ANNUAL REPORT **2025**

بنك نزوى
Bank Nizwa

Leading with Confidence

Delivering Growth. Earning Trust



“We have instructed the government to provide more advantages, extend competitive incentives and establish a supportive environment for investments in order to facilitate business doing, ensure the diversification of our national economy, achieve sustainable growth”.

Speech of His Majesty
Sultan Haitham bin Tarik
January 11, 2025



His Majesty
Sultan Haitham bin Tarik

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Bank Nizwa, the leading and most trusted Islamic bank in the Sultanate, ends the year guided by the principles of our theme “Leading with Confidence. Delivering Growth. Earning Trust”.

Guided by a vision of innovation and a commitment to excellence, Bank Nizwa has advanced its strategy to broaden market reach, enrich customer journeys, and deliver enduring value to stakeholders as the demand for Sharia-compliant financial solutions grows.

This strategic focus translated into another year of robust financial performance. Total assets grew by 8% to reach OMR 2.03 billion, while customer financing increased by 5% to OMR 1.67 billion and deposits rose by 6% to OMR 1.65 billion, thereby reflecting sustained confidence from customers and partners alike. Operating income increased by 9% to OMR 62.7 million, and net profit rose by 11% to OMR 20.1 million, marking the highest profit recorded in the bank’s history. These results highlight the strength of Bank Nizwa’s business model and its ability to consistently deliver growth while maintaining financial resilience.

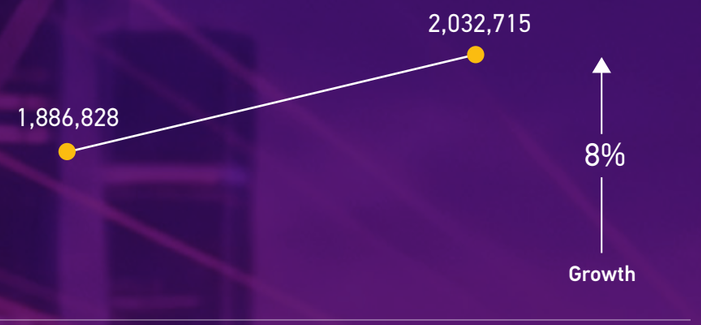
Beyond financial performance, Bank Nizwa remained committed to strengthening its foundations for the future through digital innovation, responsible banking practices, and investment in nurturing local talent, holding a 91% Omanisation rate.

Through disciplined policies, strong governance, and continued investments in innovation and people, Bank Nizwa strengthened its role as a trusted financial partner supporting the Sultanate’s economic progress while creating long-term value for customers, shareholders, and the communities it serves.

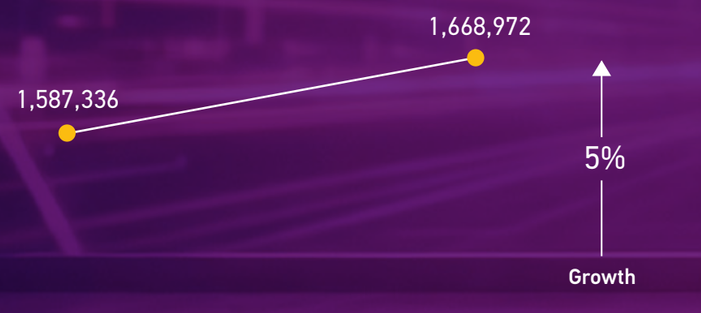


Financial Highlights

Total Assets



Financing to Customers



Customer Deposits



Total Shareholders' Equity



Net Profit after tax



Our highest net profit on record at ﷼20 million, which represents an impressive 11 percent growth from the ﷼18.1 million we earned last year.



Chairman's Report

Sheikh Khalid bin Abdullah bin Ali Al Khalili
Chairman



Dear Shareholders,

Assalamu'alaikum Wa Rahmat Allah Wa Barakatuh,

Dear Shareholders,

On behalf of the Board of Directors of Bank Nizwa SAOG, I am pleased to present the Financial Statements and Auditor's Report for the year ended 31 December 2025.

The global economy in 2025 navigated a period of transition and resilience. With inflation stabilizing in several key nations near central bank targets, monetary authorities worldwide enacted thoughtful rate adjustments. These measures, following a period of tighter monetary policy, aimed to support employment and broader economic growth while maintaining price stability.

Oman continued to make substantial progress in enhancing its fiscal position through targeted economic reforms and government restructuring. These efforts, aligned with a medium-term financial plan, have successfully balanced public revenue and expenditure, leading to fiscal surpluses. The government's prioritization of debt reduction, to continue lower public debt further from current levels by 2027, supported by improved governance in state-owned enterprises, which has boosted profitability and reduced liabilities.

At Bank Nizwa, we firmly believe that Islamic banking serves a higher human purpose, one centered entirely around enriching the lives of our customers and the communities we serve. We take immense pride in highlighting that we serve everyone, regardless of their background. Our doors and our solutions are open to all individuals and businesses who seek ethical, transparent, and empowering financial partnerships.

Throughout 2025, Bank Nizwa demonstrated the resilience of its business model by placing a profound focus on customer service and experience. We know that behind every transaction is a family's dream or a business's ambition. By listening deeply and equipping our customers with the right tools, insights, and Sharia compliant financial solutions, we created sustainable value that feels authentic and supportive.

We also recognize that our greatest asset is the team that drives our vision forward. This year, we reinforced our investment in our people. By nurturing talent, fostering a culture of continuous learning, and prioritizing employee well-being, we ensure that our team is empowered, motivated, and equipped to deliver excellence every single day.

All of these strategic priorities are deeply rooted in our emphasis on alignment with Oman Vision 2040. By championing economic diversification, empowering the private sector, and fostering a knowledge based economy, Bank Nizwa is actively contributing to the prosperous, inclusive future of our beloved nation.

A key milestone in our recent history was receiving an investment grade upgrade of rating by Moodys i.e. Baa3 with Stable outlook. This is a result of improved macro-economic environment at country level and our ongoing commitment to strengthen our balance sheet with robust capital ratios, ensuring that our shareholders, creditors and customers receive better returns on their investment while supporting the bank's sustainable growth.

FINANCIAL PERFORMANCE

During the year, Bank Nizwa achieved its strategic goals while delivering genuine, sustainable value to all our stakeholders. The true strength of our business model shines through in these results. By focusing deeply on operational excellence and maintaining a disciplined approach to risk and balance sheet management, we built a highly secure foundation of funding and liquidity. I am incredibly proud to share that this careful, steadfast approach resulted in our highest net profit on record at ﷼20 million, which represents an impressive 11 percent growth from the ﷼18.1 million we earned last year.

When we look at our broader financial health for the year, we see strong and steady growth across all key areas. Total assets grew by 8 percent to reach ﷼2.03 billion, reflecting our expanding ability to serve the community. At the same time, our total portfolio of financing increased by 5 percent to reach ﷼1.67 billion, and total customer deposits grew by 6 percent to reach ﷼1.64 billion. Furthermore, the total equity of our shareholders saw a solid 6 percent increase, reaching ﷼279 million.

FUTURE OUTLOOK

Oman's fiscal policy remains a beacon of prudence and responsibility. The government has continued its disciplined budgeting approach for 2026, and despite conservative oil price outlooks, the fiscal indicators remain overwhelmingly positive. Oman is expected to maintain a budget deficit, to support the ongoing development projects. The national budget highlights the government's cautious, wise approach to both spending and growth. Furthermore, favorable credit conditions will empower private sector credit growth to expand at a healthy, supportive pace annually.

Against this backdrop, Oman's banking sector is expected to remain incredibly resilient in 2026. The sector is supported by a stable macroeconomic environment, improved national fiscal health, and deeply impactful economic diversification initiatives. The country's fiscal consolidation efforts, combined with heartfelt government support for small and medium enterprises, public private partnerships, and investment climate reforms, will foster genuine private sector development and enhance lending opportunities across the country. International credit rating agencies have fully acknowledged Oman's bright economic outlook, with agencies like S&P, Moodys and Fitch having upgraded Oman's sovereign credit rating to investment grade, reinforcing deep investor confidence in our financial stability.

The Islamic banking sector specifically is expected to continue its robust, exciting growth trajectory. We are well positioned to leverage favorable regulatory support, an increasing consumer demand for Sharia compliant products, and the broader national push for economic diversification. Islamic banks will benefit deeply from growth across key non-oil sectors, including healthcare, technology, sustainable energy, fisheries, and tourism, all of which align with the inspiring vision of Oman Vision 2040.

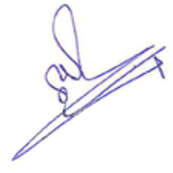
ACKNOWLEDGEMENT

On behalf of the Board of Directors, Executive Management, and all staff members, I would like to extend our deepest gratitude to His Majesty Sultan Haitham bin Tariq Al Said for his visionary leadership and foresight, which continue to guide Oman's progress and foster the growth of the Islamic banking sector.

We also wish to express our sincere appreciation to all those who have contributed to Bank Nizwa's success. To our dedicated employees, thank you for your unwavering commitment, professionalism, and pursuit of excellence. To our valued customers, thank you for your trust, loyalty, and continued confidence in our services. To our regulators and shareholders, we are grateful for your support, collaboration, and valuable guidance, which have been instrumental in our achievements.

As we look ahead, we remain excited and optimistic about the future. We are confident that with your continued support, Bank Nizwa will not only navigate future opportunities and challenges but will also continue to grow, evolve, and set new benchmarks for excellence in the Islamic banking industry.

Thank you for being an integral part of our journey. We look forward to celebrating many more milestones together in the years to come.



Khalid bin Abdullah bin Ali Al Khalili
Chairman

Board of Directors



Sheikh Khalid Abdullah Ali Al Khalili
Chairman

Sheikh Khalid Al Khalili has over 27 years of experience in various fields. He graduated from the Florida Institute of Technology (USA) with a Bachelor of science in Civil Engineering. He is the Chairman of Aflag Group, a diverse group of operating companies (Including Investment, Banking, Insurance, Pharmaceutical, Real estate, Logistics, and Fuel Retail) He has previously held various senior management positions involving multiple business disciplines such as Finance, Insurance, Project management and Real estate development. In addition, Sheikh Khalid is currently a member in the following Boards:

1. Deputy Chairman of Omantel - Member of the Investment and Strategy Committee.
2. Deputy Chairman of Oman International Development and Investment Company (OMINVEST) SAOG - Member of the Executive, Nomination and Remuneration Committee.
3. Temporary Board Member of Liva Insurance SAOG.



Sheikh Majid Ali Majid Al Mamri
Vice Chairman

Sheikh Majid presently holds the position of CEO at Al Ghadeer Investment Company, where he has dedicated 17 years of service, advancing through various roles. With a diverse background spanning banking, construction, real estate, health care, property management, aviation, logistics, and agricultural investment. His expertise extends to strategic analysis and decision making.

Mr. Ahmed Salem Mohamed Al Busaidi
Member

Mr. Ahmed Al Busaidi has over 30 years of experience in senior leadership roles within government and investment institutions in Oman. He currently serves as Chief Executive Officer of the Military & Security Services Pension Fund. He previously held senior positions at the Ministry of Defence and Ministry of Finance in treasury, finance, contracts, and legal affairs. He holds a Master's degree in Finance & Economics from the University of Southampton (UK) and a Bachelor's degree in Accounting from Ajman University of Science and Technology. Mr. Al Busaidi brings extensive expertise in governance, investment oversight, financial management, and strategic leadership.





Mr. Salim Ali Said Al Hinai
Member

Mr. Salim Al Hinai Holds a Master's degree in Business Administration from the University of Bedfordshire, along with a Bachelor's degree in Arts. He brings extensive and diverse experience across finance, investment, and project management. Currently he serves as a member of the Board of Directors of the Omani Qatari Telecommunications Company SAOG (Ooredoo Oman).

Mr. Abdulaziz Said Al Shidhani
Member

Mr. Abdulaziz Al Shidhani has 20 years' experience in energy and water. He holds an Electrical Engineering degree (2003) and MBA (2012) from Sultan Qaboos University and completed leadership programs at IMD. He is Managing Director of Hydrogen Oman Company (Hydrom), leading green hydrogen auctions and strategy execution. Previously, he was Director General for Renewable Energy and Hydrogen, shaping Oman's hydrogen strategy and energy transition policy. He held senior roles at OWWSC and PAEW, and earlier worked at Mazoon Electricity Company, contributing to sector development, regulation, and national initiatives including Oman Vision 2040.





Mr. Atif Said Rashid Al Siyabi
Member

Mr. Atif bin Said Al-Siyabi is Chief Information Management at Oman Investment Authority (OIA), with over 17 years of experience in IT and business transformation. He has led innovative technology solutions, system operations, and large-scale digital transformation initiatives. He plays a key role in ICT investment projects, shaping strategies and delivering national-level programs. He also serves on the Board of Omantel SAOG. He holds a Bachelor's degree in Computer Hardware and Networking Technology from Coventry University, an MBA from Franklin University, and a Professional Leadership Development Certificate from HEC Paris.

Mr. Nasser Rashid Saif Al Shabli
Member

Mr. Nasser Al Shibli is the Chief Executive Officer of Oman Real Estate Investment Services LLC (ORIS), part of Ominvest Group. With over 23 years of experience in real estate development, investment, and project management, he brings strong leadership and cross-sector expertise. He previously served as Project Director at the Ministry of Endowments and Religious Affairs. His career also includes senior roles in real estate and telecommunications. He holds a BSc Civil Engineering from SQU; MBA from University of Bedfordshire; and MSc Project Management (George Washington).



Excecutive Management Team



Mr. Khalid Jamal Al Kayed
Chief Executive Officer

Khalid Al Kayed, CEO of Bank Nizwa, is a seasoned financial leader with over 30 years of experience. Previously the bank's Chief Finance Officer, he now drives overall growth and strategy. He holds a master's in international accounting from Liverpool University and multiple professional certifications, including CMA, CSCA, CFM, ACMA, and CGMA, and is an alumnus of Columbia Business School. Before joining Bank Nizwa, he held senior roles at Jordan Dubai Islamic Bank, Standard Chartered Bank Jordan, and Jordan National Bank Cyprus, gaining extensive regional banking experience.



Mr. Tariq Atiq
Deputy Chief Executive Officer

Tariq brings over 25 years of banking experience across Retail, Corporate, SME, Cards, and Digital Banking, with a proven record in transformation and digital innovation. He is known for leading large-scale initiatives, including the Sultanate's first eCommerce gateway and advanced digital platforms. An expert in electronic banking and digital transformation, he has driven strategy, operations, and growth across leading institutions. Tariq holds a B.Sc. in Business Administration from Arkansas State University and an Executive MBA in Leading Digital Transformation from HEC Paris, Doha.



Mr. Nasser Said Al Lamki
General Manager
Internal Audit



Mr. Mohamed Fida Hussain
General Manager Risk Management
and Chief Risk Officer



Mr. Mujahid Said Al Zadjaly
General Manager IT



Mr. Salim Rashid Al Maharbi
Chief Financial Officer



Mr. Saif Abdullah Al Rawahi
Deputy General Manager
Wholesale Banking



Mr. Mohammed Juma Al Ghassani
Chief Retail Banking Officer



Ms. Haifa Abdul Ali Al Lawati
Assistant General Manager
Chief Human Resources Officer



Mr. Mohamed Iqbal Al Balushi
Assistant General Manager
Operations



Mr. Azzan Al Saleh
Assistant General Manager
Small and Medium Enterprises



Mr. Sabri Balahaf
Assistant General Manager
Mid Corporate & Government Banking



Mr. Hatem Alghazali
Head of Legal Department
and Board Secretary



Mr. Muhammad Ahsan
Senior Head, Treasury & Global Markets,
Investment Banking & International Business



Mr. Mohamed Al Hashmi
AGM, Chief Compliance Officer



Dr. Mansour Al Qudah
Head of Shari'a Compliance



Mr. Ahmed Abdullah Al Waily
Head of Corporate Communications,
Marketing & Sustainability

Bank's total assets grew by 8% to ﷼ 2.03 billion (2024: ﷼ 1.89 billion), reflecting steady balance sheet expansion supported by prudent risk management and sustainable growth strategies.



Management Discussion & Analysis Report

Mr. Khalid Jamal Al Kayed
Chief Executive Officer

The Management Discussion and Analysis Report provides a comprehensive overview of Bank Nizwa's performance for the financial year from 1 January 2025 to 31 December 2025.

It highlights our core business segments, market developments, and future growth prospects in the broader macroeconomic landscape, reinforcing our leadership in Islamic banking in Oman.

POISED FOR GROWTH

Since its establishment, Bank Nizwa has remained steadfast in strengthening its operations, expanding its product portfolio, and enhancing customer experience. This disciplined approach has translated into another year of solid financial performance and strategic progress in 2025.

As at 31 December 2025, the Bank's total assets grew by 8% to OMR 2.03 billion (2024: OMR 1.89 billion), reflecting steady balance sheet expansion supported by prudent risk management and sustainable growth strategies. Financing to customers increased by 5% to OMR 1.67 billion, while customer deposits rose by 6% to OMR 1.65 billion, demonstrating continued customer confidence and stable liquidity management.

The Bank delivered strong profitability growth, with operating income increasing by 9% to OMR 62.7 million. Despite strategic investments in technology, talent, and infrastructure—resulting in an 8% increase in operating expenses—the Bank achieved a 10% rise in operating profit before provisions and tax to OMR 31.8 million. Net profit after tax grew by 11% to OMR 20.1 million, underscoring the Bank's operational efficiency, disciplined cost management, and resilient business model. Total shareholders' equity strengthened by 6% to OMR 279.4 million, reinforcing the Bank's robust capital position.

The Islamic banking sector in Oman continues to demonstrate strong momentum, supported by increasing demand for Sharia-compliant solutions, regulatory encouragement from the Central Bank of Oman, and growing awareness of ethical finance principles. Industry assets are on a steady growth trajectory, with Islamic finance playing an increasingly significant role within the Sultanate's overall banking landscape. In this dynamic environment, Bank Nizwa remains well-positioned as a leading Islamic financial institution, contributing meaningfully to sector expansion.

The Bank's growth in financing and deposits reflects not only market expansion but also strengthened customer relationships, enhanced digital capabilities, and continuous product innovation. Strategic investments in digital transformation, service excellence, and ESG-aligned initiatives have further reinforced customer trust, brand equity, and operational resilience.

Through the disciplined execution of its Vision 2025 roadmap, Bank Nizwa continues to enhance efficiency, drive sustainable profitability, and support Oman's economic diversification agenda. The Bank remains committed to delivering long-term value to shareholders while maintaining its leadership in Sharia-compliant banking innovation and responsible finance.

COUNTRY ECONOMIC AND BUSINESS ENVIRONMENT

The Sultanate of Oman continues to demonstrate strong economic resilience and structural progress under the leadership of His Majesty Sultan Haitham bin Tarik. As the nation marked the anniversary of 11 January 2026, it did so against a backdrop of tangible financial and economic achievements that reflect a clear strategic vision: positioning Oman as an attractive, diversified, and investment-friendly economy supported by robust legislation, institutional reform, and long-term planning.

The launch of the Eleventh Five-Year Development Plan (2026–2030) marks a strategic transition from recovery to expansion, reinforcing the objectives of Oman Vision 2040. The Plan provides an integrated legislative and regulatory framework designed to accelerate economic growth, enhance competitiveness, and promote sustainable development.

Non-oil sectors continue to play an increasingly central role in driving economic performance. By the end of the third quarter of 2025, non-oil activities contributed 73.3% of GDP at constant prices, up from 72.5% in 2024, reflecting steady progress in diversification efforts.

Real GDP (constant prices) grew by 2.2% year-on-year by end Q3 2025 (2.19%), reaching about OMR 28.693 billion, supported primarily by a 3.4% increase in non-oil activities (3.39%). GDP at current prices rose by 1.5% (1.47%) to around OMR 31.071 billion, demonstrating sustained expansion despite moderate hydrocarbon performance.

Looking ahead, Oman's economy is projected to grow by approximately 2.6% in 2026 and 2.5% in 2027, supported by stabilizing hydrocarbon output and continued strong performance in manufacturing, logistics, tourism, renewable energy, and downstream energy industries.

Oman's prudent fiscal management has significantly strengthened the state's financial position. The trade balance recorded a surplus of OMR 4.69 billion by the end of October 2025, while merchandise exports reached OMR 19.359 billion over the same period. Foreign direct investment increased (FDI stock) by 12.8%, reaching about OMR 30.279 billion by the end of Q2 2025, reflecting enhanced investor confidence and regulatory reforms.

In recognition of fiscal consolidation and improved macroeconomic indicators, the three major international credit rating agencies upgraded Oman to investment-grade status in 2025:

- Standard & Poor's: BBB- (Stable Outlook)
- Moody's: Baa3 (Stable Outlook)
- Fitch: BBB- (Stable Outlook)

Oman also maintained its position in the 2025 Economic Freedom Index, ranking 58th globally, reflecting ongoing improvements in regulatory efficiency and business facilitation.

Importantly, Oman enjoys one of the lowest fiscal oil price breakeven levels in the region — estimated at USD 52–55 per barrel for the 2025–2027 period — providing a cushion against oil price volatility.

OUTLOOK FOR THE BANKING SECTOR

Oman's banking sector remained resilient in 2025, supported by strong capital reserves, continued asset growth, low non-performing financing ratios, and prudent credit risk management. The Central Bank of Oman (CBO) has played a pivotal role in reinforcing financial stability, promoting digital transformation, and supporting the development of innovative Sharia-compliant financial solutions. Recent reports highlight a strengthening banking environment, underpinned by sustained credit growth and improving profitability across the sector.

Oman's Islamic finance sector is on a robust growth trajectory with total industry assets stands at OMR 9.3 billion with the market share of 19% at end-2025 and could reach OMR 11 billion in 2026, supported by continued demand for Sharia-compliant products, a supportive regulatory environment, and growth in sukuk and other instruments.

Moreover, recent regulatory and market developments are supporting continued sector expansion. The Central Bank of Oman (CBO) has launched an electronic liquidity-management system that is compliant with Sharia guidelines and approved a regulatory framework for Sharia-compliant finance and financial leasing companies — measures that aim to improve operational infrastructure, increase investor confidence, and attract capital.

With Oman's economy gradually recovering and non-oil sectors gaining momentum, overall credit demand is projected to strengthen across key segments. Government emphasis on ethical investment, private-sector development, and Vision 2040 objectives is likely to drive continued innovation in Islamic financial products — positioning the sector as a key contributor to economic transformation and long-term financial inclusivity.

Retail Banking

Retail Banking at Bank Nizwa continued its strong trajectory of growth and transformation throughout 2025, further reinforcing its position as the Sultanate's leading and most trusted Sharia-compliant financial institution. Our strategy remains firmly grounded in the belief that Islamic banking should extend beyond the provision of financial products to serve as an accessible, ethical, and empowering force within the community.

Bank Nizwa offers a complete suite of innovative Sharia-compliant retail offerings across financing, deposits, cards, and Takaful solutions through which we continue to meet the diverse financial needs of individuals and families across Oman. By leveraging advanced technology and a deep understanding of evolving customer needs, we expanded our reach and strengthened our engagement with communities nationwide.

Our focus on digital innovation is not driven solely by efficiency, but by a commitment to enhancing financial inclusion and ensuring that Sharia-compliant solutions are accessible to all segments of society. From digitally native youth to established professionals, Bank Nizwa remains dedicated to supporting the socio-economic objectives of Oman Vision 2040 by seamlessly integrating Islamic banking into everyday life.

At the core of this digital-first strategy is our flagship Digital Branch at the Mall of Oman, which continues to redefine the banking experience in the Sultanate. Operating beyond traditional banking hours, the branch utilizes interactive teller machines (ITMs) that enable customers to conduct high-value transactions—including instant cheque cashing and large cash deposits—through real-time video assistance. In 2025, this commitment to innovation was further strengthened through the launch of a specialized Sharia-compliant solution for financing life insurance premiums under the Unified Credit Life Policy, as well as a dedicated Digital Auto Financing platform across Bank Nizwa branches, delivering a seamless and customer-centric experience that reinforces our leadership in digital banking.

Beyond digital innovation, Bank Nizwa continued to advance its commitment to sustainability and responsible growth. In recognition of our role in supporting a greener future, the bank entered into strategic partnerships aimed at simplifying access to eco-friendly financing solutions. Our green financing offerings now provide preferential rates for solar power systems, energy-efficient home appliances, and hybrid and electric vehicles, enabling customers to adopt sustainable technologies while remaining aligned with their ethical and Sharia principles. This environmental focus is complemented by our disciplined physical expansion strategy. During the year, Bank Nizwa successfully relocated its Ghubra branch to a modern, purpose-built facility in Athaiba, further optimizing our network of 23 branches to better serve key business and residential centers across the Sultanate.

To further support customers throughout the year, Retail Banking offered competitive financing rates supported by innovative, purpose-driven marketing campaigns

across key seasonal periods, including Ramadan, summers, and the National Day. Furthermore, the bank also introduced a special campaign for Hajj and Umrah, enabling the customers fulfill their religious aspirations. These quarterly campaigns were designed to enhance affordability, stimulate demand across priority products, and deepen customer engagement while remaining aligned with Sharia principles and community values.

The strength and maturity of our retail and digital propositions were reflected in the recognition received throughout 2025. Bank Nizwa was awarded Best Innovation in Islamic Banking at the 2nd Themar Islamic Banking Conference and received the Excellence in Islamic Banking award at the Alam Al-Iktisaad Awards, underscoring our leadership in innovation, customer experience, and Sharia-compliant product development. These accolades reflect the successful rollout of initiatives such as the Nizwa Plus Loyalty Program, which has rapidly positioned itself as one of the market's leading schemes by rewarding customers across all credit card spending. The bank also enhanced its Priority Banking proposition, introducing exclusive lifestyle benefits including Transom Home Check-In, premium chauffeur services, and dedicated VIP parking at the Mall of Oman. In parallel, Bank Nizwa expanded tailored offerings for major corporate and government employers, ensuring our services continue to meet the evolving needs of Oman's workforce. Through continued collaboration with the Oman Housing Bank under the Iskan Program and our participation in the Sultan Haitham City Project, Bank Nizwa reaffirmed its role as a strategic partner in national development and long-term economic growth.

Corporate Banking Group

The Corporate Banking Group (CBG) made significant progress during the year by further strengthening and expanding its suite of Sharia-compliant products and services across a diversified corporate and financial institutions client base. The Group played a pivotal role in driving the Bank's financing asset growth and revenue performance, successfully concluding several landmark transactions with leading corporate and financial institution clients.

A strong focus on operational efficiency, prudent risk management, and a customer-centric approach remained central to the Department's performance. Throughout the year, the CBG team actively promoted awareness and confidence in Islamic banking solutions across various business segments through continuous client engagement, strategic networking, and participation in industry forums and events.

Collaboration with internal stakeholders, including Retail Banking, Treasury, Risk, and the Sharia Compliance Unit, remained a key enabler in delivering integrated and value-driven solutions to clients. Looking ahead, the Coprorate Banking Group remains committed to enhancing its capabilities, deepening client relationships, and supporting sustainable economic development, in alignment with the Bank's long-term strategy and the aspirations of Oman Vision 2040.

SME and Commercial Banking

The importance of the Small & Medium Enterprises cannot be further emphasized as the country embarks on economic diversification towards advancing the nation. The Bank strengthened its SME business unit by adding dedicated Relationship Managers to serve various needs of more SMEs in different areas and segments. The SME business continues to expand coverage in key interior cities other than Muscat. Additionally, the Bank worked with larger corporate enterprise vendors as supply chain solution towards supporting SMEs. Despite numerous challenges, the SME and Commercial Banking unit added new business and products to register satisfactory growth. The Bank shall continue growing the SME business by increasing focus, utilizing various available channels and provide further support with Sharia compliant products and services to SME businesses' expansion throughout the enterprise life cycle.



Large Corporate Banking

Large Corporate remained one of the key growth drivers of the Corporate Banking business, delivering strong and sustained performance during 2025. A continued focus on asset quality, supported by a diversified portfolio and disciplined risk management approach, enabled the Bank to achieve its strategic and financial objectives.

Throughout the year, the Bank maintained its commitment to supporting clients across key sectors of the economy by providing timely, well-structured financing solutions. A balanced strategy focused on priority clients and industries allowed the Bank to contribute to economic activity while ensuring sustainable and responsible growth.

Consistent with previous years, the adoption of a multi-location, multi-industry, and multi-product approach resulted in the acquisition of new customers and the generation of sizable business volumes. Particular emphasis was placed on financing infrastructure projects and industries related to essential goods and services. In addition, the Bank supported companies engaged in development and rehabilitation initiatives by offering innovative Sharia-compliant solutions that delivered long-term value to clients and further strengthened the Bank's market position.

Mid-Corporate Banking

Our team of expert in Mid Corporate are equipped to offer comprehensive range of adaptable solutions customize as per the requirement with an objective to accelerate business. The scope of the unit is intended to bridge the segment between SMEs and large corporates. Companies within this segment present significant growth opportunities, along with the prospect of becoming their primary banker. The unit made commendable inroads in the market, on boarding key clients operating in national priority sectors.

Project Finance

The Project Finance unit continues to deliver coverage and financing needs to the national priority economic sectors that provides for the Bank's asset growth and income stream expectations. The increasing attention for private sector playing a larger role in strategic national infrastructure projects with the establishment of supportive new regulations including Public-Private Partnership Law, Bankruptcy Law and Foreign Capital Investment Law, and the setup of dedicated Government's Public-Private Partnership unit have provided for the rising need of project financing. PPP projects in the pipeline are expected to be key catalyst to growth. The Project Finance unit stands ready to meet this emerging needs by continuing with successful execution and completion of projects financed by the Bank as well as delivering Sharia compliant project-related services and financing to developing projects and contracts.

Government Banking

During the year, the Government Banking continued to play a vital role in strengthening the Bank's funding profile by managing and growing deposit relationships with government and semi-government entities. The Unit focused on mobilizing stable and cost-effective liabilities, supporting the Bank's liquidity position while aligning with prudent balance sheet management objectives.

Through proactive engagement with key government stakeholders, the deprtment worked to deepen existing relationships and identify opportunities to enhance deposit structures tailored to institutional requirements.

Looking ahead, the Government Banking – Liabilities Unit remains focused on reinforcing long-term partnerships with government entities, supporting sustainable deposit growth, and contributing to the Bank's overall funding stability in line with its strategic priorities..

International Banking (Financial Institutions)

The International Banking Department (IBD) continues to build and maintain strong relationships with partner financial institutions, both domestically and globally. These relationships are fundamental in providing our clients with a comprehensive network for trade and payment services, as well as access to state-of-the-art products offered by leading regional and global banks. Through these partnerships, the Bank is also able to secure supplemental funding sources.

The Department ensures smooth correspondent banking relationships and efficient business flows, while closely monitoring overall global country exposures and associated risks. During the year, the Bank continued to expand its network by adding new financial institution partners, connections, and geographical locations. New and enhanced lines for local and international institutions were established and strengthened for payments, placements and trade finance business.

The IBD will continue to expand these efforts and increase participations to further enhance the Bank's efficiency in transaction processing and ensure comprehensive coverage for our clients.

Transaction Banking and Trade Finance

At Bank Nizwa, our Transaction Banking division champions the delivery of innovative, efficient, and fully digitized corporate banking solutions that support our clients' operational needs and strategic ambitions, while contributing to the broader economic transformation envisioned in Oman Vision 2040. We provide seamless local and international payment services, including bulk and host-to-host integrations, complemented by virtual accounts and end-to-end digital workflows that enhance operational agility and control for corporate clients. Our trade and supply chain solutions — from letters of credit (LCs) and guarantees (LGs) to digital trade desks facilitating amendments, cancellations, and bill discounting — are designed to streamline global commerce and strengthen our clients' competitive edge.

In tandem with enhanced account and collection services, we deliver tailored liquidity and cash management offerings and Sharia-compliant corporate credit facilities that support working capital efficiency and corporate growth. Guided by our four strategic pillars — Payment Services, Account Services, Collection Services, and Trade & Supply Chain Solutions — our client-centric approach ensures bespoke solutions that reflect the unique needs of each corporate partner. Through continuous digitalization, professional service excellence, and alignment with national economic priorities, Bank Nizwa's Transaction Banking division not only drives operational excellence but also fosters business sustainability, financial inclusion, and the diversification of Oman's economy.

Product Development

During the year, the Product Development Department played a key role in strengthening the Bank's value proposition by enhancing and refining its suite of products and solutions to better meet the evolving needs of customers. A strong emphasis was placed on improving existing products through customization and structural enhancements, enabling the Bank to deliver more relevant, flexible, and customer-centric solutions across various business segments.

The Department worked closely with internal stakeholders, including Business Units, Operations, Risk, Legal, IT, and the Sharia Compliance Unit, to ensure that product enhancements were well-governed, compliant, and aligned with the Bank's strategic objectives. Through this collaborative approach, existing products were tailored to address specific customer requirements, improve turnaround times, and enhance overall service quality, while maintaining robust risk and Sharia compliance standards.

In addition to optimizing the current product portfolio, the Product Development Department initiated strategic efforts to diversify the Bank's revenue streams. As part of its forward-looking agenda, the Department is currently working on the development and introduction of new fee-based products targeted for launch in 2026. These initiatives are aimed at strengthening non-funded income, enhancing customer engagement, and supporting sustainable profitability.

Looking ahead, the Product Development Department remains focused on innovation, agility, and continuous improvement, ensuring that the Bank's product offerings remain competitive and well-positioned to support long-term growth in line with the Bank's strategic vision and commitment to promote Islamic Finance.

Corporate Banking Support

A key anchor division to the business units, the Corporate Banking Support was instrumental to the overall commendable performance and growth of the Corporate Banking business. The team provides fortitude to the efficiency of Corporate Banking Group covering multitude of client services and performances. The unit shall continue to provide the high satisfaction level of client servicing through continuous improvement of its efficiency foundation.

Treasury & Global Markets and Investment Banking Group

Bank Nizwa initiated a strategic transformation in 2025 and reorganized the Wholesale Banking group and carved out Treasury & Global Markets, Investment Banking and International Business into a separate group. The group is responsible for Asset Liability Management, Proprietary Investments in sukuks and other shariah compliant investment products, funding, hedging and investment solutions for bank's customers, and Investment Banking advisory services. The Group offers strong structuring capabilities, unparalleled shariah knowledge, deep fundraising expertise, comprehensive understanding of local and global capital markets, solid investor relationships, robust risk management skills and attentive trading mindset.

Investment Banking

The Investment Banking department is responsible for structuring competitive financing solutions in both domestic and international markets to broad range of issuers from sovereigns and corporates to project-specific needs. The team has robust international and regional markets experience in equity raising, and Sukuk and loan financing across multiple geographies. The team provides strong execution experience, solid structuring expertise, deep understanding of local laws and excellent distribution capability to achieve efficient transaction closure in line with clients' objectives. The Investment Banking department has made significant inroads in the capital market sector and has developed strong structuring and distribution capabilities to manage the debt and equity issuance process for both public and private sector issuers. The team works closely with sovereign, corporate and government clients to deliver strategic solutions supporting Oman Vision 2040. The Investment Banking department made significant



inroads in the capital market sector and acted as the Issue Manager for 10th Series of Government of Oman local currency Sovereign sukuk issue. The team worked closely with the Debt Management Office of the Ministry of Finance, other issue managers, legal advisors and Shariah Structuring Unit to ensure timely approvals and smooth closure of the issue, which was heavily oversubscribed. The Investment Banking department is strategically focused on providing customized and value-added solutions to banks' clients covering their funding and investment objectives, and aims to become a trusted partner and leader in Oman's growing capital markets.

Treasury & Global Markets

Treasury & Global Markets business provides a wide range of services including the most critical Treasury functions such as Asset & Liability, liquidity, foreign exchange and profit rate risk monitoring and management with a view to optimize the balance sheet utilization. The department also manages a portfolio of high quality liquid assets to ensure compliance with the Central Bank of Oman's regulatory limits and provide a stable source of earnings. Global Markets department works closely with the Corporate and Retail banking groups to provide foreign exchange spot and FX Wa'ad services to clients dealing in currency markets for their operational requirements. Additionally, remittance support is efficiently handled for clients in both Retail and Corporate segments.

The Global Markets department also develop customized financial risk management solutions for corporates covering currency and profit rates, and investment solutions for both corporate and retail clients with medium to longer-term investment horizon. The team provides clients with timely and relevant research covering global market developments, economic trends, geo-political events and ideas for hedging and investments. Global Markets team operates with agility and insight, in providing clients with market knowledge and global financial insights. The Global Markets department is developing multiple innovative solutions to meet the rapidly evolving hedging and investment needs of bank's clients.

The business volumes are expected to grow with clients focused on implementing risk management strategies to protect their cashflows and margins from rising market volatility. The Treasury & Global Markets department strives to expand its Sharia compliant services and product offerings backed by the team's vast market knowledge and expertise in structuring, trading, research and sales.

Customer Protection & Compliance

Bank Nizwa is committed to compliance with the Financial Consumer Protection Regulatory Framework (FCPRF) by implementing governance measures, policies, and procedures. Understanding that its success depends on customer well-being and satisfaction, the Bank aims to become a trusted leader in Oman's financial landscape. By prioritizing customer interests and upholding the principles of Islamic finance, Bank Nizwa seeks to build lasting relationships based on respect and transparency while providing ethical financial solutions that meet customer needs.



In essence, Bank Nizwa's dedication to consumer protection epitomizes its broader mission to serve as a responsible steward of Islamic finance. By prioritizing the well-being and satisfaction of its customers, the bank not only fulfills its ethical obligations but also reinforces its position as a trusted partner in the financial journey of individuals and businesses alike.

Over the past year, Bank Nizwa has intensified its efforts to ensure strict compliance with FCPRF. Our internal processes and policies have been rigorously reviewed and updated to align with the latest regulatory standards. This includes the implementation of robust monitoring systems to ensure ongoing compliance and the training of our staff to better understand and apply these regulations in their daily activities.

Bank Nizwa believes in empowering its customers through transparency and education; accordingly, we have updated our website to include the Key Facts Statements for all our financial services, along with the generic terms and conditions, to enable customers to make informed decisions, in addition to publishing a Code of Commitment that outlines customers' rights and responsibilities, and conducting a series of educational sessions focused on Islamic banking contracts and the range of products offered by the Bank to enhance customer understanding and confidence.

Banking Customer Helpdesk

To address any queries or complaints, Bank Nizwa has established a 24/7 call center. Customers can contact us at any time for assistance. Additionally, our social media platforms are actively monitored to receive and respond to customer complaints, comments, or inquiries. Our dedicated team is committed to resolving issues efficiently and to the customer's satisfaction.

Contact Details:

Contact Channel	Details
Customer Service Call Centre	**00968 24950500 (24/7)**
Email	customercare@banknizwa.om
Website	**www.banknizwa.om**
Social Media	o https://www.facebook.com/BankNizwa.Oman/ o https://www.instagram.com/bank_nizwa o https://twitter.com/Bank_Nizwa o https://www.linkedin.com/company/bank-nizwa/?originalSubdomain=om
Mobile App	**Bank Nizwa**
Internet Banking	**Bank Nizwa**
WhatsApp	**+968 24 655 555**
In person	**All branches - Customer Experience Department at Head Office Building, Beach One Building, Al Khuwair, Sultanate of Oman.**
Postal Detail	**Beach One Building, Shatti Al Qurum - P.O. Box 1423, Al Khuwair - Postal Code 133 - Sultanate of Oman**

Furthermore, complaints related to Bank Nizwa products, services, or channels are acknowledged immediately and resolved within five working days after receipt of the correspondence, oral, telephonic, or electronic notification of a complaint. Other types of complaints may require longer processing times depending on their nature, particularly where resolution is subject to coordination with external parties beyond the Bank's direct control.

Subject	31st Dec 2023	31st Dec 2024	31st Dec 2025
I. Number of complaints pending at the beginning of the year	0	0	1
2. Number of complaints received during the year	3270	2705	1832
3. Number of complaints disposed during the year	3270	2705	1831
3.1 Of which, number of complaints rejected by the Bank	0	0	0
4. Number of complaints pending at the end of the year	0	0	1
4.1. Of which, number of complaints pending beyond 30 days	0	0	1

Risk Management

At Bank Nizwa, risk management is the foundation of our operational philosophy, driving every decision and strategy we pursue. We believe risk management is a shared responsibility embedded at every level of the organization, enabling us to anticipate and address challenges with precision and foresight.

This past year, we focused on strengthening our framework to align with the Central Bank of Oman. We continued our efforts towards asset diversification and prioritized the quality of our assets over the quantity. This disciplined approach to diversification ensures that our growth is not just rapid, but sustainable. We rely on a strong structure to keep us on track. Our Board and Management committees ensure we stay within our limits and follow a clear strategy.

Our oversight framework ensures we stay within our defined risk appetite while pursuing our strategic goals. Our oversight governance works as follows:

Committee	Responsibility
Board Governance, Risk and Compliance (BGRCC)	Sets the overarching direction and ensures a unified, forward looking strategy across the bank.
Risk Management Group (RMG)	Manages the portfolio daily to keep credit losses low and balance specific risks against growth.
Assets and Liability Committee (ALCO)	Watches over our liquidity positions and monitors how market rate changes affect our stability.
Credit and Investment Committee (CIC)	Reviews and approves our lending decisions and investment avenues to ensure quality allocation.
IT Steering Committee (ITSC)	Focuses deeply on our technology infrastructure and cybersecurity safety to protect our digital assets.

A critical step in strengthening our controls has been the rigorous validation of our Probability of Default (PD) models. By systematically testing and refining these models, we ensure that our risk assessments are well grounded. This validation provides us with a sharper lens to evaluate creditworthiness, allowing us to support the right partners with confidence.

By managing our portfolio with care and discipline, we have successfully kept credit losses low and strengthened our balance sheet. We strictly adhere to operational rules and liquidity practices aligned with Basel III standards, which keeps our financial standing stable and resilient.

The Bank regularly test quality of assets and liabilities to test Using tools like the Internal Capital Adequacy Assessment Process (ICAAP) and rigorous stress testing, we simulate adverse economic scenarios. This preparation ensures that if the economy takes an unexpected turn, we are ready to adapt quickly and protect our stakeholders.

We recognize that the definition of "risk" is evolving. To that end, we have begun integrating Environmental, Social, and Governance (ESG) principles into the core of how we view risk.

We have developed an innovative scoring system to evaluate our partners and clients based on their sustainability and governance practices. This also incentivizes responsible behavior. To ensure this takes root, we have established a dedicated taskforce to bake these policies into our main risk framework. This ensures Bank Nizwa grows responsibly, leading with integrity in a changing financial world.

From credit risk, market volatility to cybersecurity threats, our approach ensures we remain resilient. We are steadfast to build a bank that can thrive amidst complexity.

Raising Awareness

In 2025, Bank Nizwa marked a significant milestone in advancing the waqaf ecosystem through the launch of the Waqaf Leadership Program in collaboration with Tawafuq. The program was designed to build leadership capabilities within the waqaf sector, strengthen governance practices, and promote sustainable endowment management in line with Islamic finance principles. This initiative reflects the Bank's commitment to developing structured, future-ready waqaf institutions that contribute meaningfully to Oman's socio-economic development.

Building on this momentum, Bank Nizwa continued to strengthen its role in advancing Islamic finance awareness and financial literacy across the Sultanate through strategic forums, youth programs, academic engagement, and community initiatives.

The Bank reinforced its thought leadership presence by sponsoring and participating in prominent regional and international platforms, including Oman Sustainability Week, COMEX, Oman Waqaf Forum, IFN Forum, Themar Forum, and the MENA BFSI Leaders Conclave. Through these engagements, the Bank highlighted the role of Islamic finance in driving sustainability, digital transformation, governance excellence, and waqaf sector development.

Academic and career engagement remained a key focus area. Bank Nizwa participated in major career fairs at Sultan Qaboos University, the College of Banking and Financial Studies, and the Oman Career Fair at OCEC, showcasing professional opportunities in Islamic banking and engaging with aspiring finance professionals.

Youth empowerment initiatives were delivered through targeted workshops and awareness programs aimed at enhancing financial literacy and introducing participants to Sharia-compliant banking principles. These sessions were led by internal experts and industry specialists to ensure practical, impactful learning experiences. The Bank also continued its Islamic Finance Knowledge Series (IFKS), delivering educational sessions across multiple locations to deepen understanding of Islamic financial concepts among students and professionals.

Additionally, the Ishraq Waqaf Fund roadshow was conducted across various regions to raise awareness of waqaf investment solutions and promote sustainable endowment structures.

Through these initiatives, Bank Nizwa reaffirmed its commitment to fostering financial awareness, empowering communities, and strengthening the Islamic finance ecosystem in Oman.

Sustainability

At the core of Bank Nizwa's sustainability strategy lies a strengthened and forward-looking ESG framework built upon four foundational pillars: Responsible Leadership, Responsible Banking, Prosperous Lives, and Environmental Stewardship. Following a comprehensive gap analysis against recently issued regulatory guidelines, the Bank conducted a full review of its ESG roadmap to ensure alignment with evolving regulatory expectations and international best practices. The updated roadmap now fully incorporates enhanced governance standards, risk management requirements, and sustainability disclosures, reinforcing the Bank's commitment to responsible and Shari'a-compliant banking.



Recognizing that the definition of risk is continuously evolving, Bank Nizwa has begun embedding Environmental, Social, and Governance (ESG) principles into the core of its risk management philosophy. The Bank has developed an innovative ESG scoring mechanism to assess clients and counterparties based on their sustainability and governance practices, thereby incentivizing responsible behavior across its value chain. To ensure effective implementation, a dedicated ESG Taskforce has been established to integrate these policies into the Bank's overarching risk framework. This structured approach enables Bank Nizwa to grow responsibly while leading with integrity in an increasingly complex financial landscape. From credit risk and market volatility to cybersecurity threats, the Bank's holistic risk framework enhances resilience and ensures long-term stability.

Under the Responsible Leadership pillar, the Bank focuses on business ethics and compliance, sustainability governance, privacy and data security, and environmental and social risk management.

Through the Responsible Banking pillar, the Bank advances ESG finance and investment, customer experience excellence, SME empowerment, and digital innovation. In a move that underscores its leadership in Shari'a-compliant sustainable finance, Bank Nizwa participated in Oman's first-ever Green Sukuk issuance, issued by Oman Electricity Transmission Company (OETC), a key subsidiary of Nama Group.

Under the Prosperous Lives pillar, the Bank prioritizes diversity and inclusion, talent development, employee wellbeing, and community empowerment as core drivers of sustainable growth. By fostering an inclusive workplace culture, investing in people development, and supporting initiatives that create positive social impact, the Bank reinforces its commitment to shared prosperity and long-term value creation.

