

NATIONAL BANK OF OMAN (SAOG)

UAE Branches

PILLAR 3 REPORT- September 2025

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Overview

The following information is compiled in terms of the requirements of the Central Bank of the U.A.E. Banks are obliged to report certain qualitative and quantitative information with regards to their risk profile and capital adequacy on a regular basis to the public, which incorporates the revised Basel III Pillar 3 requirements on market discipline.

Reporting framework

The information disclosed in this report is based on the definitions, calculation methodologies and measurements as defined by the Amended Regulations. All tables, diagrams, quantitative information and commentary in this risk and capital management report are unaudited unless otherwise noted.

References to fixed format templates as required under the revised Pillar 3 disclosure requirements are made throughout this document and highlighted in the relevant sections.

Period of reporting

This report is in respect of the quarter ended 30th September 2025, including comparative information (where applicable).

Activities

National Bank of Oman SAOG (the “Bank” or the “Head Office”) was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail banking, wholesale banking and investment banking services. The Bank in the United Arab Emirates (“UAE”) operates with two branches i.e. Abu Dhabi and Dubai (the “Branches”) under a commercial bank license granted by the UAE Central Bank. The registered office of the Branches is P.O. Box 3822, Abu Dhabi, UAE. Abu Dhabi Branch started its operation in 1976. Dubai Branch started its operation in December 2013.

The principal activities of the Branches are granting of loans, advances and the provision of other commercial banking services.

These financial statements reflect the activities of the Dubai and Abu Dhabi Branches only and exclude all transactions, assets and liabilities of the Head Office and other branches of the Head Office outside United Arab Emirates.

Overview of Risk Management & RWAs Capital Adequacy (KM1)

The ultimate objectives of capital management are threefold:

- Ensure stability of the bank by holding enough capital to cover unexpected loss.
- Enhance the efficiency of the bank, by increasing the risk adjusted return at various levels of aggregation (and thereby ensuring that “excess” capital is not held unnecessarily)
- Incentivize informed decision making and proactive risk management through an efficient and effective allocation of capital across the business.

The capital management plan envisaged for the bank is based on the regulatory risk capital framework of Basel II and using standardized approach for calculating the credit as well market risk and the basic indicator approach for operational risk as prescribed by CBUAE.

The capital management policy of the bank aims to ensure that on a risk adjusted return on capital basis (RAROC), individual lines of business are allocated an appropriate amount of capital. The RAROC model has been implemented for the entire portfolio except for Retail banking where the Central Bank of Oman has defined caps on interest rates, which are followed.

The Asset Liability Committee (ALCO) reviews and monitors capital adequacy and requirement for capital on an ongoing basis. Capital adequacy calculation is prepared and submitted for ALCO's review every quarter. Various stress scenarios, taking into account the earning volatility, credit and market risk impact along with capital allocation by line of business is reviewed in this forum.

A set of triggers are followed as part of the capital management so as to provide the bank with an early warning system in terms of its level of capital, to enable it to take suitable measures at an early stage to prevent capital falling below acceptable limits.

The Bank prepares ICAAP (Internal Capital Adequacy Assessment Process) document in line with Basel II guidelines to evaluate all Enterprise-wide Risks that are not fully captured in the Pillar I Risks. This document addresses through objective and subjective evaluation, the adequacy of capital after considering the impact of additional risks, such as, Residual Credit Risk, Residual Credit Risk Mitigation (CRM) Risk, Residual Credit Risk - Equity, Residual Market Risk - Currency, Credit Concentration Risk, Interest Rate Risk in Banking Book, Settlement Risk, Reputation Risk, Strategic Risk and Compliance Risk as well as various levels of stress tests. The assessment under ICAAP is carried out and submitted to the Central Bank of UAE in accordance with the prescribed guidelines. The bank will also factor in the regulatory guidelines, wherever applicable on Basel III, while carrying out its assessment.

The Central Bank of UAE ('CBUAE') supervises the Branches on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Branches as a whole. Effective from 2017, the capital is computed at the Branches level using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

The Branches' regulatory capital is analyzed into two tiers:

CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.

Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital. The minimum capital adequacy requirements as set out by the Central Bank are as follows:

Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs). Minimum tier 1 ratio of 8.5% of RWAs.

Total capital adequacy ratio of 10.5% of RWAs.

