Introduction

This report is prepared by the State Bank of India, Muscat ("the Branch") for the financial year ended 31st December 2024. It is prepared as per the requirements of Circular No. BM 1027 dated 4th December 2007 and Circular No. BM 1009 dated 13th September 2006 to comply with the requirements under Basel II Pillar III and as per Circular No. BM 1097 dated August 12, 2012, and BM 1114 dated November 17, 2013, to comply with the requirements of new regulatory capital under Basel III.

State Bank of India, Muscat is a branch of State Bank of India with its Corporate Centre in Mumbai, India. The entire capital is provided by the State Bank of India.

1. Capital structure

The Bank is financed by assigned capital, statutory reserve (Capital Deposit with CBO) and Retained profits.

1.1 Assigned capital.

The assigned capital is as per the capital requirements laid down by the Central Bank of Oman (CBO). The present Capital of the bank is at OMR 20.05 million as on 31.12.2024.

1.2 Statutory reserve (Capital Deposit)

The statutory reserve represents the amount provided by the Bank in respect of the capital deposit of RO 500,000 placed with the CBO in accordance with the CBO Regulations.

1.3 Capital comprises of:

(RO '000)	**2024 RO**	**2023 RO**
Tier I Capital		
Assigned capital	20,050	20,050
Reserve/Capital -deposits with CBO	500	500
Retained profit	7775	9145
Fair value change in Investment held under AFS	-	-
Fair value change in Interest rate swap	-	-
Deferred tax asset	-	-
Sub Total –Tier1	**28,325**	**29,695**
Additional Tier I Capital	-	-
Total Tier I Capital	**28,325**	**29,695**
Tier II		

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Stage-I & II Eligible ECL	509	277
Fair Value Gains (Upto 45%)	-	-
Total Capital	**28,834**	**29,972**

2. Capital adequacy

2.1 Approach adopted.

In compliance with the directions of the Central Bank of Oman on the implementation of Basel III Guidelines on International Convergence of Capital Measurement and Capital Standards, the Bank has adopted Standardized Approach (SA) for Credit risk and Market risk and Basic Indicator Approach (BIA) for Operational risk.

Summary of Capital Adequacy

Capital Adequacy Report as on 31.03.2024

RO in 000's

	Details		Amount
1	Tier I Capital (after supervisory deductions)		28,325
2	Tier II capital (after supervisory deductions & upto eligible limits)		509
3	**Risk Weighted Assets – Banking Book**		61,596
4	**Risk Weighted Assets – Operational Risk**		3,838
5	**Total Risk Weighted Assets – Banking Book + Operational Risk**		65,434
6	Minimum required capital to support RWAs of banking book & operational risk		8,834
	i) Minimum required Tier I Capital for banking book & operational risk	(6-6ii)	8,325
	ii) Tier II Capital required for banking book & operational risk		509
7	Tier I capital available for supporting Trading Book	1 – 6(i)	20,000
8	Tier II capital available for supporting Trading book	2 – 6(ii)	-
9	**Risk Weighted Assets – Trading Book**		33
10	Total capital required to support Trading Book	9 * 13.5%	4
11	Minimum Tier I capital required for supporting Trading Book	10* 28.5%	1
12	Used Eligible Tier III Capital	12 – 9 –10	-
12	Total Regulatory Capital	1 + 2	28,834
13	**Total Risk Weighted Assets – Whole bank**	**5+9**	**65,467**
14	BIS Capital Adequacy Ratio	(12/13)*100	**44.04**
15	Common Equity Tier 1 ratio	(1/13)*100	**43.27**
16	Tier 1 ratio	(1/13)*100	43.27
17	Total Capital ratio	(12/13)*100	44.04

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The Bank's BIS Capital Ratio in 2024 is 44.04 % which is more than the statutory minimum. However, the requirement as per CBO is to maintain BIS capital ratio of 13.50%.

3. Risk exposure and assessment

State Bank of India - Muscat is managed as a Foreign Office of the Bank and any material decision is approved by Corporate Centre (CC) in India. The risk appetite of SBI Muscat is monitored by Corporate Centre (CC) and strategy is determined in India. Policies and procedures are also in place to which the Bank must adhere at all times. Bank follows policies and procedures as per home as well host country whichever is stringent.