Through the Environmental Stewardship pillar, the Bank emphasizes climate mitigation and adaptation while managing its environmental footprint. Beyond financing green initiatives, the Bank integrates environmental considerations into operational and financing decisions, reinforcing its contribution to Oman's transition toward a more sustainable and low-carbon economy.

Bank Nizwa's sustainability approach remains deeply embedded in its operations, guided by Shari'a principles and fully aligned with Oman Vision 2040. Supported by strong governance oversight and proactive stakeholder engagement, the Bank continues to advance financial inclusion, sustainable finance leadership, environmental responsibility, and community empowerment.

Excellence Recognized

In 2025, Bank Nizwa's dedication to excellence, innovation, and customer-centric Islamic banking solutions was celebrated through multiple prestigious awards and recognitions. The Bank was honoured as the Strongest Islamic Retail Bank in Oman at the Islamic Retail Banking Awards (IRBA), organised by the Cambridge Institute of Islamic Finance, reflecting its leadership in delivering innovative Sharia-compliant retail banking services.

The Bank's commitment to innovation and digital transformation was further recognised at the New Age Banking Summit, where it received the Best Islamic Digital Bank in Oman award, alongside the Best Bank – Mid-Size Banks Category accolade, highlighting both its technological leadership and overall operational excellence. At the International Finance Awards, Bank Nizwa was acknowledged as the Most Innovative Islamic Bank, reinforcing its position at the forefront of pioneering digital and Sharia-compliant financial solutions.

Additionally, the Bank earned the Excellence in Islamic Banking Award at the Alam Al-Iktisaad Awards, recognising its sustained leadership, service excellence, and contributions to the growth of Islamic finance in Oman. During Oman Sustainability Week 2025, Bank Nizwa was awarded Silver recognition for its impactful contributions to sustainable finance and integration of ESG principles into its operations.

Collectively, these accolades underscore Bank Nizwa's commitment to innovation, service excellence, and the advancement of Islamic finance, positioning it as a trusted and forward-looking leader in Oman's financial sector.

Building Brand Equity

Bank Nizwa's strategic initiatives to strengthen its brand presence within the Sultanate's financial sector and sustain its leadership in the Islamic banking landscape delivered exceptional results in 2025. These accomplishments further solidified its position as the leading and most trusted Islamic bank in Oman. The Bank's steadfast commitment to digital transformation, sustainability, and socio-economic development has deepened customer trust and reinforced its pioneering role in advancing Islamic banking across the Sultanate.

The Bank's steady expansion reflects broader global trends in Islamic finance, a sector that continues to outperform conventional banking in asset growth. Supported by a diversified portfolio and a disciplined approach to risk management, Bank Nizwa has maintained a strong and resilient balance sheet, underpinned by robust capital reserves and a stable

funding structure. Its prudent financial management practices and unwavering adherence to ethical banking principles have strengthened long-term stability and enhanced sustainable profitability.

Bank Nizwa has also reinforced its leadership in Islamic finance by expanding its role in empowering key economic sectors. The Bank contributed to financing several strategic and high-impact sectors, including participation in the largest integrated copper concentrate production project in the Sultanate of Oman. Furthermore, it successfully managed and closed a local Sharia-compliant sovereign sukuk issuance valued at OMR 200 million on behalf of the Ministry of Finance, alongside other impactful initiatives aimed at supporting national economic development. This progress has been further supported by continued product diversification and advanced digital capabilities, including the launch of a dedicated digital platform for corporate clients, enabling more efficient financial resource management and improved operational agility.

Reflecting its strategic and sustainable growth trajectory, Moody's Investors Service upgraded Bank Nizwa's long-term foreign and local currency deposit ratings to investment grade (Baa3) from Ba1, with a stable outlook. Concurrently, the Bank's Baseline Credit Assessment (BCA) and adjusted BCA recorded notable improvements.

These prestigious upgrades underscore Bank Nizwa's enduring commitment to financial excellence and highlight its strong standing within Oman's evolving economic landscape. They reflect positive momentum driven by improving operating conditions, which continue to enhance the Bank's financial performance and further strengthen its capital buffers.

Beyond its financial achievements, Bank Nizwa remains deeply committed to social responsibility, financial literacy, and sustainability. Through investments in educational initiatives, active participation in national economic programs, and the launch of targeted marketing campaigns, the Bank continues to strengthen its engagement with customers and the broader community. These integrated efforts reinforce Bank Nizwa's reputation as a forward-looking, customer-centric, and purpose-driven institution.

Looking ahead, the Bank remains focused on sustaining its growth momentum, expanding its market footprint, and leading the next phase of Islamic banking excellence in Oman and beyond. Guided by a clear strategic vision, solid financial foundations, and a strong culture of innovation, Bank Nizwa is well-positioned to continue shaping and redefining the Islamic banking landscape in the years ahead.

CSR: Transforming Communities, Enabling Progress

Bank Nizwa remains steadfast in its commitment to corporate social responsibility, driving initiatives that empower women, support people with disabilities, nurture youth, and strengthen governmental and community partnerships. These efforts align closely with Oman Vision 2040 and the United Nations Sustainable Development Goals (SDGs), reflecting the bank's role as a socially responsible financial leader.

In women's empowerment, the bank proudly sponsors the Omani Women Academy, the Sultanate's first dedicated women's incubator. The academy equips participants with comprehensive training in entrepreneurship, marketing, financial management, and business development. The program targets women seeking employment, business owners, and women with disabilities, fostering their meaningful participation in Oman's economy.

For youth development, Bank Nizwa, in partnership with the Lahen platform, launched the Tawazon Program, designed to cultivate holistic growth across religious, psychological, professional, and financial dimensions. This initiative empowers young Omanis to lead balanced, purposeful lives and actively contribute to society and the national economy.

The bank also champions inclusivity and community development through projects such as the Bait Al-Aqr Development Initiative, providing modern facilities for women, accessible services for people with disabilities, small business spaces for youth, and essential amenities for the community. These efforts demonstrate Bank Nizwa's commitment to social inclusion, equitable access, and sustainable community growth.

Through partnerships with organizations such as Athar Endowment Foundation, Bahla Cultural Center for Science and Innovation, Sheikh Nasser Al-Rashdi Al-Kharousi Endowment Library, and Hidaya Endowment Association, the bank supports cultural enrichment, education, talent development, and innovation, strengthening the nexus between finance, society, and heritage.

Additionally, Bank Nizwa actively contributes to governmental and relief initiatives, including support for the Oman Charitable Organization and the distribution of food parcels to underprivileged families, reinforcing its position as a strategic partner in sustainable development and social welfare.

Through these targeted initiatives, Bank Nizwa continues to make a tangible, lasting impact, shaping a more inclusive, empowered, and resilient Omani society in alignment with Oman Vision 2040 and global sustainability goals.

SHARIA GOVERNANCE

Bank Nizwa remains steadfast in maintaining a comprehensive and vigilant regulatory environment that ensures all banking operations are conducted in full compliance with Islamic Shari'a principles and subject



to rigorous oversight. This commitment is implemented through an integrated framework of policies and procedures, reflecting the Bank's dedication to Shari'a governance, transparency, and accountability, while safeguarding the interests of clients, employees, and the institution within a Shari'a-compliant financial environment.

In 2025, the Shari'a Supervisory Board issued a series of fatwas covering various banking products and services, including sovereign sukuk (Oman Government Issuance – 10th Series), waqf savings accounts, digital banking products (KAFU), Sukuk programs, and capital management under Mudaraba and Ijarah structures. Each fatwa was formally documented and approved, ensuring strict adherence to Shari'a rulings and strengthening governance across all Bank operations.

Throughout the year, the Board and Committee reviewed a comprehensive set of submissions, including 137 Shari'a inquiries, 106 contracts and proposals, 137 reports on policy and procedure and credit proposal's reviews, Sharia department has issued four Shari'a audit reports, and four reports addressing Shari'a non-compliance risks. Which has been reviewed by SSB and issue their directions , The Board's resolutions and guidance constitute binding fatwas, which are rigorously monitored for compliance.

The annual Shari'a audit plan was fully executed across all core banking divisions, including retail banking, SME and corporate banking, key support and operational units, branch operations, and charitable accounts. Audits identified and addressed critical areas of Shari'a compliance, providing senior management and the Board with a high level of assurance regarding adherence to Islamic principles.

The Shari'a Compliance Department also implemented comprehensive training programs to enhance staff awareness of Shari'a rulings relevant to banking operations. These programs covered all branches, with special emphasis on new employees and the "Nanmu" and "Ufq" programs, ensuring practical knowledge and consistent application of Shari'a principles.

Together, these initiatives underscore Bank Nizwa's unwavering commitment to Shari'a compliance, social responsibility, and community development, reinforcing its position as a trusted and sustainable partner in supporting Omani society through waqf and religious initiatives.

HUMAN RESOURCES: EMPOWERING OUR PEOPLE

At Bank Nizwa, we recognize that our employees are the cornerstone of our success. We firmly believe that a skilled, motivated, and engaged workforce is our most valuable asset, driving innovation, customer satisfaction, and business growth. In alignment with our commitment to nurturing talent, we continuously invest in enhancing the capabilities of our employees, enabling them to become the future leaders of Islamic banking.

To support this vision, the Bank has taken deliberate steps to assess and improve its organizational culture. In 2025, we conducted an extensive cultural survey to gain deeper insights into our current work environment. The objective was to equip our management team with



a comprehensive understanding of our organizational dynamics, identify strengths and areas for improvement, and establish a roadmap for cultivating a business-oriented, high-performance culture. By leveraging the survey results, we are implementing targeted strategies that will empower our employees, enhance engagement, and align our corporate culture with the Bank's long-term strategic goals.

In addition to the cultural survey, we have undertaken to update KPIs and balance scorecard project to enhance Executive Team performance and foster a culture of accountability and result-driven leadership. This initiative ensures that executive KPIs are strategically aligned with the Bank's corporate objectives, regulatory expectations, and long-term priorities.

As part of our HR strategy, the Bank implemented since inception a robust performance management framework that reinforces a 'pay for performance' culture. This approach ensures that compensation, rewards, and career growth are closely linked to individual and team performance, thereby driving accountability, motivation, and excellence at all levels of the organization.

Furthermore, Bank Nizwa has placed significant emphasis on Succession Planning, recognizing its critical role in ensuring leadership continuity and organizational stability. Our structured Succession Planning Programme is designed to identify, develop, and prepare high-potential employees for future leadership roles. Through specialized training, mentorship programs, and functional and technical skill development, we provide employees with the tools they need to thrive in critical roles and contribute to the Bank's long-term success. By adopting a proactive talent management approach, we ensure that our leadership pipeline remains strong and capable of driving sustainable growth.

At Bank Nizwa, we view employee development and engagement as an integral part of our broader corporate strategy. Through continuous investment in people, we strive to create an environment where employees feel valued, empowered, and motivated to contribute their best efforts. Our commitment to fostering a culture of learning, performance, and innovation ensures that our employees remain at the forefront of industry excellence, ready to navigate future challenges and seize new opportunities.

Attracting & Recruiting Talent

Bank Nizwa continued to strengthen its Human Capital base in 2025, closing the year with a workforce of 490 employees. The Bank's recruitment strategy remained closely aligned with its business priorities, ensuring the availability of skilled talent to support growth across diverse client segments and operational functions. By year end, the Bank achieved an overall Omanization rate of 91% across it's total workforce, reflecting it's strong commitment to national employment objectives.

Consistent with national priorities, the Bank placed strong emphasis on hiring Omani nationals. Omanis represented 77% of total new hires during the year, reaffirming the Bank's contribution to Omanization targets and its role in supporting sustainable employment and national economic development.

Recognizing the importance of future leadership and capability building, the Bank actively focused on early career recruitment. Fresh graduates constituted 35% of Omani hires in 2025, reflecting a deliberate investment in long term talent development. The recruitment and selection of graduates were supported by the Bank's digital assessment platform, which continues to provide a structured, objective, and scalable approach to evaluating candidates' competencies and potential.

To widen access to local talent pools, the Bank maintained active engagement with academic institutions and employment platforms, including participation in career fairs and collaboration with Tawteen. These initiatives enhanced outreach to high potential candidates and reinforced the Bank's employer brand.

With employees representing 11 nationalities, Bank Nizwa continues to balance local talent development with international expertise. Through disciplined recruitment practices and a strong emphasis on retention and capability building, the Bank ensures its workforce remains agile, resilient, and aligned with its long-term strategic objectives.

Training & Development

In fiscal year 2025, Bank Nizwa's HR department significantly advanced its strategic mission to elevate employee performance through robust talent management and comprehensive, agile learning initiatives. Central to this evolution was the maximum utilization of "Bait Al Ma'arifah," the bank's new learning center, and the "Qanadeel" corporate library, both of which provided enhanced physical spaces for professional development. These facilities supported a surge in training delivery, highlighted by premier programs such as the "UFQ" leadership development series—delivered in collaboration with Harvard Manage Mentor—alongside the Leadership Retreat and specialized courses in Process Improvement and Six Sigma. This multifaceted approach was designed to nurture professional growth across all levels while directly addressing critical succession planning needs through a personalized lens that values the diverse experiences and learning preferences of every team member.

The bank's commitment to specialized expertise was further demonstrated by an intensified focus on Sharia awareness and Islamic banking mastery. This was exemplified by the dedicated "NANMU" program and a series of advanced training interventions across functional areas including Risk Management, Wealth Management, and Corporate Banking. Among these high-impact interventions was an exclusive workshop on Customer Experience and Customer Service, which utilized innovative AI and VR technologies to simulate real-world scenarios and elevate service standards. By engaging in strategic consultations with individual business units, the HR team was able to diagnose specific challenges and implement tailored capability-building strategies. This proactive methodology resulted in the delivery of over 116 learning programs and 347 unique development opportunities throughout the year, ensuring that learning interventions were both relevant and impactful. We delivered an impressive 18.6 hours of average learning per employee in the year 2025.

Technology served as a cornerstone of this educational transformation through the "Bank Nizwa Learning" e-learning platform. By providing on-demand access to a library of over 100,000 curated resources, the platform empowered employees to take charge of their own development, facilitating more than 18,000 total hours of active learning and an impressive average of 21 hours per employee in 2025 alone in our eLearning platform. Parallel to these digital efforts, the bank continued to invest heavily in its top-tier leadership. This included nominating senior executives for the esteemed Islamic Leadership Program at Cambridge and providing board members with the latest insights in corporate governance to ensure the bank remains at the forefront of market best practices.

Furthermore, Bank Nizwa remained steadfast in its commitment to developing a high-performing Omani workforce and contributing to the local economy. In 2025, 25 employees participated in the "UFQ" program to prepare for future leadership roles, while 24 promising graduates joined the second batch of the "NANMU" Islamic Finance Graduate Program for immersive on-the-job training. The bank also facilitated over 16 internal group sessions and provided financial sponsorship for 18 employees pursuing prestigious global certifications such as CIPD, CIPA, and CISI. Beyond its internal staff, the bank demonstrated its broader societal impact by hosting 123 interns, reinforcing its role as a key driver of professional development and economic growth within the Sultanate.

To better understand and enhance the workplace culture, the Bank successfully launched a dedicated Employee Experience and Survey Platform, allowing for feedback and data-driven engagement strategies.

This commitment to excellence was underscored by significant accolades, most notably receiving the "Learning & Development Champion of the Year" award at the Oman Career Fair, reflecting our position as a regional leader in human capital development.

Compensation & Benefits

Bank Nizwa is committed to building a workforce that optimizes the balance between supply and demand for skills while managing employee costs efficiently and sustainably. The Bank's strategic approach to compensation is based on a 'pay for performance' model.

The HR team closely monitors the implementation of equitable, fair, and competitive pay structures. A performance-based appraisal system has been integrated, linking remuneration with performance metrics. Additionally, the Bank participates in annual industry salary surveys conducted by professional HR service providers. These surveys help benchmark compensation and enable data-driven decisions to position salaries competitively within the market.

To further enhance HR processes, the Bank continuously upgrades its systems to streamline payroll, recruitment, training, employee payments, and self-service platforms. These enhancements are designed to reinforce HR policies that align with the Bank's values and ethical principles.

Following the issuance of Royal Decree 53/2023 and the corresponding Ministerial Decision No. 619/2024, concerning the issuance of the Guiding Model for the Labor Regulation in the Private Sector, which introduced amendments to Oman's labor laws and certain regulatory provisions, Bank Nizwa swiftly implemented the required regulatory updates and ensured clear communication of these changes to all employees.

Moreover, the Bank has successfully incorporated updates related to the Social Protection Fund, including adjustments to the calculation of employee and employer contributions. This update has been reflected in the payroll system to ensure full compliance with social protection regulations.

Furthermore, the Bank has successfully implemented GOSI changes for GCC national employees

Bank Nizwa remains committed to building sustainable compensation structures that align with regulatory requirements and drive high performance at all levels.

Information Technology

In 2025, Information Technology emerged as a decisive growth engine for Bank Nizwa, translating strategic technology investments into stronger digital capabilities, enhanced customer engagement, and a more resilient operating model. The year marked a step-change in how technology directly enabled business expansion, improved service quality, and reinforced the Bank's leadership in Islamic digital banking.

The Bank delivered significant advances across its digital banking and payments ecosystem, enhancing both retail and corporate customer journeys. Expanded digital authorization and mandate capabilities reduced turnaround times, simplified onboarding, and accelerated transaction processing, allowing customers to bank faster, smarter, and with greater convenience. Continuous enhancements to digital channels and customer touchpoints strengthened engagement and supported rising transaction volumes.

Payments and card services were materially strengthened during the year, enabling faster issuance, broader acceptance, and secure digital usage. These enhancements supported growth in cashless transactions, improved transparency through real-time notifications, and positioned the Bank to capture increasing digital payment adoption across customer segments.

2025 also represented a major step forward in risk management, compliance, and trust. The Bank implemented advanced capabilities to strengthen anti-money laundering, fraud prevention, and electronic customer verification, significantly enhancing regulatory compliance and risk oversight. Information security was further elevated through strengthened governance, modern security platforms, and alignment with leading international standards, reinforcing customer and shareholder confidence.

Furthermore, the bank attained the globally recognized ISO27001:2022 certification for Information Security Management Systems (ISMS). This prestigious accreditation underscores our robust governance and structured approach to data protection, ensuring the highest levels of confidentiality across all operations. It further highlights the Bank's proactive strategy in advancing security practices in strict alignment with international benchmarks.

At the same time, the Bank invested decisively in strengthening its technology backbone. Strategic upgrades to core platforms, digital banking infrastructure, and cybersecurity improved system resilience, scalability, and performance. These initiatives ensured the Bank could support business growth while maintaining high availability, strong controls, and operational stability.

Overall, Information Technology in 2025 delivered clear business impact enabling revenue growth, improving efficiency, strengthening risk management, and elevating customer experience. Through focused execution and disciplined investment, technology has become a core driver of Bank Nizwa's competitive advantage and a strong foundation for sustained shareholder value creation.

Confidence in the Future

As we look ahead, Bank Nizwa views the future with a strong sense of confidence and purpose, grounded in the solid foundations we have built and the dynamic opportunities emerging in the Sultanate. Our optimism is not merely aspirational; it is a conviction shaped by the convergence of a resilient national economy, a thriving Islamic finance sector, and the Bank's own strengthened strategic and operational capabilities.

Our confidence is first and foremost rooted in the robust trajectory of the Omani economy. Under the visionary leadership of His Majesty Sultan Haitham bin Tarik, the nation's prudent fiscal management and ambitious diversification agenda, anchored by the Eleventh Five-Year Development Plan and Oman Vision 2040, are yielding tangible results. The continued growth of non-oil sectors, the achievement of investment-grade status by international rating agencies, and a strong trade balance all point to an economy that is not only stable but advancing with purpose.

This positive macroeconomic environment provides a fertile ground for sustainable growth and reinforces our commitment to supporting the nation's long-term development.

Within this favorable landscape, the Islamic banking sector is poised for exceptional growth. With total industry assets projected to expand significantly and market share steadily increasing, the demand for ethical, Sharia-compliant financial solutions is becoming a defining feature of Oman's financial mainstream. Supportive regulations from the Central Bank of Oman, coupled with a growing societal awareness of ethical finance, create a powerful tailwind. Bank Nizwa, as a pioneering and leading Islamic financial institution, is uniquely positioned to capitalize on this momentum. We will continue to innovate and expand our suite of Sharia-compliant products, ensuring we remain the partner of choice for customers seeking financial solutions that align with their values and aspirations.

Internally, Bank Nizwa enters the next phase from a position of significant strength. Our disciplined execution of the Vision 2025 roadmap has delivered another year of resilient financial performance, characterized by steady balance sheet expansion, strong profitability, and a robust capital position. We have successfully deepened customer relationships, enhanced our digital capabilities through strategic investments in technology, and embedded sustainability and ESG principles into the core of our risk management and business strategy. Our people, the cornerstone of our success, are more empowered and skilled than ever, fostering a culture of high performance and innovation that will drive our future growth.

Therefore, our confidence in the future is a reflection of our alignment with a rising nation, our leadership in a growing sector, and our own proven resilience and strategic clarity. We are excited to build on our achievements, to continue delivering long-term, sustainable value to our shareholders, and to provide exceptional service to our customers. Bank Nizwa is not just poised for growth; we are prepared to lead the next chapter of Islamic banking excellence in Oman and beyond.

Acknowledgement

On behalf of the entire Bank, I would like to acknowledge the contributions of our team members and express my gratitude for their commitment to our vision and performance during these challenging times. Our achievements would not have been possible without the support and guidance of the Central Bank of Oman, the Chairman, Sheikh Khalid Abdullah Ali Al Khalili, the Board of Directors, and the Executive Management team. Their support, guidance, and efforts have been invaluable as we continue our journey to grow our market share.

We are committed to providing our customers with exceptional banking services and innovative solutions, supporting our employees' growth and development, delivering sustainable returns to our shareholders, and maintaining strong relationships with our regulators. We look to the future with optimism and are excited to build on these achievements as we continue to grow and evolve. Thank you for being a part of our journey.



Khalid Al Kayed
Chief Executive Officer

Corporate Governance Report 2025

Agreed-upon procedures report on factual findings in connection with the Corporate Governance report

To the Board of Directors of Bank Nizwa SAOG

Purpose of this Agreed-upon Procedures Report

Our report is solely for the purpose of assisting the directors of Bank Nizwa SAOG (the "Bank") in determining whether their Corporate Governance Report is in compliance with the Code of Corporate Governance (the "Code") of the Financial Services Authority of the Sultanate of Oman ("FSA"), as prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose.

Responsibilities of the directors

The directors of the Bank have prepared the Corporate Governance Report ("the Report") and remain solely responsible for it, and are also responsible for identifying and ensuring that the contents of the Report comply with the Code. The directors are also responsible for determining that the scope of the agreed-upon procedures is appropriate and sufficient for the purposes of the engagement.

Our responsibilities

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

This agreed-upon procedure engagement is not an audit or assurance engagement made in accordance with generally accepted auditing or assurance standards, the objective of which would be the expression of assurance on the contents of the Report. Accordingly, we do not express such assurance.

Had we performed additional procedures, or had we performed an audit or assurance engagement on the Report, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements, including International Independence Standards, in the International Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethical Standards Board for Accountants.

We apply the International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Agreed-upon procedures report on factual findings in connection with the Corporate Governance report (continued)

To the Board of Directors of Bank Nizwa SAOG (continued)

Procedures and Findings

We have performed the procedures described below, which were agreed with the Bank in the terms of our engagement letter dated 9 June 2025, on the compliance of the Report with the Code for the year ended 31 December 2025.

S. No	Procedures	Findings
(a)	We obtained the Corporate Governance Report issued by the Board of Directors and compared its contents to the minimum requirements of the FSA as set out in Annexure 3 of the Code.	No exception noted
(b)	We obtained from the Bank details of the areas of non-compliance with the Code identified by the Bank, as set out in its Board minutes and in its non-compliance checklist, and compared these with those included in the Report in the section "Details of non-compliance and penalties, together with the reasons for such non-compliance for the year ended 31 December 2025". Additionally, we obtained written representations from the directors that there were no other areas of non-compliance with the Code for the year ended 31 December 2025, of which they were aware.	No exception noted

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose.

This report relates only to the accompanying Corporate Governance Report of the Bank to be included in its annual report for the year ended 31 December 2025 and does not extend to the Bank's financial statements taken as a whole.

PricewaterhouseCoopers

Muscat, Sultanate of Oman
5 March 2026

C.R. No 1230865
PricewaterhouseCoopers LLC

Corporate Governance Report

The Board of Directors of Bank Nizwa SAOG ("Bank Nizwa" or the "Bank") is committed to the highest standards of Corporate Governance in the letter and spirit. The Bank follows the Code of Corporate Governance laid out by the Financial Services Authority (FSA) and the regulations for Corporate Governance of Banking and Financial Institutions issued by the Central Bank of Oman (CBO).

Corporate Governance is the system of rules, practices and processes by which the Bank is directed and controlled. Corporate governance essentially involves balancing the interests of stakeholders in the Bank - these include its shareholders, management, customers, suppliers, financiers, regulators, the government and the community. Since corporate governance also provides the framework for attaining the Bank's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Governance at Bank Nizwa is not only about implementing laws and rules, but about upholding highest level of ethical standards and good business practices. We ensure fairness, transparency, responsibility and accountability in our internal and external affairs. Our excellence is driven from our acceptance of responsibility for financial inclusion and our all-encompassing Sharia compliance framework.

The FSA Code of Corporate Governance for Public Listed Companies and the CBO circular BM 932 Corporate Governance of Banking and Financial Institutions are the principal codes and drivers of Corporate Governance practices in the Sultanate of Oman. Bank Nizwa complies with all of their provisions.

The FSA Code of Corporate Governance can be found at the following website: www.fsa.gov.om.

Board of Directors

The Board is responsible for overseeing the Bank's management and business affairs and makes all major policy decisions for the Bank. The Board is responsible for approving the financial statements of the Bank, and the overall compliance of the Bank with the applicable rules and regulations.

The Board continuously protects and enhances shareholders' value by looking after the Bank's overall corporate governance. The Board members have acknowledged that they shall, during the term of the Board, remains compliant with the applicable rules and regulations, and they shall inform the Bank of any changes in their status which might affect their category or status. The Bank follows Commercial Company law where the process of nomination of directors is stipulated clearly. The Bank's Board's principal responsibilities are as follows:

- Appointing key executives with integrity, technical and managerial competence and appropriate experience, and deciding their compensation package;
- Overseeing succession planning and replacing key executives when necessary;
- Reviewing key executive and Board remuneration packages and ensuring such packages are consistent with the Bank's corporate values and strategy;
- Ensuring a formal and transparent Board nomination process;
- Effectively monitoring and evaluating management's performance in implementing agreed strategy and business plans, and ensuring that appropriate resources are available;
- Approving budgets, reviewing performance against those budgets and deciding on the future strategies and plans;
- Meeting regularly with senior management and respective Board Committees to establish and approve policies and review key developments;
- Identifying, understanding and measuring the significant risks to which the Bank is exposed in its business activities;
- Board members independently assess and question the policies, processes and procedures of the Bank, with the intent to identify and initiate management action on issues requiring improvement (i.e. to act as checks and balances on management);
- Procedures may be defined to appoint advisors or external experts to assist Board members in effectively discharging their responsibilities;
- Approve financing transactions as per Delegation of Authority Matrix; and
- Review and discuss financial, operational and control reports, as mandated by laws & regulations.

Composition & Classification of the Board

The Shareholders elected the Board of Directors ("The Board") of the Bank during the Extraordinary General Assembly Meeting and the Annual Ordinary General Meeting on March 27, 2025, for a period of three years. Seven Directors currently represent Bank Nizwa, where all of them are non-executive Directors.

Composition and Classification of the Board

Name of Director	Status	Category	No. of Other SAOG Directorship
1. Sheikh Khalid Abdullah Ali Al Khalili	Non-Independent	Non-Executive	3
2. Sheikh Majid Ali Majid Al Mamari	Independent	Non-Executive	-
3. Mr. Ahmed Salem Mohamed Al Busaidi	Independent	Non-Executive	-
4. Mr. Salim Ali Said Al Hinai	Independent	Non-Executive	-
5. Mr. Abdulaziz Said Hamad Al Shidhani	Independent	Non-Executive	-
6. Mr. Atif Said Rashid Al Siyabi	Independent	Non-Executive	1
7. Mr. Nasser Rashid Saif Al Shibli	Independent	Non-Executive	-

Profile of the Current Board of Directors

Sheikh Khalid Abdullah Ali Al Khalili - Chairman

Sheikh Khalid Al Khalili has over 27 years of experience in various fields. He graduated from the Florida Institute of Technology (USA) with a Bachelor of science in Civil Engineering. He is the Chairman of Aflag Group, a diverse group of operating companies (Including Investment, Banking, Insurance, Pharmaceutical, Real estate, Logistics, and Fuel Retail) He has previously held various senior management positions involving multiple business disciplines such as Finance, Insurance, Project management and Real estate development. In addition, Sheikh Khalid is currently a member in the following Boards:

1. Deputy Chairman of Omantel - Member of the Investment and Strategy Committee.
2. Deputy Chairman of Oman International Development and Investment Company (OMINVEST) SAOG - Member of the Executive, Nomination and Remuneration Committee.
3. Temporary Board Member of Liva Insurance SAOG.

Sheikh Majid Ali Majid Al Mamri – Vice Chairman

Sheikh Majid presently holds the position of CEO at Al Ghadeer Investment Company, where he has dedicated 17 years of service, advancing through various roles. With a diverse background spanning banking, construction, real estate, health care, property management, aviation, logistics, and agricultural investment, he brings over 17 years of extensive experience to the table. His expertise extends to strategic analysis and decision making.

Mr. Atif bin Said Al Siyabi – Member

Eng. Atif bin Said Al-Siyabi is the Chief Information Management at the Oman Investment Authority (OIA) in the Sultanate of Oman. His track record extends to more than 17 years in Information Technology and business transformation. His experiences vary from hands-on experience leading innovative technology solutions and system operations to transforming business operations and driving technological advancements. He is involved in various investment initiatives in the ICT sector, where he has been leading numerous assignments, devising comprehensive strategies, and delivering several ICT projects at the national level. Mr. Atif also holds a position as a member of the Board at Omantel SAOG.

He earned a Bachelor of Engineering in Computer Hardware and Networking Technology (Hons) from Coventry University and a Master of Business Administration from Franklin University. He also attained Professional Leadership Development Certificate from HEC Paris.

Mr. Salim Ali Said Al Hinai – Member

Mr. Salim Al Hinai Holds a Master's degree in Business Administration from the University of Bedfordshire, along with a Bachelor's degree in Arts. Brings extensive and diverse experience across finance, investment, and project management. Currently serves as a member of the Board of Directors of the Omani Qatari Telecommunications Company SAOG (Ooredoo Oman).

Mr. Abdulaziz Said Hamad Al Shidhani – Member

Abdulaziz Al Shidhani possess in total around 20 years of experience in the energy and water sector. He graduated from Sultan Qaboos University with Bachelor in Electrical Engineering in 2003 and with an MBA in 2012. He was among the first cohort of the National Leadership and competitiveness program organized by the Royal Court of Diwan for government officials. Abdulaziz has attended leadership training programs at the IMD in Switzerland in years 2012, 2013 and 2015. He has served in the boards of Oman Power and Water company on the capacity of Deputy Chairman from 2016 to 2020 and a Chairman from Sep 2023 till May 2024 and the Deputy Chairman of Board of Oman Environmental Services Company from August 2020 till now.

Abdulaziz is currently the Managing Director of Hydrogen Oman Company SPC which was established in year 2022 to orchestrate the hydrogen sector in Oman. Since he joined Hydrom, he led a successful closer to round 1 and round 2 of the Green Hydrogen Auctions resulting in achieving signings with eight consortiums representing 22 international companies. In Addition, he is leading the execution of Oman Green Hydrogen Strategy execution. Before that he served as a Director General for Renewable Energy and Hydrogen in the Ministry of Energy and Minerals from Feb 2022 till June 2023. He led crafting Oman's Green Hydrogen Strategy announced in October 2022 and start the implementation of it. As well he led Oman Energy Transition Policy and Strategy project which was concluded in Feb 2023. In addition to that, Abdulaziz led the Alternative Energy Working group as part of the Omani- USA strategic dialogue, Omani- German Energy Dialogue and other national and regional committees and taskforces such as national taskforce to unify Renewable Energy efforts in Oman and GCC new and alternative energy committee.

During the period June 2013 till Feb 2022, Abdulaziz worked for the Public Authority for electricity and Water and then Oman Water and Waste Water Services Company OWWSC in different positions starting with a Senior Manager for Privatization and Restructuring and then a General Manager for Planning and Assets. In OWWSC Abdulaziz worked as a Chief Operations Officer for water sector and then as a Chief Projects Officer. During his services in the water sector, Abdulaziz was engaged in national and regional assignments such as Oman vision 2040 working group of strategy alignment and national priorities, Gulf Cooperation Countries unified water strategy in addition to his contribution setting in the leadership team to the growth of the water sector and water utility strategy refresh.

From 2003 till 2013, Abdulaziz worked for Mazoon Electricity Company starting with electrical engineer followed by regulatory specialist and then head of planning and studies and after that a Manager of Planning and Regulatory Affairs. During his tenure in the power sector, Abdulaziz contributed to the establishment of Mazoon Electricity company, formulating sector policies and regulation and led specialized multitasks taskforces.

Mr. Nasser Rashid Saif Al Shibli – Member

Mr. Nasser Al Shibli is the Chief Executive Officer (CEO) of Oman Real Estate Investment Services LLC (ORIS), a subsidiary of Ominvest Group. He brings over 23 years of extensive experience in real estate development and investment, as well as project management. Prior to his current role, Nasser served as a Project Director at the Ministry of Endowments and Religious Affairs for five years. His career also includes senior roles in a reputable real estate company and at Oman Telecommunications Company (Omantel), providing him with a broad cross-sector perspective and strong leadership capabilities. Nasser holds a Bachelor's degree in Civil Engineering from Sultan Qaboos University, an MBA from the University of Bedfordshire, and a Master's degree in Project Management from George Washington University. In addition, he has completed an Executive Program in Real Estate Management at Harvard Business School and a Finance Program at London Business School.

Mr. Ahmed Salem Mohamed Al Busaidi - Member

Mr. Ahmed Al Busaidi has over 30 years of experience in senior leadership roles within government and investment institutions in Oman. He currently serves as Chief Executive Officer of the Military & Security Services Pension Fund. He previously held senior positions at the Ministry of Defence and Ministry of Finance in treasury, finance, contracts, and legal affairs. He holds a Master's degree in Finance & Economics from the University of Southampton (UK) and a Bachelor's degree in Accounting from Ajman University of Science and Technology. Mr. Al Busaidi brings extensive expertise in governance, investment oversight, financial management, and strategic leadership

Meetings and Remuneration of the Board and Management

The Board meets regularly, to discharge its duties, monitor the executive management, and exercise necessary control over the Bank's functioning. The Board conducts its business in formal meetings. In Board meetings, the "majority" is computed as the absolute majority of the Directors present in person. During the financial year ended December 31, 2025, the board has conducted 7 meetings.

The attendance schedule of the meetings conducted during this year, and each Board member's attendance is as per the following:

Name of Director	29-Jan-2025	27-Mar-2025	29-Apr-2025	02-Jul-2025	31-Jul-2025	29-Oct-2025	23-Dec-2025
Sheikh Khalid Al Khalili	✓	✓	✓	✓	✓	✓	✓
Sheikh Musabah Al-Mutairy (Resigned)	✓	-	-	-	-	-	-
Sheikh Saif Al Mawali (Resigned)	✓	-	-	-	-	-	-
Mr. Sayyed Amjad Al-Busaidi (Resigned)	✓	-	-	-	-	-	-
Sheikh Majid Al Mamri	✓	✓	✓	✓	✓	✓	✓
Mr. Atif Al Siyabi	✓	✓	✓	-	✓	✓	✓
Mr. Ahmed Al Busaidi	-	✓	✓	✓	✓	✓	✓
Mr. Salim Al Hinai	-	✓	✓	✓	✓	✓	✓
Mr. Abdul Aziz Al Shidhani	-	✓	-	✓	✓	✓	✓
Mr. Nasser Al Shibli	-	✓	✓	✓	✓	✓	-
Mr. Saleem Al Raisi (Resigned)	✓	-	-	-	-	-	-

Board of Director has received an amount of ﷼ 73,000 as sitting fees for the year ended December 31, 2025, which includes the Board sub-Committees, where the sitting fees per each Director did not exceed ﷼ 10,000 as per the guidelines of FSA. Apart from sitting fees, the Board was given remuneration of ﷼ 193,750 during the year.

The total remuneration received by the top five (5) Executives in Management during the year ended December 31, 2025 is ﷼ 1.273 million. Members of Executive Management are hired in compliance with Labor regulations (permanent position for Omanis and 2-year contract for non-Omanis). Executive Management has a notice period of 3 months. Management's employment contracts do not include severance payments, but they do incorporate a Malus and Claw back clause in accordance with FSB Principles.

Sub-Committees of the Board

The Board of Directors has created various subcommittees for specific purposes with the clearly defined term of reference and responsibilities. The committees' mandate is to ensure focused and specialized attention to specific issues related to the Bank's governance. The various committees of the Board together with the Internal Audit, Risk, Sharia, Information Security and Compliance Department form an important tool in the process of corporate governance.

Board Executive Committee

The members of the Board Executive Committee are playing an increasingly important role to ensure that the financing exposures and investments conform to the respective policies of the Bank and to ensure implementation of the Business Strategy, Policies and Procedures of the Bank.

Executive Committee	
Name of Members	**No. of Meetings Attended**
Sheikh Khalid Al Khalili – Chairman	5
Mr. Ahmed Al Busaidi	5
Mr. Atif Al Siyabi – Member	3
Total Number of Meetings Held During the year	**5**

Board Audit Committee

The main functions of the Audit Committee are to assist the Board in discharging its oversight responsibilities for the financial reporting process, reviewing the effectiveness of the Bank's internal financial control including accounting policies and changes thereto and review of annual and quarterly financial statements prior to publication in order to ensure their balance, transparency and integrity.

The Audit Committee also reviews the effectiveness of the internal audit function; the independent external audit process including recommending the appointment and assessing the performance of the external auditors as well as specifying their fees and the Bank's process for monitoring compliance with local laws and regulations affecting financial reporting.

Audit Committee	
Name of Members	**No. of Meetings Attended**
Mr. Salim Al Hinai – Chairman	4
Mr. Saleem Al Raisi – Member (Resigned)	2
Mr. Musabah Al Mutairy – Member (Resigned)	2
Sheikh Majid Al Mamri	4
Mr. Nasser Al Shibli	4
Total Number of Meetings Held During the year	**6**

Board Remuneration & Nomination Committee

The role of the Board Remuneration & Nomination Committee is to review and approve the selection criteria and appointment procedures for the Chief Executive Officer, Deputy Chief Executive Officer, Senior Management and any other key position, as may be determined by the Board of Directors or the applicable laws, rules and regulations. The Committee also ensures application of the remuneration framework for the Chief Executive Officer, Deputy Chief Executive Officer, Senior Management and any other key position as may be determined by the Board of Directors or the applicable laws, rules and regulations.

Remuneration & Nomination Committee	
Name of Members	**No. of Meetings Attended**
Sheikh Khalid Al Khalili – Chairman	3
Sheikh Saif Al Mawali – Member (Resigned)	1
Sheikh Majid Al Mamri - Member	2
Mr. Ahmed Al Busaidi - Member	3
Mr. Atif Al Siyabi - Member	2
Total Number of Meetings Held During the year	**4**

Board Governance, Risk and Compliance Committee

The Board Governance, Risk and Compliance Committee's (BGRCC) primary function is to assist the Bank's Board of Directors in fulfilling its governance, compliance and risk management responsibilities as defined by applicable laws, Central Bank of Oman regulations and the Bank's internal regulations. As such, the BGRCC exercises the authority and power delegated to it by the Board. The BGRCC's function is one of oversight, recognizing that Top Management is responsible for executing the Bank's risk management policies. BGRCC will neither be involved in the day-to-day management of risk nor in assessing / approving single transactions regardless of amount or risk level.

Governance, Risk & Compliance Committee	
Name of Members	**No. of Meetings Attended**
Sheikh Majid Al Mamri – Chairman	2
Sayyid Al Busaidi – Member (Resigned)	1
Sheikh Saif Al Mawali – Member (Resigned)	1
Mr. Musabah Al Mutairy - Member (Resigned)	1
Mr. Abdulaziz Al Shidhani – Member	3
Mr. Nasser Al Shibli – Member	3
Total Number of Meetings Held During the year	**4**

Board Information Technology & Cyber Security Committee

The Board Information Technology Committee (BITC) has primary responsibility to overlook bank's information technology and electronic banking strategies, policies and framework. It also oversights bank's information and cyber security functions and bank's risk appetite management in relation to e-banking and technology. BITC's oversight includes Bank's all digitalization activities and initiatives as well.

Board Information Technology & Cyber Security Committee	
Name of Members	**No. of Meetings Attended**
Mr. Atif Al Siyabi – Chairman	3
Mr. Abdulaziz Al Shidhani – Member	2
Mr. Saleem Al Raisi – Member (Resigned)	1
Mr. Ahmed Al Busaidi - Member	2
Total Number of Meetings Held During the year	**3**

Major Shareholders

Bank Nizwa was incorporated with a capital of ﷼ 150 million. A further ﷼ 70 million were raised through rights issue during the year 2021. The Bank's shares are listed on the Muscat Stock Exchange. The Shareholders, holding more than 5% as on December 31, 2025 are tabulated hereunder:

Major Shareholders	%
Aflag Financial Investment Holding SAOC	35
Social Protection Fund	9.752
Total Major Shareholders	44.752
Other Shareholders	55.248

Local investors hold 98.29% of Bank's shareholding, whereas foreign investors own the remaining 1.71%.

Bank Nizwa Share Price Movements

Date	Bank Nizwa Share Performance			Average MSX 30 Index	Financial Sector Performance at MSX		
	HIGH	LOW	CLOSE		HIGH	LOW	CLOSE
Jan-25	0.1000	0.0990	0.100	4543.2110	4568.8340	4542.0550	4543.2110
Feb-25	0.1020	0.1010	0.101	4435.8620	4446.7220	4420.7100	4435.8620
Mar-25	0.1010	0.1000	0.101	4367.0280	4401.1530	4333.1460	4367.0280
Apr-25	0.0990	0.0980	0.099	4316.2540	4316.2540	4293.6400	4316.2540
May-25	0.1020	0.1010	0.102	4561.0380	4561.5550	4511.0280	4561.0380
Jun-25	0.1010	0.1000	0.100	4500.8740	4512.2170	4483.1440	4500.8740
Jul-25	0.1040	0.1030	0.104	4780.9840	4780.9840	4739.8940	4780.9840
Aug-25	0.1070	0.1060	0.107	5029.8940	5063.1860	5026.0900	5029.8940
Sep-25	0.1030	0.1030	0.103	5181.6220	5212.6080	5181.6220	5181.6220
Oct-25	0.1050	0.1030	0.103	5610.3410	5653.4550	5568.2430	5610.3410
Nov-25	0.1060	0.1050	0.105	5705.7230	5705.7230	5639.5420	5705.7230
Dec-25	0.1070	0.1060	0.106	5866.8010	5886.7930	5851.1910	5866.8010

Communication with Shareholders and Investors

The Management Discussion and Analysis Report forms part of the annual report besides detailed disclosures in accordance with regulatory requirements and international standards. The Bank publishes its interim financial statements on quarterly basis and hosts these and other relevant information at its website (www.banknizwa.om) and Muscat Stock Exchange (MSX) website (www.msx.gov.om). The quarterly results are also published in two local newspapers in Arabic and English. These results remain available for the shareholders from the Bank. The Bank's official news releases are displayed on the Bank's website.

Compliance with Regulatory Requirements

During the calendar year of 2025, no on-site examination was conducted by the Central Bank of Oman. Following is the detail of penalties imposed by CBO and FSA over three year's period:

Regulators	2023	2024	2025
Financial Services Authority	NIL	NIL	NIL
Central Bank of Oman	28,000	44,000	NIL

Dividend Policy

The Bank's dividends policy complies with the CBO and FSA guidelines. The Bank follows a conservative dividend policy and shall recommend the distribution of the dividends to the shareholders after due consideration of the regulatory guidelines, the future growth expectations, AGM approval and other factors.

During the year 2025, the Bank paid a cash dividend of 2.45 Baisa per share to the shareholders, as approved in the Extraordinary General Assembly Meeting and the Annual Ordinary General Meeting dated March 27, 2025. Additionally, the Bank distributed a non-cash dividend in the form of free Sukuk (Mudaraba) mandatorily convertible into shares, equivalent to 4.47 Sukuk per 100 ordinary shares of the issued capital shares of the Bank. The Sukuk was fully paid from retained earnings.

Sharia Supervisory Board (SSB)

As enshrined in the Islamic Banking Regulatory Framework (IBRF) issued by CBO, the SSB is the apex authority within the Bank for all Sharia related matters and/or ensuring the Sharia compliance of the Bank. To ensure Sharia compliance in all aspects and activities of the Bank, CBO has mandated several provisions in relation to the establishment of the SSB and the internal Sharia Compliance Department (SCD) in the Bank.

The Board of Directors (BOD), which bear the ultimate responsibility of overall Corporate & Sharia Governance of the Bank, rely on the SSB for all matters relating to Sharia in the end-to-end normal course of business and operations of the Bank. SSB plays a vital role in providing Sharia views and rulings pertaining to Islamic finance and investment activities of the Bank. The SSB is an independent Sharia Supervisory Body, which also acts as a monitoring body, which performs a supervisory role through the SCD to maintain Sharia compliance in the operations and business activities of the Bank. The accountability to ensure Sharia compliance as well as the implementation of SSB Sharia rulings remain with the BOD and the Management of the Bank.

The current SSB of the Bank comprise of the following scholars:

1. Dr. Majid bin Mohamed Al Kindi (Chairman)

2. Dr. Aznan Hasan (Deputy Chairman)

3. Dr. Ali bin Suleiman Al Jahdami (Member)

The Annual General Meeting elected Dr. Majid bin Mohamed Al Kindi as Sharia board member and Chairman on March 28, 2022 for a period of 3 years. Dr. Aznan Hasan was appointed as SSB member in December 2020, ratified in the AGM in March 28, 2021 and Dr. Ali bin Suleiman Al Jahdami was appointed in AGM of March 28, 2021. All SSB members will serve for a maximum of two (2) terms.

