

البنك الأهلي
ahlibank



YOUR PARTNER IN EXCELLENCE
ANNUAL REPORT 2025



Basel II Pillar III and Basel III Disclosures

31 December 2025

Report of factual findings to the Board of Directors of Ahli Bank SAOG (the ‘Bank’ or the ‘Engaging Party’) in respect of Basel II - Pillar III Disclosures and Basel III related disclosures for the year ended 31st December 2025

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

Our report is solely for the purpose of assisting **Ahli 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 via Circular No. BM 1009 dated 13 September 2006 and BM 1027 dated 4 December 2007 issued by Central Bank of Oman (“CBO”) and 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 **Ahli 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 Central Bank of Oman (“CBO”) and which were agreed upon with the Engaging Party in terms of the engagement dated 14 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 (M.E.) & Co. LLC
Muscat, Sultanate of Oman
26 February 2026



Appendix I

Appendix I (continued)

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: a. paid-up share capital/common stock b. reserves c. minority interests in the equity of subsidiaries (if any) d. innovative instruments e. other capital instruments f. regulatory calculation differences deducted from Tier 1 capital g. other items Further, checked that the following items have been deducted from the Tier 1 capital: a. goodwill; b. deferred taxation; c. investments	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different Tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached	No exceptions noted.
4	Agreed to the bank's audited financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: a. on balance sheet items; b. off-balance sheet items; c. derivative financial instruments.	No exceptions noted.
5	Checked that the risk weights assigned by management 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.

S. no.	Procedures	Findings
8	Agreed the balances for the components disclosed in the summary to the audited financial statements and bank records.	No exceptions noted.
9	Checked whether any content of the Disclosures are 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

31 DECEMBER 2025

1. INTRODUCTION

This report represents the Basel II Pillar III and Basel III qualitative and quantitative disclosures, highlighting the capital adequacy, risk profile and control process of ahlibank SAOG ("the Bank") as per the requirements of CBO. The disclosures are intended to complement the Pillar I, minimum capital requirements and Pillar II, supervisory review process of the framework. They should be read in conjunction with the financial statements as of 31st December 2025.

The Bank has a formal "Disclosure Policy" for disclosure of information that it makes available to the general public as well as to the regulatory bodies. This policy is framed to enhance transparency about its activities and promote good governance. The Bank makes information publicly available in accordance with its policy on disclosure of information and applicable regulations.

2. SCOPE

The Bank prepares this report in accordance with the Basel Accord in conjunction with and as per the directive of the Central Bank of Oman (CBO).

The Scope of application covers the Bank only and is not part of any group either as a member or as top corporate entity in the group. The figures presented in this report are included with the Islamic window of the Bank and results of the Islamic window are prepared separately.

3. CAPITAL STRUCTURE

The capital base for complying with regulatory purposes differs from accounting capital. The Bank's regulatory capital is classified into two categories- Tier I and Tier II capital.

Tier 1 capital is composed of core capital and is further classified into Common Equity Tier 1 capital ('CET1') and Additional Tier 1 capital ('AT1'). CET1 includes paid up capital, legal reserves and retained earnings reduced by cumulative unrealized losses on FVOCI investments and any other applicable deduction specified in the Basel III Capital Accord. AT1 capital consists of subordinated capital instruments which includes the Mandatory Convertible Bonds (MCBs) which have been issued as dividend for the years 2023 and 2024 which are convertible into equity shares in April 2026 and April 2027 respectively.

Tier II capital consists of revaluation reserves/ cumulative fair value gain or losses on Fair value through other comprehensive income (FVOCI) instruments and Stage 1 expected credit loss allowance as allowed by CBO.

There is no innovative or complex capital instrument in the capital structure of the Bank.

CAPITAL MANAGEMENT

The primary objective of the Bank's Capital management framework is to ensure stability by maintaining adequate amount of high-quality capital to commensurate its risk profile. Healthy levels of capital, support the Bank in attaining strong credit rating and maximizing shareholders value. The framework ensures compliance with regulatory capital requirements set by CBO.

The Bank has following credit ratings at present:

Capital Intelligence

Foreign currency Long Term Rating: **BBB-**

Foreign currency Short term; **A3**

Outlook: **Stable**

Fitch Rating

Long term foreign currency and local currency IDRs; **BB+**

Short term foreign currency and local currency IDRs; **B**

Viability rating; **bb-**

Outlook: **Stable**

The process of assessing the capital requirements of the Bank commences with the compilation of the annual business plan by individual business units, which are then consolidated into the annual budget plan of the Bank. The annual budget plan provides an estimate of the overall growth in assets, its impact on capital and targeted profitability.

Strategic business objectives and future capital needs are assessed within this framework. Normally, the Bank employs capital rationing techniques to allocate capital for each of the Bank's business risk departments in order to optimize returns.

Sources of future capital are identified and plans put in place to raise and retain capital, under the terms of the framework. The Bank also manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue capital to shareholders or issue capital securities.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

The Bank's Finance department monitors and reports the planned versus actual position, to ensure that the Bank is always adequately capitalized. Risk weighted assets and capital are also periodically monitored by the Risk Management department to assess the quantum of capital available to support assets growth and optimally deploy capital to achieve targeted returns.

The Bank's capital structure as at 31 December 2025, based on the CBO guidelines is as follows:

Sl.No	Elements of Capital	Amount (AED '000)
Tier I Capital		
1	Share capital	294,966
2	Legal reserves	52,656
3	Retained earnings*	45,137
Common Equity Tier I before deductions		392,759
Deductions:		
4	Cumulative unrealized losses and intangibles recognized directly in equity	(10,831)
Common Equity Tier 1		381,928
Additional Tier I Capital		
	Tier 1 perpetual subordinated bonds	190,884
Tier I capital after all deductions		572,812
Tier II Capital		
5	Revaluation reserves / cumulative fair value gains on FVOCI Instruments	4,449
6	Stage 1 expected credit losses	8,862
Total Tier II Capital		13,311
Total Regulatory Capital		586,123

*The Board of Directors have recommended dividend of 12 baizas per share (6 baizas per share as cash dividend and 6 baizas per share in the form of mandatory convertible bonds) which is subject to approval of the shareholders at the ensuing Annual General Meeting and the regulatory authorities

CAPITAL ADEQUACY

Qualitative disclosures

The Bank's capital management framework sets out to define, measure, raise and deploy capital in a coordinated and consistent manner. Its objective is to maximize its return on capital and, at the same time, provide an adequate cushion to cover any unexpected losses. The Bank manages its capital in an integrated manner with the aim of maintaining strong capital ratios and high ratings. This calls for a balanced approach: maintaining capital levels that are sufficient to provide a high return to shareholders; meeting the requirements of regulators, rating agencies and other stakeholders (including deposit holders and senior creditors), and supporting future business growth. The cost of capital and its composition in terms of its quality and stability is also considered.

The capital management process of Islamic window is aligned with the strategic planning process of the Bank. Capital planning is carried out in conjunction with the strategic business and financial planning exercise. Bank maintains a five-year rolling strategic plan which is updated and reviewed by the Board of Directors on an annual basis. Capital requirements are assessed based on projected business plans and budget. The Bank uses a prudential building-block approach as the measurement technique to assess capital adequacy for current and future activities, which is compared with the consolidated eligible capital.

The Bank's total capital adequacy ratio is 16.52% as against the CBO prescribed minimum requirement of 13.5% (including capital conservation buffer of 2.50%) as at 31 December 2025. The Bank follows a capital adequacy assessment methodology to link the Bank's annual budget projections and the capital required to achieve business objectives. It is determined by the Bank's strategic planning objectives and capital planning. Capital requirements are assessed for credit, operational and market risks. In order to calculate the capital adequacy ratio, the Bank follows the standardized approach forming part of the Pillar 1 requirements of Basel II Norms and adopts rating from CBO's recognized four External Credit Assessment Institutions (ECAI), namely Moody's, S&P Global, Fitch Ratings and Capital Intelligence, for calculating the risk on its sovereign and bank exposures. In order to equip for the requirements of the advanced approaches, the Bank has already implemented internal obligor rating models and the ratings are being tracked regularly.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

In order to meet with Pillar 2 requirements of Basel II Norms, the Bank has in place Internal Capital Adequacy Assessment Process (ICAAP) for assessing the Bank's capital adequacy in relation to various risk such as interest rate risk in the banking book, liquidity risk and concentration risk etc as well as other risk such as reputation risk, non-compliance risk (including sharia non-compliance risk), strategic risk, settlement risk and collateral residual risk for maintaining the capital adequacy level. Based on the guidelines issued by Central Bank of Oman, assessment under ICAAP has been completed for the years from 2025-2028 and it has been determined that the Bank is adequately capitalized to undertake its planned business activities.

ICAAP process is divided into a base case and stressed scenarios. The Bank has assumed three different kinds of stress scenarios, namely Mild, Medium and Severe. These stress scenarios differ in terms of stress event impact level (Mild being the lowest and Severe being the highest).