3.1 Risk Management Systems

A **Risk Committee (RCOM)** is in place at the Bank. The RCOM has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies, and limits at the Bank. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions. It is responsible for formulating local level policies based on local regulatory provisions. The Risk Management Systems in the Bank are reviewed in detail by the Risk Committee (RCOM) while assessing the adequacy of the same to control Material Risks. The appropriate mitigation measures are in place to address the same.

The Risk Committee (RCOM) consists of the Chief Executive Officer, Dy. Manager (Finance), Chief Manager (Client Services), Chief Manager (Credit) and Dy. Manager Risk (Chairman).

RCOM is primarily involved in:

(i) Developing mechanisms to ensure that the Bank acts in accordance with the Bank's asset/liability management policies and the policies laid down by the local regulatory authorities,

(ii) Evolving appropriate systems and procedures for ongoing identification and analysis of balance sheet risks (market risks) and laying down parameters for efficient management of these risks

(iii) Ensuring implementation of systems and procedures as laid down in the Polices framed for credit, market, and operational risks management,

(iv) Monitoring compliance of the Bank's Policies and the policies laid down by the local regulatory authorities,

Subject to the guidelines set by the RCOM, day-to-day management of the various risks is carried out by the officials designated for the respective tasks.

The guidelines / instructions relating to management of market, credit, liquidity, and operational risk are conveyed by the International Banking Group (IBG), Corporate Centre (CC), India, from time to time through policy guidelines / circulars/ instructions. The Bank has comprehensive Policies on Asset Liability Management, Market Risk Management, Credit Risk Management and Operational Risk Management, which articulate policy guidelines, procedures, review mechanisms, reporting structures, etc. to conform to guidelines laid down by the Central Bank of Oman and the Corporate Centre. These documents set out the policies and procedures to be followed for prudently managing and controlling these risks and to ensure compliance with the regulatory requirements. These contain detailed guidelines and procedures for identification, assessment, measurement, monitoring, and control of various risks, which are reviewed by the RCOM. The risk management functions at the Bank are being conducted based on these Policy guidelines / instructions.

3.2 Risk controlling

Monitoring and controlling risks are primarily performed based on limits established by the branch. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the branch is willing to accept, with additional emphasis on selected industries. In addition, the branch monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk management processes of the branch are audited throughout the year by the internal audit function at quarterly intervals that examine both the adequacy of the procedures and the branch's compliance with the procedures. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the management.

The branch's risk management policies are established to identify and analyze the risks faced by the branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The branch, through its training and management procedures, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

3.3 Credit risk:

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement, and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk emanates from a branch's dealings with an individual, corporate, bank, financial institution, or a sovereign. The lending activities carried out by a bank are the most important source of credit risk.

The branch's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amount of the assets on the balance sheet. The branch guarantees the performance of customers by issuing bank guarantees and letter of credit to third parties. The risk involved is essentially the same as credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to same credit organization, portfolio maintenance and collateral requirements for customers applying for loans. While there is some credit risk associated with the remainder of funded and non-funded commitments, the risk is viewed as modest, since it results from the possibility of unused portions of the facilities being drawn by the customers. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. The credit risk of these facilities may be less than the notional amounts, but as it cannot be accurately determined, the credit risk has been taken to be the contract or notional amounts.

Concentrations of credit risk (whether on or off the balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

IFRS 9 introduced a new impairment model that requires the recognition of expected credit losses on all financial assets at amortized cost or at fair value through other comprehensive income (other than equity instruments), lease receivables and certain loan commitments and financial guarantee contracts. The expected credit loss must also consider forward looking information to recognize impairment allowances earlier in the lifecycle of a product. IFRS 9 consequently has increased the volatility of impairment allowances as the economic outlook changes, although cash flows and cash losses are expected to remain unchanged.

IFRS 9 introduced a three-stage approach to impairment as follows:

Credit loss allowance is measured using a three-stage approach based on the extent of credit deterioration since origination.

Stage-1- Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using the probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage-2- When a financial instrument experiences a SICR subsequent to origination but is not considered being in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage-3- Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowances for credit losses captures the lifetime expected credit losses.

