and (ii) all accrued and unpaid periodic distributions (if any) relating to the Certificates to be redeemed; and (iii) only where all of the Certificates are to be redeemed, any outstanding Servicing Agent Liabilities Amount;	إذا كان محددًا كذلك في الشروط النهائية المعمول بها المتعلقة بالفئة، وبشرط عدم تقديم إشعار بالممارسة غير المستحقة من قبل البنك بموجب التعهد بالبيع، تكون جهة الإصدار مخولة أيضًا بممارسة التعهد بالشراء في تاريخ ممارسة حقوق حامل الشهادة، والذي يؤدي إلى تمتع صاحب الشهادة في تلك الفئة بحق الاسترداد المبكر (**خيار صاحب الشهادة**) لبعض أو كل الشهادات التي يمتلكها، حيث يقوم البنك بشراء جزء من الأصول المملوكة المشتركة بقيمة لا تتجاوز القيمة الإجمالية للشهادات في تلك الفئة التي قام أصحاب الشهادات بتمرين خيار صاحب الشهادة في تاريخ ممارسة حقوق صاحب الشهادة المعني بذلك بسعر (**سعر ممارسة حق صاحب الشهادة**) يساوي مجموع: (أ) القيمة الإجمالية للشهادات التي يتم استردادها؛ و (ب) جميع مبالغ التوزيعات الدورية المستحقة وغير المدفوعة (إن وجدت) المتعلقة بالشهادات التي يتم استردادها؛ و (ج) فقط في حالة أن جميع الشهادات ستتم استردادها، أي مبلغ مستحق للالتزامات لوكيل الخدمة؛	5.2
5.3	following the occurrence of a typical tax event, the Bank will be entitled to exercise a sale undertaking (the **Sale Undertaking**) granted by the Issuer in favour of the Bank pursuant to which the Issuer will sell the whole (and not part only) of the Co-ownership Assets to the Bank at the Exercise Price. The Sale Undertaking will contain provisions similar to those in the Purchase Undertaking for setting-off in full any	بعد حدوث حدث ضريبي نموذجي، سيكون البنك مخولاً بممارسة التعهد بالبيع (**التعهد بالبيع**) الممنوح من جهة الإصدار لصالح البنك وبموجبه تقوم جهة الإصدار ببيع كل (وليس جزء فقط) من الأصول المملوكة المشتركة للبنك بسعر الممارسة. يحتوي التعهد بالبيع على أحكام مشابهة لتلك الموجودة في التعهد بالشراء لاستيفاء أي مبلغ مستحق للالتزامات لوكيل الخدمة بالكامل مقابل سعر الممارسة؛	5.3

	outstanding Servicing Agent Liabilities Amount against the Exercise Price;		
5.4	if so specified in the applicable Final Terms relating to the Series, the Bank will also be entitled to exercise the Sale Undertaking to require the Issuer to sell all or some of the Co-ownership Assets to the Bank on any optional dissolution date for an "issuer call" at a price calculated in the same manner as the Put Right Exercise Price;	إذا كان محددًا كذلك في الشروط النهائية المعمول بها المتعلقة بالفئة، سيكون للبنك أيضًا الحق في ممارسة التعهد بالبيع لطلب جهة الإصدار ببيع كل أو بعض الأصول المملوكة المشتركة للبنك في أي تاريخ تصفية اختياري مقابل "قرار جهة الإصدار" بسعر يُحسب بنفس الطريقة كما هو محدد في سعر ممارسة حق صاحب الشهادة؛	5.4
5.5	provided that an outstanding exercise notice under the Purchase Undertaking has not been delivered by or on behalf of the Issuer, following any purchase of Certificates by the Bank or any of their respective subsidiaries in the open market or otherwise, the Bank shall be entitled to exercise the Sale Undertaking to request the Issuer to cancel the relevant Certificates so purchased and transfer to the Bank certain Co-ownership Assets the Value of which is not greater than the aggregate face amount of the Certificates so cancelled;	بشرط عدم تقديم إشعار بالممارسة غير المستحقة بواسطة أو نيابة عن جهة الإصدار، بعد أي عملية شراء للشهادات من قبل البنك أو أي من الشركات التابعة له في السوق المفتوح أو غير ذلك، سيكون للبنك الحق في ممارسة التعهد بالبيع لطلب جهة الإصدار بإلغاء الشهادات ذات الصلة التي تم شراؤها ونقل الأصول المملوكة مشتركاً للبنك والتي لا تتجاوز قيمتها الإجمالية القيمة الإجمالية للشهادات الملغاة؛	5.5
5.6	in the event of any exercise of the Purchase Undertaking or Sale Undertaking as described in paragraphs 05.1 to 5.5 above, the Servicing Agent will pay to the Issuer the Co-ownership Principal Revenues standing to the credit of the Principal Collection Account or, where some, but not all of the Certificates are to be redeemed or cancelled, the relevant proportion of such Co-ownership Revenues as determined by reference to the proportion of the aggregate outstanding Certificates which are to be redeemed or cancelled;	في حالة أي ممارسة للتعهد بالشراء أو التعهد بالبيع كما هو موضح في الفقرات 5.1 إلى 5.5 أعلاه، يقوم وكيل الخدمة بدفع العائدات الرئيسة للمملوكات المشتركة الموجودة على حساب التحصيل الرئيس للمبلغ أو، حيث يتم استرداد بعض، ولكن ليس كل الشهادات، يتم تحديد النسبة المناسبة لهذه العائدات بالرجوع إلى النسبة المئوية للشهادات المستحقة المستخلصة أو الملغاة؛	5.6
5.7	the Service Agency Agreement will provide that, following redemption of the Certificates in full, any amounts standing to the credit of the relevant Income Reserve Collection Account on the applicable scheduled dissolution date (or any earlier dissolution date on which all of the Certificates are to be redeemed) may be retained by the Servicing Agent for its own account as an incentive payment for its performance as servicing agent; and	تحدد اتفاقية وكالة الخدمة، بعد استرداد الشهادات بالكامل، أن أي مبالغ متواجدة على حساب تحصيل الدخل الاحتياطي ذو الصلة في تاريخ التصفية المقرر (أو أي تاريخ تصفية سابق تم فيه استرداد جميع الشهادات) يمكن الاحتفاظ بها من قبل وكيل الخدمة لحسابهم الخاص كرسوم تحفيزية لأدائهم كوكيل للخدمة؛ و	5.7
5.8	to the extent that any amounts which have been advanced under the *Shari'a* compliant liquidity facility referred to in paragraph 4.3 above remain outstanding upon the redemption of all of the Certificates in full, the Servicing Agent may, in its sole discretion, waive the repayment of such outstanding amounts.	في حال بقاء أية مبالغ تم تقديمها بموجب تسهيل السيولة المتوافقة مع الشريعة المذكورة في الفقرة 4.3 أعلاه غير مستحقة عند استرداد جميع الشهادات بالكامل، قد يقر وكيل الخدمة، بتقديره الخاص، بالتنازل عن سداد هذه المبالغ المستحقة .	5.8

For these purposes, **Dissolution Event** means an event of default in respect of the Issuer and/or the Bank, including but not limited to, the non-payment of certain amounts due under the applicable transaction documents; default in the performance of or compliance with any obligations under the applicable transaction documents (save as set out in the final sentence of this paragraph) or the insolvency or winding up of such party.	لأغراض هذه الأحكام، يعني **حدث الإنهاء** حدثًا تصرفيًا يتعلق بجهة الإصدار و/أو البنك، بما في ذلك على سبيل المثال لا الحصر، عدم دفع بعض المبالغ المستحقة بموجب الوثائق التنفيذية المعمول بها؛ أو التقصير في أداء أو الامتثال لأي التزامات بموجب الوثائق التنفيذية المعمول بها (باستثناء ما هو مذكور في الجملة النهائية لهذه الفقرة) أو الإعسار أو التصفية لمثل هذا الطرف.
6.Transaction Documents The table below sets out the documentation that will be required to establish the Sukuk Programme and the additional documentation required to complete the issuance of each Series. All of the documents will be governed by Oman law.	**6. وثائق المعاملات** يحدد الجدول أدناه وثائق المعاملات التي ستكون مطلوبة لإنشاء برنامج الصكوك والوثائق الإضافية المطلوبة لإتمام إصدار كل فئة. تخضع جميع الوثائق للقانون السائد والمطبق في سلطنة عمان.

Sukuk Programme Establishment:	Each Series Issuance:[1]	إصدار كل فئة	**إنشاء برنامج الصكوك**
Islamic documents			**الوثائق الإسلامية**
Master Purchase Agreement	Supplemental Purchase Contract	عقد الشراء الإضافي	اتفاقية الشراء الرئيسة
Service Agency Agreement			اتفاقية وكالة الخدمة
Purchase Undertaking			التعهد بالشراء
Sale Undertaking			التعهد بالبيع
Capital Markets documents			**وثائق الأسواق المالية**
Master Declaration of Trust	Supplemental Declaration of Trust	إعلان الأمانة الإضافي	إعلان الأمانة الرئيس
Programme Agreement	Subscription Agreement (only if there is a syndicate of managers and the issue will be privately placed)	اتفاقية الاشتراك (فقط في حالة وجود نقابة من المدراء ويتم تقديم الإصدار بشكل خاص)	اتفاقية البرنامج
Agency Agreement	Paying Agency Agreement	اتفاقية وكالة الدفع	اتفاقية الوكالة
	The Registrar Agreement	اتفاقية المسجل	
	Final Terms	الشروط النهائية	

[1] The agreed form of each supplemental document will be included in the relevant master document.

7.Sharia Supervisory Board Resolution:	7. قرار هيئة الرقابة الشرعية:
The Sharia Supervisory Board having reviewed the Sukuk structure, contracts and agreements/ documentation is of the view that the subject Sukuk is in conformity with the provisions of Islamic Sharia. As such, the bank can issue this Sukuk and the same can also be traded. In-case of any amendments in legal documentations and prospectus of the subject Sukuk, the same has to be presented to Sharia Supervisory Board for review and approval.	لقد راجعت هيئة الرقابة الشرعية هيكلة الصكوك وعقودها ومستنداتها، ورأت بأن هذه الصكوك تتوافق مع أحكام الشريعة الإسلامية. بناء على هذا، يجوز للبنك أن يصدر هذه الصكوك ويجوز تداولها. وفي حالة وجود أي تعديلات في المستندات ونشرة الاكتتاب فيجب عرضها على هيئة الرقابة الشرعية للمراجعة والموافقة.
We seek Allah guidance and Allah knows the best.	نسأل الله تعالى التوفيق والله أعلم.

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

فضيلة الشيخ عزان بن ناصر بن فرفور العامري ، نائب الرئيس

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

فضيلة الشيخ هلال بن حسن بن علي اللواتي ، عضو

فضيلة الشيخ الدكتور أمين فاتح ، عضو

Date: May 15, 2024

بسم الله الرحمن الرحيم
الحمد لله رب العالمين. والصلاة والسلام على أشرف الأنبياء والمرسلين وعلى آله وصحبه أجمعين.

In the name of Allah, the Most Gracious, the Most Merciful
All praise is due to Allah, the Cherisher of the world
Peace be upon the Prophet of Allah, on his family and all his companions

فتوى هيئة الرقابة الشرعية لظفار الإسلامي لاستثمار في الاكتتاب العام الأولي لمجموعة أوكيو للصناعات الأساسية

Sharia Pronouncement of the Dhofar Islamic Sharia Supervisory Board for Investing in the IPO of OQ Base Industry Group (OQBI Group)

The Sharia Supervisory Board (SSB) of Dhofar Islamic – Bank Dhofar S.A.O.G, in its capacity as Sharia Advisor for IPO Issuance has reviewed the IPO details of OQ Base Industries (SFZ) SAOG (under transformation) (formerly known as OQ Methanol (SFZ) LLC) ("OQBI") and OQ LPG (SFZ) SPC (formerly known as OQ LPG (SFZ) LLC ("OQLPG"), collectively referred to as the "OQBI Group". "Company" to evaluate its compliance with Sharia Standard (21) Financial Papers "Shares and Bonds" issued by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) as of November 03, 2024. The transaction is reviewed in accordance with the information provided by the Company on November 03, 2024. The finding of our review is as following:	قامت هيئة الرقابة الشرعية لظفار الإسلامي – بنك ظفار ش.م.ع.ع، بصفتها مستشارا شرعيا للإصدار، بمراجعة تفاصيل الاكتتاب العام الأولي أوكيو للصناعات الأساسية (المنطقة الحرة بصلالة) ش.م.ع.م (المعروفة سابقًا باسم أوكيو ميثانول (لمنطقة الحرة بصلالة) إل إل سي) ("OQBI") وأوكيو إل بي جي (لمنطقة الحرة بصلالة) إس بي سي (المعروفة سابقًا باسم أوكيو إل بي جي (لمنطقة الحرة بصلالة) إل إل سي ("OQLPG")، يشار إليها مجتمعة باسم "**مجموعة أوكيو للصناعات الأساسية**" أو "الشركة" لتقييم مدى التزامها بالمعيار الشرعي رقم (21) للأوراق المالية "الأسهم والسندات" الصادر عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية (أيوفي) اعتباراً من 3 نوفمبر 2024. تمت مراجعة المعاملة وفقًا للمعلومات المقدمة من الشركة في 3 نوفمبر 2024. نتائج مراجعتنا هي على النحو التالي:
1. Overview and business activities of OQBI Group	**1. نظرة عامة والأنشطة التجارية لمجموعة أوكيو للصناعات الأساسية**
OQ Base Industries (SFZ) SAOG (under transformation) (formerly known as OQ Methanol (SFZ) LLC) ("OQBI") and OQ LPG (SFZ) SPC (formerly known as OQ LPG (SFZ) LLC ("OQLPG"), collectively referred to as the "OQBI Group".	أوكيو للصناعات الأساسية (المنطقة الحرة بصلالة) ش.م.ع.م (المعروفة سابقًا باسم أوكيو ميثانول (لمنطقة الحرة بصلالة) إل إل سي) ("OQBI") وأوكيو إل بي جي (لمنطقة الحرة بصلالة) إس بي سي (المعروفة سابقًا باسم أوكيو إل بي جي (لمنطقة الحرة بصلالة) إل إل سي ("OQLPG")، يشار إليها مجتمعة باسم "**مجموعة أوكيو للصناعات الأساسية**" أو "الشركة").

OQBI is a subsidiary of OQ SAOC, a closed joint stock company incorporated in the Sultanate of Oman. OQBI is located in the Salalah Free Zone. OQBI's principal business activities involve the production of methanol and ammonia through its Methanol and Ammonia Plants, respectively. OQ LPG is a Sole Proprietor Company incorporated in the Sultanate of Oman and is wholly owned by OQBI. OQ LPG is located in the Salalah Free Zone. OQLPG's principal business activities involve the production of propane, butane, and condensate through its LPG Plant. The Company's above mentioned business activities as per the article of association are Sharia compliant.	OQBI هي شركة تابعة لشركة أوكيو ش.م.ع.م، وهي شركة مساهمة مقفلة تأسست في سلطنة عمان. يقع OQBI في المنطقة الحرة بصلالة. تتضمن الأنشطة التجارية الرئيسة لشركة OQBI إنتاج الميثانول والأمونيا من خلال مصانع الميثانول والأمونيا، على التوالي. OQ LPG هي شركة الشخص الواحد تأسست في سلطنة عمان وهي مملوكة بالكامل لشركة OQBI. يقع OQLPG في المنطقة الحرة بصلالة. تتضمن الأنشطة التجارية الرئيسة لشركة OQLPG إنتاج البروبان والبيوتان والمكثفات من خلال مصنع غاز البترول المسال التابع لها. الأنشطة التجارية المذكورة أعلاه للشركة وفقًا للنظام الأساسي متوافقة مع أحكام ومبادئ الشريعة الإسلامية.
2. Interest Bearing Deposit to Total Assets	**2. الودائع بفائدة إلى إجمالي الأصول**
The ratio of Interest-Bearing Deposit whether short term or long term to Total Assets is 10.4% which is within the threshold specified in the AAOIFI Sharia Standard number 21, knowingly that interest-bearing deposits are prohibited, regardless of the collective amount is. Subsequent to period ended 30 June 2024, OQBI Group have matured all their interest bearing deposits outstanding amounting to OMR 81,925,177 and undertake to maintain the threshold necessary for Sharia compliance.	نسبة الودائع بفائدة – سواء كانت قصيرة أو طويلة الأجل – إلى إجمالي الأصول تمثل 10.4% وهي لا تتجاوز الحد المذكور في معيار أيوفي رقم 21، مع العلم أن الودائع بفائدة محظورة مهما كان مجموعها. بعد الفترة المنتهية في 30 يونيو 2024، قامت مجموعة OQBI بتسوية جميع ودائعها القائمة التي تحمل فائدة والتي تبلغ قيمتها 81,925,177 ريال عماني وتتعهد بالحفاظ على الحد الأدنى اللازم للامتثال للشريعة الإسلامية.
3. Non-Sharia compliant Income to Total Revenue	**3. نسبة الدخل غير المتوافق مع الشريعة الإسلامية إلى إجمالي الإيرادات.**
The percentage of non-Sharia compliant income generated from prohibited activity, through ownership of prohibited assets or in some other way, represents 2.7% of total revenue and does not exceed 5% the threshold mentioned in the AAOIFI Sharia Standard number 21.	نسبة الدخل غير المتوافق مع الشريعة الإسلامية – الناتج عن القيام بنشاط محظور، عن طريق ملكية الأصول المحظورة أو بطريقة أخرى – تمثل 2.7% من إجمالي الإيرادات وهي لا تتجاوز 5٪ الحد المذكور في معيار أيوفي رقم 21.