The main roles and responsibilities of the SSB:

- The SSB shall advise the BOD and the Management on Sharia matters in the day-to-day business of the Bank.
- To fulfil its roles and responsibilities on day-to-day dealings in the Bank, the SSB rely on the SCD and its functions such as via Internal Sharia Reviewer (ISR), Sharia Structuring & Compliance Unit (SSCU), Sharia Audit Unit (SAU) and 3 other functions namely Sharia Training Unit (STU), Sharia Risk Control Unit (SRCU) and Sharia General Administration (SGA). The SSB shall receive reports from SAU periodically and use them in its assessment and decisions.
- Review and approve all the policies & procedures, product programs, processes, systems, contracts, and agreements either sourced internally or externally for their Sharia compliance to be ratified by the Board.
- Review and approve Product Program Documents (including product features, terms & conditions, underlying Islamic contracts, product manual marketing, collateral other legal documentation etc.).
- Conduct Sharia checks post product approval to ensure implementation of the related guidelines as approved by the SSB.
- Review and approve the work carried out by all functions within SCD.
- Guide relevant parties within or outside the Bank where the Bank have any relation with on Sharia matters (including but not limited to/with the external regulatory examiner, legal counsel and external auditor)
- Provide written Sharia opinion /ruling /fatwa on matters brought to its attention by the management of the licensee through ISR or such initiative can also be taken up by the SSB themselves directly to the CEO Office.
- Submit a report to the Board of Directors on the Bank's Sharia compliance and the same to be published as part of the Bank's Annual Report.
- SSB define the key elements to be evaluated while reviewing and approving new products. Such key elements shall be used as general guidelines by ISR while reviewing all new products and services, before presenting the product/ service document to SSB. These guidelines shall include, at minimum key features of the product, processes, structure, documentation (including legal contracts), risk and compliance considerations, marketing, collateral, and other such necessary details required to ensure proper business understanding. The SSB shall advise on the Sharia compliance of proposed product/ service backed by relevant Fiqh literature, evidence, and reasoning. Such key elements / general guidelines are documented in the form of Product Program Document (PPD).
- SSB members allocate appropriate time and effort to understand fully the issues under consideration.
- They are not at all time every time be compromised to perform their rigorous of the Sharia ruling processes due to commercial or business pressures.
- SSB shall document its Sharia rulings (Fatwa) and guidelines, which shall be maintained centrally by SCD for ready reference, dissemination, and implementation within the Bank by ISR and/or any of ISR's delegates.
- SSB also publish as Appendix to its annual Sharia compliance report on all Sharia Ruling (Fatwa) issued during the year, along with their bases (religious evidence).

Schedule of attendance for Sharia Supervisory Board members for the year 2025:

Name of Members	Position	26-Jan-2025	20-Apr-2025	28-Jun-2025	29-Oct-2025
Dr. Majid Al Kindi	Chairman	✓	✓	✓	✓
Dr. Aznan Hasan	Deputy Chairman	✓	✓	✓	✓
Dr. Ali Al Jahdami	Member	✓	✓	✓	✓

Details of attendance in Sharia executive committee meeting held during the year 2025:

Sharia Executive Committee	
Name of Members	**No. of Meetings Attended**
Dr. Majid Al Kindi	3
Dr. Ali Al Jahdami	3
Total Number of Meetings Held During the year	**3**

Sharia Supervisory Board has received an amount of ﷼ 56,400 as sitting fees for the year ended December 31, 2025 which included the SSB sub-Committee fee.

Details of payments done for Sharia Supervisory Board and Sharia Executive Committee during the year 2025 are as following:

Sr. No.	Member	Total
1	Dr. Aznan Hasan	﷼18,000
2	Dr. Ali Al Jahdami	﷼ 19,200
3	Dr. Majid Al Kindi	﷼ 19,200
	Total	﷼ **56,400**

Sharia Supervisory Board members do not have any financing facility or investment deposit with the Bank.

Sharia Supervisory Board Members Profiles

Dr. Majid bin Mohamed bin Salim Al-Kindi (Chairman)

Dr. Majid Al-Kindi has joined the Shari'a Supervisory Board of Bank Nizwa in March 2022. Currently, he is the Chairman of Bank's Sharia Supervisory Board.

Dr. Majid Al-Kindi is one of the pioneers of Islamic banking and finance among local Shari'a scholars in Oman. He is an expert in Islamic Banking and used to be a Sharia Board member at Meethaq Islamic window. Dr. Majid has worked as the Secretary-General of the Fatwa Body of Oman and now works an Assistant Professor at Sultan Qaboos University. He has been an Assistant Judge at the Ministry of Justice, and a researcher at the Fatwa Body of Oman. He received a PhD in Islamic Jurisprudence from the International Islamic University – Malaysia (2012) and a second PhD in Economics and Islamic Banking from Yarmouk University – Jordan (2014). He is the first Omani author on Islamic finance and is frequently seen on Islamic forums. He has delivered several papers and studies on Sharia supervision in Islamic finance institutions. He previously served as a Secretary of Fatwa at the Office of the Grand Mufti of the Sultanate and currently works as an Associate Professor at Sultan Qaboos University

Sheikh Dr. Aznan bin Hasan (Deputy Chairman)

Dr. Aznan has joined the Shari'a Supervisory Board of Bank Nizwa in December 2020. Currently he is the Deputy Chairman of Bank Nizwa's SSB. He is an Associate Professor in Shari'a at Institute of Islamic Banking and Finance (IIBF), IIUM. He is currently the President, Association of Shari'a Advisors in Islamic Finance (ASAS) He is also the Deputy Chairman, Shari'a Advisory Council, Securities Commission and Deputy Chairman, Shari'a Advisory Committee, Employee Provident Fund (EPF). He is also a member, Shari'a Advisory Council, AAOIFI, Bahrain and Higher Shari'a Authority, Central Bank of UAE. He also serves as a member of Board of Directors, Maybank Islamic Berhad.

Dr. Aznan Hasan received his first Degree in Shari'a from University of al-Azhar (1994). He then successfully completed his Master's degree in Shari'a from Cairo University with distinction (1998) and his thesis was recommended for publication. He then obtained his PhD from University of Wales, Lampeter, United Kingdom (2003). Dr. Aznan has conducted and published more than 50 research and presented more than 100 presentations.

Dr. Ali bin Suliman Aljahdami (Member)

He has obtained a Bachelor's in Fiqh and Da'wah from the College of Sharia Sciences in the Sultanate of Oman, then a Master's degree in Economics and Islamic Banking from Yarmouk University in Jordan. He is a PhD holder from the International Islamic University in Malaysia. He obtained some courses and experiences in the field of Islamic banking, such as a certificate of Islamic banking accredited by the Arab Academy for Banking and Financial Sciences in Jordan and a certificate of professional Sharia audit in Islamic banks and financial institutions.

He has worked as a fatwa researcher in the Fatwa Department of the Office of the General Mufti of the Sultanate since 2007, and a visiting lecturer at the College of Sharia Sciences in the diploma, bachelor's and master's stages. His subjects included Jurisprudence of Financial Transactions, Jurisprudence of Enjoining Good and Forbidding Evil, Introduction to Islamic Economics, Hadiths of Rulings, and Family Fiqh compared to the Personal Status Law. Sheikh Ali participated as a member of the Drafting and Description Committee in a seminar on the development of jurisprudence organized by the Ministry of Endowments and Religious Affairs for a number of its sessions. He is also a member of the Committee for Reviewing and Approval of Books and Publications of the Research and Studies Department of the Ministry of Endowments and Religious Affairs. He currently works as a Professor at the College of Sharia Sciences.

Profile of Management Team

Mr. Khalid Jamal Al Kayed, Chief Executive Officer – Khalid Al Kayed who is the CEO of Bank Nizwa is a financial industry veteran with over 30 years under his belt. Al Kayed was the Chief Finance Officer of the bank before taking on the current responsibility. As the CEO, he is responsible for spearheading the bank's overall business growth and strategies.

Al Kayed holds a master's in international accounting from Liverpool University. He is Certified Management Accountant (CMA), Certified Strategy and Competitive Analysis (CSCA) from Institute of Management Accountants and a Certified Financial Manager (CFM). He is an alumnus of Columbia Business School Associate. He also holds Chartered Institute of Management Accountants (ACMA) and Certified Global Managerial Accountant (CGMA) designations.

Prior to joining Bank Nizwa, Al Kayed held various posts in a host of well-respected financial institutions including deputy CEO and Chief Financial Officer at Jordan Dubai Islamic Bank, Chief Financial Officer at Standard Chartered Bank Jordan and Financial Controller at offshore banking unit of Jordan National Bank Cyprus.

Mr. Tariq Atiq, Deputy Chief Executive Officer – Tariq has over 25 years of hands-on banking experience with a strong track record across Retail, Corporate, SME, Cards, and Digital Banking. He is widely recognized for leading major transformation programs and delivering innovative digital solutions that strengthened operational performance and enhanced customer experience.

A subject matter expert in electronic banking channels and digital transformation, Tariq has led several national initiatives and large-scale projects, including the development of the Sultanate's first eCommerce gateway, advanced digital platforms, and key modernization efforts in retail and corporate banking. Throughout his career, he has played pivotal roles in strategy, operations, and growth across leading financial institutions, contributing to business development, operational excellence, and technology-driven innovation. Tariq holds a B.Sc. in Business Administration from Arkansas State University, USA, and an Executive MBA in Leading Digital Transformation from HEC Paris, Doha Campus.

Mr. Nasser Said Al Lamki, GM Internal Audit – Mr. Nasser Lamki is a seasoned Chief Audit Executive with nearly three decades of experience in the banking sector across Europe and the Middle East. Holding an MBA from the University of Cumbria, he brings a multifaceted expertise in Enterprise Risk Management, Credit Analysis, Fraud Detection, and Cards Management. Renowned for his strategic acumen, he excels in navigating complex financial landscapes in various financial institutions. At Bank Nizwa, he champions a culture of accountability and ethical conduct while driving digital innovation in audit practices and control frameworks. His efforts are instrumental in advancing Sharia-compliant banking, solidifying the institution's leadership in the region.

Prior to joining Bank Nizwa, he worked in reputed local and international banks in Oman and Saudi Arabia. During his career, he led pragmatic and advanced audit function, while developing and maintaining strong working relationships at both strategic and operational levels, promoting strong risk management and raising the profile of audit. Mr. Lamki was Vice President of Audit in one of the leading Islamic Bank in Saudi Arabia. He holds an MBA in Leadership and Sustainability from University of Cumbria, UK. He has also graduated the Wharton Executive Education Global CxO Program.

Mr. Mujahid Said Al Zadjaly, GM IT – Mr. Mujahid is a strategic, decisive and result oriented leader with over 20 years of professional expertise with an in-depth knowledge in Digital Transformation & Innovation. He is leading the Digital Transformation & Innovation project as a part of banks long term strategic initiative to deliver Bank Nizwa's vision to become the "Digital Bank of Choice" for people of Oman. He is a Graduate of the Professional Education Program in Digital Transformation from the Massachusetts Institute of Technology (MIT), Boston, United States of America (2025) and also serves as the Chair of the Information Technology Committee at the Oman Banks Association (OBA).

Mujahid Al Zadjaly graduated the National CEO Program Cohort 2- 2016 developed under the patronage of the Diwan of Royal Court and delivered by International Institute of Management Development (IMD). He holds Masters in Business Administration from Luton University, UK. Other credentials include General Management Program from Harvard Business School, USA and Diploma in Leadership and Management from Institute of Leadership and Management, UK.

Mr. Mohamed Fida Hussain, GM Chief Risk Officer – Has over all 28 years of experience in the banking industry and 15 years in core risk management. He is responsible for overseeing the Bank's Risk Management, provides independent oversight and guidance for managing risk and ensuring compliance including the development and implementation of Risk Management Framework, the Risk Mitigation strategies, development and communicate Risk Management Policies, Risk Appetite & Limits, and Enterprise-wide Risk Management (ERM). He is a member of the Bank's senior management committees and represents the Bank in the Oman Bank Association Chief Risk Officers' forum.

Mr. Mohamed Al Ghassani, DGM Retail Banking Group – Mr. Ghassani is responsible for spearheading the bank's retail banking division. With a rich background spanning over 25 years in the banking and financial sector, Al Ghassani commenced his career at Bank Muscat, where he played a pivotal role in launching Meethaq Islamic Banking, the first Islamic Banking window in the Sultanate. Later, He became part of Alizz Islamic Bank, contributing as a vital member of the foundational team entrusted with shaping the bank's inception. He holds a Master's Degree in Business Administration from Bedfordshire University College and is a Certified Islamic Finance Professional.

Mr. Salim Rashid Ali Al Maharbi, Chief Financial Officer – He has 29 years of diversified banking experience ranging from domestic and international banks. He is a Certified Islamic Professional Accountant (CIPA), Certified Accounting Technician (CAT) from ACCA UK, holds B.A in Accounting from University of Bedfordshire, UK and MBA Finance from Edinburgh Napier University, UK. He has obtained a leadership certificate in Islamic Finance from a specialized institute from UK with distinction. He possesses expertise in all the applicable financial standards of AAOIFI, IAS, IFRS and local legislations. He has varied experience in the field of Financial Reporting, Financial Accounting, Management Accounting, Internal Controls, Business Planning and Performance Management.

Mr. Mohamed Iqbal Al Balushi, AGM Operations – Mohamed Iqbal Al Balushi has a very extensive experience in banking for more than 36 years. He has decades of banking knowledge with a proven track record of vast management, banking operations and Support Functions experience. His professional journey includes notable roles at institutions such as, Bank Dhofar (AGM- Support Service), Maisarah Islamic Banking (AGM – Corporate Services) and Qatar National Bank (Senior Vice President – Operations).

Mohamed Holds Master of Business Administration (MBA) in General Management from the University of Wales, Institute of Cardiff, UK and also an alumnus of University of Virginia Darden School of Business, USA in Leadership Development Program. He has joined Bank Nizwa on 3rd November 2024 as Assistant General Manager - Operations aiming to elevate bank's operations to the next level in alignment with bank's overall strategic plan.

Mr. Saif Al Rawahi, DGM and Chief Corporate Banking Officer – Mr. Saif Al Rawahi is a senior banking executive with extensive experience in

corporate banking, investment, and financial strategy. He has been with Bank Nizwa since 2014 and serves as Deputy General Manager and Chief Corporate Banking Officer, providing executive oversight of the Bank's corporate banking activities. With over two decades of industry experience, Mr. Rawahi plays a key role in shaping and executing the Bank's corporate banking business in alignment with the Bank's Vision, Mission, and strategic objectives. His responsibilities include oversight of portfolio growth, asset quality, pricing discipline, and risk-adjusted performance.

Prior to joining Bank Nizwa, he held senior roles at Bank Muscat and Rasmal Investment, where he was involved in strategic initiatives and complex transactions. He has completed advanced leadership programs, including the Cambridge Islamic Finance Leadership Program, reflecting his commitment to sound governance and leadership excellence within Islamic banking. Through his strategic vision, disciplined execution, and people-centric leadership style, Mr. Al Rawahi continues to play a critical role in strengthening Bank Nizwa's corporate banking platform, market presence, and long-term sustainability.

Muhammad Ahsan, CFA, FRM, Senior Head Treasury & Global Markets, Investment Banking & International Business - Mr. Ahsan is the Senior Head of Treasury, Investment Banking and International Business. He joined Bank Nizwa in August 2025 to lead the strategic transformation of Treasury & Global Markets and Investment Banking businesses. He is responsible for managing the Treasury & ALM, Global Markets trading, Proprietary investments, Investment Banking advisory and DCM & ECM functions. He is a highly qualified professional with more than 25 years' international cross-border experience across Fixed Income, Derivatives, Structured Solutions, Asset Management and Investment Banking. He has successfully completed several professional landmarks and is an active contributor to discussions related to global markets with a focus on Emerging Markets Credit and Monetary policy. Ahsan completed his Masters in Risk Management from Stern School of Business at the New York University in 2018. He obtained an MBA degree with concentration in Finance from Institute of Business Administration, Karachi in 1999. He holds multiple professional qualifications such as the CFA Charter, the FRM Charter and Certificate in ESG Investing.

Prior to joining Bank Nizwa, Ahsan worked as a Managing Director at Mashreq Bank UAE for over 20 years and played an instrumental role in launching new businesses, innovating new products and closing landmark transactions. Ahsan has also worked in M&A advisory and Corporate Finance for 5 years for UBS Securities Pakistan and was involved in a wide range of public and private M&A, financial restructuring and fund-raising transactions.

Ms. Haifa Abdul Ali Al Lawatia, AGM, Chief Human Resource Officer – With extensive years of total professional experience, she has previously worked in reputed organizations like PDO and Oxy Oman. She has an MBA, BSc, and other professional accounting certifications and has cross posting experience in Houston USA. In 2023, she completed her CXO certification (Chief Experience Officer Certification) with Wharton University. Ms. Haifa has held several important positions including Secretary to the Board of Directors at HRC, member of the Human Resources Committee at Oman Banks Association, and a member in CBFS College Advisory Committee. She joined Bank Nizwa at foundation stage and helped in building HR department from scratch. Her core competencies include Human Resources, Compensations & Benefits, talent acquisition, talent management, and Strategic HR and is currently responsible to support and align HR objectives with bank's overall vision, implement HR change initiatives to support the business strategy and continuous improvements in HR management to achieve organizational objectives.

Mr. Mohammed Hamed Al Hashmi, AGM, Chief Compliance Officer – With extensive experience in banking, including the role in the Central Bank of Oman, Mohammed brings a wealth of expertise. He is a Secretariat to the Board Governance, Risk and Compliance Committee. Additionally, he is a member of the Oman Banks Association (OBA) Compliance Committee and chairs the Oman Banks AML & CTF Taskforce, played pivotal role in preparing for the Oman FATF mutual Assessment. Mohammed holds a Master's Degree in Financial Management from the University of Manchester, UK, and a Bachelor Degree in Accounting from Sultan Qaboos University. He is currently pursuing his doctorate degree in Business Administration from the University of Liverpool"

He is certified in Governance, Risk and Compliance by the International Compliance Association, UK and has completed multiple professional programs including Federal Deposit Insurance Corporation (FDIC) from the United States. His commitment to professional development is further evident as he has in hand a leadership certificate by Cambridge Institutional Financial Advisory, UK and awarded as one of best performing delegates.

Mr. Hatem Abdullah Al Ghazali, Head of Legal and Board Secretary – He is the Head of Legal and Board Secretary at Bank Nizwa, with over 18 years of experience in the legal field. He supports the Board of Directors by ensuring effective corporate governance practices, regulatory compliance, and adherence to Central Bank of Oman requirements. He provides strategic legal advice to the Board and Executive Management on regulatory, corporate, and complex transactional matters, and oversees litigation and dispute resolution to safeguard the Bank's legal and reputational interests. Mr. Al Ghazali previously held senior leadership roles at Alizz Islamic Bank. He holds an LLM in Commercial Law from the University of Exeter and an LLB from Sultan Qaboos University.

Dr. Mansour Al Qudah, Internal Sharia Reviewer – Has over 24 years of experience in the Islamic Banking and Sharia audit. He worked in Jordan Islamic Bank as a Sharia board secretary and Sharia audit manager and in the Saudi-based Al Inma Bank as the Assistant General Manager of Sharia Group as well as section manager of Sharia policies and procedures auditing. Dr. Mansour has a PhD in Islamic Banking and Economics from the University of Yarmouk in Jordan. In addition, he has Professional Diploma in Accounting and Auditing from Arab Academy for Banking and Financial Sciences, Jordan. He is also Certified Islamic Banker (CIB), Certified Islamic Specialist Sharia Auditing (CISSA), Certified Entrepreneurship Consultant, Certified Internal Quality Evaluator and Auditor and Certified Expert in Contract Management and Contractual, Relationships.

Dr. Mansour is also certified as a Trainer of Trainers by the Islamic Economics Forum at Kuwait University and serves as a lecturer at the Islamic Economics Forum of Kuwait University, delivering lectures on various topics in Islamic banking. Moreover, He is also a trainer in the Capacity Building Program organized by AAOIFI, Member of Jordan Association for Islamic Finance from 2/11/2024, and Member and organizer of International Academy of finance and Arbitration - Tunisia from March 25, 2025

Mr. Ahmed Al Waily, Head Corporate Communications – Ahmed Al Wayili boasts a remarkable 15-year career in marketing and corporate communications. He holds a distinguished Bachelor's degree in Mass Communication from Sultan Qaboos University, a testament to his commitment to excellence. With pivotal roles at leading international and local advertising and PR agencies like Four Communications and TBWA ZEENAH, Ahmed has cultivated extensive experience. Currently, as the Head of Marketing, Corporate Communications, and Sustainability at Bank Nizwa, he forefronts impactful initiatives. Throughout his journey, Ahmed has showcased a deep understanding of market dynamics, driving impactful campaigns. His strategic acumen and dedication to sustainability have spurred positive change and tangible results. Ahmed's unwavering commitment to excellence and adept navigation of marketing and corporate communication landscapes underscore his status as a distinguished professional capable of delivering exceptional value in various capacities.

Related Party Transaction

Details of related party transaction have been disclosed in the notes to the consolidated financial statements.

Internal Control review

The Board gives great importance to maintaining a strong control environment and Board review has covered all controls including financial, operational, compliance and risk management. The Board has established a management structure that clearly defines roles and responsibility and reporting lines and has approved the policies.

Financial information is prepared using appropriate accounting policies that are consistently applied. Operational procedures and controls have been established to facilitate complete accurate and timely processing to transactions and the safeguarding of assets through policies and procedures manuals, desk performance instructions and other circulars.

Auditors' Profile – PwC

PwC is a tech-forward, people-empowered network, delivering assurance, advisory, tax and legal services with more than 364,782 people operating from 136 countries and in 636 cities across the globe. By combining deep local expertise with advanced global capabilities, we help clients create and protect value. The firms in our network are committed to working together to provide quality services on a global scale to international and local clients, while remaining local businesses with deep knowledge of local laws, regulations, and standards.

PwC has operated in the Middle East region for more than 40 years. Collectively, our Middle East network employs in the region of over 11,000+ People including over 471 partners and over 822 directors working from 30 offices (in 22 locations) across 12 countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, State of Palestine, Qatar, Saudi Arabia and the United Arab Emirates and 43% of our Middle East workforce is female. We are one of the fastest growing PwC member firms worldwide and the largest professional services firm in the Middle East. Our tailored solutions help clients to meet the challenges and opportunities of doing business in the Middle East market and beyond. (www.pwc.com/me).

PwC is strongly committed to Oman where we are recognized as one of the leading providers of quality business advisory services. We've have had a local practice since 1971 and now have 8 partners, one of whom is Omani and 3 directors, and approximately 142+ other members of staff operating from our office in Muscat.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Fees paid or payable to PwC during the year amounted to ﷼ 67,538 (exclusive of VAT) for audit and audit-related services, and ﷼17,463 (exclusive of VAT) in respect of non-audit services.

Declarations

During the period, the board has conducted a review of the effectiveness of the Bank's internal control, policies and procedures; and is satisfied that the Bank's internal control are effective and that appropriate procedures are in place to implement the regulatory and internal requirements. Further, the Board of Directors confirms that there is no issue on going concern and that the Bank is able to continue its operations during the next financial year.

Management's Sharia Compliance and Governance Report



Management's Report on Control Procedures Relating to Shari'a Compliance and Governance Structure and Management's Statement of Compliance with the Shari'a Principles and Rules.

For the year ended 31 December 2025

Management's Report on control procedures relating to Shari'a compliance and governance structure

Bank Nizwa (the "Bank") was established in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari'a Rules and Principles. The Bank operates under an Islamic wholesale and retail banking license granted by the Central Bank of Oman ("the CBO") on 3 April 2012 The management of the Bank, under authorization from the Board of Directors ("BoD") of the Bank, is responsible for establishing and maintaining adequate internal controls to ensure Shari'a compliance at all times. These controls are designed and implemented under the supervision of the Shari'a Supervisory Board ("SSB") to provide assurance regarding compliance with respect to Islamic Shari'a Rules and Principles.

While the SSB is responsible for forming and expressing an opinion on the extent of the Bank's compliance with Shari'a, the responsibility of compliance rests with the management of the Bank, to enable management to carry out this responsibility effectively, the SSB of the Bank shall assist by providing guidance and advice relating to compliance with Shari'a. The presence of the SSB and Shari'a Audit and Compliance function of the bank does not relieve the Bank's management of its responsibility to undertake all transactions in accordance with Shari'a.

As per objectives listed in Appendix B, the following are the broad categories in which the abovementioned control procedures are designed:

a. Shari'a Governance
   - Structure for Shari'a coordination and implementation and oversight
   - Shari'a framework
b. Control environment
c. Transaction level controls
d. Product specific controls
e. Investment level controls
f. Hiring process, employee training and awareness
g. Other controls

Details of each category are provided in sections Appendix A

Based on the control objectives listed in Appendix B, we believe that:

a) The control procedures listed in Appendix A fairly present the Bank's controls designed and implemented throughout the period from 1 January 2025 to 31 December 2025;

b) The control procedures listed in Appendix A were suitably designed throughout the period from 1 January 2025 to 31 December 2025; and

c) The controls procedures listed in Appendix A operated effectively throughout the period from 1 January 2025 to 31 December 2025.

Approved by the management of the Bank on 25/01/2025

Chief Executive Officer

Internal Shari'a Reviewer

MANAGEMENT'S SHARIA COMPLIANCE AND GOVERNANCE REPORT

For the year ended 31 December 2025

Appendix A

1. Control procedures relating to Shari'a compliance and governance structure

1.1 Overview

This report provides information about the control procedures (Appendix A) which are designed, implemented and maintained by the Bank to achieve the Shari'a compliance objectives (Appendix B) during the period from 1 January 2025 to 31 December 2025. These control policies and procedures are regularly reviewed by the management, and accordingly may, from time to time, be modified with a view to achieving the control objectives. No representation is made to any parties that future control policies and procedures will reflect current practice.

All control systems have inherent limitations and cannot guarantee the totally effective operation of systems, nor the total completeness and accuracy of the records. Also, they cannot necessarily prevent fraudulent collusion.

1.2 Shari'a Governance

1.2.1 Structure for Shari'a coordination and implementation and oversight

a) Articles of Association permit the Bank to carry out all Islamic banking business activities.

b) The Shari'a governance framework of the Bank is in line with CBO's regulations, resolutions and directives and market best practices. The Shari'a governance framework of the Bank includes:
   i. Shari'ah Supervisory Board (SSB);
   ii. Internal Shari'a Reviewer;
   iii. Shari'a Compliance Structuring Unit;
   iv. Shari'a Audit Unit;
   v. Shari'a Training Unit; and
   vi. Shari'a Non-compliance risk unit.

c) The SSB of the Bank comprises of three (3) Muslim scholars specialized in Fiqh Al Mu'amalat holding an overall experience of over 10 years (in teaching, research, and Fatwa issuance). These members have extensive experience in the field of Islamic banking and finance and meet the fit & proper criteria specified by the CBO. The structure of the SSB is as follows:

No.	Name of the Scholar	Qualification	Position in the board	Nationality
1	Dr. Majid Alkindi	· Bachelors Degree in judiciary · Masters Degree in law &Fiqah. · PhD in Fiqah · PHD in Economics and Islamic Banking	Chairman	Omani
2	Dr. Aznan Bin Hasan	· Bachelors Degree in Shari'a · Masters Degree in Shari'a · PhD in Shari'a – Wales University	Vice Chairman	Malaysian
3	Dr.Ali Al Jahdami	· Bacherlors Degree in Fiqh · Masters in Economics and Islamic Banking · PhD in Fiqh	Member	Omani

d) The appointment of SSB members is formally documented by the Bank via a formal offer letter duly signed by the respective SSB member;

e) The appointment of the SSB has been approved by the shareholders of the Bank;

f) A charter for the SSB has been approved by the Board defining the scope of work for the SSB. The charter includes, at a minimum, the following:
   i. Purpose of the charter;
   ii. Authorization of the charter;
   iii. Membership of the SSB;
   iv. Composition of the SSB;
   v. Chairperson;

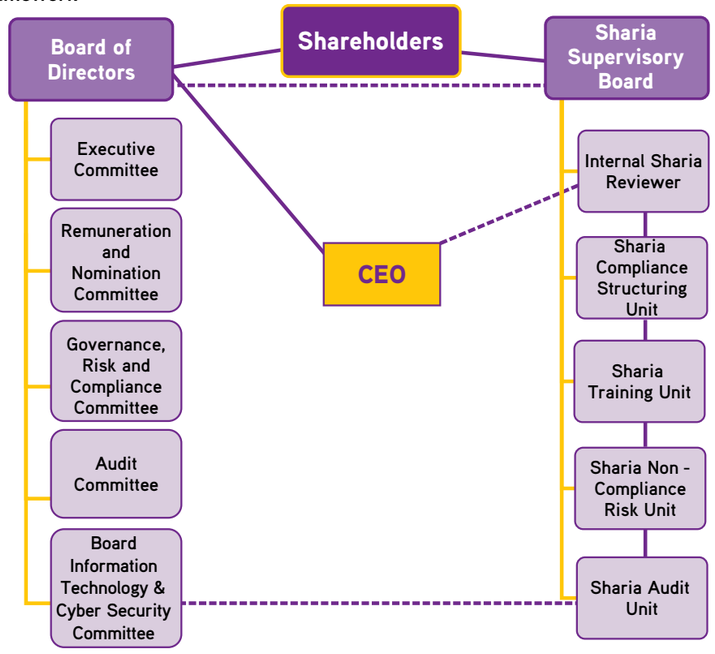
vi. Secretary;
vii. Possible cause/course of removal and replacement of a Member;
viii. Authority of the SSB;
ix. Responsibilities of the SSB;
x. Meetings / meeting frequency;
xi. Quorum;
xii. Agenda;
xiii. Meeting minutes;
xiv. Voting and decisions;
xv. Amendments to the charter; and
xvi. Relationship with the BoD and Management of the Bank and its various departments.

g) The roles and responsibilities of the SSB include the following:
   i. To supervise the Bank's operations and activities to ensure compliance with the Islamic Shari'a, and also monitor and review transactions to ensure full compliance with Shari'a rules and principles and SSB pronouncements;
   ii. To approve the internal Shari'a audit annual plans;
   iii. To notify the CBO in case of any failure by the Board of directors to effectively deal with any major Shari'a non-compliances of the Bank;
   iv. To approve all relevant documentation for new products and services, including contracts, agreements, marketing and promotional materials or other legal documentation used in the Bank's business transactions must be approved by the SSB;
   v. To review and approve the Bank's annual Zakah calculations on behalf of the shareholders;
   vi. To put on record, in written form, any opinion that it gives on Shari'a-related issues;
   vii. At least one SSB member be present at the AGM to respond to any enquiries from the Banks' shareholders during the discussion of the end of year financial results;
   viii. To review the reports and observations of the Shari'a coordination and implementation function and internal Shari'a audit function and provide advice on such reports and observations;
   ix. To review the profit/loss allocation to the investment account holders and weightages,profit sharing Ratio conform as per the approved policy by SSB;
   x. To specify the means of disposal of earnings that have been realised from sources or by means prohibited by Shari'a rules and principles;
   xi. To approve the appointment and removal of the head of internal Shari'a reviewer function and supervise and approved the Shari'a compliance and structuring and internal Shari'a Audit Units' work;
   xii. To develop its own operating procedures;
   xiii. To report administratively to the Board of directors
   xiv. To meet with the Board of directors of the Bank at least once a year to discuss issues of common interest. Such meeting must have a clear and specific agenda including the difficulties faced by both parties and ways to resolve them;
   xv. To submit the SSB report, as part of the annual report, to the shareholders with a copy to the Board of directors and the CBO as per AAOIFI, on the Bank's Shari'a compliance, provided that the SSB report includes any non-compliance issues to the Shari'a rules and principles; and
   xvi. To ensure that information obtained in the course of their duties is kept confidential.

MANAGEMENT'S SHARIA COMPLIANCE AND GOVERNANCE REPORT
For the year ended 31 December 2025

Appendix A

1.2.2 Shari'a framework



Overview

a) Dr. Mansour Ali Al Qudah, the Internal Shari'a Reviewer has been appointed by the SSB on 8 March 2017 and by the CBO on 16 January 2017 and has been included in the organizational structure of the Bank;
b) Dr. Mansour Ali Al Qudah is a full time employee of the Bank heading Shari'a Department and supervising Shari'a Compliance Structuring Unit (SCSU), Shari'a Audit Unit (SAU) of the Bank, and Shari'a Training Unit (STU), and Shari'a Non-compliance risk unit (NSCRU) of the Bank, appointed by the Management in consultation with the SSB and the approval of the CBO. Internal Shari'a Reviewer reports to the SSB independently from the Management;
c) Dr. Mansoor Al-Qudah spends part of his time annually in training management, bank employees and other stakeholders (clients and the public) on Sharia matters applicable to Islamic banking, and participates in many internal committees to answer inquiries from management, employees and bank customers regarding the Sharia aspect.
d) Dr. Mansour Ali Al Qudah has the added role of secretary to the SSB;
e) Dr. Mansour Ali Al Qudah reports to the SSB independently from Management; with the submission of administrative reports to the CEO.
f) Policies and procedures are in place which are up to date and approved by the SSB. On an overall basis, the policies and procedures include:
   i. References to relevant regulations issued by the Central Bank or other regulatory authority; and
   ii. Procedures to be followed in case of deviations from prescribed parameters and guidelines.
g) Operational procedures are approved by the Board of Directors and matters related to Shari'a principles are approved by the SSB;
h) Roles and responsibilities of Internal Shari'a Reviewer and Shari'a Compliance Structuring Unit and Shari'a Audit Unit and Shari'a Non-Compliance Risk Unit and Shari'a Training Unit are defined and documented in the Shari'a Compliance Policy and Procedures Manual. The Shari'a Compliance Policy and Procedures Manual is approved by the Bank's SSB. Responsibilities include a review of:
   i. Bank's organization structure (to ensure that the structure and segregation of functions is appropriate for undertaking Shari'a compliant activities);

ii. Agreements/contracts (including employee/supplier contracts);
iii. Policies and procedures;
iv. Product manuals;
v. Product structures;
vi. Transactions;
vii. Bank's memorandum and articles of association;
viii. Financial statements;
ix. Reports (internal management reports and external reports); and
x. Advertisements and other communications to general public;

i) Job descriptions and update organization charts are in place for key positions that are approved by the Board of Directors or SSB as applicable;

j) All new products, services and product structures are reviewed by Internal Shari'a Reviewer and approved by the SSB before being offered to customers. Such information is documented in SSB minutes meeting and in the Bank's policies and procedures; and

k) New software or other systems (if any) implemented in the Bank are reviewed and approved by the Bank's Internal Shari'a Reviewer.

Shari'a Compliance Structuring Unit

a) Shari'a Compliance Structuring Unit is governed by the Shari'a Compliance Policy and Procedures Manual prepared by the management, vetted by the SSB and approved by the BoD;

b) Shari'a Compliance Structuring Unit facilitates the Management in ensuring compliance with Shari'a (as manifested by the guidelines and Fatawa issued by the SSB) and Islamic banking stipulations of the CBO on a day to day basis in all its business activities, operations and transactions. This is achieved through the review and evaluation, before any product is offered to a customer, the product program, the contracts, agreements, fees, charges, policies, procedures, product manuals, product transaction structures, memorandum and articles of association, and any other matter which can potentially impact the Shari'a compliance of the Bank or influence the perception of its Shari'a compliance. Subsequently, The head of Sharia Compliance and Structuring Unit submits his report, along with all the relevant documentation, to the SSB for their review and decision;

c) Shari'a Compliance structuring unit is involved in implementation of new products / services to ensure full Shari'a compliance under the relevant Fatawa. The function also assists the relevant staff in dealing with any Shari'a non-compliance issues arising from the implementation stage;

d) Acting as the first line of defense in Shari'a Department, this unit also shall be actively from time to time alerting both the Shari'a Audit and Shari'a Non-Compliance Risk Unit on any potential Shari'a risk during the review on any sensitive transaction especially from Wholesale Banking and to a certain extent the Retail Banking as well.

e) The head of Sharia Compliance and Structuring Unit participates in training the bank's employees and other stakeholders, including customers and the public.

Shari'a Training Unit

a) The Shari'a Training Unit prepares an annual training plan which is approved by Internal Shari'a Reviewer and SSB;

b) The Shari'a Training Unit participates in and arranges, in conjunction with the Human Resources Training Department training the Bank's employees by conducting internal and external trainings, and Shari'a awareness on Islamic banking, in order to make sure that all Bank Nizwa staff are fully aware of the Islamic principles and rules, and to answer queries raised by staff and clients. The Shari'a Training Unit also shares knowledge explaining principles of Fiqh al-Muamalat in general, and in particular the Fatawa, guidelines and instructions issued by the SSB about the products and services offered by the Bank;

c) The Shari'a Training Unit also coordinates with Communications unit to develop and implement public awareness campaigns on Islamic banking finance to provide written articles and information for the media like television, newspapers, and internal newsletter. They also coordinate with Internal Shari'a Reviewer to review Shari'a content of marketing material, pamphlets, booklets, and any written material published by the Bank, documentation including, promotion and marketing materials, advertisements and other communications to general public, as per the guidelines provided by SSB and Shari'a Executive committee.

MANAGEMENT'S SHARIA COMPLIANCE AND GOVERNANCE REPORT
For the year ended 31 December 2025

Appendix A

Shari'a Audit Unit

a) The Bank has appointed Abdulrahman Al Shaikh on 6 June 2012 as the Head of Internal Shari'a Audit function reporting to the ISR. The Head of the function is appointed by the management subject to the approval of the SSB. The function is adequately resourced with proficient staff having the relevant qualification and experience;

b) Shari'a Audit Unit is governed by the Internal Shari'a Audit Charter prepared by the Shari'a audit Unit and reviewed by the Internal Shari'a Reviewer (ISR) , approved by the SSB;

c) Shari'a audit officers have no executive authority or responsibility for the activities they audit;

d) Abdulrahman Al Shaikh, is a full time employee of the Bank and is responsible for examining and evaluating the extent of the Bank's compliance with the following:
- Shari'a principles;
- The SSB's Fatawa, guidelines, pronouncements and instructions / recommendations;
- Shari'a related regulations, resolutions and directives issued by the CBO;
- Shari'a standards issued by AAOIFI; and
- Shari'a related policies and procedures of the Bank.

e) On an quarterly basis, Abdulrahman Al Shaikh expresses his opinion to the SSB on the extent of Shari'a compliance of the Bank's operations through an actual audit of the business transactions;

f) Abdulrahman Al Shaikh reviews and examines the adequacy and effectiveness of the Bank's Shari'a compliance system, covering all aspects of the Bank's business operations and activities;

g) Abdulrahman Al Shaikh has direct and regular communications with all levels of Management, SSB, Audit Committee, Internal Shari'a Reviewer, and Independent External Shari'a Auditor. No scope limitation and/or restriction of access to documents or reports, is placed on Internal Shari'a Audit staff;

h) Abdulrahman Al Shaikh prepares periodic reports to the SSB, based on the audit plan, for consideration and appropriate action. A copy of such reports is also presented to the Audit Committee and the CEO;

i) Abdulrahman Al Shaikh follows up to ascertain that appropriate action is taken on his reported findings and recommended corrective actions. In addition, any other recommendations relating to Shari'a matters made by the SSB, the Independent External Shari'a Compliance Auditor and/or the CBO are also followed up;

j) In case of any difference of opinion between the Management and the Shari'a Audit Unit on matters relating to Shari'a interpretation, the issue is referred to Internal Sharia reviewer to review it and make a judgment and later decided by the SSB;

k) The internal Shari'a audit plan is in place which is approved by the SSB on an annual basis;

l) The internal Shari'a audit planning process includes, at a minimum, the following:
- Developing an Internal Shari'a audit Program
- Obtaining background information about the activities to be audited, such as locations, products/services, branches, divisions, etc.;
- Establishing internal Shari'a audit objectives and scope of work;
- Obtaining SSB Fatawa, guidelines, instructions, prior year internal and Independent External Shari'a Compliance Audit results, relevant correspondence including with the CBO;
- Determining the resources necessary to perform internal Shari'a audit;
- Communicating with all individuals at the Bank who need to know about Internal Shari'a Audit;
- Performing, as appropriate, a survey to become familiar with activities, risks and controls to identify areas of Internal Shari'a Audit emphasis, and to invite comments and suggestions; and
- Establishing a risk-based Shari'a audit plan

m) Internal Shari'a Audit reports is submitted to the audit committee in the end of the reporting year.

Shari'a Non-Compliance Risk Unit

a) Shari'a Non-compliance Risk Unit coordinates with branches and business departments to receive regular MIS and confirmations from the business departments and branches relating to the Shari'a compliance of key transactions and the actions taken to resolve any observations raised by the Shari'a Compliance Unit on operations, products or procedures.

b) Shari'a Non-Compliance Risk Unit identify, measure, monitor, control, and manage Shari'a non-compliance risks in the Bank arising from failure to comply with Shari'a rules and principles as set by Islamic Banking Regulatory

Framework issued by Central Bank of Oman, Shari'a standards issued by AAOIFI, and the Shari'a rulings and guidelines issued by Shari'a Supervisory Board of the Bank. Shari'a Non-Compliance Risk Unit assist Internal Shari'a Reviewer in identifying the Shari'a non-compliance risk parameters for each department or function.

c) Shari'a Non-Compliance Risk Unit measure quantitatively the volume of the identified parameters and detect any Shari'a non-compliance events for each parameter.

d) Shari'a Non-Compliance Risk Unit monitor the development of the Shari'a non-compliance parameters during the year periodically.

e) Shari'a Non-Compliance Risk Unit provide reasonable control measures to establish assurance on the soundness of operations which prevents violations of Shari'a compliance measures and guidelines.

1.2.3 SSB quorum, minutes etc.

a) During the year ended 2025, period from January 1 to 31 December 2025, the SSB has conducted four meetings to review and approve key decisions relating to Shari'a matters. Minutes of the meetings are prepared and provided to SSB members in the next meeting. The SSB members sign off the minutes to confirm the matters addressed therein. Decisions taken in SSB meetings are reflected in policies and procedures and operations of the Bank;

b) SSB meets at least on quarterly basis and each member of SSB attends at least seventh of the meetings during a calendar year. Further, in addition to the regular meetings, the SSB Chairperson may convene SSB meetings as and when he deems it necessary;

Meeting number	Date of Meeting	SSB Attendees	SSB Absentees
1st Meeting of SSB 58	26/1/2025	1. Dr. Majid Alkindi 2. Dr. Aznan Bin Hasan 3. Dr. Ali Al Jahdami	NIL
2nd Meeting of SSB 59	20/4/2025	1. Dr. Majid Alkindi 2. Dr. Aznan Bin Hasan 3. Dr. Ali Al Jahdami	NIL
3rd meeting of SSB 60	28/6/2025	1. Dr. Majid Alkindi 2. Dr. Aznan Bin Hasan 3. Dr. Ali Al Jahdami	Nil
4th Meeting of SSB 61	29/10/2025	1. Dr. Majid Alkindi 2. Dr. Aznan Bin Hasan 3. Dr. Ali Al Jahdami	Nil

c) All meeting is chaired by the SSB Chairperson and in his absence, by the vice-Chairperson;

d) The quorum of SSB meetings is majority of its members. SSB decisions are made through majority vote of SSB members;

e) The agenda of the SSB meetings along with sufficient details is sent to the SSB members well in advance, enabling them to come prepared in the meetings. The specific timelines for submission of the agenda is set by the SSB itself;

f) All the SSB approvals taken through circulation are made part of the minutes of the next SSB meeting;

g) The minutes of meetings are prepared and provided to the SSB members. The SSB ensures that the minutes of its meetings have necessary details of all the decisions made and / or Fatawa issued along with the detailed rationale (Fiqhi or other) and difference of opinion or dissenting note, if any. Further, the minutes are signed by all the SSB members who attended the meeting to confirm the matters addressed therein, no later than in the next meeting; and

h) The decisions taken in SSB meetings are reflected, as appropriate, in policies and procedures and day to day operations of the Bank as applicable

i) A Shari'a Ex-com meeting is held on a monthly basis as needed and during the period from January 1 to 31 December 2025, the Shari'a Ex-com has conducted 3 meetings to review and approve key decisions relating to Shari'a matters.

MANAGEMENT'S SHARIA COMPLIANCE AND GOVERNANCE REPORT
For the year ended 31 December 2025

Appendix A

1.3 Control environment

We are committed to maintaining a control conscious environment throughout the Bank in order to ensure that the operations of the Bank are conducted in a Shari'a compliant and controlled manner. This is achieved through the following policies and procedures:

a) A management and organization structure is documented and approved by HRC committee in July 2020 and maintained by the Human Resource Department;

b) An appropriate Shari'a governance framework in compliance with CBO regulations, resolutions and directives, AAOIFI governance standards and guidelines and directives issued by SSB is maintained;

c) Key duties and functions are segregated. An independent executive is designated with the responsibility for Shari'a Compliance Structuring; another independent executive is designated with the responsibility for internal Shari'a audit;

d) Policies and procedures manuals and documentation in relation to Shari'a products, operations, compliance, trainings, and internal controls are maintained and available to all relevant staff;

e) Business monitoring and risk assessment are in place to obtain reasonable assurance that the business is operating in compliance with Shari'a, regulatory and internal control requirements;

f) Shari'a compliance and audit reports are submitted to the SSB in line with the agreed annual plan;

g) Procedures are in place on delegation of authority from senior Management;

h) New business initiatives and products are fully considered and approved by the Management taking into account the relevant risks and benefits, Shari'a compliance and internal control requirements; and

i) Documents are properly controlled and retained for five years for audit Reports and working papers but Fatwas and SSB related Issues are permanently retained. Other Documents (inter office memos, correspondence are retained for three years) in accordance with established policies and procedures and in line with CBO's regulations, resolutions and directives.

1.4 Transaction level controls

a) Only products and services that have been approved by the SSB are offered to customers. For this purpose, a list of approved products is circulated to the Bank's employees and included in the Bank's procedure manual. Employees are required to refer to the list at the time of initiating transactions and tick the appropriate product on the respective application form;

b) Documents provided by customers are verified to ensure their authenticity. Individuals verifying such documents are required to stamp, initial and date the documents to evidence verification;

c) Only standard templates approved by the SSB are used for initiating and executing transactions;

d) Daily transactions, exceeding a stipulated monetary limit are sent to the Committee for review and approval;

e) The income statement and sources of income including contracts made with counterparties are periodically reviewed by the ISR, SCSU and SAU depending on the nature of the transaction. The review is conducted to:

   i. Ensure that the Bank is operating within the parameters defined and approved by the Shari'a Supervisory Board; and

   ii. Determine whether any portion of income generated is non-Shari'a compliant and perform corrective actions (such as setting aside such income for charity purposes);

f) All agreements/contracts/forms are reviewed by the ISR, SCSU prior to execution. This may include templates to be used for employee contracts, rental agreements, and account opening forms.