The following stress scenarios are applied:

- Rise in impairment provision as a % of loans and advances
- Rise in non-performing direct credit facilities %age of SME sector
- Decline in prices of the Bank's portfolio of FVOCI investments
- Appreciation/depreciation of local currency against all other currencies
- Withdrawal of customer deposits
- Decline in liquid assets
- Shift in yield curve
- Increase in cost of funding due to reputational risk
- Branch generated less than expected profitability
- Consolidated impact of different scenarios

Quantitative disclosures

i) Position of various risk weighted assets is presented as under (₹ '000):

As on 31 December 2025

Sl. No.	Details	Gross balances (book value)	Net balances (book value)	Risk weighted assets
1	On-balance sheet items	3,947,454	3,745,162	3,052,356
2	Off-balance sheet items	138,917	138,917	133,330
3	Derivatives	2,751	2,751	1,513
4	Market risk	-	-	169,956
5	Operational Risk	-	-	190,309
	Total			3,547,464
6	Tier 1 capital			572,812
7	Tier 2 capital			13,311
8	Total Regulatory Capital			586,123
8.1	Capital requirement for credit risk			430,272
8.2	Capital requirement for market risk			22,944
8.3	Capital requirement for operational risk			25,692
	Total required capital			478,908
9	CET 1 ratio			10.77%
10	Tier 1 ratio			16.15%
11	Total capital ratio			16.52%

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

3. CAPITAL STRUCTURE (continued)

ii) Capital adequacy

As on 31 December 2025

Sl. No	Details	Simple Approach
		Amount in ₹ '000's
1	Tier I capital (after supervisory deductions)	572,812
2	Tier II capital (after supervisory deductions and up to eligible limits)	13,311
3	Risk weighted assets – banking book	3,187,199
4	Risk weighted assets – operational risk	190,309
5	Total Risk Weighted Assets – Banking Book + Operational Risk	3,377,508
6	Minimum required capital to support RWAs of banking book and operational risk	455,964
	i) Minimum required Tier I capital for banking book and operational risk	388,414
	ii) Tier II capital required for banking book and operational risk	67,550
7	Tier I capital available for supporting trading book	146,397
8	Tier II capital available for supporting trading book	-
9	Risk Weighted Assets – trading book	169,956
10	Total capital required to support trading book	22,944
11	Minimum Tier I capital required for supporting trading book	6,539
12	Total Regulatory Capital	586,123
13	Total Risk Weighted Assets – Whole bank	3,547,464
14	BIS Capital Adequacy Ratio	16.52%

As at the reporting date the capital position of the Bank remains strong and is well placed to absorb the impact of any economic environment.

4. Risk Exposure and Assessment

Risk Management Principles

Risk is an inherent part of the Bank's business activities. The primary goal of risk management is to ensure that the Bank's asset and liability profile, its trading positions, and its credit and operational activities do not expose it to losses that could threaten its survival. Risk Management assists in ensuring that risk exposures do not become excessive, relative to the Bank's capital and financial positions. The Bank has already in place a risk appetite statement set by the Board.

The Bank manages the risks effectively and efficiently by making risk management an integral part of commercial banking business. This emphasizes a clear understanding of business requirements in terms of products, clients, delivery capabilities, competition, regulatory environment, shareholder values and the global economic environment leading the Bank to identifying the various associated risks.

Having identified the risks, the Risk Management Department formulate policies and procedures taking into account regulatory requirements and best international practices, so as to monitor and control the risks within pre-determined acceptable limits.

Primary responsibility for the management of risk lies with the business and operational areas responsible for the generation of risk exposure. Risk management provides an in-depth check against risk decisions and an ongoing platform to evaluate, monitor and sanction risk at the individual transaction and overall portfolio level.

Risk Management Structure

The Bank's risk management department reports directly to the Executive Risk Committee (a Board Committee).

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

4. Risk Exposure and Assessment (continued)

The Bank's Risk Management includes the following four elements:



Risk framework

The Bank has set up policies and measures to assess capital adequacy in terms of CBO regulations, which have been approved by the Board of Directors. Under these, the Bank assesses its capital against its risk profile, to ensure its capital is sufficient to support all material risks to which it is exposed.

The Board of Directors ensures that the senior management establishes a framework that identifies, measures, monitors and reports all relevant significant risks. The risk management department has identified material risks that the Bank is exposed to, and has defined the framework necessary to measure, monitor, and report these risks on a timely basis.

The following Board of Directors and Executive Management committees manage and control material risks to the Bank:

Board Committees:

- Audit and Compliance Committee
- Executive and Credit Committee
- Executive Risk Committee
- Nomination and Remuneration Committee
- Digital Transformation Committee

Management Committees:

- Executive Management Committee
- Credit and Investment Committee
- Credit Risk Management Committee
- Special Assets Committee
- Assets and Liabilities Committee
- Operational Risk Committee
- Products and Consumer Protection Committee
- Technology and Digital Transformation Committee
- Technology Delivery Committee

The Bank's risk management is based on a 'Three Lines of Defense' model and is also supported by the fourth line of defense, to shield the Bank against risks that might threaten the achievement of its goals. This structure allows for a coordination of control responsibilities in an effective and efficient manner. To reach this objective, roles and responsibilities are clearly communicated to all the functions so that everyone understand his/ her role and how it relates to the activities of other functions. Roles and responsibilities are communicated to the employees through policies and procedures and also through job descriptions. The following line of defenses are explained below:

First line of Defense

The business operations side which is the first line of defense is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, self-assessment of the business side is of a sufficiently high standard, there is adequate awareness of risk and sufficient priority/capacity is allocated to risk themes. The main departments included in this line of defense are:

- Corporate Banking
- SME & Retail Banking
- Investment Banking Department
- Islamic Banking
- Treasury
- Information Technology
- Operations

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

4. Risk Exposure and Assessment (continued)

Second Line of Defense

The Risk, Compliance, Finance and Legal Departments falls under the second line of defense. Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting the Bank. In this way, they provide an adequate degree of certainty that the first-line control function is keeping these risks under control, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. The risk function has a veto right to ensure that it is respected.

The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the Bank, and supervise how they are applied. Compliance is an independent function that aims to prevent the Bank from being exposed to compliance risk or suffering harm through non-compliance with the prevailing laws, regulations or internal rules.

Third Line of Defense

As the independent third-line of control, Internal Audit Department is responsible for the quality control of the existing business processes. It performs risk-based and general audits to ensure that the internal control and risk management system, including Risk Policy, are effective and efficient, and to ensure that policy measures and processes are in place and consistently applied within the Bank to guarantee the continuity of operations.

Fourth Line of Defense

Finally, there are additional external levels of controls that compliment three existing internal layers of control such as assurances from external independent bodies. External auditors are the common bodies under this line of defense. External auditors may not have the existing familiarity of the Bank that an internal audit department has, however, they can bring a new and valuable perspective. Accordingly they are important in the Bank's overall governance and control structure even though they are outsiders of the Bank.

Policies and Procedures:

The Board of Directors approve the Bank's risk appetite, risk management strategies, policies and the framework for their effective implementation and control, including delegated authorities to the Executive Committee and Management to approve all risk exposures. In this context, the Board of Directors has approved the following policies:

1	Anti-Money Laundering and Sanctions Policy	22	Operational Risk Management Framework and Policy
2	Asset Management Policy	23	Outsourcing Policy
3	Board Remuneration Policy	24	Personal Account Dealing Policy
4	Brokerage Policy	25	Risk Management - Approach and Framework
5	Business Continuity Management	26	Security and Safety Policy
6	Capital Management Policy	27	Social and Environment Management Policy
7	Code of Business Conduct	28	Social Media Policy
8	Compliance Policy	29	Market Risk Policy
9	Corporate Governance Policy	30	Classification and Measurement Financial Assets
10	Corporate Social Responsibility Policy	31	Electronic Banking Policy
11	Credit and Investment Policy	32	Corporate Communication and Marketing Policy
12	Customer Complaints Redressal Policy	33	Wealth Management Policy
13	Disclosure Policy	34	Treasury & Investment Policy
14	Dividend Policy	35	Whistle Blowing Policy
15	Expenses Policy	36	Cloud Policy
16	Financial Institutions Policy	37	Charity Policy
17	Fraud Risk Management Framework and Policy	38	Cost Sharing Policy
18	Human Resources Policy	39	Profit Distribution Policy
19	Information Security Policy	40	Segregation of Funds Policy
20	Liquidity and Funding Policy	41	Sharia Governance Manual
21	Products & Consumer Protection Policy	42	Zakah Policy

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

4. Risk Exposure and Assessment (continued)

All policies are subject to periodical reviews. Any change in law or regulation is deemed to be automatically adopted and implemented immediately upon its issuance (i.e. prior to the final amendment of the underlying policy or procedure).

The bank has exposure to the following risks:

5. Credit Risk

Qualitative Disclosure

Credit risk arises from the potential financial loss resulting from customers / counterparties failing to honor the terms of their contracts. It also includes the risk of loss in portfolio value as a result of migration from lower risk to higher risk categories. The Bank evaluates both settlement and pre-settlement credit risk at the customer level, across all products of the Bank.

Credit risk is the most significant risk incurred by the Bank, and proactive management is critical to the Bank's long-term success.

The Bank has a comprehensive due diligence system for approving credit facilities, and well defined policies on controlling credit risk at the counter-party, group, economic sector, and country levels.

All corporate, bank and sovereign credit requires independent credit risk review to be approved by authorities, from Level II to the Board, depending on their delegated credit approval authority (DAA). All credit approvals are strictly in accordance with the regulatory guidelines issued from time to time by the CBO. Exceptions in retail credit exposure are escalated to Risk Management Department for necessary approvals.

Risk Management quantifies the Bank's credit risk appetite in line with the Bank's strategic direction. A well-established process exists to ensuring the allocation of capital for the total credit risk to be assumed by the Bank; and measuring the actual use of capital at portfolio level.