Assessment of SICR

When determining whether the risk of default has increased significantly since initial recognition, the bank considers both quantitative and qualitative information and analysis based on the bank's historical experience and expert credit risk assessment, including forward- looking information. Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. For non-retail facilities, internally derived credit ratings as described above have been identified as representing the best available determinant of credit risk. The bank assigns each facility a credit rating at initial recognition based on available information about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the bank considers that a significant increase in credit risk occurs when an asset is more than 30 DPD.

Criteria used for determining SICR (i.e., movement from Stage 1 to Stage 2)

Stage 2 consists of facilities that have undergone SICR since initial recognition (unless they are classified under low credit risk at the reporting date). For these exposures Lifetime ECL is recognized, which might have a significant impact on the overall ECL. A facility would be assigned to Stage 2 based on Quantitative, Qualitative and Backstop criteria.

Quantitative Criteria

a) For non-retail exposure: based on rating degradation and days past due
b) For retail exposure: based on days past due

Qualitative criteria

In addition to the extant requirements laid down under IFRS 9, the bank also follows the qualitative criteria prescribed by CBO vide its circular BM 1149 for SICR assessment.

The key inputs into the measurement of ECL are the term structure of the following variables:
Probability of Default (PD);
Loss given Default (LGD);
Exposure at Default (EAD)

Calculation of expected credit losses (ECL)

ECLs are calculated using three main components, i.e., a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current, and forward-looking customer and macro-economic data. For accounting purposes, the 12- months and lifetime PD represent the expected point-in-time probability

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of a default over the next 12 months and the remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility. The 12- months ECL is equal to the discounted sum over the next 12-months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining life multiplied by LGD and EAD.

Incorporation of forward- looking information

Bank had incorporated forward looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the branch's Risk Committee and consideration of a variety of external actual and forecast information, Bank had formulated a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involved developing additional economic scenarios and considering the relative probabilities of each outcome. External information included economic data and forecasts published by governmental bodies, monetary authorities in the countries where the bank operates, super national organizations, and selected private-sector and academic forecasters.

For our purpose the bank has taken GDP data of the country, published from IMF (International Monetary Fund), and calculate forward looking PiT PDs based on the correlation of GDP with default of loan assets. The details of calculation are already incorporated in the policy of the bank, which is subject to annual review.

The model has been approved by the management of the Branch after due validation by the Risk Committee.

Management of credit risk

Credit risk management encompasses identification, assessment, measurement, monitoring, and control of the Credit exposures. The procedure adopted by the Bank in this regard is detailed in the Loan Policy. For risk management reporting purposes, the branch considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, and sector risk).

The credit limits to borrowers in the Commercial Segment are considered after a comprehensive qualitative evaluation of the borrower's background, past and projected performance, overall financial position, industry prospects, key risk factors, repayment capacity, availability/adequacy of security, etc. The proposal will be initially examined from the branch's prudential levels of exposure to the borrower, group, industry, the quality of asset, return on the asset and past experience with the promoters/group, if any.

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The branch policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessment before being provided. The agreements specify monetary limits to the branch's obligations.

Collateral for loans, guarantees and letters of credit is usually in the form of cash, inventory, receivables, or other property. The Bank endeavours to obtain commercial mortgage of inventory /receivables/movables as security for working capital facilities. In addition, personal guarantees of the partners/directors are also obtained, where available. In line with the local banking practices, the assignment of receivables in favour of the Bank is considered as acceptable primary security in case of contract financing and short-term advances. Pledge of equity shares traded in the Muscat Securities Market shall also be considered as primary/collateral security.

The borrowers' performance is monitored through a regular scrutiny of operations of the borrowers' accounts and periodic review of financial data.

The Bank Credit Committee consists of the Chief Executive Officer, Chief Manager (Client Services) and one Officer of at least Dy. Manager grade, and will have a quorum of two members. The BCC will be responsible for overall acceptability of the proposals put up by the Chief Manager (Credit).

3.4 Concentration Risk

'Concentration Risk' in the context of banking operations generally denotes the risk arising from an uneven distribution of counterparties in credit or any other business relationship or from a concentration in business sectors or geographical regions which may generate losses large enough to jeopardize the branch's position.

The branch is allowed to operate in Oman based on State Bank of India's global net worth for concentration risk as per CBO guidelines. In terms of CBO letter BSD/20228/3 dated 20.03.2018, the following limits have been set by CBO, w.e.f. 01.04.2018:

	Limits
Aggregate credit (funded and non-funded) exposure to all non-resident borrowers and related parties (both banks and other than banks)	75 % of Local Net worth of the bank.
Total Placement with related parties and total placements with non-related parties	75 % of Local Net worth of the bank.
Aggregate placements and credit exposures to all related and non-related parties	75 % of Local Net worth of the bank.