1.5 Product specific controls

Before a product is launched to the general public, the Bank develops detailed product programs including but not limited to process flows, product features, product accounting treatment, IT system interaction, underlying contract templates and advertising material, which are approved by the SSB and other relevant authorities. Controls relating to the products currently being offered by the Bank are as follows:

Murabaha:

a) The Bank has developed a Murabaha contract template which is approved by the Shari'a Supervisory Board and is used for Murabaha transactions;

b) Staff executing Murabaha transactions are required to enter the following information before a transaction can be processed:
   i. Purchase price of the underlying asset and associated costs;
   ii. Sales price of the asset; and
   iii. Bank's profit margin.

c) Documents that confirm legal title and ownership of underlying asset in the name of the Bank are obtained and maintained;

d) A checklist containing the minimum requirements to be complied with for Murabaha transactions is available to the Bank's employees. The checklist is approved by the SSB;

Mudaraba:

a) A Mudaraba contract template approved by the SSB is used for Mudaraba transactions;

b) A checklist containing the minimum requirements to be complied with for Mudaraba transactions is available to the Bank's employees. The checklist is approved by the SSB;

c) Mudaraba calculations for profit and loss sharing are reviewed and approved by the Internal Shari'a Reviewer; and

d) Where the standard Mudaraba contract template is not used, the amended contract is reviewed and approved by the Internal Shari'a Reviewer or Shari'a Compliance Structuring Unit to confirm inclusion of appropriate clauses necessary to ensure the contract is Shari'a compliant.

Diminishing Musharaka (DM):

a) A Diminishing Musharaka contract template approved by the SSB is used for DM transactions;

b) Where the standard DM contract template is not used, the amended contract is reviewed and approved by the Internal Shari'a Reviewer or Internal Shari'a Reviewer Compliance Structuring Unit to confirm inclusion of appropriate clauses necessary for a Shari'a compliant transaction;

c) Diminishing Musharakah (DM) can be created only in tangible assets. DM will be limited to specified assets and not to whole enterprise.

Ijarah:

a) Ijarah contract templates for various asset classes, such as ready house or land are approved by the SSB;

b) Where standard Ijarah contract templates are not used, amended contracts are reviewed and approved by Internal Shari'a Reviewer or Internal Shari'a Reviewer Compliance Structuring Unit to confirm inclusion of appropriate clauses necessary for the contract to be Shari'a compliant; and

c) Documents that confirm legal title and ownership of underlying asset in the name of the Bank are obtained and maintained on file.

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Appendix A

Credit Card Sharia Audit Controls:

1. **SSB Approval of Application Form:** Verification that the credit card application form has been reviewed and approved by the Sharia Supervisory Board (SSB).
2. **Clarity of Terms and Conditions:** Confirmation that the credit card terms and conditions are clearly disclosed and communicated to the customer.
3. **Merchant Category Code (MCC) Controls:** Verification that prohibited Merchant Category Codes (MCCs) are appropriately blocked in accordance with Sharia requirements.
4. **SSB Approval of Fees and Charges:** Confirmation that the complete schedule of fees and charges has been approved by the Sharia Supervisory Board.
5. **Foreign Transaction Processing Fee:** Verification that the fee for processing transactions outside Oman (2.5%) is Sharia-approved and properly disclosed.
6. **Cash Withdrawal Fee:** Verification that the cash withdrawal fee (OMR 3) is Sharia-approved and disclosed to customers.
7. **Third-Party Contracts:** Confirmation that all third-party service provider agreements related to credit card operations are Sharia-approved.
8. **Nostro Account Monitoring:** Review of Nostro accounts to ensure no debit (negative) balances arise that may lead to Sharia non-compliance).

Wakala Bil Istithmar (WBI):

a) WBI agreement templates for both side (Bank Nizwa as Wakil (Agent) or Muwakil (Fund Owner) are approved by the SSB;

b) Where standard WBI contract templates are not used, amended contracts are reviewed and approved by Internal Shari'a Reviewer or Internal Shari'a Reviewer Compliance Structuring Unit before transactions being executed, and reviewed by the Shari'a audit unit after transaction being done to confirm inclusion of appropriate clauses necessary for the contract to be Shari'a compliant;

c) Wakala activities reviewed by Shari'a Compliance Structuring Unit, and profit distribution mechanism are reviewed by Shari'a audit manager and Internal Shari'a Reviewer to make sure that the Wakla investment Agency (Wakala bil Istithmar) activities and profit calculation and distribution are as per SSB rules.

Unrestricted Investment Accounts (URIA):

a) Mudaraba deposits is invested in the Bank's general mudaraba pool where the amount will be used / invested in Sukuk investments or for the Bank to provide financing via many contracts such as Ijara, Wakala Bil Istithmar, Diminishing Musharaka, Murabaha and Istisna' for which all the contracts mentioned are duly approved by the SSB; and

b) Quarterly and annually profit distribution and loss calculations are reviewed by the Internal Shari'a Reviewer before being disclosed to investors. On a monthly basis the profit distribution calculation is reviewed by the Head of Shari'a Audit / Shari'a Non-Compliance Risk Unit Manager to make sure that it is with the Profit Distribution Policy approved by SSB.

Appendix A

1.6 Investment controls

a) Investments are executed only after being approved by the Shari'a Supervisory Board;

b) The SSB reviews and approves investment acquisitions and exits to ensure compliance with Shari'a principles. Matters subject to review and approval may include:
   i. Preliminary deal analysis;
   ii. Deal structuring and financing;
   iii. Legal documentation;
   iv. Private Placement Memorandum; and
   v. Deal exit strategy (should be reviewed and approved by SSB members).

c) For each class/type of investment, the SSB issues a certificate of approval which is signed off by the members of the SSB. The certificate evidences the review and approval by the SSB. It also indicates the SSB's satisfaction that the investment structure and associated documentation are in compliance with Shari'a principles; but if the suppose investment (such as shares, Sukuk,funds,WBI) in line with SSB's Fatwas, AAIOFI standards, specific decisions and rules issued by SSBs will be reviewed by Internal Shari'a Reviewer, head of sharia compliance and structuring and give approval to the business provided that the Internal Shari'a Reviewer will notify SSB in the next meeting.

d) Investments are reviewed by the Internal Shari'a Reviewer / Head of Shari'a Audit Unit post acquisition to ensure they adhere to investment structure approved by the SSB; and

e) Internal Shari'a Reviewer / Head of Shari'a Audit Unit reviews short term investments (such as Wakalah and Mudaraba) to ensure these are made in line with the Bank's SSB approved Shari'a principles.

Sukuk Sharia Audit Controls:

SSB Approval of Sukuk Structure: Verification that the Sukuk structure (e.g. Ijarah, Wakalah, Murabaha, Musharakah) has been approved by the Sharia Supervisory Board.

Underlying Assets Compliance: Confirmation that the underlying assets are Sharia-compliant, identifiable, and properly disclosed.

Use of Proceeds: Verification that the use of proceeds is restricted to Sharia-compliant activities.

Ownership & Asset Transfer: Confirmation that beneficial ownership of the Sukuk assets is properly established and documented in accordance with Sharia principles.

Offer and Acceptance: Verification that a valid offer and acceptance were exchanged, clearly defining price, quantity, and settlement terms.

Trade Date vs Settlement Date: Confirmation that the trade date and settlement date comply with Sharia requirements for asset-based transactions.

Accuracy of SWIFT Messages: Verification that SWIFT messages accurately reflect the transaction type, amount, and settlement terms.

Profit Entitlement & Accrual: Verification that profit accrual is linked to asset performance and not guaranteed interest.

Late Payment or Penalty Clauses: Review of documentation to ensure no impermissible penalty income is accrued by the Bank.

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Appendix A

Sharia Audit Controls – Current Accounts:

1. **Sharia Approval of Current Account Structure:** Verification that the current account is structured as a Qard Hasan and with no return or benefit for the account holder.
2. **Absence of Interest or Profit Entitlement:** Confirmation that no interest, profit, or guaranteed return is paid, accrued, or promised to current account holders under any circumstances.
3. **Permissibility of Charges and Fees:** Verification that all fees charged to current accounts are limited to actual service-related costs, are not linked to account balances or tenure and as per SOC approved by SSB.
4. **Use of Current Account Funds:** Confirmation that funds mobilized under current accounts are utilized in Sharia-compliant activities and are not invested in non-permissible income-generating instruments.
5. **No Conditional Benefits or Incentives:** Verification that no conditional benefits (cashbacks, gifts, rewards, or preferential treatment) are contractually linked to current account balances or usage that could constitute a benefit on Qard.
6. **Proper Disclosure and Customer Communication:** Confirmation that the nature of the current account as a non-profit-bearing account is clearly disclosed in account opening documents, terms and conditions, and customer communications.

1.7 Hiring process, employee training and awareness

a) The senior Management of the Bank including the CEO has adequate knowledge, qualification and experience in Islamic banking and finance;

b) Hiring processes are well defined. Required competence in Shari'a matters is defined in the hiring criteria, in line with IBRF requirements;

c) The Internal Shari'a Reviewer oversees the Shari'a training plans and schedule for the Bank. He spends a significant percentage of his time, on an annual basis, in training the Management and the staff of the Bank.

d) The Bank has developed a comprehensive training plan for the year 2025 identifying the areas where training is required and ensuring relevant subjects are covered;

e) A database containing Fatwas and Shari'a guidelines issued by the Banks' SSB is in place that is accessible to key staff members who are engaged in the Bank's operations. The database is kept up to date with new Fatwas issued from time to time.

f) A log of time spent on training is maintained by the HR department of the Bank;

g) Sessions are conducted for employees to keep them up to date on:
   - New products and services approved by the Bank; and
   - Amendments to existing products and services.

h) Annual training budget is in place for employees;

1.8 Other controls

a) The SSB reviews and approves the Bank's annual Zakah calculations;

b) The Internal Shari'a Reviewer reviews the Bank's HR policies and procedures, code of conduct/ethics to ensure they are in line with SSB guidelines; and

c) Tools for obtaining customer feedback and complaints are implemented (suggestion drop box, email, phone, etc.). The Head of Shari'a reviews customer feedback/complaints received to ensure matters relating to Shari'a compliance are adequately addressed.

Appendix B

1. Control Objectives

The Bank's control objectives as approved by the Bank's SSB are provided below:

1.1 Overall control objective:

Ensure that the Bank's activities are conducted in a Shari'a compliant manner. Achievement of this objective requires compliance with Shari'a guidelines/directives issued by the Bank's SSB (referred to as the Bank's Shari'a principles) and other relevant authorities.

1.2 Specific control objectives:

Ensuring that:

a) The Bank's transactions, contracts and earnings are in accordance with the Bank's Shari'a principles;

b) Employees are appropriately and adequately trained to possess knowledge on Shari'a products/services offered by the Bank;

c) Revenues, collections and income that do not comply with the Bank's Shari'a principles are adequately segregated and appropriately treated;

d) Allocation of profit and charging of losses to investment accounts conform to the basis approved by the SSB; and

e) Management does not override or compromise the Bank's Shari'a principles to enhance the Bank's performance.

Appendix C

Management's statement of compliance with the Shari'a principles and rules

1. Introduction

This statement of compliance is being issued by the management of Bank Nizwa SAOG with regards to the state of compliance of the Islamic Bank's financial arrangements, contracts, and transactions with Shari'a principles and rules for the year ended 31 December 2025.

1.1 Acknowledgement of management's responsibility for compliance with Shari'a principles and rules

We, as management of the Islamic Bank, are responsible to ensure that the financial arrangements, contracts and transactions having Shari'a implications, entered into by the Islamic Bank with its customers, other financial institutions and stakeholders and related policies and procedures are, in substance and in their legal form, in compliance with the requirements of Shari'a principles and rules in line with the applicable criteria as provided below.

1.2 Applicable criteria

The criteria for the compliance with Shari'a principles and rules comprises the following, in the sequence provided below:

a) The Shari'a standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI);

b) The regulations stipulated by the Central Bank of Oman (CBO) Islamic Banking Regulatory Framework (IBRF);

c) The rulings of the CBO's High Sharia Supervisory Authority of the Sultanate of Oman;

d) Requirements of the applicable Financial Accounting Standards as issued by AAOIFI insofar as these entail Shari'a related requirements; and

e) Approvals and rulings given by the Shari'a Supervisory Board of Bank Nizwa SAOG.

1.3 Confirmations and representations

We confirm that during, and with regards to the year ended 31 December 2025:

a) The Islamic Bank has developed and implemented a sound and robust system of corporate and Shari'a governance, in line with the IBRF and AAOIFI governance standards and other related requirements and best practices including regulatory requirements;

b) The management has developed and maintained internal control including internal control necessary to ensure compliance with Shari'a principles and rules and to prevent any material non-compliance thereof. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of controls. We confirm that the Islamic Bank's system of internal control is sound in design and has been effectively implemented and monitored, as well as updated and improved for identified non-compliances, if any;

c) The financial statements for the year ended 31 December 2025 reflect fairly the Islamic finance transactions and Shari'a related matters;

d) The management complied with all aspects of contractual agreements that would have had a material effect on the Islamic Bank's compliance with Shari'a principles and rules, and in the event of a material non-compliance thereof, have reported the same in the respective sections of this statement below;

e) We are not aware of any transactions, accounts or material agreements or arrangements with Shari'a implications which have not been fairly described, or properly recorded in the financial and accounting records underlying the financial statements;

f) We confirm that there have been no frauds or irregularities involving management or employees who have significant roles in the accounting and system of internal control or any irregularities involving others that could have a material effect on the financial statements or compliance with Shari'a principles and rules;

g) The management has provided fair and transparent information and access to records to the external Shari'a auditors, internal Shari'a auditors, Shari'a compliance officials and the members of Shari'a Supervisory Board for all matters that may have a Shari'a implication; and

Appendix C

h) The management has developed a code of conduct for the Islamic Bank and code(s) of ethics for employees, directors and other officials of the Islamic Bank in line with the Shari'a requirements and we confirm that all employees, directors and other officials have provided confirmation of compliance with the respective code(s) of ethics and we, the management, confirm that the Islamic Bank has complied with the Islamic Bank's code of conduct.

1.4 Unresolved issues and non-compliance of Shari'a principles and rules

We are not aware of any issues with regard to the Shari'a compliance of the Islamic Bank which remained unresolved till the date of this Statement or are established as a material non-compliance with Shari'a principles and rules having an impact on the period under coverage of this Statement.

All immaterial non-compliances with Shari'a principles and rules have been satisfactorily resolved and matters have been concluded in light of the approvals and guidelines of the Shari'a Supervisory Board.

1.5 Charity

We confirm that any amounts determined to be payable / transferable to charity fund have been transferred to the charity fund within reasonable time of identification and as of the date of the financial statements, there is no amount of charity pending transfer to the charity fund. We further confirm that all amounts allocated to charity fund were spent in accordance with the approved charity policy, as approved by the Shari'a Supervisory Board, and that there is no unreasonable delay in spending of such charity amount.

1.6 Explanations on Shari'a Supervisory Board reporting matters

The Shari'a Supervisory Board has conducted its review on the Islamic Bank's compliance with Shari'a rules and principles which included examining, on a test basis, of each type of transaction, the relevant documentation and procedures adopted by Bank Nizwa SAOG. We confirm that the Shari'a Supervisory Board report for the year ended 31 December 2025 does not have any Shari'a non-compliance matters.

1.7 Statement of compliance

Based on our above made representations and confirmations, we conclude and confirm to the best of our knowledge and belief that in our opinion the Islamic Bank's financial arrangements, contracts and transactions for the year ended 31 December 2025 are in compliance with the Shari'a principles and rules, in all material respects, in line with the criteria for compliance with Shari'a principles and rules as described above, and, where applicable, have been reflected adequately in the financial statements of the Islamic Bank as of that date.

For all and on behalf of Bank Nizwa SAOG

Chief Executive Officer

Internal Shari'a Reviewer

Sharia Supervisory Board Report

بِسْمِ اللهِ الرَّحْمٰنِ الرَّحِيْمِ

Praise is to Allah Almighty, and prayers on Prophet Muhammad and his family and followers;

To the Shareholders of Bank Nizwa,

Assalam 'Alaykum Wa Rahmatul-Allah,

In compliance with the letter of appointment, we are required to submit the following report in respect of the operations of Bank Nizwa during the Year 2025 for the period from 01/01/2025 to 31/12/2025.

We hereby notify you that the Sharia Supervisory Committee has monitored the principles applied by the Bank, as well as the contracts related to transactions and the products offered by the Bank during the specified period. The Committee has expressed its opinion regarding Bank Nizwa's compliance with the principles and rules of Sharia, as well as the specific resolutions, fatwas, and guidelines issued by the Sharia Supervisory Committee.

Dear Shareholders

To obtain all necessary information and explanations required to provide sufficient evidence for giving reasonable assurance that Bank Nizwa has not violated the principles and rules of Sharia in its financial transactions, the Committee has developed a Sharia monitoring and internal auditing plan. Based on the prepared plan, the Committee monitored the bank's compliance either directly or through internal Sharia audits, which included examining documents and procedures on a test basis for each type of transaction. This is the Committee's responsibility, which is limited to providing an independent opinion based on its review of Bank Nizwa's operations and preparing a report specifically for you. However, the responsibility for ensuring that Bank Nizwa operates in accordance with Sharia principles and rules lies with the management. Based on the above, we summarize our opinion as follows:

1) The contracts, operations and transactions executed by Bank Nizwa during the Year 2025 for the period from 01/01/2025 to 31/12/2025, which we have reviewed, were conducted in accordance with Sharia principles and rules;

2) The distribution of profit and the allocation of losses relating to investment accounts conform to the basis that have been approved by the Sharia Supervisory Committee, in accordance with Sharia principles and rules;

3) All earnings which have been realized from sources or by means not in compliance with the Sharia rules have been disbursed to the charity account under the supervision and directives of the Sharia Supervisory Committee; and

4) We reviewed the financial statements and determined the Zakat amount per share, noting that the payment of zakat is the responsibility of Shareholders, not the Bank.

We pray to Allah the Almighty to guide us and everyone to the paths of righteousness and success.

Sheikh Dr. Majid bin Muhamad Al Kindi
Chairman of Sharia Supervisory Board

Sheikh Dr. Aznan bin Hasan
Member of Sharia Supervisory Board

Sheikh Dr. Ali bin Sulaiman Aljahdami
Member of Sharia Supervisory Board

Place and Date: Muscat, 06 of Shaban, 1447 Corresponding to 25 January 2026.

Financial Statements 2025

Independent auditor's report

To the shareholders of Bank Nizwa SAOG

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bank Nizwa SAOG (the "Bank") and its subsidiaries (together, the "Group") as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of income for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of income and attribution related to quasi equity for the year then ended;
- the consolidated statement of changes in owners' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanations.

PricewaterhouseCoopers LLC, Salam Square - South, 4th Floor,
Suites 402-404, Madinat Al Sultan Qaboos
P.O. Box 3075, Ruwi, Postal Code 112, Muscat, Sultanate of Oman,
T: +968 2 455 9110, F: +968 2 456 4408,

Chartered Accountants Licence No. L1065369, Management Consultants Licence No. L1065290,
Commercial Register No. 1230865 Tax Card No 8055889

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of these financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics for Accountants and Auditors of Islamic Financial Institutions.

Our audit approach

Overview

Key Audit Matter	• Measurement of expected credit losses

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to the key audit matter below. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the key audit matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses (ECL) The ECL charge for the year ended 31 December 2025 amounted to RO 8.53 million (net of recoveries) and the allowance for ECL as at that date amounted to RO 58.17 million. The ECL provision represents the directors' best estimate of the credit losses as at the statement of financial position date.	We assessed the appropriateness of the methodology used to calculate ECL. Our procedures included: • understanding the Bank's FAS 30 based impairment provisioning policy and comparing it with the requirements of FAS 30;

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

Key audit matter	How our audit addressed the key audit matter
We considered the measurement of ECL as a key audit matter as the determination of ECL has a material impact on the consolidated financial statements.It also requires the directors to exercise judgement and make complex estimates that impact the size and the timing of the ECL, including: • identifying portfolios of similar financial instruments; • choosing appropriate models and assumptions for the measurement of ECL including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD); • determining criteria for significant increase in credit risk (SICR) and therefore staging; • assessing the recoverability of Stage 3 financial assets; • establishing the number and relative weightings of forward-looking scenarios for each type of financial instrument and the associated ECL; • determining overlays to the ECL derived from the model to account for factors that may not have been fully captured by the model; and • determining disclosure requirements in accordance with accounting standards.	• obtaining an understanding of and testing, on a sample basis, the completeness and accuracy of the historical and current data used for the ECL calculation; • obtaining an understanding of and tested the grouping of similar financial assets in the financing portfolios for the purposes of measuring ECL; • testing a sample of financial assets to determine the appropriate application of the staging criteria and default definition; • obtaining an understanding of the methodology used to identify and calculate individual impairment allowance and testing a sample of such credit exposures against the methodology; • testing overlays to the ECL model for appropriateness on a sample basis, including relevant approvals ; and • assessing the appropriateness of disclosures made by the directors in the consolidated financial statements. We carried out the above procedures in conjunction with our ECL expert who supported us on specific matters including: • testing the the ECL calculation as per FAS 30 methodology and the mathematical accuracy and logical integrity of the ECL model;

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

Key audit matter	How our audit addressed the key audit matter
In addition, the directors make judgmental adjustments to modelled outcomes, the measurement of which is inherently judgmental and subject to a high level of estimation uncertainty. The Bank's Information on credit risk and the Bank's credit risk management is provided in note 40. Disclosure of the net impairment loss for the year is provided in note 12.	• testing the reasonableness of historical macroeconomic and forward-looking information and assumptions used by the directors by agreeing to the latest available macro-economic information • reviewing of PD, LGD and EAD methodology and its compliance with FAS 30 requirements; and • testing and assessing the reasonableness of the Bank's use of scenarios, weightings and discount rates

Other information

The directors are responsible for the other information. The other information comprises the Chairman's report, Corporate Governance report, Management Discussion & Analysis report, Basel II Pillar III Annual Disclosures 2025, Management's Sharia Compliance and Governance Report and Sharia Supervisory Board Report, (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Bank's Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Bank's Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the consolidated financial statements

These consolidated financial statements and the Bank's undertaking to operate in accordance with Islamic Sharia Rules and Principles, as determined by the Sharia Supervisory Board, are the responsibility of the directors.

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Accounting Standards issued by the AAOIFI, the relevant requirements of the CBO and their preparation in compliance with the relevant requirements of the Financial Services Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report (Continued)

To the shareholders of Bank Nizwa SAOG

Report on other legal and regulatory requirements

As required by the relevant requirements of the Financial Services Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, we report that the consolidated financial statements have been prepared and comply, in all material respects, with those requirements and provisions.

As required by clause no. 1.4.3 of Title 3 'Accounting Standards and Auditor Reports' of Islamic Banking Regulatory Framework, we report that, we have:

a) received all required information and explanations to prepare the report; and

b) carried out such procedures considered necessary as required by AAOIFI and the Central Bank of Oman.

Further, we report that the Bank has complied with the Islamic Sharia Principles and Rules as determined by the Sharia Supervisory Board of the Bank during the year under audit.

Kashif Kalam
Muscat, Sultanate of Oman
5 March 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Note	2025	2024
		RO '000	RO '000
Assets			
Cash and balances with Central Bank of Oman	4	**83,805**	59,480
Due from banks and financial institutions	5	**14,781**	18,308
Inter-bank Wakala investments	6	**86,362**	23,645
Sales receivables and other receivables	7	**346,446**	306,586
Investment securities	8	**169,088**	193,644
Musharaka Financing	9	**649,556**	595,595
Ijara Muntahia Bittamleek	10	**179,605**	206,057
Wakala Bil Istethmar	11	**460,671**	450,376
Other assets	15	**31,543**	24,011
Property and equipment	13	**4,098**	4,255
Intangible assets	14	**6,760**	4,871
Total assets		**2,032,715**	1,886,828
Liabilities, quasi- equity and owners' equity			
Liabilities			
Due to banks		**6,750**	-
Customers' accounts	16	**265,952**	226,329
Other liabilities	17	**45,081**	51,836
Total liabilities		**317,783**	278,165
Quasi- Equity			
Participatory investment accounts	19	**1,435,581**	1,345,662
Owners' equity			
Paid-up capital	20	**220,011**	220,011
Share premium	21	**2,091**	2,091
Investment fair value reserve	22.1	**(264)**	(3,001)
Legal reserve	22.2	**11,543**	9,538
Impairment reserve		**150**	150
Retained earnings		**25,822**	24,213
Mandatory convertible sukuk	23	**19,998**	9,999
Total owners' equity		**279,351**	263,001
Total liabilities, quasi-equity and owners' equity		**2,032,715**	1,886,828
Net assets per share (RO)	35	**0.125**	0.118
Contingent liabilities and commitments	24	**460,613**	426,980

These consolidated financial statements were approved by the Board of Directors on 29th January 2026 and signed on their behalf by:

Khalid bin Abdullah Al Khalili
Chairman

Majid bin Ali Al Mamri
Vice Chairman

Khalid Al Kayed
Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
		RO '000	RO '000
Sales receivables and other receivables revenue	25	**17,598**	15,340
Ijara Muntahia Bittamleek revenue	26	**9,665**	10,992
Profit from Wakala Bil Istethmar		**24,429**	21,956
Profit from Musharaka Financing	27	**37,683**	32,284
Profit from inter-bank Wakala investments	28	**1,187**	1,061
Profit from investment securities	29	**11,482**	9,367
Income from jointly financed investments and receivables		**102,044**	91,000
Bank's income from its own investments and financing	31	**424**	440
Revenue from banking services	32	**12,320**	12,588
Foreign exchange gain – net		**1,610**	1,545
Total revenues		**116,398**	105,573
Operating expenses	33	**(27,869)**	(25,634)
Depreciation and amortization	13 & 14	**(3,004)**	(2,907)
Total expenses		**(30,873)**	(28,541)
Profit before impairment losses and tax		**85,525**	77,032
Impairment losses - net	12	**(8,530)**	(7,629)
Profit for the year before net income attributable to quasi- equity		**76,995**	69,403
Less: Net income attributable to quasi-equity	30	**(53,744)**	(48,239)
Profit before tax		**23,251**	21,164
Income tax	34	**(3,200)**	(3,053)
Profit for the year		**20,051**	18,111
Earnings per share basic– (RO)	36	**0.009**	0.009
Earnings per share diluted – (RO)	36	**0.008**	0.008

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	2025	2024
	RO '000	RO '000
Net income for the year	**20,051**	18,111
Other comprehensive income		
Items that may subsequently be classified to consolidated statement of income		
Fair value changes on equity type investments carried at fair value through OCI	**2,413**	(3,116)
Fair value changes on debt type investments carried at fair value through OCI	**(156)**	(100)
Attributable to quasi-equity	**480**	474
Total other comprehensive income for the year	**2,737**	(2,742)
Total comprehensive income	**22,788**	15,369

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025	2024
	RO '000	RO '000
Net income for the year before net profit attributable to quasi-equity after tax	**73,795**	66,350
Less: Income not attributable to quasi- equity	**(55,857)**	(51,015)
Less: Bank's income from its own investments and financing	**(424)**	(440)
Add: Expenses not attributable to quasi- equity	**42,603**	39,223
Net income attributable to quasi- equity before Bank's Mudaraba income	**60,117**	54,118
Less: Mudarib's share	**(6,373)**	(5,879)
Net income attributable to quasi- equity	**53,744**	48,239
Other comprehensive income		
Items that may be subsequently classified to consolidated statement of income		
Share in the investment fair value reserve attributable to quasi-equity	**480**	(474)
Total other comprehensive income for the year	**480**	(474)
Total income attributable to quasi-equity	**54,224**	47,765

The attached notes 1 to 42 form part of these consolidated financial statements.

STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2025

	Paid-up capital	Share premium	Investment fair value reserve	Legal reserve	Impairment reserve	Mandatory convertible sukuk	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2025	**220,011**	**2,091**	**(3,001)**	**9,538**	**150**	**9,999**	**24,213**	**263,001**
Net profit for the year	-	-	-	-	-	-	20,051	20,051
Other comprehensive income	-	-	2,737	-	-	-	-	2,737
Total comprehensive income for the year	-	-	2,737	-	-	-	20,051	22,788
Transfer to legal reserve	-	-	-	2,005	-	-	(2,005)	-
Transfer to mandatory convertible sukuk	-	-	-	-	-	9,999	(9,999)	-
Dividend paid	-	-	-	-	-	-	(5,480)	(5,480)
Profit on mandatory convertible sukuk	-	-	-	-	-	-	(958)	(958)
Balance as at 31 December 2025	**220,011**	**2,091**	**(264)**	**11,543**	**150**	**19,998**	**25,822**	**279,351**

	Paid-up capital	Share premium	Investment fair value reserve	Legal reserve	Impairment reserve	Mandatory convertible sukuk	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2024	220,011	2,091	(259)	7,727	150	-	23,324	253,044
Net profit for the year	-	-	-	-	-	-	18,111	18,111
Other comprehensive income	-	-	(2,742)	-	-	-	-	(2,742)
Total comprehensive income for the year	-	-	(2,742)	-	-	-	18,111	15,369
Transfer to legal reserve	-	-	-	1,811	-	-	(1,811)	-
Transfer to mandatory convertible sukuk	-	-	-	-	-	9,999	(9,999)	-
Dividend paid		-	-	-	-	-	(5,145)	(5,145)
Profit on mandatory convertible sukuk	-	-	-	-	-	-	(267)	(267)
Balance as at 31 December 2024	220,011	2,091	(3,001)	9,538	150	9,999	24,213	263,001

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
		RO '000	RO '000
Cash flows from operating activities			
Profit before tax		**23,251**	21,164
Adjustments for:			
Depreciation and amortization	13 & 14	**3,004**	2,907
Gain on sale of investments		**(343)**	(438)
Profit from investment securities		**(11,139)**	(8,929)
Impairment losses - net	12	**8,530**	7,629
Cash flows from operating activities before changes in operating assets and liabilities		**23,303**	22,333
Changes in operating assets and liabilities:			
Increase in sales receivables and other receivables		**(40,651)**	(34,183)
Decrease in Ijara Muntahia Bittamleek		**26,665**	22,435
Increase in Musharaka financing		**(57,774)**	(109,316)
Increase in other assets		**(7,532)**	(5,221)
Increase in due to banks		**6,750**	-
Increase in customers' accounts		**39,623**	7,501
(Decrease) / increase in other liabilities		**(6,633)**	16,551
Cash used in operations		**(16,249)**	(79,900)
Tax paid	34	**(2,970)**	(2,518)
Net cash used in operating activities		**(19,219)**	(82,418)
Investing activities			
Purchase of investment securities		**(407,758)**	(343,699)
Proceeds from sale / maturities of investment securities		**435,429**	292,171
Profit from investment securities		**11,482**	8,929
Increase in Wakala Bil Istethmar		**(13,919)**	(84,539)
Purchase of intangible assets-net	14	**(2,422)**	(1,823)
Purchase of property and equipment-net	13	**(2,314)**	(911)
Inter-bank Wakala investment		**(16,133)**	1,155
Payment of lease liabilities		**(756)**	(1,036)
Net cash flows generated from /(used) in investing activities		**3,609**	(129,753)
Financing activities			
Increase in participatory investment accounts		**89,439**	248,710
Dividends paid		**(5,480)**	(5,145)
Profit paid on mandatory convertible Sukuk		**(958)**	-
Net cash flows generated from financing activities		**83,001**	243,565
Increase in cash and cash equivalents		**67,391**	31,394
Cash and cash equivalents at the beginning of the year		**100,911**	69,517
Cash and cash equivalents at the end of the year		**168,302**	100,911
Cash and balances with CBO	4	**83,805**	59,480
Capital deposit with CBO	4	**(500)**	(500)
Due from banks and financial institutions	5	**14,793**	18,311
Inter-bank Wakala investment less than three months	6	**70,204**	23,620
Cash and cash equivalents for the purpose of cash flow statement		**168,302**	100,911

The attached notes 1 to 42 form part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Nizwa SAOG ("the Bank") was registered in the Sultanate of Oman as a public joint stock company under registration number 1152878 on 15 August 2012. The Bank's shares are listed on the Muscat Stock Exchange "MSX" and its principal place of business is in Muscat, Sultanate of Oman.

The Bank commenced its operations on 23 December 2012 and currently operates through 23 branches (2024: 23 branches) in the Sultanate under the banking license issued by the Central Bank of Oman on 19 December 2012.

The principal activities of the Bank are opening current, saving and investment accounts, providing Murabaha finance, Musharka financing and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba in exchange for a profit share or agency in exchange for a fee, and excess profit as incentive, providing commercial banking services and other investment activities.

The Bank's activities are regulated by the Central Bank of Oman ("CBO") and supervised by a Shari'a Supervisory Board ("SSB") whose role is defined in Bank's Memorandum and Articles of Association.

At 31 December 2025, the Bank had 490 employees (2024: 486 employees) and its address is: P O Box 1423, Postal Code 133, Muscat, Sultanate of Oman.

The Bank has the following fully owned subsidiaries:

Name of the entity	Country	Activity of the subsidiary	2025	2024
Nizwa Sukuk SPC	Oman	Financial Services	**100%**	100%
Nizwa Capital Sukuk SPC	Oman	Financial Services	**100%**	-

The sizes, operations and financial statements of the above companies are not material to the consolidated financial statements of the Bank. Hence, financial statements of the Parent Company have not been provided in a separate column in these consolidated financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

In accordance with the requirements of Section 1.2 of Title 3 of the Islamic Banking Regulatory Framework ("IBRF") issued by CBO, the consolidated financial statements have been prepared in accordance with Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), as adopted by CBO and other applicable regulations of CBO. In accordance with requirements of AAOIFI, matters that are not covered by FAS, the Bank uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Thus, subject to preparation of the financial statements in accordance with FAS issued by AAOIFI, the consolidated financial statements comply with the relevant disclosure requirements of the Commercial Companies Law of 2019, as amended and Financial Services Authority of the Sultanate of Oman.

Statement of restricted investment accountholders, statement of Qard fund and Zakat are not presented as these are not applicable.

2.2 Basis of measurement

The consolidated financial statements are prepared on historical cost basis, except for the measurement of investments carried at fair value through other comprehensive income.

2.3 Functional and presentation currency

The consolidated financial statements have been presented in Rial Omani (RO) which is the functional currency of the Bank. Except as otherwise indicated, financial information presented in RO has been rounded off to the nearest thousand Rials Omani.

2.4 Use of estimates and judgements

The preparation of financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors including expectation of future events that are believed by the Bank to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The significant use of judgments and estimates are as follows:

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

2.4.1 Expected Credit Loss on financial assets

Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the financial statements pertain to the following:

- Calculation of expected credit loss (ECL): changes to the assumptions and estimate on uncertainties that have a significant impact on ECL. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation.

Inputs, assumptions and techniques used for ECL calculation

The following have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

- Assessment of significant Increase in credit risk
- Macro-economic factors, forward looking information and multiple scenarios
- Definition of default
- Expected life

The Bank's ECL calculations are outputs of complex models with number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's internal credit grading model
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Refer note 40 which describes the assumptions used in determining ECL and provide an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

2.4.2 Classification of mandatory convertible Sukuk

The Bank has issued convertible Mudaraba Sukuks to its shareholders. The securities are non-redeemable for cash and will mandatorily convert into ordinary shares either at the end of a five-year term or earlier in the event of accelerated conversion. The number of ordinary shares issued upon conversion will be variable, determined by the prevailing book value at the time of conversion. The classification of the convertible Mudaraba Sukuk under the relevant AAOIFI guidance involves considerable judgment. In conducting its assessment, the directors have concluded that, based on the primary characteristics of the instrument as an unrestricted Mudaraba which represents a residual interest in the Bank's underlying assets—the Sukuk certificates meet the conditions outlined in paragraph 16 of FAS 1, "General Presentation and Disclosures in the Financial Statements," and, therefore, these are classified as equity.

2.4.3 Determining fair value of level 2 investment securities

The assessment of fair value for financial assets and liabilities that lack observable market prices necessitates the application of valuation techniques, as outlined in the significant accounting policies. For financial instruments that trade infrequently or have limited price transparency, determining fair value becomes less objective and requires varying degrees of judgment. This judgment is influenced by factors such as liquidity, market concentration, and uncertainty of market conditions, pricing assumptions, and other risks specific to the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows cash and cash equivalents comprise cash in hand, non-restricted balance with the CBO, amounts due to / from banks and financial institutions, inter-bank Wakala, with an original maturity of less than three months from the date of acquisition . Cash and cash equivalents are carried at amortised cost at the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Sales receivables and other receivables

Sales receivables and other receivables consist of the following;

- Murabaha receivables - Murabaha represents the sale of goods at cost plus an agreed profit. Murabaha receivables are stated net of deferred profits and provision for impairment. The Bank considers the promise made in the Murabaha to the purchase orderer as obligatory.
- Istisna- Istisna receivables is a sale agreement between the Bank as the seller and the customer as the ultimate purchaser whereby the Bank undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date. Istisna receivables are stated net of deferred profits and provision for impairment.

3.3 Ijara Muntahia Bittamleek and Ijara income receivables

Ijarah Muntahia Bittamleek (Ijarah MBT) is a hybrid Ijarah arrangement which, in addition to the Ijarah contract, includes a promise resulting in transfer of the ownership of the underlying asset to the lessee, either after the end of the term of the Ijarah period or by stages during the term of the contract. Such transfer of the ownership is executed through a sale or a gift, or a series of sales transactions – independent of Ijarah contract. Assets acquired for leasing (Ijara) are stated at cost, less accumulated depreciation. Leased assets are depreciated over the life of the lease in a systematic manner. Ijarah income receivables represent outstanding rentals at the end of the period less any expected credit losses.

3.4 Wakala Bil Istethmar

Wakala Bil Istithmar is used as a short to medium and long-term working capital financing tool. The Bank, in its capacity as the principal (hereinafter referred to as the "Muwakkil") appoints the client as its agent (hereinafter referred to as the "Wakil") to manage the investment amount (hereinafter referred to as the "investment amount") in Shari'a-compliant activities that may be entered into, as agreed, by the Wakil on behalf of the Muwakkil.

The prime objective of making such an investment is to generate profit from the business activities and get the Investment Amount paid back along with the realized profit amount, if any, on the investment maturity date compared to the anticipated profit rate Investments. The standard FAS 31 "Investment Agency (Wakala Bi Istithmar)" defines the accounting principles and reporting requirements for investment agency (Wakala Bi Istithmar) transactions and instruments, in the hands of both the principal and the agent. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala venture.

3.5 Musharaka financing

Diminishing Musharaka is a contract, based on Shirkat-ul-Mulk, between the Bank and a customer for joint ownership of a fixed asset (e.g. house, land, plant or machinery). The Bank divides its share in the fixed asset into units and gradually sells the ownership of these units to customer (at carrying value).It is a contract in which the Bank contributes capital. These are stated at the fair value of consideration given less impairment

3.6 Investments

Equity instruments at fair value through profit and loss (FVPL)

Investments at fair value through profit and loss include investments held for trading and investments designated upon initial recognition as investments at fair value through statement of income.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'. These investments are subsequently measured at fair value. The unrealized gains and losses arising from the re-measurement to fair value are included in the consolidated statement of income.

Equity instruments at fair value through other comprehensive income (FVOCI)

This includes all equity-type instruments that are designated as fair value through other comprehensive income upon initial recognition. Subsequent to acquisition, investments designated at fair value through other comprehensive income are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and participatory investment accounts until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income. These investments are subject to impairment testing at each reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Investments (continued)

Debt instruments at fair value through other comprehensive income (FVOCI)

These include investments which have fixed or determinable payments of profit and capital and are held within a business model whose objective is achieved by both collecting expected cashflows and selling the investments. These are initially recognised at fair value, being the value of the consideration given including transaction costs directly attributable to the acquisition. Subsequent to acquisition, investments designated at fair value through other comprehensive income are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and participatory investment accounts until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or participatory investment accounts is recognised in consolidated statement of income. These investments are subject to impairment testing at each reporting date.

3.7 Financial Instruments

a) Debt instruments at amortised cost

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

b) Classification of financial instruments

Financial assets consist of balances with Central Bank of Oman, due from banks and financial institutions, investment securities, sales receivables and other receivables, Musharaka Financing, Inter-bank Wakala Investments, Ijarah Muntahia Bittamleek, Diminishing Musharaka, Wakala Bil Istethmar and other receivables.

Financial liabilities contracts consist of customers' accounts, other payables and quasi- equity.

c) Measurement of financial Instruments

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

Amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus the capital repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability. The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate.

d) Trade and settlement date accounting

The Bank recognises financing, investments and participatory investment accountholders on the date on which they are originated. Purchases and sale of all other financial assets and liabilities are recognised on the trade date, i.e. the date that the Bank contracts to purchase or sell the asset or liability.

e) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risk and rewards of ownership.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to pay.

Financial liabilities are derecognised when the obligation specified in the contract is legally discharged, cancelled, or expired.

f) Impairment

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12-month ECL).

The 12-month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial Instruments (continued)

f) Impairment (continued)

Overview of the ECL principles (continued)

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

Stage 1: Twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the LTECL associated with the probability of default events occurring within next twelve months is recognised.

Stage 2: LTECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, LTCEL is recognised. LTECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present values of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: LTECL – credit impaired

Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract.

Calculation of ECLs

The Bank calculates ECLs based on a two probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EPR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD – The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including from the realisation of any collateral, if any. It is usually expressed as a percentage of the EAD.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

a) Significant financial difficulty of the borrower or issuer;

b) A breach of contract such as a default or past due event;

c) The restructuring of a financing or advance by the Bank on the terms that the Bank would not consider otherwise;

d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) The disappearance of an active market for a security because of financial difficulties.

A financing that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing exposure that is overdue for 90 days or more is considered impaired.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial Instruments (continued)

f) Impairment (continued)

A cooling period of one reporting period is applicable for cases which were downgraded to Stage 2, before upgrading to Stage 1.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

a) The market's assessment of creditworthiness as reflected in the Sukuk yields.

b) The rating agencies' assessments of creditworthiness.

c) The country's ability to access the capital markets for new debt issuance.

d) The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

e) The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanism. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Write-offs

Financial assets are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Presentation of Impairment losses or allowance for credit losses in the consolidated statement of financial position

Allowance for credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision under other liabilities; and
- Where a financial contract includes both a drawn and undrawn component, and the Bank has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, the Bank presents allowance for credit losses for drawn components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Allowance for credit losses for the undrawn component is presented as a provision in other liabilities.

Inputs, assumptions and techniques used for ECL calculation

Key concepts in FAS 30 that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment.

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes.

The Bank's assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on eleven factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial Instruments (continued)

f) Impairment (continued)

The Bank will consider a financial asset to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

a. The remaining Lifetime PD at the reporting date has increased as result of downgrading of internal rating by two notches;

b. Inadequate or unreliable financial and other information such as unavailability of audited financial statement

c. Non-cooperation by the counterparty in matter pertaining to documentation

d. Counterparty is the subject of litigation by third parties that may have a significant impact on his financial position

e. Frequent changes in senior management

f. Intra-group transfer of funds without underlying transactions

g. Deferment/delay in the date for commencement of commercial operations by more than one year

h. Modification of terms resulting in concessions granted to counterparty including extension of moratorium, deferment of payment, waiver of covenants, etc. In applying this requirement, bank is guided by the extant instructions of CBO in regard to treating an account as restructured.

i. A fall of 25 percent or more in the turnover or in the EBIT as compared to previous year

j. Erosion in net-worth by more than 20 percent as compared to the previous year and coupled with an increase in leverage.

k. A fall in the debt service ratio below 1.

Inputs, assumptions and techniques used for ECL calculation (continued)

Assessment of Significant Increase in Credit Risk (continued)

FAS 30 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables), that are closely correlated with credit losses in the relevant portfolio.

The Banks base case scenario is based on macroeconomic forecasts using historical information from external sources including impact of portfolio and industry related information. Where worse-case scenario is developed taking the historical information of defaults and is regressed to arrive at forward looking results.

Scenarios are probability-weighted according to the Bank best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis (if required).

Definition of default

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. FAS 30 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. The Bank considers any exposure greater than 90 days past due as a default account.

Expected life

When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. All applicable contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar assets) is derecognized when:

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.9 Jointly and self-financed

Investments, financing and receivables that are jointly owned by the Bank and participatory investment account holders are classified under the caption "jointly financed" in the financial statements. Investments, financing and receivables that are financed solely by the Bank are classified under "self-financed".

3.10 Fair value for financial assets

For investments quoted in an active market, fair value is determined by reference to quoted market prices.

For financial instruments where there is no active market, fair value is normally based on comparison with the current market value of highly similar financial instruments.

Where the fair value of an investment cannot be reliably measured, it is stated at the fair value of consideration given or amortized cost and any impairment in the value are recorded in consolidated statement of income. For Sales (Murabaha) receivables the fair value is determined at the end of the financial period at their cash equivalent value.

3.11 Fair value for non-financial assets

Market prices represent the fair value for non-financial assets. In case market prices are not available, they are assessed by taking average value of three assessments from experienced and certified parties.

3.12 Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives from the date the assets is brought in

To use as follows:	Years
Furniture	5
Fixtures	10
Equipment	7
Motor vehicle	7
Computer hardware	5

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the consolidated statement of income.

Right-of-use asset

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment.

The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Bank amortizes the right-of-use asset from

The commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The carrying value of right to use the underlying asset is presented as "Right-of-use assets" in the consolidated statement of financial position.

Amortization charge for the period is presented with net Ijarah costs under depreciation and amortization in the consolidated statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Intangible assets

Intangible assets are classified according to their useful life for a specified or unspecified period of time. Intangible assets with definite useful life are amortized over 10 years and amortisation is recorded in consolidated statement of income. For intangible assets with indefinite useful life, impairment in value is reviewed at the reporting date and any impairment in their value is recorded in consolidated statement of income.

Any indications of impairment of intangible assets are reviewed at the reporting date; in addition, the useful lives of these assets are reviewed annually. If expected useful lives vary from the estimated ones the change in estimate is adjusted prospectively.

3.14 Quasi equity-Participatory investment accounts

Participatory investment accounts (PIA) are funds held by the Bank in one common pool of participatory investment accounts, which is invested by the Bank ('Mudarib') in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts under multi-level investment arrangements. The funds received under the Wakala arrangement is invested in the Mudaraba investment pool and is considered as investment made by a participatory investment accounts.

Under both the Mudaraba and a comingled Wakala arrangement, the investment accountholder authorizes the Bank to invest the accountholder's funds in a manner which the Bank deems appropriate without laying down any restrictions as to the purpose the funds should be invested.

The Bank charges management fee (Mudarib fees) to investment accountholders. The allocation of income is determined by the management of the Bank at a pre-agreed ratio with Investment Account Holders (IAH). Administrative expenses incurred in connection with the management of the fund are borne directly by the Bank and are not charged to investment accounts. Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All participatory investment accounts are carried at cost plus profit and related reserves less amounts settled.

The basis applied by the Bank in arriving at the participatory investment accounts share of income is total investment income less shareholders' income. In case of Wakala contracts, the Bank does not acts as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share profits from the Mudaraba investment pool in the capacity of Mudarib.