Hedge interest income of OQBI Group is not included in Non-Sharia compliant income to Total Revenue ratio because it is not from investments, deposits, or bank balances. Company has informed that this financial derivative hedges long-term loan interest payments. In case of higher interest rate payment stream against long-term facility, the Company receives counter-income. It should have been netted off against the interest expense, therefore it is not cash income and since it is netted off against the interest expense on long term loan taken by the Company, hence, it does not impact the net income of the Company. The Company has informed that hedge interest income is reported in the Income statement as, auditors have requested the Company to record it separately from interest expense for this financial year. In prior audited results, both interest expense and hedge income were reported on a net-off basis.	لا يتم تضمين دخل فوائد التحوط لمجموعة OQBI في الدخل غير المتوافق مع الشريعة الإسلامية إلى نسبة إجمالي الإيرادات لأنه ليس من الاستثمارات أو الودائع أو الأرصدة المصرفية. أبلغت الشركة أن هذه المشتقة المالية هي أداة تحوط لمدفوعات فوائد القروض طويلة الأجل. في حالة ارتفاع تدفق دفعات الفائدة مقابل التسهيلات طويلة الأجل، تحصل الشركة على دخل مضاد. كان ينبغي أن يتم خصمها مقابل مصاريف الفائدة، وبالتالي فهي ليست دخلاً نقدياً وبما أنه يتم خصمها مقابل مصاريف الفائدة على قرض طويل الأجل حصلت عليه الشركة، وبالتالي، فإنها لا تؤثر على صافي دخل الشركة. أبلغت الشركة أنه تم إدراج إيرادات فوائد التحوط في بيان الدخل حيث طلب المدققون من الشركة تسجيلها بشكل منفصل عن مصروفات الفوائد لهذه السنة المالية. في النتائج المدققة السابقة، تم الإبلاغ عن كل من مصاريف الفوائد وإيرادات التحوط على أساس صافي المقاصة.
Furthermore, the Company has irrevocably committed that at the expiration of this hedge, it will explore other Sharia compliant hedging instruments subject to availability in the market.	علاوة على ذلك، التزمت الشركة بشكل لا رجعة فيه أنه عند انتهاء فترة التحوط هذه، ستقوم باستكشاف أدوات تحوط أخرى متوافقة مع الشريعة الإسلامية تخضع لتوفرها في السوق المحلية.
Since the Company has entered into interest rate swap derivative contracts purely for risk mitigation and any Hedge Interest Income is netted off against the interest expense, and the Company has committed to exploring Sharia compliant alternatives to mitigate risk upon the expiration of these derivative contracts, the Sharia Supervisory Board has not considered this income for the calculation of non-Sharia income.	وبما أن الشركة أبرمت عقود مشتقات مبادلة أسعار الفائدة بغرض تخفيف المخاطر فقط وتم خصم أي دخل من فوائد التحوط مقابل مصاريف الفائدة، والتزمت الشركة باستكشاف بدائل متوافقة مع الشريعة الإسلامية لتخفيف المخاطر عند انتهاء صلاحية هذه العقود المشتقة، و لم تأخذ هيئة الرقابة الشرعية في الاعتبار هذا الدخل في حساب الدخل غير الشرعي.
Although the Company complies with AAOIFI Sharia Standard, however, it should be noted that no income from non-compliant sources is permitted irrespective of the percentage.	وعلى الرغم من أن الشركة متوافقة مع معايير هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية ، إلا أنه تجدر الإشارة إلى أنه لا يسمح بأي دخل من مصادر غير متوافقة مهما كانت النسبة.

4. **Tangible Assets to Total Assets**	4. **الأصول الملموسة إلى إجمالي الأصول**
The tangible asset which includes inventories, Property, Plant & Equipment (PPE) accounts for 77.1% of Total Assets which is in accordance with Sharia standard number 21.	تمثل الأصول الملموسة التي تتضمن المخزون والممتلكات والمنشآت والمعدات 77.1% من إجمالي الأصول وفقاً لمعيار الشريعة رقم 21.
5. **Interest Bearing Loans and Debts to Total Assets**	5. **فوائد القروض والديون إلى إجمالي الأصول**
The current Interest Bearing Loans and Debt to Total Assets is 44.6%. however, the interest-bearing loans and debts whether long term or short term will represent 23.3% of Total Assets subsequent to refinancing of conventional debt with Sharia compliant financing which the company has undertaken to do prior to December 31, 2024. This ratio will not exceed the threshold mentioned in the AAOIFI Sharia Standard number 21 after refinancing of conventional debt with Sharia compliant financing, knowingly that all interest bearing loans and debts are prohibited whatsoever the amount is. Although the Company will comply with AAOIFI Sharia Standard, we highly recommend it to look into other options for converting interest-bearing loans and debts to Sharia compliant financing.	القروض والديون التي لها فائدة تمثل 44.6% من إجمالي الأصول حاليا. ولكن القروض والديون التي لها فائدة – سواء دينا طويلا أو قصير الأجل ستمثل 23.3% من إجمالي الأصول بعد نقل القروض والديون الربوية إلى التمويل الإسلامي الذي تعهدت الشركة لإكماله قبل 31 ديسمبر 2024. وهذه النسبة لا تتجاوز الحد المذكور في معيار أيوفي رقم 21 بعد نقل القروض والديون الربوية إلى التمويل الإسلامي، مع العلم أن جميع القروض والديون بفائدة محظورة شرعا مهما كان حجمها. وعلى الرغم من أن الشركة متوافقة مع معايير أيوفي، إلا أننا ننصحها بالنظر في خيارات أخرى لتحويل القروض والديون بفائدة إلى تمويل متوافق مع أحكام ومبادئ الشريعة الإسلامية.
6. **Miscellaneous findings**	6. **نتائج متنوعة**
The miscellaneous findings observed during the review process are as follows: a) The Company has entered into insurance contracts with non-Sharia-compliant insurance providers. The management is encouraged to consider Takaful options once the current insurance contracts expire taking in account both operational and commercial factors. b) The Company has entered into specific derivative contracts that do not comply with Sharia principles. Consequently, the Company must explore alternative hedging instruments that are Sharia compliant depending on the availability in the local market.	النتائج المتنوعة التي لوحظت أثناء عملية المراجعة هي كما يلي: (أ) أبرمت الشركة عقود تأمين مع شركات تأمين غير متوافقة مع الشريعة الإسلامية. يتم تشجيع الإدارة على النظر في خيارات التكافل بمجرد انتهاء عقود التأمين الحالية مع الأخذ في الاعتبار العوامل التشغيلية والتجارية. (ب) أبرمت الشركة عقود مشتقات محددة لا تتوافق مع مبادئ الشريعة الإسلامية. وبالتالي، يجب على الشركة استكشاف أدوات تحوط بديلة متوافقة مع الشريعة الإسلامية اعتماداً على توفرها في السوق المحلية.

7.Sharia Supervisory Board Resolution:	7. قرار هيئة الرقابة الشرعية:
The Sharia Supervisory Board (SSB) of Dhofar Islamic in the capacity of Sharia Advisor of the issuance has reviewed the information provided above and is of the opinion that Company comply with three out of four screening criteria mentioned in AAOIFI Sharia Standard number 21. With regard to Interest Bearing Loans and Debt to Total Asset (which is currently represent 44.6%, the Company has given an irrevocable written undertaking that it is in the final stages to avail Islamic financing facility to convert the Interest bearing loans & debt amounting approximately to OMR 169 million into Sharia compliant financing in order to comply with the AAOIFI requirement. The conventional loan will be refinanced by Sharia compliant financing prior to December 31, 2024. SSB will review the status of the Interest Bearing Debt to Total Asset ratio after December 31, 2024 to assess the compliance with client undertaking. Purification of any non-Shariah compliant income (if any) should be done from time to time by prospective investors on their own. We seek guidance and success from Almighty Allah and Allah knows the best.	راجعت هيئة الرقابة الشرعية لظفار الإسلامي، بصفتها مستشارا شرعيا للإصدار البيانات المتوفرة أعلاه، ورأت أن هذه الشركة متوافقة مع أحكام ومبادئ الشريعة الإسلامية في ثلاثة من المؤشرات الأربعة المذكورة في معيار أيوفي رقم 21. بالنسبة إلى القروض والديون التي بها فائدة من إجمالي الأصول، النسبة الحالية لهذا المؤشر هي 44.6% وعليه، تعهدت الشركة بتعهد مكتوب غير قابل للرجوع فيه بأنها في مراحل نهائية لنقل القروض والديون التقليدية حوالي 169 مليون ريال عماني إلى التمويل الإسلامي لتكون متوافقة مع أحكام ومبادئ الشريعة الإسلامية. ستقوم الشركة بنقل القروض والديون التقليدية إلى التمويل الإسلامي قبل تاريخ 31 ديسمبر 2024. سوف تقوم هيئة الرقابة الشرعية بمراجعة وضع نسبة القروض والديون التي بها فائدة من إجمالي الأصول بعد 31 ديسمبر 2024 لتقييم مدى التزام الشركة بتعهدها. يجب تنقية أي دخل غير متوافق مع أحكام ومبادئ الشريعة الإسلامية من وقت لاخر من قبل المستثمرين من تلقاء أنفسهم. نسأل الله التوفيق والسداد، والله أعلم.

Sharia Pronouncement of the Dhofar Islamic Sharia Supervisory Board for Investing in the IPO of OQ Base Industry Group (OQBI Group)

Disclaimer: *The pronouncement is not intended to be and does not constitute a legal, financial, or investment advice and shall not bear any liability in this context. Investors are advised to conduct their own due diligence and consult with their own Sharia advisers before making any investment decisions based on the pronouncement.*	إخلاء المسؤولية: ليس المقصود من هذا التصريح أن يكون ولا يشكل نصيحة قانونية أو مالية أو استثمارية ولا يتحمل أي مسؤولية في هذا السياق. وننصح المستثمرين بإجراء العناية الواجبة والتشاور مع مستشاريهم الشرعيين قبل اتخاذ أي قرارات استثمارية بناءً على هذا التصريح.

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

فضيلة الشيخ عزان بن ناصر بن فرفور العامري، نائب الرئيس

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

فضيلة الشيخ هلال بن حسن بن علي اللواتي، عضو

فضيلة الشيخ الدكتور أمين فاتح، عضو

Date: November 03, 2024

الأمانة العامة لهيئة الرقابة الشرعية
ظفار الإسلامي

ظفار الإسلامي DHOFAR ISLAMIC

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

Prepaid Cards	**البطاقات مسبقة الدفع**
The Sharia Supervisory Board (SSB) of Dhofar Islamic has reviewed the Product and its related documents and gives the following Fatwa:	قامت هيئة الرقابة الشرعية في مصرف ظفار الإسلامي بمراجعة المنتج والوثائق المتعلقة به وأصدرت الفتوى التالية:
First: Product Concept and Shari'ah Basis	**أولاً: مفهوم المنتج والعقد الشرعي له**
Dhofar Islamic Prepaid card is based on the Islamic concept and contract of Qard, wherein the customer will provide Qard Hasan to bank and bank will be obliged to return the Qard amount without any profit to the customer upon demand.	تعتمد بطاقة مسبقة الدفع لظفار الإسلامي على مفهوم وعقد القرض، حيث يقدم الزبون قرضا حسنا للبنك، ويلتزم البنك بإعادة مبلغ القرض دون أي زيادة للزبون عند الطلب.
The Qard can be provided into multiple currencies as decided by the bank from time to time.	يمكن توفير القرض بعملات متعددة حسب ما يقرره البنك من وقت لآخر.
The bank will issue a Prepaid (debit) card to the customer up-to the limit of Qard provided by the customer so that customer can utilize the amount for the Sharia compliant needs.	يقوم البنك بإصدار بطاقة مسبقة الدفع (خصم) للزبون بحد أقصى للقرض المقدم من الزبون حتى يتمكن الزبون من الاستفادة من المبلغ لتلبية احتياجاته المتوافقة مع الشريعة الإسلامية.
The bank will not pay any profit on the Qard balance.	لن يدفع البنك أي أرباح على رصيد القرض.
Second: The Agreements	**ثانياً: الاتفاقيات**
1. Application Form/ Official Request letter signed by the authorized signatory	1. نموذج الطلب / خطاب طلب رسمي موقع من قبل الشخص المخول بالتوقيع
2. Terms and Conditions	2. الشروط والأحكام
The Shari'ah Supervisory Board hereby approves the above product and pronounces that Prepaid Card product is in conformity with the provisions of Islamic Shari'ah.	وافقت هيئة الرقابة الشرعية على منتج البطاقة مسبقة الدفع واعتمدته وصرحت بأنه متوافق مع أحكام الشريعة الإسلامية.
We seek Allah guidance and Allah knows the best.	نسأل الله الهداية والله أعلم.

فضيلة الشيخ عبد الله بن علي بن أسلم الشحري،

رئيس الهيئة

فضيلة الشيخ عزان بن ناصر بن فرفور العامري،

نائب الرئيس

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

فضيلة الشيخ هلال بن حسن بن علي اللواتي،

عضو

فضيلة الشيخ الدكتور أمين فاتح ، عضو

Page **2** of **2**

Prepaid Cards

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

MANAGEMENT TEAM

Kamal Uddin Hassan Abdullah Al Maraza
General Manager & Chief Dhofar Islamic

Amor Said Mohammed Al Amri
DGM Retail Banking

Fawaz Rajab Omar Al Ojaili
Head - Dhofar Islamic Corporate Banking

Yahya Mohamed Ahmed Al Sharaiqi
Head - Dhofar Islamic Treasury

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

Abdul Hakim bin Osman
Head Shari'ah Compliance & Audit

MANAGEMENT
DISCUSSION & ANALYSIS REPORT
31 DECEMBER 2024

Dhofar Islamic Achievements

2024 marked a significant milestone in the Maisarah's ten-year journey with its rebranding to Dhofar Islamic. The new Dhofar Islamic brand reflects a harmonious fusion of heritage and modernity and positions Dhofar Islamic as a dynamic and forward-thinking institution.

In line with the Bank's strong commitment to offer customers the best-in-class products, services and customer experiences, several notable achievements have been made. Five (5) new retail segments; Rifa Privilege Banking, Riadah Priority Banking, Ladies, Children and Youth segment, were launched to provide customized financial solutions catering to the unique needs of each customer segment. Additionally, Dhofar Islamic strengthened its retail product offerings with the launch of its highly popular Savings Plan and MasterCard World Credit Card. The Savings Plan promotes active saving culture in the society via its attractive profit rates whilst the Dhofar Islamic MasterCard World Card allows customers to perform cashless transactions with ease and at the same time be rewarded for using the card.

In the Corporate and Investment Banking front, Dhofar Islamic supported the OQEP and OQ Base Industries (OQBi) initial public offerings as an investor as well as by serving as a Collecting Bank for these offerings. It is worth noting that Dhofar Islamic was also the mandated Shariah Advisor for OQBi initial public offering. Furthermore, Dhofar Islamic successful established its 10 Year OMR 250 million Sukuk Al Musharaka Program which allows the Bank to tap the Islamic capital markets for funding at any given time. The above achievements are further supplemented by Dhofar Islamic's financing of several projects of National importance in support of the Sultanate's Vision 2040.

Dhofar Islamic has also invested significantly to enhance its customer reach and distribution network. Its branch network has increased to 25 branches spread across the Sultanate. Projects have also been imitated to revamp Dhofar Islamic's digital and core banking platforms aimed at enhancing customer reach and customer experience.

DISCLOSURE REQUIREMENTS **UNDER PILLAR-III OF BASEL II & III**

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

Private and confidential
Our ref.: aud/kn/zu/19930/25

Agreed-Upon Procedures Report on Dhofar Islamic (Islamic Window of Bank Dhofar SAOG) 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 Dhofar Islamic (Islamic Window of the Bank) compliance with the disclosure requirements set out in the Central Bank of Oman's ("the CBO") Circular No. IB 1 dated 18 December 2012 and BM 1114 dated 17 November 2013 and may not be suitable for another purpose. This report is intended solely for the Bank Dhofar SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of the 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 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 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 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 the Bank Dhofar SAOG in the terms of engagement dated 1 May 2023, on the Islamic Window of the Bank's Basel II – Pillar III and Basel III Disclosures ("Disclosures"):

S. No	Procedures	Findings
1	We have performed the procedures prescribed in the CBO circular No. IB 1 dated 18 December 2012 and BM 1114 dated 17 November 2013 with respect to the Disclosures of the Islamic Window of the Bank as at and for the year ended 31 December 2024.	No exceptions found.

This report relates only to the items specified above and does not extend to the Bank Dhofar SAOG and Islamic Window of the Bank's financial statements taken as a whole.