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In terms of Banking Law, Article 68 E, the Bank has not, at any time, made any loan secured by real estate, when either the total value of real estate held by the bank, or the aggregate of outstanding of loans against which such securities are held, whichever is lower, other than real estate, exceeds or by making of such loan will exceed, 60 percent of the net worth of such licensed bank within the Sultanate, or 60 percent of all time and saving deposits other than government and inter-bank deposits of such licensed Banks, whichever is greater. It is further confirmed that as on 31.12.2024 the exposure in this regard is OMR 2.983 million. The real estate exposure as a percentage of saving and Time deposits is 36.94 % and to that of Net worth is 10.34 % which is within the acceptable norms set by CBO.

Apart from concentration of credit to counterparties, significant exposure, particularly to economic sectors makes the banks vulnerable to weakness in a particular industry/sector. Banks should, therefore, systematically identify and measure their exposures to different sectors, regions, countries, currencies, etc., and if necessary, adjust the portfolio to moderate the risk profile.

The large exposure limits are not applicable to the credit exposures on other banks and banks are expected to put in place appropriate exposure limits on individual banks, considering their financial strength, rating etc.

The exposures of SBI Muscat as on 31 December 2024 to all the group borrowers were within the prudential norms as prescribed by CBO.

The SBI Loan Policy stipulates that the Bank should endeavour to restrict exposure to a particular industry to 15% of total fund-based exposure. All industry exposures are monitored closely at the corporate level in relation to industry specific economic cycles.

SBI Muscat recognizes the need for measures aimed at better risk management and avoidance of concentration of credit risks. However, as the Bank's loan book size is very small in the context of SBI's global operations, Industry wise concentration risk is not presently being assessed.

a) Total gross credit exposure by major types of credit is as follows:

(RO'000)

Sr. No.	Type of credit exposure	Average gross exposure		Total gross exposure as at	
		2024	**2023**	**2024**	**2023**
a.	Overdrafts	4,508	5,042	3545	6,983
b.	Personal loans	27	36	24	31
c.	Loans against trust receipts	-	-	-	-
d.	Other loans	8,659	12,196	23,468	11,081
e.	Bills purchased/ discounted	8,082	17,677	9,892	5,527
	Total	**21,276**	**34,951**	**36,929**	**23,622**

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b) Geographic distribution of exposures, broken down by major types of credit exposure:

(RO'000)

Sr. No.	Type of exposure	In Oman	Other GCC countries	OECD countries	India	Pakistan	Others	Total
a.	Overdrafts	3,545	-	-	-	-	-	3,545
b.	Personal Loans	24	-	-	-	-	-	24
c.	Loans against Trust Receipts	-	-	-	-	-	-	-
d.	Other Loans	23,468	-	-	-	-	-	21,049
e.	Bills Purchased /Disc./ Buyer' Credit	-	-	-	9,892	-	-	9,892
	Total	**27,037**	-	-	**9,892**	-	-	**36,929**

c) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.

(RO'000)

	Assets	*Liabilities*	
	Gross loans and advances	*Deposits with customers*	*Contingent liabilities*
	RO'000	RO'000	RO'000
At 31 December 2024			
Personal	24	3,242	-
International trade	1,219	-	3,624
Financial services	10,000	-	-
Manufacturing	19,137	-	-
Wholesale and retail trade	2,260	-	184
Other services	4,289	7,036	554
	36,929	10,278	4,362

d) Maturity wise break up of major types of credit exposures:

(RO'000)

Sr. No.	Time band	Net Loans and advances as on 31.12.24
a.	Up to 1 month	86
b.	1-3 months	1,000
c.	3-6 months	2,814
d.	6-9 months	16,222
e.	9-12 months	78
f.	1-3 years	378
g.	3-5 years	2,625
h.	Over 5 years	9,276
	Total	**32,479**

e) **Details of gross exposure and provisions made by major industry or counterparty wise:**

(RO'000)