3.15 Lease

At the inception of the contract, the Bank (as a "Lessee") assesses whether a contract is, or contains, a lease. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.16 Profit equalisation reserve

Profit equalization reserve, this is the amount appropriated by the Bank out of Mudaraba income before allocating the Bank's share as investment manager (Mudarib), in order to maintain a certain level of return on investment for participatory investment account holders and increase owners' equity.

3.17 Investment risk reserve

Investment risk reserve is the amount appropriated by the Bank out of profit share of the participatory investment account holders after allocating the Mudarib share, in order to cushion the effects of the risk of future investment losses.

The terms and conditions whereby investment risk reserve can be set aside and utilized are determined and approved by the Shari'a Supervisory Board of the Bank.

3.18 Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Omani Riyal at the mid-rate of exchange at the reporting date. All differences are taken into the consolidated statement of income. Translation gains or losses on non-monetary items carried at fair value are included in equity as part of the fair value adjustment.

3.19 Offsetting

Financial assets and financial liabilities are only offset and the net amount is reported when there is a Shari'a or legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Revenue recognition

Sales receivables and other receivables

Murabaha profit from sales transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised.

Istisna profit from Istisna is recognised using proportionate allocation over the future financial period of credit whereby each financial period shall carry its portion of profits irrespective of whether or not cash received.

Ijara Muntahia Bittamleek Ijara income is recognised on a time apportioned basis over the Ijara term and is stated net of depreciation.

Wakala Bil Istethmar

Income from Wakala Bil Istethmar is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Investment in Ijarah asset

Ijarah revenue is allocated proportionately to the financial periods in the lease term. Ijarah revenue is presented in the lessor's statement of income as Ijarah revenue. Initial direct cost incurred by lessee for arranging for the lease agreement is, if material, be allocated to periods in the lease term in a pattern consistent with that used for allocating Ijarah expenses. If immaterial they are charged directly as an expense to the financial period in which the lease agreement is made. Ijarah receivables are measured at their cash equivalent value.

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Bank's share as Mudarib of income from participatory investment accounts

The Bank's share as a Mudarib for managing participatory investment accounts is accrued based on the terms and conditions of the related Mudarib agreements.

Fee and commission

Any structuring or similar fee charged to the customer is recognized when the related services are provided.

Dividends

Dividends are recognized when the right to receive payment is established.

Income from investments

Income from investments is recognized when earned.

Rental income from investment in real estate

Rental income is accounted for on a straight-line basis over the term of the lease.

3.21 Net income attributable to quasi-equity

Investors' share of income is calculated based on income generated from joint investment accounts after deducting profit equalization reserve, Bank's share as Mudarib, fund provider and investment risk reserve. The investors' share of income is distributed to the investors based on average participation balance in the Mudaraba pool.

3.22 Employee benefits

Obligations for contributions to an unfunded defined benefit retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognized as an expense in consolidated statement of income as incurred.

The Bank's obligation in respect of non-Omani terminal benefits, under an unfunded defined benefits retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

3.23 Directors' remuneration

Directors' remuneration is calculated in accordance with the requirements of Commercial Companies Law and Financial Services Authority of the Sultanate of Oman.

3.24 Segment reporting

An operating segment is the component of the Bank that engages in business activities from which it may earn revenues and incur expenses including revenue and expenses that relate to transactions with any of the Bank's other components whose operating results are reviewed regularly by the management to make decisions about the resources allocated to each segment and assesses its performance and for which discrete financial information is available. The Bank's primary format for reporting segmental information is business segment, based upon management internal reporting structure. The Bank's main business segments are comprised of retail, corporate and treasury and investment banking.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Taxation

Taxation is provided for based on the tax laws of Sultanate of Oman. Income tax comprises current and deferred tax. Income tax expense is recognised in consolidated statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

3.26 Earnings prohibited by Shari'a

The Bank is committed to avoid recognising any income generated from Sharia non-compliant sources. Accordingly, all Shari'a non-complaint income is credited to a charity fund and the Bank disburses these funds according to the Shari'a Supervisory Board supervision and instructions.

3.27 Zakah

Shari'a supervisory board has the responsibility to review the Zakat account and calculate the Zakat amount for each share. Also, the disbursement of Zakat is the responsibility of Shareholders and not the responsibility of the Bank.

The Bank uses net invested assets method in order to calculate Zakah amount. Total due Zakah amounted to RO 5.8 million (2024: RO 6 million) divided into 2,236,953,032 shares equal to 0.0026 per share.

3.28 Shari'a supervisory board

All business activities, products, transactions, agreements, contracts and other relevant documents are subject to the supervision of the Shari'a Supervisory Board of the Bank which meets quarterly and consists of three prominent Shari'a scholars appointed by the General Assembly of Shareholders.

- Dr. Majid Al Kindi Chairman
- Dr. Aznan Bin Hasan Member
- Dr. Ali Al Jahdhmi Member

3.29 Mandatory convertible sukuk

Mandatory convertible sukuk of the Bank are recognised under equity. The profit on Mandatory convertible sukuk is payable semi-annually and is recorded as a deduction from equity.

3.30 Dividend on ordinary shares

Dividend on ordinary shares is recognised as liability and deducted from equity in the period when it is approved by the Bank's shareholders. Interim dividend is deducted from equity when they are paid.

3.31 Earnings per share (EPS)

The Bank presents basic and diluted earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.32 Provisions

The Bank recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and reasonable estimate of the obligation can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

3.33 Collaterals pending sale

The Bank occasionally acquires real estate in settlement of certain financing. Real estate is stated at the lower of the net realizable value of the related financing before de-recognition and the current fair value of such assets. Gains or losses on disposal and unrealized losses on revaluation are recognized in the consolidated statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.34 New standards, amendments and interpretations

3.34.1 New standards, amendments and interpretations effective from 1 January 2025

FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

This standard supersedes the existing FAS 12 General presentation and disclosures in the financial statements of Islamic Insurance Companies and introduces following key changes:

- The standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
- The presentation and disclosure in the standard have been amended to be aligned with the Sharia principles and rules relating to Takaful, whereby the Takaful operator is distinct from the participants' funds (including participants' Takaful fund (PTF) and participants' investment fund (PIF);
- The PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;
- Statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;
- Disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and
- New definitions of Takaful, Takaful institution, Takaful operator, PIF and PTF have been introduced.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations.

FAS 43 Accounting for Takaful Recognition and Measurement

This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Insurance Companies; FAS 15 – Provisions and Reserves in Islamic Insurance Companies and FAS 19 – Contributions in Islamic Insurance Companies introduces following key changes:

- New accounting treatments have been introduced in respect of matters which were not addressed or superseded standards or were not in line with the global best practices, particularly with regard to the accounting for provisions (or liability, as appropriate) for Takaful arrangements and accounting treatment and presentation for the investment component;

Accounting treatments mapped in the standard are mapped to the Sharia principles and rules relating to Takaful, including the rights and obligations of respective stakeholders of Takaful arrangements;

- New definitions for the accounting terms in respect of the newly introduced accounting treatments, as well as, improved definitions for earlier used terms, have been incorporated; and
- Accounting treatments respect to ancillary transactions have been introduced, particularly the transactions and balances between various stakeholders of Takaful institutions, eg. Accounting for Wakala fees and Qard Hassan.

Under the transitional provisions of this standard, following approaches are prescribed upon first time adoption:

- A full retrospective approach – whereby the effects of transition shall be incorporated from the beginning of the earliest period presented in the financial statements; however, the disclosure of the effect of such adoption in each line item and to the basic and diluted earnings per share shall not be mandatory; or
- A modified retrospective approach – whereby effects of transition shall be taken to retained earnings, as well as accumulated surplus or deficit in the respective Takaful funds at the beginning of the current financial period; or
- A fair value option – whereby the Takaful residual margin or loss component of the provision for the remaining entitlement period, at the transition date (beginning of the current period) shall be determined as the difference between fair value of Takaful arrangements at that date and the fair value of the fulfilment cash flows measured at that date, and the corresponding effects shall be adjusted in the retained earnings of Takaful institution, as well as accumulated surplus or deficit in the respective Takaful funds.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.34 New standards, amendments and interpretations (continued)

3.34.2 New standards, amendments and interpretations issued but not yet effective

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations.

There are no other significant FAS and amendments that were effective for the first time for the financial year beginning on or after 1 January 2025.The Bank has assessed the impact of these standards, amendments or interpretations and determined that there has been no material impact on the Bank's consolidated financial statements.

The new and amended standards and interpretations that are issued by AAOIFI, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Bank is currently assessing the impact of these standards, amendments or interpretations on the future period.

FAS 45 Quasi-Equity (Including Investment Accounts)

AAOIFI has issued FAS 45 Quasi-Equity (Including Investment Account) in 2024. The objective of this standard is to establish the principles of financial reporting related to instruments classified as quasi-equity, such as investment accounts and similar instruments invested with the Islamic financial institutions. This standard applies to all instruments that meet the definition of quasi-equity held with an institution in line with the conceptual framework. The standard will be effective from the financial periods beginning on or after 1 January 2026 with earlier adoption being permitted. Based on the initial review, Management believes that there is no significant impact on the Bank's financial statements.

FAS 46 Off-Balance-Sheet Assets under Management

AAOIFI has issued FAS 46 Off-Balance-Sheet Assets under Management in 2024. The objective of this standard is to establish the principles of financial reporting related to off-balance-sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard applies to Islamic financial institutions preparing financial statements in line with the requirements of AAOIFI Financial Accounting Standards with regard to the assets managed in a fiduciary capacity without establishing control except for the participants' Takaful fund / participants' investment fund of a Takaful institution; and an investment fund managed by an institution, being a separate legal entity. The standard will be effective from the financial periods beginning on or after 1 January 2026 with earlier adoption being permitted.

FAS 47 Transfer of Assets between Investment Pools

AAOIFI has issued FAS 47 Transfer of Assets between Investment Pools in 2024. The objective of this standard is to establish the principles of financial reporting that apply in respect of transfer of assets between various investments pools of an Islamic financial institution. This standard applies to all transfers of assets between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off-balance-sheet assets under management of all institutions, irrespective of their type or business model. The assets transferred include both monetary and non-monetary assets. The standard will be effective from the financial periods beginning on or after 1 January 2026 with earlier adoption being permitted.

FAS 48 Promotional Gifts and Prizes

AAOIFI has issued FAS 48 in 2025, the objective of this standard is to prescribe the accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions (IFIs / the institutions) to their customers, including quasi-equity and other investment accountholders. This standard shall be read in conjunction with AAOIFI Shari' ah Standard (SS) 55 "Competitions and Prizes", which provides the Shari'ah principles and rules under which such programs and their respective types can be offered. This standard shall be effective on the financial statements for the annual financial reporting period beginning on or after 1 January 2026.

FAS 49 Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 49 in 2025, The objective of this standard is to establish the principles of financial reporting for the institutions applying AAOIFI Financial Accounting Standards (FASs) operating in hyperinflationary economies, duly considering the relevant Shari'ah principles and rules and their unique business models. This standard is applicable to the institutions preparing financial statements in line with the requirements of AAOIFI FASs, whose functional currency is the currency of a hyperinflationary economy and also be applicable on consolidated financial statements of an institution to the extent of impacts relating to a subsidiaries whose functional currencies is the currencies of a hyperinflationary economy.

This standard shall be effective on the financial statements for the annual financial reporting period beginning on or after 1 January 2026.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.34 New standards, amendments and interpretations (continued)

3.34.2 New standards, amendments and interpretations issued but not yet effective

FAS 50 Financial Reporting for Islamic Investment Institutions (Including Investment Funds)

AAOIFI has issued FAS 50 in 2025,The objective of this standard is to set out the principles of financial reporting for Islamic investment institutions ((Ills) particularly prescribing overall requirements for the presentation, minimum contents and recommended structure of their financial statements in a manner that facilitates truthful and fair presentation in line with Shari' ah principles and rules. This standard shall apply to all Islamic investment institutions (Ills) and also apply to employee retirement benefit funds managed by the Islamic financial institutions (IFIs) for the benefit of their own employees, in addition to the requirements of generally accepted accounting principles. This standard shall be read in conjunction with the requirements of "Part 1: Applicable on all institutions" of FAS 1 "General Presentation and Disclosures in the Financial Statements", whereby the provisions of this standard shall be considered along with the requirements prescribed therein about the general presentation and disclosures in the financial statements of all IFIs. However, the specific provisions of this standard shall apply in case of a conflict between the requirements of the two standards.This standard shall be effective on the financial statements for the annual financial reporting period beginning on or after 1 January 2026.

The Bank is currently assessing the impact of these standards, amendments or interpretations on the future period.

4 Cash and balances with Central Bank of Oman

	2025	2024
	RO '000	RO '000
Cash in hand	**7,427**	8,879
Balances with Central Bank of Oman	**75,878**	50,101
Capital deposit with Central Bank of Oman (i)	**500**	500
	83,805	59,480

(i) The capital deposit with the Central Bank of Oman cannot be withdrawn without the prior approval of the Central Bank of Oman.

During the year, average minimum balance to be kept with Central Bank of Oman as statutory reserves was RO 47.111 million (2024: RO 44.506 million).

Impairment losses on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

5 Due from banks and financial institutions

	2025	2024
	RO '000	RO '000
Foreign banks – foreign currency	**14,793**	18,311
	14,793	18,311
Less: Impairment losses (note 12)	**(12)**	(3)
Total	**14,781**	18,308

Movement in impairment losses is set out below:

	2025	2024
	RO '000	RO '000
Balance at beginning of year	**3**	3
Provided during the year (note 12)	**9**	-
Total	**12**	3

6 Inter-bank Wakala investments

	2025	2024
	RO '000	RO '000
Central Bank of Oman –foreign currency	**59,675**	-
Foreign banks –foreign currency	**26,368**	4,620
Profit receivable	**320**	34
Local banks – local currency	**-**	19,000
	86,363	23,654
Less: Impairment losses (note 12)	**(1)**	(9)
	86,362	23,645

The impairment losses movement against Inter-bank Wakala investments is as follow:

	2025	2024
	RO '000	RO '000
Impairment losses as at 1 January	**9**	8
Impairment losses released/ provided during the year (note 12)	**(8)**	1
Balance at 31 December	**1**	9

7 Sales receivables and other receivables

	Jointly-financed 2025	Self-financed 2025	Total 2025
	RO '000	**RO '000**	**RO '000**
Sales receivables (Murabaha)- retail	**207,904**	**1,659**	**209,563**
Sales receivables (Murabaha)- corporate	**182,034**	**-**	**182,034**
Istisna receivables – corporate	**405**	**-**	**405**
Ijara rent receivables - retail	**219**	**-**	**219**
Ijara rent receivables – corporate	**430**	**-**	**430**
Credit card receivables	**4,530**	**-**	**4,530**
Gross sales receivables and other receivables	**395,522**	**1,659**	**397,181**
Less:			
Deferred profit	**(36,784)**	**(176)**	**(36,960)**
Impairment losses	**(13,516)**	**(13)**	**(13,529)**
Reserved profit	**(244)**	**(2)**	**(246)**
Net sales receivables and other receivables	**344,978**	**1,468**	**346,446**

	Jointly-financed 2024	Self-financed 2024	Total 2024
	RO'000	RO'000	RO'000
Sales receivables (Murabaha)- retail	186,968	1,625	188,593
Sales receivables (Murabaha)- corporate	157,632	-	157,632
Istisna receivables – corporate	679	-	679
Ijara rent receivables - retail	241	5	246
Ijara rent receivables – corporate	428	-	428
Credit card receivables	4,027	-	4,027
Gross sales receivables and other receivables	349,975	1,630	351,605
Less:			
Deferred profit	(31,929)	(172)	(32,101)
Impairment losses	(12,725)	(13)	(12,738)
Reserved profit	(178)	(2)	(180)
Net sales receivables and other receivables	305,143	1,443	306,586

7 Sales receivables and other receivables (continued)

The impairment losses movement against sales receivables and other receivables is as follow:

	2025	2024
	RO '000	RO '000
Balance at 1 January	12,738	10,178
Impairment losses provided during the year (note 12)	791	2,560
Balance at 31 December	13,529	12,738

The reserved profit movement against sales receivables other receivables is as follow:

	2025	2024
	RO '000	RO '000
Balance at 1 January	180	248
Profit reserved during the year	66	(68)
Balance at 31 December	246	180

The reserved profit disclosed above is the amount of profit accrued on impaired financing assets which is not recognised in the statement of consolidated statement if income as per CBO norms.

8 Investment securities

Debt/equity instruments measured at fair value through other comprehensive income (FVOCI)

	Jointly-financed	
	2025	2024
	RO'000	RO'000
Debt instruments measured at FVOCI (note i)	156,250	170,385
Equity instruments measured at FVOCI (note ii)	13,509	23,381
Total before impairment losses	169,759	193,766
Less: Impairment losses	(671)	(122)
	169,088	193,644

i. Debt instruments measured at FVOCI

	2025	2024
	RO '000	RO '000
Quoted investments		
Government Sukuk	77,956	87,755
Corporate Sukuk	26,309	17,410
Unquoted investments		
Government Sukuk	51,985	65,220
	156,250	170,385
Less: Impairment losses	(671)	(122)
	155,579	170,263

ii. Equity instruments measured at FVOCI

	2025	2024
	RO '000	RO '000
Regional un-listed funds	897	1,065
Regional un-listed shares	84	189
Local listed shares	12,021	22,127
Local un-listed funds	507	-
Total	13,509	23,381

8 Investment securities (continued)

8.1 Debt/equity instruments measured at FVOCI

	Cost 2025	Fair value 2025
	RO'000	RO'000
Local rated listed Sukuk	84,791	85,717
International un-listed Sukuk	48,892	48,912
Local listed shares	13,261	12,021
Regional listed Sukuk	10,177	10,122
International listed Sukuk	8,380	8,425
Regional un-listed Sukuk	3,074	3,074
Regional un-listed funds	901	897
Local un-listed funds	500	507
Regional un-listed shares	84	84
Less: impairment losses	-	(671)
	170,060	169,088

	Cost 2024	Fair value 2024
	RO'000	RO'000
International un-listed Sukuk	54,732	54,670
International listed Sukuk	769	762
Regional un-listed Sukuk	10,548	10,548
Regional rated listed Sukuk	3,265	3,275
Regional un-listed funds	1,065	1,065
Regional un-listed shares	334	189
Local rated listed Sukuk	99,990	100,491
Local Unrated listed Sukuk	609	639
Local listed shares	25,972	22,127
Less: Impairment losses	-	(122)
	197,284	193,644

The impairment losses against investments are as follow:

	2025	2024
	RO '000	RO '000
Balance at 1 January	122	172
Impairment losses provided/ (released) during the year (note 12)	549	(50)
Balance at 31 December	671	122

9 Musharaka financing

	2025		
	Jointly-financed	Self-financed	Total
	RO '000	RO '000	RO '000
Musharaka financing- corporate	436,239	-	436,239
Musharaka financing- retail	226,940	6,046	232,986
	663,179	6,046	669,225
Reserved profit	(1,930)	-	(1,930)
Less: Impairment losses	(17,739)	-	(17,739)
Net investment in Musharaka financing	643,510	6,046	649,556

	2024		
	Jointly-financed	Self-financed	Total
	RO '000	RO '000	RO '000
Musharaka financing corporate	418,602	-	418,602
Musharaka financing retail	187,206	4,787	191,993
	605,808	4,787	610,595
Reserved profit	(1,074)	-	(1,074)
Less: Impairment losses	(13,926)	-	(13,926)
Net investment in Musharaka financing	590,808	4,787	595,595

The Impairment losses movement against Musharaka as follow:

	2025	2024
	RO '000	RO '000
Balance at 1 January	13,926	15,219
Impairment losses provided/ released during the year (note 12)	3,813	(1,293)
Balance at 31 December	17,739	13,926

10 Ijara Muntahia Bittamleek

	2025		
	Jointly-financed	Self-financed	Total
	RO '000	RO '000	RO '000
Real estate			
Cost	237,548	10,992	248,540
Accumulated depreciation	(71,973)	(3,724)	(75,697)
Net book value	165,575	7,268	172,843
Equipment			
Cost	17,709	-	17,709
Accumulated depreciation	(10,195)	-	(10,195)
Net book value	7,514	-	7,514
Total cost	255,257	10,992	266,249
Accumulated depreciation	(82,168)	(3,724)	(85,892)
Net book value before impairment losses	173,089	7,268	180,357
Less: Impairment losses	(752)	-	(752)
Net book value after impairment losses	172,337	7,268	179,605

10 Ijara Muntahia Bittamleek (continued)

	2024		
	Jointly-financed	Self-financed	Total
	RO '000	RO '000	RO '000
Real estate			
Cost	259,422	11,790	271,212
Accumulated depreciation	(69,812)	(3,637)	(73,449)
Net book value	189,610	8,153	197,763
Equipment			
Cost	17,709	-	17,709
Accumulated depreciation	(8,450)	-	(8,450)
Net book value	9,259	-	9,259
Total cost	277,131	11,790	288,921
Accumulated depreciation	(78,262)	(3,637)	(81,899)
Net book value before impairment losses	198,869	8,153	207,022
Less: Impairment losses	(965)	-	(965)
Net book value after impairment losses	197,904	8,153	206,057

The impairment losses movement against Ijara Muntahia Bittamleek is as follow:

	2025	2024
	RO '000	RO '000
Balance at 1 January	965	1,148
Impairment loss released during the year (note 12)	(213)	(183)
Balance at 31 December	752	965

11 Wakala Bil Istethmar

	Jointly-financed	
	2025	2024
	RO '000	RO '000
Wakala Bil Istethmar	462,421	452,425
Profit Receivable	20,038	18,452
Gross investment in Wakala Bil Istethmar	482,459	470,877
Reserved profit	(1,076)	(956)
Less: impairment losses	(20,712)	(19,545)
Net investment in Wakala Bil Istethmar	460,671	450,376

The impairment losses movement against Wakala Bil Istethmar is as follows:

	2025	2024
	RO '000	RO '000
Balance at 1 January	19,545	13,458
Impairment losses created during the year (note 12)	1,167	6,087
Balance at 31 December	20,712	19,545

12 Impairment losses-net

	2025	2024
	RO '000	RO '000
Sales and other receivables (note 7)	791	2,560
Ijara Muntahia Bittamleek (note 10)	(213)	(183)
Wakala Bil Istethmar (note 11)	3,624	6,087
Musharaka financing (note 9)	3,813	(1,293)
Investments securities (note 8)	549	(50)
Due from banks (note 5)	9	-
Inter-bank Wakala investments (note 6)	(8)	1
Non-funded facilities (note 17)	(288)	507
Direct write off	253	-
	8,530	7,629

During the year, the Bank wrote off financing facilities amounting to RO 2.71 million, of which RO 2.46 million had previously been provided for as impairment loss. The remaining RO 253 thousand has been charged to the consolidated statement of income.

13 Property and equipment - net

2025	Furniture and fixture	Equipment	Motor vehicle	Computer hardware	Capital work in progress	Right-of-use assets	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January	6,531	2,141	131	4,469	5	6,730	20,007
Additions	116	316	51	156	189	1,492	2,320
Transfers	135			47	(182)	-	-
Disposal	(1,542)	(171)	(67)	(573)	-	-	(2,353)
Balance at 31 December	5,240	2,286	115	4,099	12	8,222	19,974
Accumulated depreciation at 1 January	(4,892)	(1,419)	(118)	(3,195)	-	(6,128)	(15,752)
Depreciation expense	(286)	(199)	(6)	(450)	-	(1,530)	(2,471)
Disposal	1,539	169	67	572	-	-	2,347
Accumulated depreciation at 31 December	(3,639)	(1,449)	(57)	(3,073)	-	(7,658)	(15,876)
Carrying value at 31 December	1,601	837	58	1,026	12	564	4,098

2024	Furniture and fixture	Equipment	Motor vehicle	Computer hardware	Capital work in progress	Right-of-use assets	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January	6,028	1,981	131	4,040	187	6,223	18,590
Additions	347	160	-	429		507	1,443
Transfers	182	-	-	-	(182)	-	-
Disposal	(26)	-	-	-	-	-	(26)
Balance at 31 December	6,531	2,141	131	4,469	5	6,730	20,007
Accumulated depreciation at 1 January	(4,652)	(1,246)	(113)	(2,762)	-	(4,577)	(13,350)
Depreciation expense	(266)	(173)	(5)	(433)	-	(1,551)	(2,428)
Disposal	26	-	-	-	-	-	26
Accumulated depreciation at 31 December	(4,892)	(1,419)	(118)	(3,195)	-	(6,128)	(15,752)
Carrying value at 31 December	1,639	722	13	1,274	5	602	4,255

14 Intangible assets

2025	Software	Capital work in progress	Total
	RO '000	RO '000	RO '000
Carrying value at 1 January	3,390	1,481	4,871
Additions	49	2,799	2,848
Transfers	1,127	(1,127)	-
Disposals	(426)	-	(426)
Amortisation	(533)	-	(533)
Carrying value at 31 December	3,607	3,153	6,760

2024	Software	Capital work in progress	Total
	RO '000	RO '000	RO '000
Carrying value at 1 January	2,848	679	3,527
Additions	171	1,652	1,823
Transfers	850	(850)	-
Amortisation	(479)	-	(479)
Carrying value at 31 December	3,390	1,481	4,871

15 Other assets

	2025	2024
	RO '000	RO '000
Profit receivable	22,168	15,573
Asset seized by Bank	6,309	6,552
Prepaid expense	758	726
Refundable deposits	89	89
Inventory	37	43
Others	2,182	1,028
	31,543	24,011

16 Customers' accounts

	2025	2024
	RO '000	RO '000
Current accounts	156,796	117,100
Margin accounts	109,156	109,229
	265,952	226,329

17 Other liabilities

	2025	2024
	RO '000	RO '000
Profit payable (ii)	18,750	16,055
Creditors and accruals (i)	14,832	23,840
Payment orders	4,657	5,404
Tax liability (note (34)	3,370	3,407
Expected credit loss on non-funded facilities (note 12)	1,499	1,787
Deferred tax liability (note (34)	356	312
Lease liability	241	306
Others	1,376	725
	45,081	51,836

17 Other liabilities (continued)

i) Creditors and accrual includes payment due to suppliers towards LC Murabaha amounting to RO 9.1 million (2024: RO 15.3 million).

ii) Profit payable represents accrued profit payable to participatory investment account holders.

18 Source and uses of charity fund

	2025	2024
	RO '000	RO '000
Balance as at beginning of year		
Shari'a non-compliant income for the year		
Late payment by customers	**86**	121
Total sources available	**86**	121
Use of charity fund*	**86**	121
Undistributed charity fund as at end of the year	**-**	-

* The charity fund is utilized by making contribution to organizations which are registered with the Ministry of Awqaf and Religious affairs, namely Zakat Seeb Committee, Oman Charitable Organization, Waqaf of Seraj Education, Amerat School of the care of Holy Quran and Oman Association of the Care of Holy Quran.

19 Quasi- Equity - Participatory investment accounts

	2025	2024
	RO '000	RO '000
Inter-bank Wakala (refer note (a) below)	**54,838**	12,254
Customers' Wakala (refer note (b) below)	**960,750**	886,858
Customers' Mudaraba (refer note (c) below)	**420,030**	447,067
Investment fair value reserve	**(37)**	(517)
	1,435,581	1,345,662

Participatory investment accounts comprise Mudaraba deposits and Wakala deposits accepted by the Bank. The funds received from Participatory investment accounts have been commingled and jointly invested by the Bank. The Bank has utilised full amount of investment risk reserve during the current year. Participatory investment account holders' fund is commingled with Bank's and Wakala fund to form one general Mudaraba pool. This pooled fund is used to fund and invest in banking assets generating income, however no priority is granted to any party for the purpose of investments and distribution of profits.

The Bank does not allocate non-performing assets to participatory investment accounts pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to participatory investment accounts. Only the profits earned on pool of assets funded from participatory investment accounts and owners' equity are allocated between the owners' equity and participatory investment accounts. As per the policy of the Bank for Mudaraba participatory investment accounts, minimum of 50% of profits attributable on Mudaraba investments is distributed to Mudaraba accountholders and 50% is retained by the Bank as Mudarib share. The Bank did not charge any administration expenses to investment accounts.

a) Inter-bank Wakala

	2025	2024
	RO '000	RO '000
Local banks – local currency	**25,000**	3,850
Local banks – foreign currency	**3,850**	-
Foreign banks – foreign currency	**25,988**	7,315
Foreign banks – local currency	**-**	1,089
	54,838	12,254

b) Customers' Wakala

Under Wakala arrangement, Bank accepts funds from investors as Wakeel and invests in Sharia compliant assets. Wakeel is entitled to a fixed fee as a lump sum or percentage of fund provided. Expected profit payout is mentioned to investors upfront while any return generated in excess of expected profit is retained by the Bank as Wakeel. Wakeel should bear the loss in case of Wakeel's default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss would be borne by the investor or Muwakkil.

19 Quasi- Equity - Participatory investment accounts (continued)

c) Customers' Mudaraba accounts

Account type	2025	2024
	RO '000	RO '000
Saving account	**332,490**	345,374
Investment accounts:	**-**	
One month	**89**	48
Three months	**180**	281
Six months	**1,034**	1,109
Nine months	**174**	141
One year	**32,143**	33,838
One and a half year	**1,394**	1,735
Two years	**45,534**	57,171
Three years	**824**	702
Four years	**194**	242
Five years	**2,078**	2,040
More than five years	**3,896**	4,386
	420,030	447,067

Basis of distribution of profit between owners' equity and customers' Mudaraba accounts

The investment profits have been distributed between owners' equity and customers' Mudaraba accounts for the year 2025 and 2024 as follows:

	2025 Percentage	2024 Percentage
Customers' Mudaraba accounts share	**50%**	50%
Mudarib share	**50%**	50%

The investment risk reserve is nil percent (2024: nil) is deducted from customers' share after allocating the Mudarib share of profit as per the approved policy in order to cater against future losses of customers' Mudaraba accounts. Investment risk reserve will revert to the investment accountholders as per terms and conditions of Mudaraba contract.

The profit equalisation reserve (PER) at nil percent (2024: nil). PER is the amount the Bank appropriates in excess of the profit to be distributed to customers' Mudaraba accounts before allocating the Mudarib share of income to maintain a certain level of return. Profit equalisation reserve will revert to customers' Mudaraba accounts.

The percentages of the profit allocation between customers' Mudaraba accounts are as follows:

Account type	Participation factor		2025 average rate of return	2024 average rate of return
	RO	USD	RO	RO
Saving account	**10% - 70%**	**15% - 30%**	**1.03%**	1.00%
One-month tenure	**46% - 50%**	**-**	**1.79%**	1.74%
Three months tenure	**51% - 55%**	**-**	**1.98%**	1.93%
Six months tenure	**61% - 68%**	**-**	**2.46%**	2.39%
Nine months tenure	**66% - 73%**	**-**	**2.67%**	2.58%
One-year tenure	**71% - 78%**	**-**	**2.87%**	2.79%
One year and a half tenure	**78.5% - 85%**	**-**	**3.06%**	2.98%
Two years tenure and above	**79.5% - 87%**	**-**	**3.15%**	3.07%

Customers' Mudaraba accounts are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged to the Bank.

20 Paid-up capital

The authorised share capital of the Bank is RO 300,000,000 and the issued and paid up capital is RO 220,010,538 divided into 2,236,953,032 shares of a nominal value of RO 0.098 each (31 December 2024: RO 220,010,538 divided into 2,236,953,032 shares of a nominal value of RO 0.098 each).

Aflaj Financial Investment Holding SAOC is the only shareholder which owns 10% or more of the Bank's shares. On 31 December 2025 shareholding of Aflaj Financial Investment Holding SAOC was 782,933,561 shares equivalent to 35% (31 December 2024: shareholding of Aflaj Financial Investment Holding SAOC was 782,933,561 shares equivalent to 35%).

21 Share premium

This represent share premium of RO 2,091,192 on issue of the shares of the Bank through Initial Public Offering (IPO).

22 Reserves

22.1 Investment fair value reserve

The fair value reserve includes the cumulative net change in fair value of the investment at fair value through other comprehensive income.

22.2 Legal reserve

	2025	2024
	RO '000	RO '000
1 January	**9,538**	7,727
Appropriation for the year	**2,005**	1,811
31 December	**11,543**	9,538

In accordance with Article 274 of Commercial Companies Law of 2019, annual appropriation of 10% of the profit for the year is required to be made to legal reserve until such time that accumulated reserve equals to one third of the Bank's paid up capital. This reserve is not available for distribution.

23 Mandatory Convertible Sukuk

In the previous year, the Bank established a Mudaraba Sukuk issuance program with a total value of RO 50 million, in multiple tranches. On 25 July 2024, the Bank issued the first series, and on 3 June 2025, the Bank issued the second series of mandatory convertible Mudaraba Sukuk to its shareholders, amounting to RO 9,999,180 (99,991,801 certificates at RO 0.100 per certificate), each. The summary of key terms and conditions of this issue are as follows:

i) The securities are not redeemable for cash and will mandatorily convert into ordinary shares either at the end of a five-year term or sooner in the case of accelerated conversion.

ii) The conversion will result in a variable number of ordinary shares based on the prevailing book value at the time of conversion.

iii) These securities are unsecured and subordinated to senior creditors, ranking only above ordinary shares.

iv) The initial anticipated profit rate on the securities is 6% per annum, payable semi-annually in arrears. Payment of profit is solely at the discretion of the Bank and will not accumulate if the Bank chooses not to make a payment.

v) The instrument is listed at Muscat Stock Exchange (MSX) and is qualified to be treated as additional Tier 1 instrument as per Basel II.

The Bank has evaluated the instrument's features and classified the convertible Sukuk as equity as per relevant FAS guidance. Refer note 2.4.2 for the details of the assessment and significant judgement used by the Bank for the classification.

24 Contingent liabilities and commitments

a) Contingent liabilities

	2025	2024
	RO '000	RO '000
Letters of guarantee	**156,151**	151,705
Letters of credit	**92,911**	119,482
Acceptances	**4,008**	7,006
Bills for collection	**1,945**	210
Total contingent liabilities (a)	**255,015**	278,403

The table below analysis the concentration of contingent liabilities by economic sector:

	2025	2024
	RO '000	RO '000
Construction	**74,257**	88,290
Manufacturing	**19,242**	36,507
Service	**26,240**	14,778
Others	**135,276**	138,828
	255,015	278,403

b) Commitments

	2025	2024
	RO '000	RO '000
Unutilised limits	**204,966**	147,807
Capital expenditure	**632**	770
Total commitments (b)	**205,598**	148,577
Total contingent liabilities and commitments (a+b)	**460,613**	426,980

25 Sales receivables and other receivables revenue

	Jointly-financed	
	2025	2024
	RO '000	RO '000
Retail	**8,919**	8,854
Corporate	**8,679**	6,486
	17,598	15,340

26 Ijara Muntahia Bittamleek revenue

	Jointly-financed	
	2025	2024
	RO '000	RO '000
Ijara Muntahia Bittamleek – real estate	**38,537**	30,053
Ijara Muntahia Bittamleek – equipment	**1,652**	3,017
Depreciation on Ijara Muntahia Bittamleek assets	**(30,524)**	(22,078)
	9,665	10,992

27 Profit from Musharaka Financing

	Jointly-financed	
	2025	2024
	RO '000	RO '000
Retail	**10,866**	8,812
Corporate	**26,817**	23,472
	37,683	32,284

28 Profit from inter-bank Wakala investment

	Jointly-financed	
	2025	2024
	RO '000	RO '000
Inter-bank Wakala local currency	**127**	243
Inter-bank Wakala foreign currency	**1,060**	818
	1,187	1,061

29 Profit from investment securities

	Jointly-financed	
	2025	2024
	RO '000	RO '000
Profit on Sukuk and funds	**9,173**	8,140
Dividend income	**1,966**	789
Gain on sale of Sukuk and shares	**343**	438
	11,482	9,367

30 Net income attributable to quasi- equity

	2025	2024
	RO '000	RO '000
Profit paid on wakala	**46,939**	42,519
Saving accounts	**3,011**	3,234
Investment accounts	**3,794**	2,486
	53,744	48,239

31 Bank's income from its own investments and financing

	2025	2024
	RO '000	RO '000
Sales receivables revenue	**23**	56
Musharaka financing revenue	**171**	147
Ijara Muntahia Bittamleek revenue - net of depreciation	**230**	237
	424	440

32 Revenue from banking services

	2025	2024
	RO '000	RO '000
Processing fees	**6,483**	6,678
Commissions income	**3,323**	3,047
Service charges	**2,514**	2,863
	12,320	12,588

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For the year ended 31 December 2025

33 Operating expenses

	2025	2024
	RO '000	RO '000
Staff cost	**17,863**	16,664
Advertisement	**2,400**	1,912
Maintenance expense	**2,032**	1,896
Cards expense	**1,474**	1,428
Telephone, electricity and water	**957**	829
Professional and consulting charges	**659**	679
Security and cleaning	**412**	381
Boards expenses	**330**	417
Government fee	**318**	270
Subscription expense	**170**	189
Printing and stationery	**113**	123
Traveling expense	**112**	115
Finance charges on lease liability	**59**	70
Operational leasing	**25**	21
Others	**945**	640
	27,869	25,634

34 Income tax

34.1 Recognized in the consolidated statement of income

	2025	2024
	RO '000	RO '000
Current tax liability	**3,154**	2,967
Deferred tax / Tax provision recognized from previous year	**46**	86
Income tax expense	**3,200**	3,053

The Bank is subject to income tax at the rate of 15% of taxable profits (2024 - 15%).

34.2 Reconciliation

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense:

	2025	2024
	RO '000	RO '000
Profit as per financial statements	**23,251**	21,164
Tax liability at the rate mentioned above	**3,488**	3,175
Non-deductible expenses and other permanent differences	**(299)**	(137)
Deferred tax/ tax provision recognized from previous years	**11**	15
	3,200	3,053

34 Income tax

34.3 Net deferred tax liability routed through consolidated statement of income are attributable to the following items:

Deferred tax liability is attributable to the following items:

	As at 1 Jan 2025	Recognised in income	As at 31 Dec 2025
	RO'000	RO'000	RO'000
Property and equipment	(419)	(44)	(463)
Other provisions	107	-	107
Net deferred tax liability	(312)	(44)	(356)

	As at 1 Jan 2024	Recognised in income	As at 31 Dec 2024
	RO'000	RO'000	RO'000
Property and equipment	(358)	(61)	(419)
Other provisions	117	(10)	107
Net deferred tax liability	(241)	(71)	(312)

The tax assessment of the Bank for the tax years up to 2020 have been agreed with the Tax Authority. The Bank has received the tax assessment orders from the Tax Authority for the years 2021 and 2022, which are currently under discussion with the Tax Authority. No deferred tax assets and liabilities routed through owner's equity is attributable to investment fair value reserve.

35 Net assets per share

Net assets per share is calculated by dividing the net assets at the year-end by number of shares outstanding at the end of reporting period

	2025	2024
	RO '000	RO '000
Net assets attributable to ordinary shareholders (RO'000)	279,351	263,001
Number of shares at reporting date	2,236,953,032	2,236,953,032
Net assets per share (RO)	0.125	0.118

36 Earnings per share- basic and diluted

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to ordinary shareholders is as follows:

	2025	2024
Profit for the year (RO'000)	20,051	18,111
Less : Profit on Mandatory convertible sukuk (RO'000)	(958)	(267)
Profit attributable to ordinary shareholders for basic earnings per share	19,093	17,844
Weighted average number of shares outstanding during the year for basic earnings per share	2,236,953,032	2,236,953,032
Adjustments for calculation of diluted earnings per share		
Mandatory Convertible Sukuk	126,357,158	38,407,261
Adjusted weighted average number of shares outstanding during the year for diluted earnings per share	2,363,310,190	2,275,360,293
(Earnings per share basic (RO	0.009	0.008
(Earnings per share diluted (RO	0.008	0.008

Earnings per share basic and diluted has been derived by dividing profit for the year attributable to the shareholders' by weighted average number of shares outstanding.

37 Segment reporting

For management purposes, the Bank is organised into three operating segments based on business units and are as follows:

Retail banking offers various products and facilities to individual customers to meet everyday banking needs.

Corporate banking delivers a variety of products and services to corporate and SMEs customers that includes financing, accepting deposits, trade finance and foreign exchange.

Treasury and investment banking provide a full range of treasury products and services including money market and foreign exchange to the clients in addition to managing liquidity and market risk, in addition to asset management corporate advisory and investment products high net worth individuals and institutional clients.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segmental assets, liabilities, income, and expenses are measured in accordance with the Bank's accounting policies.

Segment information is as follows:

31 December 2025	Retail banking RO'000	Corporate banking RO'000	Treasury and investment RO'000	Others RO'000	Total RO'000
Total revenue (joint)	27,855	61,530	12,659	-	102,044
Bank's income from its own investments and financing	424	-	-	-	424
Other operating income	3,712	8,574	1,644	-	13,930
Total revenue	31,991	70,104	14,303	-	116,398
Staff cost	(10,947)	(5,576)	(1,340)	-	(17,863)
Other operating expenses	(5,573)	(3,834)	(599)	-	(10,006)
Depreciation and amortisation	(2,412)	(505)	(87)	-	(3,004)
Total expense	(18,932)	(9,915)	(2,026)	-	(30,873)
Profit before provisions and tax	13,059	60,189	12,277	-	85,525
Impairment losses	305	(8,285)	(550)	-	(8,530)
Profit for the year before net profit attributable to quasi equity	13,364	51,904	11,727	-	76,995
Less: Net income to attributable to quasi-equity	(8,597)	(43,795)	(5,472)	4,120	(53,744)
Profit before tax	4,767	8,109	6,255	4,120	23,251
Income tax	-	-	-	(3,200)	(3,200)
Profit for the year	4,767	8,109	6,255	920	20,051
Total assets	571,515	1,043,226	353,716	64,258	2,032,715
Total liabilities and Quasi equity (Participatory investment accounts)	677,204	969,529	61,588	45,043	1,753,364

37 Segment reporting (continued)

	Retail banking	Corporate banking	Treasury and investment	Others	Total
31 December 2024	RO'000	RO'000	RO'000	RO'000	RO'000
Total revenue (joint)	26,216	54,268	10,516	-	91,000
Bank's income from its own investments and financing	440	-	-	-	440
Other operating income	3,343	9,435	1,355	-	14,133
Total revenue	29,999	63,703	11,871	-	105,573
Staff cost	(10,553)	(5,039)	(1,072)	-	(16,664)
Other operating expenses	(5,466)	(3,005)	(499)	-	(8,970)
Depreciation and amortisation	(2,381)	(452)	(74)	-	(2,907)
Total expense	(18,400)	(8,496)	(1,645)	-	(28,541)
Profit before provisions and tax	11,599	55,207	10,226	-	77,032
Impairment losses	(322)	(7,356)	49	-	(7,629)
Profit for the year before net profit attributable to quasi equity	11,277	47,851	10,275	-	69,403
Less: Net income to attributable to quasi-equity	(7,964)	(40,993)	(4,609)	5,327	(48,239)
Profit before tax	3,313	6,858	5,666	5,327	21,164
Income tax	-	-	-	(3,053)	(3,053)
Profit for the year	3,313	6,858	5,666	2,274	18,111
Total assets	531,669	1,006,706	295,042	53,411	1,886,828
Total liabilities and Quasi equity (Participatory investment accounts)	635,698	924,556	12,254	51,319	1,623,827

38 Fair value of financial instruments

(a) Fair values of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying value and fair value estimates. As at the reporting date the fair values of the Bank's financial instruments are not significantly different from their carrying values.

(b) Fair values of financial instruments valuation hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. This fair value disclosure is divided into three levels as follows:

Level 1 portfolio

Level 1 assets and liabilities are typically exchange -traded positions and some government bonds traded in active markets. These positions are valued using unadjusted quoted prices in active markets.

Level 2 portfolio

Fair value is determined using valuation techniques based on valuation models with directly or indirectly market observable inputs. These valuation techniques include discounted cash flow analysis models, option pricing models, simulation models and other standard models commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as level 2.

38 Fair value of financial instruments (continued)

(b) Fair values of financial instruments valuation hierarchy (continued)

Level 3 portfolio

Level 3 assets are valued using techniques similar to those outlined for level 2, except that if the instrument has one or more inputs that are unobservable and significant to the fair value measurement of the instrument in its entirety, it will be classified as level 3.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Transfer between Level 1 and 2

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy of investment securities during the year.

	Level 1	Level 2	Level 3	Total
	RO '000	RO '000	RO '000	RO '000
Investment securities (note 8)	116,285	53,474	-	169,759
Total financial assets at 31 December 2025	116,285	53,474	-	169,759

	Level 1	Level 2	Level 3	Total
	RO '000	RO '000	RO '000	RO '000
Investment securities (note 8)	127,292	66,474	-	193,766
Total financial assets at 31 December 2024	127,292	66,474	-	193,766

(c) Sensitivity analysis

A change of 1% in the fair value of level 2 unquoted investments leads to a change in the Bank's total assets by about RO 519 thousands (2024: RO 664 thousands).

39 Related party transactions

The Bank's related parties include principal shareholders, directors, senior management and/or and companies over which they have significant influence. The Bank enters into certain transactions in the ordinary course of business with related parties and at mutually agreed terms for each of transactions. The related party transactions are conducted on terms comparable to those offered to non-related parties. The aggregate amounts of balances with such related parties are as follows:

31 December 2025	Principal shareholders and directors	Shari'a Board members	Senior management	Total
	RO '000	RO '000	RO '000	RO '000
Sales receivables and other receivables	3,102	-	354	3,456
Ijara Muntahia Bittamleek	253	-	921	1,174
Musharaka Financing	2,646	-	389	3,035
Customers' accounts	3,658	-	168	3,826
Participatory investment accounts	306,459	-	635	307,094

39 Related party transactions (continued)

31 December 2024	Principal shareholders and directors	Shari'a Board members	Senior management	Total
	RO '000	RO '000	RO '000	RO '000
Sales receivables and other receivables	165	-	150	315
Ijara Muntahia Bittamleek	291	-	877	1,168
Musharaka Financing	2,449	-	182	2,631
Customers' accounts	586	-	75	661
Participatory investment accounts	223,709	-	333	224,042

The impairment losses for exposures to related parties amount to RO 46,158 (2024: 39,000).