With regard to credit culture, Risk Management ensures that the appropriate policies, guidelines, processes and procedures exist to cover all business areas of credit risk. It also ensures the consistent application of credit standards through a diligent Credit Review function and post approval review of loans through a Loan Review Mechanism (LRM) function and the periodic review and updating of credit policies, guidelines and procedures.

The Bank also has a robust system of borrowers' risk ratings that assesses the risk of corporate borrowers and monitors ratings changes periodically. In case of financial institutions, ratings by credit rating agencies are considered.

Structure and policies of credit risk management

The credit risk management policies are governed through Credit Risk Management Committee, Executive Risk Committee of the Board and the Board of Directors. The following is the structure of credit risk approval: -



The Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board based on the product category like Commercial Banking Lending, Country

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

Limits or Limits for lending to Banks / FIs or Sovereigns and also lending related to the Bank's brokerage activities, the legal nature of the borrowers and their credit risk rating.

In regards to transaction risk, Risk Management ensures that credit is underwritten according to approved standards and that all risks are highlighted in the credit risk review, including policy exceptions. It includes analyzing and reporting on the nature of on- and off-balance sheet counter-party exposure (size, tenor, complexity and liquidity), including secured and unsecured credit facilities. To safeguard against concentration risk, sectoral limits have been set including for Islamic window for having a well-diversified portfolio, the same is being reviewed by the Bank on a regular basis.

The Credit Risk Management Committee (CRMC) oversees, adherence to the limits, exceptions and makes recommendations to the Board in respect of policy related matters pertaining to credit risk and related risk management.

Past due credit exposures and Impairment policy

As a matter of policy, the Bank creates allowance for impairment of loans and financing contracts promptly and in a consistent manner. The Bank has adopted IFRS 9 "Financial Instruments" accounting standard in 2018 based on which impairment is assessed on a forward-looking expected credit loss (ECL) basis, as required by CBO.

The ECL Allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on 12 months expected credit loss (12 month ECL). The 12 month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank has established a policy to perform an assessment on a monthly basis whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financing exposure into Stage 1, Stage 2 and Stage 3, as classified below:

Stage 1:

When Loans and advances & financing are first recognized, the Bank recognizes an allowance based on 12-month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from stage 2.

Stage 2:

When a Loans and advances & financing exposure has shown a significant increase in credit risk since origination, the Bank records an allowance for lifetime ECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from stage 3.

Stage 3:

Loans and advances & financing exposure considered credit impaired. The Bank records an allowance for lifetime ECLs.

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 realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.
- in case of Treasury and interbank balances, when the required intraday payments are not settled appropriately

Quantitative Disclosure:

i) Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure: (₹ '000)

	Type of credit exposure	Average gross exposure		Total gross exposure	
		31-Dec-25	31-Dec-24	31-Dec-25	31-Dec-24
1	Overdrafts	81,909	91,192	75,776	79,700
2	Personal loans	919,983	792,552	1,006,461	847,035
3	Loans and against trust receipts	88,073	77,960	90,302	83,370
4	Other loans	2,244,511	1,983,609	2,382,961	2,101,093
5	Bills purchased/ discounted	13,303	11,517	15,858	13,002
	Total	3,347,779	2,956,830	3,571,358	3,124,200

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

ii) Geographic distribution of exposures by major type of credit exposure: (AED '000)

Type of Credit Exposure	Oman	Other GCC countries	Others	Total
1 Overdrafts	75,776	-	-	75,776
2 Personal loans	1,006,457	1	3	1,006,461
3 Loans against trust receipts	90,302	-	-	90,302
4 Other loans	2,298,453	53,156	31,352	2,382,961
5 Bills Purchased/discounted	15,858	-	-	15,858
Total	3,486,846	53,157	31,355	3,571,358

iii) Industry or counter party type distribution of exposures, broken down by major types of credit exposure: (AED '000)

Economic sector	Overdrafts	Loans	Bills purchased/ discounted	Total	Off Balance Sheet Exposure
1 Personal Loans	7,831	998,630	-	1,006,461	10
2 Construction	12,587	336,642	2,246	351,475	61,000
3 Wholesale and retail trade & other trade	21,709	223,045	7,497	252,251	36,829
4 Services	8,106	460,159	2,486	470,751	28,308
5 Financial institutions	551	380,401	168	381,120	7,648
6 Manufacturing	10,360	182,738	2,944	196,042	39,640
7 Electricity, gas and water	108	166,688	-	166,796	20,229
8 Mining and quarrying	2,681	275,531	511	278,723	4,119
9 Transport and communication	214	354,267	6	354,487	1,536
10 Government	-	34,815	-	34,815	14,630
11 Others	11,629	66,808	-	78,437	5,136
Total	75,776	3,479,724	15,858	3,571,358	219,085

iv) Residual contractual maturity of the whole portfolio, broken down by major types of credit exposure: (AED '000)

Time Band	Overdraft	Loans	Bills purchased/ discounted	Total	Off Balance Sheet Exposure
1 Upto 1 Month	13,257	391,496	3,823	408,576	22,015
2 1-3 Months	4,466	255,093	7,315	266,874	24,307
3 3-6 Months	2,233	90,050	4,363	96,646	25,008
4 6-9 Months	2,233	51,240	357	53,830	12,691
5 9-12 Months	10,718	99,056	-	109,774	32,439
6 1-3 Years	21,435	503,459	-	524,894	63,836
7 3-5 Years	10,718	559,947	-	570,665	31,031
8 Over 5 Years	10,716	1,529,383	-	1,540,099	7,758
Total	75,776	3,479,724	15,858	3,571,358	219,085

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

v) Major industry or counterparty type : (AED '000)

The Bank has set aside an additional amount of AED 0.298 million as a non-distributable special reserve on restructured loans based on CBO circular as at 31 December 2025.

Economic sector	Gross loans	Of which Stage 3 exposure	Stage 1 & Stage 2 allowance	Stage 3 allowance*	Impairment allowance made during the year	Advances written off, net during the year
1 Personal Loans	1,006,461	18,798	1,113	11,866	1,165	19
2 Construction	351,475	37,047	8,890	21,078	7,135	-
3 Wholesale and retail trade & other trade	252,251	16,714	3,922	11,524	1,394	-
4 Services	470,751	14,977	7,931	6,156	1,907	-
5 Financial institutions	381,120	-	509	-	(195)	-
6 Manufacturing	196,042	21,092	6,551	9,596	6,902	-
7 Electricity, gas and water	166,796	-	198	-	132	-
8 Mining and quarrying	278,723	3,220	160	2,475	462	-
9 Transport and communication	354,487	1,390	350	990	247	-
10 Government	34,815	-	102	-	48	-
11 Others	78,437	33,543	7,009	24,577	3,880	1,018
Total	3,571,358	146,781	36,735	88,262	23,077	1,037

*- Stage 3 allowance includes reserve interest amounting to AED 22.636 million.

vi) Amount of impaired loans broken down by significant geographical areas including, with the amounts of impairment allowances related to each geographical area: (AED '000)

Countries	Gross loans	Of which Stage 3 exposure	Stage 1 & Stage 2 allowance	Stage 3 allowance *	Impairment allowance made during the year	Advances written off, net during the year
1 Oman	3,486,846	146,781	36,569	88,262	22,971	1,037
2 Other GCC countries	53,157	-	94	-	34	-
3 Others	31,355	-	72	-	72	-
Total	3,571,358	146,781	36,735	88,262	23,077	1,037

*- Stage 3 allowance includes reserve interest amounting to AED 22.636 million.

vii) Movement of gross loans during the year: (AED '000)

Details	Stage 1	Stage 2	Stage 3	Total
1 Opening balance	2,528,941	465,852	129,407	3,124,200
2 Mitigation/ changes (+/-)	19,614	(32,684)	13,070	-
3 New loans	562,673	7,721	5,510	575,904
4 Recovery of loans	(101,972)	(25,568)	(169)	(127,709)
5 Loans written off	-	-	(1,037)	(1,037)
6 Closing balance	3,009,256	415,321	146,781	3,571,358
7 Impairment allowance held	8,622	28,113	88,262	124,997
8 Reserve interest	-	948	21,688	22,636

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

Credit risk - Disclosures for portfolios subject to the standardized approach.

As part of the standardized approach, the Bank follows the simplified approach for credit risk capital charge calculation. Accordingly, keeping in view the CBO guidelines, the Bank has used the financial collaterals such as cash, acceptable bank guarantees and shares listed on the MSM main index as part of the credit risk mitigation for arriving at the capital adequacy.

Qualitative Disclosures:

The Bank is following Moody's, S&P and Fitch rating for both sovereign and interbank exposures and the balance is treated as unrated at 100% risk. As per the guidelines, the ratings corresponding to the two lowest risk weights are considered and the higher of the two risk weights is applied. There has been no change in the approach compared to previous year.

The bank uses the discretion to treat loans and advances as unrated at-risk weight of 100%, except housing loans and SME which are risk weighted at 35% and 75% based on the requirements as stipulated in the guidelines issued by CBO.

Similarly, the bank uses the discretion of the simple approach for recognizing collaterals.

