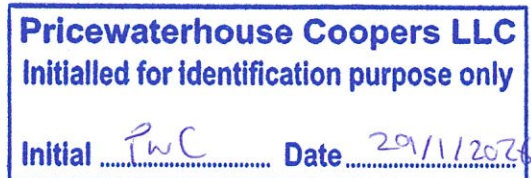


BASEL II – PILLAR III & BASEL III RELATED DISCLOSURES
31 DECEMBER 2025



Development Bank SAOC



BASEL II – PILLAR III & BASEL III RELATED DISCLOSURES FOR THE FULL YEAR 2025
1. Disclosure Policy

Development Bank SAOC (“DB” or “Bank”) has in place a “Disclosure Policy” approved by the Board of Directors. The policy is reviewed periodically. The policy framework covers the extent of disclosures as well as the internal control processes required to ensure that such disclosures are consistent and reliable.

The Basel Committee on Banking Supervision (BCBS) first issued measures to strengthen the Basel II accord in 2009 (popularly known as Basel 2.5) and then issued a regulatory framework for increasing the resilience of banks and the banking system in December 2010, which was revised in June 2011. This framework is called Basel III.

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, and BM 1114 on Regulatory Capital and Composition of Capital Disclosure Requirement under Basel III.

The Basel Committee has since issued its rules text on “composition of capital disclosure requirements”. This document is available at <http://www.bis.org/publ/bcbs221.htm>. Accordingly, Pillar 3 disclosure requirements under Basel III are introduced for banks by the Central Bank of Oman. As per Basel III, Concept Paper 3 issued by CBO, countercyclical buffer requirement is 2.5% from 2019. However, presently the countercyclical capital buffer is not operationalized.

During 2018, with the intention of enabling banks to facilitate economic growth and to streamline liquidity management, CBO has reduced the Tier 2 capital requirement from 3 per cent to 2 per cent, reducing the minimum total Capital Adequacy Ratio to **11 per cent**. Vide BSD/CB/2020/001 dt. 18/03/2020, CBO has reduced the Capital Conservation Buffer (CCB) to 1.25% in consideration of the prevailing economic conditions. However, as per CBO circular SDD/CBS/CB/2024/108 issued on 26 June 2024, the relaxation was revoked for CCB, and the Banks are required to maintain the CCB at 2.5%.

Moreover, banks are allowed to include deposits from local banks as part of their deposit base to calculate lending ratio. Vide Circular No. 1155 dt 20/03/2018, CBO modified treatment of lending ratio as follows. “Local inter-bank positions shall be allowed to be reckoned for lending ratio purposes. Accordingly, CBO shall include borrowings/ placements, if any from other commercial banks in their deposit base and reduce lending/ placements, if any to/ with other commercial banks from the deposit base (for lending ratio purpose)”. Also, Commercial banks should treat transactions with specialized banks as customer-transactions (both deposits and loans) and not inter-bank. Vide BSD/CB/2020/001 dt. 18/03/2020, CBO, the **lending ratio/ financing ratio** has been increased from 87.5% to 92.5%. Subsequently, the lending ratio has restored back to 87.5% from 92.5% based on CBO circular SDD/CBS/CB/2024/108 issued on 26 June 2024.

In line with the Basel III requirements, CBO withdrew the minimum 100 per cent risk weightage requirements imposed on exposures to other sovereigns and central banks. Moreover, CBO increased the aggregate overseas exposure limits (credit, placements and credit and placements together) from 50 to 75 per cent of local net worth of the banks and also increased the maturity mismatch limits for tenors of three or more months.

Banks were allowed to reckon stage 1 impairment allowances (12 month expected loss) made under IFRS 9 up to 1.25% of the total credit risk weighted assets (CRWA) for inclusion in Tier 2 capital. Subsequently banks are permitted to include Stage 2 provisions in Tier 2 capital. This is subject to the condition that the total of Stage 1 and stage 2 provisions (permitted: 60% of Stage 2 for 2023) would be subject to a ceiling of 1.25% of credit RWA. Vide BSD/CB/2020/005 dt. June 03, 2020, this has been modified further by CBO as below.

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1. Disclosure Policy (continued)

- a) Stage-1 ECL as 100% shall continue to be added back to tier-2 capital.

To ensure transparency, Banks are required to disclose the impact on the bank's regulatory capital and leverage ratios compared to their "Without Add-back" capital and leverage ratios had the "Prudential Filter" not been applied.

This document takes into account the requirements of Pillar 3 disclosure under Basel III.

2. Scope of Application (Subsidiaries /Groups)

- a) Qualitative Disclosures

DB is not a part of any group either as a member or as the top corporate entity in the group. The bank does not hold investments in any of the other banks.

- b) Quantitative Disclosures

The financial statements do not include consolidation of accounts of any other entities.

Name of the entity (ies)	N.A.
Country of Incorporation	N.A.
Shareholding (%)	N.A.
Other Major Shareholders (Name and % shareholding)	N.A.
Main activity of the entity	N.A.
Total assets	N.A.
Capital Adequacy Ratio (%) if applicable	N.A.
Short fall in capital, if any, vis-à-vis the regulatory requirements.	N.A.

Range of Disclosures

- a) Capital Structure

- i) Qualitative Disclosures

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The Bank's equity comprises of issued and fully paid-up share capital, Legal/Statutory Reserves (created by transferring 10% of yearly net profits-this reserve is not available for distribution), Special/Voluntary Reserves (created by transferring portion of yearly net profit, as voluntary provision, to mitigate unexpected increase of provision due to high growth of loan provision during some years), Investment Revaluation Reserves and Retained Earnings. The capital is fully contributed by the Ministry of Finance of Sultanate of Oman. The Bank does not have any innovative, complex or hybrid capital instruments.