The statement of consolidated income includes the following amounts in relation to transactions with related parties:

31 December 2025	**Principal shareholders and directors**	**Shari'a Board members**	**Senior management**	**Total**
	RO '000	RO '000	RO '000	RO '000
Profit account	**75**	**-**	**82**	**157**
Profit Expense	**(9,702)**	**-**	**(5)**	**(9,707)**
Operating expenses				
- Staff expense	**-**	**-**	**(2,477)**	**(2,477)**
- Other expenses	**(267)**	**(63)**	**-**	**(330)**

31 December 2024	**Principal shareholders and directors**	**Shari'a Board members**	**Senior management**	**Total**
	RO'000	RO'000	RO'000	RO'000
Profit account	315	-	50	365
Profit Expense	(12,141)	-	(1)	(12,142)
Operating expenses				
- Staff expense	-	-	(2,507)	(2,507)
- Other expenses	(349)	(67)	-	(416)

Senior management comprises of 19 personnel (2024: 16) of the management executive committee in the year 2025. The Bank considers the personnel of Management Executive Committee to be key management personnel for the purposes of 'Related Party Disclosures.

40 Financial risk management

The Bank's activities expose it to a variety of financial risks. The management's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The Bank's risk management program is designed to set out the overarching philosophy, principles, requirements and responsibilities for a sound approach to risk oversight, management and on-going internal control assurance required within the Bank. All risk management policies and systems are regularly reviewed to reflect changes in markets, products and emerging best practice. Risk management is carried out by the Bank under policies approved by the Board of Directors. Risk policies explain the Bank's underlying approach to risk management, roles and responsibilities of the key players in risk management process as well as outlines tools and techniques for management of risks. The principal risks associated with the banking business are: credit risk, market risk, liquidity risk and operational risk.

The high-level risk framework mainly addresses the following:

- The oversight of board and senior management
- Overall policy approach of the Bank to establish risk appetite/tolerance, procedures and limits
- Identification, measurement, mitigation, controlling and reporting of risks
- Risk MIS at the Bank wide level

The risk management processes have been effective throughout the year and members of Senior Management and Board of Directors have remained active and involved in maintaining risk profile of the Bank at acceptable level and adequate capital is held as per the regulatory requirements.

40 Financial risk management (continued)

Credit risk (continued)

Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from potential that a customer or counterparty's willingness to meet an obligation or its ability to meet such an obligation is impaired, resulting in an economic loss to the Bank. Credit risk management, administration and control are carried out by risk management teams, which report to the Board Governance, Risk and Compliance Committee. The Bank has well defined credit structures under which credit committees, comprising of senior officers with requisite banking background, critically scrutinize and sanction financing up to the delegated authority. The Bank's exposure to credit is managed on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential of risk concentration, counterparty limits, group exposure limits, and industry limits are monitored in light of changing

Counterparty and market conditions. All credit decisions are taken as per the Bank's credit risk policies and CBO regulations and are monitored accordingly. For purpose of capital charge, the Bank uses Basel II standardized approach. With the recent adoption of FAS 30 standards, credit risk management has been enhanced further where more attributes have been taken into consideration, including but not limited, identifying existing emerging key risks related to industry, economics, transaction structure, terms and condition of the payments etc in assessment of ECL.

In addition to this, the Bank has also employed statistical model to incorporate related macro-economic factors including historical default rates. In absence of some important parameters or the where the information is too much deviated from the present forecast, qualitative PD overlay is used by the management after analysing the portfolio as per diagnostic tool.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically. Refer to note 40(m) for information about the macroeconomic variable used by the Bank.

Types of credit risk

Credit risk arises mainly on sales receivables and other receivables, Ijara Muntahia Bittamleek, Wakala Bil Istethmar, Musharaka financing, due from banks, investment securities and interbank wakala.

Sales receivable and other receivables

The Bank finances these transactions based on two structures:

1) Murabaha: In this structure, the Bank buys an asset which represents the object of the Murabaha and the Bank resells this asset to the customer (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in instalments by the customer over the agreed period. The transactions are secured at all times by the object of the Murabaha (in case of real estate and auto finance) and other times by a total collateral package securing the facilities given to the client.
2) Istisna: This is a sale agreement between the Bank as the seller and the customer as the ultimate purchaser whereby the Bank undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date. Istisna is stated net of deferred profits and provision for impairment.

Ijara Muntahia Bittamleek

This is a lease whereby the legal tittle of the leased asset passes to the lessee at the end of the Ijara (lease) term, provided that all Ijara Instalments are settled.

Wakala Investments

This is an investment in which the Bank, in its capacity as the "Muwakkil" (Principal) appoints the customer as "Wakeel" (Agent) to manage the invested fund amount in Sharia-compliant activities that may be entered into, as agreed, by the Wakeel on behalf of the Muwakkil. The investment amount is not guaranteed while the profit rate is anticipated and cannot be fixed. Therefore, the utmost care is taken before taking any exposure.

Musharaka financing

Musharaka means relationship established under a contract by a mutual consent of parties for profits and losses arising from a joint enterprise or venture. Investments come from all partners/shareholders and profits are distributed in the proportion mutually agreed in the contract. If one or more partners choose to become non-working or silent partners, the ratio of their profit cannot exceed the ratio which their capital investment bears to the total capital investment in Musharaka. Under the arrangement, both partners mutually agree to contribute capital for the Musharaka business activity and share any profit arising from the Asset or business activities according to a pre-agreed ratio, while loss is borne proportionate to their respective capital contribution.

40 Financial risk management (continued)

Credit risk (continued)

Capital from the Bank (finance amount) can either be disbursed as a lump-sum amount or staggered through progressive payments, as mutually agreed by both parties in the agreement. The Musharaka Asset is co-owned by the Bank and the client proportionate to their respective capital contribution. In such a transaction, the Bank takes a risk in the Musharaka Asset to an extent of its share / capital contribution in it. The Bank's exposure (and hence the associated risk) continues to reduce over the life of the transaction, as the customer buys back units of the Bank's ownership share in the Musharaka Asset.

In case of a loss, the Bank bears the loss equivalent to its share / capital contribution in the Musharaka Asset. However, this is applicable subject to the fact that the loss has not occurred due to the gross negligence or wilful misconduct of the customer, as the Musharaka Manager, in which case, the customer shall solely be responsible for the entire loss.

The analysis of financial instruments is given below:

(a) Geographical concentrations of financial instruments

	Assets			Liabilities		
31 December 2025	**Gross due from banks and Interbank Wakala investment**	**Gross financing**	**Gross investments in Sukuk and securities**	**Customers' account, Customers' Mudaraba, and Customers' Wakala**	**Interbank Wakala**	**Contingent liabilities and commitments**
	RO '000	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**RO '000**
Sultanate of Oman	**59,675**	**1,668,972**	**98,244**	**1,646,732**	**28,850**	**445,133**
Other GCC countries	**27,031**	**-**	**12,401**	**-**	**11,982**	**5,975**
Europe and North America	**14,068**	**-**	**1,463**	**-**	**36**	**3,160**
Africa and Asia	**62**	**-**	**57,651**	**-**	**20,720**	**6,345**
	100,836	**1,668,972**	**169,759**	**1,646,732**	**61,588**	**460,613**

	Assets			Liabilities		
31 December 2024	Due from banks and Interbank Wakala investment	Gross financing	Gross investments in Sukuk and securities	Customers' account, Customers' Mudaraba, and Customers' Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Sultanate of Oman	19,000	1,587,336	123,256	1,560,254	3,850	388,839
Other GCC countries	11,555	-	15,078	-	37	18,382
Europe and North America	10,463	-	762	-	20	9,291
Africa and Asia	913	-	54,670	-	8,347	10,468
	41,931	1,587,336	193,766	1,560,254	12,254	426,980

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

40 Financial risk management (continued)

Credit risk (continued)

(b) Customer concentrations of financial instruments

	Assets			Liabilities		
2025	**Due from banks and Interbank Wakala investment**	**Gross Financing**	**Investments in Sukuk and securities**	**Customers' account, Customers' Mudaraba, and Customers' Wakala**	**Interbank Wakala**	**Contingent liabilities and commitments**
	RO '000	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**RO '000**
Personal	**-**	**572,895**	**-**	**603,632**	**-**	**-**
Corporate	**41,161**	**1,096,077**	**39,817**	**352,768**	**61,588**	**404,137**
Government	**59,675**	**-**	**129,942**	**690,332**	**-**	**56,476**
Total	**100,836**	**1,668,972**	**169,759**	**1,646,732**	**61,588**	**460,613**

	Assets			Liabilities		
2024	Due from banks & Interbank Wakala investment	Gross Financing	Investments in Sukuk & securities	Customers' account, Customers' Mudaraba, and Customers' Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Personal	-	533,412	-	582,956	-	-
Corporate	41,931	1,053,924	40,791	356,950	12,254	370,504
Government	-	-	152,975	620,348	-	56,476
Total	41,931	1,587,336	193,766	1,560,254	12,254	426,980

(c) Economic sector concentrations of financial instruments

	Assets			Liabilities		
2025	**Due from banks and interbank Wakala**	**Gross financing**	**Investments in Sukuk and securities**	**Customers' account, Customers' Mudaraba, and Customers' Wakala**	**Interbank Wakala**	**Contingent liabilities and commitments**
	RO '000	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**RO '000**
Personal	**-**	**572,895**	**-**	**603,632**	**-**	**-**
Construction	**-**	**104,640**	**-**	**9,430**	**-**	**92,698**
Manufacturing	**-**	**104,238**	**-**	**-**	**-**	**51,225**
Financial services	**41,161**	**-**	**1,637**	**-**	**61,588**	**19,780**
Government	**59,675**	**-**	**129,942**	**690,332**	**-**	**56,476**
Oil& Gas	**-**	**173,747**	**-**	**-**	**-**	**-**
Trading	**-**	**167,340**	**-**	**-**	**-**	**-**
Real Estate	**-**	**72,284**	**-**	**-**	**-**	**-**
Other services	**-**	**275,680**	**-**	**257,602**	**-**	**36,359**
Others	**-**	**198,148**	**38,180**	**85,736**	**-**	**204,075**
Total	**100,836**	**1,668,972**	**169,759**	**1,646,732**	**61,588**	**460,613**

40 Financial risk management (continued)

Credit risk (continued)

(c) Economic sector concentrations of financial instruments

	Assets			Liabilities		
	Due from banks and interbank Wakala	Gross financing	Investments in Sukuk and securities	Customers' account, Customers' Mudaraba, and Customers' Wakala	Interbank Wakala	Contingent liabilities and commitments
2024	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Personal	-	533,412	-	582,956	-	-
Construction	-	110,085	-	11,041	-	88,289
Manufacturing	-	102,133	-	12,616	-	36,507
Financial services	41,931	-	-	-	12,254	591
Government	-	-	152,975	620,348	-	56,476
Oil& Gas	-	92,689	-	-	-	18,385
Trading	-	83,941				8,831
Real Estate	-	63,728				9,822
Other services	-	249,721	-	3,684	-	14,778
Others	-	351,627	40,791	329,609	-	193,301
Total	41,931	1,587,336	193,766	1,560,254	12,254	426,980

(d) Gross credit exposure of financial assets

	2025	2024
	RO '000	RO '000
Gross financing	1,668,972	1,587,336
Due from banks and interbank Wakala	100,836	41,931
Investments securities	169,759	193,766
	1,939,567	1,823,033

(e) Geographical distribution of exposures financial assets by product wise:

	Sultanate of Oman	Other countries	Total
31 December 2025	RO '000	RO '000	RO '000
Gross Sales receivables and other receivables	359,975	-	359,975
Gross Ijarah Muntahia Bittamleek	180,357	-	180,357
Gross Musharaka financing	667,295	-	667,295
Gross Wakala Bil Istethmar	461,345	-	461,345
Investments securities	98,244	71,515	169,759
Due from banks and interbank Wakala	-	100,836	100,836
	1,767,216	172,351	1,939,567

	Sultanate of Oman	Other countries	Total
31 December 2024	RO '000	RO '000	RO '000
Gross Sales receivables and other receivables	319,324	-	319,324
Gross Ijarah Muntahia Bittamleek	204,322	-	204,322
Gross Musharaka financing	612,220	-	612,220
Gross Wakala Bil Istethmar	451,470	-	451,470
Investments securities	123,256	70,510	193,766
Due from banks and interbank Wakala	19,000	22,931	41,931
	1,729,592	93,441	1,823,033

40 Financial risk management (continued)

Credit risk (continued)

(f) Industry type distribution of exposures by major types of credit exposures:

	Due from banks and interbank Wakala	Gross Sales receivables and other receivables	Gross Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Investment securities	Total	Off balance sheet exposures
2025	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Construction	-	22,054	-	37,994	44,800	-	104,848	92,698
Electricity, gas and water	-	2,516	-	2,839	-	-	5,355	1,195
Financial institutions	41,161	-	-	-	-	-	41,161	19,780
Services	-	19,694	4,610	86,199	161,285	-	271,788	36,359
Personal financing	-	178,109	154,779	236,469	-	-	569,357	-
Government	59,675	-	-	-	-	129,942	189,617	56,476
Non-resident financing	-	-	-	-	-	-	-	-
Others	-	137,602	20,968	303,694	255,260	39,817	757,341	254,105
Total	100,836	359,975	180,357	667,195	461,345	169,759	1,939,467	460,613

	Due from banks and interbank Wakala	Gross Sales receivables and other receivables	Gross Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Investment in Sukuk and securities	Total	Off balance sheet exposures
2024	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Construction	-	20,389	-	35,455	54,241	-	110,085	88,290
Electricity, gas and water	-	588	-	3,600	-	-	4,188	1,320
Financial institutions	41,931	-	-	-	-	-	41,931	591
Services	-	14,113	1,738	82,054	142,516	-	240,421	14,778
Personal financing	-	165,697	175,721	191,994	-	-	533,412	-
Government	-	-	-	-	-	152,975	152,975	56,476
Non-resident financing	-	-	-	-	-	-	-	-
Others	-	118,537	26,863	299,117	254,713	40,791	740,021	265,525
Total	41,931	319,324	204,322	612,220	451,470	193,766	1,823,033	426,980

40 Financial risk management (continued)

Credit risk (continued)

(g) Residual contractual maturities of the portfolio by major types of credit exposures:

2025	Gross due from banks and interbank Wakala	Gross sales receivables and other receivables	Gross Ijarah assets and Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Gross investment in Sukuk and securities	Total	Off balance sheet exposures
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Up to 1 month	81,914	21,992	981	17,989	30,292	35,799	188,967	17,416
1 to 3 months	6,933	39,542	2,195	6,491	79,890	59,445	194,496	41,961
3 to 6 months	9,625	40,814	2,808	12,505	31,511	-	97,263	65,971
6 to 9 months	2,364	31,106	3,122	12,781	21,574	14,427	85,374	3,780
9 to 12 months	-	13,699	2,690	13,343	5,585	5,434	40,752	4,224
1 to 3 years	-	38,177	13,411	55,206	38,913	25,600	171,307	74,782
3 to 5 years	-	32,088	13,305	54,699	35,397	7,423	142,912	11,962
Over 5 years	-	142,557	141,845	494,281	218,182	21,631	1,018,496	240,517
	100,836	359,975	180,357	667,295	461,345	169,759	1,939,567	460,613

2024	Due from banks and interbank Wakala	Gross sales receivables and other receivables	Gross Ijarah assets and Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Investment in Sukuk and securities	Total	Off balance sheet exposures
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Up to 1 month	41,931	22,777	1,211	7,792	28,907	52,492	155,110	81,698
1 to 3 months	-	32,414	2,258	8,218	73,899	37,249	154,038	48,405
3 to 6 months	-	48,006	3,310	8,596	28,536	-	88,448	17,667
6 to 9 months	-	26,431	2,439	11,157	16,014	12,991	69,032	10,584
9 to 12 months	-	15,896	4,422	19,620	7,161	30,180	77,279	9,689
1 to 3 years	-	67,073	28,573	106,056	70,607	26,741	299,050	48,452
3 to 5 years	-	40,940	29,204	94,786	81,075	23,261	269,266	14,830
Over 5 years	-	65,787	132,905	355,995	145,271	10,852	710,810	195,655
	41,931	319,324	204,322	612,220	451,470	193,766	1,823,033	426,980

40 Financial risk management (continued)

Credit risk (continued)

(h) Distribution of performing and non performing financing by segments:

31 December 2025	Performing financing	Non-performing financing	Impairment losses for non-performing financing	Impairment losses for performing financing
	RO '000	RO '000	RO '000	RO '000
Retail financing	570,851	2,044	980	399
Corporate financing	1,044,617	51,460	27,082	24,271
	1,615,468	53,504	28,062	24,670

31 December 2024	Performing financing	Non-performing financing	Impairment losses for non-performing financing	Impairment losses for performing financing
	RO '000	RO '000	RO '000	RO '000
Retail financing	531,134	2,278	1,497	187
Corporate financing	1,016,524	37,400	24,122	21,368
	1,547,658	39,678	25,619	21,555

(i) Distribution of performing and non performing financing by geographical distribution:

31 December 2025	Performing financing	Non-performing financing	Impairment losses for non-performing financing	Impairment losses for performing financing
	RO '000	RO '000	RO '000	RO '000
Sultanate of Oman	1,615,468	53,504	28,062	24,670
Total	1,615,468	53,504	28,062	24,670

31 December 2024	Performing financing	Non-performing financing	Impairment losses for non-performing financing	Impairment losses for performing financing
	RO '000	RO '000	RO '000	RO '000
Sultanate of Oman	1,547,658	39,678	25,619	21,555
Total	1,547,658	39,678	25,619	21,555

(j) Maximum exposure to credit risk without consideration of collateral held:

	2025	2024
	RO '000	RO '000
Due from banks and interbank Wakala investments	100,836	41,931
Investment in Sukuk and securities	169,759	193,766
Gross Financing	1,668,972	1,587,336
	1,939,567	1,823,033
Off-balance sheet items		
Financial guarantee	156,151	151,705
Financial letter of credits	92,911	119,482
Acceptances	4,008	7,006
Bills for collection	1,945	210
Commitments	204,966	147,807
Capital expenditure	632	770
	460,613	426,980

40 Financial risk management (continued)

Credit risk (continued)

(k) Movement in gross balances of financial assets

31 December 2025	Stage 1	Stage 2	Stage 3	Total
	RO '000	RO '000	RO '000	RO '000
Exposure subject to ECL (gross) 1 January 2025				
Gross financing- corporate	791,716	231,957	37,402	1,061,075
Gross financing- retail	509,773	14,368	2,277	526,418
Gross financing- commitments	360,358	60,982	4,870	426,210
Debt instruments measured though FVOCI	170,385	-	-	170,385
Interbank wakala investments	23,620	-	-	23,620
Due from banks, central banks and other financial assets	18,311	-	-	18,311
	1,874,163	307,307	44,549	2,226,019
Net movement during the year				
Gross financing- corporate	(52,407)	73,351	14,058	35,002
Gross financing- retail	36,020	10,690	(233)	46,477
Gross financing- commitments	(1,558)	35,896	(566)	33,772
Debt instruments measured though FVOCI	(16,137)	2,002	-	(14,135)
Interbank wakala investments	62,423	-	-	62,423
Due from banks, central banks and other financial assets	(3,518)	-	-	(3,518)
	24,823	121,939	13,259	160,021
Exposure subject to ECL (Gross) 31 Dec 2025				
Gross financing- corporate	739,309	305,308	51,460	1,096,077
Gross financing- retail	545,793	25,058	2,044	572,895
Gross financing- commitments	358,800	96,878	4,304	459,981
Debt instruments measured though FVOCI	154,248	2,002	-	156,250
Interbank wakala investments	86,044	-	-	86,044
Due from banks, central banks and other financial assets	14,793	-	-	14,793
	1,898,986	429,246	57,808	2,386,040
Expected Credit Loss - as at 1 January, 2025				
Gross financing- corporate	(3,998)	(17,370)	(24,123)	(45,491)
Gross financing- retail	(29)	(158)	(1,496)	(1,683)
Gross financing- commitments	(329)	(193)	(1,265)	(1,787)
Debt instruments measured though FVOCI	(122)	-	-	(122)
Interbank wakala investments	(9)	-	-	(9)
Due from banks, central banks and other financial assets	(3)	-	-	(3)
	(4,490)	(17,721)	(26,884)	(49,095)
Charge for the year (net)				
Gross financing- corporate	1,040	(3,944)	(2,959)	(5,863)
Gross financing- retail	(87)	(125)	516	304
Gross financing- commitments	81	28	179	288
Debt instruments measured though FVOCI	(158)	(391)	-	(549)
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	(3)	-	-	(3)
Due from banks, central banks and other financial assets	3	-	-	3
	876	(4,432)	(2,264)	(5,820)

40 Financial risk management (continued)

Credit risk (continued)

(k) Movement in ECL (continued)

31 December 2025	Stage 1	Stage 2	Stage 3	Total
	RO '000	RO '000	RO '000	RO '000
Expected Credit Loss - as at Dec 31, 2025				
Gross financing- corporate	(2,958)	(21,314)	(27,082)	(51,354)
Gross financing- retail	(116)	(283)	(980)	(1,379)
Gross financing- commitments	(248)	(165)	(1,086)	(1,499)
Debt instruments measured though FVOCI	(280)	(391)	-	(671)
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	(12)	-	-	(12)
Due from banks, central banks and other financial assets	-	-	-	-
	(3,614)	(22,153)	(29,148)	(54,915)
Net closing balance - as at 31 December 2025				
Gross financing- corporate	736,352	283,994	24,378	1,044,724
Gross financing- retail	545,677	24,775	1,064	571,516
Gross financing- commitments	358,552	96,713	3,218	458,483
Debt instruments measured though FVOCI	153,968	1,611	-	155,579
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	97,740	-	-	97,740
Due from banks, central banks and other financial assets	3,084	-	-	3,084
	1,895,373	407,093	28,660	2,331,126

31 December 2024	Stage 1	Stage 2	Stage 3	Total
	RO '000	RO '000	RO '000	RO '000
Exposure subject to ECL (gross) 1 January 2024				
Gross financing- corporate	632,066	221,431	30,876	884,373
Gross financing- retail	499,175	912	1,385	501,472
Gross financing- commitments	287,292	91,788	2,560	381,640
Debt instruments measured though FVOCI	140,284	-	-	140,284
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	15,290	-	-	15,290
Due from banks, central banks and other financial assets	9,202	-	-	9,202
	1,583,309	314,131	34,821	1,932,261
Net movement during the year				
Gross financing- corporate	159,650	10,526	6,526	176,702
Gross financing- retail	10,598	13,456	892	24,946
Gross financing- commitments	73,066	(30,806)	2,310	44,570
Debt instruments measured though FVOCI	30,101	-	-	30,101
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	8,330	-	-	8,330
Due from banks, central banks and other financial assets	9,109	-	-	9,109
	290,854	(6,824)	9,728	293,758
Exposure subject to ECL (Gross) 31 Dec 2024				
Gross financing- corporate	791,716	231,957	37,402	1,061,075
Gross financing- retail	509,773	14,368	2,277	526,418
Gross financing- commitments	360,358	60,982	4,870	426,210
Debt instruments measured though FVOCI	170,385	-	-	170,385
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	23,620	-	-	23,620
Due from banks, central banks and other financial assets	18,311	-	-	18,311
	1,874,163	307,307	44,549	2,226,019

40 Financial risk management (continued)

Credit risk (continued)

(k) Movement in ECL (continued)

31 December 2024	Stage 1	Stage 2	Stage 3	Total
	RO '000	RO '000	RO '000	RO '000
Expected Credit Loss - as at 1 January, 2024				
Gross financing- corporate	(5,841)	(14,810)	(17,953)	(38,604)
Gross financing- retail	(103)	(278)	(981)	(1,362)
Gross financing- commitments	(226)	(185)	(905)	(1,316)
Debt instruments measured though FVOCI	(173)	-	-	(173)
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	(8)	-	-	(8)
Due from banks, central banks and other financial assets	(3)	-	-	(3)
	(6,354)	(15,273)	(19,839)	(41,466)
Charge for the year (net)				
Gross financing- corporate	1,843	(2,560)	(6,170)	(6,887)
Gross financing- retail	74	120	(515)	(321)
Gross financing- commitments	(103)	(8)	(360)	(471)
Debt instruments measured though FVOCI	51	-	-	51
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	(1)	-	-	(1)
Due from banks, central banks and other financial assets	-	-	-	-
	1,864	(2,448)	(7,045)	(7,629)
Expected Credit Loss - as at Dec 31, 2024				
Gross financing- corporate	(3,998)	(17,370)	(24,123)	(45,491)
Gross financing- retail	(29)	(158)	(1,496)	(1,683)
Gross financing- commitments	(329)	(193)	(1,265)	(1,787)
Debt instruments measured though FVOCI	(122)	-	-	(122)
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	(9)	-	-	(9)
Due from banks, central banks and other financial assets	(3)	-	-	(3)
	(4,490)	(17,721)	(26,884)	(49,095)
Net closing balance - as at 31 December 2024				
Gross financing- corporate	787,718	214,587	13,279	1,015,584
Gross financing- retail	509,744	14,210	781	524,735
Gross financing- commitments	360,029	60,789	3,605	424,423
Debt instruments measured though FVOCI	170,263	-	-	170,263
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	23,611	-	-	23,611
Due from banks, central banks and other financial assets	18,308	-	-	18,308
	1,869,673	289,586	17,665	2,176,924

40 Financial risk management (continued)

Credit risk (continued)

(k) Movement in ECL (continued)

Restructured financing

As of 31st December 2025, the restructured financing amounts to RO 278,775 thousands and the stage wise details are as follows:

Classification/Stage as per FAS 30 as at 31 December 2025	Restructured RO'000	ECL RO'000
Stage 1	69,942	1,148
Stage 2	182,909	18,398
Stage 3	25,924	10,245
Total	278,775	29,791

Classification/Stage as per FAS 30 as at 31 December 2024	Restructured RO'000	ECL RO'000
Stage 1	101,849	1,742
Stage 2	118,609	12,798
Stage 3	14,869	4,714
Total	235,327	19,254

Post Model Adjustments

The Bank's models have been developed and calibrated using historical data and economic scenarios. Due to the Bank's models have been developed and calibrated using historical data and economic scenarios. Due to the complexity of macroeconomic projections and the influence of various support measures and regulatory guidance across key regions, some aspects may not be accurately modelled. As a result, the models may produce outcomes that are either more cautious or more optimistic, depending on the specific portfolio or segment which may require post model adjustments.

Scenario weightages used by the Bank

Scenario weightings of 50%, 30%, and 20% for Base, Downside and Upside scenarios (31 December 2024: 50%, 30%, and 20%).

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under FAS 30 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

Sensitivity of impairment estimates ECL on non-impaired financing	ECL 2025 RO'000	ECL 2024 RO'000
Simulations		
Upside case - 100% weighted	**14,934**	21,404
Base case - 100% weighted	**15,104**	22,280
Downside scenario - 100% weighted	**15,288**	22,384

(m) Exposure at default methodology

The exposure at default is used to measure the lifetime expected credit losses and 12-month expected credit losses. The Bank measures expected credit losses at a client level for wholesale banking and at pool level for retail. It also includes expected credit losses on the undrawn commitment component from those on the financing component. It recognizes expected credit losses for the undrawn commitment together with the loss allowance for the financing component in the consolidated statement of financial position. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses is presented as a provision. For undrawn commitment, Credit Conversion Factor (CCF) to convert commitment to on-balance sheet where cancellable limits have 20% CCF and for uncancellable committed facility has 100%. For all off-balance sheet exposure, CCF is applied according to the type of facility.

40 Financial risk management (continued)

Credit risk (continued)

(n) Credit quality

The credit quality of financial assets is managed by the Bank using internal and external credit risk ratings. The Bank follows an internal rating mechanism for grading relationship across its credit portfolio. The Bank utilizes a scale ranging from 1 to 10 for credit relationship with 1 to 7 denoting performing grades, 8, 9 and 10 denoting non-performing. All credits are assigned a rating in accordance with defined criteria.

The Bank endeavours continuously to improve upon internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Bank. All financing relationships are reviewed at least once in a year and more frequently in case of non-performing assets.

The following table provides the details for the credit quality financial assets subject to ECL:

31 December 2025 (RO '000)	2025			
	Stage 1	Stage 2	Stage 3	Total
Performing grades (Grade 1 to 7)				
Gross financing amount including off-balance sheet	1,643,902	427,244	-	2,071,146
ECL on Financing	(3,321)	(21,762)	-	(25,083)
Gross Investments	154,248	2,002	-	156,250
ECL on Investments	(280)	(391)	-	(671)
Gross Interbank	97,752	-	-	97,752
ECL on Interbank	(1)	-	-	(1)
Due from Banks, Central Banks and Other Financial Assets	3,084	-	-	3,084
ECL on Due from Banks, Central Banks and Other Financial Assets	(11)	-	-	(11)
Carrying amount	1,895,372	407,093	-	2,302,466
Non-performing grades (Grade 8 - 10)				
Gross financing amount including off-balance sheet	-	-	57,808	57,808
ECL on Financing	-	-	(29,148)	(29,148)
Gross Investments	-	-	-	-
ECL on Investments	-	-	-	-
Gross Interbank	-	-	-	-
ECL on Interbank	-	-	-	-
Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
ECL on Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
Carrying amount	-	-	28,660	28,660
Total of performing and Non-performing grades (Grade 1 - 10)				
Total gross financing amount including off-balance sheet	1,643,902	427,244	57,808	2,128,954
Total ECL on Financing	(3,321)	(21,762)	(29,148)	(54,231)
Total Gross Investments	154,248	2,002	-	156,250
Total ECL on Investments	(280)	(391)	-	(671)
Total Gross Interbank	97,752	-	-	97,752
Total ECL on Interbank	(11)	-	-	(11)
Due from Banks, Central Banks and other financial assets	3,084	-	-	3,084
ECL on Due from Banks, Central Banks and other financial assets	(1)	-	-	(1)
Carrying amount	1,895,373	407,093	28,660	2,331,126

40 Financial risk management (continued)

Credit risk (continued)

(n) Credit quality (continued)

31 December 2024 (RO '000)	2024			
	Stage 1	Stage 2	Stage 3	Total
Performing grades (Grade 1 to 7)				
Gross financing amount including off-balance sheet	1,661,847	307,307	-	1,969,154
ECL on Financing	(4,356)	(17,721)	-	(22,077)
Gross Investments	170,385	-	-	170,385
ECL on Investments	(122)	-	-	(122)
Gross Interbank	23,620	-	-	23,620
ECL on Interbank	(9)	-	-	(9)
Due from Banks, Central Banks and Other Financial Assets	18,311	-	-	18,311
ECL on Due from Banks, Central Banks and Other Financial Assets	(3)	-	-	(3)
Carrying amount	1,869,673	289,586	-	2,159,259
Non-performing grades (Grade 8 - 10)				
Gross financing amount including off-balance sheet	-	-	44,549	44,549
ECL on Financing	-	-	(26,884)	(26,884)
Gross Investments	-	-	-	-
ECL on Investments	-	-	-	-
Gross Interbank	-	-	-	-
ECL on Interbank	-	-	-	-
Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
ECL on Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
Carrying amount	-	-	17,665	17,665
Total of performing and Non-performing grades (Grade 1 - 10)				
Total gross financing amount including off-balance sheet	1,661,847	307,307	44,549	2,013,703
Total ECL on Financing	(4,356)	(17,721)	(26,884)	(48,961)
Total Gross Investments	170,385	-	-	170,385
Total ECL on Investments	(122)	-	-	(122)
Total Gross Interbank	23,620	-	-	23,620
Total ECL on Interbank	(9)	-	-	(9)
Due from Banks, Central Banks and other financial assets	18,311	-	-	18,311
ECL on Due from Banks, Central Banks and other financial assets	(3)	-	-	(3)
Carrying amount	1,869,673	289,586	17,665	2,176,924

40 Financial risk management (continued)

Credit risk (continued)

(m) Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The most significant period-end assumptions used for the ECL estimate as at Dec 31, 2025 were Oil Price $60 (2024: $75); GDP 2.4% (GDP 2024: 2.4%) and Unemployment 1.45% (2024: 1.99%).

Liquidity risk

Liquidity risk is the potential inability to meet the Bank's liabilities as they become due. It arises when the Bank is unable to generate cash to cope with a decline in deposits or increase in assets.

Bank's liquidity risk management is governed by the Liquidity Risk Management Policy document approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management. The Liquidity risk policy also incorporates contingency plans and measures so as the Bank is always in a position to meet all maturing liabilities as well as to fund asset growth and business operations. The Contingency Funding Plan includes effective monitoring of the cash flows on a day to day basis, holding of tradable high-quality liquid assets, which may be readily liquidated in sizeable amount.

The Bank also has in place adequate lines of credit from both local and international Banks to meet any unforeseen liquidity requirements.

The Bank monitors its liquidity risk through cash flow approach and stock approach. Under cash flow approach Bank generates Maturity of Assets and Liabilities (MAL) report which captures all the maturing assets and liabilities into various pre-set time buckets ranging from one month to five years. The mismatches in various time buckets indicate liquidity gap and Bank strictly adheres to the limit set with respect to various time buckets as set out in Bank's Risk Appetite and Strategy Statement. Under stock approach, Bank monitors the liquidity risk through liquidity ratios, which portrays the liquidity available at the reporting date. In addition to this, the Bank also monitors and report liquidity in line with Basel III ratios that includes Liquidity Coverage Ratio (LCR) and Net-Stable Funding Ratio (NSFR).

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required ("Required stable funding") of a bank is a function of the liquidity characteristics and residual maturities of the various assets held by the Bank as well as those of its off-balance sheet (OBS) exposures.

Treasury department of the Bank and Asset Liability Committee (ALCO) controls and monitors the liquidity and ensures that the Bank is not exposed to undue liquidity risk and at the same time makes optimum use of its funds.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

40 Financial risk management (continued)

Liquidity risk (continued)

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31 December 2025	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Cash and balances with Central Bank of Oman	83,305	-	-	-	500	83,805
Inter-bank Wakala and Due from banks	82,220	16,559	2,364	-	-	101,143
Financing to customers - net	70,621	210,024	101,744	525,937	727,952	1,636,278
Investment securities	7,703	45,057	23,590	38,383	54,355	169,088
Intangible assets	-	-	-	-	6,760	6,760
Property and equipment	-	-	-	-	4,098	4,098
Other assets	6	1,796	787	6,922	22,032	31,543
Total assets	243,855	273,436	128,485	571,242	815,697	2,032,715
Customers' accounts and Participatory investment accounts	163,967	391,321	310,545	479,878	362,572	1,708,283
Other liabilities	-	3,665	24,203	4,914	12,299	45,081
Investment risk and profit equalization reserve	-	-	-	-	-	-
Owners' equity	-	-	-	-	279,351	279,351
Total liabilities, Quasi equity and Owners' equity	163,967	394,986	334,748	484,792	654,222	2,032,715
Net gap	79,888	(121,550)	(206,263)	86,450	161,475	-
Cumulative net gap	79,888	(41,662)	(247,925)	(161,475)	-	-

40 Financial risk management (continued)

Liquidity risk (continued)

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31 December 2024	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Cash and balances with Central Bank of Oman	58,980	-	-	-	500	59,480
Inter-bank Wakala and Due from banks	37,333	4,620	-	-	-	41,953
Financing to customers - net	67,432	229,862	125,942	787,608	347,770	1,558,614
Investment securities	49,310	38,034	31,433	52,511	22,356	193,644
Intangible assets	-	-	-	-	4,871	4,871
Property and equipment	-	-	-	-	4,255	4,255
Other assets	-	1,598	799	6,552	15,062	24,011
Total assets	213,055	274,114	158,174	846,671	394,814	1,886,828
Customers' accounts and Participatory investment accounts	94,865	209,889	313,892	597,766	355,579	1,571,991
Other liabilities	-	4,606	20,478	12,175	14,577	51,836
Investment risk and profit equalization reserve	-	-	-	-	-	-
Owners' equity	-	-	-	-	263,001	263,001
Total liabilities, Quasi equity and Owners' equity	94,865	214,495	334,370	609,941	633,157	1,886,828
Net gap	118,190	59,619	(176,196)	236,730	(238,343)	-
Cumulative net gap	118,190	177,809	1,613	238,343	-	-

40 Financial risk management (continued)

Market risk

Market risk is the risk of loss due to unfavourable movements in market factors such as rates of return, exchange rates, commodities and equity prices. The Bank's Market risks arise generally due to open positions in foreign currencies, holding common equity, and fixed return products. All such instruments and transactions are exposed to general and specific market movements. For purpose of Capital Charge, the Bank uses Basel II standardized Approach.

The Bank seeks to mitigate market risk by employing strategies that correlate rate and price movements of its earning asset and liabilities. The Bank has Assets and Liability Committee (ALCO) which monitors Market and Liquidity Risk on regular basis. The details of market risk faced by the bank are discussed in the following notes.

(a) Currency risk

Currency risk is the risk of loss resulting from fluctuations in foreign exchange rates. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect revenues from foreign exchange dealings.

The Bank undertakes currency risk mostly to support its trade finance services and cross-border FX exposures. It maintains overall foreign exchange risk position to the extent of statutory Net Open Position limit prescribed by CBO. The major foreign currency to which the Bank is exposed is the US Dollar which is effectively pegged to Omani Rial. The Bank finances a significant portion of its financial assets in the same currencies as the relevant measurement currencies to mitigate its foreign currency risk. Foreign Exchange Risk exposures are managed as per Bank's Risk Management policies.

Exposure limits such as counterparty and currency limits are also in place in accordance with the Bank's approved policies to limit risk and concentration to the acceptable levels.

The foreign currency exposures are given below:

Foreign currency exposures

	2025	2024
	RO'000	RO'000
Net assets denominated in US Dollars	122,260	149,253
Net assets denominated in other foreign currencies	6,693	14,898

If foreign currency were to shift by +/- 0.5% there will be a maximum change in the profit and equity for the year by RO 74 thousands (2024: RO 74 thousands).

(b) Rate of Return Risk

Rate of Return Risk is the risk of deviations in earnings or economic value due to adverse movement of the yield curve. It is inherent primarily to the banking book mainly through advances and deposits portfolio.

The profit rate exposure of the Bank arises due to mismatches between contractual maturities or re-pricing of on and off-balance sheet assets and liabilities. It is addressed by an Asset and Liability Committee (ALCO) that reviews the profit rate dynamics at regular intervals and decides re-pricing of assets and liabilities ensuring that the spread of the Bank remains at an acceptable level.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in profit rates on the earning for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at reporting date.

The average range of profit charged to customers from financing for 2025 is 5.63% (2024: 5.66%), and the average range of profit paid to customers on participatory investment accounts for 2025 is 3.36% (2024: 3.37%).

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant.

Impact on earnings due to profit rate risk in the banking book

40 Financial risk management (continued)

Market risk (continued)

(b) Rate of Return Risk (continued)

	2025	2024
	RO'000	RO'000
+200 bps	574	10,375
+100 bps	1,142	5,188
-200 bps	(574)	(10,375)
-100 bps	(1,142)	(5,188)

Profit rate sensitivity gap

31 December 2025	Due on demand and within 30 days RO '000	Due within 1 to 6 months RO '000	Due within 6 to 12 months RO '000	Due within 1 to 5 years RO '000	Due after 5 years RO '000	Non-profit bearing RO '000	Total RO '000
Cash and balances with Central Bank of Oman	-	-	-	-	-	83,805	83,805
Inter-bank Wakala and Due from banks	81,915	16,559	-	2,669	-	-	101,143
Financing to customers – net	70,541	216,231	67,563	548,314	733,629	-	1,636,278
Investment securities	7,703	45,057	16,167	68,738	31,423	-	169,088
Intangible asset	-	-	-	-	-	4,098	4,098
Property and equipment	-	-	-	-	-	31,543	31,543
Other assets	-	-	-	-	-	6,760	6,760
Total assets	160,159	277,847	83,730	619,721	765,052	126,206	2,032,715
Customers' accounts and Participatory investment accounts	76,782	299,219	189,532	555,264	289,821	297,664	1,708,283
Other liabilities	-	-	-	-	-	45,081	45,081
Investment risk and profit equalization reserve	-	-	-	-	-	-	-
Owners' equity	-	-	-	-	-	279,351	279,351
Total liabilities, Quasi equity and Owners' equity	76,782	299,219	189,532	555,264	289,821	622,096	2,032,715
On-balance sheet gap	83,376	(21,372)	(105,802)	64,456	475,232	(495,890)	-
Cumulative profit sensitivity gap	83,376	62,004	(43,798)	20,658	495,890	-	-

40 Financial risk management (continued)

Market risk (continued)

Rate of Return Risk (continued)

Profit rate sensitivity gap (continued)

Sensitivity to profit rates arises from mismatches in the period to re-pricing of assets and that of the corresponding liability. The Bank manages these mismatches by risk policy guidelines and reduces risk by matching the re-pricing of assets and liabilities

31 December 2024	Due on demand and within 30 days RO '000	Due within 1 to 6 months RO '000	Due within 6 to 12 months RO '000	Due within 1 to 5 years RO '000	Due after 5 years RO '000	Non-profit bearing RO '000	Total RO '000
Cash and balances with Central Bank of Oman	-	-	-	-	-	59,480	59,480
Inter-bank Wakala and Due from banks	24,652	-	770	3,850	-	12,681	41,953
Financing to customers – net	273,388	198,096	53,887	497,550	535,693	-	1,558,614
Investment Securities	49,310	38,034	31,433	61,905	12,962	-	193,644
Intangible asset	-	-	-	-	-	4,871	4,871
Property and equipment	-	-	-	-	-	4,255	4,255
Other assets	-	-	-	-	-	24,011	24,011
Total assets	347,350	236,130	86,090	563,305	548,655	105,298	1,886,828
Customers' accounts and Participatory investment accounts	40,433	126,291	115,769	757,875	293,557	238,066	1,571,991
Other liabilities	-	-	-	-	-	51,836	51,836
Investment risk and profit equalization reserve	-	-	-	-	-	-	-
Owners' equity	-	-	-	-	-	263,001	263,001
Total liabilities, Quasi equity and Owners' equity	40,433	126,291	115,769	757,875	293,557	552,903	1,886,828
On-balance sheet gap	306,917	109,839	(29,679)	(194,570)	255,098	(447,605)	-
Cumulative profit sensitivity gap	306,917	416,756	387,077	192,507	447,605	-	-

40 Financial risk management (continued)

Market risk (continued)

Rate of Return Risk (continued)

(a) Equity risk

Bank is exposed to the volatility in the prices of the securities (i.e. Sukuk and Shares) held under equity portfolio. Equity investments held are for strategic/long term rather than for trading purposes and hence, Bank does not hold trading positions in equity investments. Hence the exposure in listed and unlisted equity exposure as of date is taken in banking book and capital is calculated accordingly.

Since there is nil exposure in trading book therefore no stress testing and sensitivity analysis is carried out.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors, or from external events. The Bank's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses originate from business/ operational process failure, IT security failure, natural disasters, dependence on key suppliers, fraud, service quality compromised, regulatory non-compliance, loss of key staff, and social and environmental impacts.

The Bank has developed operational risk management policy and all the critical controls are implemented at all levels for curtailing operational risk. Each division has processes and systems in place to address operational risks within their area.

For the purpose of measuring capital charge, the Bank has adopted the Basic Indicator Approach under Basel II for Operational Risk. The approach requires the Bank to provide 15% of the average three years gross annual income as capital charge for operational risk.

Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders within acceptable risk return framework. The Bank's overall strategy remains unchanged from prior year.

The Bank's regulatory capital is divided into two tiers:

a) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings; and

b) Tier 2 capital: general provision and unrealized gains arising on the fair valuation of equity instruments at fair value through other comprehensive income.

Book value of other intangible assets including software is deducted from Tier 1 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of potential future exposure.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs.

40 Financial risk management *(continued)*

Capital risk management (continued)

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for the year ended 31 December 2025 and 2024 as follows:

Capital structure	2025	2024
	RO'000	RO'000
TIER I CAPITAL		
Paid up capital	**220,011**	220,011
Share premium	**2,091**	2,091
Legal reserve	**11,543**	9,538
Retained earnings*	**9,783**	8,734
Fair value gains or losses on financial assets at fair value through equity	**(1,366)**	(4,185)
Mandatory convertible additional Tier 1 (AT1) Sukuk*	**29,998**	19,998
Less: Intangible assets	**(6,760)**	(4,871)
Less: Additional regulatory adjustments	**(5,500)**	(6,800)
Total Tier I capital	**259,800**	244,516
TIER II CAPITAL		
Fair value gains on financial assets at fair value through equity	**479**	300
Impairment losses	**3,615**	6,810
Total Tier II capital	**4,094**	7,110
Total eligible capital	**263,894**	257,106
Risk weighted assets		
Credit risk	**1,500,412**	1,385,945
Market risk	**128,640**	148,832
Operational risk	**109,591**	103,242
Total	**1,738,643**	1,638,019
Tier I capital	**259,800**	244,516
Tier II capital	**4,094**	7,110
Total regulatory capital	**263,894**	251,626
Tier I capital ratio	**14.94%**	14.93%
Total capital ratio	**15.18%**	15.36%
Common Equity Tier 1 (CET1)	**229,802**	224,518
Common Equity Tier 1 ratio	**13.22%**	13.71%

** Net-off cash and non-cash dividend proposed.*

Liquidity coverage ratio (LCR) and Net-Stable Funding Ratio (NSFR)

The Basel Committee on Banking Supervision published the Basel III guidelines in June 2011. Central Bank of Oman has issued final guidelines on implementation of the new capital and liquidity norms to banks in the Country. The new regulations require banks to calculate Liquidity Coverage Ratio (LCR) and Net-Stable Funding Ratio (NSFR) on period basis. The Bank current LCR ratio as of Dec 31, 2025 stands at 197.67% (Dec 31, 2024: 164.12%) and NSFR stands at 211.82% (Dec 31, 2024: 138.17%).