KPMG

KPMG LLC
Date: 5 March 2025
Muscat, Oman

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

Enclosures:
Dhofar Islamic Basel II – Pillar III and Basel III Disclosures

1. SCOPE OF APPLICATION

1.1. QUALITATIVE DISCLOSURE

i. Dhofar Islamic is an Islamic Window of Bank Dhofar SAOG (the Bank), formerly known as Maisarah Islamic Banking Services, established after obtaining license from the Central Bank of Oman (CBO). The principal activities of the Dhofar Islamic include accepting saving, investment accounts, providing Shari'a Compliant forms of financings as well as managing investor's money on the basis of 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 RO 10 million or such higher amount as may be determined from time to time by CBO. Islamic windows are also required to maintain the minimum capital adequacy ratio of 11% of the RWA at all times. 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) is not considered as 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	RO 000
Common Equity Tier I Capital (CET1)	
Paid up capital	70,000
Share Premium	-
Legal Reserve	-
Subordinated Debt Reserve	-
Retained earnings	46,001
Proposed Stock Dividend	-
Common Equity Tier I Capital (CET1)	**116,001**
Prudential valuation adjustments	(917)
Additional Tier I Capital (AT1)	-
Total Tier I Capital (TI=CET1+AT1)	**115,084**
Tier 2 Capital (T2): Instruments and provisions	
Subordinated Debt	-
45% of cumulative fair value gains of FVOCI instruments	70
Impairment provision (upto 1.25% of risk-weighted assets) *	2,860
Total Tier 2 Capital (T2)	**2,930**
TOTAL REGULATORY CAPITAL (TC=CET1+AT1+ T2)	**118,014**

* As per CBO Circular BSD/CB/2020/005 dated 03 June 2020, Expected Credit Loss (ECL) under Stage 1 and Stage 2 (20% of incremental Stage 2 ECL till 31 December 2024) 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	RO 000
Total URIA Funds	99,945
Profit Equalization Reserve (PER) - Shareholders' Component	44
Profit Equalization Reserve (PER) - Investment Account Holders' Component)	43
Investment Risk Reserve (IRR)	22
Total	**100,054**

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 **15.13%** 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 *
	RO 000	**RO 000**
Credit Risk	674,010	74,141
Market Risk	12,572	1,383
Operational Risk	93,178	10,250
Total Risk Weighted Assets	**779,760**	**85,774**

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

ii. Capital Adequacy Ratio

Sr. No.	Details	RO 000
1	Tier I Capital (after supervisory deductions)	115,084
2	Tier II Capital (after supervisory deductions and up to eligible limits)	2,930
3	Of which, Total Eligible Tier III Capital	-
4	Risk weighted assets – banking book	674,010
5	Risk weighted assets – operational risk	93,178
6	Total risk weighted assets – Banking Book + Operational risk	**767,188**
7	Minimum required capital to support RWAs of banking book and operational risk	84,391
7 (i)	Minimum required Tier I capital for banking book and operational risk	81,461
7 (ii)	Tier II capital required for banking book and operational risk	2,930
8	Tier I capital available for supporting trading book	33,623
9	Tier II capital available for supporting trading book	-
10	Risk weighted assets – trading book	12,572
11	Total capital required to support trading book	1,383
12	Minimum Tier I capital required for supporting trading book	394
13	Used Eligible Tier III Capital	-
14	**Total regulatory capital**	**118,014**
15	**Total risk weighted assets**	**779,760**
16	**BIS capital adequacy ratio**	**15.13%**

iii. Ratio of Total and Tier I Capital to RWA

Details	RO 000 / %
Tier I capital	115,084
Total capital	118,014
Total RWA	779,760
Ratio of total capital to RWA	**15.13%**
Ratio of tier I capital to RWA	**14.76%**

iv. Ratio of Total Capital to Total Assets

Details	RO 000 / %
Total capital	118,014
Total assets	899,756
Ratio of total capital to total assets	**13.12%**

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

	Credit Risk		Market Risk	
Details	RWA	Capital Requirement	RWA	Capital Requirement
	RO 000	RO 000	RO 000	RO 000
Murabaha and other Receivables	25,178	2,770	-	-
Mudaraba Financings	12,485	1,373	-	-
Ijarah Assets	36,233	3,986	-	-
Diminishing Musharaka Financing	397,674	43,744	-	-
Wakala Financing	99,503	10,945	-	-
Total	**571,073**	**62,818**	**-**	**-**

vi. **Disclosure of Displaced Commercial Risk**

Details	RO 000
Total profits available for distribution	**49,016**
Profit sharing	
- Shareholders	45,808
- IAH's	**3,208**
Mudarib fee charged by Dhofar Islamic	(1,568)
Profits for IAH's before smoothening	**1,640**
Amount adjustment for profit smoothening	(40)
Profits paid out to IAH after smoothening	**1,600**

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

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

Details	RO 000 / %
Profit Equalization Reserve	87
Unrestricted Investment Account Holders funds	99,945
PER to IAH ratio	**0.087%**

ii. IRR to IAH Ratio

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

Details	RO 000 / %
Investment Risk Reserve (IRR)	22
Unrestricted Investment Account Holders funds	99,945
IRR to IAH ratio	**0.022%**

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	RO 000 / %
Total net income (before distribution to IAHs)	10,596
Total assets	899,756
RoA	**1.178%**

iv. Return on Equity (RoE)

Represents the amount of total net income (after distribution of profit to IAH) / Amount of shareholders' equity.

Details	RO 000 / %
Total net income (after distribution to IAHs)	8,996
Total shareholder's equity	115,240
RoE	**7.806%**

v. **Ratios of Profit Distributed to PSIA by type of IAH**

Details	%
Savings deposit	99.6%
Term deposit	0.4%
Total	**100.0%**

vi. **Ratios of Financing to PSIA by type of IAH**

Details	RO 000 / Ratio
Total Financing	719,519
IAH deposits	99,945
Financing to PSIA	**7.20**

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 IAH's funds with its own funds or with the funds which Dhofar Islamic has 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 weightages 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 condition 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, pre-paid 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	RO 000
Assets	
- Murabaha	2,921
- Diminishing Musharaka	60,687
- Ijarah Muntahia Bittamleek	3,934
- Wakala financing	11,840
- Mudaraba financing	528
- Investment in Sukuk and shares	14,244
- Wakala placement	2,740
- Murabaha and Musawama inventory	-
- Advances	51
Total Unrestricted IAH Funds (allocated based on proportion)	**99,945**

ii. **Share of Profit to IAH before and after transfer of funds**

Details	RO 000	%
Share of profit of IAHs before PER and IRR for the year	**1,640**	1.64%
Transfers To:		
PER	(32)	-0.03%
IRR	(8)	-0.01%
Share of profit of IAHs after PER and IRR for the year	**1,600**	**1.60%**

iii. **Movement of PER and IRR**

Details	PER	IRR
	RO 000	**RO 000**
Balance as at 1 January 2024	55	14
Add: Amount apportioned from income allocated	32	8
Less: Amount utilized during the year	-	-
Balance as at 31 December 2024	**87**	**22**

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 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
High Yield Saving (RO)	1.57%	2.20%	2.34%	1.51%	1.21%	0.57%
High Yield Saving (USD)	0.24%	0.38%	0.19%	0.20%	0.22%	0.19%
Mudaraba Saving	0.60%	0.55%	0.57%	0.61%	0.68%	0.59%
Saving Plan 12-M	3.63%	3.63%				
Saving Plan 24-M	4.06%	4.06%				
Saving Plan 36-M	4.27%	4.27%				
Saving Plan 48-M	4.27%	4.27%				
Saving Plan 60-M	4.27%	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 retails 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 periodical 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 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. **Risks 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	RO 000	% of total financing
Murabaha and other receivables	27,339	3.78%
Mudaraba Financings	4,601	0.64%
Ijarah Assets	60,405	8.34%
Diminishing Musharaka Financing	528,697	73.00%
Wakala Financing	103,150	14.24%
Total	**724,192**	**100.00%**

iv. **Financing by Counterparty Category**

Details	RO 000	% of total financing
Corporate and SME	469,070	64.77%
Retail	255,122	35.23%
Total	**724,192**	**100.00%**

v. **Assets Pledged as Collateral**

As of the reporting date, Dhofar Islamic has not pledged any of its assets as collateral (2023: 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 (2023: 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 to ensure 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 also 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.

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.

iii. 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.

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 RO 250 thousand.
- 75% for SME borrowers.

iv. 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 01 January 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**

31 December 2024	Total Gross Credit	Average Gross Credit
	RO 000	**RO 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**

31 December 2023	Total Gross Credit	Average Gross Credit
	RO 000	RO 000
Murabaha and other receivables	29,515	24,392
Mudaraba financing	7,511	8,071
Diminishing Musharaka financing	471,725	441,041
Wakala financing	100,670	84,787
Ijarah Muntahia Bittamleek	62,670	62,886
Total	**672,091**	**621,177**

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 at 31 December 2024 is as below:

Shareholders 86.20%

IAH 13.80%

ii. **Total Gross Credit Exposure – Geographical Area**

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	RO 000	**RO 000**	**RO 000**	**RO 000**	**RO 000**	**RO 000**
Sultanate of Oman	27,339	4,601	528,697	103,150	60,405	**724,192**
Other GCC Countries	-	-	-	-	-	**-**
Europe and North America	-	-	-	-	-	**-**
Africa and Asia	-	-	-	-	-	**-**
Total	**27,339**	**4,601**	**528,697**	**103,150**	**60,405**	**724,192**

iii. **Total Gross Credit Exposure – Counterparty**

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
Corporate & SME	3,820	4,601	337,325	103,150	20,174	**469,070**
Retail	23,519	-	191,372	-	40,231	**255,122**
Total	**27,339**	**4,601**	**528,697**	**103,150**	**60,405**	**724,192**

iv. **Total Gross Credit Exposure – Industry**

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
Retail personal finances	23,519	-	191,372	-	40,231	**255,122**
Construction	875	3,194	186,522	14,273	16,772	**221,636**
Manufacturing	104	109	7,361	7,361	-	**14,935**
Services	1,482	48	66,031	3,076	-	**70,637**
Others	1,359	1,250	77,411	78,440	3,402	**161,862**
Total	**27,339**	**4,601**	**528,697**	**103,150**	**60,405**	**724,192**

v. **Total Gross Credit Exposure – Residual Contractual Maturity**

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
Upto 1 month	2,900	4,601	951	10,674	-	**19,126**
1 – 3 months	1,297	-	3,849	37,805	1	**42,952**
3 – 6 months	597	-	1,765	21,146	2	**23,510**
6 – 9 months	383	-	702	2,981	8	**4,074**
9 – 12 months	94	-	918	-	2	**1,014**
1 – 3 years	2,415	-	53,996	902	305	**57,618**
3 – 5 years	3,273	-	22,572	14,950	859	**41,654**
Over 5 years	16,380	-	443,944	14,692	59,228	**534,244**
Total	**27,339**	**4,601**	**528,697**	**103,150**	**60,405**	**724,192**

vi. **Total Gross Credit Exposure – Rating Category**

Ratings	2024	2023
	RO 000	**RO 000**
Rating grade 1 – 3	101,166	63,667
Rating grade 4 – 5	401,644	466,507
Rating grade 6 – 8	196,762	122,040
Non – performing financing	24,620	19,877
Total Financing	**724,192**	**672,091**

vii. **Total Gross Credit Exposure – Equity Based Financing**

Equity based financing	31 December 2024 Total Gross Credit	31 December 2024 Average Gross Credit	31 December 2023 Total Gross Credit	31 December 2023 Average Gross Credit
	RO 000	**RO 000**	**RO 000**	**RO 000**
Mudaraba financing	**4,601**	**7,200**	7,511	8,071
Wakala financing	**103,150**	**107,812**	100,670	84,787
Total	**107,751**	**115,012**	**108,181**	**92,858**

viii. **Past Due and Impaired Financing Assets – Counterparty**

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	RO 000	**RO 000**	**RO 000**	**RO 000**	**RO 000**	**RO 000**
Corporate & SME						
- Neither past due nor impaired	3,332	4,231	228,886	97,513	16,611	**350,573**
- Past due but not impaired	24	-	88,645	3,679	3,563	**95,911**
- Non-performing	464	370	19,794	1,958	-	**22,586**
- **Total financing**	**3,820**	**4,601**	**337,325**	**103,150**	**20,174**	**469,070**
- Stage 1 & 2 ECL	4	40	11,278	287	345	**11,954**
- Stage 3 ECL	121	127	5,541	636	-	**6,425**
- **Total ECL**	**125**	**167**	**16,819**	**923**	**345**	**18,379**
Retail						
- Neither past due nor impaired	22,810	-	183,917	-	37,906	**244,633**
- Past due but not impaired	441	-	6,397	-	1,617	**8,455**
- Non-performing	268	-	1,058	-	708	**2,034**
- **Total financing**	**23,519**	**-**	**191,372**	**-**	**40,231**	**255,122**
- Stage 1 & 2 ECL	63	-	298	-	77	**438**
- Stage 3 ECL	195	-	631	-	407	**1,233**
- **Total ECL**	**258**	**-**	**929**	**-**	**484**	**1,671**

ix. **Past Due and Impaired Financing Assets – Industry**

Details	Murabaha and other receivables	Mudaraba financing	Diminishing Musharaka financing	Wakala financing	Ijarah Muntahia Bittamleek	Total
	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
Retail personal finances						
- Neither past due nor impaired	22,810	-	183,917	-	37,906	**244,633**
- Past due but not impaired	441	-	6,397	-	1,617	**8,455**
- Non-performing	268	-	1,058	-	708	**2,034**
- **Total financing**	**23,519**	**-**	**191,372**	**-**	**40,231**	**255,122**
- Stage 1 & 2 ECL	63	-	298	-	77	**438**
- Stage 3 ECL	195	-	631	-	407	**1,233**
- **Total ECL**	**258**	**-**	**929**	**-**	**484**	**1,671**
Construction						
- Neither past due nor impaired	779	2,824	143,640	12,272	16,611	**176,126**
- Past due but not impaired	-	-	26,478	741	161	**27,380**
- Non-performing	96	370	16,404	1,260	-	**18,130**
- **Total financing**	**875**	**3,194**	**186,522**	**14,273**	**16,772**	**221,636**
- Stage 1 & 2 ECL	2	31	6,146	15	31	**6,225**
- Stage 3 ECL	24	127	4,157	305	-	**4,613**
- **Total ECL**	**26**	**158**	**10,303**	**320**	**31**	**10,838**
Manufacturing						
- Neither past due nor impaired	104	109	2,223	6,205	-	**8,641**
- Past due but not impaired	-	-	4,607	1,156	-	**5,763**
- Non-performing	-	-	531	-	-	**531**
- **Total financing**	**104**	**109**	**7,361**	**7,361**	**-**	**14,935**
- Stage 1 & 2 ECL	-	-	106	9	-	**115**
- Stage 3 ECL	-	-	233	-	-	**233**
- **Total ECL**	**-**	**-**	**339**	**9**	**-**	**348**
Services						
- Neither past due nor impaired	1,482	48	15,005	2,565	-	**19,100**
- Past due but not impaired	-	-	51,026	-	-	**51,026**
- Non-performing	-	-	-	511	-	**511**
- **Total financing**	**1,482**	**48**	**66,031**	**3,076**	**-**	**70,637**
- Stage 1 & 2 ECL	1	-	2,293	3	-	**2,297**
- Stage 3 ECL	-	-	-	262	-	**262**
- **Total ECL**	**1**	**-**	**2,293**	**265**	**-**	**2,559**

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
	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
Others						
- Neither past due nor impaired	967	1,250	68,018	76,471	-	**146,706**
- Past due but not impaired	24	-	6,534	1,782	3,402	**11,742**
- Non-performing	368	-	2,859	187	-	**3,414**
- **Total financing**	**1,359**	**1,250**	**77,411**	**78,440**	**3,402**	**161,862**
- Stage 1 & 2 ECL	1	9	2,733	260	314	**3,317**
- Stage 3 ECL	97	-	1,151	69	-	**1,317**
- **Total ECL**	**98**	**9**	**3,884**	**329**	**314**	**4,634**

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
	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
Sultanate of Oman						
- Neither past due nor impaired	26,142	4,231	412,803	97,513	54,517	**595,206**
- Past due but not impaired	465	-	95,042	3,679	5,180	**104,366**
- Non-performing	732	370	20,852	1,958	708	**24,620**
- **Total financing**	**27,339**	**4,601**	**528,697**	**103,150**	**60,405**	**724,192**
- Stage 1 & 2 ECL	67	40	11,576	287	422	**12,392**
- Stage 3 ECL	316	127	6,172	636	407	**7,658**
- **Total ECL**	**383**	**167**	**17,748**	**923**	**829**	**20,050**

xi. **Loss Provisions**

Details	Stage 1	Stage 2	Stage 3	Total
	RO 000	RO 000	RO 000	RO 000
As at 1 January 2024	1,915	8,972	8,745	**19,632**
Added / (Reversed) during the year	(645)	2,596	7,074	**9,025**
Written back during the year	-	-	(5,380)	**(5,380)**
Written off during the year	-	-	-	**-**
As at 31 December 2024	**1,270**	**11,568**	**10,439**	**23,277**

xii. **Penalties on Customers and Donation Payment**

Details	RO 000
Undistributed charity funds as at 1 January 2024	10
Shari'a non-compliant income	22
Disposition of charity funds	(10)
Undistributed charity funds as at 31 December 2024	**22**

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 is 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.