Disclosure template for main features of regulatory capital instruments

1	Issuer	Development Bank SAOC
2	Unique identifier (eg. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument Regulatory treatment	Common Shares. Commercial Companies Law
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1

6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Shares. Sultanate of Oman
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	RO 220 million
9	Par value of instrument	RO 1 per share
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	2006: RO 20 million; 2007: RO 20 million; 2009: RO 18 million; 2010: RO 12 million; 2011: RO 30 million; 2024: RO 40 million 2025: RO 80 million
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	NA
16	Subsequent call dates, if applicable	NA
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Statutory Approach
32	If write-down, full or partial	Write-down fully
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA



Basel II- Pillar 3 and Basel III related Disclosure for 2025

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ii) Quantitative Disclosures

The table below shows 'Basel III common disclosure template to be used for the year ending 31-12-2025

NO	Common Equity Tier 1 capital: instruments and reserves	Amount in RO '000
1	Directly issued qualifying common share capital	220,000
2	Retained earnings	68,821
3	Accumulated other comprehensive income (and other reserves)	15,532
4	Directly issued capital subject to phase out from CET1	-
	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 CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	304,353
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	(68)
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(382)
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 losses	-
13	Securitisation gain on sale (as set out in paragraph 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	-
26a	Of which: [INSERT NAME OF ADJUSTMENT]	-

Basel II- Pillar 3 and Basel III related Disclosure for 2025

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26b	<i>Of which: [INSERT NAME OF ADJUSTMENT]</i>	-
26c	<i>OF WHICH: [INSERT NAME OF ADJUSTMENT]</i>	-
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	(450)
29	Common Equity Tier 1 capital (CET1)	303,903
	Additional Tier 1 capital: instruments	-
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and 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	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	-
41a	<i>OF WHICH: [INSERT NAME OF ADJUSTMENT]</i>	-
41b	<i>OF WHICH: [INSERT NAME OF ADJUSTMENT]</i>	-
41c	<i>OF WHICH: [INSERT NAME OF ADJUSTMENT]</i>	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1)	303,903
	Tier 2 capital: instruments and provisions	-
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-


 Basel II- Pillar 3 and Basel III related Disclosure for 2025

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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	Provisions (<i>provision and fair value reserve</i>)- Stage 1 +2 provision	5,108
51	Tier 2 capital before regulatory adjustments	5,108
Tier 2: 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 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	Total National specific regulatory adjustments	-
56a	Of which: Investments in Tier 2 capital unconsolidated banking and financial subsidiary companies, associates or affiliates etc.	-
56b	Of Which: shortfall in the Tier 2 capital in the unconsolidated entities	-
56c	Of Which: [Insert NAME OF ADJUSTMENT]	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	5,108
59	Total capital (TC = T1 + T2)	309,011
60	Total risk weighted assets (60a+60b+60c)	420,284
60a	Of which: Credit risk weighted assets	366,460
60b	Of which: Market risk weighted assets	13,940
60c	Of which: Operational risk weighted assets	39,884
Capital Ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	72.31%
62	Tier 1 (as a percentage of risk weighted assets)	72.31%
63	Total capital (as a percentage of risk weighted assets)	73.52%
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)	8.25%
65	of which: capital conservation buffer requirement	2.5%

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)	64.06%
National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.00%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.00%
71	National total capital minimum ratio (if different from Basel 3 minimum)	13.5%
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)	-
77	Cap on inclusion of provisions in Tier 2 under standardized approach	-
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 2023)		
80	Current cap on CET1 instruments subject to phase out arrangements	NA
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA
82	Current cap on AT1 instruments subject to phase out arrangements	NA
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA
84	Current cap on T2 instruments subject to phase out arrangements	NA
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA

Range of Disclosures (continued)

a) Capital Structure (continued)

Reconciliation requirements

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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. The 3-step approach indicated below will ensure that the reconciliation between these numbers is undertaken in a consistent manner. Banks are required to take a 3-step approach to show the link between their balance sheet in their published financial statements and the numbers that are used in the composition of capital disclosure template set out in Section 1.

The 3 steps require banks to:

- (i) **Step 1:** Disclose the reported balance sheet under the regulatory scope of consolidation (Table 2a).
- (ii) **Step 2:** Expand the lines of the balance sheet under the regulatory scope of consolidation to display all of the components that are used in the composition of capital disclosure template. (Table 2b)
- (iii) **Step 3:** Map each of the components that are disclosed in Step 2 to the composition of capital disclosure template



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Step 1: TABLE 2a: RECONCILIATION TEMPLATE

(RO '000)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at period end 31-12- 2025	As at period end 31-12- 2024
Assets		
Cash and balances with CBO	678	2,517
Certificates of deposit		
Due from banks	38,765	24,646
Loans and advances	321,504	246,524
Investments in securities	6,970	8,788
Loans and advances to banks	-	-
Property and equipment	1,089	1,183
Intangible Assets	382	409
Deferred tax assets	-	-
Other assets	7,649	4,173
Total assets	377,036	288,240
Liabilities		
Due to banks	-	-
Customer deposits	532	530
Current and deferred tax liabilities	-	-
Other liabilities	71,047	70,944
Subordinated bonds	-	-
Total liabilities	71,578	71,474
Shareholders' Equity		
Paid-up share capital	220,000	140,000
Share premium	-	-
Legal reserve	9,991	9,199
General reserve	5,541	5,541
Impairment Reserve	-	-
Retained earnings	68,821	62,365
Cumulative changes in fair value of investments	1,104	660
Subordinated debt reserve	-	-
Total shareholders' equity	305,458	216,766
Total liability and shareholders' funds	377,036	288,240

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Step 2: TABLE 2b: Expansion of the balance sheet under the regulatory scope of consolidation

Figures in RO '000

Assets	Balance sheet as in published financial statements As at period end 31-12-2025	Under regulatory scope of consolidation As at period end 31-12-2025	Reference
Cash and balances with CBO	678	678	
Balance with banks and money at call and short notice	38,765	38,765	
Investments of which:	6,970	6,325	A= B+C+C1
Fair Value Through Other Comprehensive Income (FVOCI)	2,873	6,325	B
Fair Value Through Profit & Loss (FVTPL)	4,097	-	C
Measured at amortised cost	-	-	C1
Loans and advances- Net of which:	321,504	321,504	
Loans and advances to domestic banks	-	-	
Loans and advances to non-resident banks	-	-	
Loans and advances to domestic customers	362,643	362,643	
Loans and advances to non-resident Customers for domestic operations	-	-	
Loans and advances to non-resident Customers for operations abroad	-	-	
Loans and advances to SMEs	-	-	
Financing from Islamic banking window	-	-	
Provision against Loans and Advances, of which:	(41,139)	(41,139)	
Stage 3 Impairment Allowance and Reserve Interest	(29,250)	(29,250)	
Stage 1/ 2 impairment allowance, of which	(12,812)	(12,812)	
Modification Loss	923	923	
Amount eligible for T2	4,581	4,581	
Amount ineligible for T2	(16,429)	(16,429)	
Fixed assets (Incl. intangible assets)	1,471	1,089	
Other assets	7,649	7,649	
Stage 1/ 2 impairment allowance, of which			
Amount eligible for T2			
Amount ineligible for T2			
Total Assets	377,036	380,590	
Capital & Liabilities			
Paid-up Capital	220,000	220,000	
Of which:			
Amount eligible for CET1	220,000	220,000	D
Amount eligible for AT1	-	-	
Reserves & Surplus			
Legal Reserves (Eligible for CET1)	9,991	9,991	E
Special Reserves (Eligible for CET1)	5,541	5,541	F
Retained Earnings (Eligible for CET1)	68,821	68,821	G
AFS investments fair value loss (CET1 adjustment)	-	(68)	H.1

