



## **BASEL II - PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025**

**IN TERMS OF CENTRAL BANK OF OMAN CIRCULAR BM 1027  
DATED 4 DECEMBER 2007 & BM 1114 DATED 17 NOVEMBER 2013**

## OMAN ARAB BANK SAOG

### BASEL II - PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

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## **Report of factual findings to the Board of Directors of Oman Arab Bank SAOG (the ‘Bank’ or the ‘Engaging Party’) in respect of Basel II - Pillar III Disclosures and Basel III related disclosures**

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

Our report is solely for the purpose of assisting **Oman Arab Bank SAOG** (the Bank) in reporting factual findings to the Board of Directors of the Bank in respect of the disclosure requirements set out by the Central Bank of Oman (CBO) via Circular No. BM 1009 dated 13 September 2006 and BM 1027 dated 4 December 2007, Basel II - Pillar III Disclosures and Basel III related disclosures and may not be suitable for another purpose.

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

### **Responsibility of the Engaging Party**

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement. The Bank is responsible for the subject matter on which the agreed upon procedures are performed.

### **Practitioner’s Responsibilities**

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

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

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

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

## Procedures and Findings

We have performed the procedures enumerated in Appendix I which are included in BM 1027 dated 4 December 2007 issued by CBO and which were agreed upon with the Engaging Party in terms of the engagement dated 17 April 2025.

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

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

*Deloitte & Touche.*

**Deloitte & Touche (M.E.) & Co. LLC**  
Muscat, Sultanate of Oman  
8 March 2026



## Appendix I

S. no.	Procedures	Findings
1	Checked that the Disclosure includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2025 (the "Summary"). Checked completeness of this information by tracing the capital instruments as disclosed in the audited financial statements to the Report.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited financial statements as of and for the year ended 31 December 2025. Checked that the following items are separately disclosed in the calculation: <ol style="list-style-type: none"> <li>a. paid-up share capital/common stock</li> <li>b. reserves</li> <li>c. minority interests in the equity of subsidiaries (if any)</li> <li>d. innovative instruments</li> <li>e. other capital instruments</li> <li>f. regulatory calculation differences deducted from Tier 1 capital</li> <li>g. other items</li> </ol> <p>Further, checked that the following items have been deducted from the Tier 1 capital:</p> <ol style="list-style-type: none"> <li>a. goodwill;</li> <li>b. deferred taxation;</li> <li>c. investments</li> </ol>	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached	No exceptions noted.
4	Agreed to the bank's audited financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: <ol style="list-style-type: none"> <li>a. on balance sheet items;</li> <li>b. off-balance sheet items;</li> <li>c. derivative financial instruments.</li> </ol>	No exceptions noted.
5	Checked that the risk weights assigned by management to Claims on Banks, Sovereigns, domestic Public Sector Entities; and Claims on Securities firms etc. are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Bank.	No exceptions noted.
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and bank records.	No exceptions noted.

S. no.	Procedures	Findings
9	Checked whether any content of the Disclosures are a. internally inconsistent with other parts of the Disclosures b. in respect of narrative items, inconsistent with numerical data in the Disclosures c. inconsistent with the audited financial statements of the bank	No exceptions noted.



## **BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025**

### **1. PURPOSE AND BASIS OF PREPARATION**

The following disclosures are presented in accordance with the revised capital adequacy rules under Basel II & Basel III framework issued by the Central Bank of Oman (CBO) for the implementation of the Basel II accord. Basel II Accord consists of three mutually reinforcing Pillars, Pillar I - Minimum Capital Requirements, Pillar II - Supervisory Review Process and Pillar III - Market Discipline. Pillar III complements Pillar I and II. The disclosures aim to provide market participants information on the bank's application of Basel framework, capital position, risk exposure, risk management processes and the capital adequacy.

### **2. SCOPE OF APPLICATION**

Oman Arab Bank SAOG (the Parent Company) owns 100% of Alizz Islamic Bank (AIB) (the Subsidiary). The disclosures provide information on the Parent Company and the consolidated position of both entities. The qualitative and quantitative disclosures have been prepared to meet the minimum disclosure requirements as per the CBO Basel II framework (BM 1009) and Basel III framework issued by the CBO.

### **3. 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.

#### **A. Tier 1 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 retained earnings net of any interim and/or final dividend proposed/declared (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, deferred tax assets & other intangibles.

The Bank's authorized share capital is RO 500,000,000 and issued share capital comprises 2,002,743,333 fully paid shares. The paid-up share capital of the Bank is ~~216.941~~ 216.941 million. In accordance with Article 132 of the Omani Commercial Companies Law of 2019, the Bank is required to transfer 10% of its profit after tax for the year to the legal reserve until the accumulated balance of the reserve equals at least one third of the Bank's paid up share capital. General reserves have been created out of the Bank's retained earnings to meet any unforeseen contingency.

The Tier 1 bonds and sukuk 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 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. Exercising the call option for any of the perpetual bonds is subject to obtaining the required regulatory approval.

#### **B. Tier 2 Capital**

Tier 2 Capital consists of eligible Expected Credit Loss (ECL) on loans, advances and financing to customers as required by the CBO and the cumulative unrealised fair value gains on eligible investments securities as allowed under the guidelines for Basel III by the CBO.

The eligible stage 1 ECL is made for the loan impairment on the performing portion of the loans, advances and financing to customers against the losses incurred but not identified.



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

The Bank's capital structure is as follows:

	Consolidated	Parent Company
	2025	2025
	RO' 000	RO' 000
Paid up share capital	216,941	216,941
Share premium	36,565	36,565
Legal reserve	57,325	57,313
General reserve	25,560	25,560
Retained earnings net of proposed cash dividend	81,727	82,467
Perpetual Bonds	186,266	156,266
Less regulatory adjustments to Common equity Tier 1	(10,474)	(147,413)
<b>Tier 1 Capital</b>	<b>593,910</b>	<b>427,699</b>
Eligible expected credit loss on loans & advances and financing to customers	10,596	7,367
Investment revaluation reserve (45% only)	1,861	1,589
<b>Tier 2 Capital</b>	<b>12,457</b>	<b>8,956</b>
<b>Total Capital</b>	<b>606,367</b>	<b>436,655</b>

## 4. CAPITAL ADEQUACY

### A. Qualitative Disclosures

Basel II provides a range of options for determining the regulatory capital requirements for credit, market and operational risks. It allows the banks and the supervisors to select approaches that seem most appropriate for the level of sophistication of the banks' activities, financial market infrastructure and risk management practices.

The Bank has chosen the following approaches for determining the regulatory capital with the approval of Central Bank of Oman:

- i) Standardized Approach for the credit/market risk with a simplified approach for the risk weighting of collaterals under the credit risk mitigation.
- ii) Basic Indicator approach for the operational risk.

The Bank's Board of Directors reviews the capital requirements based on the strategic plan of the Bank. This is reviewed periodically based on the market and economic conditions. While formulating the Bank's strategic plans, the Bank's management takes into account forward-looking factors such as changes in the economic, market and liquidity conditions. The Bank's current and future capital requirements are calculated in relation to its strategic business objectives. The strategic plan delineates the Bank's short-term and long-term capital needs, capital expenditures required for the foreseeable future, target capital levels, and capital sources. The Bank prepares its capital planning and operational budgeting on an annual basis.

Management considers that the Bank has adequate systems for monitoring and reporting risk exposures. The capital needs are assessed based on changes in the Bank's risk profile. The Board of Directors and the senior management receive regular reports or updates on the Bank's risk profile and capital needs through the Assets and Liabilities Committee (ALCO), Management Credit Committee (MCC), Management Risk Committee (MRC) and directly from the Risk Management Division. This information is used to:



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

- Evaluate the level and trend of material risks and their effect on capital requirements,
- Evaluate the sensitivity and reasonableness of the main assumptions used in the capital measurement system,
- Determine that the Bank holds sufficient capital against various risks,
- Determine that the Bank meets its internal capital adequacy goals; and
- Assess its future capital requirements based on the Bank's reported risk profile and in turn make necessary adjustments to the Bank's strategic plan.