Sr. No.	Economic sector	Gross exposure	Of which NPLs	Stage I & II	Stage III	Reserve interest	Provided during the year*	Written off during the year	Written (back) during the year
a.	International Trade	1,219	1,219	-	1,219	-	259	-	-
b.	Wholesale & Retail Trade	2,260	2,063	197	2,063	-	1,109	-	-
c.	Manufacturing	19,137	323	18,814	323	-	323	-	-
d.	Financial services	10,000	-	10,000	-	-	-	-	-
e.	Personal loans	24	-	24	-	-	-	-	-
f.	All others	4,289	-	4,289	-	-	-	-	-
	Total	**36,929**	**3,605**	**33,324**	**3,605**	-	**1,691**	-	-

* Stage 3 only.

<u>Non-Performing Loans:</u>

The Income Recognition and Asset Classification norms prescribed by Central Bank of Oman (CBO) are followed by the Bank.

f) **Movements of ECL (All products):**

(RO'000)

Details	Stage 1		Stage 2		Stage 3	
	Current Year/2024	Previous Year/2023	Current Year/2024	Previous Year/2023	Current Year/2024	Previous Year/2023
Opening Balance	221	74	131	522	1914	203
Provided / Added during the year	291	178	414	60	1560	1463
Written back/closed during the year	(81)	(31)	0	0	0	0
Written-off during the year	0	0	0	0	0	(203)
Other movements (if any) Transfer to/from stage 2/3	(10)	0	(121)	(451)	131	451
Closing Balance	**421**	**221**	**424**	**131**	**3605**	**1914**

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g) Risk Weights to Credit Exposure:

In determining the risk weights under the Standardized Approach, SBI Muscat has exercised the option to risk weight all claims on corporates at 100% without regard to external ratings, with the prior approval from the Central Bank of Oman. The Bank uses several techniques or tools – collateral, guarantee, derivatives, netting, etc to mitigate the credit risks to which they are exposed, subject to compliance of laid down guidelines.

3.5 Liquidity Risk

Liquidity can be defined as the ability to fund increases in assets and meet obligations as they fall due. This is crucial to the ongoing viability of any Bank. Hence the management of liquidity can be considered as one of the most important activities of a Bank. Liability maturities are generally met through cash flows generated from the normal business operations and through borrowings from other branches of the Bank and other banks. Assets readily convertible into cash either through sale or through pledge for raising resources also add to liquidity.

The detailed guidelines for liquidity management have been documented in the ALM Policy adopted by the branch. Liquidity Management is conducted within the context of a strategic liquidity plan under ordinary or reasonably expected business conditions, in conjunction with other asset/ liability management considerations, such as interest risk, foreign exchange risk and other risks. However, since liquidity determines the day-to-day solvency of the branch, it is one of the principal considerations of the asset/liability management programme.

The Chief Executive Officer of the Branch would have the responsibility for managing and controlling the day-to-day liquidity. Specifically, he would be responsible for:

- Developing liquidity and funding policies for the branch based on the Liquidity Management Policy laid down by the International Banking Group and getting the same approved by the RCOM,
- Arranging review of such policy at least once in a year,
- Monitoring economic, political and other operating conditions to forecast potential liquidity needs/risks,
- Implementing the above-mentioned liquidity and funding policies,
- Ensuring that the liquidity is managed and controlled at the Bank within the liquidity management and funding management parameters,
- Ensuring that the liquidity position at the branch is properly analyzed and duly reported to International Banking Group as required,

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instruments classified as available for sale. Various limits are applied to elements of the capital base. The amount of innovative tier 1 securities cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capitals. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of Banks and certain other regulatory items.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.
The Bank's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period. The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off-balance sheet exposures weighted according to broad categories of risk. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. Although maximization of the return on risk-adjusted capital is the principal basis used in determining how the capital is allocated within the bank to particular operations or activities, it is not the sole basis used for decision making. Factors such as synergies with other operations and activities, the availability of management and other resources are also taken in to consideration to fit of the activity for the bank's longer term strategic objectives.