Intangible Assets, CET1 adjustment)	-	(382)	H.2
Tier 1 Capital	304,353	303,903	I = D+E+F+G+H
Amount ineligible for T2 (Impairment Reserve)	-	(16,429)	
Balance with banks and money at call and short notice (Eligible for Tier 2)	-	-	
Investments -Fair Value Through Profit & Loss (FVTPL)- (Eligible for Tier 2)	1,104	527	J
Stage 1/ 2 impairment allowance (Eligible for Tier 2)*	-	4,581	K
Tier 2 Capital	1,104	5,108	L=J+K
Total Capital	305,458	309,011	M=I +L
Deposits Of which:	-	-	
Deposits from banks	-	-	
Customer deposits	532	532	N
Deposits of Islamic Banking window	-	-	
Other deposits (please specify)	-	-	
Borrowings Of which: From CBO	-	-	
From banks	-	-	
From other institutions & agencies	54,873	54,873	O
Borrowings in the form of bonds, Debentures and sukuks	-	-	
Others (Payables & Accruals)	16,173	16,174	P
Other liabilities & provisions Of which:	-	-	
DTLs related to goodwill	-	-	
DTLs related to intangible assets	-	-	
Total Capital & Liabilities	377,036	380,590	Q=M+N+O+P

*Subject to maximum of 1.25% of RWA

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Step 3: Reconciliation of Regulatory Capital

Figures in RO '000

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	220,000	D
2	Retained earnings	68,821	G
3	Accumulated other comprehensive income (and other reserves)	15,532	R= E+F
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	-	
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	304,353	M=D+G+R
7	Prudential valuation adjustments	(68)	H
8	Goodwill (net of related tax liability)	(382)	S
9	Total Regulatory Adjustments to CET1	(450)	T=H+S
10	Common Equity Tier 1 capital after regulatory adjustments	303,903	M+T
11	Directly issued qualifying Tier 2 instruments	-	
12	Provisions	4,581	K
13	Fair Value reserve of AFS investments	527	J
14	Tier 2 capital before regulatory adjustments	5,108	U=K+J
15	Regulatory Adjustments to Tier 2	-	V
16	Tier 2 capital after regulatory adjustments	5,108	W=U+V
17	Total capital (TC = T1 + T2)	309,011	

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3. Range of Disclosures (continued)

b) Capital Adequacy

i) Qualitative Disclosures

Summary Discussion:

The capital adequacy of the bank is being calculated every quarter, considering various types of Risks (Credit, Market and Operational) and as per the guidelines of the Central Bank of Oman. The bank has considered that level of capital is sufficient not only to meet future business plans but also to cushion any unexpected losses. The bank has adopted Standardized Approach for assessing capital adequacy for Credit and Market Risks and Basic Indicator Approach for Operational Risks.

Credit Risk:

For Credit Risk, Bank has assigned following Risk Weights:

- 100% for all Corporate and Retail exposures without regard to external ratings and without availing Risk Weight of 75% allowed for Retail exposures meeting pre-defined criteria respectively.
- 150% Risk Weight for Net Unsecured Portion of all NPLs (net of specific provisions and reserve interest).
- 50% Risk Weight for Cash and Deposits with local banks.
- 20% Risk Weight for short term placement with local banks
- 0% Risk Weight for CBO Government Development Bonds.
- 100% Risk Weight for Unsecured Bonds
- 100% Risk weight for Fixed Assets and all Other Assets.
- 100% Risk Weight for Guarantees issued to banks for establishing LCs/ LPOs on behalf of Bank's customers.
- 0% Risk Weight to off-balance sheet items, such as, Agriculture and Fisheries Development Fund, Al Raffd Fund and SANAD Fund as the Bank acts as a Trustee for these items.
- 50% Risk Weight for undrawn loan commitments with respect of loans approved
- 100% Risk Weight for commitments for acquisition of property and equipment
- 100% Risk Weight for financial guarantees issued to third parties with respect to approved loans.
- CRM techniques for reduction in Risk Weighted Assets against collaterals have not been applied.

Market Risk:

Bank's Trading Book comprises of only a small position in equities. Bank has assigned 8% Risk Weight for Specific Risk and 8% Risk Weight for General Market Risk for the Equities held in the Trading Book.

Operational Risk:

For calculation of Capital Adequacy Ratio for Operational Risks, the bank has used average positive Operating Profit for last three years (net interest income + other recurring income) excluding provisions and operating expenses, staff expenses, depreciation and recoveries, profit/loss on sale of assets and extraordinary items.



3. Range of Disclosures (continued)**b) Capital Adequacy**

ii) Quantitative Disclosures

Risk Weighted Assets (RO '000s)

SI No.	Details	Gross Balances (Book Value)	Net Balances (Book Value) *	Risk Weighted Assets
1	On-balance sheet items	377,036	377,036	387,291
2	Off-balance items	61,378	61,378	32,933
3	Derivatives	-	-	-
4	Total	438,414	438,414	420,284

* Net of Provisions, reserve interest and eligible collaterals

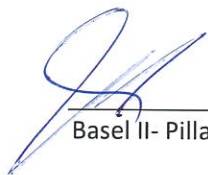
Capital

SI No.	Details	(RO 000s)
1	Tier 1 Capital	303,903
2	Tier 2 Capital	5,108
3	Total Regulatory Capital	309,011
4	Capital Requirement for credit risk	49,472
5	Capital Requirement for market risk	1,882
6	Capital Requirement for operational risk	5,384
7	Total required capital	56,738
8	Tier I Ratio (as a percentage of risk weighted assets)	72.31%
9	Total Capital Ratio (as a percentage of risk weighted assets)	73.52%

If the "Prudential Filter" is not applied, the Tier 2 Capital and Capital Adequacy ratio will change as below.