41 Comparison of provision held as per FAS 30 and required as per CBO norms

(a) Standard, special mention and non-performing Financing accounts (31 December 2025)

Asset Classification as per CBO norms	Asset Classification as per FAS 30	Gross amount	Provision required as per CBO norms	Provision held as per FAS 30	Difference between CBO provision required, and provision held	Net amount as per CBO norms	Net amount as per FAS 30	Reserve Profit as Per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7) =(3)-(4)	(8) = (3)-(5)	(9)
	Stage 1	1,247,510	13,122	2,419	10,703	1,234,388	1,245,091	-
Standard	Stage 2	37,592	375	1,288	(913)	37,217	36,304	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		1,285,102	13,497	3,707	9,790	1,271,605	1,281,395	-
	Stage 1	66,094	686	655	31	65,408	65,439	-
Special Mention	Stage 2	264,272	3,927	21,644	(17,717)	260,345	242,628	1,335
	Stage 3	-	-	-	-	-	-	-
Subtotal		330,366	4,613	22,299	(17,686)	325,753	308,067	1,335
	Stage 1	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-
	Stage 3	3,552	974	1,282	(308)	2,578	2,270	86
Subtotal		3,552	974	1,282	(308)	2,578	2,270	86
	Stage 1	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-
	Stage 3	15,838	4,173	4,008	165	11,665	11,830	430
Subtotal		15,838	4,173	4,008	165	11,665	11,830	430
	Stage 1	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-
	Stage 3	34,114	33,370	24,689	8,681	744	9,425	1,402
Subtotal		34,114	33,370	24,689	8,681	744	9,425	1,402
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	613,884	-	541	(541)	613,884	613,343	-
	Stage 2	98,880	-	556	(556)	98,880	98,324	-
	Stage 3	4,304	-	1,086	(1,086)	4,304	3,218	-
Subtotal		717,068	-	2,183	(2,183)	717,068	714,885	-
	Stage 1	1,927,488	13,808	3,615	10,193	1,913,680	1,923,873	-
Total All	Stage 2	400,744	4,302	23,488	(19,186)	396,442	377,256	1,335
	Stage 3	57,808	38,517	31,065	7,452	19,291	26,743	1,918
Total		2,386,040	56,627	58,168	(1,541)	2,329,413	2,327,872	3,253

41 Comparison of provision held as per FAS 30 and required as per CBO norms *(continued)*

(a) Standard, special mention and non-performing Financing accounts (31 December 2024) (Continued)

Asset Classification as per CBO norms	Asset Classification as per FAS 30	Gross amount	Provision required as per CBO norms	Provision held as per FAS 30	Difference between CBO provision required, and provision held	Net amount as per CBO norms	Net amount as per FAS 30	Reserve Profit as Per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7) =(3)-(4)	(8) = (3)-(5)	(9)
	Stage 1	1,240,712	13,771	1,998	11,773	1,226,941	1,238,714	-
Standard	Stage 2	64,798	654	2,642	(1,988)	64,144	62,156	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		1,305,510	14,425	4,640	9,785	1,291,085	1,300,870	-
			-		-	-		
	Stage 1	60,621	595	2,030	(1,435)	60,026	58,591	-
Special Mention	Stage 2	181,527	2,767	14,886	(13,118)	178,760	165,642	999
	Stage 3	-	-	-	-	-	-	-
Subtotal		242,148	3,362	16,916	(14,553)	238,786	224,233	999
			-		-	-		
	Stage 1	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,017	269	461	(192)	748	556	15
Subtotal		1,017	269	461	(192)	748	556	15
			-		-	-		
	Stage 1	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-
	Stage 3	6,942	3,545	3,259	286	3,397	3,683	224
Subtotal		6,942	3,545	3,259	286	3,397	3,683	224
	Stage 1	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-
	Stage 3	31,719	29,485	23,109	6,376	2,234	8,610	972
Subtotal		31,719	29,485	23,109	6,376	2,234	8,610	972
			-		-	-		
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	572,831	-	463	(463)	572,831	572,368	-
	Stage 2	60,982	-	193	(193)	60,982	60,789	-
	Stage 3	4,870	-	1,265	(1,265)	4,870	3,605	-
Subtotal		638,683	-	1,921	(1,921)	638,683	636,762	-
	Stage 1	1,874,164	14,366	4,491	9,875	1,859,798	1,869,673	-
Total All	Stage 2	307,307	3,421	18,720	(15,299)	303,886	288,587	999
	Stage 3	44,548	33,299	28,094	5,205	11,249	16,454	1,211
Total		2,226,019	51,086	51,305	(219)	2,174,933	2,174,714	2,210

41 Comparison of provision held as per FAS 30 and required as per CBO norms *(continued)*

(b) Restructured accounts

31 December 2025

Assets classification as per CBO norms	Asset Classification as per FAS 30	Gross amount	Provision required as per CBO norms	Provision held as per FAS 30	Difference between CBO provision required, and provision held	Net amount as per CBO norms*	Net amount as per FAS 30	Reserve profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7) =(3)-(4	(8) =(3)-(5)	(9)
Classified as performing	Stage 1	69,942	500	1,148	(648)	69,442	68,794	-
	Stage 2	182,909	1,697	18,398	(16,701)	181,212	164,511	1,330
	Stage 3	-	-	-	-	-	-	-
Sub Total		252,851	2,197	19,546	(17,349)	250,654	233,305	1,330
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	25,924	12,911	10,245	2,666	13,013	15,679	906
Sub Total		25,924	12,911	10,245	2,666	13,013	15,679	906
Total	Stage 1	69,942	500	1,148	(648)	69,442	68,794	-
	Stage 2	182,909	1,697	18,398	(16,701)	181,212	164,511	1,330
	Stage 3	25,924	12,911	10,245	2,666	13,013	15,679	906
		278,775	15,108	29,791	(14,683)	263,667	248,984	2,236

31 December 2024

Assets classification as per CBO norms	Asset Classification as per FAS 30	Gross amount	Provision required as per CBO norms	Provision held as per FAS 30	Difference between CBO provision required, and provision held	Net amount as per CBO norms*	Net amount as per FAS 30	Reserve profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7) =(3)-(4	(8) =(3)-(5)	(9)
Classified as performing	Stage 1	101,849	858	2,882	(2,024)	100,991	98,967	-
	Stage 2	118,609	3,861	14,888	(11,027)	114,748	103,721	999
	Stage 3	-	-	-	-	-	-	-
Sub Total		220,458	4,718	17,770	(13,052)	215,740	202,688	999
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	14,869	11,630	8,471	3,159	3,239	6,398	429
Sub Total		14,869	11,630	8,471	3,159	3,239	6,398	429
Total	Stage 1	101,849	858	2,882	(2,024)	100,991	98,967	
	Stage 2	118,609	3,861	14,888	(11,027)	114,748	103,721	999
	Stage 3	14,869	11,630	8,471	3,159	3,239	6,398	429
		235,327	16,348	26,241	(9,893)	218,979	209,086	1,428

41 Comparison of provision held as per FAS 30 and required as per CBO norms (continued)

(c) Non-performing financing ratio

	31 December 2025 (RO '000)		
	As per CBO Norms	As per FAS 30	Difference
	RO'000	RO'000	RO'000
Impairment loss charged to profit and loss account	4,498	8,530	(4,032)
Provisions required as per CBO norms/held as per FAS 30	56,627	58,168	(1,541)
Gross NPA ratio %	3.21	3.21	-
Net NPA ratio %	1.05	1.57	(0.53)

	31 December 2024 (RO '000)		
	As per CBO Norms	As per FAS 30	Difference
	RO'000	RO'000	RO'000
Impairment loss charged to profit and loss account	8,253	7,629	624
Provisions required as per CBO norms/held as per FAS 30	51,086	51,305	(219)
Gross NPA ratio %	2.38	2.38	-
Net NPA ratio %	0.47	0.87	(0.40)

42 Dividend proposed

The Board of Directors in their meeting held on 29 January 2026 has proposed a cash dividends of 2.70 Baiza per share; amounting to RO 6.04 Million (2024 approved: 2.45 Baiza per share; amounting to RO 5.48 Million) and Mandatory Convertible Additional Tier 1 Sukuk (MCSs) amounting RO 9.99M to be issued at a rate of 4.47 units per 100 ordinary shares (2024: RO 9.99M MCSs at a rate of 4.47 unit per 100 share) with a face value of Baiza. 100 per unit, paid fully from the Retained Earnings for the year 2025. The MCSs is subject to the approval of Central Bank of Oman, Financial Services Authority, and the Shareholders approval. The Board's resolution of dividend distributions will be presented to the shareholders at the Annual General Meeting which will be held on 30 March 2026.

Basel II Pillar 3 Annual Disclosures 2025

The Board of Directors
Bank Nizwa SAOG
PO Box 1423
PC 133
Muscat, Sultanate of Oman

Dear Sirs

Agreed-upon procedures report of factual findings to the Board of Directors of Bank Nizwa SAOG (the "Bank") in respect of Basel II - Pillar III and Basel III Disclosures (the "Disclosures") for the year ended 31 December 2025

Purpose of this Agreed-upon procedures report

This report is produced in accordance with the terms of our agreement dated 9 June 2025. The procedures, as set out in Islamic Banking Regulatory Framework (IBRF) with respect to the Bael II – Pillar III Disclosures and Circular No. BM 1114 dated 17 November 2023 with respect to the Basel III were performed solely to assist the directors of the Bank in evaluating the Bank's compliance with the Disclosures related requirements of the IBRF issued by Central Bank of Oman (CBO) and circular No. BM 1114 dated 17 November 2013, letter BSD/CB/2020/005 dated 3 June 2020 and letter SDD/CBS/CB/2024/108 dated 26 June 2024 (the "Circulars") and may not be suitable for another purpose.

Your responsibilities

The directors of the Bank have prepared the Disclosures in accordance with the Circulars as issued by the CBO and remain solely responsible for it and for the creation and maintenance of all accounting and other records supporting its contents. The Bank's directors are also responsible for identifying and ensuring that the Bank complies with the disclosure requirements as set out in the Circulars as issued by the CBO.

You are responsible for determining that the scope of the services is sufficient for your purposes and have confirmed that the procedures described herein are appropriate for the purpose for which the services were engaged.

Our responsibilities

We have performed the procedures agreed with you as set out as prescribed in the IBRF with respect to the Basel II - Pillar III Disclosures and Circular No. BM 1114 dated 17 November 2013 with respect to the Basel III Disclosures of Bank. The procedures, as set out in Article 10.1.2 of title 5 'Capital Adequacy' of the IBRF, were performed solely to assist you in evaluating the Bank's compliance with the disclosure requirements set out in the IBRF issued by the CBO and Circular No. BM 1114 dated 17 November 2013 and letter BSD/CB/2020/005 dated 3 June 2020 and letter SDD/CBS/CB/2024/108 dated 26 June 2024. Our work was performed in accordance with the International Standard on Related Services (ISRS) 4400 (Revised) 'Agreed-upon procedure Engagements.'.

An Agreed-upon procedures engagement involves performing the procedures that have been agreed with you, 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.

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Agreed-upon procedures report of factual findings to the Board of Directors of Bank Nizwa SAOG (the "Bank") in respect of Basel II - Pillar III and Basel III Disclosures (the "Disclosures") for the year ended 31 December 2025 (continued)

Professional Ethics and Quality Management

We have complied with the ethical requirements in the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code).

Our firm applies the International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and findings

We have performed the procedures agreed with you and as prescribed in the IBRF with respect to the Basel II - Pillar Ill Disclosures and Circular No. BM 1114 dated 17 November 2013 with respect to the Basel Ill Disclosures (the Disclosures) of the Bank, set out on pages 1 to 59 as at and for the year ended 31 December 2025.

Based on the above procedures, we did not find any exceptions.

Our procedures, as stated in our agreement, did not constitute an audit or assurance engagement made in accordance with generally accepted auditing or assurance standards, the objective of which would be the expression of assurance on the contents of the Disclosures. We do not express such assurance. We had performed additional procedures or we had performed an audit or assurance engagement on the Disclosures, other matters might have come to our attention that we would have reported to you. This report relates only to the Disclosures and does not extend to any financial statements of the Bank taken as a whole.

Our obligations in respect of this report are entirely separate from, and our responsibility and liability are in no way changed by, any other role we may have (or may have had) as auditors of the Bank or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services, will extend any duty of care we may have in our capacity as auditors of any financial statements of the Bank.

Restriction on distribution and use

This report is solely for your use in connection with the purpose specified above and as set out in our agreement and is not to be used for any other purpose. No part of this report is to be copied or distributed to any other party except as permitted under the terms of our agreement. We do not accept any liability or responsibility to any third party.

Yours faithfully,

PricewaterhouseCoopers

Muscat, Sultanate of Oman

5 March 2026

C.R. No 1230865
PricewaterhouseCoopers LLC

1. Overview and Introduction

In compliance with the Central Bank of Oman ("CBO") guidelines on implementing Basel II Capital Accord for all banks operating in Oman as of September 2006, and in light of Islamic Banking Regulatory Framework (IBRF), Bank Nizwa has developed its risk management techniques to assure adequate monitoring and managing its risks.

The Basel II Accord is based on three pillars as follows:

- **Pillar I** - defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk.
- **Pillar II** - addresses a bank's internal processes for assessing overall capital adequacy in relation to risks ("ICAAP"). Pillar II also introduces the Supervisory Review and Evaluation Process ("SREP"), which can be used as a tool to assess the internal capital adequacy of any organization.
- **Pillar III** - complements the other two pillars and focuses on enhanced transparency in information disclosure, covering risk and capital management, including capital adequacy. The aim of these disclosures is to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specified information on the scope of application of Basel II, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution.

Pillar III disclosures include information about Bank Nizwa relating to our governance structure, capital structure, capital adequacy and requirements, risk management objectives and policies, and various supporting quantitative and qualitative disclosures along with a comparison with Dec 2024 financials.

2. Scope of Application

2.1 Qualitative Disclosure

- The Bank was registered in the Sultanate of Oman as a public joint stock company on 15 August 2012.
- The Bank's shares are listed on the Muscat Stock Exchange "MSX" and its principle place of business is in Muscat, Sultanate of Oman.
- The Bank is not a part of any holding company or group and has two subsidiaries that were created for the purpose of capital market transactions.
- The authorized share capital of the Bank is RO 300,000,000 and the issued and paid up capital is RO 220,010,538 divided into 2,236,953,032 shares (31 December 2024: RO 220,010,538 divided into 2,236,953,032 shares).
- M/S Aflaj Financial Investment SAOC is the only shareholder who owns 10% or more of the Bank's shares. On 31 December 2025 shareholding of Aflaj Financial Investment SAOC was 782,933,561 shares equivalent to 35.00% (31 December 2024: 782,933,561 shares equivalent to 35%).
- The sizes, operations and financial statements of the subsidiaries are not material to the consolidated financial statements of the Bank. Hence, financial and regulatory reporting is being done on standalone basis hence no associated disclosures related to consolidation is required.

2.2 Quantitative Disclosure

(a) Total interest in Takaful Entities: The Bank holds 0.19% of Takaful Oman SAOG and does not have any control in the Takaful entities and accordingly it is not consolidated in any form.

3. Capital Structure

3.1 Qualitative Disclosure

- The authorized share capital of the Bank is RO 300,000,000 and the issued and paid-up capital is RO 220,010,538 divided into 2,236,953,032 shares (31 December 2024: RO 220,010,538 divided into 2,236,953,032 shares).
- The Bank issued Mandatory Convertible Additional Tier 1 Sukuk after five year, as part of Bank Nizwa sukuk program amounting to RO 50 Million, of which RO 20M was issued, paid fully from Retained Earning, that has an anticipated coupon rate of 6% p.a., payable on semi-annual basis.
- The Bank also announced issuance of Tranche 3 of RO 10M, paid fully from Retained Earnings, which is subject to regulatory approvals. With this issuance, the outstanding Additional Tier 1, Mandatory Convertible Sukuk will be of RO 30M.
- Quasi-Equity are defined under section Quasi-Equity. These are not considered as part of the equity and will only affect Capital Adequacy Ratio calculation to reduce Risk-Weighted Assets. However, the Bank is following conservative approach by not reducing Risk-Weighted Assets.
- There is no minority interest, surplus capital from Takaful companies and the Bank has no shareholdings equal or exceeding 5% of total paid-up capital.

3.2 Quantitative Disclosure

The detailed breakdown of the capital structure of the Bank is as follows:

	2025	2024
	RO '000	RO '000
(a) Tier I Capital		
Paid up capital	**220,011**	220,011
Share premium	**2,091**	2,091
Legal Reserve	**11,543**	9,538
Retained Earnings	**9,783**	8,734
Net Fair value losses on financial assets at fair value through equity	**(1,366)**	(4,185)
Less: Intangible Assets, Including Losses, Cumulative Unrealized Losses Recognized Directly In Equity	**(6,760)**	(4,871)
Less: Adjustment for regulatory matter	**(5,500)**	(6,800)
Add: Mandatory Convertible Additional Tier 1 Sukuk (refer note below)	**29,998**	19,998
Total Tier I capital	**259,800**	**244,516**

Note: Mandatory Convertible Additional Tier 1 sukuk (Tranche 3) is under process of approvals. If gets approved, it will be fully paid from Retained earnings. As such, this will not have any impact on the Tier 1 and Total CAR.

(b) Tier II Capital		
Fair value gains on financial assets at fair value through equity	**479**	300
Impairment Losses/General provision	**3,615**	6,810
Total Tier II capital	**4,094**	**7,110**
Total eligible capital	**263,894**	**251,626**

(c) Mudaraba and Related Reserves	2025	2024
	RO'000	RO'000
Customer Mudaraba Account	**420,030**	447,067
Investment fair value reserve	**(37)**	(517)
Profit Equalization Reserve (PER)	**-**	-
Investment Risk Reserve (IRR)	**-**	-

4. Capital Adequacy

4.1 Qualitative Disclosure

- The primary objective of the Bank's capital management is to ensure that the Bank complies with regulatory capital requirements and maintains healthy capital ratios in order to support its business and to optimize shareholders' value.
- The Bank manages its capital structure and makes adjustments to 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, return on capital to shareholders or issue Sukuk etc.
- The capital structure is primarily made up of its paid-up capital and including reserves. From a regulatory perspective, the significant amount of the capital is in Tier 1 form as defined by the CBO, i.e., most of the capital is of permanent nature.
- The Bank's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of financing facilities growth expectations for each business group, expected growth in off-balance sheet facilities, future sources and uses of funds.
- To assess its capital adequacy requirements in accordance with CBO requirements, the Bank adopts the Standardized Approach for its Credit and Market Risk and the Basic Indicator Approach for its Operational Risk. In a normal course of business, all assets are funded by the common pool unless otherwise approved by ALCO in advance. The Bank's Asset Liability Committee (ALCO) decides on the participation ratio in advance for funding the common pool of assets. On a quarterly basis, based on the financials, the assessment of Risk-Weighted Assets is according to the utilization of Quasi-Equity Holder and shareholders' fund in funding assets through the common pool.

4.2 Quantitative Disclosure

The ratio of equity to risk-weighted assets, as formulated by the Basel II and Basel III, for the year ended 31 December, 2025 is 15.18% (31 December, 2024:15.36%). Please refer the note below for a material information in this regard.

	2025		2024	
(a) Capital Requirements	**RO '000**		RO '000	
	Risk-Weighted Assets (RWA)	**Capital Requirement at 13.50%**	Risk-Weighted Assets (RWA)	Capital Requirement at 12.25%
Credit Risk	1,500,412	202,556	1,385,945	187,103
Market Risk	128,640	17,366	148,832	20,092
Operational Risk	109,591	14,795	103,242	13,938
Total	**1,738,643**	**234,717**	**1,638,019**	**221,133**

(b) Capital Requirements Details	**2025**	2024
	RO '000	RO '000
Tier I Capital (after supervisory deductions)	**259,800**	244,516
Tier II capital (after supervisory deductions & up to eligible limits)	**4,094**	7,110
Risk-Weighted Assets – Banking Book	**1,629,052**	1,534,777
Risk-Weighted Assets – Operational Risk	**109,591**	103,242
Total Risk-Weighted Assets – Banking Book + Operational Risk	**1,738,643**	1,638,019
Minimum required capital to support RWAs of banking book & operational risk	**234,717**	221,133
i) Minimum required Tier I Capital for banking book & operational risk	**228,070**	214,023
ii) Tier II Capital required for banking book & operational risk	**4,094**	7,110
Tier I capital available for supporting Trading Book	**37,789**	35,973
Tier II capital available for supporting Trading book	**-**	-
Risk-Weighted Assets – Trading Book	**-**	-
Total capital required to support Trading Book	**-**	-
Minimum Tier I capital required for supporting Trading Book	**-**	-
Total Regulatory Capital	**263,894**	251,626
Total Risk-Weighted Assets – Whole bank	**1,738,643**	1,638,019
Common Equity Tier 1 (as a percentage of Risk-Weighted assets)	**13.22%**	13.71%
Tier 1 (as a percentage of Risk-Weighted assets)	**14.94%**	14.93%
Total capital (as a percentage of Risk-Weighted assets)	**15.18%**	15.36%

(c) Capital Adequacy Ratio	**2025**	2024
	RO '000	RO '000
Total Risk-Weighted Assets (RWA)	**1,738,643**	1,638,019
Total Eligible Capital	**263,894**	251,626
Capital Adequacy Ratio	**15.18%**	15.36%

(d) Ratio of Total and Tier 1 Capital to Total RWA	**2025**	2024
	RO'000	RO'000
Tier 1 Capital	**259,800**	244,516
Total Capital	**263,894**	251,626
Total RWA	**1,738,643**	1,638,019
Ratio of Total Capital	**15.18%**	15.36%
Ratio of Tier 1 Capital	**14.94%**	14.93%
Ratio of CET 1 Capital	**13.22%**	13.71%

(e) Ratio of Total Capital to Total Assets	**2025**	2024
	RO '000	RO '000
Total Capital	**263,894**	251,626
Total Assets	**2,032,715**	1,886,828
Total Capital to Total Assets	**12.98%**	13.63%

(f) Disclosure of Capital Requirements according to different risk categories for each shari'a compliant financing contract:

	2025			2024		
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
	Credit risk	**Market risk**	**Risk-Weighted Assets**	Credit risk	Market risk	Risk-Weighted Assets
Ijara Muntahia Bittamleek	**21,809**	**-**	**161,545**	22,314	-	165,286
Sales Receivable and Other Receivables	**48,324**	**-**	**357,958**	41,117	-	304,568
Wakala Bil Istethmar	**50,351**	**-**	**372,968**	44,915	-	332,703
Musharaka Financing	**54,099**	**-**	**400,735**	56,241	-	416,598
Letter of Guarantees	**4,216**	**-**	**31,230**	4,096	-	30,341
Letter of Credit	**6,271**	**-**	**46,454**	4,379	-	32,439
Acceptance and Bills for Collection (Wakala)	**804**	**-**	**5,953**	974	-	7,216
Total	**185,874**		**1,376,843**	174,035		1,289,151

(g) Disclosure of Displaced Commercial Risk

The Bank is exposed to displaced commercial risk in the event of having equity of PIA profit rates that are lower than market rates. The Bank has mitigated this risk through the setting up of reserves that will be used in case of a drop in PIA profit rates. The related disclosure on Displaced Commercial Risk is given in Section 17.

5. Disclosures for Participatory Investment Accounts (PIA)

5.1 Qualitative Disclosure

- The Bank offers Quasi-Equity based on fully sharia compliant concept of Mudaraba and Wakala.
- In Mudaraba, the Bank (Mudarib) manages Participatory Investment Account Funds (PIA) along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Shari'a compliant investments opportunities. Such information is available for all customers at Bank's website, branches, and call center.
- Under Wakala arrangement, Bank accepts funds from investors as Wakeel and invests in Shari'a compliant assets. Wakeel is entitled to a fixed fee as a lump sum or percentage of fund provided. Expected profit payout is mentioned to investors upfront while any return generated in excess of expected profit is retained by the Bank as Wakeel. Wakeel should bear the loss in case of Wakeel's default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss would be borne by the investor or Muwakil.
- The Bank maintains necessary reserves as required by CBO.
- Any profits accrued out of the investment are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from Investment Risk Reserve (IRR). Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and PIA's respective contribution to the fund.
- The investment profits are distributed between owners' equity and customers' Mudaraba accounts as follows:

	2025	**2024**
	Percentage	Percentage
Customers' Mudaraba accounts share	**50%**	50%
Mudarib share	**50%**	50%

The investment risk reserve at Zero percent (2024: Zero percent) is deducted from customer's share after allocating the Mudarib share of profit as per the approved policy in order to cater against future losses of equity of Quasi-Equity Holders. Investment risk reserve will revert to the Participatory Investment Accounts as per terms and conditions of Mudaraba contract.

The profit equalization reserve is the amount the bank appropriates in excess of the profit to be distributed to equity of unrestricted accountholders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalization reserve will revert to owner equity and Quasi-Equity Holders.

Quasi-Equity Holders are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Bank expenses.

- PIA funds are managed according to Bank's approved policy and accordingly the Bank monitors the performance of the portfolio in order to achieve expected results. The prudential reserves have been established according to CBO and Shari'a guidelines.

5.2 Quantitative Disclosure

The related disclosure of Quasi-Equity is given below:

a) **Profit Equalization Reserve (PER) to Profit Sharing Participatory Investment Account (PSIA) Ratio**

	2025	2024
	RO '000	RO '000
Amount of Total PER	NIL	NIL
Amount of PSIA by PIA	420,030	447,067
PER to PSIA Ratio	0%	0%

b) **Investment Risk Reserve (IRR) to Profit Sharing Participatory Investment Account (PSIA) Ratio**

	2025	2024
	RO '000	RO '000
Amount of Total IRR	-	-
Amount of PSIA by PIA	420,030	447,067
IRR to PSIA Ratio	0.00%	0.00%

c) **Return on Assets (ROA)**

	2025	2024
	RO '000	RO '000
Amount of Total Net Income (before distribution of profit to PIA)	102,044	91,000
Total Amount of Assets	2,032,715	1,886,828
Return on Assets (ROA)	5.02%	4.82%

d) **Return on Equity (ROE)**

	2025	2024
	RO '000	RO '000
Amount of total jointly financed net income (after distribution of profit to PIA)	48,300	42,761
Amount of shareholders' equity	279,351	263,001
Return on Equity (ROE)	17.29%	16.26%

e) **Ratios of profit distributed to PSIA by type of PIA**

As of reporting date the Bank has return on Quasi-Equity Holder and distributed profit amounting RO 6,373 thousands (2024: RO 5,879 thousands) during the period to Participatory Investment Accounts.

f) **Ratios of financing to PSIA by type of PIA**

As of reporting date, all jointly financing is funded by comingled pool which includes funds from Quasi-Equity Holder (including Mudaraba and Wakala) and Shareholders.

Gross Financing by type of contract	2025		2024	
	RO'000	%	RO'000	%
Sales Receivables and Other Receivables	359,975	23.24%	351,605	21.68%
Ijarah Muntahia Bittamleek	180,357	10.55%	207,022	12.77%
Musharaka financing	667,295	39.15%	610,595	37.65%
Wakala Bil Isthimaar	461,345	27.06%	452,425	27.90%
Total Financing	1,668,972	100.00%	1,621,644	100.00%

6. Unrestricted Mudaraba Investment Accounts

6.1 Qualitative Disclosure

- There is no major change in the investment strategies that affect the investment accounts to the reporting date.
- The Bank has a single pool of comingled assets where the funds of Participatory Investment Accounts are invested and income is allocated to such accounts.
  The investment profits distributed between equity shareholders and Quasi-Equity Holders is as follows:

	2025	2024
	Percentage	Percentage
Customers' Mudaraba accounts share	50%	50%
Mudarib share	50%	50%

- The investment risk reserve at Zero percent (2024: ZERO percent) is deducted from customer's share after allocating the Mudarib share of profit. The profit equalization reserve is deducted from total revenue before allocating the Mudarib share based on ALCO decisions.
- The Bank does not charge Participatory Investment Accounts for operating expenses incurred.

6.2 Quantitative Disclosure

a) **Total amount of PIA funds with respect category**

Account type	2025	2024
	RO'000	RO'000
Saving account	332,490	345,374
Investment accounts:	-	
One month	89	48
Three months	180	281
Six months	1,034	1,109
Nine months	174	141
One year	32,143	33,838
One year and a half	1,394	1,735
Two years	45,534	57,171
Three years	824	702
Four years	194	242
Five years	2,078	2,040
More than five years	3,896	4,386
Total	420,030	447,067

b) **Share of profits earned by PIA, before transfers to or from reserves (amount and as a percentage of funds invested)**

	2025	2024
	RO'000	RO'000
Share of profits	6,373	5,879
funds invested	420,030	447,067
Ratio	1.52%	1.32%

c) Share of profits paid out to PIA, after transfers to or from reserves (amount and as a percentage of funds invested)

	2025	2024
	RO'000	RO'000
Share of profits	**6,373**	5,879
funds invested	**420,030**	447,067
Ratio	**1.52%**	1.32%

d) Movements on PER and IRR during the year

During the year, Zero PER was created (Dec 2024: RO 109 thousands).

During the year RO Zero (2024: Zero) was utilized in IRR.

Following is the movement of IRR and PER:

	2025		2024	
	RO '000		RO '000	
	PER	IRR	PER	IRR
Beginning Balance at the beginning of the year	-	-	-	-
Additions	-	-	109	-
Transferred	-	-	(109)	-
Balance at the end of the year	-	-	-	-

e) Disclosure of the utilization of PER and/or IRR during the period

During the year Zero PER created (2024: RO 109 thousand) fully whereas RO Zero in IRR (2024: Zero) utilized.

f) Profits earned and profits paid out over the past three to five years (amounts and as a percentage of funds invested)

	2025	2024	2023	2022	2021
	RO'000	RO'000	RO'000	RO'000	RO'000
Profit Earned	**102,044**	91,000	80,362	72,803	64,727
Profit Distributed	**6,373**	5,879	6,226	6,180	6,814
Funds Invested	**420,030**	447,067	368,060	368,516	346,665
Return as % of Funds Invested	**1.52%**	1.32%	1.69%	1.68%	1.97%

g) Amount of total administrative expenses charged to PIA

As per Bank's policy, the administration expenses are only charged on the Bank expenses.

h) Average declared rate of return or profit rate on customers' Mudaraba by maturity (1-month, 3-month, 6-month, 9-month, 12-months, 18-months and 24 months)

Account type	Participation factor		2025 average rate of return	2024 average rate of return
	RO	USD	RO	RO
Saving account	10% - 70%	15% - 30%	1.03%	1.00%
One-month tenure	46% - 50%	-	1.79%	1.74%
Three months tenure	51% - 55%	-	1.98%	1.93%
Six months tenure	61% - 68%	-	2.46%	2.39%
Nine months tenure	66% - 73%	-	2.67%	2.58%
One-year tenure	71% - 78%	-	2.87%	2.79%
One year and a half tenure	78.5% - 85%	-	3.06%	2.98%
Two years tenure and above	79.5% - 87%	-	3.15%	3.07%

i) Changes in asset allocation in the last six months

There are no significant changes in the last six months of reporting date.

j) Off-balance sheet exposures arising from investment decisions, such as commitments and contingencies

Off-balance sheet items	2025 RO'000	2024 RO'000
Financial guarantee	**156,151**	151,705
Financial letter of credits	**92,911**	119,482
Acceptances	**4,008**	7,006
Bills for collection	**1,945**	210
Commitments	**205,598**	147,807
Total	**460,613**	426,210

k) Disclosure of limits imposed on the amount that can be invested in any one type of asset

The Bank does not have any restricted Investment Account as of reporting date, as such there are no limits imposed to be invested in any type of asset other than limits set in Bank's policy and CBO regulations.

7. Unrestricted Wakala Investment Accounts

7.1 Qualitative Disclosure

- There is no major change in the investment strategies that affect the investment accounts to the reporting date.
- The Bank has a single pool of comingled assets where the funds of Participatory Investment Accounts are invested and income from which is allocated to such accounts according to the nature of the agreement.

7.2 Quantitative Disclosure

a) Computation of Pool income is as follows:

Item RO '000	2025	2024
Pool Income from Financing	**89,375**	80,572
Income from Investments	**12,669**	10,428
Total Pool Income	**102,044**	91,000
Profit Equalization Reserve	**-**	-
Investment risk reserve	**-**	-
Pool Income	**102,044**	91,000
Mudarib fee	**6,373**	5,879
Movement to or from PER/IRR	**-**	-
Total amount paid to PIA Mudaraba	**6,373**	5,879
Total amount attributable to shareholders pool including Wakala	**108,417**	96,879

8. Restricted Investment Accounts

The Bank does not have Restricted Investment Accounts product as of reporting date.

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9. Retail Investor-Oriented Disclosures for Investment Accounts

The Bank offers Quasi-Equity in OMR and USD only and maturity periods ranging from 1 month, 3 months, 6 months, 9 months, 12 months, 18 months and 24 months based on fully Sharia-compliant concept of Mudaraba. Profit is paid with a payout frequency of Monthly or Quarterly.

Following is the Product Structure of the Unrestricted Mudaraba Investment Account

9.1 Product Structure

Key Definitions and Concepts

Mudaraba – is a form of partnership where one party provides capital and the second party provides expertise and management skills. First party is referred to as Rab-ul-Maal (Investor) and the second party is referred to as the Mudarib (Investment Manager). Any profits accrued out of the joint business are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Rab-ul-Maal (Investor) except for losses arising from the negligence of Mudarib.

Mudarib – is the entrepreneur or investment manager in a Mudaraba, the Mudarib manages the investor's funds through a common pool of investments called Mudaraba Pool in return for a share of profits through Sharia compliant investments.

Rab-ul-Maal – is the provider of the capital or investor in an Islamic contract such as Mudaraba.

Structure of the Mudaraba Investment Account Product

The Bank's Mudaraba Investment Account product will be based on the Islamic contract of Mudaraba.

In case of Mudaraba Investment Account under Mudaraba arrangement, the customer becomes an Investor (Rab-ul-Maal), and the Bank becomes the Manager (Mudarib) of the funds invested by the customers. Besides acting as Mudarib, the Bank can also invest a share of its equity and other funds that the Bank did not receive on Mudaraba basis in the Mudaraba Pool.

For the Bank's funds invested in the joint Mudaraba pool, the Bank will become a partner of the customer. The Bank will accept funds from Mudaraba Participatory Investment Accounts under a Mudaraba agreement and allocate the funds received from the customers, along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities.

The profit earned from the investment and financing activities, using funds from the unrestricted joint investment pool shall be distributed between the Depositors (Investors) and the Bank based on the Profit Distribution Methodology as approved by the Sharia Supervisory Board (SSB). There is no sharing of profits from the Bank's fee-based banking.

The Bank does not guarantee the Investment amount to the Mudaraba Participatory Investment Accounts, and in case of a loss from the investment and financing activities; the loss shall be borne by the customers in proportion of their respective share in the investment pool. Customer's share of loss shall be deducted from the customer's investment amount except for losses arising from the negligence of Mudarib (the Bank)

All Mudaraba Investment Accounts shall be assigned weightages, based on the features of the Mudaraba Investment Account such as amount, currency, period of investment, profit payment options and other applicable features for the purpose of the profit calculation, in accordance with the Sharia rulings issued by the Sharia Supervisory Board (SSB)

The pooled funds will be subjected to deductions for all direct expenses and fees incurred to generate the assets in the specific pool.

The Bank will deduct its Mudarib Share from net profit after deducting its share as fund provider "Rab-ul-Mal".

The Bank may change the Mudarib Share and weightages for calculation of profit from time to time.

In case of loss, Mudaraba Participatory Investment Accounts will suffer the loss exactly according to the ratio of their investment; and in case of profit, the profit will be distributed on the basis of the share of investment in the investment pool on pre agreed terms

The minimum balance criterion for Mudaraba Investment Account is essential as a balance requirement to participate in the Mudaraba pool. Once the Investment Amount has been invested, Profit is calculated on monthly basis on the Investment amount of the customer and is payable as per the selected profit payout option by the customer (monthly or quarterly). The Mudarib share ratio is disclosed on Bank's website for information to the customers.

In the event the Rab-ul-Mal wishes to terminate the Investment prior to the agreed Investment Maturity Date, the Rab-ul-Mal shall notify in writing to the Mudarib. Mudarib would be entitled to apply the declared profit rates of the nearest corresponding period for the actual investment period completed, provided a minimum one month of investment has been completed to be eligible for profit payment. Deduction from Principal amount is allowed in case profit amount already paid to the customer (in case of profit payout option other than on maturity) is higher than the applicable declared profit rates for the actual completed investment period.

The Bank has set up prudential reserve account to minimize the adverse impact of income smoothing for PSIA on its shareholders' returns and to meet potential but unexpected losses that would be borne by the PIA on investments financed by PSIA, namely:

Profit Equalization Reserve (PER)

This is to secure suitable and competitive return to the investors in case there are certain extra ordinary circumstances, depressing the return, which were un-anticipated by the investors. The disposition of the reserve amount will take place with the prior approval of the Shari'a Board. In case the balance in the reserve account is not sufficient to face the competition, the shareholders may grant part of their share of profit to the investors with the approval of Shari'a Board. This reserve only applies to Mudaraba accounts. In case the rate of return to the investors in a certain profit distribution period is substantially higher than the market rates, the Bank's Management may decide to deduct, after taking approval from ALCO, after deducting the profit share of the investment manager as Mudarib and Rab Al Maal, a portion of the common pool share of profit and transfer the same to the Profit Equalization Reserve (PER) up to a maximum limit of 60% of the increased value. In addition, transfer amount from/to PER and IRR subject to Asset Liability Committee (ALCO) approval.

Investment Risk Reserve (IRR)

This reserve is created from the investors' share of profit out of the Net Profit as per relevant guidelines (AAOIFI and/or CBO), post distribution of Mudarib share to ensure certain level of cushion for the investment portfolio. The available balance in the reserve account shall be invested in the Common Pool and the profit earned by investing such balance will be added to the reserve account. IRR provides funds for unexpected and uncertain events takes place resulting in a decline in the value of the investments. This decline in value may be as a result of losses on financing or/and general reserves of the bank (as required by regulation). The disposition of the reserve amount will take place with the prior approval of the Shari'a Board. In case the balance in the reserve account is not sufficient to face the competition, the shareholders may grant part of their share of profit to the investors with the approval of Shari'a Board.

The Bank's ALCO decides in advance on the investment and asset allocation for PIA funds, including, with particular reference to unrestricted PIAs, the commingling of their funds with other funds managed by the Bank, the balance between shareholders' and PIA interests in terms of allocating investment funds and the risk-return characteristics of investments.

The Bank calculates the profit of the Mudaraba pool every month. Net Profit of the pool (after deduction of the direct costs/expenses attributable to the common pool) will be distributed amongst the investors and the shareholders, according to the following formula:

- (Average Investment amount x Aggregate weightages given to the shareholders and investors) for each category of investors.
- This aggregate weightage depends on: Amount and Profit Payout Frequency.

Then the Mudarib's fee is deducted from each category of the investors' share of profit, giving them the Net Profit.

Losses arising from receivables, financing and investment assets that started and ended in the same year will be compensated as follows:

- Will be covered from the profits of the same year.
- If losses exceeded profits in the same year, they will be covered from Investment Risk Reserve.
- If there is no sufficient fund available in Investment Risk Reserve, the losses will be covered directly from investor funds "Rab ul Mal share".

Losses arising from receivables, financing and investment assets that initiated and continued from preceding years will be compensated as follows:

- Will be covered from the Investment Risk Reserve.
- If there is no sufficient fund available in Investment Risk Reserve, they will be covered from current revenues.
- If the current revenues are not sufficient, the losses will be covered directly from investors' funds "Rabb ul Mal share".

In addition to the above, in all cases the shareholders may forego their share of profit or part of their equity in favor of the investors to cover such losses.

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10. Risk Management, Risk Exposures and Risk Mitigation

10.1 Qualitative Disclosure

- The Bank like all other major financial service organizations is facing increasing demands to better understand its risks, both from management and from external stakeholders. Factors such as the global pace of change, resource constraints, product complexity and a growing demand for transparency, present a compelling case for stronger management of risk.
- The Bank's Risk Management Framework enables the Bank to manage bank-wide risks with the objective of maximizing returns while adhering to the risk appetite. The Bank uses a three lines of defense model to support its approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities.
- The three lines of defense are summarized below:
  - Business units: required to ensure the effective management of risks within the scope of their direct organizational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities.
  - Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Bank's risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the management chain.
  - Internal Audit: provides independent assurance and reports its findings to all relevant management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.
- The Bank's risk management and control principles are further supported by qualitative elements such as policies and authorities, and quantitative components including risk measurement methodologies and risk limits. In addition, the framework is dynamic and continuously adapted as Bank's businesses and the market environment evolve. It is based on:
  1. Strong managerial involvement throughout the entire organization, from the CEO down to operational field management teams;
  2. A firm structure of internal procedures and guidelines;
  3. Permanent supervision by an independent bodies to monitor risks and to enforce rules and procedures; and
  4. Continuous training that helps to foster a disciplined and constructive culture of risk management and control.

  The overall objective of the Risk Management Framework is to improve shareholder value by optimizing risk and return. Specifically, Risk Management framework will:
  1. Establish clear accountability or ownership of risk
  2. Enable management to make decisions on a well-informed, risk-adjusted, and aggregated basis
  3. Enable Bank to manage negative "what-if" scenarios
  4. Improve understanding of interactions and inter-relationships between risks
  5. Establish an "in control" status of significant risks
- Bank's Risk Management program is geared towards helping the organization to manage risk. A common risk framework and supporting processes aid in the comprehensive and consistent understanding and decision-making for risk. Through an integrated framework, the Bank intends to ingrain a strong and consistent risk culture across the organization.
- The Risk Management framework structure is summarized below:

The Risk Management framework has seven components: four that comprise the risk management decision phases and three that are support components.

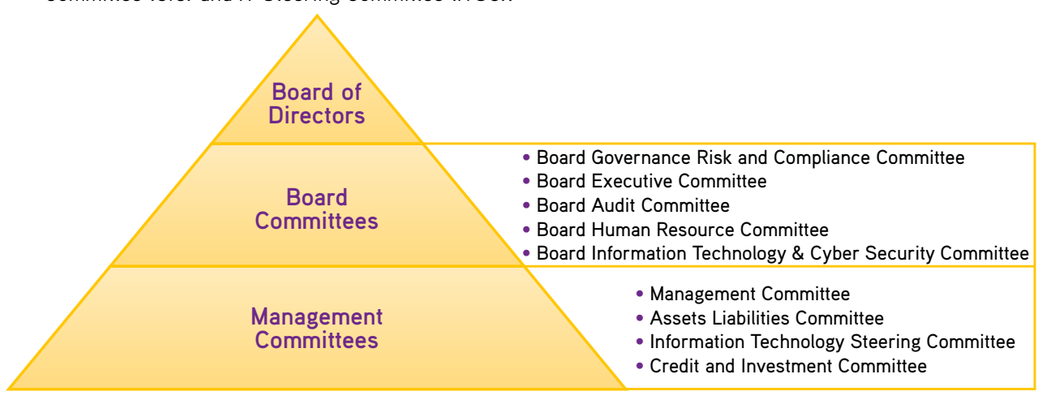
The four risk management decision phases are:

Policy	Top down direction providing definition for risk appetite, governance and risk management principles.
Plan	Setting of risk strategy and objectives for business areas.
Execute	The core risk process of risk identification, assessment, mitigation and measurement and reporting.
Evaluate	Monitoring the program and evaluation of performance.

The three support components represent the tools and environment. They are:

Infrastructure	The tools, technology, staffing and policy to support the risk management process.
Internal Environment	The internal culture of the Bank and the tools to create and reinforce it.
External Environment	Factors outside the Bank that may create risk that need to be monitored or against which the Bank's Business plan may need to be evaluated.

- The Bank's primary responsibility of managing Risk lies with Board of Directors (BOD) who has formed independent dedicated Board level committee, Board Governance Risk and Compliance Committee (BGRCC). The BGRCC is supported by independent Risk Management Group (RMG) that reports to BOD through BGRCC.
- Part of the risk governance, Senior Management Committees were established in the Bank to manage the overall level of each risk type. This includes: Assets and Liability Committee (ALCO), Credit and Investment Committee (CIC) and IT Steering Committee (ITSC).



- To Bank has policies for each risk type and accordingly risk is identified, assessed, monitored and reported to the Board and Senior Management. For this, a comprehensive integrated risk management report covering is generated on regular basis that highlights risk and performance of portfolio and is reported to Senior Management and Board with analysis for their review.
- The Bank has comprehensive Risk Management Policies approved by the Board for all the major risk types. These are also supported by appropriate limit structures. These policies provide an enterprise-wide integrated risk management framework in the Bank.
- The risk appetite statement identifies risk objectives, policies, strategies and risk governance both at the Board and the management level. The capital management policy is aimed at ensuring financial stability by allocating enough capital to cover unexpected losses.
- Limit structures serve as key components in articulating risk strategy in quantifiable risk appetite. They are further supported by a comprehensive framework for various risk silos with its own policies and methodology documents. In addition, the Bank is in the process of implementing various risk systems to help quantify the regulatory capital allocated to various portfolios.
- The Bank is exposed to various types of risk, such as market, credit, profit rate, liquidity and operational, all of which require the comprehensive controls and ongoing oversight. The risk management framework summarizes the spirit behind Basel II and III which includes management oversight and control, risk culture and ownership, risk recognition and assessment, control activities and segregation of duties, adequate information and communication channels, monitoring risk management activities and correcting deficiencies.
- For the purpose of Capital Adequacy calculation, the exposure funded by PIA are taken completely in RWA and required capital as per CBO is allocated.

10.2 Quantitative Disclosure

(a) Disclosure of the range and measures of risks facing each restricted PIA fund, based on its specific investment policies

As of reporting date, the Bank does not have restricted PIA funds.

(b) Disclosure of the treatment of assets financed by restricted PIA in the calculation of RWA for capital adequacy purposes

As of reporting date, the Bank does not have restricted PIA funds.

(c) Disclosure of the treatment of assets financed by unrestricted PIA in the calculation of RWA for capital adequacy purposes.

As per the Islamic Banking Regulatory Framework (IBRF), 30% (alpha ratio) of assets financed by PIA are required to be deducted from Total Risk-Weighted Assets (RWA). However, the Bank has not taken into the consideration this and following conservative approach by not deducting the same from RWA.

(d) Composition of financing by type of contract as a percentage of total financing.

Financing (gross) by type of contract	2025		2024	
	RO'000	%	RO'000	%
Sales Receivable and Other Receivables	**359,975**	**21.57%**	351,602	21.68%
Ijarah Muntahia Bittamleek	**180,357**	**10.81%**	207,022	12.77%
Musharaka financing	**667,295**	**39.38%**	610,595	37.65%
`Wakala Bil Isthimaar	**461,345**	**27.64%**	452,425	27.90%
Total Gross Financing	**1,668,972**	**100.00%**	1,621,644	100.00%

(e) Percentage of financing for each category of counterparty to total financing

	2025 Gross Financing		2024 Gross Financing	
	RO'000	%	RO'000	%
Personal	**572,895**	**34.33%**	560,581	34.57%
Small Medium Enterprises	**47,104**	**2.82%**	35,774	2.21%
Corporate	**1,048,973**	**62.85%**	1,025,289	63.23%
Government	**-**	**0.00%**	-	0.00%
Total	**1,668,972**	**100.00%**	1,621,644	100.00%

(f) Disclosure of the carrying amount of any assets pledged as collateral (excluding amounts pledged to the Central Bank) and the terms and conditions relating to each pledge.

As of reporting date, the Bank does not have any secured borrowing where Bank has pledge collateral to counterparty.

(g) The amount of any guarantees or pledges given by the Licensee and the conditions attached to those guarantees or pledges.

The Bank issued Performance, Advance Payment and Shipping Guarantee amounting RO 156,151 thousands (Dec 2024: RO 151,705 thousands) as of reporting date.