Capital conservation buffer – 2.5% of RWAs.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Branches' management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a quarterly basis.

The UAE Central Bank issued Basel III capital regulation vide its notice no. CBUAE/BSN/2020/66 dated January 07, 2020 which was partially effective as at December 31, 2019 (as per the regulation, only Pillar II is applicable in December 2019 and the rest will be applicable from June 2020).

During the years ended 31 December 2024, 2023, 2022, 2021, and 2020, the Branches have complied in full of all its externally imposed capital requirements.

		Sep-25 AED '000	Jun-25 AED '000	Mar-25 AED '000	Dec-24 AED '000	Sep-24 AED '000
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	300,861	300,810	299,920	299,731	275,332
1a	Fully loaded ECL accounting model					
2	Tier 1	300,861	300,810	299,920	299,731	275,332
2a	Fully loaded ECL accounting model Tier 1					
3	Total capital	314,350	308,157	305,282	306,683	279,547
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,573,654	989,147	1,070,859	977,880	828,721
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	19.12%	30.41%	28.01%	30.65%	33.22%
5a	Fully loaded ECL accounting model CET1 (%)					
6	Tier 1 ratio (%)	19.12%	30.41%	28.01%	30.65%	33.22%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	19.98%	31.15%	28.51%	31.36%	33.73%
7a	Fully loaded ECL accounting model total capital ratio (%)					
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)					
9	Countercyclical buffer requirement (%)					
10	Bank D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)					
12	CET1 available after meeting the bank's minimum capital requirements (%)	9.48%	20.65%	18.01%	20.86%	23.23%
	Leverage Ratio					
13	Total leverage ratio measure	3,124,024	2,468,623	2,407,399	2,686,525	2,612,083
14	Leverage ratio (%) (row 2/row 13)	10%	12%	12%	11%	11%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)					
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	0%	0%	0%	0%	0%
	Liquidity Coverage Ratio					
15	Total HQLA	NA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA	NA	NA
	Net Stable Funding Ratio					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA	NA	NA
	ELAR					
21	Total HQLA	472,584	649,677	764,693	722,012	779,773
22	Total liabilities	2,463,681	1,826,259	2,081,696	1,898,518	1,970,881
23	Eligible Liquid Assets Ratio (ELAR) (%)	19%	36%	37%	38%	40%
	ASRR					
24	Total available stable funding	1,892,155	1,619,138	1,564,818	1,744,246	1,677,786
25	Total Advances	1,407,564	865,066	1,035,538	1,022,899	1,009,053
26	Advances to Stable Resources Ratio (%)	74.39%	53.43%	66.18%	58.64%	60.14%

The Bank's UAE operations uses CBUAE prescribed UAE specific alternative approaches (i.e., ELAR and ASRR as reported in BRF 8 & 7 templates of CBUAE respectively) and accordingly, the Bank is not under LCR/ NSFR regime currently.

Overview of RWA (OV1)

Following metrics and RWA is calculated based on latest applicable CBUAE Capital Adequacy regulations for Banks operating in the UAE.

		Sep-25	Jun-25	at 10.5%
		AED' 000	AED' 000	AED' 000
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk (excluding counterparty credit risk)	1,471,271	888,991	154,483
2	Of which: standardised approach (SA)	1,471,271	888,991	154,483
3				
4				
5				
6	Counterparty credit risk (CCR)			
7	Of which: standardised approach for counterparty credit risk			
8				
9				
10				
11				
12	Equity investments in funds - look-through approach			
13	Equity investments in funds - mandate-based approach			
14	Equity investments in funds - fall-back approach			
15	Settlement risk			
16	Securitisation exposures in the banking book			
17				
18	Of which: securitisation external ratings-based approach (SEC-ERBA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	2,226	0	234
21	Of which: standardised approach (SA)	2,226	0	234
22				
23	Operational risk	100,157	100,157	10,516
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23)	1,573,654	989,147	165,234