(RO '000)

Computation of Tier 2 Capital	With Add back	If the "Prudential Filter" is not applied
Stage 1 ECL	8,640	8,640
Total limited to 1.25% of CRWA	4,581	4,581
ECL Add-back 2: Incremental Stage 2 (i.e. Reporting period less Base year), 60% for year 2022 without any cap	-	-
Subtotal	4,581	4,581
45% of Investment Valuation Reserve	527	527
Total- Tier 2 Capital	5,108	5,108
Tier 1 Capital	303,903	303,903
Total Regulatory Capital (Tier 1+ Tier 2 Capital)	309,011	309,011
Total Risk Weighted Assets	420,284	420,284
Total Capital Ratio (as a percentage of risk weighted assets)	73.52%	73.52%



Basel II- Pillar 3 and Basel III related Disclosure for 2025

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3. Range of Disclosures (continued)

c) Risk Exposure and Assessment

(i) Qualitative Disclosures

Risk Management Objectives and policies

The Bank has established Risk Management Policy approved by Board of Directors (BOD). The primary responsibility for ensuring that the risks are appropriately managed is with the BOD, which shall set and approve the overall risk policies, limits, procedures and provide framework for Risk Management of the Bank. The bank has set up an independent Risk Management Committee approved by the BOD to monitor and review the implementation of risk management procedures approved by the Board. The formation and the composition of the Risk Management Committee have been approved by the Central Bank of Oman. The day-to-day management of risk, such as, identifying, monitoring, controlling, reporting, etc., lies with the Risk Management Department and the line management. The risk policy addresses risks relevant to areas of Credit, Market, Liquidity, and Operational Risks to which the bank is exposed.

The Board of Directors has implemented Risk Management Framework and Risk Based Internal Audit and the bank.

Credit Risk:

The Risk Policy covers the management of various areas of Credit Risk, such as, maximum prudential exposure limits, exposure concentrations, credit sanctioning , approval norms, facility tenors, loan classification and provisioning norms, management of problem loans, credit origination, due diligence process, target sectors, credit assessment and underwriting standards, collateral management, risk rating framework, disbursements, monitoring and follow-up, credit reviews, pricing, reporting and post sanction loan review. The Credit Committee/ Board of Directors assess the credit worthiness of parties and business viability, before an exposure is approved. The exposures are monitored through periodic site visits as well as system generated MIS reports. Proactive action is taken by respective managers for exposures requiring remedial /recovery action.

As per CBO norms, the bank considers an exposure as non-performing if it continues to remain past due for a period of 90 days or more.

The bank does not grant any consumer loans. All ODB loans up to and RO 50,000 are categorized as Retail Portfolio and loans above RO 50,000 are treated as Corporate Portfolio. (The maximum loan that can be provided is RO 1 million per project).

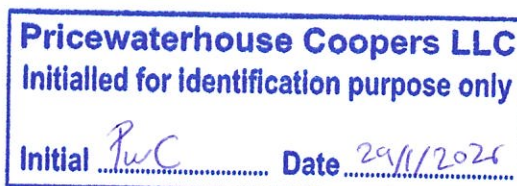
The expected credit loss model applies to debt instruments (such as Bank deposits, loans, and debt securities) recorded at amortized cost or at fair value through other comprehensive income, plus loan commitments and financial guarantee contracts and other receivables that are not measured at fair value through profit or loss.

IFRS 9 outlines a 'Three-Stage' model ('General Model') for impairment based on changes in credit quality since initial recognition. The three stages are as follows:

1. **Stage 1:** Not credit impaired – Impairments equal to 12-month expected loss
2. **Stage 2:** Significant Increase of Credit Risk (SICR) since origination – Impairments equal to lifetime expected loss
3. **Stage 3:** Credit impaired – Impairments equal to lifetime expected loss

In ODB, 12 Month Expected Credit Loss (12M ECL) and Life time Expected Credit Loss (LECL) are calculated for every performing facility. Both 12M ECL and LECL amounts would be the weighted average of the ECL amounts for the three macroeconomic scenarios considered.

Stage (1 or 2) allocated to each performing facility would determine the final ECL.



3. Range of Disclosures (continued)

c) Risk Exposure and Assessment (continued)

(i) Qualitative Disclosures (continued)

All defaulted exposures are assigned to Stage 3. In addition, other facilities can be moved to Stage 3 if the account is exhibiting severe signs of distress. For these stage 3 exposures, ECLs are essentially computed based on the discounted cash flows methodology, whereby the Life time ECL is computed using the product of PD = 100%, EAD and LGD unless otherwise advised by the Regulator.

Stage 2 consists of facilities that have undergone SICR since initial recognition but have not defaulted. For all Stage 2 exposures, Lifetime Expected Credit Loss is recognized, which might have a significant impact on the overall ECL of the performing facilities.

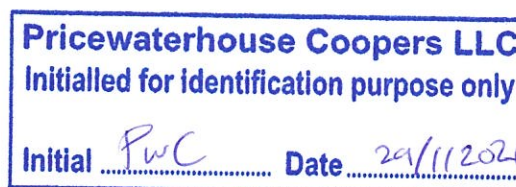
Stage 1 is the stage, when there has been no SICR since initial recognition.

All exposures would be assigned to Stage 2 based on the following criteria:

Rule	Rule Trigger	Stage
Days Past Due 0 ~ 29	All facilities within 30DPD are with a primary classification of Stage 1	Stage 1
Days Past Due 30 ~ 89	+30DPD is a primary trigger that will automatically move facilities from Stage 1 to Stage 2. IFRS 9 allows banks to rebut the +30DPD rule with reasonable and supportable information. In general, ODB will not classify facilities under Stage 1 once they are +30DPD, unless and on an exceptional basis and after due completion, documentation and approval of an individual assessment.	Stage 2
Rescheduled and Watch-list Credit	For IFRS9, banks need to differentiate modification of assets due to commercial reasons, credit stress or financial difficulty and treat each case differently. As a start, any facilities that have been rescheduled due to credit reasons will be classified as Stage 2. In the event that the facility is also +90DPD then the facility will be classified as Stage 3.	Stage 2 Or Stage 3

The Stage 3 is typically aligned to accounts associated with +90DPD criterion, which under the prior CBO guidelines amounted to "Substandard", "Doubtful", or "Loss".

The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.




3. Range of Disclosures (continued)

c) Risk Exposure and Assessment (continued)

(i) Qualitative Disclosures (continued)

The extent of credit deterioration helps define the credit stage of an obligor and hence the loss allowance. Provision for Losses- Expected Credit Losses (ECL) under IFRS 9 was made for Financial Assets like Customer loans, Staff Housing Loans, Customer Relationship Accounts, and Deposits with other banks and Investment in Bonds, loan commitments and financial guarantee contracts and other receivables.

Market risk:

The bank does not have a Trading Book comprising of debt securities, foreign exchange, commodities, derivatives and other positions. The bank has Investments which are measured at Fair value Through Other Comprehensive Income (FVTCOI) or Fair Value through Profit or Loss (FVPL) and measured at amortized cost.

Operational Risk:

The Risk Policy deals with the various areas of Operational Risk. It covers procedures and controls to be followed by each department, compliance functions, internal audit functions, policies and procedures for managing human resources of the bank, money laundering, procedures for back-up and storage of data, disaster recovery plan and security policies for access rights on the core banking system.