### B. Quantitative Disclosures

Risk weighted Assets and details of Capital Adequacy as at end of 2025:

S.No.	Details	Consolidated			Parent Company		
		Gross Balance	Net Balance	Risk Weighted Assets	Gross Balance	Net Balance	Risk Weighted Assets
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	On -Balance sheet Item	4,795,295	4,249,314	2,892,664	3,297,841	2,754,215	1,936,025
2	Off -Balance sheet Item	287,702	150,545	149,868	237,300	112,297	111,620
3	Derivatives	256,068	15,585	15,205	256,068	15,585	15,205
	Operational risk	-	-	241,289			175,763
	Market risk	-	-	65,021			43,196
4	<b>Total</b>	<b>5,339,065</b>	<b>4,415,444</b>	<b>3,364,047</b>	<b>3,791,209</b>	<b>2,882,097</b>	<b>2,281,809</b>
5	Tier 1 Capital			593,910			427,699
6	Tier 2 Capital			12,457			8,956
7	Tier 3 Capital			-			-
8	<b>Total Regulatory Capital</b>			<b>606,367</b>			<b>436,655</b>
8.1	Capital requirement for credit risk			412,794			278,485
8.2	Capital requirement for market risk			8,778			5,831
8.3	Capital requirement for operational risk			32,574			23,728
9	<b>Total required capital</b>			<b>454,146</b>			<b>308,044</b>
10	<b>Tier 1 Ratio</b>			<b>17.65%</b>			<b>18.74%</b>
11	<b>Total Capital Ratio</b>			<b>18.02%</b>			<b>19.14%</b>



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

### 5. BASEL III REGULATORY CAPITAL DISCLOSURE

The Basel III regulations adopted by the CBO aims at strengthening the capital and liquidity standards of the banks in Oman. The elements of the Basel III regulations consist of:

- Enhancing the definition of capital and strengthening the eligibility criteria for inclusion of capital instruments
- Raising the minimum capital requirements and introducing capital buffers for conservation and dealing with systemic risks in the form of Capital Conservation Buffer and Countercyclical Buffer
- Enhancing coverage of risk arising from derivatives, repos and securities financing
- Implementing the leverage ratio to control the build-up of leverage and mitigating the impact of excessive deleveraging
- Higher capital requirements for large and systemically important banks
- Implementing the Liquidity Coverage Ratio to ensure that the banks hold higher quality of liquid assets
- Implementing Net Stable Funding Ratio to ensure financing of activities with more stable source of funding

The requirements of Basel III were gradually implemented from 2013 and the higher capital requirements were implemented by 2015. The banks in Oman have to comply with the related disclosure requirements issued by CBO in the circular BM-1114 dated 17 November 2013.

#### A. Common Disclosure Template as at 31 December 2025

Table 1	Consolidated	Parent Company
	RO '000	RO '000
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	216,941	216,941
2	81,727	82,467
3	119,450	119,438
4	-	-
5	-	-
6	<b>418,118</b>	<b>418,846</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
7	(1,732)	(1,283)
8	(5,970)	-
9	(1,586)	-
10	(189)	(189)
11	-	-
12	(997)	-
13	-	-
14	-	-
15	-	-
16	-	-
17	-	-
18	-	-
19	-	(145,941)


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20	Mortgage Servicing rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold	-	-
23	- of which: significant investments in the common stock of financials	-	-
24	- of which: mortgage servicing rights	-	-
25	- of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments	-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to Additional Tier 1 and Tier 2 to cover deduction	-	-
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>(10,474)</b>	<b>(147,413)</b>
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>407,644</b>	<b>271,433</b>
<b>Additional Tier 1 capital: instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	186,266	156,266
31	- of which: classified as equity under applicable accounting standards	186,266	156,266
32	- of which: classified as liabilities under applicable accounting standards	-	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
35	- of which: instruments issued by subsidiaries subject to phase out	-	-
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>186,266</b>	<b>156,266</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>			
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	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>
44	<b>Additional Tier 1 capital (AT1)</b>	<b>186,266</b>	<b>156,266</b>
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>593,910</b>	<b>427,699</b>
<b>Tier 2 capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
47	Directly issued capital instruments subject to phase out from Tier 2	-	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
49	- of which: instruments issued by subsidiaries subject to phase out	-	-
50	Eligible expected credit loss and revaluation reserve	12,457	8,956
50a	- of which: Eligible expected credit loss	10,596	7,367
50b	- of which: Revaluation reserve	1,861	1,589
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>12,457</b>	<b>8,956</b>
<b>Tier 2 capital: regulatory adjustments</b>			
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	-


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57	<b>Total regulatory adjustments to Tier 2 capital</b>	-	-
58	<b>Tier 2 capital (T2)</b>	<b>12,457</b>	<b>8,956</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>606,367</b>	<b>436,655</b>
<b>Risk Weighted Assets</b>			
	<b>Risk weighted assets in respect of amounts subject to pre-BaseI III treatment</b>	<b>3,364,047</b>	<b>2,281,809</b>
60	<b>Total risk weighted assets (60a+60b+60c)</b>	<b>3,364,047</b>	<b>2,281,809</b>
60a	- of which: Credit risk weighted assets	3,057,737	2,062,850
60b	- of which: Market risk weighted assets	65,021	43,196
60c	- of which: Operational risk weighted assets	241,289	175,763
<b>Capital Ratios</b>			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.12%	11.90%
62	Tier 1 (as a percentage of risk weighted assets)	17.65%	18.74%
63	Total capital (as a percentage of risk weighted assets)	18.02%	19.14%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.50%	9.50%
65	- of which: capital conservation buffer requirement	2.50%	2.50%
66	- of which: bank specific countercyclical buffer requirement	0%	0%
67	- of which: D-SIB/G-SIB buffer requirement	0%	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.62%	2.40%
<b>National minima (if different from Basel III)</b>			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	9.50%	9.50%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.50%	11.50%
71	National total capital minimum ratio (if different from Basel 3 minimum)	13.50%	13.50%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76	Expected credit loss eligible for inclusion in Tier 2 in respect of exposures subject to standard approach (prior to application of cap)	10,596	7,367
77	Cap on inclusion of Expected credit loss in Tier 2 under standardised approach	38,222	25,786
78	Expected credit loss 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 Expected credit loss in Tier 2 under internal ratings-based approach	-	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

### B. Reconciliation between published financial statements and regulatory capital adequacy workings

A reconciliation of the Bank's Statement of Financial Position with the regulatory capital elements is provided below using the three-step approach outlined by the Basel Committee:

#### Step 1: Disclosure of the reported statement of financial position under the regulatory scope of consolidation

This step involves disclosing how the balance sheet in the published financial statements changes when the regulatory scope of consolidation is applied.

Table 2. A	Consolidated		Parent Company	
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation
	As at 31 Dec 2025	As at 31 Dec 2025	As at 31 Dec 2025	As at 31 Dec 2025
	RO'000	RO'000	RO'000	RO'000
Reconciliation				
Cash and balances with central bank	193,796	193,796	114,052	114,052
Due from banks	73,514	73,514	62,208	62,208
Loans and advances	3,720,017	3,720,017	2,513,740	2,513,740
Investment securities	502,492	502,492	347,508	347,508
Investment in subsidiary	-	-	145,941	145,941
Intangibles	5,970	5,970	-	-
Other assets	51,621	51,621	45,502	45,502
Property and equipment	39,573	39,573	32,797	32,797
<b>Total assets</b>	<b>4,586,983</b>	<b>4,586,983</b>	<b>3,261,748</b>	<b>3,261,748</b>
Due to banks	23,389	23,389	22,856	22,856
Customer deposits	3,774,537	3,774,537	2,494,703	2,494,703
Other liabilities	75,174	75,174	61,886	61,886
Borrowed funds	57,750	57,750	57,750	57,750
Taxation	14,951	14,951	12,942	12,942
<b>Total liabilities</b>	<b>3,945,801</b>	<b>3,945,801</b>	<b>2,650,137</b>	<b>2,650,137</b>
Paid-up share capital	216,941	216,941	216,941	216,941
Share Premium	36,565	36,565	36,565	36,565
Special Reserve	3,837	3,837	3,837	3,837
Legal reserve	57,325	57,325	57,313	57,313
General reserve	25,560	25,560	25,560	25,560
Retained earnings	91,741	91,741	92,481	92,481
Cumulative changes in fair value of investments	2,547	2,547	2,248	2,248
Impairment reserve	20,400	20,400	20,400	20,400
<b>Total shareholders' equity</b>	<b>454,916</b>	<b>454,916</b>	<b>455,345</b>	<b>455,345</b>
<b>Perpetual Tier 1 Capital Bonds</b>	<b>186,266</b>	<b>186,266</b>	<b>156,266</b>	<b>156,266</b>
<b>Total liability and shareholders' funds</b>	<b>4,586,983</b>	<b>4,586,983</b>	<b>3,261,748</b>	<b>3,261,748</b>