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Attachment -

State Bank of India, Muscat
Net worth Calculation as on 31 December 2023
Based on CBO Circular BM 988, BM 1114 and IB – 1

State Bank of India
Net worth Calculation as on 31 December 2023
Based on CBO Circular BM 988, BM 1114 and IB - 1

S. No.	Components	Amount (RO in '000)
A	**Common Equity Tier 1 Capital (CET1)**	
	Paid-up Capital	20,050
	Share Premium	-
	Legal Reserve/ Capital Deposit with CBO	500
	General Reserve	0
	Subordinated Loan Reserve	-
	Proposed Stock Dividend	-
	Retained earnings (excluding proposed cash dividend)$	7,775
	Sub-total	**28,325**
	Deductions – Regulatory Adjustments to CET1	
	Cumulative Loss on Fair Value	-
	Foreign Currency Translation Reserves	-
	Deferred Tax	-
	Significant Investments in Common Stock of FIs etc	-
	Shortfall (if any) in MCR of Islamic Banking Window	-
	Total Regulatory Adjustments	**-**
	Common Equity Tier 1 Capital (CET1)	**28,325**
B	**Additional Tier 1 Capital (AT1)**	

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	***Deductions – Regulatory Adjustments to* Additional Tier 1 Capital**	-
	Additional Tier 1 Capital (AT1)	-
	Total Tier 1 Capital (T1=CET1+AT1)	**28,325**
C	**Tier 2 Capital (T2) : Instruments and provisions**	
	Subordinated Debt	-
	ECL Add-back 1: Stage 1 ECL of year 2023 or up to 1.25% of credit risk-weighted assets) for year 2023(whichever is lower)	438
	ECL Add-back 2: 40% of Incremental Stage 2 (i.e. Reporting period 2023 Stage 2 ECL less Base year 2019 Stage 2 ECL), for year 2023 without any cap	71
	Mandatory Convertible Bonds	-
	Cumulative fair value gains on AFS / FVOCI investments (upto 45%)	-
	Sub-total	**509**
	***Deductions – Regulatory Adjustments to* Tier 2 Capital**	
	Significant Investments in Common Stock of FIs etc	-
	Total Tier 2 Capital (T2)	**509**
D	**Total Regulatory Capital / Global Net Worth (TC = T1 + T2)**	**28,834**
	Less: Assigned capital to Islamic Banking Window	0
E	**Total Regulatory Capital / Global Net Worth after netting off Islamic Banking Window Assigned Capital**	**28,834**
F	Less: Assigned Capital to overseas branch	0
G	**Local Net Worth (E-F)**	**28,834**

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H	**Global Net Worth as per Bank submission** ***(For Foreign banks only) obtained from audited Financial Statement as at 31.03.2024***	**19,361,542**

*As per CBO revised guidelines vide letter BSD/CB/2020/005 dated 03/06/2020
$This FY we have included all retained profit as per FS in our networth calculation as there will no repatriation of retained profit in Current FY.

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Attachment-II

3 Step Approach to BASEL-III 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. Below disclosures are prepared using three step reconciliation approaches as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114.

TABLE-1

	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	20,550
2	Retained earnings	7,775
3	Accumulated other comprehensive income (and other reserves)	-
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*	-
	Public sector capital injections grandfathered until 1 January 20228	-
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**	28,325

	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments (FV Loss on instruments routed through OCI)	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities.	-

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15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial, insurance and Takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and Takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage Servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
		-
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**	-

29	**Common Equity Tier 1 capital (CET1)**	28,325

Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards [5]	-
32	of which: classified as liabilities under applicable accounting standards [6]	-

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33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-
36	**Additional Tier 1 capital before regulatory adjustments**	-
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial, insurance and Takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial, insurance and Takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
		-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	-
44	**Additional Tier 1 capital (AT1)**	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	28,325
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	

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		-
50	Provisions- Stage 1 & Stage 2 plus FV Gains on instruments routed through OCI (upto 45%)	509
51	Tier 2 capital before regulatory adjustments	509

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, insurance and Takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	
57	Total regulatory adjustments to Tier 2 capital	-

58	Tier 2 capital (T2)	509

59	Total capital (TC = T1 + T2)	28,834

Risk Weighted Assets		
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	
	Of which: [INSERT NAME OF ADJUSTMENT]	

60	Total risk weighted assets (60a+60b+60c)	65,467
60a	*Of which: Credit risk weighted assets*	61,596
60b	*Of which: Market risk weighted assets*	