Banking Book Interest Rate Risk:

The interest rate risk in the banking book arises due to maturity / repricing mismatches of the assets and liabilities in the banking book. Bank need to manage this risk by analyzing the residual contractual maturities of all interest-bearing assets and liabilities. Interest rate risk is managed by the Assets and Liability cum Investment Committee of the bank.

- a) From 2006, the bank's interest-bearing assets (mainly project loans) were on the fixed rate terms which were funded by its own capital and reserves. Therefore, there was no impact of Interest Rate Risk in the Banking Book.
- b) The bank is lending working capital loans at fixed rates. The bank is accepting Fixed Term Deposits (FTDs) at 0.4% - 1.25% per annum, and revisited annually. These have necessitated monitoring of interest rate risks. The bank is analyzing the situation and taking adequate measures to manage the risks and bring in mitigations to prevent any negative impact on the profitability. During the year 2017 and 2018, the bank has availed term loan of USD 50 million each from a foreign bank with fixed interest rate. In 2023 and 2024, the bank also availed a loan amounting to RO 20 million and 17.5 million respectively each year from the Joint Committee for the Management of Medium, Small & Micro Enterprises Support Program. All of these loans were availed at a fixed interest rate. During 2025, the Bank received two additional tranches. The third tranche of RO 3.5 million was received on 25 January 2025 and is repayable in quarterly instalments of RO 175,000 due in January, April, July and October. The fourth tranche of RO 4 million was received on 25 June 2025

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3. Range of Disclosures (continued)

c) Risk Exposure and Assessment (continued)

(i) Qualitative Disclosures (continued)

Liquidity Risk:

Liquidity risk is the risk the bank will face in obtaining funds to meet its obligations at any given time. The bank's liquidity management policies are designed to ensure that even under adverse conditions the bank would be in a position to meet its obligations. Liquidity Risk is managed by the Assets and Liability Cum Investment Committee which analyzes the Asset and Liability mismatches and ensures a positive gap.

The bank is collecting fixed term Deposits from customers with the approval of Central Bank of Oman. The bank is also working towards mobilizing resources through long term Bonds as and when the need arises. The aim is to raise the funds for working capital lending by fixed term deposits and find resources for long term loans from long-term loans or bonds. However, as and when the bank resorts to commercial borrowings for funding assets the bank might face liquidity risk, like any financial intermediary institutions. The management is aware of the risk and will actively pursue steps to mitigate this risk.

The Bank has adopted Basel III liquidity standards and is reporting the liquidity coverage ratio and net stable funding ratio to CBO

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:

$LCR = \text{Stock of High-Quality Liquid Assets} / \text{Cash Outflow for next 30 days}$

As per guidelines, the value of the ratio should be minimum **100%** (i.e., the stock of high-quality liquid assets should at least equal total net cash outflows) on monthly basis and the Bank is maintaining the same.



3. Range of Disclosures (continued)**c) Risk Exposure and Assessment (continued)**Liquidity Risk: (continued)Liquidity Coverage Ratio (LCR) (continued)**LCR Common Disclosure Template for the period ending: Dec 2025**

		(RO '000)	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	1	-
4	Less stable deposits	1	-
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	514	206
7	Non-operational deposits (all counterparties)	514	206
8	Unsecured debt	-	-
9	Secured wholesale funding		
10	Additional requirements, of which	56,770	4,592
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	56,770	4,592
14	Other contractual funding obligations	529	529
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		5,326
Cash Inflows			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	7,431	3,715
19	Other cash inflows	7,133	7,133
20	TOTAL CASH INFLOWS	14,563	10,848
		Total Adjusted Value	
21	TOTAL HQLA		40,924
22	TOTAL NET CASH OUTFLOWS		1,322
23	LIQUIDITY COVERAGE RATIO (%)		3,073

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3. Range of Disclosures (continued)**c) Risk Exposure and Assessment (continued)**Liquidity Risk: (continued)Quantitative Disclosures (continued)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

As per guidelines, this ratio needs to be greater than 100% and the Bank maintained the same.

ASF Item		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1	Capital:	304,353	-	-	-	304,353
2	<i>Regulatory capital</i>	304,353	-	-	-	304,353
3	<i>Other capital instruments</i>	-	-	-	-	-
4	Retail deposits and deposits from small business customers	-	532	226	-	505
5	<i>Stable deposits</i>	-	532	226	-	505
6	<i>Less stable deposits</i>	-	-	-	-	-
7	Wholesale funding:	-	-	-	-	-
8	<i>Operational deposits</i>	-	-	-	-	-
9	<i>Other wholesale funding</i>	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	24,378	7,406	40,367	44,070
12	<i>NSFR derivative liabilities</i>					
13	<i>All other liabilities and equity not included in above categories</i>	-	24,378	7,406	40,367	44,070
						348,928

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RSF Item					
15	Total NSFR high-quality liquid assets (HQLA)				
16	Deposits held at other financial institutions for operational purposes				
17	Performing loans and securities:	88,404	24,522	239,490	246,110
18	Performing loans to financial institutions secured by Level 1 HQLA	-	678	-	-
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	45,735	-	9,300
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	-	41,991	24,522	239,490
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	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-
25	Assets with matching interdependent liabilities				
26	Other Assets:	19,517			19,517
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	19,517			19,517
32	Off-balance sheet items				3,069
33	TOTAL RSF				268,696
34	NET STABLE FUNDING RATIO (%)				130%

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3. Range of Disclosures (continued)**c) Risk Exposure and Assessment (continued)**

Liquidity Risk: (continued)

ii) Quantitative Disclosures (continued)

Leverage Ratio as of 31-12-2025

Table 1

Summary comparison of accounting assets vs leverage ratio exposure measure

	Item	In (RO '000)
1	Total consolidated assets as per published financial statements	377,036
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	-
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	29,670
7	Other adjustments	-
8	Leverage ratio exposure	406,706

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Leverage ratio common disclosure template, 31-12-2025

Table 2

	Item	Leverage ratio framework
On-balance sheet exposures		(RO '000)
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	377,036
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)	377,036
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
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)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
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	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	61,378
18	(Adjustments for conversion to credit equivalent amounts)	(31,708)
19	Off-balance sheet items (sum of lines 17 and 18)	29,670
Capital and total exposures		
20	Tier 1 capital	303,903
21	Total exposures (sum of lines 3, 11, 16 and 19)	406,256
22	Leverage Ratio	74.72%

When the "Prudential Filter" is not added back, the Tier 1 capital and total exposures are not changed. Therefore, there is no change in Leverage ratio under this scenario.

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3. Range of Disclosures (continued)**d) Equity**

Quoted Equity Investments are measured at market value. Unquoted investments are recognized at cost and carried at fair value. These investments are managed under the guidance of the Asset and Liabilities cum Investment Committee.