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Step 2: Expanding the lines of the regulatory statement of financial position to display all of the components used in the definition of capital disclosure template

Table 2. B	Consolidated		Parent Company		Reference
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	
	As at 31 Dec 2025	As at 31 Dec 2025	As at 31 Dec 2025	As at 31 Dec 2025	
	RO'000	RO'000	RO'000	RO'000	
Assets Reconciliation					
<b>Cash and balances with central bank</b>	<b>193,796</b>	<b>193,796</b>	<b>114,052</b>	<b>114,052</b>	
<b>Due from banks</b>	<b>73,514</b>	<b>73,514</b>	<b>62,208</b>	<b>62,208</b>	
<b>Loans and advances, of which:</b>	<b>3,720,017</b>	<b>3,720,017</b>	<b>2,513,740</b>	<b>2,513,740</b>	
- To domestic banks	-	-	-	-	
- To non-resident banks	-	-	-	-	
- To domestic customers	2,557,652	2,557,652	2,557,652	2,557,652	
- To non-resident customers for domestic operations	-	-	-	-	
- To non-resident customers for operations abroad	-	-	-	-	
- Loans and advances to SMEs	137,492	137,492	137,492	137,492	
- Financing from Islamic banking	1,262,418	1,262,418	-	-	
- Allowances for the credit losses, of which:	(237,545)	(237,545)	(181,404)	(181,404)	
ECL allowance not qualifying for Tier 2		(226,949)		(174,037)	
ECL allowance eligible for Tier 2		(10,596)		(7,367)	A1
<b>Investment securities, of which</b>	<b>502,492</b>	<b>502,492</b>	<b>347,508</b>	<b>347,508</b>	
- Fair value through Profit & Loss	520	520	520	520	
- Fair value through other comprehensive income	265,074	265,074	110,090	110,090	
- Held to collect	236,898	236,898	236,898	236,898	
<b>Investment in subsidiary</b>	<b>-</b>	<b>-</b>	<b>145,941</b>	<b>145,941</b>	A2
<b>Intangibles</b>	<b>5,970</b>	<b>5,970</b>	<b>-</b>	<b>-</b>	A3
<b>Other assets</b>	<b>51,621</b>	<b>51,621</b>	<b>45,502</b>	<b>45,502</b>	
<b>Property and equipment, of which:</b>	<b>39,573</b>	<b>39,573</b>	<b>32,797</b>	<b>32,797</b>	
- Property and equipment	37,987	37,987	32,797	32,797	
- Other intangibles with CET1 Adjustments	1,586	1,586	-	-	A4
<b>Total assets</b>	<b>4,586,983</b>	<b>4,586,983</b>	<b>3,261,748</b>	<b>3,261,748</b>	


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

Table 2. B	Consolidated		Parent Company		Reference
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	
	As at 31 Dec 2025	As at 31 Dec 2025	As at 31 Dec 2025	As at 31 Dec 2025	
	RO'000	RO'000	RO'000	RO'000	
Capital and Liabilities Reconciliation					
<b>Paid-up share capital</b>	<b>216,941</b>	<b>216,941</b>	<b>216,941</b>	<b>216,941</b>	C1
<b>AT1 – Perpetual bonds and sukuk</b>	<b>186,266</b>	<b>186,266</b>	<b>156,266</b>	<b>156,266</b>	C2
<b>Reserves &amp; Surplus, of which:</b>	<b>237,975</b>	<b>237,975</b>	<b>238,404</b>	<b>238,404</b>	
- Share premium	36,565	36,565	36,565	36,565	C3
- Legal reserve	57,325	57,325	57,313	57,313	C4
- General reserve	25,560	25,560	25,560	25,560	C5
- Retained earnings	91,741	81,727	92,481	82,467	C6
- Proposed dividends	-	10,014	-	10,014	
- Cumulative changes in fair value of investments, of which	2,547	2,547	2,248	2,248	
Amount deductible from CET1 capital	-	(2,729)	-	(1,283)	C7
Amount eligible for Tier 2 capital	-	1,861	-	1,589	C8
Amount not eligible for Tier 2 capital	-	3,415	-	1,942	
- Impairment reserve, of which:	20,400	20,400	20,400	20,400	
Not eligible for Basel	-	20,400	-	20,400	
- Special reserve, of which	3,837	3,837	3,837	3,837	
Not eligible for Basel	-	3,837	-	3,837	
<b>Total capital</b>	<b>641,182</b>	<b>641,182</b>	<b>611,611</b>	<b>611,611</b>	
<b>Deposits, of which:</b>	<b>3,774,537</b>	<b>3,774,537</b>	<b>2,494,703</b>	<b>2,494,703</b>	
- Deposits from banks	-	-	-	-	
- Deposits from customers	2,494,703	2,494,703	2,494,703	2,494,703	
- Deposits of Islamic Banking window	1,279,834	1,279,834	-	-	
<b>Borrowings, of which:</b>	<b>81,139</b>	<b>81,139</b>	<b>80,606</b>	<b>80,606</b>	
- From CBO	-	-	-	-	
- From banks	23,389	23,389	22,856	22,856	
- From other institutions & agencies	57,750	57,750	57,750	57,750	
- Borrowings in the form of bonds, debentures and sukuks	-	-	-	-	
<b>Other liabilities</b>	<b>75,174</b>	<b>75,174</b>	<b>61,886</b>	<b>61,886</b>	
<b>Taxation</b>	<b>14,951</b>	<b>14,951</b>	<b>12,942</b>	<b>12,942</b>	
<b>Total capital and liabilities</b>	<b>4,586,983</b>	<b>4,586,983</b>	<b>3,261,748</b>	<b>3,261,748</b>	

**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**
Step 3: Extract of Basel III common disclosure template

				<b>Under regulatory scope of consolidation</b>		
				<b>Consolidated</b>	<b>Parent Company</b>	Source based on reference of the balance sheet under the regulatory scope of consolidation from step 2
				<b>As at 31 Dec 2025</b>	<b>As at 31 Dec 2025</b>	
				RO'000	RO'000	
<b>Common Equity Tier 1 capital: instruments and reserves</b>						
1	- Directly issued qualifying common share capital		216,941	216,941		C1
2	- Retained earnings net of proposed cash dividend		81,727	82,467		C6
3	- Accumulated other comprehensive income (and other reserves)		119,450	119,438		C3 + C4 + C5
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	- Total regulatory adjustments to Common equity Tier 1		(10,474)	(147,413)		C7 - A2 - A3 - A4-A5
7	Common Equity Tier 1 capital (CET1)		<b>407,644</b>	<b>271,433</b>		
8	Additional Tier 1 capital (AT1)		<b>186,266</b>	<b>156,266</b>		C2-A2
Ca	Tier 1 capital (T1 = CET1 + AT1)		<b>593,910</b>	<b>427,699</b>		
<b>Tier 2 capital: instruments and provisions</b>						
10	Directly issued qualifying Tier 2 instruments		-	-		
11	Eligible expected credit loss		10,596	7,367		A1
12	Cumulative changes in fair value of investments eligible for Tier 2 capital		1,861	1,589		C8
13	Tier 2 capital (T2)		12,457	8,956		
<b>Total capital (TC = T1 + T2)</b>			<b>606,367</b>	<b>436,655</b>		