Quantitative Disclosures:

Gross exposure amount as at 31 December 2025, subject to the standardized approach is as below:

Sr. No.	Product / Rating	Capital Charge								Above 100%	₹ '000's Total
		0%	20%	35%	50%	75%	80%	90%	100%		
Rated											
1	Sovereign	291,578	-	-	-	-	-	-	-	-	291,578
2	Banks	-	34,812	-	28,792	-	-	-	308	-	63,912
3	Corporate	-	-	-	-	149,204	-	-	-	-	149,204
Unrated											
1	Corporate	-	-	-	-	405,897	300,005	108,469	1,336,945	-	2,151,316
2	Banks	-	2,677	-	707	-	-	-	-	-	3,384
3	Retail	-	-	-	-	-	-	-	528,315	-	528,315
Claims secured by residential property											
4	property	-	-	279,806	-	-	-	-	193,782	-	473,588
Claims secured by commercial property											
5	property	-	-	-	-	-	-	-	126,028	-	126,028
Past due loans											
6		-	-	-	-	-	-	-	36,642	-	36,642
7	Other assets	17,999	-	-	-	-	-	-	247,156	-	265,155
Total Banking Book		309,577	37,489	279,806	29,499	555,101	300,005	108,469	2,469,176	4,089,122	

Credit Risk Mitigation - Disclosures for standardized approaches

Qualitative disclosure

Credit risk mitigation (CRM) encompasses collateral management and credit guarantee arrangements. The policies and processes for on- and off-balance sheet netting (and the extent to which the Bank makes use of them); policies and processes for collateral valuation and management; and a description of the main types of collateral taken are described below.

In respect of real estate collateral, two valuations are obtained if the value of collateral exceeds a particular level: the lowest valuation is used. The Bank also has a mandatory requirement to obtain an insurance policy on real estate collateral (other than land) where the policy is assigned in the Bank's favor. Real estate collateral is valued on regular intervals and also on need basis based on the assessment of risk and economic scenario prevailing.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

5. Credit Risk (continued)

The Bank normally accepts the following types of collateral:

- Cash margins and fixed deposits
- Real estate comprising income-producing and non-income-producing assets.
- Shares listed on recognized stock exchanges located in GCC
- Irrevocable and unconditional guarantees / standby LC issued by acceptable Banks
- Debt securities subject to meeting approved criteria.
- Funds subject to meeting approved criteria

The Bank also accepts guarantees of individuals and corporates to mitigate risks, wherever applicable and has a system of assessment of their creditworthiness.

Management monitors the market value of collateral at regular interval and requests additional collateral in accordance with the underlying agreement in case of shortfall. The Bank also periodically reviews the collateral cover for determining the adequacy of the allowance for impairment losses. The fair value of collateral that the bank held as at 31 December 2025 towards loans & advances not impaired amounted to ₹ 2,039.402 million.

Quantitative disclosure

As per Basel & CBO guidelines the Bank stands in possession of the following eligible collateral:

1) Cash 2) Shares 3) Sovereign Guarantee.

Exposure covered by cash collateral – ₹ 71.442 million; after application of haircut (0%) exposure stands at NIL.

Exposure covered by Shares collateral – ₹ 214.582 million; after application of haircut (50%) exposure stands at ₹ 107.291 million.

Exposure covered by Sovereign guarantee – ₹ 100.000 million; after application of haircut (0%) exposure stands at NIL.

Particulars	₹ Mn
Gross Exposure - banking book	4,089
Credit risk mitigation	(181)
Risk weight impact - for banking book	(721)
Risk weighted assets - banking book	3,187
Capital charge for credit risk	430

Counterparty Credit Risk:

Counterparty Credit Risk (CCR) is the risk that the customer or trading counterparty of the Bank, usually an OTC derivative contract, may fail to fulfill its obligation which may result in replacement or termination of transaction at a loss to the Bank.

Bank has implemented Current Exposure Method (CEM) for the measurement of Risk Weighted Assets under CCR. Exposure under CEM method is defined as sum of Potential Future Exposure (PFE) and Current Credit Exposure (CCE). The PFE is the estimate of amount of exposure that may occur over a one-year time horizon while CCE is the sum of positive MTM (Mark to Market) values. Bank has total exposure (CEM) on account of OTC derivatives (FX forwards, Interest Rate Swaps etc.) and RWA of ₹ 2.751 million as at 31 December 2025.

6. Market Risk

Qualitative disclosure

Substantially all of the Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses for the Bank. Market risk arises from fluctuations in interest rates, foreign exchange rates, commodity and equity prices. Market risk has been categorized into interest rate risk, equity position risk and foreign exchange risk. The Bank does not take any trading positions with commodities

The Bank has a robust Market Risk Management framework which comprises of risk identification, setting up of limits, monitoring, reporting, escalation matrix and resolution. The policy and procedure ensure that all limits are within risk appetite of the Bank and approved by the Board.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Details of various market risks are as below:

Interest Rate Risk Principles and Framework

Interest rate risk arises from the possibility that changes in interest rates will affect the value of underlying financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect the Bank's net interest income. Interest rate risk is measured as the potential volatility in net interest income caused by changes in market interest rates. The Bank manages this risk by matching or hedging the re-pricing profile of assets and liabilities through various risk management strategies.

Interest Rate Risk in Trading Book

Interest rate risk in the trading book is the risk of losses in the market value of underlying financial instruments and arises from the sensitivity of interest-bearing instruments to interest rate volatility. Interest rate risk in the trading book is monitored through notional exposure limits, stop loss limits, and maximum maturity limits, and is marked to market.

As of 31 December 2025, there were no significant trading book position sensitive to interest rate changes.

Equity Position Risk

Equity position risk occurs due to change in market value of the Bank's equity portfolio due to change in general market or security specific conditions. The ALCO monitors all equity investment on periodic basis. The Market Risk and Mid Office is responsible to ensures appropriate risk limits are in place and reports the same to appropriate authorities.

As of 31 December 2025, equity investments classified as FVTPL amounted to **₹** 20.868 million.

Foreign Exchange Risk

Foreign exchange risk is the risk that the foreign currency positions taken by the Bank may be adversely affected due to volatility in foreign exchange rates. Foreign exchange risk management is ensured through regular measurement and monitoring of open foreign exchange positions. Treasury takes every possible measure to cover open positions created by customer transactions.

Instruments used to mitigate this risk are foreign exchange spot, forwards, swaps, etc. These instruments help to insulate the Bank against losses that may arise due to significant movements in foreign exchange rates. All foreign exchange exposures are centrally managed by the Bank's Treasury and are daily marked to market. Limits have been assigned with respect to overnight open exposures, stop loss and authorized currencies to monitor and control foreign exchange exposures.

The Bank treats its entire Foreign Exchange Exposure under Basel II Standardized method for capital calculation. The Net open position in all foreign currencies stands at **₹** 140.172 million (including **₹** 126.473 million open position which is pegged to USD) as on 31 December 2025.

Quantitative Disclosure:

Capital Charge:

The exposure under the trading book of the Bank includes relatively small foreign exchange exposure primarily arising from the holding of day-end positions in currencies overnight, and exposure towards interest rate related instruments. Positions are monitored on daily basis to ensure open currency position is maintained within the regulatory limit. For the purpose of capital charge, the three-month average of the sum of the net short positions or net long positions, whichever is higher, is taken. The average is worked out on the basis of the actual positions as obtained on all the working days during the three-month period immediately preceding the reporting date. The exposures are daily monitored by the Middle Office as per the approved stop loss and exposure limits.

Table showing capital charge for interest rate, equity and FX risk as on 31 December 2025 is shown below:

Type of risk	2025	2024
Interest rate risk	5,413	4,507
Equity position risk	3,339	2,845
Foreign exchange risk	4,845	7,834
Percentage of NOP to regulatory capital	23.28%	27.61%
Regulatory ceiling (% to total networth)	40%	40%

Total risk weighted assets for trading book is **₹** 169.96 million with capital charge of **₹** 22.945 million.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Investments in the banking book

The Bank's investments will have to be within the overall limits and restrictions as CBO may prescribe from time to time.

However, the Bank has set up internal limits and approval authorities at various Management and Board Level Committees or the full Board of Directors based on the product category like Repo, CBO CD or Equity / Bonds, as a percentage of the Capital Base of the Bank. All investment proposals are routed through the ALCO to the relevant approval authority.

In addition to the CBO restrictions on investments by banks, and such internal limits as described above, the following restrictions will apply:

The Bank's appetite for private subscriptions and unlisted / unquoted equity is low, and any such proposals should be adequately justified on a case by case basis, and has to be approved by Credit & Investment Committee, Executive Credit Committee or by the Board if it exceeds limits structured as a proportion of the Bank's capital base.

All investments of the Bank should be in either USD or USD pegged GCC currencies or any investments in other currencies should be approved by Delegated Approval Authority determined as a proportion of the Bank's capital base, after review and recommendation of the ALCO. Aggregate investments in all such currencies should not exceed a limit based on the Bank's capital base unless approved by the Board of Directors. This should include all investments through any Fund Manager, or proprietary investments made through the Bank's Asset Management Department.

Any investments of the Bank outside the GCC countries or US will have to be specifically approved by Delegated Approval Authority determined as a proportion of the Bank's capital base. Similarly, this should include all investments through any Fund Manager, or proprietary investments made through the Bank's Asset Management Department.