(i) Quantitative Disclosures

Total gross credit risk exposures, plus average gross exposures over the period broken down by major types of credit exposure

Amount (RO.000s)

Sl. No	Type of Credit Exposure	Average Gross Exposure		Total Gross Exposure	
		Current Year	Previous Year	31 Dec 2025	31 Dec 2024
1	Overdraft	-	-	-	-
2	Staff Loan (Personal)	-	15	-	-
3	WC- Loans +LTR+ Pre-shipment Loans	72,174	16,893	126,348	17,999
4	Other Loans (Term Loans)	250,491	242,659	236,295	264,687
5	Bills Purchased / Discounted	-	-	-	-
6	Any Other (Staff Housing Loan)	800	877	756	844
7	Total	323,464	260,444	363,399	283,530

Geographic distribution of exposures, broken down in significant areas by major types of credit exposure (RO.000s)

Sl No	Type of Credit Exposure	Oman	Other GCC countries	OECD Countries*	India	Pakistan	Others	Total
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Overdraft	-	-	-	-	-	-	-
2	Personal Loans (Staff Loan)	-	-	-	-	-	-	-
3	WC- Loans +LTR+ Pre-shipment Loans	126,348	-	-	-	-	-	126,348
4	Other Loans (Term Loans)	236,295	-	-	-	-	-	236,295
5	Bills Purchased / Discounted	-	-	-	-	-	-	-
6	Any Other (Staff Housing Loan)	756	-	-	-	-	-	756
7	Total	363,399	-	-	-	-	-	363,399

* excluding countries included in column 2 [includes staff personal loans and staff Housing Loans]

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3. Range of Disclosures (continued)**d) Equity (continued)****i) Quantitative Disclosures (continued)**

Industry or counterparty type distribution of exposures, broken down by major types of credit exposure. (RO.000s)

Sl. No.	Economic Sector	Over draft	Term Loans	WC loans	Others	Total	Off B/S Exposure
1	Import Trade	-	-	-	-	-	-
2	Export Trade	-	-	-	-	-	-
3	Wholesale & Retail Trade	-	-	-	-	-	-
4	Mining & Quarrying	-	8,783	3,445	-	12,229	280
5	Construction	-	-	-	-	-	-
6	Manufacturing	-	91,019	10,060	-	101,080	24,728
7	Electricity, Gas and Water	-	2,438	-	-	2,438	256
8	Transport & Communication	-	27,417	80	-	27,497	6,622
9	Financial Institutions	-	-	-	-	-	-
10	Services	-	106,250	2,772	-	109,022	13,777
11	Government	-	-	-	-	-	-
12	Personal Loans	-	-	-	-	-	-
13	Agriculture & Allied activities	-	85,024	7,235	-	92,259	5,455
14	Non-Resident Lending	-	-	-	-	-	-
15	All others	-	17,996	123	-	18,119	10,260
	Total	-	338,928	23,715	-	362,643	61,378

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3. Range of Disclosures (continued)**d) Equity (continued)****i) Quantitative Disclosures (continued)**

Breakdown of whole portfolio by estimated remaining maturities at the balance sheet date, broken down by major types of credit exposure. (RO.000s)

Sl. No.	Time Band	Overdraft	Term Loans	WC loans	Others	Total	Off B/S Exposure
1	Up to 1 month*	-	7,893	7,428	-	15,321	1,166
2	1- 3 months	-	525	6,877	-	7,402	1,705
3	3-6 months	-	699	8,428	-	9,126	2,111
4	6-9 months	-	1,081	150	-	1,231	2,008
5	9-12 months	-	2,277	601	-	2,878	4,615
6	1-3 years**	-	29,103	232	-	29,335	49,773
7	3-5 years	-	64,697	-	98	64,795	-
8	Over 5 years	-	232,652	-	658	233,310	-
9	Total	-	338,928	23,715	756	363,399	61,378

*Includes commitments for acquisition of property and equipment of amounting RO 415 K.

**Includes guarantees to Commercial Banks of effective value RO 4.1m.

By major industry or counter party type: (RO.000s)

	Economic Sectors	Gross Loans	Of which NPLs	Stage 1 Impairment	Stage 2 Impairment	Stage 3 Impairment	Net Impairment during the year	Advances Written off during the year
1	Import Trade	-	-	-	-	-	-	-
2	Export Trade	-	-	-	-	-	-	-
3	Wholesale & Retail Trade	-	-	-	-	-	-	-
4	Mining & Quarrying	12,229	848	326	104	572	(308)	-
5	Construction	-	-	-	-	-	-	-
6	Manufacturing	101,080	19	2	1,258	12,055	1,955	130
7	Electricity, Gas and Water	2,438	404	53	15	234	35	-
8	Transport & Communication	27,497	484	1,063	228	310	907	2
9	Financial Institutions	-	-	-	-	-	-	-
10	Services	109,022	16,487	1,859	2,289	9,497	1,336	206
11	Government	-	-	-	-	-	-	-
12	Personal Loans	-	-	-	-	-	-	-
13	Agriculture & Allied activities	92,259	7,443	2,176	748	5,386	1,115	98
14	Non-Resident Lending	-	-	-	-	-	-	-
15	All others	18,874	1,958	359	155	1,196	371	39
16	Total	363,399	46,364	7,970	4,796	29,250	5,409	475

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3. Range of Disclosures (continued)

d) Equity (continued)

i) Quantitative Disclosures (continued)

The item 15 comprises the following:

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Economic Sector	Gross Loans	Of which NPLs	Impairment (stage)			Net Impairment	Advances Written off during the year
			1	2	3		
			('000)				
Others- TL+ WC loans	18,119	1,958	405	155	1,196	371	39
Staff Housing Loan	756		46				
Staff Advance							
All Others total	18,874	1,958	451	155	1,196	371	39

The split up between customer loan and staff loans are given below.

Customer loans	362,643	46,364	8,016	4,796	29,250	5,409	475
Staff Loans	756	0	46	0	0	0	0
Grand Total	363,399	46,364	8,062	4,796	29,250	5,409	475

Amount of impaired loans, if available, past due loans provided separately broken down significant geographic areas including if practical the amounts of specific and general allowances related to each geographical area.

Sl. No.	Countries	Gross Loans	Of which NPLs	Impairment (stage)			*Provision made during the year	Advances Written off during the year
				1	2	3		
1	Oman	363,399	46,364	8,062	4,796	29,250	5,884	475
2	Other GCC countries	-	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-	-
4	India	-	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-	-
6	Others	-	-	-	-	-	-	-
7	Total	363,399	46,364	8,062	4,796	29,250	5,844	475

Movement on Gross Loans

Figures in Table below are for Customer Loans (Term Loan and Working capital loans taken together).