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**C. Main features template for capital instruments**

1	Issuer	OMAN ARAB BANK	OMAN ARAB BANK	OMAN ARAB BANK	OMAN ARAB BANK	ALIZZ ISLAMIC BANK (ALIZZ SUKUK SPC)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	OM0000005260	OM0000009106	XS2346530244	OM0000009817	OM0000009924 (OMR)& OM0000009940 (USD)
3	Governing law(s) of the instrument Regulatory treatment	Oman Banking law	Oman Banking law	English law	Oman Banking law	Oman Banking law
4	Transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
5	Post-transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
6	Eligible at solo/group/group & solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo	Group
7	Instrument type (types to be specified by each jurisdiction)	Paid up share capital	Perpetual Tier I Securities	Perpetual Tier I Securities	Perpetual Tier I Securities	Perpetual Tier I Securities
8	Amount recognized in regulatory capital	OMR 216.9 Million	OMR 50 Million	USD 250 Million	OMR 10 Million	OMR 30 Million
9	Par value of instrument	OMR 0.108	OMR 1	USD 1000	OMR 1	OMR 1 or equivalent
10	Accounting classification	Shareholder's equity	Equity	Equity	Equity	Equity
11	Original date of issuance	Various	16/10/2023	07/06/2021	09/10/2024	09/12/2024
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	-	-	-	-	-
14	Issuer call subject to prior supervisory approval	-	Yes	Yes	-	Yes
15	Optional call date, contingent call dates and redemption amount	-	First call date on 16 Oct 2028 at bank's sole discretion	First call date on 4 Jun 2026 at bank's sole discretion	-	First call date on 9 Dec 2029 at bank's sole discretion
16	Subsequent call dates, if applicable	-	Any interest reset date after the first call date	Any interest payment date after the first call date	-	Any periodic distribution date after the first call date
<b>Coupons / dividends</b>						
17	Fixed or floating dividend/coupon	No coupon	Fixed coupon	Fixed coupon	Fixed coupon	Fixed coupon
18	Coupon rate and any related index	-	7.0%	7.625%	6.0%	6.5%
19	Existence of a dividend stopper	Yes	Yes	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	-	-	-	-	-


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Convertible
24	If convertible, conversion triggers	-	-	-	earlier of 9 October 2026 or the Accelerated Mandatory Conversion Date	Non-Viability Event
25	If convertible, fully or partially	-	-	-	Fully	Fully or partially
26	If convertible, conversion rate	-	-	-	8 Ordinary Shares to be issued against each Bond at the Conversion Date, at an underlying price of 125 baiza per share	Conversion ratio of fair value of certificate by fair value of each ordinary share.
27	If convertible, mandatory or optional conversion	-	-	-	Mandatory	Mandatory
28	If convertible, specify instrument type convertible into	-	-	-	Ordinary shares	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	-	-	-	Oman Arab Bank	Alizz Islamic Bank
30	Write-down feature	Yes	Yes	Yes	Yes	No
31	If write-down, write-down trigger(s)	Non-viability event	Non-viability event	Non-viability event	Non-viability event	-
32	If write-down, full or partial	Full	full or partial	full or partial	full or partial	-
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	-
34	If temporary write-down, description of write-up mechanism	-	-	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all instruments and claims	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors
36	Non-compliant transitioned features	-	-	-	-	-
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**6. LEVERAGE RATIO**

The Basel III framework introduced a non-risk-based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The regulatory minimum set by the CBO is 4.5%.

**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	Consolidated	Parent Company
1 Total consolidated assets as per published financial statements	4,586,983	3,261,748
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		-
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		-
4 Adjustments for derivative financial instruments	153,624	70,496
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)	161,223	81,530
7 Other adjustments	(8,742)	(146,130)
<b>8 Leverage ratio exposure</b>	<b>4,893,088</b>	<b>3,267,644</b>

**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	Consolidated	Parent Company
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,586,983	3,261,748
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(8,742)	(146,130)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	<b>4,578,241</b>	<b>3,115,618</b>
<b>Derivative Exposures</b>		
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	153,624	70,496
5 Add-on amounts for PFE associated with all derivatives transactions	-	-
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)	-	-
<b>11 Total derivative exposures (sum of lines 4 to 10)</b>	<b>153,624</b>	<b>70,496</b>
<b>Securities financing transaction exposures</b>		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14 CCR exposure for SFT assets	-	-
15 Agent transaction exposures	-	-
<b>16 Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>-</b>	<b>-</b>
<b>Other Off-balance sheet exposures</b>		
17 Off-balance sheet exposure at gross notional amount	389,703	170,129
18 (Adjustments for conversion to credit equivalent amounts)	(228,480)	(88,599)
<b>19 Off-balance sheet items (sum of lines 17 and 18)</b>	<b>161,223</b>	<b>81,530</b>
<b>Capital and total exposures</b>		
20 Tier 1 capital	594,907	427,699
<b>21 Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>4,893,088</b>	<b>3,267,644</b>
<b>Leverage Ratio</b>		
<b>22 Basel III leverage ratio (%)</b>	<b>12.2</b>	<b>13.1</b>



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

### 7. CREDIT RISK EXPOSURE AND ASSESSMENT

#### A. Qualitative Disclosures

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending activities, investment activities and other assets in the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management and credit review teams which is divided into corporate, SME, financial institutions and retail groups. The credit risk in corporate, SME and financial institutions portfolio is primarily managed by the Credit Review Department while the Retail Banking Department manages the credit risk with predefined programs. The Credit Risk Department reviews the portfolio credit risk independently and directly reports to the Compliance and Risk Management Committee of the Board of Directors. The risk management framework also includes policies with respect to problem recognition, early warning indicators, watch lists, classification parameters and risk rating.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in default as defined by the CBO circular number BM 977 dated 25 September 2004. 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 1st January 2018.

In addition, the Bank assesses the adequacy of the security and financial performance of the borrowers in further downgrading the classification.

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

Given the nature of the bank's exposures and availability of historical statistically reliable information, the bank derives the Through the Cycle (TTC) probability of default (PD) using internal historical experience. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration forward looking economic forecasts under three scenarios (base case, bad case, and good case), historical economic data and TTC PDs for deriving PIT PDs. The relationship between the



## **BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025**

economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

### Credit Risk Management and Control

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the creditworthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, medium-term, foreign currency credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The Bank manages, limits and controls concentrations of credit risk – in particular, to individual counterparties and groups, and to industries, sectors and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee, Compliance and Risk Management committee of the Board of Directors and the Executive Committee of the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined under the credit risk mitigation section.

### Measurement of ECL

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

PD assessments are estimates at a certain date, and are calculated using the banks internal default data.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12-month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario.

**B. Quantitative Disclosures**

Table 1: Gross credit risk exposures

S No.	Type of credit exposure	Consolidated		Parent Company	
		Average Gross Exposure	Total Gross Exposure	Average Gross Exposure	Total Gross Exposure
		RO'000	RO'000	RO'000	RO'000
1	Overdrafts	129,837	134,503	123,760	128,342
2	Personal Loans	1,354,979	1,376,653	867,759	882,523
3	Loans against Trust Receipts	102,296	104,597	102,296	104,597
4	Other Loans	2,230,541	2,328,237	1,517,280	1,566,110
5	Bills Purchased Discounted	17,741	13,572	17,741	13,572
	<b>Total</b>	<b>3,835,394</b>	<b>3,957,562</b>	<b>2,628,836</b>	<b>2,695,144</b>

Table 2: Geographic distribution of exposures

S No.	Type of credit exposure	Consolidated						Total
		Oman	Other GCC countries	OECD countries	India	Pakistan	Others	
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	134,503	-	-	-	-	-	134,503
2	Personal Loans	1,376,653	-	-	-	-	-	1,376,653
3	Loans against Trust Receipts	104,597	-	-	-	-	-	104,597
4	Other Loans	2,328,237	-	-	-	-	-	2,328,237
5	Bills Purchased Discounted	13,572	-	-	-	-	-	13,572
	<b>Total</b>	<b>3,957,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,957,562</b>