The Bank will try to achieve reasonable diversification of its equity investment portfolio among the economic sectors, and will not exceed a certain limit of its investment portfolio in any particular industry / sector groups listed below:

- Trading and retailing
- Real estate development, management and rental income
- Construction / contracting and building materials
- Travel / tourism, hotels, restaurants, entertainment, health services and education
- Warehousing / storage, logistics, supply management and transportation, utilities and telecom
- Oil and gas
- Banking and financial services
- Conglomerates or holding companies investing in any of the above business lines
- Information Technology
- Pharmaceuticals
- Manufacturing and Industrials

This should include all proprietary investments made through the Bank's Asset Management Department.

Any proposal that leads to contravention of the above or any proposal for investment in any sector or industry not listed above will need approval of the Delegated Approval Authority.

All investment approval requests for specific transactions or trading limits must be made by the relevant Business Line, approved by the Credit and Investment Committee and submitted to the Executive & Credit Committee as delegated. Any approval above those delegated limits is to be elevated to the Board level for approval. Any restrictions on investments as per effective CBO regulations shall apply. The details of investments are provided in Note 8 of the financial statements.

Investment exits/ Stop loss (does not cover Asset Management Division operations)

Exit strategies is clearly outlined in all investment proposals. In case of a change in the exit strategy, approval from the same approving body is obtained. Sale of FVOCI investments to book profit is approved/ ratified by the ALCO.

The tolerance level of a decrease in the value of an FVTPL investment is a maximum of 15% (in a particular financial year). Investments exceeding this threshold are exited. Any holding with loss equivalent or greater than 10% (in a particular financial year) are notified to ALCO members. In case an investment is witnessing a material change (downgrading or expected downgrade, etc.), the Business Unit outlines the action/remedial plan for ALCO's review. Based on its review, ALCO decides the most appropriate strategy and notify the Credit and Investment Committee.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

6. Market Risk (continued)

Interest Rate Risk in Banking Book (IRRBB)

The Bank monitors its interest rate risk in the banking book through performing repricing gap analysis of interest rate sensitive assets and liabilities. Under repricing gap analysis, the Bank distributes interest rate sensitive assets and liabilities into time bands according to their maturity (if fixed rate) or time remaining to their next repricing (if floating rate). The size of the gap for a given time period – that is assets minus liabilities that reprice or mature within that time band – gives an indication of the Bank's repricing risk exposure. The Bank evaluates the effect of a parallel shift in yield curve on its economic value by applying a proxy for modified duration multiplied by the assumed parallel change in interest rates to the gap under each time band.

The nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement, are given below.

Interest rate risk is mainly related to retail banking book as they are re-priced with any change in the CBO's interest rate and for corporate customer re-priced in line with the market conditions.

Deposits are re-priced based on their final maturity, or if linked to a floating rate index, on the re-pricing date. Deposits that are insensitive to interest rate movements are categorized separately. The earnings at risk are calculated based on interest rate re-pricing gaps. The Bank is confident of sourcing the cheaper source of funds by way of customers' deposits. ALCO along with the risk management department identifies interest rate risk and these are monitored and reported periodically. Rate sensitive exposures are quantified using re-pricing gaps.

Quantitative Disclosure:

Exposure and sensitivity analysis

The sensitivity of interest rate risk is determined by applying 200 bps interest rate shock on net interest income and assessing the impact on Capital. The impact of a 200 basis points parallel shift in interest rate is provided below:

	2025	2024
	₹ '000	₹ '000
Impact of +200 bps interest rate increase	10,215	13,909
Impact of -200 bps interest rate decrease	(10,215)	(13,909)
Impact of +200 bps interest rate increase as % of Capital	+1.70%	+2.65%
Impact of -200 bps interest rate decrease as % of Capital	-1.70%	-2.65%

7. Liquidity risk

Qualitative Disclosure

The Bank defines liquidity risk as its ability to meet all present and future financial obligations in a timely manner and without undue effort and cost through unconstrained access to funding at reasonable market rates and without affecting asset growth and business operations.

The following key factors are taken into consideration while assessing and managing the liquidity risk of the Bank:

- The need to have a well-diversified base for funding sources, comprising a portfolio of retail customers, large corporates and institutions, small & medium enterprises, high net worth individuals, without significant concentrations or correlations, thereby diversifying the funding base and mitigating concentration risks.
- Based upon the past behavioral pattern analysis of our main liabilities, management expects large portion of customer deposits to be rolled over at contractual maturity.
- As per the CBO directives, the Bank keeps at least 5% of its Demand & time deposit liabilities with CBO in the form of clearing balances
- Commitments for loans and advances are approved after considering the Bank's overall liquidity position.

The Bank's projected liquidity needs are analyzed, and optimum alternatives to manage the liquidity risk are discussed and approved in ALCO. The Risk Management department also independently reviews and evaluates the Bank's ability to access liquidity from different sources.

The Treasury and Risk management Departments identify liquidity at risk, which is monitored daily and reported periodically to ALCO. Liquidity and Funding Policy and a liquidity contingency plan have been established by the Bank.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

7. Liquidity risk (continued)

Liquidity and Funding Policy

The Liquidity and Funding policy of the Bank is intended to ensure that liquidity requirements are prudently and effectively managed such that anticipated and unanticipated funding needs are met on an ongoing basis in a controlled manner at the least possible cost.

The Bank's ALCO reviews the Liquidity Policy annually and submits recommendations for changes, if any, for submission to the Credit & Investment Committee or Executive Committee and Board as applicable.

There are a number of techniques which the Bank uses to manage its Liquidity position. The key ones are:

- Placing limits on maturity mismatches
- Maintaining a stock of liquid assets
- Diversification of liabilities
- Access to wholesale markets
- Multi-currency liquidity management

The Bank also maintains significant investments in liquid instruments issued by Government & banks principally for maintaining liquidity. The Bank also has standby lines of credit to meet its obligations at any given time, if the need arises.

Stock of Liquid Assets

An adequate stock of high-quality liquid assets provides the Bank with the capacity to meet its obligations while any underlying problems affecting liquidity are addressed.

Such assets are clearly identified, their role defined and minimum holding levels are reported to the ALCO on an ongoing basis. The degree of diversification of the liquid asset's portfolio is reviewed by the ALCO on a monthly basis.

As per the guidelines of CBO, the Bank is required to maintain Liquidity Coverage Ratio (LCR) of at least 100%. Further, Net Stable Funding Ratio (NSFR) is also prescribed at a minimum of 100%. Internally, the Bank has implemented a more stringent requirement for these ratios which is reviewed by ALCO on a monthly basis. A detailed disclosure on the position of the Bank in regards to these ratios is contained later in this report.

Diversification of liabilities

The Bank seeks to maintain a diversified funding base, and monitors the degree of diversification in its liability base on a monthly basis. Depositor concentration is reviewed by the ALCO on a monthly basis.

The liquidity policy recognizes the inherent value of the Bank's longer-term depositors. The Bank seeks to establish strong and lasting relationships with depositors and other liability holders so as to foster a stable funding base. Trends in liability balances by category are reviewed by the ALCO on a monthly basis.

The Bank also recognizes that an over reliance on short dated inter-bank deposits can lead to difficulties in extreme market conditions. The Bank's exposure to such deposits is reviewed by the ALCO on a monthly basis.

Multi-currency liquidity

Where positions in specific foreign currencies are significant to its business, the Bank addresses the measurement and management of liquidity in these individual currencies. It is considered appropriate to consolidate several (usually minor) currencies and monitor the aggregate exposure expressed in base currency.

When monitoring exposure in aggregate, the Bank assesses the convertibility of individual currencies, the timing of access to funds, the impact of potential disruptions to foreign exchange markets, and exchange risks before presuming that surplus liquidity in one currency can be used to meet a shortfall in another currency.

Performance against limits is monitored daily by Treasury with any exceptions being immediately reported to ALCO members. Review of all liquidity positions against limits is performed by Risk Management and Treasury based on figures produced by the Treasury Middle Office / Finance Department.

The Treasurer along with the Risk Management derives and documents the Maturity Profile behavioral adjustments, based on redemptions and withdrawal requests. These are communicated to the ALCO for discussion and acceptance.

Liquidity Contingency Plan:

It is imperative for the Bank to maintain an adequate amount of liquid assets as a protection against a possible loss in the event of emergency situation. The Bank's Liquidity Contingency Plan (LCP) is approved by Board and addresses the institution's strategy for handling any liquidity crisis. LCP will serve as the blueprint for meeting its funding needs under stress environment in a timely manner and at a reasonable cost. It describes policies and procedures for managing or making up cash flow shortfalls in such situations at both solo and consolidated level.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

7. Liquidity risk (continued)

The Bank has adopted quantitative and qualitative key warning indicators which is monitored by Market Risk team and presented to ALCO. The members of the Liquidity Crisis Management Team (LCMT) and ALCO are notified immediately should any of the early warning criteria be breached.

In the event of the plan being invoked, ALCO delegates the responsibility for the management of the Bank's liquidity to the LCMT. The LCMT is comprised of CEO (Chairman), DCEO Business Group, DCEO – Support Services, Head of Finance, Head of Treasury and Head of Risk.

Quantitative disclosure

The maturity gaps are measured and reported as per CBO circular BM 955 dated May 7, 2003 and subsequent amendments including the CBO circular dated January 29, 2025 through SDD/CBS/CB/2025/19 on Maturity of Assets and Liabilities. Disclosure pertaining to the maturity profile of assets and liabilities as at 31 December 2025 are provided in note 35.2.2 of financial statements.

8. Operational risk

Operational Risk Framework

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. It encompasses risks such as IT security breaches, telecom failures, fraud, operational errors, and other disruptions that may impact the Bank's ability to operate effectively.