Movement of Gross Loans during the year ended 31/12/2025 -						(RO '000)
r. No	Details	Stage 1	Stage 2	Stage 3	Total	
1	Opening Balance (as at 1 Jan 2025)	172,156	66,208	44,322	282,686	
2	Re-measurement of outstanding	23,913	(22,686)	3,571	4,799	
3	Transfers between stages	622	(237)	(385)	-	
4	Financial assets originated during the period	94,224	4,402	641	99,267	
5	Financial assets matured during the period	(18,362)	(3,963)	(1,310)	(23,634)	
6	Loans written off	-	-	(475)	(475)	
7	Closing Balance (as at 31 Dec 2025)	272,554	43,726	46,364	362,643	
8	Total Provisions (IFRS 9)	8,016	4,796	29,250	42,062	

3. Range of Disclosures (continued)

e) Credit Risk: Disclosures for Portfolios subject to the Standardized Approach

i) Qualitative Disclosures

- For portfolio under standardized approach, bank has not used assessments by External Credit Assessment Institutions (ECAIs) for claims on corporates and banks, but has instead used 100% risk weight for them considering the nature of Bank's operations and size.

ii) Quantitative Disclosures

- The bank has not reduced exposure / applied risk mitigation based on external (ECAI) ratings.

f) Credit Risk Mitigation: Disclosures for Standardization Approaches

i) Qualitative Disclosures

- a) The bank has not used Credit Risk Mitigation through collaterals for reducing the Risk Weighted Assets.
- b) The bank has not used on and off-balance sheet netting.
- c) The bank has a Collateral Policy, which covers types of eligible collaterals, valuation, maintenance procedures and management. In accepting collaterals, the bank considers the ease of enforceability, and liquidity for tangible collaterals as well as creditworthiness and financial strength of guarantors. The bank makes an endeavor to avoid concentration of collaterals (credit and market) as far as possible. While accepting collaterals the bank evaluates the correlation, if any, between the value of collateral and the credit quality of the counterparty.
- d) The bank endeavors to obtain acceptable collateral cover for its exposures as far as commercially practicable. The primary collateral for loan exposures is project assets financed by the bank. However, where feasible and required, the bank accepts other collaterals to mitigate the credit risk. The eligible collaterals include Pledge of Cash/ Deposit, Bonds & Shares; Bank Guarantees, Mortgage over Real Estate, Commercial Charge over Assets, Joint Registration over Assets, Personal / Corporate Guarantees, Assignment of Insurance Policies (Life/ Fire, etc.).
- e) These collaterals are integrated in internal risk rating model to quantify the risk and assess the Loss Given Default (LGD)
- f) Collaterals, such as, real estate and shares are valued periodically. Values of Shares are updated based on the latest market value. Real estate is valued by reputed valuers every three years.
- g) Documentation for perfection of security interest in the collateral is verified by the legal department. The security documentation is maintained in fire proof cabinets.
- h) The bank periodically checks and updates the documentation and ensures continuity of enforceability by keeping the related documents (life insurance, fire insurance, etc.) up to date.
- i) The bank is making provision requirement as per IFRS 9 norms from 01-01-2018. As required by CBO, parallel calculation of Provision and reserve Interest as per BM 977 is also made.

ii) Quantitative Disclosures

The bank has not used Credit Mitigation for reducing the Risk Weighted Assets.




3. Range of Disclosures (continued)

g) Market Risk in Trading Book: Disclosures for Banks using the Standardized duration Approach

i) Qualitative Disclosures

As far as the Market Risk is concerned, Bank's Trading Book comprises of only a small position in equities. The bank is not exposed to commodity risk and foreign exchange risk as it neither deals in commodities nor in foreign currencies. Bank has assigned 8% Risk Weight for Specific Risk and 8% Risk Weight for Market Risk for the Equities held in the trading Book.

ii) Quantitative Disclosures

The capital requirement of Equity Position Risk is the following:

Market Value of Equity (RO 000s)	(A) Specific Risk (8%)	(B) General Market Risk (8%)	(C) RWA [(A) + (B)] *12.5	Capital Requirement [13.5% of (C)]
6.970	558	558	13,940	1,882

h) Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk (IRR) for conventional banking: 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 net worth.

i) Qualitative Disclosure

- Since 2006, the bank's interest-bearing assets (mainly project loans) were on the fixed rate terms, which were funded by its own capital and reserves. Therefore, there was no impact of Interest Rate Risk in the Banking Book.
- The bank is providing working capital loans at fixed rates to its clients. The bank also is accepting Fixed Term Deposits (FTDs) at 0.4% - 1.25% per annum, and revisited annually.. These have necessitated monitoring of interest rate risks.
- During 2017, the bank availed a term loan of USD 50 million from a foreign financial institution. The loan carries fixed interest rate and has a tenure of ten years with grace period of two years. The instalments are payable on semi-annual basis of USD 3.5 million from years 3 to 9 and USD 1 million in the last year with first payment due on 30 September 2020. An amount of USD 3.5 million has been paid in year 2020. During current year, the Arab Fund for Economic and Social Development agreed to defer the payments due in 2022. Accordingly, loan instalments due in 2022 are deferred and no payment made in the current year.
- During 2018, the Arab Fund for Economic and Social Development approved an additional loan of USD 50,000,000 (RO 19,250,000) to the Bank which has been disbursed to the Bank on 6 November 2018. The loan carries an interest rate of 2% per annum payable semi-annually in the months of March and September. The loan has a tenure of ten years with grace period of two years. The instalments are payable on semi-annual basis of USD 3.5 million from years 3 to 9 and USD 1 million in the last year with first payment due on 1 October 2022
- During 2021, the Arab Fund for Economic and Social Development agreed to defer the payments due in 2022. Accordingly, loan instalments due in 2022 are deferred and no payment made in the current year.