Composition of Capital CC1

		Sep-25	b
		AED' 000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	390,375	Same as (h) from CC2 template
2	Retained earnings	(158,262)	
3	Accumulated other comprehensive income (and other reserves)	68,938	
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>		
5	Common share capital issued by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory deductions	301,051	
	Common Equity Tier 1 capital regulatory adjustments		
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	
24	Total regulatory adjustments to Common Equity Tier 1	0	
25	Common Equity Tier 1 capital (CET1)	300,861	
	Additional Tier 1 capital: instruments		
	Additional Tier 1 capital: regulatory adjustments		
39	Tier 1 capital (T1= CET1 + AT1)	300,861	
	Tier 2 capital: instruments and provisions		
44	Provisions	13,489	
45	Tier 2 capital before regulatory adjustments	13,489	
	Tier 2 capital: regulatory adjustments		
51	Tier 2 capital (T2)	13,489	
52	Total regulatory capital (TC = T1 + T2)	314,350	
53	Total risk-weighted assets	1,573,654	
	Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	19.12%	
55	Tier 1 (as a percentage of risk-weighted assets)	0.00%	
56	Total capital (as a percentage of risk-weighted assets)	19.98%	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	9.48%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
68	Deferred tax assets arising from temporary differences (net of related tax liability)	0	
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	6,979	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	13,489	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	<i>Current cap on CET1 instruments subject to phase-out arrangements</i>		
74	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>		
75	<i>Current cap on AT1 instruments subject to phase-out arrangements</i>		
76	<i>Amount excluded from AT1 due to cap (excess after redemptions and maturities)</i>		
77	<i>Current cap on T2 instruments subject to phase-out arrangements</i>		
78	<i>Amount excluded from T2 due to cap (excess after redemptions and maturities)</i>		

Composition of Capital CC2

Dec 2024	a	b	c
AED' 000	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and balances at central banks	764,693	764,693	
Items in the course of collection from other banks	153,576	153,576	
Trading portfolio assets	83,007	83,007	
Financial assets designated at fair value			
Derivative financial instruments			
Loans and advances to banks			
Loans and advances to customers	1,007,236	1,007,236	
Reverse repurchase agreements and other similar secured lending			
Available for sale financial investments (Includes FVOCI)	0	0	
Current and deferred tax assets	13,985	13,985	
Prepayments, accrued income and other assets	368,875	368,875	
Investments in associates and joint ventures			
Goodwill and other intangible assets			
Of which: goodwill			(a)
Of which: intangibles (excluding MSRs)			(b)
Of which: MSRs			(c)
Property, plant and equipment	10,057	10,057	
Total assets	2,401,429	2,401,429	
Liabilities			
Deposits from banks			
Items in the course of collection due to other banks	78,985	78,985	
Customer accounts	1,612,125	1,612,125	
Repurchase agreements and other similar secured borrowing			
Trading portfolio liabilities			
Financial liabilities designated at fair value			
Derivative financial instruments			
Debt securities in issue			
Accruals, deferred income and other liabilities	393,750	393,750	
Current and deferred tax liabilities			
Of which: DTLs related to goodwill			(d)
Of which: DTLs related to intangible assets (excluding MSRs)			(e)
Of which: DTLs related to MSRs			(f)
Subordinated liabilities			
Provisions			
Retirement benefit liabilities			
Total liabilities	2,084,860	2,084,860	
Shareholders' equity			
Paid-in share capital	390,375	390,375	
Of which: amount eligible for CET1	390,375	390,375	(h)
Of which: amount eligible for AT1			(i)
Retained earnings (incl Statutory Reserves)	-101,106	-101,106	
Accumulated other comprehensive income			
Placement from Head Office	27,300	27,300	
Total shareholders' equity	316,569	316,569	

Leverage Ratio (LR2)

The leverage ratio deals with the risk of buildup of excessive on and off-balance sheet exposures. The summarized position of leverage ratio is provided below:

		Sep 25	Jun 25
		AED' 000	AED' 000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,301,673	1,945,314
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)		
6	(Asset amounts deducted in determining Tier 1 capital)		
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	2,301,673	1,945,314
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)		
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions		
10	(Exempted CCP leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	Total derivative exposures (sum of rows 8 to 12)		
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	CCR exposure for SFT assets		
17	Agent transaction exposures		
18	Total securities financing transaction exposures (sum of rows 14 to 17)		
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	1,281,338	1,137,415
20	(Adjustments for conversion to credit equivalent amounts)	(458,987)	(614,107)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	Off-balance sheet items (sum of rows 19 to 21)	822,351	523,309
Capital and total exposures			
23	Tier 1 capital	300,861	300,810
24	Total exposures (sum of rows 7, 13, 18 and 22)	3,124,024	2,468,623
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	10%	12%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	CBUAE minimum leverage ratio requirement		
27	Applicable leverage buffers		