		33
60c	*Of which: Operational risk weighted assets*	3,838

Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	43.27
62	Tier 1 (as a percentage of risk weighted assets)	43.27
63	Total capital (as a percentage of risk weighted assets)	44.04
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	13.50
65	*of which: capital conservation buffer requirement*	2.50
66	*of which: bank specific countercyclical buffer requirement*	-
67	*of which: D-SIB/G-SIB buffer requirement*	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets	34.27

National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	
71	National total capital minimum ratio (if different from Basel 3 minimum)	

Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-

Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardized approach	-

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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 20228 and 1 Jan 2023)		
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)*	-

Table 2 a **(RO'000)**

	Balance Sheet as in published financial statements as on 31 Dec 2024	**Under Regulatory scope of consolidation as on 31 Dec 2024**
Assets		
Cash and balances with CBO	6,869	6,869
Certificate of Deposits	-	-
Due from banks	7,590	7,590
Loans and Advances	32,479	32,479
Investments in Securities	-	-
Loans and advances to banks	26,972	26,972
Property and equipment	144	144
Deferred tax assets	-	-
Other Assets	697	697
Total Assets	**74,751**	**74,751**
Liabilities		
Due to banks	35,819	35,819
Customer Deposits	10,278	10,278
Current and Deferred tax liabilities	-	-
Other liabilities	329	329
Subordinated bonds	-	-

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Total Liabilities	**46,426**	**46,426**
Shareholders Equity		
Paid up share capital	20,050	20,050
Share Premium	-	-
Legal Reserve/Capital Deposit with CBO	500	500
General Reserve	-	-
Retained earnings	7,775	7,775
Cumulative changes in fair value of investments	-	-
Subordinated debt reserve	-	-
Total Shareholder's equity	**28,325**	**28,325**
Total Liability and shareholders' funds	**74,751**	**74,751**

Table 2 (b)
For the year ended 31 December 2024

Assets	**2024 financial Statement**	**Under Regulatory scope of consolidation**	**Ref.**
Cash and balances with CBO	**6,869**	**6,869**	
Balance with banks and money at call & short notice	**7,590**	**7,590**	
Investments, of which:			
Available for Sale	-	-	
Held for Trading			
Loans and advances – Net, of which:	**59,451**	**59,451**	
- Loans and advances to domestic banks	26,972	26,972	
- Loans and advances to non-resident banks	-	-	
- Loans and advances to domestic customers	21,739	21,739	
- Loans and advances to non-resident for operations abroad	9,892	9,892	
- Loans and advances to SMEs	848	848	
- Financing from Islamic banking window	-	-	
- Provision against Loans and Advances, of which:	**4,450**	**4,450**	
- Specific provision and Reserve interest & profit	**3,605**	**3,605**	
- General provision, of which	**845**	**845**	
- amount eligible for T2 (excluding AFS allowance)	**509**	**509**	a
- amount ineligible for T2	336	336	
Fixed assets	**144**	**144**	

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- Intangibles(CET1 adjustment)	-	-	h
- Other fixed asset	-	-	
Other assets	**697**	**697**	
Total Assets	**74,751**	**74,751**	
Capital & Liabilities			
Paid-up Capital, of which:	**20,550**	**20,550**	
- Amount eligible for CET1	20,550	20,550	b
Reserves & Surplus; of which	**7,775**	**7,775**	
- Amount eligible for CET1 (Legal reserve)	-	-	c
- Amount eligible for CET1 (Subordinated debt reserve)	-	-	d
- Amount eligible for CET1 (Retained earnings)	7,775	7,775	e
- Amount eligible for CET1 (Special Reserve)	-	-	
- Amount eligible for AT1	-	-	
- Amount eligible for T2 (General loan loss reserve)	509	509	f
- Amount eligible for T2 (Investments Fair value gains)	-	-	g
- AFS investments fair value loss (CET1 adjustment)	-	-	
- AFS investments fair value gain unutilized	-	-	
Total Capital	**28,325**	**28,825**	
Deposits from banks	-	-	
Customer deposits, of which	**10,278**	**10,278**	
- Deposits for customers	10,278	10,278	
- Deposits of Islamic Banking window	-	-	
Borrowings, of which:	**35,819**	**35,819**	
- From banks/ affiliates	35,819	35,819	
Borrowings in form of bonds, Debentures & sukuks, of which	-	-	
- Amount eligible for T2	-	-	i
- Amount ineligible for T2	-	-	
Other liabilities & provisions	**329**	**329**	
TOTAL	**74,751**	**74,751**	