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
	RO 000	**%**	**RO 000**
Mortgage	21,813	40	13,088
Mortgage	7,379	50	3,690
Total	**29,192**		**16,778**

ii. Assets Owned and Leased under Ijarah Muntahiyah Bittamleek

Carrying amount of assets under Ijarah Muntahia Bittamleek as of 31 December 2024 is RO 60,405 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 cashflow 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	**17%**
Liquid assets to short term liabilities	**70%**
Liquidity coverage ratio	**138%**
Net stable funding ratio	**109%**

ii. **Maturity Analysis / Maturity Profile**

	2024					
	Due on demand and up to 30 days *RO 000*	More than 1 month to 6 months *RO 000*	More than 6 months to 12 months *RO 000*	More than 1 year to 5 years *RO 000*	Over 5 years *RO 000*	Total *RO 000*
Cash and balances with Central Bank of Oman	28,258	-	-	-	-	**28,258**
Due from banks and financial institutions	27,123	-	-	-	-	**27,123**
Murabaha and other receivables	3,029	2,275	2,110	12,103	7,822	**27,339**
Ijarah Muntahia Bittamleek	475	2,290	2,971	22,382	32,287	**60,405**
Mudaraba	211	422	516	2,117	1,335	**4,601**
Diminishing Musharaka	10,942	34,587	43,348	246,455	193,365	**528,697**
Wakala	70,236	3,089	3,168	25,188	1,469	**103,150**
Investments in Sukuk and shares	18,673	11,190	30,387	31,150	32,686	**124,086**
Property and equipment	-	-	-	-	1,559	**1,559**
Intangible assets	-	-	-	-	913	**913**
Other assets	13,141	1,183	-	-	2,258	**16,582**
Allowance for ECL and profit suspended	(2,750)	-	(1,914)	-	(18,293)	**(22,957)**
Total assets	**169,338**	**55,036**	**80,586**	**339,395**	**255,401**	**899,756**
Due to FIs	4,164	-	10,000	-	-	**14,164**
Due to other counterparties	17,479	17,831	10,189	-	12,736	**58,235**
Other liabilities	13,221	1,919	470	332	536	**16,478**
Participatory accounts	134,415	167,825	119,880	166,303	107,107	**695,530**
Reserves of equity of investment accountholders	-	-	-	-	109	**109**
Owner’s equity	-	-	-	-	115,240	**115,240**
Total liabilities and accountholders & owners’ equity	**169,279**	**187,575**	**140,539**	**166,635**	**235,728**	**899,756**

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
	RO 000
Foreign exchange & gold position	12,572
Commodities position	-
Total	**12,572**

ii. **Foreign Exchange Net Open Positions to Capital**

Details	Amount
	RO 000
Foreign exchange net open position	10,660
Total capital	118,014
Foreign exchange net open position to total capital	**0.090**

10% 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
	RO 000
Total Sukuk and Shares	124,086
Net open position foreign currency	10,660

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%	
	2024	2023	**2024**	2023
	RO 000	RO 000	**RO 000**	RO 000
Omani Rials	722	515	1,443	1,029
US Dollars	276	158	553	317
Other currencies	-	-	-	-

Impact on earnings due to foreign exchange risk:

Impact on earnings due to 10% devaluation of foreign exchange in the banking book is **RO 1,066 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 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.

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 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.

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 **52** 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
	RO 000
Operational risk	93,178

ii. Gross Income

Details	2024	2023	2022	Average
	RO 000	**RO 000**	**RO 000**	**RO 000**
Gross income	54,824	50,998	43,263	**46,695**

iii. Amount of Shari'a Non-Compliant Income

Amount of Shari'a non-compliant income transferred to charity was **RO 22 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 IAH's 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 Equalisation Reserve as explained in section 4.2.1.

6.7.2. QUANTITATIVE DISCLOSURE

i. **Indicators of exposures to rate of return risk**

31 December 2024	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
		RO 000	RO 000	RO 000	RO 000	RO 000	RO 000	RO 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**	**-**	**-**

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 **OMR 22,059** 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 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
	RO 000	RO 000	RO 000	RO 000	RO 000
Total profits available for sharing	49,016	42,356	36,901	33,588	30,310
Profit available for IAH before smoothing	3,208	1,526	1,000	2,051	1,354
Profit paid to IAH after smoothing	1,600	761	499	1,622	1,065

Details	Position as at				
	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
	RO 000	RO 000	RO 000	RO 000	RO 000
PER	87	55	40	30	22
IRR	22	14	10	8	5

ii. Five-Year Comparison of Historical Rate of Return with Market Benchmark Rate

No market benchmark rate is available for comparison purpose.

iii.

Deposit Category	Position as at				
	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
Investment Account Holders					
High Yield Saving accounts (RO)	2.20%	2.34%	1.51%	1.21%	0.57%
High Yield Saving accounts (USD)	0.38%	0.19%	0.20%	0.22%	0.19%
Mudaraba Saving Account	0.55%	0.57%	0.61%	0.68%	0.59%
Saving Plan 12-M	3.63%				
Saving Plan 24-M	4.06%				
Saving Plan 36-M	4.27%				
Saving Plan 48-M	4.27%				
Saving Plan 60-M	4.27%				
Equity	5.45%	5.56%	5.92%	6.34%	5.86%

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	RO 000
Total profits available for distribution to IAH	3,208
- Mudarib fee charged by Dhofar Islamic	(1,568)
- PER	(32)
- IRR	(8)
Profit distributed to IAH	**1,600**

vi. **Analysis of the proportion of the RWA funded by IAH**

Details	RWA	RWA
Assets	**RO 000**	**%**
- Murabaha	2,701	3.80%
- Diminishing Musharaka	45,647	64.25%
- Ijarah Muntahia Bittamleek	4,159	5.85%
- Wakala financing	11,421	16.08%
- Mudaraba financing	1,433	2.02%
- Investment in Sukuk	4,849	6.83%
- Wakala placement	782	1.10%
- Murabaha and Musawama inventory	-	0.00%
- Advances to customers	51	0.07%
Total assets funded by IAH (allocated based on proportion)	**71,043**	**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.

6.9.2. QUANTITATIVE DISCLOSURE

i. **RWA Classified by Shari'a Compliant Financing Contracts**

Sr.	Details	RWA
		RO 000
1	Murabaha and other receivables	25,178
2	Mudaraba Financings	12,485
3	Ijarah Assets	36,233
4	Diminishing Musharaka Financing	397,674
5	Wakala Financing	99,503
Total		**571,073**

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	2024	2023
	RO 000	RO 000
Finances		
Directors, members of Shari'a Supervisory Board and shareholders holding 10% or more interest in the Bank	**61**	111
Deposits and other accounts		
Directors, members of Shari'a Supervisory Board and shareholders holding 10% or more interest in the Bank	**47,092**	19,806
Other transactions		
Rental payment to a related party	**160**	171
Income from finance to related parties	**4**	6
Profit expense on deposits from related parties	**2,188**	1,526
Key management compensation		
Salaries and other benefits	**439**	408

iv. In 2024, Dhofar Islamic achieved remarkable milestones, including rebranding to better reflect their identity and expanding Dhofar Islamic's branch network across Oman. 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, the IFN Oman Forum, and the Women's Leadership Forum, celebrating women leaders in Oman. Dhofar Islamic engaged the community through weekly Hala FM broadcasts and insightful podcasts on topics including fraud prevention, investment strategies, saving culture, IPOs, financial literacy, women in banking, combating money laundering, and financial planning for individuals. These initiatives highlighted its commitment to customer-centric growth and national financial awareness. Social media influencers promoted its Islamic mobile banking app, increasing service visibility. Press coverage showcased its achievements, including growth in deposits and rise in gross financing, cementing Dhofar Islamic's leadership and robust performance in the 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 process whereby it handles the complaints receive 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 setup 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 **2024**, the department has conducted **6** audits as compared to the target of **7**. The Unit comes under the direct supervision of SSB. The SSB met **5** times (including **1** meeting with Board of Directors) in the year **2024**.

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 **RO 22 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	2024	2023
	RO 000	RO 000
Chairman		
- Remuneration	**10**	9
- Sitting fees paid	**3**	3
Other Members		
- Remuneration	**32**	28
- Sitting fees paid	**9**	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
(RO 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	46,001	
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 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**	116,001	
Common Equity Tier 1 Capital: Regulatory Adjustments			
7	Prudential valuation adjustments	917	
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	-	

DHOFAR ISLAMIC - WINDOW OF BANK DHOFAR SAOG

DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(RO 000)			
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**	917	
29	**Common Equity Tier 1 capital (CET 1)**	115,084	
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*		

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DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(RO 000)			
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)**	115,084	
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)	-	

DHOFAR ISLAMIC - WINDOW OF BANK DHOFAR SAOG

DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(RO 000)			
49	*of which: instruments issued by subsidiaries subject to phase out*		
50	Provisions and Cumulative fair value gains on available for sale instruments	2,930	
51	**Tier 2 capital before regulatory adjustments**	2,930	
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)**	2,930	
59	**Total Capital (TC = T 1 + T 2)**	118,014	
	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)**	779,760	
60a	*of which: Credit Risk Weighted Assets*	674,010	
60b	*of which: Market Risk Weighted Assets*	12,572	
60c	*of which: Operational Risk Weighted Assets*	93,178	
Capital Ratios			

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DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(RO 000)			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.76%	
62	Tier 1 (as a percentage of risk weighted assets)	14.76%	
63	Total capital (as a percentage of risk weighted assets)	15.13%	
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)	6.51%	
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)	2,930	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	8,425	
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	-	

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DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amount Subject to Pre-Basel III treatment
(RO 000)			
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 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)	RO 000
1	Common Equity Tier 1 Capital (CET1) before Regulatory Adjustments	116,001
2	Regulatory Adjustments to CET1	917
3	CET1	115,084
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%)	115,084
8	Tier 2 Capital before Regulatory Adjustments	2,930
9	Regulatory Adjustments to Tier 2 Capital	-
10	Tier 2 Capital (T2)	2,930
11	Total Capital (11=7+10)	118,014
12	Total Risk Weighted Assets (TRWA) (12=13+14+15)	779,760
13	Credit Risk Weighted Assets	674,010
14	Market Risk Weighted Assets	12,572
15	Operational Risk Weighted Assets	93,178
16	CET1 (as a percentage of TRWA) (in %)	14.76
17	Tier 1 (as a percentage of TRWA) (in %)	14.76
18	Total capital (as a percentage of TRWA) (in %)	15.13

DHOFAR ISLAMIC - WINDOW OF BANK DHOFAR SAOG

DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

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 - 31.12.2024	As at Period End - 31.12.2024	
Assets			
Cash & Balances with CBO	**28,258**		
Balances with bank and money at call and short notice	**27,123**		
Investments:	**124,086**		
Of which **Held to Maturity**			
Out of investments in Held to Maturity:			
Investments in Subsidiaries			
Investments in Associates & Joint Ventures			
Of which **Available for Sale**	124,086		
Out of investments in Available for Sale:			
Investments in Subsidiaries			
Investments in Associates & Joint Ventures			
Of which **Held for Trading**			
Loans & Advances	**724,192**		
Of which,			
Loans & Advances to domestic banks			
Loans & Advances to Non-Resident Banks			
Loans & Advances to domestic customers	693,033		
Loans & Advances to Non-Resident Customers for domestic operations			
Loans & Advances to Non-Resident Customers for operations abroad			
Loans & Advances to SMEs	31,159		
Financing from Islamic Banking Window			
Fixed Assets	**2,472**		
Other Asset	**16,582**		
Of which,			
Goodwill & Intangible Assets			a
Out of which			

DHOFAR ISLAMIC - WINDOW OF BANK DHOFAR SAOG

DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

	Balance Sheet as in Published Financial Statement	Under regulatory scope of consolidation	Reference
	As at Period End - 31.12.2024	As at Period End - 31.12.2024	
Goodwill			
Other Intangibles (excluding MSRs)			
Deferred Tax Assets			
Goodwill on Consolidation			
Debit balance in Profit & Loss Account			
Total Assets	**922,713**	**-**	
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
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)	(761)	(761)	n
Retained Earnings (The proposed dividend payment amount is excluded from retained earnings)	46,001	46,001	o
Total Capital	**115,240**		
Deposits	**691,035**		
Of which,			
Deposit from Banks			
Customer Deposits	691,035		
Deposit of Islamic Banking Window	-		
Other deposits - (Please specify)			
Borrowings	**76,894**		
Of which,			
From CBO			
From Banks (includes borrowing from HO)	76,894		
From other Institutions & Agencies			

DHOFAR ISLAMIC - WINDOW OF BANK DHOFAR SAOG

DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II AND BASEL III

As at 31st December 2024

	Balance Sheet as in Published Financial Statement	Under regulatory scope of consolidation	Reference
	As at Period End - 31.12.2024	As at Period End - 31.12.2024	
Borrowings in the form of bonds, debentures & Sukuks			
Others (Please specify) (Subordinated Loans)			
Other liabilities & provisions	**39,544**		
Of which,			
DTLs related to goodwill			
DTLs related to intangible assets			
Total Liabilities	**922,713**	**45,240**	

Common Equity Tier 1 capital: instruments and reserves

Sr. No.		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 'Allocated Capital to Window from Core Capital'	70,000	h
2	Retained earnings	46,001	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	116,001	
7	Prudential valuation adjustments	(917)	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) RO 000	Total Weighted Value (annual average) RO 000
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		109,427
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	120,810	10,211
3	Stable deposits	26,715	801
4	Less stable deposits	94,095	9,410
5	Unsecured wholesale funding, of which:	227,669	104,401
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	227,669	104,401
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which	34,219	2,988
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	34,219	2,988
14	Other contractual funding obligations	10,907	10,907
15	Other contingent funding obligations	44,122	2,206
16	**TOTAL CASH OUTFLOWS**		130,713
Cash Inflows			
17	Secured lending (e.g., reverse repos)		
18	Inflows from fully performing exposures	182,918	63,032
19	Other cash inflows	12,849	12,850
20	**TOTAL CASH INFLOWS**	195,768	75,882
			Total Adjusted Value
21	**TOTAL HQLA**		109,338
22	**TOTAL NET CASH OUTFLOWS**		54,831
23	**LIQUIDITY COVERAGE RATIO (%)**		199.57

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 **31 December 2024 is 199.57%** (2023: 181.06%).

Further to the above, LCR is also monitored8 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 at 31 December 2024** as compared to 16% as at 31 December 2023.

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:	111,160				111,160
2	*Regulatory capital*	111,160				111,160
3	*Other capital instruments*	-				-
4	Retail deposits and deposits from small business customers:	122,047	25,305	20,822	-	152,727
5	*Stable deposits*	18,838	3,471	5,083		26,023
6	*Less stable deposits*	103,209	21,834	15,739		126,704
7	Wholesale funding:	166,981	86,971	106,991	144,328	324,799
8	*Operational deposits*	2,615				1,307
9	*Other wholesale funding*	164,366	86,971	106,991	144,328	323,492
10	Liabilities with matching interdependent assets					-
11	Other liabilities:	83,035				-
12	*NSFR derivative liabilities*					
13	*All other liabilities and equity not included in above categories*	83,035				-
14	**Total ASF**					588,686
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					11,552
16	Deposits held at other financial institutions for operational purposes	2,661				1,330
17	Performing loans and securities:	-	13,120	188,261	511,816	489,060
18	Performing loans to financial institutions secured by Level 1 HQLA		-			-
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions		13,120			1,968
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			188,261		94,131
21	-With a risk weight of less than or equal to 35%					

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
	under the Basel II Standardised approach for credit risk					
22.	Performing residential mortgages, of which:				289,857	246,379
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				210,418	136,772
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities				11,541	9,810
25	Assets with matching interdependent liabilities					
26	Other Assets:	-	-		34,412	34,412
27	Physical traded commodities, including gold					-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					-
30	NSFR derivative liabilities before deduction of variation margin posted					-
31	All other assets not included in the above categories				34,412	34,412
32	Off-balance sheet items					3,917
33	**TOTAL RSF**					540,271
34	**NET STABLE FUNDING RATIO (%)**					108.96

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 at **31 December 2024 is at 108.96%** (2023: 109.66%).

Dhofar Islamic
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENT

31 DECEMBER 2024

DRAFT FOR CBO APPROVAL

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 2024, the statement of comprehensive income, changes in 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 2024, 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 2024.

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 our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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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.

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KPMG

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

— 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.

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

Statement of financial position

At 31 December

	Note	2024 RO 000	2023 RO 000
Assets			
Cash and balances with Central Bank of Oman	5	**28,258**	28,725
Receivables from, and participatory investments with, FIs	6	**27,123**	23,344
Receivables	7	**26,956**	29,101
Ijarah Muntahia Bittamleek	8	**59,576**	62,166
Participatory investments	9	**617,610**	563,130
Investments in Sukuk and shares	10	**123,934**	90,771
Property and equipment	11	**1,559**	1,319
Intangible assets	12	**913**	800
Other assets	13	**13,827**	16,800
Total assets		**899,756**	816,156
Liabilities, quasi-equity and owners' equity			
Liabilities			
Due to FIs	14	**14,164**	28,309
Due to other counterparties	15	**58,235**	36,498
Other liabilities	16	**16,478**	16,258
Total liabilities		**88,877**	81,065
Quasi-equity			
Participatory accounts	17	**695,530**	627,277
Reserves of equity of investment accountholders	18	**109**	69
Total quasi-equity		**695,639**	627,346
Owners' equity			
Allocated share capital	19	**70,000**	70,000
Reserves		**(761)**	740
Retained earnings		**46,001**	37,005
Total owners' equity		**115,240**	107,745
Total liabilities, quasi equity and owners' equity		**899,756**	816,156
Contingencies and commitments	20	**53,575**	27,340

The financial statements including notes and other information on pages 305 to 374 were approved by the Board of Directors on 26 January 2025 for issue in accordance with a resolution of Board of Directors and signed on their behalf by:

Chairman

Chief Dhofar Islamic Banking Officer

Independent auditors report – Pages 297-299.