Liquidity

Eligible Liquid Assets Ratio (ELAR)

The following table presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

			Sep 25
			AED' 000
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	472,584	
1.2	UAE Federal Government Bonds and Sukuks		
	Sub Total (1.1 to 1.2)	472,584	472,584
1.3	UAE local governments publicly traded debt securities		
1.4	UAE Public sector publicly traded debt securities		
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	Total	472,584	472,584
2	Total liabilities		2,463,681
3	Eligible Liquid Assets Ratio (ELAR)		0.19

Advances to Stables Resource Ratio (ASRR)

The following table presents the breakdown of the Bank's Advances to Stable Resources Ratio (ASRR), as per the CBUAE Liquidity Regulations

		Items	Sep 25
1		Computation of Advances	AED' 000
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,484,562
	1.2	Lending to non-banking financial institutions	6
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-132,099
	1.4	Interbank Placements	55,095
	1.5	Total Advances	1,407,564
2		Calculation of Net Stable Ressources	
	2.1	Total capital + general provisions	366,859
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	9,493
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	Total deduction	9,493
	2.2	Net Free Capital Funds	357,366
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	
	2.3.2	Interbank deposits with remaining life of more than 6 months	
	2.3.3	Refinancing of Housing Loans	
	2.3.4	Borrowing from non-Banking Financial Institutions	87,792
	2.3.5	Customer Deposits	1,354,972
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	Total other stable resources	1,442,764
	2.4	Total Stable Resources (2.2+2.3.7)	1,800,130
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	78.19

Credit Quality of Assets (CR1)

Sep 25		a	b	c	d	e	f
AED' 000		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	119,657	1,481,801	117,168	115,644	1,524	1,484,290
2	Debt securities		0	0		0	0
3	Off-balance sheet exposures		1,281,338	5,455		5,455	1,275,883
4	Total	119,657	2,763,139	122,623	115,644	6,979	2,760,173

Standardized Approach - Credit Risk Exposures & CRM Impact (CR4)

The Branches has in place group standards, regulations of the U.A.E. Central Bank and policies and procedures dedicated to monitor and manage risk from such activities.

The Bank on an overall basis has adopted ICAAP as a strategic management tool in evaluating all its material risks inherent in its business portfolio and ensuring that appropriate capital buffers and risk mitigating actions are established for the management of these risks

Sep 25 (AED'000)		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	737,956		737,956		-	0.0%
2	Public Sector Entities						
3	Multilateral development banks						
4	Banks	84,877		84,877		68,752	81.0%
5	Securities firms						
6	Corporates	1,211,378	1,281,338	1,211,378	822,351	1,232,939	101.8%
7	Regulatory retail portfolios	1,835		1,835		1,835	100.0%
8	Secured by residential property						
9	Secured by commercial real estate						
10	Equity Investment in Funds (EIF)						
11	Past-due loans	119,657		4,013		4,013	3.4%
12	Higher-risk categories						
13	Other assets	145,970		145,970		163,732	112.2%
14	Total	2,301,673	1,281,338	2,186,029	822,351	1,471,271	63.9%

Standardized Approach - Exposures by Asset Classes & Risk Weights (CR5)

Sep 25 (AED'000)		a	b	c	d	e	f	g	h	i
	Risk weight Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	737,956					-			737,956
2	Public Sector Entities									-
3	Multilateral development banks									-
4	Banks		5,385		23,634		55,858			84,877
5	Securities firms									-
6	Corporates						1,211,378			1,211,378
7	Regulatory retail portfolios						1,835			1,835
8	Secured by residential property									-
9	Secured by commercial real estate									-
10	Equity Investment in Funds (EIF)	112,745								112,745
11	Past-due loans						119,657			119,657
12	Higher-risk categories									-
13	Other assets	3,216					16,024		13,985	33,225
14	Total	853,917	5,385	-	23,634	-	1,404,752	-	13,985	2,301,673

Market risk under the standardized approach (SA)

		Sep 25 (AED'000)
		RWA
1	General Interest rate risk (General and Specific)	
2	Equity risk (General and Specific)	
3	Foreign exchange risk	2,226
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus method	
7		
8	Securitisation	
9	Total	2,226