Losses from external events—such as natural disasters, power outages, or telecommunication failures—are relatively easier to define compared to losses arising from internal issues like employee misconduct or product flaws. Internal risks are closely linked to the Bank's specific products, services, and operational structure, making them more complex to manage.

The Bank manages operational risk through a comprehensive Operational Risk Management Framework, which includes robust internal controls, clear segregation of duties, documented processes, and independent reviews by Internal Audit. The framework is overseen by the Operational Risk Committee (ORC), which is responsible for governance and continuous improvement.

Identification and Assessment

The Bank identifies and assesses the operational risks inherent in its material products, activities, processes and systems. It also ensures that the associated operational risks are properly assessed and mitigated before any new products or services, activities, processes or systems are introduced.

Risk identification is vital to the development of operational risk monitoring and control systems. Risk identification considers internal factors such as the Bank's organizational structure, nature of its activities, quality of its human resources, organizational changes, and employee turnover. It also examines external factors such as industry developments, major political and economic changes, and technological advancements.

The Bank has identified the following operational risks and has been implementing an effective framework to manage them:

- Fraud Risk
- Process Risk
- Legal Risk
- People Risk
- Compliance Risk
- IT and Cybersecurity Risk
- Physical Security Risk

Control and Mitigation

The Bank has an effective Fraud Risk Management Framework and Policy to effectively manage the risks arising from frauds, in line with the regulatory guidelines. The Bank has established a dedicated FRM unit that operates independently within the Operational Risk Management division.

The Bank employs a range of strategies to control and mitigate operational risk. It periodically reviews risk limitation and control strategies to recalibrate the operational risk profile in alignment with the Bank's overall risk appetite.

This includes the Operation Risk Self-Assessment (ORSA) for each of its business segments, where operating risk related to each business area is identified and the corresponding control processes are defined and documented. The action points arising from ORSA are reviewed by the ORC. The Bank also has Key Risk Indicators (KRIs) for each function that is monitored on an ongoing basis to detect emerging risks.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

8. Operational risk (continued)

The Bank ensures that there is appropriate segregation of duties to prevent conflicts of interest and unauthorized activities. An independent internal audit ensures that operating policies and procedures have been implemented effectively.

The Bank has adequate insurance cover to mitigate the inherent and residual operational risk, wherever applicable. It also ensures that the following controls are effectively implemented to mitigate operational risks:

- Safeguards for access to, and use of, the Bank's physical and digital assets.
- Ensuring staff have appropriate expertise and training; and
- Review and reconciliation of transactions and accounts.

Reputation Risk

Reputation Risk is negative public opinion/reaction which could cause damage to the Bank's profitability or image. Reputation risk is one of the most complex risks to manage in view of unpredictability, constant change in the operating environment, personnel turnover and multi-cultural environment that the Bank operates in. The Bank identifies, measures, monitors and controls reputation risk arising in the following areas:

- Customer service
- Perception of stakeholders regarding Bank's commitment to their interests
- Quality of products, services and sales practices
- Reporting to stakeholders and external agencies
- Accuracy of information in communications to the public

There are policies and procedures in place to manage and monitor reputation risk.

Social Media risk is an important element of Reputation risk that has emerged with the popularity of social media and digital technologies. The Bank recognizes the importance of effectively managing the interests of the Bank and its customers from this dynamic and unregulated category of risk. The Corporate Communication Department (CCD) is responsible for managing the Bank's social media activities within the guidelines of 'Social Media Policy'.

Business Continuity Management

The Bank's Business Continuity Management Policy outlines the process to be followed in a disaster scenario, and the Bank undertakes comprehensive testing of all its critical systems and processes to ensure resilience in disaster scenarios. The BCP aims to minimize the severity and impact of a disaster while continuing to serve both the business and customers with the least possible disruption in service. The plan considers the following:

- Disaster scenarios and magnitude
- Steps to mitigate the risk
- Impact on the Bank's business and operations
- Resources required for early recovery
- Operating processes and available systems at the Disaster Recover (DR) site

The Bank conducts annual BCP and IT resilience tests based on Business Impact Analysis (BIA). During 2025, a comprehensive BCP test and an IT resilience test were successfully executed on a working day in order to test the resilience of the Bank's business systems at the DR site. The scope of the test was arrived at based on the Business Impact Analysis (BIA) carried by the Bank and the results of the BCP and volume tests were reported to the Board. The Bank's crisis management team, and the response procedures in a disaster scenario are detailed in the BCP documents of the Bank.

Fraud Risk Management

The Bank takes effective prevention and detection of fraudulent activities extremely serious and cooperate with the judicial and regulatory authorities and support national, regional and international initiatives to combat fraud. It endeavors to develop a culture of fraud awareness and prevention across all areas of its operations to limit possible financial losses and safeguard the brand and financial reputation of the Bank.

Concentration Risk

Concentration risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from large exposure to counterparty, a sector or country. Concentration risk can be mitigated by formulating limits, by a thorough check on counterparty's quality or adequate collateral support etc.

As part of ICAAP, thresholds for exposure concentrations has been set up, this will trigger additional capital requirements based on concentration in terms of large exposures to counterparties, sector exposure concentration (excluding retail lending) and geographical exposure concentration (other than to Oman).

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

8. Operational risk (continued)

Information Security Risk

The bank has adopted an Information Security Management System (ISMS) /process and a framework by which the Bank ensures, protects and secures information resources that process and maintain information which are vital to its operations. The main component of this framework is the Information Security Policy that provides direction for formulation, implementation, and management of Information Security Management System. Since protection of customer information is the top-most priority, the Bank strives to safeguard the confidentiality, availability and integrity of the data of its customers and business partners at all times. The bank has maintained ISO 27001 certification since 2012 and PCI DSS certification since 2015.

Compliance Risk (including risk of Shari'a Non-Compliance)

Compliance risk is the potential for financial losses, legal penalties, regulatory sanctions and loss to Bank's reputation that result from non-compliance with laws and regulations that are applicable on the Bank. The Board of Directors have direct responsibility for overseeing the management of the Bank's compliance risk. Senior management are thereafter responsible for ensuring effective management of this risk. They are supported by the Compliance function of the Bank which is an independent function that reports, and has direct access to Board Audit & Compliance Committee. The Bank's 'Compliance Policy' sets the guidelines to manage this important risk type.

Shari'a Governance framework ensures Shari'a compliance at all times and at all levels. Shari'a compliance unit facilitates the senior management in ensuring compliance with Shari'a and Islamic banking stipulations of the Central Bank in all its business activities, operations and transactions. Shari'a compliance unit is extensively involved before a new product or transaction is approved and monitors the implementation of guidelines issued by Shari'a Supervisory Board (SSB). No new product class or transaction type is executed without consulting the Shari'a compliance unit and getting a formal approval from the SSB.

Model Risk

Model risk is the potential for ineffective decision making or regulatory non-compliance resulting from the use of insufficiently accurate models, particularly in the areas such as measuring, pricing and managing risks. These models include, but are not limited to, capital calculation model, facility and obligor risk rating models, models to calculate expected credit losses and provisioning, pricing models for investments and hedges etc. The Bank manages this risk by following best-practices in regards to governance, data management, model validation and back-testing of its key models.

Other Risks

The Bank is also exposed to other risks such as, strategic risk, business cycle risk, legal risk, residual risk, settlement risk, Shariah non-compliance risk (Pertaining to Islamic Banking) etc. However, currently these risks are not significant to the Bank. The Bank follows standard methodologies for arriving at the capital adequacy requirements of these risks. These risks are assessed and such assessments form part of the Bank's ICAAP process.

Operational risk capital charge and risk weighted amount

The Bank follows basic indicator approach for determining operational risk. The Capital charge for operational risk under Basic Indicator approach is calculated by taking the average of gross income multiplied by 15%, for each of the last three financial years, excluding years of negative or zero gross income. The gross income is Net interest income (+) Non-interest income (+) Provisions for unpaid interest (-/+ gain/ loss on sale of investments (-) extraordinary / irregular items of income.

Item (AED '000)	2025	2024	2023
Net interest income	84,489	73,902	76,296
Non-interest income	33,265	34,403	22,243
Provision for unpaid interest	7,697	(1,153)	4,358
Gain on sale of investment	(22)	121	(741)
Insurance and other irregular items	73	45	(4)
Gross income	125,502	107,318	102,152
Average Income	111,658		
Gross Income times of Alpha (15%)	16,749		
Operational risk based on Basic Indicator Approach	209,359		

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

8. Operational risk (continued)

Capital Charge for Operational Risk under Basic Indicator Approach as per Basel II is AED 28.263 million as of 31 December 2025.

The Risk weighted assets for operational risk as per Basel II is AED 190.309 million with the capital charge of AED 25.692 million.

9. Compensation Policy

In line with the CBO guidelines on remuneration disclosures as part of Pillar III, the Bank is committed to fair, balanced, performance-oriented compensation practices that align long-term employee and shareholder interests. The policy is endeavored to attract, retain and motivate the best people in the industry. The Bank has a Board appointed Nomination and Remuneration Committee whose primary objective is to advise the Bank's Board Chairman on the remuneration of Board members, appointment and remuneration of senior management personnel.