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Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (RO' 000)			
	For the year ended 31 December 2024	**Component of regulatory capital reported by Bank**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	20,550	b
2	Retained earnings	7,775	e
3	Accumulated other comprehensive income (and other reserves)	-	c+d
4	**Common Equity Tier 1 capital before regulatory adjustments**	**28,325**	
5	Prudential valuation adjustments	-	h
6	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)/ AFS	-	
7	**Total regulatory adjustments to Common equity Tier 1**		
8	**Common Equity Tier 1 capital (CET1)**	**28,325**	
Additional Tier 1 capital: instruments			
9	Additional Tier 1 capital (AT1)		
	Tier 1 capital (T1 = CET1 + AT1)	-	
Tier 2 capital: instruments and provisions			
9	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	i
10	Provisions	509	a+f
11	Fair value reserve of AFS investments	-	g
	Tier 2 capital before regulatory adjustments	**509**	
	Tier 2 capital: regulatory adjustments		
	Tier 2 capital (T2)		
Total capital (TC = T1 + T2)		**28,834**	

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Table-3

Disclosure template for main features of regulatory capital instruments

1 Issuer		
2.	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3.	Governing law (s) of the instrument	NA
4.	Transition Basel III rules	NA
5.	Post-transitional Basel III rules	NA
6.	Eligible at solo/ group/ group & solo	NA
7.	Instrument type (types to be specified by each jurisdiction)	NA
8.	Amount recognized in regulatory capital (currency in mil, as of most recent reporting date)	NA
9.	Par value of instrument	NA
10.	Accounting classification	NA
11.	Original date of issuance	NA
12.	Perpetual or dated	NA
13.	Original maturity date	NA
14.	Issuer all subject to prior supervisory approval	NA
15.	Optional call date, contingent call dates and redemption amount	NA
16.	Subsequent call dates, if applicable	NA
Coupons/ dividends		
17.	Fixed or floating dividend/ coupon	NA
18.	Coupon rate and any related index	NA
19.	Existence of a dividend stopper	NA
20.	Fully discretionary, partially discretionary or mandatory	NA
21.	Existence of step up or other incentive to redeem	NA
22.	Non-cumulative or cumulative	NA
23.	Convertible or non-convertible	NA
24.	If convertible, conversion trigger	NA
25.	If convertible, fully or partially	NA
26.	If convertible, conversion rate	NA
27.	If convertible, mandatory or optional conversion	NA
28.	If convertible, specify instrument type convertible into	NA
29.	If convertible, specify issuer of instrument it converts into	NA
30.	Write-down feature	NA
31.	If write- down, write-down trigger (s)	NA

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32.	If write-down, full or partial	NA
33.	If write-down, permanent or temporary	NA
34.	If temporary write-down, description of write-up mechanism	NA
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36.	No-compliant transitioned features	NA
37.	If yes, specify non-compliant features	NA

Disclosure on Leverage Ratio Standard vide CBO Circular BM 1157

The calculation with respect to minimum Leverage Ratio Standard as on 31.12.2024 is submitted below. The ratios as on 31.12.2024 is above the minimum Leverage Standard of 4.50 percent stipulated by CBO vide BM 1157.

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(All amounts in OMR'000)

	Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure *(Please refer to paragraph 52 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)*		
	Item	**Current Year**	**Previous Year**
1	Total consolidated assets as per published financial statements	74,751	128,972
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
4	Adjustments for derivative financial instruments		
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)		
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	3,878	1,944
7	Other adjustments	-	-
8	**Leverage ratio exposure**	78,629	130,916

	Table 2: Leverage ratio common disclosure template *(Please refer to paragraph 53 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)*		
	Item	**Current Year**	**Previous Year**
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	74,751	128,972
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	74,751	128,972
	Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)		
5	Add-on amounts for PFE associated with all derivatives transactions		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of lines 4 to 10)**	-	-
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-	-
	Other Off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	7,788	8,080
18	(Adjustments for conversion to credit equivalent amounts)	(3,910)	(6,136)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**3,878**	**1,944**
	Capital and total exposures		
20	**Tier 1 capital**	28,325	29,695
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	78,629	130,916
	Leverage Ratio		
22	**Basel III leverage ratio (%)**	36.0	22.7

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