Statement of income and other comprehensive income

For the year ended 31 December 2024

	Note	2024 RO 000	2023 RO 000
Income			
Income, gains and losses from:			
Trade-based modes	21	**1,459**	1,322
Ijarah Muntahia Bittamleek	22	**3,455**	3,539
Participatory investments	23	**37,995**	32,688
Investments in Sukuk and shares	24	**6,107**	4,807
		49,016	42,356
Net income attributable to quasi-equity	25	**(29,688)**	(23,513)
		19,328	18,843
Other fees and commission income – net	26	**3,531**	3,817
Other income	27	**426**	238
Total operating income		**23,285**	22,898
Operating expenses			
Staff expenses	28	**(6,528)**	(6,578)
Depreciation and amortization	29	**(666)**	(522)
Other operating expenses	30	**(4,586)**	(4,099)
Total operating expenses		**(11,780)**	(11,199)
Net operating income - before expected credit losses		**11,505**	11,699
Allowance for expected credit losses - net	31	**(2,480)**	(3,056)
Bad debts written-off		**(29)**	-
Net income for the year		**8,996**	8,643
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		**(1,501)**	1,266
Total other comprehensive income for the year		**(1,501)**	1,266
Total comprehensive income		**7,495**	9,909

Notes to the financial statements from 305 to 374 are an integral part of these financial statements.
Independent auditors report – Pages 297-299.

Statement of changes in owner's equity
For the year ended 31 December 2024

	31 December 2024			
	Allocated share capital *RO 000*	**Investment revaluation reserve** *RO 000*	**Retained earnings** *RO 000*	**Total** *RO 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**

	31 December 2023			
	Allocated share capital *RO 000*	Investment revaluation reserve *RO 000*	Retained earnings *RO 000*	Total *RO 000*
Balance at 31 December 2022	70,000	(526)	28,362	97,836
Net income for the year	-	-	8,643	8,643
Other comprehensive income	-	1,266	-	1,266
Total comprehensive income	-	1,266	8,643	9,909
Balance as at 31 December 2023	70,000	740	37,005	107,745

Notes to the financial statements from 305 to 374 are an integral part of these financial statements.
Independent auditors report – Pages 297-299.

Statement of changes in cash flows

For the year ended 31 December 2024

	2024 RO 000	2023 RO 000
Cash flows from operating activities		
Net income for the year	**8,996**	8,643
Less: dividend income	**(624)**	-
Adjustments for:		
Depreciation and amortization	**666**	522
Deferred Ijarah cost amortization	**3**	3
Depreciation on Ijarah assets	**3,411**	5,326
Allowance for expected credit losses - net	**2,480**	3,056
Bad debts written-off	**29**	-
Amortisation of premium / discount on investment	**(12)**	10
Profit equalisation reserve and Investment risk reserve	**40**	19
Operating income before changes in operating assets and liabilities	**14,989**	17,579
Net change in operating assets and liabilities:		
Receivables	**2,190**	(10,680)
Ijarah Muntahia Bittamleek	**(1,146)**	(4,601)
Participatory investments	**(56,546)**	(106,591)
Other assets	**2,580**	(2,565)
Other liabilities	**561**	2,973
Qard Hasan from Head Office (operational activities)	**(14,217)**	(11,141)
Net cash (used in) operating activities	**(51,589)**	(115,026)
Cash flows from investing activities		
Purchase of investments	**(84,238)**	(16,966)
Proceeds from Investments sold / matured	**49,475**	20,010
Dividend received	**624**	-
Acquisition of property and equipment	**(340)**	(1,067)
Acquisition of intangibles	**(612)**	(409)
Net cash (used in) / generated from investing activities	**(35,091)**	1,568
Cash flows from financing activities		
Due to other counterparties	**21,737**	1,043
Increase in participatory accounts	**68,253**	136,287
Net cash generated from financing activities	**89,990**	137,330
Increase in cash and cash equivalents	**3,310**	23,872
Cash and cash equivalents at the beginning of the year	**52,071**	28,199
Cash and cash equivalents at the end of the year	**55,381**	52,071
Cash and cash equivalents at the end of the year comprise:		
Cash and balances with Central Bank of Oman	**28,258**	28,725
Participatory investments with IFIs	**27,123**	23,346
	55,381	52,071

Notes to the financial statements from 305 to 374 are an integral part of these financial statements.
Independent auditors report – Pages 297-299.

Statement of sources and uses of charity fund

For the year ended 31 December 2024

	2024	2023
	RO 000	*RO 000*
Sources of charity funds		
Undistributed charity funds at beginning of the year	**10**	7
Shari'ah non-compliant income	**22**	10
Total sources of funds during the year	**32**	17
Uses of charity funds		
Distributed to charity organizations	**(10)**	(7)
Total uses of funds during the year	**(10)**	(7)
Undistributed charity funds at end of the year	**22**	10

Notes to the financial statements from 305 to 374 are an integral part of these financial statements.
Independent auditors report – Pages 297-299.

Notes to the financial statements
For the year ended 31 December 2024

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 25 (2023: 22) 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.

During 2024, the board vide resolution 2022/9/(5) dated 21 December 2022 approved to change the name of the Islamic window from “Maisarah Islamic Banking Services” to “Dhofar Islamic”. This has been confirmed by CBO vide circular RD/SDD/IBS/2024/14 dated 18 January 2024.

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 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 ("RO") 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

Except for the changes resulting from the adoption of below standard(s) from 1 January 2024, the accounting policies applied in these financial statements are the same as those applied in the last financial statements.

2 Basis of preparation *(continued)*

2.5 Change in accounting policy *(continued)*

2.5.1 FAS 1 General presentation and disclosures in the financial statements

Dhofar Islamic has adopted FAS 1 General Presentation and Disclosures in the Financial Statements effective from the financial period beginning on 1 January 2024. This standard ensures the requirement of Islamic financial institution to publish periodic financial statements to satisfy the common information needs of the users, as described in the conceptual framework. This standard sets out the overall requirements for presentation of financial statements, the minimum requirements for the contents of the financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari'ah principles and rules and comparability with the institution's financial statements of previous periods, and the financial statements of other institutions. This standard is applicable to the financial statements of the institutions desirous to prepare information for Shari'ah compliant products and services to meet the information needs of the users of such statements. Upon the adoption of the standard, necessary presentation and disclosure requirements have been incorporated in the financial statements, as prescribed in the standard.

2.5.2 FAS 40 Financial reporting for Islamic finance windows

Dhofar Islamic has adopted FAS 40 Financial Reporting for Islamic Finance Windows effective from the financial periods beginning on 1 January 2024. This standard prescribes the financial reporting requirements for Islamic financial services offered by conventional financial institutions (in form of Islamic finance windows). This standard is applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. Upon the adoption of the standard, there is no significant impact on the Bank's financial statements.

2.6 New standards, interpretations and amendments

For the year ended 31 December 2024, 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 2024.

2.6.1 Standards, amendments and interpretations effective in 2024

The Islamic window has applied the following standard(s) and amendment(s) for the first time for its annual reporting period commencing from 1 January 2024:

- ***FAS 1 – General Presentation and Disclosures in the Financial Statements***
- ***FAS 40 – Financial Reporting for Islamic Finance Windows***

2.6.2 Standards issued but not effective from 1 January 2024

- ***FAS 45 Quasi-Equity (Including Investment Accounts)***

AAOIFI has issued FAS 45 Quasi-Equity (Including Investment Account) in 2023. The objective of this standard is to establish the principles of financial reporting related to instruments classified as quasi-equity, such as investment accounts and similar instruments invested with the Islamic financial institutions. This standard applies to all instruments that meet the definition of quasi-equity held with an institution in line with the conceptual framework. The standard will be effective from the financial periods beginning on or after 1 January 2026 with earlier adoption being permitted. Based on the initial review, Management believes that there is no significant impact on Dhofar Islamic's financial statements.

2 **Basis of preparation** *(continued)*

2.6 **New standards, interpretations and amendments** *(continued)*

2.6.2 **Standards issued but not effective from 1 January 2024** *(continued)*

- ***FAS 46 Off-Balance-Sheet Assets Under Management***

AAOIFI has issued FAS 46 Off-Balance-Sheet Assets under Management in 2023. The objective of this standard is to establish the principles of financial reporting related to off-balance-sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard applies to Islamic financial institutions preparing financial statements in line with the requirements of AAOIFI Financial Accounting Standards with regard to the assets managed in a fiduciary capacity without establishing control except for the participants' Takaful fund / participants' investment fund of a Takaful institution; and an investment fund managed by an institution, being a separate legal entity. The standard will be effective from the financial periods beginning on or after 1 January 2026 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 47 Transfer of Assets Between Investment Pools***

AAOIFI has issued FAS 47 Transfer of Assets Between Investment Pools in 2023. The objective of this standard is to establish the principles of financial reporting that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard applies to all transfers of assets between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off-balance-sheet assets under management of all institutions, irrespective of their type or business model. The assets transferred include both monetary and non-monetary assets. The standard will be effective from the financial periods beginning on or after 1 January 2026 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 48 Promotional Gifts and Prizes***

AAOIFI has issued FAS 48 Promotional Gifts and Prizes in 2024. The objective of this standard is to prescribe the accounting and financial reporting requirements applicable to promotional gifts prizes awarded by the Islamic financial institutions to their customers, including quasi-equity and other investment accountholders. This standard applies to promotional gifts and prizes (including loyalty programs) announced and awarded by an institution (on behalf of the owners and out of the amounts attributable to the owners' equity) to all or specific customers including quasi-equity and other investment accountholders. The standard will be effective from the financial periods beginning on or after 1 January 2026 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 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. Based on the initial review, Management believes that there is no significant impact on Dhofar Islamic's financial statements.

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.

3.6 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 accountholders. All other income and expenses arising from these investments are also recognised in the statement of income.

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 unlikeliness 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:

	Years
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 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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".

3.17 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 Significant accounting policies *(continued)*

3.18 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.

3.19 Revenue recognition

3.19.1 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.

3.19.2 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.

3.19.3 Mudaraba financing

Income on Murdaraba 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.

3.19.4 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.

3.19.5 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.

3.19.6 Dividends

Dividends are recognised when the right to receive payment is established.

3.19.7 Fee and Commission income

Fee and commission income is recognised when earned.

3 Significant accounting policies *(continued)*

3.19 Revenue recognition *(continued)*

3.19.8 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.

3.19.9 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.

3.19.10 Profit suspension

Profit receivable which is doubtful of recovery is excluded from the profit recognised until it is received in cash.

3.20 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.

3.21 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 RO 1,349 thousand (2023: RO 1,296 thousand). Had the taxation been allocated, following would have been the impact:

	2024	2023
	RO 000	*RO 000*
Profit after tax	**7,647**	7,347
Retained earnings	**36,732**	29,085
Capital adequacy ratio	**13.78%**	14.56%

3 Significant accounting policies *(continued)*

3.22 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.

3.23 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.

3.24 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.

3.25 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.

3.26 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)*

3.27 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.

3.28 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 12month 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 3.21.

5 Cash and balances with Central Bank of Oman

	2024 RO 000	2023 RO 000
Cash in hand	**3,635**	2,957
Balances with Central Bank of Oman (5.1)	**24,623**	25,768
	28,258	28,725

5.1 This represents the clearing account balances with Central Bank of Oman.

6 Receivables from, and participatory investments with, FIs

Current / non-remunerative:		
Head office – foreign currency	**503**	-
Foreign IFIs – foreign currency	**2,750**	1,786
Participatory investments with IFIs (6.1):		
Local IFIs – local currency	**-**	10,010
Local IFIs – foreign currency	**8,470**	-
Foreign IFIs – foreign currency	**15,400**	11,550
	27,123	23,346
Less: allowance for expected credit losses (note 31)	**-**	(2)
	27,123	23,344

6.1 At 31 December 2024, placement with one overseas bank individually represented 20% or more of the Islamic window's placements (2023: One overseas and one local bank individually represented 20% or more).

7 Receivables

Trade-based receivables (7.1)	**25,446**	28,288
Other than trade-based receivables (7.2)	**1,893**	1,227
Less: profit suspended (note 31)	**(34)**	(20)
Less: allowance for expected credit losses (note 31)	**(349)**	(394)
	26,956	29,101

7.1 Trade-based receivables

Murabaha receivables – gross	**30,069**	32,671
Less: deferred profit	**(4,655)**	(4,402)
Murabaha receivables – net	**25,414**	28,269
Ujrah receivables – gross	**38**	19
Less: deferred profit	**(6)**	-
Ujrah receivables – net	**32**	19
Total trade-based receivables	**25,446**	28,288
Less: profit suspended (note 31)	**(34)**	(20)
Less: allowance for expected credit losses (note 31)	**(325)**	(361)
	25,087	27,907

7 Receivables *(continued)*

7.2 Other than trade-based receivables

	2024	2023
	RO 000	*RO 000*
Qard receivables – credit card	**1,893**	1,227
Less: allowance for expected credit losses (note 31)	**(24)**	(33)
	1,869	1,194

8 Ijarah Muntahia Bittamleek

	2024	2023
Ijarah Muntahia Bittamleek – through gift or sale after the end of lease term	**60,405**	62,670
Less: allowance for expected credit losses (note 31)	**(829)**	(504)
	59,576	62,166

8.1 Future lease rentals – liquidity schedule

	2024			
	Past Due	**Due within one year**	**Due within 1 to 5 years**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***
Ijarah Muntahia Bittamleek – through gift or sale after the end of lease term	**708**	**8,896**	**74,908**	**84,512**

	2023			
	Past Due	Due within one year	Due within 1 to 5 years	Total
	RO 000	*RO 000*	*RO 000*	*RO 000*
Ijarah Muntahia Bittamleek – through gift or sale after the end of lease term	251	9,045	79,430	88,726

9 Participatory investments

	2024	2023
	RO 000	*RO 000*
Mudaraba unrestricted (9.1)	**4,601**	7,511
Diminishing Musharaka (9.2)	**528,697**	471,725
Al-Wakala Bi Al-Istithmar (9.3)	**103,150**	100,670
	636,448	579,906
Less: profit suspended for Mudaraba and Wakala (note 31)	**(79)**	(54)
Less: allowance for expected credit losses (note 31)	**(18,759)**	(16,722)
	617,610	563,130

9.1 Mudaraba unrestricted:

	2024	2023
Mudaraba	**4,601**	7,511
Less: profit suspended	**(27)**	(2)
Less: allowance for expected credit losses	**(140)**	(204)
	4,434	7,305

9 Participatory investments *(continued)*

9.2 Diminishing Musharaka:

	2024 RO 000	2023 RO 000
Diminishing Musharaka	**528,697**	471,725
Less: allowance for expected credit losses	**(17,748)**	(15,271)
	510,949	456,454

9.3 Wakala – venture approach

	2024 RO 000	2023 RO 000
Investment brought forward	**100,670**	76,229
Investment acquired during the year at cost	**121,823**	148,313
Investor's share in income of Wakala venture	**501**	643
Less: periodic capital redemptions	**(119,844)**	(124,515)
	103,150	100,670
Less: profit suspended	**(52)**	(52)
Less: allowance for expected credit losses	**(871)**	(1,247)
	102,227	99,371

10 Investments in Sukuk and shares

	2024 RO 000	2023 RO 000
Investments in Sukuk – net (10.1)	**112,744**	85,690
Investments in shares – net (10.2)	**11,190**	5,081
	123,934	90,771

10.1 Investments in Sukuk

	2024 RO 000	2023 RO 000
Fair value through other comprehensive income:		
i) Non-monetary debt type Sukuk:		
Local listed Sukuk	**12,620**	3,126
International unlisted Sukuk	**18,480**	-
Sovereign Sukuk	**72,600**	74,230
	103,700	77,356
Less: allowance for expected credit losses (note 31)	**(130)**	(22)
Toal investments in debt type Sukuk	**103,570**	77,334
ii) Equity type Sukuk:		
Local listed Sukuk	**6,943**	6,206
International listed Sukuk	**2,253**	2,169
	9,196	8,375
Less: allowance for expected credit losses (note 31)	**(22)**	(19)
Toal investments in equity type Sukuk	**9,174**	8,356
Total investments in Sukuk	**112,744**	85,690

10.2 Investments in shares

	2024 RO 000	2023 RO 000
Fair value through other comprehensive income:		
Local listed shares	**11,190**	5,081
Total investments in shares	**11,190**	5,081

10 Investments in Sukuk and shares *(continued)*

During the year movement in investments value (excluding expected credit losses and impairment) at fair value through other comprehensive income:

	2024			
	Non-monetary debt type Sukuk	**Equity type Sukuk**	**Shares**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***
At 1 January	**77,356**	**8,375**	**5,081**	**90,812**
Additions	**77,149**	**-**	**7,089**	**84,238**
Disposals	**(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**

	2023			
	Non-monetary debt type Sukuk	Equity type Sukuk	Shares	Total
	RO 000	*RO 000*		*RO 000*
At 1 January	86,202	6,398	-	92,600
Additions	10,000	1,969	4,997	16,966
Disposals	(20,010)	-	-	(20,010)
Gain / (loss) from change in fair value	1,215	(33)	84	1,266
Amortisation of discount / premium - net	(51)	41	-	(10)
At 31 December	77,356	8,375	5,081	90,812

During the year changes in valuations for each level of investments:

	2024	2023
	RO 000	*RO 000*
(Loss) / gain on Level 1 investments	**(1,525)**	275
Gain on Level 2 investments	**24**	991
Total gain / (loss) on investments	**(1,501)**	1,266

11 Property and equipment

	2024					
	Furniture, fixtures & equipment	**Motor vehicles**	**Computer hardware**	**Right-of-Use Asset**	**Capital work in progress**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***	***RO 000***	***RO 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 book amount at 31 December	**676**	**16**	**365**	**98**	**404**	**1,559**

11 Property and equipment *(continued)*

	2023					
	Furniture, fixtures & equipment	Motor vehicles	Computer hardware	Right-of-use Asset	Capital work in progress	Total
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
Cost						
at 1 January	1,604	81	457	-	267	2,409
Additions	546	-	335	70	155	1,106
Disposals / Transfers	-	-	54	-	(221)	(167)
at 31 December	2,150	81	846	70	201	3,348
Accumulated depreciation						
at 1 January	(1,314)	(79)	(365)	-	-	(1,758)
Charge for the year	(169)	(2)	(84)	(16)	-	(271)
at 31 December	(1,483)	(81)	(449)	(16)	-	(2,029)
Net book amount at 31 December	667	-	397	54	201	1,319

12 Intangible assets

	2024	2023
	RO 000	*RO 000*
Cost		
at 1 January	**2,870**	2,294
Additions	**612**	409
Transfers from property and equipment	**(198)**	167
at 31 December	**3,284**	2,870
Accumulated amortisation		
at 1 January	**(2,070)**	(1,819)
Charge for the year	**(301)**	(251)
at 31 December	**(2,371)**	(2,070)
Net book amount at 31 December	**913**	800

13 Other assets

	2024	2023
	RO 000	*RO 000*
Accrued profit	**12,182**	14,302
Prepayments and advances	**716**	778
Others	**1,542**	742
Acceptances	**2,142**	2,610
	16,582	18,432
Less: profit suspended (note 31)	**(2,750)**	(1,624)
Less: allowance for expected credit losses on accrued profit (note 31)	**(5)**	(8)
Total	**13,827**	16,800

14 Due to FIs

	2024 RO 000	2023 RO 000
Qard payables – Head Office:		
Qard Term (14.1)	**10,000**	25,000
Current clearing account (14.2)	**4,164**	3,309
	14,164	28,309

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

	2024	2023
Qard accounts (15.1)	**50,945**	31,350
Margin accounts	**7,290**	5,148
	58,235	36,498

15.1 Qard accounts

	2024	2023
By sector:		
Retail	**7,849**	22,869
Corporate	**43,008**	8,256
Government	**88**	225
Total	**50,945**	31,350

16 Other liabilities

	2024	2023
Net Ijarah liability (16.1)	**74**	42
Provisions (16.2)	**6,480**	3,817
Payables	**1,897**	1,340
Profit payables	**4,970**	7,319
Charity fund	**22**	10
Others	**893**	1,120
Acceptances	**2,142**	2,610
Total	**16,478**	16,258

16.1 Net Ijarah liability

16.1.1 Summary of gross and net Ijarah liability distributed as per amount due:

	2024		2023	
	Gross Ijarah	**Net Ijarah**	Gross Ijarah	Net Ijarah
Within next 12 months	**39**	**36**	16	13
More than 12 months but within next 5 years	**40**	**38**	31	29
Total	**79**	**74**	47	42

16 Other liabilities *(continued)*

16.1.2 Unamortized deferred Ijarah cost movement:

	2024	2023
	RO 000	*RO 000*
At 1 January	**5**	-
Recognized during the year	**3**	8
Amortized during the year	**(3)**	(3)
At 31 December	**5**	5

16.2 Provisions:

Provision for employee benefits	**293**	285
Others provision	**5,867**	3,269
Allowance for expected credit losses of off-balance sheet items (note 31)	**320**	263
Total	**6,480**	3,817

17 Participatory accounts

Al-Wakala Bi Al-Istithmar – FIs (17.1)	**62,730**	103,525
Al-Wakala Bi Al-Istithmar – customers (17.2)	**532,855**	444,011
Mudaraba – customers (17.3)	**99,945**	79,741
Total	**695,530**	627,277

17.1 Al-Wakala Bi Al-Istithmar – FIs

Head office – local currency	**-**	55,000
Head office – foreign currency	**3,850**	-
Local FIs – local currency	**25,000**	23,500
Local FIs – foreign currency	**8,855**	-
Foreign FIs – foreign currency	**25,025**	25,025
Total	**62,730**	103,525

At 31 December 2024, inter bank borrowings with one local and one foreign FIs represented 20% or more of the Islamic window's due to banks (2023: inter bank borrowings with Bank Dhofar SAOG represented 20% or more of the Islamic window's due to banks).

17.2 Al-Wakala Bi Al-Istithmar – customers

Call accounts	**178,032**	107,141
Term deposit accounts	**354,823**	336,870
Total	**532,855**	444,011

17.3 Mudaraba – customers

Saving account	**99,542**	79,741
Saving recurring deposits	**403**	-
Total	**99,945**	79,741

There is no restricted investment at reporting date.

17 Participatory accounts *(continued)*

17.3 Mudaraba – customers *(continued)*

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 2024 and 2023 as follows:

	2024	2023
	%	%
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

	2024	2023
	RO 000	*RO 000*
Profit equalization reserve (18.1)	**87**	55
Investment risk reserve (18.2)	**22**	14
Total	**109**	69

18.1 Movement in profit equalisation reserve

Balance as at 1 January	**55**	40
Amount apportioned from income allocable to quasi-equity	**32**	15
Balance as at 31 December	**87**	55

18.2 Movement in investment risk reserve

Balance as at 1 January	**14**	10
Amount apportioned from income after Mudarib shared	**8**	4
Balance as at 31 December	**22**	14

19 Allocated share capital

During 2023 and 2024, 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:

	2024	2023
	RO 000	*RO 000*
Letters of credit	**9,177**	5,123
Guarantees	**44,398**	22,217
Total	**53,575**	27,340

20.2 Commitments

	2024	2023
Contractual commitments for property and equipment	**1,353**	1,340
Unutilised limits of funded and non-funded exposure	**101,588**	77,421

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**			
31 December 2024	**within 3 months**	**4-12 months**	**more than 12 months**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***
Currency forward - purchase contracts	**124,376**	**-**	**-**	**124,376**
Currency forward - sale contracts	**124,375**	**-**	**-**	**124,375**

Forward exchange contracts	**Contract / Notional Amount by term to Maturity**			
31 December 2023	**within 3 months**	**4-12 months**	**more than 12 months**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***
Currency forward - purchase contracts	3,850	-	-	3,850
Currency forward - sale contracts	3,850	-	-	3,850

21 Income, gains and losses from trade-based modes

	2024 RO 000	2023 RO 000
Murabaha receivables	**1,457**	1,321
Ujrah fees	**2**	1
Total	**1,459**	1,322
Sales	**19,114**	25,680
Less: cost of sales	**(17,149)**	(23,288)
	1,965	2,392
Opening deferred profit	**4,402**	3,556
Less: closing deferred profit	**(4,661)**	(4,402)
Profit waived off	**(233)**	(213)
Profit suspended (note 31)	**(14)**	(11)
Net profit during the year	**1,459**	1,322

22 Income, gains and losses from Ijarah Muntahia Bittamleek

	2024 RO 000	2023 RO 000
Income from Ijarah Muntahia Bittamleek	**6,866**	8,865
Less: depreciation on Ijarah Muntahia Bittamleek assets	**(3,411)**	(5,326)
Net income	**3,455**	3,539

23 Income, gains and losses from participatory investments

	2024 RO 000	2023 RO 000
Mudaraba unrestricted	**477**	494
Diminishing Musharaka	**30,262**	27,266
Al-Wakala Bi Al-Istithmar (23.1)	**7,256**	4,928
Total	**37,995**	32,688

23.1 Breakup of Al-Wakala Bi Al-Istithmar

	2024 RO 000	2023 RO 000
Al-Wakala Bi Al-Istithmar – IFIs	**503**	61
Al-Wakala Bi Al-Istithmar – customers	**6,753**	4,867
Total	**7,256**	4,928

24 Income, gains and losses from investments in Sukuk and shares

	2024 RO 000	2023 RO 000
Periodic profit payments – debt type Sukuk	**4,906**	4,274
Periodic profit payments – equity type Sukuk	**565**	543
Amortisation of premium / discount - net	**12**	(10)
Dividend received	**624**	-
Total	**6,107**	4,807

25 Net income attributable to quasi-equity

	2024 RO 000	2023 RO 000
Income attributable to investment accountholders:		
Al-Wakala Bi Al-Istithmar - IFIs	**2,873**	4,183
Al-Wakala Bi Al-Istithmar - customers	**24,666**	18,505
Hiba paid to the customers	**549**	64
	28,088	22,752
Income attributable to investment accountholders:		
Return on equity of investment accountholders before Mudarib share	**3,168**	1,507
Mudarib's share	**(1,568)**	(746)
	1,600	761
Total	**29,688**	23,513

26 Other fees and commission income

Fees and commission income	**2,807**	3,487
Service charges	**262**	196
Charges and commission on trade finance products	**752**	226
Fees and commission expense	**(290)**	(92)
Total	**3,531**	3,817

27 Other income

Foreign exchange gain – net	**426**	236
Other revenues	**-**	2
Total	**426**	238

28 Staff expenses

Salaries and allowances	**5,501**	5,695
Other personnel cost	**994**	827
Non-Omani employee terminal benefits	**33**	56
Total	**6,528**	6,578

29 Depreciation and amortization

Property and equipment (note 11)	**342**	256
Right-of-use-assets (note 11)	**23**	16
Intangible assets (note 12)	**301**	250
Total	**666**	522

30 Other operating expenses

Premises cost	**614**	569
Amortisation of deferred Ijarah cost	**3**	3
Operating and administration cost	**3,969**	3,527
Total	**4,586**	4,099

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 2024 and 2023:

31 December 2024	Stage 1 *RO 000*	Stage 2 *RO 000*	Stage 3 *RO 000*	Total *RO 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)*

31 December 2023	Stage 1 *RO 000*	Stage 2 *RO 000*	Stage 3 *RO 000*	Total *RO 000*
Gross exposure				
Balances with Central Bank of Oman	25,768	-	-	25,768
Receivables from, and participatory investment with FIs	23,346	-	-	23,346
Receivables	25,193	3,634	688	29,515
Ijarah Muntahia Bittamleek	58,289	4,130	251	62,670
Participatory investments	323,636	237,332	18,938	579,906
Investments in Sukuk	85,731	-	-	85,731
Accrued profit	3,747	8,941	1,614	14,302
Acceptances	2,412	198	-	2,610
Total on-balance sheet gross exposure	548,122	254,235	21,491	823,848
Letter of credit / guarantee	19,136	8,204	-	27,340
Financing commitment/unutilised limits	56,916	14,904	-	71,820
Total off-balance sheet gross exposure	76,052	23,108	-	99,160
Total gross exposure	624,174	277,343	21,491	923,008
Allowance for ECL & profit suspended				
Balances with Central Bank of Oman	-	-	-	-
Receivables from, and participatory investment with FIs	(2)	-	-	(2)
Receivables	(64)	(23)	(327)	(414)
Ijarah Muntahia Bittamleek	(94)	(240)	(170)	(504)
Participatory investments	(1,546)	(8,606)	(6,624)	(16,776)
Investments in Sukuk	(41)	-	-	(41)
Accrued profit	(1)	(7)	(1,624)	(1,632)
Acceptances	(1)	(1)	-	(2)
Total on-balance sheet ECL & profit suspended	(1,749)	(8,877)	(8,745)	(19,371)
Letter of credit / guarantee	(51)	(38)	-	(89)
Financing commitment / unutilised limits	(115)	(57)	-	(172)
Total off-balance sheet ECL & profit suspended	(166)	(95)	-	(261)
Total allowance and profit suspended	(1,915)	(8,972)	(8,745)	(19,632)
Net exposure				
Balances with Central Bank of Oman	25,768	-	-	25,768
Receivables from, and participatory investment with FIs	23,344	-	-	23,344
Receivables	25,129	3,611	361	29,101
Ijarah Muntahia Bittamleek	58,195	3,890	81	62,166
Participatory investments	322,090	228,726	12,314	563,130
Investments in Sukuk	85,690	-	-	85,690
Accrued profit	3,746	8,934	(10)	12,670
Acceptances	2,411	197	-	2,608
Total on-balance sheet net exposure	546,373	245,358	12,746	804,477
Letter of credit / guarantee	19,085	8,166	-	27,251
Financing Commitment / Unutilised limits	56,801	14,847	-	71,648
Total off-balance sheet net exposure	75,886	23,013	-	98,899
Total net exposure	622,259	268,371	12,746	903,376

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:

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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 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 provision held	Net Amount as per CBO norms*	Net Amount as per CL	Profit recognized	Reserve profit as per CBO norms
		RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
(1)	(2)	(3)	(4)	(5)	(6) = 4-5	(7) = 3-4-10	(8) = 3-5	(9)	(10)
	Stage 1	424,233	4,478	935	3,543	419,755	423,298	-	-
Standard	Stage 2	109,676	1,059	2,691	(1,632)	108,617	106,985	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		533,909	5,537	3,626	1,911	528,372	530,283	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	165,663	1,663	8,766	(7,103)	164,000	156,897	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		165,663	1,663	8,766	(7,103)	164,000	156,897	-	-
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	1,702	425	413	12	1,276	1,289	-	1
Subtotal		1,702	425	413	12	1,276	1,289	-	1
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,124	1,058	824	234	1,052	1,300	-	14
Subtotal		2,124	1,058	824	234	1,052	1,300	-	14
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	20,794	13,770	6,421	7,349	6,926	14,373	-	98
Subtotal		20,794	13,770	6,421	7,349	6,926	14,373	-	98
	Stage 1	274,047	-	335	(335)	274,047	273,712	-	-
Other items	Stage 2	39,796	-	111	(111)	39,796	39,685	-	-
	Stage 3	2,839	-	2,781	(2,781)	89	58	-	2,750
Subtotal		316,682	-	3,227	(3,227)	313,932	313,455	-	2,750
	Stage 1	698,280	4,478	1,270	3,208	693,802	697,010	-	-
Total	**Stage 2**	315,135	2,722	11,568	(8,846)	312,413	303,567	-	-
	Stage 3	27,459	15,253	10,439	4,814	9,343	17,020	-	2,863
	Total	1,040,874	22,453	23,277	(824)	1,015,558	1,017,597	-	2,863

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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 2023							
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
		RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
(1)	(2)	(3)	(4)	(5)	(6) = 4-5	(7) = 3-4-10	(8) = 3-5	(9)	(10)
	Stage 1	407,118	4,268	1,704	2,564	402,850	405,414	-	-
Standard	Stage 2	192,419	1,894	6,420	(4,526)	190,525	185,999	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		599,537	6,162	8,124	(1,962)	593,375	591,413	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	52,677	532	2,449	(1,917)	52,145	50,228	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		52,677	532	2,449	(1,917)	52,145	50,228	-	-
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	11,211	2,790	3,815	(1,025)	8,362	7,396	-	59
Subtotal		11,211	2,790	3,815	(1,025)	8,362	7,396	-	59
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,528	1,047	991	56	1,481	1,537	-	-
Subtotal		2,528	1,047	991	56	1,481	1,537	-	-
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	6,138	2,540	2,315	225	3,583	3,823	-	15
Subtotal		6,138	2,540	2,315	225	3,583	3,823	-	15
	Stage 1	217,056	-	211	(211)	217,056	216,845	-	-
Other items	Stage 2	32,247	-	103	(103)	32,247	32,144	-	-
	Stage 3	1,614	-	1,624	(1,624)	(10)	(10)	-	1,624
Subtotal		250,917	-	1,938	(1,938)	249,293	248,979	-	1,624
	Stage 1	624,174	4,268	1,915	2,353	619,906	622,259	-	-
Total	**Stage 2**	277,343	2,426	8,972	(6,546)	274,917	268,371	-	-
	Stage 3	21,491	6,377	8,745	(2,368)	13,416	12,746	-	1,698
	Total	923,008	13,071	19,632	(6,561)	908,239	903,376	-	1,698

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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 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 provision held**	**Net Amount as per CBO norms***	**Net Amount as per CL**	**Profit recognized**	**Reserve profit as per CBO norms**
		RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
(1)	(2)	(3)	(4)	(5)	(6) = 4-5	(7) = 3-4-10	(8) = 3-5	(9)	(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	**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	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