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

		Parent Company						Total
		Oman	Other GCC countries	OECD countries	India	Pakistan	Others	
S No.	Type of credit exposure	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	128,342	-	-	-	-	-	128,342
2	Personal Loans	882,523	-	-	-	-	-	882,523
3	Loans against Trust Receipts	104,597	-	-	-	-	-	104,597
4	Other Loans	1,566,110	-	-	-	-	-	1,566,110
5	Bills Purchased Discounted	13,572	-	-	-	-	-	13,572
	<b>Total</b>	<b>2,695,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,695,144</b>

Table 3: Industry or counterparty type distribution of exposures

		Consolidated					Off-balance sheet exposure
		Overdraft	Loans	Bills Purchased/ discounted	Others	Total	
S No	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	834	19,784	-	-	20,618	769
2	Export Trade	-	-	-	-	-	-
3	Wholesale & Retail Trade	25,356	225,852	106	-	251,314	17,275
4	Mining & Quarrying	25,022	169,032	198	-	194,252	10,771
5	Construction	18,552	219,774	9,113	-	247,439	32,375
6	Manufacturing	16,972	369,456	3,591	-	390,019	34,040
7	Electricity, gas & water	490	113,265	-	-	113,755	663
8	Transport & communication	5,765	290,210	-	-	295,975	5,080
9	Financial Institutions	7,442	388,937	-	-	396,379	85,549
10	Services	13,508	381,018	209	-	394,735	71,195
11	Personal Loans	-	1,376,653	-	-	1,376,653	-
12	Agriculture & Allied Activities	5	32,798	98	-	32,901	-
13	Government	-	7	-	-	7	73,406
14	Non-Resident Lending	-	8,214	-	-	8,214	-
15	All Others	20,557	214,487	257	-	235,301	-
	<b>Total</b>	<b>134,503</b>	<b>3,809,487</b>	<b>13,572</b>	<b>-</b>	<b>3,957,562</b>	<b>331,123</b>


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

S No.	Economic Sector	Parent Company					Off-balance sheet exposure RO'000
		Overdraft RO'000	Loans RO'000	Bills Purchased/ discounted RO'000	Others RO'000	Total RO'000	
1	Import Trade	-	-	-	-	-	769
2	Export Trade	-	-	-	-	-	-
3	Wholesale & Retail Trade	22,371	169,860	106	-	192,337	14,575
4	Mining & Quarrying	25,022	91,951	198	-	117,171	1,950
5	Construction	18,542	173,832	9,113	-	201,487	19,339
6	Manufacturing	16,972	270,388	3,591	-	290,951	31,139
7	Electricity, gas & water	490	77,605	-	-	78,095	663
8	Transport & communication	3,762	195,097	-	-	198,859	4,532
9	Financial Institutions	7,442	342,328	-	-	349,770	84,193
10	Services	13,179	262,342	209	-	275,730	12,505
11	Personal Loans	-	882,523	-	-	882,523	-
12	Agriculture & Allied Activities	5	10,815	98	-	10,918	-
13	Government	-	7	-	-	7	465
14	Non-Resident Lending	-	6,327	-	-	6,327	-
15	All Others	20,557	70,155	257	-	90,969	-
<b>Total</b>		<b>128,342</b>	<b>2,553,230</b>	<b>13,572</b>	<b>-</b>	<b>2,695,144</b>	<b>170,130</b>

Table 4: Residual contractual maturity of credit exposure

S No.	Economic Sector	Consolidated					Off-balance sheet exposure RO'000
		Overdraft RO'000	Loans RO'000	Bills purchased / discounted RO'000	Others RO'000	Total RO'000	
1	Up to 1 month	134,503	155,496	11,493	-	301,492	98,215
2	1-3 months	-	203,981	1,444	-	205,425	67,558
3	3-6 months	-	139,196	635	-	139,831	17,031
4	6-9 months	-	94,114	-	-	94,114	12,721
5	9-12 months	-	109,202	-	-	109,202	31,186
6	1-3 years	-	654,028	-	-	654,028	31,742
7	3-5 years	-	722,313	-	-	722,313	12,534
8	Over 5 years	-	1,731,157	-	-	1,731,157	60,136
<b>Total</b>		<b>134,503</b>	<b>3,809,487</b>	<b>13,572</b>	<b>-</b>	<b>3,957,562</b>	<b>331,123</b>

S No.	Economic Sector	Parent Company					Off-balance sheet exposure RO'000
		Overdraft RO'000	Loans RO'000	Bills purchased / discounted RO'000	Others RO'000	Total RO'000	
1	Up to 1 month	128,342	117,166	11,493	-	257,001	6,736
2	1-3 months	-	140,491	1,444	-	141,935	51,802
3	3-6 months	-	75,706	635	-	76,341	694
4	6-9 months	-	57,323	-	-	57,323	-
5	9-12 months	-	72,411	-	-	72,411	28,022
6	1-3 years	-	429,951	-	-	429,951	25,415
7	3-5 years	-	498,236	-	-	498,236	-
8	Over 5 years	-	1,161,946	-	-	1,161,946	57,461
<b>Total</b>		<b>128,342</b>	<b>2,553,230</b>	<b>13,572</b>	<b>-</b>	<b>2,695,144</b>	<b>170,130</b>


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

Table 5: Loans and provisions by major industry or counterparty type

		Consolidated					Advances written off during the year
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Net impairment during the year	
S No.	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	20,618	6,437	392	2,454	2,088	-
2	Export Trade	-	-	-	-	-	-
3	Wholesale & Retail Trade	251,314	21,337	5,052	14,745	11,038	642
4	Mining & Quarrying	194,252	916	35,143	329	(5,250)	-
5	Construction	247,439	91,792	10,283	67,457	16,950	20,871
6	Manufacturing	390,019	37,808	11,922	27,995	14,627	2,902
7	Electricity, gas & water	113,755	584	305	295	(5,675)	541
8	Transport & communication	295,975	1,329	181	537	(69)	515
9	Financial Institutions	396,379	1,127	14,178	879	6,783	-
10	Services	394,735	23,791	8,055	8,296	4,198	2,577
11	Personal Loans	1,376,653	19,054	6,135	10,482	(733)	2,366
12	Agriculture & Allied Activities	32,901	597	318	202	42	-
13	Government	7	-	-	-	(1,887)	-
14	Non-Resident Lending	8,214	1,887	-	1,887	(1,441)	-
15	All Others	235,301	9,475	6,152	3,871	(4,812)	2,695
	<b>Total</b>	<b>3,957,562</b>	<b>216,134</b>	<b>98,116</b>	<b>139,429</b>	<b>35,859</b>	<b>33,109</b>

		Parent Company					Advances written off during the year
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Net impairment during the year	
S No.	Economic Sector	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	-	-	-	-	-	-
2	Export Trade	-	-	-	-	-	-
3	Wholesale & Retail Trade	192,337	7,188	3,072	4,083	(831)	642
4	Mining & Quarrying	117,171	69	33,789	12	4,826	-
5	Construction	201,487	81,343	10,042	60,088	17,205	20,871
6	Manufacturing	290,951	27,999	2,986	19,620	4,577	2,902
7	Electricity, gas & water	78,095	584	250	295	(132)	541
8	Transport & communication	198,859	1,329	55	537	(7)	515
9	Financial Institutions	349,770	1,127	13,249	879	5,952	-
10	Services	275,730	19,492	4,372	6,301	3,381	2,577
11	Personal Loans	882,523	16,476	5,226	9,709	1,887	2,366
12	Agriculture & Allied Activities	10,918	597	172	202	(104)	-
13	Government	7	-	-	-	-	-
14	Non-Resident Lending	6,327	-	-	-	-	-
15	All Others	90,969	7,846	3,051	3,414	(6,535)	2,695
	<b>Total</b>	<b>2,695,144</b>	<b>164,050</b>	<b>76,264</b>	<b>105,140</b>	<b>30,219</b>	<b>33,109</b>

\* ECL held includes management overlays and reserve interest.