Performance awards are based on the achievement of both financial and non-financial objectives. The Performance Management System is aimed at achieving the Bank's business plans and objective through continuous and focused performance of the employees. The objective of Performance Review process is to assess the employee on his/her performance against assigned key Performance Indicators and objectives. At senior management levels, the overall Bank's performance is the overriding criteria while awarding performance awards. The payout is based on consideration of all aspects governing performance including the stage of business, market conditions, and time horizon of risks, sustainable returns and the cyclical nature of certain businesses. The Bank is committed to responsible compensation practices which balance reward based on performance and promoting principled behavior and actions. The compensation is designed to contribute to the Bank's objectives and encourages prudent risk taking and adherence to applicable laws, guidelines and regulations.

The compensation policy and arrangement for Senior Management, Material Risk takers and Control functions in regulated roles of the Bank are based on their responsibilities and authority levels and are governed by the instructions from CBO on the principles and standards of the Financial Stability Board and relevant CMA regulations.

The list of Senior Management and Material Risk Takers in regulated roles of the Bank is reviewed annually by the Board Nomination and Remuneration Committee (NRC) and takes into account changes in terms of internal organization and compensation levels.

The NRC review and approves all fixed and variable compensation including all benefits for the designated Senior Management and Material Risk Takers in regulated roles of the Bank to ensure that payments made are fair to the individual and the Bank, that failure is not rewarded and that the duty to maximize performance and mitigate loss is fully recognized.

In cases whereby, the variable compensation for Senior Management and Material Risk Takers exceeds threshold, the balance is being deferred and paid equally over the period of 3 years, subject to certain conditions relating to Malus and Claw-back criterion.

The key management comprises of 5 members (2024: 5 members) of the management committee. Total remuneration paid during the year was AED 2.033 million for 2024 (2024: AED 1.745 million)

The total amount of remuneration paid for the 22 Material risk takers (MRT) was AED 3.625 million. An amount of AED 0.559 million was deferred being above the threshold (31 December, 2024 - 24 Material risk takers, total amount paid AED 3.561 million, AED 0.393 million deferred)

10. Subsidiaries and significant investments

The Bank does not have any subsidiary or other significant equity investments as on 31 December 2025.

11. Basel III Capital Disclosures

The below capital disclosures are prepared in accordance with the requirements of the CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013.

11.1 The 3 step approach to reconciliation

Below disclosures are prepared using three step reconciliation approach as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114.

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

BASEL III COMMON DISCLOSURE TEMPLATE

Common Equity Tier 1 capital: instruments and reserves		₹ (000's)
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus/premium	294,966
2	Retained earnings (net of proposed cash dividend of 6%)	45,137
3	Legal Reserve	52,656
4	Proposed Stock Dividend	-
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	392,759
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	2,726
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	8,105
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	Securitization 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 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	-
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	10,831
29	Common Equity Tier 1 capital (CET1)	381,928

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

Additional Tier 1 capital: Instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	190,884
31	of which: classified as equity under applicable accounting standards	190,884
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	190,884
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 and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH:	-
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)	190,884
45	Tier 1 capital (T1 = CET1 + AT1)	572,812
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and 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 (including gain on investments)	13,311
51	Tier 2 capital before regulatory adjustments	13,311
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	Total National specific regulatory adjustments	-

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

	Of which: Investments in Tier 2 capital of unconsolidated banking and financial subsidiary companies, associates or affiliates etc.,	-
	Of which: shortfall in the Tier 2 regulatory capital in the unconsolidated entities	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	13,311
59	Total capital (TC = T1 + T2)	586,123
60	Total risk weighted assets	3,547,464
60a	Credit risk weighted assets	3,187,199
60b	Market risk weighted assets	169,956
60c	Operational risk weighted assets	190,309
Capital Ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.77%
62	Tier 1 (as a percentage of risk weighted assets)	16.15%
63	Total capital (as a percentage of risk weighted assets)	16.52%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.500%
65	of which: capital conservation buffer requirement	2.500%
66	of which: bank specific countercyclical buffer requirement	-
67	of which: G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.77%
National Minima (if difference from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	9.500%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.500%
71	National total capital minimum ratio (if different from Basel 3 minimum)	13.500%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	37,781
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)	-
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	8,862
77	Cap on inclusion of provisions in Tier 2 under standardised approach	39,840
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 2022)		
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 (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

Step 1: Balance sheet under Regulatory scope of consolidation

Table 2a- Balance sheet under Regulatory Scope of Consolidation (₹ '000)

Year ended 31 December 2025	Published financial statements	Under regulatory scope of consolidation
	As at 31 December 2025	As at 31 December 2025
Assets		
Cash and balances with Central Bank of Oman	140,031	140,031
Certificates of deposit	-	-
Due from banks	64,153	64,153
Loans and advances	3,446,361	3,446,361
Investments in securities	461,811	461,811
Loans and advances to banks	-	-
Property and equipment	51,387	51,387
Deferred tax assets	-	-
Other assets	24,931	24,931
Total assets	4,188,674	4,188,674
Liabilities		
Due to banks	254,812	254,812
Customer deposits	3,157,532	3,157,532
Borrowings	38,500	38,500
Deferred tax liabilities	1,510	1,510
Other liabilities	95,038	95,038
Subordinated bonds	-	-
Total liabilities	3,547,392	3,547,392
Shareholders' Equity		
Paid-up share capital	294,966	294,966
Share premium	-	-
Legal reserve	52,656	52,656
Retained earnings	61,378	61,378
Special reserve	298	298
Impairment reserve	30,346	30,346
Cumulative changes in fair value of investments	10,754	10,754
Total shareholders' equity	450,398	450,398
Tier 1 Perpetual subordinated bonds	190,884	190,884
Total equity	641,282	641,282
Total liability and shareholders' funds	4,188,674	4,188,674

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

Step 2: Expansion of Balance sheet under Regulatory scope of consolidation

Table 2b – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (₹ '000)

For the period ended 31 December 2025	Year ended December 2025	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	140,031	140,031	
Balance with banks and money at call & short notice	64,153	64,153	
Balance with banks and money at call & short notice, of which	-	64,198	
- Stage 1 / 2 impairment allowance, of which	-	(45)	
- amount eligible for T2	-	45	e
Investments, of which:	461,811	461,811	
Fair Value Through Other Comprehensive income (FVOCI)	-	185,093	
Fair Value Through Profit & Loss (FVTPL)	-	276,718	
- Stage 1 / 2 impairment allowance, of which	-	-	
- amount eligible for T2	-	-	
Loans and advances – Net, of which:	3,446,361	3,446,361	
- Loans and advances to domestic banks	-	-	
- Loans and advances to non-resident banks	-	-	
- Loans and advances to domestic customers	-	2,470,252	
- Loans and advances to non-resident for operations abroad	-	84,509	
- Loans and advances to SMEs	-	167,816	
- Financing from Islamic banking window	-	848,782	
- Expected credit loss allowance, of which	-	(124,997)	
- Stage 3 Impairment allowance and Reserve interest & profit	-	(88,262)	
- Stage 1 / 2 impairment allowance, of which	-	(36,735)	
- amount eligible for T2	-	8,622	e
- amount ineligible for T2	-	28,113	
Fixed assets	51,387	51,387	
- Intangibles (CET1 adjustment)	-	(8,105)	d
- Other fixed Asset	-	(43,282)	
Other assets	24,931	24,931	
Other assets, of which	-	25,018	
- Stage 1 / 2 impairment allowance, of which	-	(87)	
- amount eligible for T2	-	-	e
- amount ineligible for T2	-	87	
Total Assets	4,188,674	4,188,674	
Capital & Liabilities			
Paid-up Capital, of which:	294,966	294,966	
- Amount eligible for CET1	294,466	294,966	a

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

For the period ended 31 December 2025	Year ended December 2025	Under Regulatory scope of consolidation	Reference
Reserves & Surplus; of which	346,316	346,316	
- Amount eligible for CET1 (Legal reserve)	-	52,656	c
- Amount eligible for CET1 (Subordinated debt reserve)	-	-	
- Amount eligible for CET1 (Retained earnings)	-	45,137	b
- Proposed cash dividend (removed from retained earnings)	-	16,241	
- Amount ineligible for CET1 (Special Reserve)	-	298	
- Amount eligible for AT1 (Tier 1 perpetual bonds)	-	190,884	
- Amount ineligible for T2 (Impairment reserve)	-	30,346	
- Amount eligible for T2 (Investments Fair value gains)	-	4,449	f
- AFS investments fair value loss (CET1 adjustment)	-	(2,726)	d
- AFS investments fair value gain unutilized	-	9,031	
Total Capital	641,282	641,282	
Deposits from banks	254,812	254,812	
Customer deposits, of which	3,157,532	3,157,532	
- Deposits for customers	-	2,248,537	
- Deposits of Islamic Banking window	-	908,995	
Borrowings, of which:	-	-	
- From banks	38,500	38,500	
Borrowings in form of bonds, Debentures & sukuks, of which	-	-	
- Amount eligible for T2	-	-	
- Amount ineligible for T2	-	-	
Other liabilities & provisions	96,548	96,548	
Other liabilities & provisions , of which	-	98,030	
- Stage 3 provision	-	(161)	
- Stage 1 / 2 provision, of which	-	(1,321)	
- amount eligible for T2	-	195	e
- amount ineligible for T2	-	1,126	
TOTAL	4,188,674	4,188,674	