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For the year ended 31 December 2024

31 Allowance for expected credit losses *(continued)*

31.2.2 Restructured financing (continued)

		31 December 2023							
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**
		RO 000	***RO 000***	***RO 000***	***RO 000***	***RO 000***	***RO 000***	***RO 000***	***RO 000***
1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6) = 4-5**	**(7) = 3-4-10**	**(8) = 3-5**	**(9)**	**(10)**
Classified as performing	Stage 1	47,065	475	759	(284)	46,590	46,306	-	-
	Stage 2	83,408	818	6,131	(5,313)	82,590	77,277	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		130,473	1,293	6,890	(5,597)	129,180	123,583	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	11,396	3,076	4,454	(1,378)	7,586	6,942	-	734
Subtotal		11,396	3,076	4,454	(1,378)	7,586	6,942	-	734
Total	Stage 1	47,065	475	759	(284)	46,590	46,306	-	-
	Stage 2	83,408	818	6,131	(5,313)	82,590	77,277	-	-
	Stage 3	11,396	3,076	4,454	(1,378)	7,586	6,942	-	734
	Total	141,869	4,369	11,344	(6,975)	136,766	130,525	-	734

** Net of provisions and reserve profit as per CBO norms.*

	31 December 2024		
Asset Classification	**As per CBO Norms**	**As per ECL**	**Difference**
	RO 000	***RO 000***	***RO 000***
Impairment loss charged to statement of income	**9,382**	**2,480**	**6,902**
Provision required as per CBO norms including reserve profit/held	**25,316**	**23,277**	**2,039**
Gross non-performing financing (percentage)	**3.40%**	**3.40%**	**0.00%**
Net non-performing financing (percentage)	**1.32%**	**2.41%**	**-1.09%**

	31 December 2023		
Asset Classification	As per CBO Norms	As per ECL	Difference
	RO 000	*RO 000*	*RO 000*
Impairment loss charged to statement of income	6,446	6,308	138
Provision required as per CBO norms including reserve profit/held	14,769	19,632	(4,863)
Gross non-performing financing (percentage)	2.96%	2.96%	0.00%
Net non-performing financing (percentage)	2.04%	1.95%	0.09%

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31 Allowance for expected credit losses *(continued)*

31.3 Following tables show the movement in expected credit losses allowance for the year:

31 December 2024	**Stage 1** *RO 000*	**Stage 2** *RO 000*	**Stage 3** *RO 000*	**Total** *RO 000*
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**

31 December 2023	**Stage 1** *RO 000*	**Stage 2** *RO 000*	**Stage 3** *RO 000*	**Total** *RO 000*
Impairment allowance at beginning	2,039	10,061	3,816	15,916
Charge / (Reversal) for the year – Stage 1	(124)	-	-	(124)
Charge / (Reversal) for the year – Stage 2	-	(1,089)	-	(1,089)
Charge for the year – Stage 3	-	-	4,819	4,819
Reversal of charge – Stage 3	-	-	(550)	(550)
Net charge for the year	(124)	(1,089)	4,269	3,056
Impairment allowance at end before profit suspended	1,915	8,972	8,085	18,972
Add: Increase in profit suspended	-	-	660	660
Impairment allowance at end	1,915	8,972	8,745	19,632

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32 Distribution of assets by ownership

31 December 2024	Self-financed	Jointly financed	Total
	RO 000	RO 000	RO 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

Notes to the financial statements
For the year ended 31 December 2024

32 Distribution of assets by ownership *(continued)*

31 December 2023	**Self-financed**	**Jointly financed**	**Total**
	RO 000	***RO 000***	***RO 000***
Cash and balances with Central Bank of Oman	28,725	-	28,725
Receivables from, and participatory investments with, FIs			
Current / non-remunerative	1,786	-	1,786
Participatory investments with IFIs	-	21,560	21,560
Less: Allowance for expected credit losses	(2)	-	(2)
Receivables			
Murabaha receivables – net	-	28,269	28,269
Ujrah receivables – net	-	19	19
Less: Profit suspended	-	(20)	(20)
Qard receivables – credit card	1,227	-	1,227
Less: Allowance for expected credit losses	(87)	(307)	(394)
Ijarah Muntahia Bittamleek			
Total through gift or sale after the end of lease	-	62,670	62,670
Less: Allowance for expected credit losses	(334)	(170)	(504)
Participatory investments			
Mudaraba unrestricted	-	7,511	7,511
Diminishing Musharaka	-	471,725	471,725
Al-Wakala Bi Al-Istithmar	2,279	98,391	100,670
Less: Profit suspended for Mudaraba and Wakala	(54)	-	(54)
Less: Allowance for expected credit losses	(10,152)	(6,570)	(16,722)
Investments in Sukuk and shares			
Sukuk and shares at FVOCI	-	90,812	90,812
Less: Allowance for expected credit losses	(41)	-	(41)
Property and equipment	1,319	-	1,319
Intangible assets	800	-	800
Other assets	16,224	576	16,800
Total assets	41,690	774,466	816,156

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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.

	2024			
	Retail banking *RO 000*	Corporate banking *RO 000*	Treasury and investments *RO 000*	Total *RO 000*
Segment operating revenue	**5,479**	**11,541**	**1,119**	**18,139**
Other revenues	**1,049**	**2,333**	**1,764**	**5,146**
Total segment operating revenue	**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**

	2023			
	Retail banking *RO 000*	Corporate banking *RO 000*	Treasury and investments *RO 000*	Total *RO 000*
Segment operating revenue	4,211	13,476	613	18,300
Other revenues	691	2,719	1,188	4,598
Net operating income	4,902	16,195	1,801	22,898
Segment cost				
Operating expenses including depreciation	(3,776)	(6,206)	(1,217)	(11,199)
Net impairment & written off	(731)	(2,342)	17	(3,056)
Net profit for the year before tax	395	7,647	601	8,643
Segment assets	226,996	464,355	144,174	835,525
Less: Provision for impairment	(1,797)	(17,529)	(43)	(19,369)
Total segment assets	225,199	446,826	144,131	816,156
Segment liabilities & Quasi equity	275,104	296,621	136,686	708,411

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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

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy of investment securities during 2024 and 2023.

	31 December 2024			
Fair value information	**Level 1**	**Level 2**	**Level 3**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***
Investments at fair value through other comprehensive income	**124,086**	**-**	**-**	**124,086**

	31 December 2023			
Fair value information	**Level 1**	**Level 2**	**Level 3**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***
Investments at fair value through other comprehensive income	90,236	576	-	90,812

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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:

	2024	2023
	RO 000	*RO 000*
Finances		
Directors, members of Shari'ah Supervisory Board and shareholders holding 10% or more interest in the Bank	**61**	111
Deposits and other accounts		
Directors, members of Shari'ah Supervisory Board and shareholders holding 10% or more interest in the Bank	**91**	79
Other related parties	**47,001**	19,727
	47,092	19,806
Remuneration paid to Shari'ah Board members & Shari'ah Supervisor		
Chairman		
– remuneration	**10**	9
– sitting fees paid	**3**	3
Other Members		
– remuneration	**32**	28
– sitting fees paid	**9**	9
	54	49
Other transactions		
Rental payment to a related party	**160**	171
Income from finance to related parties	**3**	6
Profit expense on deposits from related parties	**2,042**	1,526
Key management compensation		
Salaries and other benefits	**439**	408

At 31 December 2024, profit rate for finance of 4.75% (2023: 3.54% to 5.0%), and profit rate for deposits range from 0.0% to 5.80% (2023: 0.0% to 5.75%).

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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.

Notes to the financial statements
For the year ended 31 December 2024

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 2024, the window has restructured financing amounting to RO 159,026 thousand, constituting 15% 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 Cyclicality Index, is used to forecast expected point-in-time probability of defaults for all the portfolio for which ECL is estimated. The forward-looking macro-economic model and factors were revised during the year 2024 in line with the revision of GDP projections and oil price by the International Monetary Fund. Also, a new world macro-economic model has been developed for the non-resident externally rated exposures (Banks and Sovereign). The revision made in the macro-economic indicators during last year is provided as under:

Notes to the financial statements
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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	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 ECL has been calculated as probability weighted figure for three scenarios i.e. Base case, Upside and Downside with analytically derived weighs respectively which is a change to the existing methodology where the scenario weights were assumed based on expert approach. 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 RO 17,934 thousand as at Dec-23 to RO 20,414 thousand as at Dec-24, thereby increasing the ECL by RO 2,480 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 2024	**ECL for Financing / Receivables**	**ECL for Investment securities**	**ECL for Other Portfolio**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 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**

As at 31 December 2023	**ECL for Financing / Receivables**	**ECL for Investment securities**	**ECL for Other Portfolio**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***
Scenarios currently used by the window	17,620	41	273	17,934
100% Base case scenario	17,345	41	275	17,661
100% Downside scenario	20,305	69	510	20,884

The above tables reveal that in case of 100% downside scenario, the ECL may increase by **RO 4,006 thousand** (2023: 2,950 thousand) from the current position.

Notes to the financial statements
For the year ended 31 December 2024

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 DP. 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 and Stage-2 ECL. As per the Prudential filter, the Tier II capital of the window will comprise of Stage 1 ECL plus portion of Stage 2 ECL. Such portion shall be estimated as under:

- The Stage 2 ECL amount as on Dec-19 is considered "Base Year Amount"; and
- The incremental ECL (i.e., Stage 2 ECL at a respective reporting date minus Stage 2 ECL as at Dec-19) may be considered for Tier 2 capital subject to incremental reduction of 20% ECL every year (like 80% in 2022, 60% in 2023, 40% in 2023, 20% in 2024).

The Tier II Capital has improved by 119% (capital adequacy ratio has improved by 0.2%) due to application of the above prudential filter.

Although above measures are not exhaustive and may not fully counteract the impact of COVID pandemic in the short run, they will mitigate the long-term negative impact of the pandemic. In response to this crisis, the window will continue to monitor and respond to all solvency and liquidity requirements. As at the reporting date the liquidity, funding and capital position of the window remains strong and is well placed to absorb the impact of the current disruption.

Notes to the financial statements
For the year ended 31 December 2024

36 Risk management *(continued)*

A. Credit risk *(continued)*

Gross exposures subjected to credit risk exposure are as follows:

(a) Portfolio concentrations (Gross)

	2024	2023
	RO 000	*RO 000*
Balances with CBO	**24,623**	25,768
Receivables from, and participatory investments with, FIs	**27,123**	23,346
Receivables and investments – customers	**724,192**	672,091
Investments in Sukuk	**112,896**	85,731
Letter of credit / Guarantee	**53,575**	27,340
Acceptances	**2,142**	2,610
Unutilized exposure	**84,141**	71,820
Accrued profit	**12,182**	14,302
Total	**1,040,874**	923,008

(b) Geographical concentrations (Gross)

	2024				
	Sultanate of Oman	**Other GCC Countries**	**Europe and North America**	**Africa and Asia**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 000***	***RO 000***
Balances with CBO	**24,623**	**-**	**-**	**-**	**24,623**
Receivables from, and participatory investments with, FIs	**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**

	2023				
	Sultanate of Oman	Other GCC Countries	Europe and North America	Africa and Asia	Total
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*
Balances with CBO	25,768	-	-	-	25,768
Receivables from, and participatory investments with, FIs	10,010	11,991	1,345	-	23,346
Receivables and investments – customers	672,091	-	-	-	672,091
Investments in Sukuk	83,562	2,169	-	-	85,731
Letter of credit / Guarantee	24,137	246	1,096	1,861	27,340
Acceptances	128	148	152	2,182	2,610
Unutilized exposure	71,820	-	-	-	71,820
Accrued profit	14,277	25	-	-	14,302
Balances with CBO	901,793	14,579	2,593	4,043	923,008

Notes to the financial statements
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36 Risk management *(continued)*

A. Credit risk *(continued)*

(c) Customer concentrations (Gross)

	2024			
	Retail	**Corporate**	**Government**	**Total**
	RO 000	***RO 000***	***RO 000***	***RO 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**

	2023			
	Retail	Corporate	Government	Total
	RO 000	*RO 000*	*RO 000*	*RO 000*
Balances with CBO	-	-	25,768	25,768
Receivables from, and participatory investments with, FIs	-	23,346	-	23,346
Receivables and investments – customers	225,591	446,500	-	672,091
Investments in Sukuk	-	11,501	74,230	85,731
Letter of credit / Guarantee	8,841	18,499	-	27,340
Acceptances	35	2,575	-	2,610
Unutilized exposure	-	71,820	-	71,820
Accrued profit	626	13,247	429	14,302
Total	235,093	587,488	100,427	923,008

36 Risk management *(continued)*

A. Credit risk *(continued)*

(a) Sector concentrations (Gross)

	2024								
	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	Balances with CBO
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 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)*

(d) Sector concentrations (Gross) *(continued)*

	2023								
	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	Balances with CBO
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
Import trade	-	-	49,750	-	3,628	2,302	12,562	21	68,263
Export trade	-	-	-	-	5	-	-	-	5
Wholesale & retail trade	-	-	16,002	-	329	12	2,553	83	18,979
Mining & quarrying	-	-	6,089	-	60	-	4	3	6,156
Construction	-	-	237,331	-	11,844	223	9,874	8,626	267,898
Manufacturing	-	-	20,667	-	505	-	21,088	75	42,335
Electricity, gas and water	-	-	9,874	-	-	-	635	-	10,509
Transport & communication	-	-	28	-	354	-	1,649	-	2,031
Financial institutions	-	23,346	5,003	11,501	8	-	14,800	380	55,038
Services	-	-	69,401	-	1,458	-	2,682	3,733	77,274
Government	25,768	-	-	74,230	-	-	-	429	100,427
Retail	-	-	225,591	-	8,841	35	-	626	235,093
Agriculture and allied Activities	-	-	10,937	-	39	38	4,713	3	15,730
Others	-	-	21,418	-	269	-	1,260	323	23,270
Total	25,768	23,346	672,091	85,731	27,340	2,610	71,820	14,302	923,008

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36 Risk management *(continued)*

A. Credit risk *(continued)*

(e) Credit quality concentration (Gross)

	2024			
	Performing Not Past Due *RO 000*	**Performing Past Due** *RO 000*	**Non-Performing** *RO 000*	**Total** *RO 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**

	2023			
	Performing Not Past Due *RO 000*	Performing Past Due *RO 000*	Non-Performing *RO 000*	Total *RO 000*
Balances with CBO	25,768	-	-	25,768
Receivables from, and participatory investments with, FIs	23,346	-	-	23,346
Receivables and investments – customers	566,289	85,925	19,877	672,091
Investments in Sukuk	85,731	-	-	85,731
Letter of credit / Guarantee	27,340	-	-	27,340
Acceptances	2,610	-	-	2,610
Unutilized exposure	71,820	-	-	71,820
Accrued profit	10,162	2,526	1,614	14,302
Total	813,066	88,451	21,491	923,008

(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.

Notes to the financial statements
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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 2024 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	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%

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

Notes to the financial statements
For the year ended 31 December 2024

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 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.

'**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.

'**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.

'**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 grades that have met the requirements to be disclosed as impaired and have not yet met the criteria to be returned to the unimpaired portfolio.

Notes to the financial statements
For the year ended 31 December 2024

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
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 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, FIs								
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	-	72,600	-	-	-	-	-	72,600
Standard grade	152	40,296	-	-	-	-	152	40,296
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	152	112,896	-	-	-	-	152	112,896
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

Notes to the financial statements
For the year ended 31 December 2024

36 Risk management *(continued)*

A. Credit risk *(continued)*

(f) Amounts arising from Expected Credit Loss (ECL) *(continued)*

31 December 2023	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
Balances with CBO								
High grade	-	25,768	-	-	-	-	-	25,768
Standard grade	-	-	-	-	-	-	-	-
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	-	25,768	-	-	-	-	-	25,768
Receivables from, and participatory investments with, FIs								
High grade	-	-	-	-	-	-	-	-
Standard grade	2	23,346	-	-	-	-	2	23,346
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	2	23,346	-	-	-	-	2	23,346
Receivables and investments – customers								
Corporate and SME								
High grade	82	32,463	1,333	12,676	-	-	1,415	45,139
Standard grade	501	105,562	3,460	156,797	-	-	3,961	262,359
Satisfactory grade	690	47,129	3,630	73,407	-	-	4,320	120,536
Non-performing	-	-	-	-	6,305	18,466	6,305	18,466
Total	1,273	185,154	8,423	242,880	6,305	18,466	16,001	446,500
Retail (Personal)								
High grade	45	18,528	-	-	-	-	45	18,528
Standard grade	4	472	-	-	-	-	4	472
Satisfactory grade	-	-	13	122	-	-	13	122
Non-performing	-	-	-	-	134	191	134	191
Total	49	19,000	13	122	134	191	196	19,313
Retail (Housing and credit card receivables)								
High grade	382	202,964	257	1,133	77	117	716	204,214
Standard grade	-	-	85	606	16	39	101	645
Satisfactory grade	-	-	91	355	-	-	91	355
Non-performing	-	-	-	-	589	1,064	589	1,064
Total	382	202,964	433	2,094	682	1,220	1,497	206,278
Total receivables and investments - customers	1,704	407,118	8,869	245,096	7,121	19,877	17,694	672,091
Investments								
High grade	-	74,230	-	-	-	-	-	74,230
Standard grade	41	11,501	-	-	-	-	41	11,501
Satisfactory grade	-	-	-	-	-	-	-	-
Non-performing	-	-	-	-	-	-	-	-
Total	41	85,731	-	-	-	-	41	85,731
Letter of credit / Guarantees								
Corporate and SME	34	10,295	38	8,204	-	-	72	18,499
Retail	17	8,841	-	-	-	-	17	8,841
Total	51	19,136	38	8,204	-	-	89	27,340
Others								
Unutilised	115	56,916	57	14,904	-	-	172	71,820
Acceptances	1	2,412	1	198	-	-	2	2,610
Accrued profit	1	3,747	7	8,941	1,624	1,614	1,632	14,302
Total	117	63,075	65	24,043	1,624	1,614	1,806	88,732
Total portfolio	1,915	624,174	8,972	277,343	8,745	21,491	19,632	923,008

Retail related housing and credit card receivable portfolio is not rated and currently it is categorized based on days past due bucket.