**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

Table 6: Geographic distribution of impaired loans

		Consolidated					Advances written off during the year
S No.	Country	Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2	ECL held for Stage 3	Net impairment during the year	RO'000
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	3,957,562	216,134	98,116	139,427	35,859	33,109
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
<b>Total</b>		<b>3,957,562</b>	<b>216,134</b>	<b>98,116</b>	<b>139,427</b>	<b>35,859</b>	<b>33,109</b>

  

		Parent Company					Advances written off during the year
S No.	Country	Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2	ECL held for Stage 3	Net impairment during the year	RO'000
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	2,695,144	164,050	76,264	105,140	30,219	33,109
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
<b>Total</b>		<b>2,695,144</b>	<b>164,050</b>	<b>76,264</b>	<b>105,140</b>	<b>30,219</b>	<b>33,109</b>

Table 7: Movement in gross loans

		Consolidated			
		Stage 1	Stage 2	Stage 3	Total
		RO'000	RO'000	RO'000	RO'000
1	Opening Balance	2,856,462	659,330	209,874	<b>3,725,666</b>
2	Migration / changes (+/-)	(52,521)	16,678	35,843	-
3	New Loans	872,094	196,906	14,376	<b>1,083,376</b>
4	Repayment of Loans	(609,127)	(198,394)	(10,850)	<b>(818,371)</b>
5	Loans written off	-	-	(33,109)	<b>(33,109)</b>
6	Closing Balance	3,066,908	674,520	216,134	<b>3,957,562</b>
7	Expected credit loss held	9,426	88,690	139,429	<b>237,545</b>

  

		Parent Company			
		Stage 1	Stage 2	Stage 3	Total
		RO'000	RO'000	RO'000	RO'000
1	Opening Balance	1,907,882	506,531	160,558	<b>2,574,971</b>
2	Migration / changes (+/-)	(30,279)	2,008	28,271	-
3	New Loans	762,405	190,324	14,376	<b>967,105</b>
4	Repayment of Loans	(611,907)	(195,870)	(6,046)	<b>(813,823)</b>
5	Loans written off	-	-	(33,109)	<b>(33,109)</b>
6	Closing Balance	2,028,101	502,993	164,050	<b>2,695,144</b>
7	Expected credit loss held	6,586	69,678	105,140	<b>181,404</b>



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

### 8. DISCLOSURE FOR PORTFOLIO SUBJECT TO STANDARDISED APPROACH

#### A. Qualitative Disclosures

The Bank uses the ratings by Moody's Investor Services for the credit ratings for the purpose of determining the risk weight to be assigned to the exposure for on-balance sheet inter-bank exposure as well as off-balance sheet items such as Letters of Credit, Guarantees and forward contracts. In the absence of a rating by the Moody's Investor Service, the Bank uses the ratings, if any, from other rating agencies which are recognized by the Central Bank of Oman.

The claims on corporate are assigned 100% risk weight except for the claims with eligible financial collaterals/d the Bank uses the simple approach for recognizing the collaterals in banking book with the approval of Central Bank of Oman. The Bank's retail loan portfolio is assigned a 100% risk weight except the loans secured by residential mortgage and short-term retail loans, which meet the conditions of CBO, for which risk weight assigned is 35% and 75% respectively.

#### B. Quantitative Disclosure

Table 1: Net exposure after risk mitigation subject to Standardized Approach

S No.	Risk Bucket	Consolidated									
		RO'000 0%	RO'000 20%	RO'000 35%	RO'000 50%	RO'000 75%	RO'000 80%	RO'000 90%	RO'000 100%	RO'000 150%	RO'000 Total
1	Sovereigns (Rated)	552,625	-	-	-	-	-	-	8,182	-	560,807
2	Banks (Rated)	-	52,862	-	18,750	-	-	-	8,218	-	79,830
3	Corporate	-	38,501	-	-	369,994	265,039	291,637	757,986	-	1,723,157
4	Retail	-	-	-	-	17,965	-	-	651,495	-	669,460
5	Secured by residential property	-	-	698,139	-	-	-	-	58,695	-	756,834
6	Secured by commercial property	-	-	-	-	-	-	-	296,573	-	296,573
7	Past due loans	-	-	-	-	-	-	-	53,906	19,148	73,054
8	Other assets	96,213	-	-	-	-	-	-	99,496	1,699	197,408
9	Un-drawn exposure	-	2,906	-	3,100	-	-	-	52,315	-	58,321
	<b>Total</b>	<b>648,838</b>	<b>94,269</b>	<b>698,139</b>	<b>21,850</b>	<b>387,959</b>	<b>265,039</b>	<b>291,637</b>	<b>1,986,866</b>	<b>20,847</b>	<b>4,415,444</b>

S No.	Risk Bucket	Parent Company									
		RO'000 0%	RO'000 20%	RO'000 35%	RO'000 50%	RO'000 75%	RO'000 80%	RO'000 90%	RO'000 100%	RO'000 150%	RO'000 Total
1	Sovereigns (Rated)	391,113	-	-	-	-	-	-	6,614	-	397,727
2	Banks (Rated)	-	52,134	-	12,006	-	-	-	-	-	64,140
3	Corporate	-	-	-	-	325,081	208,182	195,117	345,067	-	1,073,447
4	Retail	-	-	-	-	17,965	-	-	452,362	-	470,327
5	Secured by residential property	-	-	341,090	-	-	-	-	58,695	-	399,785
6	Secured by commercial property	-	-	-	-	-	-	-	296,573	-	296,573
7	Past due loans	-	-	-	-	-	-	-	39,879	15,378	55,257
8	Other assets	16,469	-	-	-	-	-	-	86,600	1,699	104,768
9	Un-drawn exposure	-	2,906	-	3,100	-	-	-	14,067	-	20,073
	<b>Total</b>	<b>407,582</b>	<b>55,040</b>	<b>341,090</b>	<b>15,106</b>	<b>343,046</b>	<b>208,182</b>	<b>195,117</b>	<b>1,299,857</b>	<b>17,077</b>	<b>2,882,097</b>



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

### 9. CREDIT RISK MITIGATION UNDER STANDARDISED APPROACH

#### A. Qualitative Disclosures

The following provides some of the specific credit risk mitigation measures employed by the Bank:

##### i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory and accounts receivable;
- Lien on fixed deposits;
- Cash margins;
- Mortgages over residential and commercial properties and
- Pledge of marketable shares and securities;

The housing loans are secured by mortgage over the residential property. Credit cards and similar revolving credit facilities are unsecured. Additionally, in order to minimize the credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

##### ii) Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Credit Review Department.

##### iii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**B. Quantitative Disclosures**

	Consolidated			Parent Company		
	Loans against shares	Loans with cash margin	Total	Loans against shares	Loans with cash margin	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Exposure covered by eligible financial collateral	358,826	574,207	933,033	305,184	500,805	805,989
Value of the eligible collateral	283,691	109,724	393,415	283,691	106,977	390,668

**10.MARKET RISK IN TRADING BOOK**
**A. Qualitative Disclosures**

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are managed by the Treasury Division and monitored by the Risk Management Department. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

The Bank manages its market risk in the trading book using tools such as position limits and stop loss limits.

Currency risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and entering into forward contracts based on the underlying commercial transactions with the customers. Additionally, appropriate segregation of duties exists between the front and back-office functions while compliance with the net open position is independently monitored on an ongoing basis by the management and the Assets and Liabilities Committee (ALCO).

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 Treasury Division of the Bank. The Bank does not hold trading position in equities. 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.

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

Capital charge for the entire market risk exposure is computed as per the standardized approach 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,



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

debt securities 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.

### B. Quantitative Disclosures

Bank's investments include equity securities which are publicly traded on the Muscat Stock Exchange (MSX). The Bank's equity and total comprehensive income at 31 December 2025 may decrease by 0.21% Consolidated and 0.16% Parent due to decrease by 10% in the MSX - 30 Index and the GCC market indices, with all the other variables held constant.