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (₹ '000)		
	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
For the year ended 31 December 2025		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	294,966 a
2	Retained earnings	45,137 b
3	Accumulated other comprehensive income (and other reserves)	52,656 c
4	Common Equity Tier 1 capital before regulatory adjustments	392,759
5	Prudential valuation adjustments	(10,831) d
6	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
7	Total regulatory adjustments to Common equity Tier 1	(10,831)
8	Common Equity Tier 1 capital (CET1)	381,928
9	Additional Tier 1 capital (AT1)	190,884
	Tier 1 capital (T1 = CET1 + AT1)	572,812
10	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
11	Expected credit loss allowance / Provisions	8,862 e
12	Fair value reserve of FVOCI investments	4,449 f
	Tier 2 capital before regulatory adjustments	13,311
	Tier 2 capital: regulatory adjustments	-
	Tier 2 capital (T2)	13,311
	Total capital (TC = T1 + T2)	586,123

11.2 Main Features of regulatory capital

Table below discloses the key features of all the regulatory capital issued by the Bank;

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA	NA	NA

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier I	Additional Tier I	Additional Tier I	Additional Tier I	Additional Tier I
5	Post-transitional Basel III rules	Common Equity Tier 1	Eligible	Eligible	Eligible	Eligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital	Rights issue of Perpetual subordinated bonds	Rights issue of Perpetual subordinated bonds	Mandatory Convertible bonds	Rights issue of Perpetual subordinated bonds	Mandatory Convertible bonds
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	₹244.966 million	₹75 million	₹54 million	₹10.366 million	₹40 million	₹11.518 million
9	Par value of instrument	₹244.966 million	₹75 million	₹54 million	₹10.366 million	₹40 million	₹11.518 million
10	Accounting classification	Shareholders' Equity	Equity	Equity	Equity	Equity	Equity
11	Original date of issuance	Bank started operations in 1997	11-Aug-22	25-Dec-23	29-Apr-24	27-Jun-24	30-Apr-25
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Convertible into equity shares after 2 years	Perpetual	Convertible into equity shares after 2 years
13	Original maturity date	No maturity	No maturity	No maturity	Convertible into equity shares after 2 years	No maturity	Convertible into equity shares after 2 years
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	No	Yes	No

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
15	Optional call date, contingent call dates and redemption amount	NA	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	NA	The Bank May, at the end of five years and every interest payment date thereafter, redeem all but not some, of the bonds at nominal value, subject to prior approval from CBO.	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	NA
	Coupons / dividends						
17	Fixed or floating dividend/ coupon	Floating	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	7.50%	7.50%	6.00%	7.25%	6.00%
19	Existence of a dividend stopper	NA	NA	NA	NA	NA	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatorily convertible	Fully discretionary	Mandatorily convertible
21	Existence of step up or other incentive to redeem	No	NA	NA	No	NA	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Non-convertible	Convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	second anniversary of the issue date	NA	second anniversary of the issue date
25	If convertible, fully or partially	NA	NA	NA	Fully	NA	Fully
26	If convertible, conversion rate	NA	NA	NA	Every 100 bonds will be converted to 69 shares	NA	Every 100 bonds will be converted to 69 shares

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

11. Basel III Capital Disclosures (continued)

1	Ahli Bank SAOG	Common Equity Share Capital	Perpetual subordinated bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible bonds (additional Tier 1)	Perpetual subordinated bonds (additional Tier 1)	Mandatory Convertible Bonds (additional Tier 1)
27	If convertible, mandatory or optional conversion	NA	NA	NA	Mandatorily convertible	NA	Mandatorily convertible
28	If convertible, specify instrument type convertible into	NA	NA	NA	Banks equity shares	NA	Banks equity shares
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	Banks equity shares	NA	Banks equity shares
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Statutory approach	Statutory approach	Statutory approach	Statutory approach	Statutory approach	Statutory approach
32	If write-down, full or partial	Write down fully	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank	Subordinate to deposit holders, general creditors, holders of Tier 2 subordinated debt/bonds/sukuk of the bank
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA	NA	NA

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES

The below liquidity disclosure is prepared in accordance with the requirements of the CBO Circular BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014. The disclosure is based on average of three-monthly data points.

LIQUIDITY COVERAGE RATIO (LCR)

Common Disclosure Template

		(₹ '000)	
		Total unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)	416,754	416,754
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	1,447,065	90,387
3	Stable deposits	33,601	1,008
4	Less stable deposits	1,413,463	89,379
5	Unsecured wholesale funding, of which:	973,081	492,279
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	11,113	2,778
7	Non-operational deposits (all counterparties)	740,235	267,768
8	Unsecured debt	221,733	221,733
9	Secured wholesale funding	-	-
10	Additional requirements, of which	-	-
11	Outflows related to derivative exposures and other collateral requirements	72,342	72,342
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	33,989	3,399
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	41,621	2,081
16	TOTAL CASH OUTFLOWS	2,568,097	660,487
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	409,434	269,697
19	Other cash inflows	188,946	72,342
20	TOTAL CASH INFLOWS	598,380	342,038
21	TOTAL HQLA		416,754
22	TOTAL NET CASH OUTFLOWS		318,449
23	LIQUIDITY COVERAGE RATIO (%)		130.87%

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES (continued)

NET STABLE FUNDING RATIO (NSFR)

Common Disclosure Template

The below Net Stable Funding Ratio (NSFR) disclosure is prepared in accordance with the requirements of the CBO letter vide circular reference 1147 issued on October 26, 2016.

NSFR disclosure is presented below based on positions as on 31 December 2025.

Bank has maintained NSFR levels of 101%-110% during the year.

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>=1 Year	Weighted Value
ASF ITEM						
1	Capital	586,123	-	-	-	586,123
2	Regulatory Capital	586,123	-	-	-	586,123
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and Deposits from small Business Customers	943,849	303,443	184,445	82,940	1,380,602
5	Stable Deposit	182,331	3,266	2,836	1,466	180,477
6	Less Stable Deposit	761,158	300,177	181,609	81,474	1,200,124
7	Wholesale Funding	552,661	563,686	182,608	309,355	958,832
8	Operational	5,748	-	-	-	2,874
9	Other Wholesale Funding	546,913	563,686	182,608	309,355	955,958
10	Liabilities with matching interdependent Assets	-	-	-	-	-
11	Other Liabilities	-	-	-	38,500	38,500
12	NSFR Derivative Liability	-	-	-	-	-
13	All other liabilities and equities not included in above categories	424,765	-	-	-	-
14	Total ASF	-	-	-	-	2,964,057
RSF ITEM						
15	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	16,225
16	Deposits held at other financial institutions for operational purposes	15,987	-	-	-	7,993
17	Performing Loans and Securities	-	-	-	-	-
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	-	204,579	15,229	-	38,302
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	-	-	-	2,168,936	1,843,596
21	With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	73,050	415,707	127,879	-	308,318
22	Performing residential mortgages, of which:	-	-	-	-	-

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES (continued)

Sr No.	Particulars	No Maturity	<6 Months	6 Months to < 1 Year	>=1 Year	Weighted Value
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	279,806	181,874
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	137,302	116,707
25	Assets with matching interdependent liabilities					
26	Other Assets:					
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	-	-	-	214,973	214,973
32	Off-balance sheet items	-	152,639	53,545	98,276	15,223
33	Total RSF	-	-	-	-	2,743,211
34	NET STABLE FUNDING RATIO	-	-	-	-	108.05%

LEVERAGE RATIO (LR)

Common Disclosure Template

The below Leverage Ratio disclosure is prepared in accordance with the requirements of the CBO letter BSD/2017/BKUP/Leverage/564 – Implementation of Basel III Leverage Ratio issued on 27 August 2017.

(All amounts in ₪ '000)

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure			
Item	Current Quarter	Previous Quarter	
1	Total consolidated assets as per published financial statements	4,188,674	3,975,394
2	Adjustments for derivative financial instruments	2,751	1,260
3	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-
4	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	124,190	112,011
5	Other adjustments	-	-
6	Leverage ratio exposure	4,315,615	4,088,665

BASEL II PILLAR III AND BASEL III Disclosures (Continued)

31 DECEMBER 2025

12. Basel III LIQUIDITY DISCLOSURES (continued)

Table 2: Leverage ratio common disclosure template			
Item	Current Quarter	Previous Quarter	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,188,674	3,975,394
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	4,188,674	3,975,394
Derivative Exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	77	28
5	Add-on amounts for PFE associated with all derivatives transactions	2,674	1,232
11	Total derivative exposures (sum of lines 4 to 10)	2,751	1,260
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
14	CCR exposure for SFT assets	-	-
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	219,085	203,258
18	(Adjustments for conversion to credit equivalent amounts)	(94,895)	(91,247)
19	Off-balance sheet items (sum of lines 17 and 18)	124,190	112,011
Capital and total exposures			
20	Tier 1 capital	572,812	563,380
21	Total exposures (sum of lines 3, 11, 16 and 19)	4,315,615	4,088,665
Leverage Ratio			
22	Basel III leverage ratio (%)	13.27%	13.78%

The financial statements and other related disclosures are also available on the Bank's website, to view it on the website refer the link <https://ahlibank.om/investor-relations/financial-highlights/annual-reports/>.

The Basel II, Pillar III report is prepared in accordance with the requirements of Basel II, Pillar III disclosures as set out in the CBO circulars BM1009 and BM1027.

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.

For Ahli Bank SAOG



Hamdan Ali Nasser Al Hinai
Chairman
Date: 27 January 2026