Notes to the financial statements

For the year ended 31 December 2024

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 2024** along with reconciliations from the opening to the closing balance by class of financial instruments are as follows:

31 December 2024	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 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, FIs								
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)	-	-	-	-
	(736)	(75,439)	392	70,319	344	5,120	-	-
Re-measurement of outstanding	(257)	11,436	1,140	(8,868)	(8)	(236)	875	2,332
Financial asset originated during the year	311	110,765	3,892	111,034	667	1,485	4,870	223,284
Financial asset matured during the year	(87)	(29,647)	(2,836)	(142,242)	(466)	(1,626)	(3,389)	(173,515)
Closing balance	935	424,233	11,457	275,339	7,658	24,620	20,050	724,192

Notes to the financial statements

For the year ended 31 December 2024

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
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 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

Notes to the financial statements

For the year ended 31 December 2024

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
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 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

Notes to the financial statements

For the year ended 31 December 2024

36 Risk management *(continued)*

A. Credit risk *(continued)*

(f) Amounts arising from Expected Credit Loss (ECL) *(continued)*

31 December 2023	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
Balances with CBO								
Opening balance	-	11,948	-	-	-	-	-	11,948
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	-	13,820	-	-	-	-	-	13,820
Financial asset originated during the year	-	-	-	-	-	-	-	-
Financial asset matured during the year	-	-	-	-	-	-	-	-
Closing balance	-	25,768	-	-	-	-	-	25,768
Receivables from, and participatory investments with, FIs								
Opening balance	2	13,819	-	-	-	-	2	13,819
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	-	(483)	-	-	-	-	-	(483)
Financial asset originated during the year	2	21,560	-	-	-	-	2	21,560
Financial asset matured during the year	(2)	(11,550)	-	-	-	-	(2)	(11,550)
Closing balance	2	23,346	-	-	-	-	2	23,346
Receivables and investments – customers								
Opening balance	1,879	377,181	9,775	171,359	2,788	6,941	14,442	555,481
Transfer between stages								
- Transfer from Stage 1 to 2	(270)	(21,389)	270	21,389	-	-	-	-
- Transfer from Stage 1 to 3	(72)	(4,168)	-	-	72	4,168	-	-
- Transfer from Stage 2 to 3	-	-	(412)	(6,033)	412	6,033	-	-
- Transfer from Stage 2 to 1	126	4,715	(126)	(4,715)	-	-	-	-
- Transfer from Stage 3 to 1	4	12	-	-	(4)	(12)	-	-
	(212)	(20,830)	(268)	10,641	480	10,189	-	-
Re-measurement of outstanding	(208)	(14,127)	(579)	(9,291)	2,386	(961)	1,599	(24,379)
Financial asset originated during the year	389	130,469	343	118,768	1,579	4,152	2,311	253,389
Financial asset matured during the year	(144)	(65,575)	(402)	(46,381)	(112)	(444)	(658)	(112,400)
Closing balance	1,704	407,118	8,869	245,096	7,121	19,877	17,694	672,091

Notes to the financial statements
For the year ended 31 December 2024

36 Risk management *(continued)*

A. Credit risk *(continued)*

(f) Amounts arising from Expected Credit Loss (ECL) *(continued)*

31 December 2023	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
Corporate and SME								
Opening balance	1,605	203,275	9,485	169,669	2,381	6,355	13,471	379,299
Transfer between stages								
- Transfer from Stage 1 to 2	(262)	(20,265)	262	20,265	-	-	-	-
- Transfer from Stage 1 to 3	(70)	(3,626)	-	-	70	3,626	-	-
- Transfer from Stage 2 to 3	-	-	(345)	(5,721)	345	5,721	-	-
- Transfer from Stage 2 to 1	76	4,285	(76)	(4,285)	-	-	-	-
	(256)	(19,606)	(159)	10,259	415	9,347	-	-
Re-measurement of outstanding	(209)	(5,130)	(792)	(9,107)	2,045	(940)	1,044	(15,177)
Financial asset originated during the year	261	60,901	282	118,396	1,576	4,148	2,119	183,445
Financial asset matured during the year	(128)	(54,286)	(393)	(46,337)	(112)	(444)	(633)	(101,067)
Closing balance	1,273	185,154	8,423	242,880	6,305	18,466	16,001	446,500
Retail								
Opening balance	274	173,906	290	1,690	407	586	971	176,182
Transfer between stages								
- Transfer from Stage 1 to 2	(8)	(1,124)	8	1,124	-	-	-	-
- Transfer from Stage 1 to 3	(2)	(542)	-	-	2	542	-	-
- Transfer from Stage 2 to 3	-	-	(67)	(312)	67	312	-	-
- Transfer from Stage 2 to 1	50	430	(50)	(430)	-	-	-	-
- Transfer from Stage 3 to 1	4	12	-	-	(4)	(12)	-	-
	44	(1,224)	(109)	382	65	842	-	-
Re-measurement of outstanding	1	(8,997)	213	(184)	341	(21)	555	(9,202)
Financial asset originated during the year	128	69,568	61	372	3	4	192	69,944
Financial asset matured during the year	(16)	(11,289)	(9)	(44)	-	-	(25)	(11,333)
Closing balance	431	221,964	446	2,216	816	1,411	1,693	225,591
Investments								
Opening balance	58	92,600	-	-	-	-	58	92,600
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	(32)	47	-	-	-	-	(32)	47
Financial asset originated during the year	23	12,295	-	-	-	-	23	12,295
Financial asset matured during the year	(8)	(19,211)	-	-	-	-	(8)	(19,211)
Closing balance	41	85,731	-	-	-	-	41	85,731

Notes to the financial statements

For the year ended 31 December 2024

36 Risk management *(continued)*

A. Credit risk *(continued)*

(f) Amounts arising from Expected Credit Loss (ECL) *(continued)*

31 December 2023	Stage 1		Stage 2		Stage 3		Total	
	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure
	RO 000	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*	*RO 000*
Letter of credit / Guarantees								
Opening balance	15	3,539	101	13,321	-	-	116	16,860
Transfer between stages								
- Transfer from Stage 1 to 2	(3)	(744)	3	744	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	48	4,419	(48)	(4,419)	-	-	-	-
	45	3,675	(45)	(3,675)	-	-	-	-
Re-measurement of outstanding	(32)	(504)	10	31	-	-	(22)	(473)
Financial asset originated during the year	28	14,365	5	2,229	-	-	33	16,594
Financial asset matured during the year	(5)	(1,939)	(33)	(3,702)	-	-	(38)	(5,641)
Closing balance	51	19,136	38	8,204	-	-	89	27,340
Acceptances								
Opening balance	1	240	-	102	-	-	1	342
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	2,412	1	198	-	-	2	2,610
Financial asset matured during the year	(1)	(240)	-	(102)	-	-	(1)	(342)
Closing balance	1	2,412	1	198	-	-	2	2,610
Unutilised limits								
Opening balance	80	48,216	180	49,180	-	-	260	97,396
Transfer between stages								
- Transfer from Stage 1 to 2	(13)	(2,045)	13	2,045	-	-	-	-
- Transfer from Stage 1 to 3	-	-	-	-	-	-	-	-
- Transfer from Stage 2 to 1	14	22,691	(14)	(22,691)	-	-	-	-
	1	20,646	(1)	(20,646)	-	-	-	-
Re-measurement of outstanding	(34)	(32,117)	(2)	(624)	-	-	(36)	(32,741)
Financial asset originated during the year	105	34,691	18	6,305	-	-	123	40,996
Financial asset matured during the year	(37)	(14,520)	(138)	(19,311)	-	-	(175)	(33,831)
Closing balance	115	56,916	57	14,904	-	-	172	71,820
Accrued profit								
Opening balance	4	5,907	5	4,102	1,028	999	1,037	11,008
Transfer between stages								
- Transfer from Stage 1 to 2	-	(335)	-	335	-	-	-	-
- Transfer from Stage 1 to 3	-	(81)	-	-	-	81	-	-
- Transfer from Stage 2 to 3	-	-	(1)	(240)	1	240	-	-
- Transfer from Stage 2 to 1	-	58	-	(58)	-	-	-	-
	-	(358)	(1)	37	1	321	-	-
Re-measurement of outstanding	(3)	(1,607)	2	1,779	431	146	430	318
Financial asset originated during the year	-	227	1	3,198	178	175	179	3,600
Financial asset matured during the year	-	(422)	-	(175)	(14)	(27)	(14)	(624)
Closing balance	1	3,747	7	8,941	1,624	1,614	1,632	14,302

Notes to the financial statements
For the year ended 31 December 2024

36 Risk management *(continued)*

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 2024**, with **LCR of 137.59%** (2023: 366.45%).

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 2024** is **109.30%** (2023: 113.40%) based on closing balance position.

The full report on LCR and NSFR is disclosed by the Bank in its website.

Notes to the financial statements
For the year ended 31 December 2024

36 Risk management *(continued)*

B. Liquidity risk *(continued)*

Maturity profile of financial assets and liabilities including future expected cashflows:

	2024					
	Due on demand and up to 30 days *RO 000*	More than 1 month to 6 months *RO 000*	More than 6 months to 12 months *RO 000*	More than 1 year to 5 years *RO 000*	Over 5 years *RO 000*	Total *RO 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	17,479	17,831	10,189	-	12,736	58,235
Other liabilities	8,615	1,220	37	64	62	9,998
Participatory accounts	136,026	177,445	131,129	189,991	117,593	752,184
Total liabilities and accountholders equity	166,284	196,496	151,355	190,055	130,391	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	427,200	197,671	151,355	190,055	130,391	1,096,672
Gap	(130,136)	(135,473)	(56,172)	212,621	222,006	112,846
Cumulative gap	(130,136)	(265,609)	(321,781)	(109,160)	112,846	-

Notes to the financial statements
For the year ended 31 December 2024

36 Risk management *(continued)*

B. Liquidity risk *(continued)*

Maturity profile of financial assets and liabilities including future expected cashflows *(continued):*

	2023					
	Due on demand and up to 30 days *RO 000*	**More than 1 month to 6 months** *RO 000*	**More than 6 months to 12 months** *RO 000*	**More than 1 year to 5 years** *RO 000*	**Over 5 years** *RO 000*	**Total** *RO 000*
Balances with Central Bank of Oman	25,768	-	-	-	-	25,768
Receivables from, and participatory investments with, FIs	23,358	-	-	-	-	23,358
Receivables and investments – customers	148,166	53,199	60,419	286,469	312,000	860,253
Investments in Sukuk	106	8,017	22,246	55,056	12,490	97,915
Other assets	15,202	1,710	-	-	1,520	18,432
Total assets – funded	212,600	62,926	82,665	341,525	326,010	1,025,726
Forward purchases	3,850	-	-	-	-	3,850
Total assets – non funded (Forwards)	3,850	-	-	-	-	3,850
Total assets – funded and non funded	216,450	62,926	82,665	341,525	326,010	1,029,576
Due to FIs	3,309	-	15,000	10,000	-	28,309
Due to other counterparties	11,417	10,969	6,274	-	7,838	36,498
Other liabilities	10,543	1,746	36	63	53	12,441
Participatory accounts	96,493	109,109	139,564	224,771	109,096	679,033
Total liabilities and accountholders equity	121,762	121,824	160,874	234,834	116,987	756,281
Forward sales	3,850	-	-	-	-	3,850
Letter of credit and guarantees	27,340	-	-	-	-	27,340
Unutilised limits for financing and receivables	71,820	-	-	-	-	71,820
Total liabilities non funded (Forwards)	103,010	-	-	-	-	103,010
Total liabilities funded and non funded; and accountholders equity	224,772	121,824	160,874	234,834	116,987	859,291
Gap	(8,322)	(58,898)	(78,209)	106,691	209,023	170,285
Cumulative gap	(8,322)	(67,220)	(145,429)	(38,738)	170,285	-

Notes to the financial statements
For the year ended 31 December 2024

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 2024** is by **RO 2,440 thousand** (2023: 54 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.

	2024			2023		
	Assets RO 000	**Liabilities RO 000**	**Net RO 000**	Assets RO 000	Liabilities RO 000	Net RO 000
US Dollars	**109,742**	**119,156**	**9,414**	27,342	43,184	15,842
Pound Sterling	**-**	**1**	**1**	-	-	-
Euro	**95,440**	**95,483**	**43**	52	1	51
Japanese Yen	**503**	**578**	**75**	-	-	-
UAE Dirham	**520**	**5**	**515**	342	5	337
Others	**612**	**-**	**612**	99	-	99
Total	**206,817**	**215,223**	**10,660**	27,835	43,190	16,329

(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.

Notes to the financial statements
For the year ended 31 December 2024

36 Financial risk management *(continued)*

C. Market risk *(continued)*

Profit rate sensitivity gap *(continued)*

	2024							
	Effective average profit rates %	Due on demand and within 30 days *RO 000*	Due within 1 to 6 months *RO 000*	Due within 7 to 12 months *RO 000*	Due within 1 to 5 years *RO 000*	Due after 5 years *RO 000*	Non-profit bearing *RO 000*	Total *RO 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
Total liabilities, quasi equity and owners' 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	-	-

Notes to the financial statements
For the year ended 31 December 2024

36 Financial risk management *(continued)*

C. Market risk *(continued)*

Profit rate sensitivity gap *(continued)*

	2023							
	Effective average profit rates %	**Due on demand and within 30 days** *RO 000*	**Due within 1 to 6 months** *RO 000*	**Due within 7 to 12 months** *RO 000*	**Due within 1 to 5 years** *RO 000*	**Due after 5 years** *RO 000*	**Non-profit bearing** *RO 000*	**Total** *RO 000*
Cash and balances with Central Bank of Oman	-						28,725	28,725
Receivables from, and participatory investments with, FIs	5.23%	21,560	-	-	-	-	1,784	23,344
Receivables	5.47%	8,880	2,281	1,527	10,199	6,301	(87)	29,101
Ijarah Muntahia Bittamleek	5.61%	474	2,285	2,794	22,806	34,141	(334)	62,166
Participatory investments	6.20%	131,795	38,044	44,493	178,703	178,046	(7,951)	563,130
Investments in Sukuk and shares	5.39%	-	5,762	20,000	48,393	11,576	5,040	90,771
Property and equipment	-	-	-	-	-	-	1,319	1,319
Intangible assets	-	-	-	-	-	-	800	800
Other assets	-	-	-	-	-	-	16,800	16,800
Total assets		162,709	48,372	68,814	260,101	230,064	46,096	816,156
Due to FIs	-	-	-	-	-	-	28,309	28,309
Due to other counterparties	0.00%	-	-	-	-	-	36,498	36,498
Other liabilities	-	-	-	-	-	-	16,258	16,258
Participatory accounts	4.21%	150,496	63,395	121,061	185,184	107,141	-	627,277
Reserves of equity of investment accountholders	-	-	-	-	-	-	69	69
Owner's equity	-	-	-	-	-	-	107,745	107,745
Equity of accountholders & Total liabilities and shareholders' equity		150,496	63,395	121,061	185,184	107,141	188,879	816,156
On-balance sheet gap		12,213	(15,023)	(52,247)	74,917	122,923	(142,783)	-
Cumulative profit sensitivity gap		12,213	(2,810)	(55,057)	19,860	142,783	-	-

Notes to the financial statements
For the year ended 31 December 2024

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.

Notes to the financial statements
For the year ended 31 December 2024

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.

	2024	2023
	RO 000	*RO 000*
Types of capital		
Tier I capital	**115,084**	106,115
Tier II capital	**2,930**	4,790
Total Regulatory Capital	**118,014**	110,905
Risk weighted assets (RWA)		
Credit risk weighted assets	**674,010**	612,150
Market risk weighted assets	**12,572**	12,916
Operational risk weighted assets	**93,178**	82,142
Total risk weighted assets	**779,760**	707,208
Capital ratios		
Tier I capital ratio (%)	**14.76%**	15.00%
Total capital as a % of RWA	**15.13%**	15.68%

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:

	2024	2023
	RO 000	*RO 000*
Funds under management	**2,400**	-

The Journey Continues

Shaping the Future of Banking Together

P.O.Box 1507
P.C 112, Ruwi
Sultanate of Oman

T. +968 24 790 466
F. +968 24 702 865
www.bankdhofar.com