## 11. INTEREST RATE RISK IN BANKING BOOK

### A. Qualitative Disclosures

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest-based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as substantial portion of its assets and liabilities are re-priced frequently. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the Bank's profitability.

For managing its interest rate risk in the banking book, the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its Net Interest Income (NII) from 100bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the year.



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

### B. Quantitative Disclosures

The EAR as at 31 December 2025 is 5.6%

The table below summarises the Bank's exposure to the interest rate risks. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

Consolidated	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
2025	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.50%	32,340	-	-	-	500	160,956	193,796
Due from banks	4.31%	38,184	-	7,656	-	-	27,674	73,514
Loans and advances	5.62%	1,578,940	566,491	425,270	464,028	685,288	-	3,720,017
Investment securities	5.16%	124,095	7,334	42,182	197,564	117,945	13,372	502,492
Intangible assets	-	-	-	-	-	-	5,970	5,970
Other assets	-	-	-	-	-	-	51,621	51,621
Property and equipment	-	-	-	-	-	-	39,573	39,573
<b>Total assets</b>		<b>1,773,559</b>	<b>573,825</b>	<b>475,108</b>	<b>661,592</b>	<b>803,733</b>	<b>299,166</b>	<b>4,586,983</b>
Due to banks	3.73%	14,732	35	-	-	-	8,622	23,389
Customer Deposits	3.40%	1,525,925	357,667	389,323	489,028	12,455	1,000,139	3,774,537
Borrowed funds	5.07%	-	-	-	57,750	-	-	57,750
Other liabilities	-	-	-	-	-	-	75,174	75,174
Taxation	-	-	-	-	-	-	14,951	14,951
Total liabilities		<b>1,540,657</b>	<b>357,702</b>	<b>389,323</b>	<b>546,778</b>	<b>12,455</b>	<b>1,098,886</b>	<b>3,945,801</b>
Total interest sensitivity gap		<b>232,902</b>	<b>216,123</b>	<b>85,785</b>	<b>114,814</b>	<b>791,278</b>	<b>(799,720)</b>	<b>641,182</b>
Cumulative interest sensitivity gap		<b>232,902</b>	<b>449,025</b>	<b>534,810</b>	<b>649,624</b>	<b>1,440,902</b>	<b>641,182</b>	

Parent Company	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
2025	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.50%	-	-	-	-	500	113,552	114,052
Due from banks	4.33%	38,184	-	-	-	-	24,024	62,208
Loans and advances	5.52%	1,242,171	229,657	198,315	308,515	535,082	-	2,513,740
Investment securities	5.23%	84,594	6,003	10,509	182,506	54,518	9,378	347,508
Investment in subsidiary	-	-	-	-	-	-	145,941	145,941
Other assets	-	-	-	-	-	-	45,502	45,502
Property and equipment	-	-	-	-	-	-	32,797	32,797
<b>Total assets</b>		<b>1,364,949</b>	<b>235,660</b>	<b>208,824</b>	<b>491,021</b>	<b>590,100</b>	<b>371,194</b>	<b>3,261,748</b>
Due to banks	3.72%	14,732	-	-	-	-	8,124	22,856
Customer Deposits	3.27%	843,188	217,172	216,064	300,631	12,455	905,193	2,494,703
Borrowed funds	5.07%	-	-	-	57,750	-	-	57,750
Other liabilities	-	-	-	-	-	-	61,886	61,886
Taxation	-	-	-	-	-	-	12,942	12,942
Total liabilities		<b>857,920</b>	<b>217,172</b>	<b>216,064</b>	<b>358,381</b>	<b>12,455</b>	<b>988,145</b>	<b>2,650,137</b>
Total interest sensitivity gap		<b>507,029</b>	<b>18,488</b>	<b>(7,240)</b>	<b>132,640</b>	<b>577,645</b>	<b>(616,951)</b>	<b>611,611</b>
Cumulative interest sensitivity gap		<b>507,029</b>	<b>525,517</b>	<b>518,277</b>	<b>650,917</b>	<b>1,228,562</b>	<b>611,611</b>	



## 12. OPERATIONAL RISK

### A. Qualitative Disclosures

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.

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. The equivalent risk weighted assets are to be computed by multiplying the capital charge with a factor of 12.5.

The Bank has systems for collecting the data relating to operational risk incidents. The measurement of the operational risk requires historical data for at least 3 years in order to perform the calculations.

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.

As a part of Business Continuity Management initiatives, the Bank has taken necessary actions to ensure effective measures in case of a crisis situation, e.g., evacuation drills, testing of critical systems and applications from the Disaster Recovery site. The Bank has the capability to ensure that critical banking processes are tested to ascertain availability during such situations.

### B. Quantitative Disclosures

The risk weighted assets for the operational risk using the Basic Indicator Approach as at 31 December 2025 is RO 241 million for Consolidated and RO 175 million for Parent Company.



## BASEL II – PILLAR III AND BASEL III DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2025

### 13. LIQUIDITY RISK

#### A. Qualitative Disclosures

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy.

#### B. Quantitative Disclosures

The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the CBO for the estimates. The table below represents the cash flows receivable to and payable by the Bank under derivative and non-derivative assets and liabilities by estimated remaining maturities at the balance sheet date.

	Consolidated					Total
	On demand or within 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Not tied to maturity	
	RO'000	RO'000	RO'000	RO'000		
Cash and balances with central bank	42,715	-	-	-	151,081	193,796
Due from banks	41,835	7,655	-	-	24,024	73,514
Loans and advances	340,978	341,168	1,350,763	1,508,741	178,367	3,720,017
Investment securities	120,323	49,516	197,564	121,716	13,373	502,492
Intangibles	-	-	-	5,970	-	5,970
Other assets	1,667	4,161	-	-	45,793	51,621
Property and equipment	-	-	-	-	39,573	39,573
<b>Total assets</b>	<b>547,518</b>	<b>402,500</b>	<b>1,548,327</b>	<b>1,636,427</b>	<b>452,211</b>	<b>4,586,983</b>
Due to banks	15,230	35	-	-	8,124	23,389
Customer deposits	303,988	805,280	583,081	12,555	2,069,633	3,774,537
Borrowed funds	-	-	57,750	-	-	57,750
Other liabilities	492	-	-	-	74,682	75,174
Taxation	12,942	-	-	-	2,009	14,951
<b>Total liabilities</b>	<b>332,652</b>	<b>805,315</b>	<b>640,831</b>	<b>12,555</b>	<b>2,154,448</b>	<b>3,945,801</b>
<b>Liquidity gap</b>	<b>214,866</b>	<b>(402,815)</b>	<b>907,496</b>	<b>1,623,872</b>	<b>(1,702,237)</b>	<b>641,182</b>


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Parent Company					Total RO'000
	On demand or within 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Not tied to Maturity	
	RO'000	RO'000	RO'000	RO'000	RO'000	
Cash and balances with central bank	-	-	-	-	114,052	114,052
Due from banks	38,184	-	-	-	24,024	62,208
Loans and advances	265,909	193,113	931,980	947,353	175,385	2,513,740
Investment securities	84,817	16,512	182,506	54,295	9,378	347,508
Investment in subsidiary	-	-	-	-	145,941	145,941
Other assets	1,391	3,135	-	-	40,976	45,502
Property and equipment	-	-	-	-	32,797	32,797
<b>Total assets</b>	<b>390,301</b>	<b>212,760</b>	<b>1,114,486</b>	<b>1,001,648</b>	<b>542,553</b>	<b>3,261,748</b>
Due to banks	14,732	-	-	-	8,124	22,856
Deposits from customers	224,318	491,526	394,411	12,555	1,371,893	2,494,703
Borrowed funds	-	-	57,750	-	-	57,750
Other liabilities	492	-	-	-	61,394	61,886
Taxation	12,942	-	-	-	-	12,942
<b>Total liabilities</b>	<b>252,484</b>	<b>491,526</b>	<b>452,161</b>	<b>12,555</b>	<b>1,441,411</b>	<b>2,650,137</b>
<b>Liquidity gap</b>	<b>137,817</b>	<b>(278,766)</b>	<b>662,325</b>	<b>989,093</b>	<b>(898,858)</b>	<b>611,611</b>

**13.1. BASEL III RATIOS**

**Liquidity Coverage Ratio (LCR):** The LCR measures the stock of High-Quality Liquid Assets (HQLA) against net short-term obligations (30 days).