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3. Range of Disclosures (continued)

h) Interest Rate Risk in the Banking Book (IRRBB) (continued)

- f) During 2023, the Joint Committee for the Management of Medium, Small & Micro Enterprises Support Program approved a loan of RO 20,000,000 to the Bank, which was disbursed on 12 September 2023. The loan carries an interest rate of 1.75% per annum, payable quarterly in the months of February, May, August, and November. The loan has a tenure of six years with a grace period of one year. The instalments are payable on a quarterly basis of RO 1 million.
- g) During 2024, the Joint Committee for the Management of the Small, Medium and Micro Enterprises Support Program approved a loan of OMR 25,000,000 to the bank, to be repaid over a period of 6 years, including a grace period of one year at an interest rate of 2% per annum. Two instalments of the loan were disbursed, the first in the amount of OMR 10 million on April 28, 2024, to be repaid in quarterly instalments of OMR 500,000 in July, October, January and April. The second in the amount of OMR 7.5 million on August 25, 2024, to be repaid in quarterly instalments of OMR 375,000 in November, February, May and August. During 2025, the Bank received two additional tranches. The third tranche of RO 3.5 million was received on 25 January 2025 and is repayable in quarterly instalments of RO 175,000 due in January, April, July and October. The fourth tranche of RO 4 million was received on 25 June 2025 and is repayable in quarterly instalments of RO 200,000 due in March, June, September and December.
- During 2025, the Bank received two additional tranches. The third tranche of RO 3.5 million was received on 25 January 2025 and is repayable in quarterly instalments of RO 175,000 due in January, April, July and October. The fourth tranche of RO 4 million was received on 25 June 2025 and is repayable in quarterly instalments of RO 200,000 due in March, June, September and December.

ii) Quantitative Disclosure

- As the above loans are at fixed interest rate, the bank will not face interest rate risk. The bank is analyzing the situation and will be taking adequate measures to manage the risks, if any and will bring in any mitigation to prevent any negative impact on the profitability.
- As mentioned above, there was no impact of upward or downward rate shock as interest bearing assets were at fixed rates and the bank funded its asset portfolio mostly from its own capital and reserves.
- As of 31/12/2025, the bank has outstanding fixed term deposits liability (Customer deposits-Izdihar) of **RO 0.532 million**. The weighted average rate of interest as of 31/12/2025 is **1.25% p.a.**
- The term loan outstanding is **RO 54.9 million** out of which borrowings from foreign institution is **RO 12.8 million** as on 31/12/2025.

i) Liquidity Risk

(i) Qualitative Disclosure

- Liquidity Risk is managed by the Assets and Liability cum Investment Committee of the bank. Asset Liability mismatches are analyzed and a positive gap is ensured. As all long-term assets of the bank were funded by Equity plus reserves and there was no Liquidity Risk arising out of Asset and Liabilities mismatches.

- h) - During 2016, the Arab Fund for Economic and Social Development approved a loan of USD 50 million to the Bank which has been disbursed to the Bank on 12 August 2017. The loan has a tenure of ten years with grace period of two years. During 2018, another term loan of USD 50 million has been availed with similar terms. With these, the bank may face liquidity risk. During 2023, the Joint Committee for the Management of Medium, Small & Micro Enterprises Support Program approved a loan of RO 20,000,000 to the Bank, which was disbursed on 10 September 2023 and 26 November 2026 as two tranches of RO 10,000,000. The loan carries an interest rate of 1.75% per annum, payable quarterly in the months of February, May, August, and November. The loan has a tenure of six years with a grace period of one year. The instalments are payable on a quarterly basis of RO 1 million. The management is aware of the risk and will actively pursue steps to mitigate them.

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3. Range of Disclosures (continued)

i) Liquidity Risk (continued)

- i) During 2024, the Joint Committee for the Management of the Small, Medium and Micro Enterprises Support Program approved a loan of OMR 25,000,000 to the bank, to be repaid over a period of 6 years, including a grace period of one year at an interest rate of 2% per annum. Two instalments of the loan were disbursed, the first in the amount of OMR 10 million on April 28, 2024, to be repaid in quarterly instalments of OMR 500,000 in July, October, January and April. The second in the amount of OMR 7.5 million on August 25, 2024, to be repaid in quarterly instalments of OMR 375,000 in November, February, May and August. During 2025, the Bank received two additional tranches. The third tranche of RO 3.5 million was received on 25 January 2025 and is repayable in quarterly instalments of RO 175,000 due in January, April, July and October. The fourth tranche of RO 4 million was received on 25 June 2025 and is repayable in quarterly instalments of RO 200,000 due in March, June, September and December.
- j) During 2025, the Bank received two additional tranches. The third tranche of RO 3.5 million was received on 25 January 2025 and is repayable in quarterly instalments of RO 175,000 due in January, April, July and October. The fourth tranche of RO 4 million was received on 25 June 2025 and is repayable in quarterly instalments of RO 200,000 due in March, June, September and December

(ii) Quantitative Disclosure

- As mentioned above, there was no impact of liquidity risk arising out of mismatches in assets and liabilities as all assets were mostly funded by the bank's equity. As of 31/12/2025, the deposits outstanding in the bank are worth **RO 0.532** million.
- The term loan outstanding is **RO 54.9 million** out of which borrowings from foreign institution is **RO 12.8 million** as on 31/12/2025.

j) Operational Risk

i) Qualitative Disclosure

- The Risk Policy of the bank specifies the policies relating to Operational Risks and covers areas, such as, Human Resources, IT, Operational Procedures, Compliance, Internal Audit, Money Laundering, etc.
- The bank has used the Basic Indicator Approach for calculating the capital adequacy for Operational Risk. The bank has considered average positive Gross Income for last three years. The Gross Income is the aggregate of Net Interest Income and non-interest Income and excludes extra ordinary income and realized profit on Investment at amortized cost or Fair Value through Comprehensive Income. The Gross Income also excludes provisions and operating expenses and also staff expenses, depreciation and recoveries.
- There are no major regulatory/ supervisory actions taken against the bank during the year. No penalties have been imposed.

k) 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.
- As of 31-12-2025, the bank has liability of **USD 44 million** together with interest accrued as term loan outstanding. The loans are payable in instalments till year 2029. The repayment of principal and interest is to be in USD. This give rises to foreign exchange risk. Since Omani Rial and USD are pegged, no impact is foreseen. However, any change in exchange rate between the currencies will give rise to foreign exchange risk. The bank is aware of this risk and will actively pursue steps to mitigate it, if required.



Basel II- Pillar 3 and Basel III related Disclosure for 2025

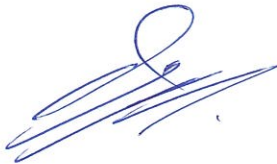
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4. Overview and Conclusion

The bank's BIS capital adequacy ratio was 73.52% at as at the end of December 2025, as against a minimum of 13.5% (including capital conservation buffer under Basel III) required by regulatory authorities.

Against the CBO stipulation of CET1, Tier 1 and Total Capital levels of 7.0%, 11.0% and 13.5% respectively, the actual ratios as of 31-12-2025 are 72.31%, 72.31% and 73.52% respectively.

The bank has created and implemented a risk management control and evaluation system that is responsive to current requirements, is compliant with Basel II and Basel III requirements of Central Bank of Oman and generally meets the objectives for the complexity and size of the bank.



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