**Net Stable Funding Ratio (NSFR):** NSFR ensures that the Bank diversify its funding sources and reduce their dependency on short-term wholesale markets. The ratio compares the stock of Stable Funding against Required Funding.

The summary of the Basel III liquidity ratios is as follows:

	Consolidated	Parent Company	Regulatory Minimum
	As at 31 December 2025	As at 31 December 2025	
LCR	158%	173%	100%
NSFR	111%	112%	100%

The above disclosed values for LCR are based on average of three-monthly data points. The year-end LCR position for 2025 is 181% for Consolidated and 193% for Parent company.


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

The detailed LCR disclosures are provided below:

	<b>Consolidated</b>	
	<b>Total Unweighted Value (average)</b>	<b>Total Weighted Value (average)</b>
<b>High Quality Liquid Assets</b>		
<b>1 Total High-Quality Liquid Assets (HQLA)</b>		<b>561,676</b>
<b>Cash Outflows</b>		
2 Retail deposits and deposits from small business customers, of which:	1,156,761	75,886
3 - Stable deposits	380,509	14,254
4 - Less stable deposits	776,252	61,632
5 Unsecured wholesale funding, of which:	1,116,158	416,637
6 - Operational deposits (all counterparties) and deposits in networks of cooperative banks	383,096	95,774
7 - Non-operational deposits (all counterparties)	779,980	318,781
8 - Unsecured debt	2,082	2,082
9 - Secured wholesale funding		-
10 Additional requirements, of which	142,009	13,067
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	142,009	13,067
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	328,710	16,435
<b>16 TOTAL CASH OUTFLOWS</b>		<b>522,025</b>
<b>Cash Inflows</b>		
17 Secured lending (e.g., reverse repos)	-	-
18 Inflows from fully performing exposures	162,471	90,476
19 Other cash inflows	81,393	76,985
<b>20 TOTAL CASH INFLOWS</b>	<b>243,864</b>	<b>167,461</b>
		<b>Total Adjusted Value</b>
<b>21 TOTAL HQLA</b>		<b>561,676</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>		<b>354,564</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>		<b>158</b>


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

		Parent Company	
		Total Unweighted Value (average)	Total Weighted Value (average)
<b>High Quality Liquid Assets</b>			
1	Total High-Quality Liquid Assets (HQLA)		<b>377,861</b>
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	<b>679,913</b>	<b>48,918</b>
3	- Stable deposits	286,054	9,532
4	- Less stable deposits	393,859	39,386
5	Unsecured wholesale funding, of which:	<b>823,430</b>	<b>279,697</b>
6	- Operational deposits (all counterparties) and deposits in networks of cooperative banks	379,654	94,914
7	- Non-operational deposits (all counterparties)	443,776	184,783
8	- Unsecured debt	-	-
9	- Secured wholesale funding		-
10	Additional requirements, of which	83,976	8,398
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	83,976	8,398
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	170,229	8,511
16	<b>TOTAL CASH OUTFLOWS</b>		<b>345,524</b>
<b>Cash Inflows</b>			
17	Secured lending (e.g., reverse repos)		
18	Inflows from fully performing exposures	99,543	49,772
19	Other cash inflows	77,736	76,986
20	<b>TOTAL CASH INFLOWS</b>	<b>177,279</b>	<b>126,758</b>
			<b>Total Adjusted Value</b>
21	<b>TOTAL HQLA</b>		<b>377,861</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>		<b>218,766</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>173</b>


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
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The detailed NSFR disclosures are provided below:

		Consolidated				
		Unweighted value by residual maturity				
	ASF Item	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
1	<b>Capital:</b>	606,367	-	-	-	606,367
2	Regulatory capital	606,367	-	-	-	606,367
3	Other capital instruments	-	-	-	-	-
4	<b>Retail deposits and deposits from small business customers</b>	<b>961,396</b>	<b>151,135</b>	<b>161,195</b>	<b>41,103</b>	<b>1,200,952</b>
5	Stable deposits	425,982	18,602	17,790	9,622	439,256
6	Less stable deposits	535,414	132,532	143,405	31,481	761,696
7	<b>Wholesale funding:</b>	<b>1,010,550</b>	<b>485,428</b>	<b>353,153</b>	<b>155,441</b>	<b>1,080,006</b>
8	Operational deposits	345,849	-	-	-	172,924
9	Other wholesale funding	664,701	485,428	353,153	155,441	907,082
10	Liabilities with matching interdependent assets					
11	<b>Other liabilities:</b>					
12	NSFR derivative liabilities					
13	All other liabilities and equity not included above	-	-	-	552,106	466,263
14	<b>Total ASF</b>					<b>3,353,588</b>
	RSF Item	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
15	Total NSFR high-quality liquid assets (HQLA)					
16	Deposits held at other financial institutions for operational purposes	46,879	24,019	-	-	12,010
17	<b>Performing loans and securities:</b>	<b>123,081</b>	<b>401,863</b>	<b>239,710</b>	<b>3,038,932</b>	<b>2,669,554</b>
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	96,228	4,811
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	66,820	5,766	-	12,906
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	123,081	335,043	233,944	2,104,472	2,106,985
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	71,000	46,150
22	Performing residential mortgages, of which:	-	-	-	838,233	544,852
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	838,233	544,852
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	<b>Other Assets:</b>	<b>477,095</b>	<b>-</b>	<b>135,986</b>	<b>-</b>	<b>323,034</b>
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	477,095	-	135,986	-	323,034
32	Off-balance sheet items					22,844
33	<b>Total RSF</b>					<b>3,027,442</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>111</b>


**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

		Parent Company				
		Unweighted value by residual maturity				
ASF Item		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
1	<b>Capital:</b>	582,596	-	-	-	<b>582,596</b>
2	Regulatory capital	582,596	-	-	-	<b>582,596</b>
3	Other capital instruments	-	-	-	-	-
4	<b>Retail deposits and deposits from small business customers</b>	663,759	85,899	67,891	9,622	<b>750,728</b>
5	Stable deposits	285,746	6,912	6,049	9,622	<b>283,771</b>
6	Less stable deposits	378,013	78,987	61,842	-	<b>466,957</b>
7	<b>Wholesale funding:</b>	722,307	322,048	189,373	-	<b>616,864</b>
8	Operational deposits	340,609				<b>170,305</b>
9	Other wholesale funding	381,698	322,048	189,373		<b>446,559</b>
10	Liabilities with matching interdependent assets					
11	<b>Other liabilities:</b>				<b>463,952</b>	<b>466,263</b>
12	NSFR derivative liabilities					
13	All other liabilities and equity not included above				463,952	<b>466,263</b>
14	<b>Total ASF</b>					<b>2,416,451</b>
RSF Item		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
15	Total NSFR high-quality liquid assets (HQLA)					-
16	Deposits held at other financial institutions for operational purposes		24,019			12,010
17	<b>Performing loans and securities:</b>	119,431	362,862	106,818	1,913,312	<b>1,804,211</b>
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	-	66,820	5,766	-	12,906
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	119,431	296,042	101,052	1,446,950	1,488,170
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	466,362	303,135
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	466,362	303,135
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	<b>Other Assets:</b>	623,036	-	-	-	<b>332,989</b>
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	623,036	-	-	-	<b>332,989</b>
32	Off-balance sheet items					11,865
33	<b>Total RSF</b>					<b>2,161,075</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>112</b>



**BASEL II – PILLAR III AND BASEL III DISCLOSURES  
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Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated March 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard" issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated 26 October 2016. The Bank's disclosure on leverage was prepared as per CBO circular on leverage ratio, issued on 27 August 2017 and CBO circular No. BM 1157 on Implementation of Basel III Leverage Ratio Standard dated 30 December 2018.

Sulaiman Hamad Al-Harhi  
**Chief Executive Officer**