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11. Credit Risk

- Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from potential that a customer or counterparty's willingness to meet an obligation or its ability to meet such an obligation is impaired, resulting in an economic loss to the Bank.
- Credit risk is primarily managed as per BOD approved Credit risk policy where proper assessment of inherent risks is carried out in credit proposals to ensure a balanced portfolio of customers meeting the risk appetite of the Bank. The Bank also ensures dealing with customers of good credit standing, a thorough and professional credit assessment process, obtaining collaterals to mitigate risks and continuous monitoring of the accounts.
- Credit risk management, administration and control are carried out by risk management teams, which report to the Board Governance, Risk and Compliance Committee. The Bank has well defined credit structures under which credit committees, comprising of senior officers with requisite banking background, critically scrutinize and sanction financing up to the delegated authority. The Bank's exposure to credit is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. All credit decisions are taken as per the Bank's risk policies and CBO regulations and are monitored accordingly.
- The Bank uses internal ratings for credit assessment and relies on external ratings of rated corporate customers and counterparties for benchmarking. The Bank accepts ratings of counterparties from CBO approved External Credit Assessment Institutions. For credit assessment on sovereigns, bank also considers OECD ratings.
- A financing that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing exposure that is overdue for 90 days or more is considered impaired.
- The adoption of AAOIFI FAS 30 has fundamentally changed the Bank's financing loss impairment method by replacing incurred loss approach with a forward-looking ECL approach. The Bank has been recording the allowance for expected credit losses for all financing exposure and other debt financial assets not held at FVPL, together with financing commitments and financial guarantee contracts. Equity instruments are not subject to impairment under FAS 30.
- The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12 month ECL).
- The 12 month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.
- The Bank has established a policy to perform an assessment, at the end of each reporting period, of 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.
- For all Past Due receivables and Impaired Financial assets, Expected Credit Loss (ECL) impairment is created and for Performing Financing Assets, ECL is created on forward looking approach in accordance with FAS 30 standards. To assess requirements of ECL, financial assets are divided into three staging criteria i.e. Stage 1, Stage 2 and Stage 3. Where Stage 1 is for 'performing', Stage 2 is for 'under-performing' where credit risk has increased significantly since inception; and Stage 3 is for 'non-performing'.
- The Bank uses automated solution for ECL/impairment assessment for its Retail and non-retail (wholesale) banking portfolios.

11.1 Quantitative Disclosure

(a) Total Gross Credit and Average Gross Credit

	2025		2024	
	Total Gross Credit	Average Gross Credit	Total Gross Credit	Average Gross Credit
	RO'000	RO'000	RO'000	RO'000
Sales Receivables and Other Receivables	397,181	374,392	351,602	333,156
Ijarah Muntahia Bittamleek	180,357	193,690	207,022	218,240
Musharaka financing	669,225	639,910	610,595	555,626
Wakala Bil Istethmar	482,459	467,442	452,425	411,862
Investments in Sukuk & securities	169,759	181,763	193,766	169,340
Interbank Wakala Placements	100,836	71,384	41,931	33,212
Total	1,999,817	1,928,579	1,857,341	1,721,434

The breakup of Investment in Sukuk & securities and Interbank Wakala placements with respect to external ratings are given below:

	2025		2024	
External Ratings	Investment in Sukuk and Securities	Interbank Wakala Placements and Due from Banks	Investment in Sukuk and Securities	Interbank Wakala Placements and Due from Banks
	RO'000	RO'000	RO'000	RO'000
AAA	48,912	-	54,670	5.00
AA+,AA-AA	-	6,845		1,569
A+, A, A-	8,346	28,913		15,935
BBB+, BBB, BBB-	84,105	59,906	3,276	-
BB+, BB, BB-	8,035	7	98,489	19,649
B+, B, B-	4,849	5,158	11,310	4,694
Unrated	2,002	7	2,641	79
Total	156,250	100,837	170,386	41,931

(b) Exposure in terms of geographical area

	Assets			Liabilities		
2025	Gross due from banks and Interbank Wakala investment	Gross financing	Gross investments in Sukuk and securities	Customer account, unrestricted PIA and customer Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Sultanate of Oman	59,675	1,668,972	98,244	1,646,732	28,850	445,133
Other GCC countries	27,031	-	12,401	-	11,982	5,975
Europe and North America	14,068	-	1,463	-	36	3,160
Africa and Asia	62	-	57,651	-	20,720	6,345
	100,836	1,668,972	169,759	1,646,732	61,588	460,613

	Assets			Liabilities		
2024	Gross due from banks and Interbank Wakala investment	Gross financing	Gross investments in Sukuk and securities	Customer account, unrestricted PIA and customer Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Sultanate of Oman	19,000	1,621,644	123,256	1,560,254	3,850	388,069
Other GCC countries	11,555	-	15,078	-	37	18,382
Europe and North America	10,463	-	762	-	20	9,291
Africa and Asia	913	-	54,670	-	8,347	10,468
Total	41,931	1,621,644	193,766	1,560,254	12,254	426,210

(c) Customer concentrations

	Assets			Liabilities		
2025	Due from banks and Interbank Wakala investment	Gross Financing	Investments in Sukuk and securities	Current, unrestricted PIA and customer Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	572,895	-	603,632	-	-
Corporate	41,161	1,096,077	39,817	352,768	61,588	404,137
Government	59,675	-	129,942	690,332	-	56,476
Total	100,836	1,668,972	169,759	1,646,732	61,588	460,613

	Assets			Liabilities		
2024	Due from banks and Interbank Wakala investment	Gross Financing	Investments in Sukuk and securities	Current, unrestricted PIA and customer Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	560,581	-	582,956	-	-
Corporate	41,931	1,061,063	40,791	356,950	12,254	369,734
Government	-	-	152,975	620,348	-	56,476
Total	41,931	1,621,644	193,766	1,560,254	12,254	426,210

(d) Industry concentrations

	Assets			Liabilities		
2025	Due from banks and interbank Wakala	Gross financing	Investments in Sukuk and securities	Current, unrestricted PIA and customer Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	572,894	-	603,632	-	-
Construction	-	104,640	-	9,430	-	92,698
Manufacturing	-	104,238	-	-	-	51,225
Financial services	41,161	-	1,637	-	61,588	19,780
Government	59,675	-	129,942	690,332	-	56,476
Oil& Gas	-	173,747	-	-	-	-
Trading	-	167,340	-	-	-	-
Real Estate	-	72,284	-	-	-	-
Other services	-	275,680	-	257,602	-	36,359
Others	-	198,149	38,180	85,736	-	204,075
	100,836	1,668,972	169,759	1,646,732	61,588	460,613

	Assets			Liabilities		
2024	Due from banks and interbank Wakala	Gross financing	Investments in Sukuk and securities	Current, unrestricted PIA and customer Wakala	Interbank Wakala	Contingent liabilities and commitments
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Personal	-	560,581	-	582,956	-	-
Construction	-	110,085	-	11,041	-	88,289
Manufacturing	-	102,133	-	12,616	-	36,507
Financial services	41,931	-	-	-	12,254	591
Government	-	-	152,975	620,348	-	56,476
Oil& Gas	-	92,689	-	-	-	18,385
Trading	-	83,941				8,831
Real Estate	-	63,728				9,822
Other services	-	249,721	-	3,684	-	14,778
Others	-	358,766	40,791	329,609	-	192,531
	41,931	1,621,644	193,766	1,560,254	12,254	426,210

(e) Industry type distribution of exposures by major types of credit exposures:

2025	Due from banks and interbank Wakala	Gross Sales receivables and other receivables	Gross Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Investment in Sukuk & securities	Total	Off alance sheet exposures
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Construction	-	22,054	-	37,994	44,800	-	104,848	92,698
Electricity, gas and water	-	2,516	-	2,839	-	-	5,355	1,195
Financial institutions	41,161	-	-	-	-	-	100,836	19,780
Services	-	19,694	4,610	86,199	161,285	-	271,788	36,359
Personal financing	-	178,109	154,779	236,469	-	-	569,357	-
Government	59,675	-	-	-	-	129,942	129,942	56,476
Non-resident financing	-	-	-	-	-	-	-	-
Others	-	137,602	20,968	303,694	255,260	39,817	757,341	254,105
Total	100,836	359,975	180,357	667,195	461,345	169,759	1,939,467	460,613

2024	Due from banks and interbank Wakala	Gross Sales receivables and other receivables	Gross Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Investment in Sukuk & securities	Total	Off balance sheet exposures
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Construction	-	20,389	-	35,455	54,241	-	110,085	88,290
Electricity, gas and water	-	588	-	3,600	-	-	4,188	1,320
Financial institutions	41,931	-	-	-	-	-	41,931	591
Services	-	19,225	1,738	82,054	142,516	-	245,533	14,778
Personal financing	-	192,866	175,721	191,994	-	-	560,581	-
Government	-	-	-	-	-	152,975	152,975	56,476
Non-resident financing	-	-	-	-	-	-	-	-
Others	-	118,535	29,563	297,492	255,668	40,791	742,048	264,755
Total	41,931	351,603	207,022	610,595	452,425	193,766	1,857,341	426,210

(f) Residual contractual maturities of the portfolio by major types of Islamic financing assets:

2025	Gross due from banks and interbank Wakala	Gross sales receivables and other receivables	Gross Ijarah assets and Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Gross investment in Sukuk & securities	Total	Off balance sheet exposures
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Up to 1 month	81,914	21,992	981	17,989	30,293	35,799	188,968	17,416
1 to 3 months	6,933	39,542	2,195	6,491	79,890	59,445	194,496	41,961
3 to 6 months	9,625	40,814	2,808	12,505	31,511	-	97,263	65,971
6 to 9 months	2,364	31,106	3,122	12,781	21,574	14,427	85,374	3,780
9 to 12 months	-	13,699	2,690	13,343	5,585	5,434	40,751	4,224
1 to 3 years	-	38,177	13,411	55,206	38,913	25,600	171,307	74,782
3 to 5 years	-	32,088	13,305	54,699	35,397	7,423	142,912	11,962
Over 5 years	-	142,557	141,845	494,281	218,182	21,631	1,018,496	240,517
	100,836	359,975	180,357	667,295	461,345	169,759	1,939,567	460,613

2024	Gross due from banks and interbank Wakala	Gross sales receivables and other receivables	Gross Ijarah assets and Ijarah Muntahia Bittamleek	Gross Musharaka financing	Gross Wakala Bil Istethmar	Gross investment in Sukuk & securities	Total	Off balance sheet exposures
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Up to 1 month	41,931	25,080	1,211	7,792	28,907	52,492	157,413	81,698
1 to 3 months	-	35,691	2,258	8,218	73,899	37,249	157,315	48,405
3 to 6 months	-	52,859	3,310	8,596	28,536	-	93,301	17,667
6 to 9 months	-	29,103	2,439	11,157	16,014	12,991	71,704	10,584
9 to 12 months	-	17,503	4,422	19,620	7,161	30,180	78,886	9,689
1 to 3 years	-	73,853	28,573	106,056	70,607	26,741	305,830	47,682
3 to 5 years	-	45,078	29,204	94,786	81,075	23,261	273,404	14,830
Over 5 years	-	72,436	135,605	354,369	146,226	10,852	719,488	195,655
	41,931	351,603	207,022	610,594	452,425	193,766	1,857,341	426,210

(g) Total gross exposure and average gross exposure to equity-based financing structures by type of financing contract during the previous year and over the period.

As of reporting date, the Bank does not have any equity-based financing.

(h) Distribution of impaired financing, past due and not past due financing by type of industry:

A)	Performing financing	Non-performing financing	Impairment losses under stage III held	Impairment losses under stage I and II Held
2025	RO'000	RO'000	RO'000	RO'000
Personal financing	570,851	2,044	980	399
Non-resident corporate financing	-	-	-	-
Resident corporate financing	1,044,617	51,460	27,082	24,271
	1,615,468	53,504	28,062	24,670

B)	Performing financing	Non-performing financing	Impairment losses under stage III held	Impairment losses under stage I and II Held
2024	RO'000	RO'000	RO'000	RO'000
Personal financing	558,303	2,278	1,497	187
Non-resident corporate financing	-	-	-	-
Resident corporate financing	1,023,663	37,400	24,122	21,368
	1,581,966	39,678	25,619	21,555

A)	Performing financing	Non-performing financing	Impairment losses for non-performing financing	Impairment losses for performing financing
2025	RO'000	RO'000	RO'000	RO'000
Construction	94,999	10,959	6,974	12,526
Electricity, gas and water	5,379	-	-	13
Financial institutions	-	-		-
Services	269,420	1,312	197	884
Personal financing	570,851	2,044	980	399
Government	-	-		-
Non-resident financing	-	-		-
Others	710,819	39,189	19,911	10,848
	1,651,468	53,504	28,062	24,670

	Performing financing	Non-performing financing	Impairment losses for non-performing financing	Impairment losses for performing financing
2024	RO'000	RO'000	RO'000	RO'000
Construction	100,897	9,188	7,101	10,779
Electricity, gas and water	4,188	-	-	9
Financial institutions	-	-		-
Services	245,533	-		435
Personal financing	558,303	2,278	1,497	187
Government	-	-		-
Non-resident financing	-	-		-
Others	673,045	28,212	17,021	10,145
	1,581,966	39,678	25,619	21,555

(i) Distribution of impaired financing and past due financing by geographical distribution:

	Performing financing	Non-performing financing	Impairment losses under stage III held	Impairment losses under stage I and II Held
2025	RO'000	RO'000	RO'000	RO'000
Sultanate of Oman	1,615,468	53,504	28,062	24,670
Other countries	-	-	-	-
Total	1,615,468	53,504	28,062	24,670

	Performing financing	Non-performing financing	Impairment losses under stage III held	Impairment losses under stage I and II Held
2024	RO'000	RO'000	RO'000	RO'000
Sultanate of Oman	1,581,966	39,678	25,619	21,555
Other countries	-	-	-	-
Total	1,581,966	39,678	25,619	21,555

(j) Distribution of provision with type of Islamic financing asset:

	2025			
	Stage 1	Stage 2	Stage 3	Total
Total of performing and Non-performing financial assets				
Total gross financing amount including off-balance sheet	1,643,902	427,244	57,808	2,128,953
Total ECL on Financing	(3,322)	(21,762)	(29,148)	(54,232)
Total Gross Investments (debt instruments)	154,248	2,002	-	156,250
Total ECL on Investments	(280)	(391)	-	(671)
Total Gross Interbank	86,043	-	-	86,043
Total ECL on Interbank	(12)	-	-	(12)
Due from Banks, Central Banks and other financial assets	14,793	-	-	14,793
ECL on Due from Banks, Central Banks and other financial assets	-	-	-	-
Carrying amount	1,895,373	407,093	28,660	2,331,125

	2024			
	Stage 1	Stage 2	Stage 3	Total
Total of performing and Non-performing financial assets				
Total gross financing amount including off-balance sheet	1,661,847	307,307	44,549	2,013,703
Total ECL on Financing	(4,356)	(17,721)	(26,884)	(48,961)
Total Gross Investments	170,385	-	-	170,385
Total ECL on Investments	(122)	-	-	(122)
Total Gross Interbank	23,620	-	-	23,620
Total ECL on Interbank	(9)	-	-	(9)
Due from Banks, Central Banks and other financial assets	18,311	-	-	18,311
ECL on Due from Banks, Central Banks and other financial assets	(3)	-	-	(3)
Carrying amount	1,869,673	289,586	17,665	2,176,924

(k) Change in loss provisions during the financial year

	2025	2024
	RO'000	RO'000
Balance at 1 January	**49,095**	41,466
Impairment losses / (reversals) during the year for:		
Sales and other receivables	**791**	2,560
Ijara Muntahia Bittamleek	**(213)**	(183)
Wakala Bil Istethmar	**3,624**	6,087
Musharaka financing	**3,813**	(1,293)
Investments securities	**549**	(50)
Due from banks	**9**	-
Inter-bank Wakala investments	**(8)**	1
Direct write off	**253**	-
Non-funded facilities	**(288)**	507
Total impairment losses	**8,530**	7,629
Balance at 31 December	**54,915**	49,095

During the year, the Bank wrote off financing facilities amounting to RO 2.71 million, of which RO 2.46 million had previously been provided for as impairment loss. The remaining RO 253 thousand has been charged to the consolidated statement of income.

(l) Penalty imposed on customers for default, and the disposition of any monies received as penalty

During the year, RO 86 thousands (Dec 2024: RO 121 thousands) penalty is imposed to customer for delayed payment and RO 86 thousands (2024: RO 121 thousands) has been transferred to organizations which are registered with the Ministry of Awqaf and Religious affairs, namely Zakat Seeb Committee, Oman Charitable Organization and Oman Association of the Care of Holy Quran.

12. Credit Risk Mitigation

o Credit risk mitigation refers to the use of a number of techniques, like collaterals and guarantees to mitigate credit risks that the Bank is exposed to. Credit risk mitigants reduces the credit risk by allowing the Bank to protect against counterparty non-performance of credit contracts through collaterals, netting agreements and guarantees.

12.1 Qualitative Disclosure

o The Bank only considers Shari'a approved collaterals and guarantees to mitigate credit risk. Assets offered by customer must meet the following criteria to be acceptable as collateral:

- Assets must be maintaining their value, at the level prevalent at inception, until maturity of the facility approved;
- Such assets should be easily convertible into cash, if required;
- There should be a reasonable market for the assets; and
- The Bank should be able to enforce its right over the assets if necessary

For assets financed under Ijarah Muntahiya Bittamleek, the underlying asset is used to mitigate the default risk (Loss Given Default).

o The Bank accepts Hamish Jiddiyyah, Urbun, Profit Sharing Investment Accounts, pledged assets, Sukuk (rated/

unrated), third party guarantees (by sovereigns, banks, corporate entities and High net-worth Individuals) as risk mitigant.

- Where eligible collaterals are available against facilities, the Bank takes independent valuation by approved valuators only and ensures that the assets held as collateral meet the criteria mentioned above. The Bank as per the CBO and Basel guidelines takes the value of collateral after applying appropriate haircut before assigning provisions. In cases, whenever the bank acquires/disposes assets as a last resort on fair market value, the decision is on case-to-case basis to acquire or not for its operations.
- The Bank considers guarantees and if the risk profile/weight of the guarantor is better than the counterparty then risk weight is applied based on the rating of guarantor.
- Due to the nature of Islamic banking in which underlying asset must be tangible and acceptable for purpose of transaction structure which has resulted in increased concentration on specific asset/sector type i.e. Real Estate. However, the Bank has adopted a sound and prudent portfolio management and control practices that involve the minimization of concentration risk by developing and implementing policies and procedures to ensure the diversification of the portfolio.

12.2 Quantitative Disclosure

(a) Disclosure of the total carrying amounts by type of collateral of any assets held as collateral by the Licensee (including any haircuts) and the terms and conditions relating to the pledges

	2025	2024
	RO'000	RO'000
Real Estate	875,699	855,907
Movable Assets	128,395	106,550
Total	1,004,094	962,457

The value of the collateral is adjusted by relevant haircut as mandated by IBRF. The bank has considered collaterals for the purpose of Expected Credit Loss reserve computation after applying relevant haircut, however for the purpose for calculation of Risk-Weighted assets no collateral is considered except cash.

(b) Disclosure of the carrying amount of assets owned and leased under Ijara Muntahia Bittamleek

	2025	2024
	RO'000	RO'000
Ijarah Muntahia Bittamleek	180,357	207,022

13. Liquidity risk

Liquidity risk is the potential inability to meet the Bank's liabilities as they become due. It arises when the Bank is unable to generate cash to cope with a decline in deposits or increase in assets.

13.1 Qualitative Disclosure

- Bank's Liquidity Risk Management is governed by the Liquidity Risk Management Policy document approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management. The Liquidity risk policy incorporates contingency funding plans and measures so as the Bank is always in a position to meet all maturing liabilities as well as to fund asset growth and business operations.
- The Bank monitors its liquidity risk of funding related to current account, saving accounts, Participatory Investment Account on individual basis as well as on aggregate basis through cash flow approach and stock approach.
- Treasury department of the Bank and Asset Liability Committee (ALCO) controls and monitors the liquidity and ensures that the Bank is not exposed to undue liquidity risk and at the same time makes optimum use of its funds through Shari'a compliant financing and investment activities.
- The Bank has already implemented Basel III standards for liquidity that includes Liquidity Coverage Ratio and Net Stable Funding Ratio. These ratios are used as an indicator to show the Bank's liquidity position to honor its short-term and long-term commitments.
- "Basel III" is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision, and risk management of the banking sector.
- These measures aim to:
  - improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
  - improve risk management and governance
  - strengthen banks' transparency and disclosures

13.2 Quantitative Disclosure

The related disclosure on Liquidity Risk is given below:

(a) Indicators of exposure to liquidity risk - short-term assets to short-term liabilities

	2025	2024
	RO'000	RO'000
Short-term Assets	**645,776**	478,139
Short-term Liabilities	**893,701**	536,711
Short-term Assets to Liabilities	**72.26%**	89.09%

(b) Indicators of exposure to liquidity risk - liquid assets ratio

	2025	2024
	RO'000	RO'000
Liquid Assets	**144,519**	182,628
Short-term Liabilities	**893,701**	536,711
Total Liabilities	**1,753,364**	1,623,827
Liquid Asset to Short-term Liabilities	**16.17%**	34.03%
Liquid Asset to Total Liabilities	**8.24%**	11.25%

(c) Maturity profile of assets and liabilities

31 December 2025	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with Central Bank of Oman	83,305	-	-	-	500	83,805
Inter-bank Wakala and Due from banks	82,220	16,559	2,364	-	-	101,143
Financing to customers - net	70,621	210,024	101,744	525,937	727,952	1,636,278
Investment securities	7,703	45,057	23,590	38,383	54,355	169,088
Intangible assets	-	-	-	-	6,760	6,760
Property and equipment	-	-	-	-	4,098	4,098
Other assets	6	1,796	787	6,922	22,032	31,543
Total assets	**243,855**	**273,436**	**128,485**	**571,242**	**815,697**	**2,032,715**
Customers' accounts and Participatory investment accounts	163,967	391,321	310,545	479,878	362,572	1,708,283
Other liabilities	-	3,665	24,203	4,914	12,299	45,081
Investment risk and profit equalization reserve	-	-	-	-	-	-
Owners' equity	-	-	-	-	279,351	279,351
Total liabilities, Quasi equity and Owners' equity	**163,967**	**394,986**	**334,748**	**484,792**	**654,222**	**2,032,715**
Net gap	**79,888**	**(121,550)**	**(206,263)**	**86,450**	**161,475**	-
Cumulative net gap	**79,888**	**(41,662)**	**(247,925)**	**(161,475)**	-	-

31 December 2024	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with Central Bank of Oman	58,980	-	-	-	500	59,480
Inter-bank Wakala and Due from banks	37,333	4,620	-	-	-	41,953
Financing to customers - net	67,432	229,862	125,942	787,608	347,770	1,558,614
Investment securities	49,310	38,034	31,433	52,511	22,356	193,644
Intangible assets	-	-	-	-	4,871	4,871
Property and equipment	-	-	-	-	4,255	4,255
Other assets	-	1,598	799	6,552	15,062	24,011
Total assets	**213,055**	**274,114**	**158,174**	**846,671**	**394,814**	**1,886,828**
Customer accounts, Wakala and unrestricted accountholders	94,865	209,889	313,892	597,766	355,579	1,571,991
Other liabilities	-	4,606	20,478	12,175	14,577	51,836
Investment risk and profit equalization reserve	-	-	-	-	-	-
Owners' equity	-	-	-	-	263,001	263,001
Total liabilities, equity of Quasi-Equity Holders and owners' equity	94,865	214,495	334,370	609,941	633,157	1,886,828
Net gap	62,426	71,228	(172,099)	266,918	(228,473)	-
Cumulative net gap	62,426	133,654	(38,445)	228,474	-	-

14. Market Risk

Market risk is the risk of loss due to unfavorable movements in market factors such as profit rates, exchange rates, and commodity and equity prices. The Bank's Market risks arise generally due to open positions in currency, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

14.1 Qualitative Disclosure

- The Bank seeks to mitigate market risk by employing strategies that correlate rate and price movements of its earning asset and liabilities. The Bank has Assets and Liability Committee (ALCO) which monitors Market and Liquidity Risk on regular basis. The details of market risk faced by the bank are discussed in the following notes.

The principal categories of market risk faced by the Bank are set out below:

Profit Rate Risk

Profit rate risk is the risk that the Bank will incur a financial loss as a result of mismatch in the profit rate on the assets and balances from fund providers. The profit distribution is based on profit sharing agreements instead of guaranteed return to Participatory Investment Accounts. Therefore, the Bank is not subject to any significant profit rate risk.

However, the profit-sharing arrangements will result in displaced commercial risk when the Bank's results do not allow the Bank to distribute profits in line with the market rates. In respect of monitoring the impact of profit rate changes on the earnings and economic value of the Bank, the Bank has developed suitable risk management tool that identify gaps based on the repricing of the assets and liabilities. The result of this sensitivity analysis is presented to Assets and Liability Committee to that necessary decision, if required can be taken for protect the interest of the Bank.

Foreign Exchange Risk

Forex risk is the risk that a bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in an individual foreign currency.

The Bank has exposure in foreign currency. However, significant portion of the foreign currency exposure is in USD and GCC pegged currencies. In addition to this, the Bank has internal limits and mechanism for controlling foreign currency risk for unpegged currencies.

Commodity Price Risk

Commodity price risk is defined as the risk of losses in on- or off-balance sheet position arising from movements in market prices i.e. fluctuations in value in tradable or marketable commodities. The risk related to the current and future volatility of market values of specific assets (for example, the commodity price of Salam asset or the market value of Murabaha assets purchased to be delivered over a specific period).

The Bank however is not exposed to commodity market as the Bank whenever enter into any transaction or specific agreement, the commodity price risk is either hedged or the transaction is performed on spot basis so there is no fluctuation of market price from the moment bank takes an asset in possession and sells an asset to the buyer/ customer.

Price Risk

Price Risk or Equity Investment Risk is risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Bank.

The Bank has investments in Sukuks and Securities. All the investments are marked-to-market on regular basis. All the investment is made after a careful due diligence after taking necessary approvals including from Shari'a to ensure that investments are made as per Shari'a standards. The day-to-day monitoring and management of investments is done by Treasury, Risk Management and Asset Liability Committee of the Bank. All strategic investments are regularly reviewed by Risk Management and Credit and Investment Committee of the Bank.

14.2 Quantitative Disclosure

(a) Breakdown of Market RWA	2025 RO'000	2024 RO'000
Equity Position	-	-
Foreign Exchange Risk	**128,640**	148,832
Commodity Risk	-	-
Total	**128,640**	148,832

(b) Foreign Exchange Net Open Position to Capital

	2025	2024
Foreign Exchange Net Open Position to Capital	**46.03 %**	4.49%

As of reporting date, the bank does not have any trading book instruments. Most of the exposure is in USD and OMR is pegged with USD therefore the sensitivity analyses are immaterial to be reported.

(c) Commodity Net Open Position to Capital

The Bank does not have any commodity available for sale as of reporting date.

(d) Equity Net Open Position to Capital

The Bank does not have any equity in its trading book as of reporting date.

(e) Total Amounts of assets subject to market risk by type of assets

The Bank does not have any investments/assets in Trading Book. Market Risk-Weighted assets only comprise Foreign Exchange position which is mentioned above in item (a).

(f) Measure of Value-at-risk or other sensitivity analyses for different types of market risk

As of reporting date, the bank does not have any trading book instruments. Majority of the exposure is in USD and other pegged currencies i.e. Saudi Riyal (SAR), Arab Emirates Dirham (AED), Bahrain Dinar (BHD). Since OMR is pegged with USD, therefore the sensitivity analyses are immaterial to be reported.

15. Operational risk

15.1 Qualitative Disclosure

Operational Risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors, or from external events. The Bank's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses originate from business/ operational process failure, IT security failure, natural disasters, dependence on key suppliers, fraud, service quality compromised, regulatory non-compliance, loss of key staff, and social and environmental impacts. It also includes the risk that arises from the bank's failure to comply with the Sharia rules and principles. Being an Islamic Bank, sharia non-compliance risk is managed by an independent function that ensures bank's adherence to the Sharia standards and rules.

- The Bank has developed operational risk management policy and all the critical controls are implemented at all levels for curtailing operational risk. Each division has processes and systems in place to address operational risks within their area are accordingly performance of the department is reviewed on regular basis. The Risk

Appetite statement also sets a target for the Management related to Operational Risk and accordingly business plans, product programs are designed to minimize potential operational risk.

- The Bank has defined process for reporting and escalation of operational incidents that stores in the master database for tracking in future. Also, on an annual basis the potential high-risk exposures are identified by each business and support function and accordingly controls are discussed/implemented to minimize risk exposures. The Bank's Sharia Compliance department checks independently the processes on regular basis to ensure there is no sharia related issue that could trigger operational loss to the Bank.
- As per the Bank's policy, operational risk is responsibility of all the staff members and all line managers are responsible for management of operational risk within their unit. Process and Control Improvement is a business as usual for the Bank, accordingly all the line managers are required to perform process and control improvement on regular/need basis to ensure the Bank is not taking any unnecessary risk in carrying out business activities.
- The Bank has well-defined Business Continuity Management policy which is approved by Board of Directors. During the year the Bank also conducted a drill at Head Office to see the Bank's readiness to attend to any major event that could result in major disruption to the Business. The Bank also conducted testing of critical functions at the temporary site established for this purpose, to continue critical transaction in case of any unforeseen events.
- During the reporting period, the Bank ensured continuity of business, and enhanced its IT infrastructure to support the Bank Business Continuity Plan and to address any contingency requirements. The Bank has also improved its e-channels capabilities by giving more features and options to customer, thereby encouraging customer to access banking facilities without visiting branches. To promote such activities, also waived transaction fees for certain period to benefit customers.
- Health and safety was ensured during the period by the Bank for both customers and staff; and necessary guidelines in this regard were issued on regular basis during the reporting period.

15.2 Quantitative Disclosure

(a) RWA Equivalent for Quantitative Operational Risk

- For the purpose of measuring capital charge, the Bank has adopted the Basic Indicator Approach under Basel II for Operational Risk. The approach requires the Bank to provide 15% of the average three years' gross annual income as capital charge for operational risk.

	2025	2024
	RO'000	RO'000
Net income from financing activities	89,799	81,012
Add: Net income from investment activities	12,669	10,428
Add: Fee income	12,316	12,588
Less: Participatory Investment Accounts share of income	53,744	48,239
Add : Other Income	1,615	1,545
Total Revenues	62,654	57,334
Less: Exceptional and extraordinary income	-	-
Gross Income	62,655	57,334
Gross Income times of Alpha (15%)	9,398	8,600
Operational Risk-Weighted Assets 12.5x	117,478	107,501
Operational Risk-Weighted Assets (Average of last 3 Years)	109,591	103,242

b) Indicators for Operational risk exposures

	2025	2024
	RO'000	RO'000
• Gross Income taken in RWA calculation	62,655	57,334

- There is no Shari'a non-compliance income recognized during the year and whenever such incident happens, the Bank's policy is to transfer such funds to charity.

16. Rate of Return Risk

Rate of Return Risk is the risk of deviations in earnings or economic value due to adverse movement of the yield curve. It is inherent primarily to the banking book mainly through financing and deposits portfolio.

16.1 Qualitative Disclosure

- The profit rate exposure of the Bank arises due to mismatches between contractual maturities or re-pricing of on- and off-balance sheet assets and liabilities. It is addressed by an Asset and Liability Management Committee (ALCO) that reviews the profit rate dynamics at regular intervals and decides re-pricing of assets and liabilities ensuring that the spread of the Bank remains at an acceptable level.
- The sensitivity of the income statement is the effect of the assumed changes in profit rates on the earning for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December, 2025.

16.2 Quantitative

- Indicators Of Exposures To Rate Of Return Risk – Expected Payments/Receipts On Financing And Funding At Different Maturity

	Due on demand and within 30 days	Due within 1 to 6 months	Due within 6 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-profit bearing	Total
31 December 2025	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Cash and balances with Central Bank of Oman	-	-	-	-	-	83,805	83,805
Inter-bank Wakala and Due from banks	81,915	16,559	-	2,669	-	-	101,143
Financing to customers – net	70,541	216,231	67,563	548,314	733,629	-	1,636,278
Investment securities	7,703	45,057	16,167	68,738	31,423	-	169,088
Intangible asset	-	-	-	-	-	4,098	4,098
Property and equipment	-	-	-	-	-	31,543	31,543
Other assets	-	-	-	-	-	6,760	6,760
Total assets	160,159	277,847	83,730	619,721	765,052	126,206	2,032,715
Customers' accounts and Participatory investment accounts	76,782	299,219	189,532	555,264	289,821	297,664	1,708,283
Other liabilities	-	-	-	-	-	45,081	45,081
Investment risk and profit equalization reserve	-	-	-	-	-	-	-
Owners' equity	-	-	-	-	-	279,351	279,351
Total liabilities, Quasi equity and Owners' equity	76,782	299,219	189,532	555,264	289,821	622,096	2,032,715
On-balance sheet gap	83,376	(21,372)	(105,802)	64,456	475,232	(495,890)	-
Cumulative profit sensitivity gap	83,376	62,004	(43,798)	20,658	495,890	-	-

31 December 2024	Due on demand and within 30 days RO'000	Due within 1 to 6 months RO'000	Due within 6 to 12 months RO'000	Due within 1 to 5 years RO'000	Due after 5 years RO'000	Non-profit bearing RO'000	Total RO'000
Cash and balances with Central Bank of Oman	-	-	-	-	-	59,480	59,480
Inter-bank Wakala and Due from banks	24,652	-	770	3,850	-	12,681	41,953
Financing to customers – net	273,388	198,096	53,887	497,550	535,693	-	1,558,614
Investment Securities	49,310	38,034	31,433	61,905	12,962	-	193,644
Intangible asset	-	-	-	-	-	4,871	4,871
Property and equipment	-	-	-	-	-	4,255	4,255
Other assets	-	-	-	-	-	24,011	24,011
Total assets	347,350	236,130	86,090	563,305	548,655	105,298	1,886,828
Customer accounts, Wakala and unrestricted accountholders	40,433	126,291	115,769	757,875	293,557	238,066	1,571,991
Other liabilities	-	-	-	-	-	51,836	51,836
Investment risk and profit equalisation reserve	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	263,001	263,001
Total liabilities and shareholders' equity	40,433	126,291	115,769	757,875	293,557	552,903	1,886,828
On-balance sheet gap	306,917	109,839	(29,680)	(194,569)	255,097	(447,604)	-
Cumulative profit sensitivity gap	301,005	787,002	380,704	1,062,937	1,609,170	-	-

- Sensitivity Analysis of the Bank's Profits and The Rate of Return To Price Or Profit Rate Movements In The Market

Impact on earnings due to rate of return risk in the banking book

	2025 RO'000	2024 RO'000
+200 bps	**574**	10,375
+100 bps	**1,142**	5,188
-200 bps	**(574)**	(10,375)
-100 bps	**(1,142)**	(5,188)

17. Displaced Commercial Risk

Displaced Commercial Risk (DCR) refers to the magnitude of risks that are transferred to shareholders in order to cushion the Profit Sharing Investment Account (PSIA) from bearing some or all of the risks to which they are contractually exposed in Mudaraba funding contracts. Under a Mudaraba (profit sharing and loss-bearing) contract, in principle, unrestricted PSIA are exposed to the aggregate impact of risks arising from the assets in which their funds are invested, but they benefit from the DCR assumed by the Bank. This risk-sharing is achieved by constituting and using various reserves such as Profit Equalization Reserve (PER), and by adjusting the Mudarib's (Bank as fund manager) profit share in order to smooth the returns payable to the PIA from exposure to the volatility of aggregate returns arising from banking risks, and thereby to enable payment of returns that are competitive in the marketplace.

17.1 Qualitative Disclosure

- The Bank has set up prudential reserve account to minimize the adverse impact of income smoothing for PSIA on its shareholders' returns and to meet potential but unexpected losses that would be borne by the PIA on investments financed by PSIA, namely:
- Profit Equalization Reserve (PER)
  PER comprises amounts appropriated out of the gross income from the Mudaraba to be available for smoothing returns paid to the PIA and the shareholders, and consists of a PSIA portion and a shareholders' portion;

- Investment Risk Reserve (IRR)
  IRR comprises amounts appropriated out of the income of PIA after deduction of the Mudarib share of income, to meet any future losses on the investments financed by the PSIA.

The analysis of distribution of Mudaraba profit during the period is as follows:

Items	2025 RO'000	2024 RO'000
Total distributable profits	**102,044**	91,000
Bank Share As " Mudarib and Rab ul Maal"	**48,300**	42,761
Depositors Share of profits	**53,744**	48,239
Bank Share As " Mudarib"	**6,373**	5,879
Net profit to be distributed to the depositors before IRR & PER	**6,373**	5,879
Investment Risk Reserve "IRR"	**-**	-
Profit Equalization Reserve "PER"	**-**	-
Net profit to be distributed to the depositors after IRR & PER	**53,744**	48,239

- During the period the Bank did not utilize from PER (2024: Zero) for the purpose of enhancing the returns to depositors
- The Bank is taking all the Risk-Weighted Assets funded by PIA for the purpose of arriving at Total Risk-Weighted Assets and capital requirement is calculated accordingly.

17.2 Quantitative Disclosures

Historical Rate of Return of Quasi-Equity Holder:

	2025 RO'000	2024 RO'000	2023 RO'000	2022 RO'000	2021 RO'000
Profit Earned	**102,044**	91,000	80,362	72,803	64,727
Profit Distributed	**6,373**	5,879	6,226	6,180	6,814
Funds Invested	**420,030**	447,067	368,060	368,516	346,665
Return as % of Funds Invested	**1.52%**	1.32%	1.69%	1.68%	1.97%

18. Contract-Specific Risk

In each type of Islamic Financing asset is exposed to a varying mix of credit and market risk. This mix can also vary according to the stage of the contract. However, the product structure does not change the nature of risk at the stage of contract. Further

policy restricts undue exposure of any risk at any given time and all the contracts are in line with Shari'a and regulatory guidelines. Accordingly, capital is required to be allocated for such risk exposures in line with IBRF.

18.1 Qualitative Disclosure

- As of reporting date financing assets only carries credit risk and accordingly capital is allocated as per the required regulations by CBO. The current product mix does not change the nature of risk according to the stage of contract.

18.2 Quantitative Disclosure

Disclosure of Capital Requirements according to different risk categories for each Shari'a compliant financing contract

	2025			2024		
	Credit risk RO'000	Market risk RO'000	Risk-Weighted Assets RO'000	Credit risk RO'000	Market risk RO'000	Risk-Weighted Assets RO'000
Ijarah Muntahia Bittamleek	**21,809**	-	**161,545**	22,314	-	165,286
Sales Receivable and Other Receivables	**48,324**	-	**357,958**	41,117	-	304,568
Wakala Bil Istethmar	**50,351**	-	**372,968**	44,915	-	332,703
Musharaka Financing	**54,099**		**400,735**	56,241		416,598
Letter of Guarantees	**4,216**	-	**31,230**	4,096	-	30,341
Letter of Credit	**6,271**	-	**46,454**	4,379	-	32,439
Acceptance and Bills for Collection (Wakala)	**804**	-	**5,953**	974	-	7,216
Total	**185,874**		**1,376,843**	174,035		1,289,151

19. General Disclosure from Corporate Governance

19.1 Qualitative Disclosure

- An important objective of these disclosures is to ensure transparency regarding Shari'a compliance by the Bank and applicable reporting standard. As such all-material information are published as soon as practicable while meeting the deadlines set by the disclosure requirements of the CBO and the Bank is compliant with the applicable financial reporting standards.
- Corporate Governance is the system of rules, practices, and processes by which the Bank is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in the Bank. These include its shareholders, management, customers, suppliers, financiers, government, and the community. Since corporate governance also provides the framework for attaining the Bank's objectives, it encompasses practically every sphere of management, from action plans, internal controls, performance measurement and corporate disclosure.
- The Financial Services Authority (FAS) Code of Corporate Governance for Public Listed Companies and the CBO guidelines as per the IBRF Corporate Governance of Banking and Financial Institutions are the principal codes and drivers of Corporate Governance practices in the Sultanate of Oman. Bank Nizwa complies with all their provisions. The FSA Code of Corporate Governance can be found at the www.fsa.gov.om. Corporate Governance has also been defined more narrowly as the relationship of an entity to its shareholders or more broadly as its relationship to society.

The following disclosure summarizes disclosure of related party:

2025	Principal shareholders and directors	Shari'a Board members	Senior management	Total
	RO'000	RO'000	RO'000	RO'000
Sales receivables and other receivables	3,102	-	354	3,456
Ijara Muntahia Bittamleek	253	-	921	1,174
Wakala Bil Istethmar	-	-	389	3,035
Musharaka Financing	2,646	-	168	3,826
Customers' accounts	3,658	-	635	307,094
Participatory investment accounts	306,459	-	354	3,456

2024	Principal shareholders and directors	Shari'a Board members	Senior management	Total
	RO'000	RO'000	RO'000	RO'000
Sales receivables and other receivables	165	-	150	315
Ijara Muntahia Bittamleek	291	-	877	1,168
Wakala Bil Istethmar	-	-	-	-
Musharaka Financing	2,449	-	182	2,631
Customers' accounts	586	-	75	661
Participatory investment accounts	223,709	-	333	224,042

The ECL for exposures to related parties amount to RO 46,158 (2024: 39,000)

The income statement includes the following amounts in relation to transactions with related parties:

31 December 2025	Principal shareholders	Sharia Board	Senior management	Total
	RO'000	RO'000	RO'000	RO'000
Profit account	75	-	82	157
Profit Expense	(9,702)	-	(5)	(9,707)
Operating expenses	-	-	-	-
Staff expense	-	-	(2,477)	(2,477)
Other expenses	(267)	(63)	-	(330)

31 December 2024	Principal shareholders	Sharia Board	Senior management	Total
	RO'000	RO'000	RO'000	RO'000
Profit account	315	-	50	365
Profit Expense	(12,141)	-	(1)	(12,142)
Operating expenses	-	-	-	-
Staff expense	-	-	(2,107)	(2,107)
Other expenses	(349)	(67)	-	(416)

- During the year the Bank organized awareness programs through workshops, trainings on Islamic Banking and the Bank's products and services reaching a wide audience through virtual and physical platforms. The bank aims to bring Islamic finance awareness to communities across the Sultanate while providing in-depth information on all its products and services. The bank also used its social media platforms to reach a wider audience through campaigns focused on Islamic finance awareness and educational content. Participation in various conferences locally and regionally also provided an opportunity to share knowledge. Information related to Islamic Banking products that are currently being offered by the Bank is available on the website.
- The Bank maintains formal procedure on handling of customer complaints. The Bank has set up a call center equipped with the required resources to respond to customer calls in a professional manner. There is a form for registration of complaints on Bank's website along with the contact details for customer to register their complaints. A dedicated team for management of customer complaints and feedbacks on the Bank's products and services is already operational. The customer care and quality services team of the Bank takes active part in resolution of customers' complaint and considers customers' feedback on products and services. All complaints are logged in dedicated system acquired for customer complaints handling and investigated by persons not directly related to the subject matter of the complaint. The Bank endeavors to address all complaints in minimum timeframe. Whenever this is not possible, the customer is contacted directly and timeframe for rectification of complaint is advised. A periodical report on status of complaints is also submitted to CEO, Senior Management and Board of Directors. To provide our customers with easy access to financial services, fair terms, and pricing and at the same time to ensure that we are remain committed to being at the heart of customers we serve, an independent customer feedback collection is being carried. This will help us to follow our passion to go above and beyond the expectation of our customers in providing enhanced value in the diversity of our products and services.

20. Shari'a Governance Disclosures

20.1 Qualitative Disclosure

Compliance to Shari'a principles and requirements are inherently built into the Bank's end-to-end activities and transactions including products & services by following a comprehensive Sharia Governance Framework which comprised of several key elements listed below that sets the standards and implementation that ensure holistic Sharia compliance:

Compliance to Shari'a principles and requirements are inherently built into the Bank's end-to-end activities and transactions including products & services by following a comprehensive Sharia Governance Framework which comprised of several key elements listed below that sets the standards and implementation that ensure holistic Sharia compliance:

Islamic Banking Regulatory Framework (IBRF)

- A 'rule book' issued by the Central Bank of Oman on Islamic banking that sets guidelines on Shari'a Governance and its relevant Sharia functions, Risk Management and Accounting concepts and general product features which are permitted in Oman for Islamic banks in tandem with Oman Banking Law.

AAOIFI Standards

- Shari'a, Accounting and Governance Standards are published by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) [and being referred to by CBO in IBRF]; represent a major reference especially for Shari'a compliance in the Islamic banking sector. Shari'a resolutions which are not readily available in the AAOIFI Shari'a standards are covered by resolutions from SSB.

Shari'a Supervisory Board (SSB)

- SSB members are well-respected Omani and International Shari'a scholars who review and provide Shari'a resolutions and Fatwas on all products and related processes. The SSB is the ultimate responsible body within the Bank for all Shari'a related matters and is responsible for overall Shari'a supervision and oversight activities to ensure that the Bank's transactions and operations are Shari'a compliant at all times. The SSB, which meets on a quarterly basis, consists of Sheikh Dr. Majid Bin Muhammad Bin Salim Al Kindi (Chairman), Sheikh Dr. Aznan bin Hasan (Deputy Chairman) and Sheikh Dr. Ali bin Suliman Aljahdami (member).The SSB has established a Shari'a Executive Committee ("Shari'a ExCom"), comprising of Sheikh Dr. Majid Bin Muhammad Bin Salim Al Kindi, and Sheikh Dr. Ali bin Suliman Aljahdami, which meets on a monthly basis to review the Bank's business from a Shari'a perspective and consider current business requirements. Shari'a ExCom resolutions are based on previous SSB Shari'a guidelines and Fatwas.

Internal Sharia Reviewer (ISR) / Head of Sharia:

The ISR assumes the responsibilities of Head of Shari'a Department. Under the IBRF, the ISR is also responsible for heading the Shari'a Compliance Unit and the Shari'a Audit Unit. The major technical role of ISR is to execute Shari'a review financing proposals in coordination with the Head of Shari'a Structuring. Review of proposals within current approved product programs and Shari'a Supervisory Board guidelines are presented to the respective business units as part of the required documents for execution. This function is the pre-execution Shari'a review activity.

In addition to these daily functions, the ISR with assistance from the assigned team member acts as the coordinator for the SSB and prepares the meeting file and the minutes of meetings. Shari'a resolutions and guidelines are then communicated to the respective business unit heads for adherence. Any approval required from business units before the next meeting of the SSB is communicated by the ISR to SSB members by email for review and approval by Shari'a resolution. The SSB has also delegated specific authorities to the Shari'a Ex-Com whereby its members are entitled to issue Shari'a resolutions. The ISR also prepares the agenda and documents, and minutes of meetings for Shari'a Ex-Com and communicates its Shari'a resolutions to relevant business unit heads.

Shari'a Structuring & Compliance

Under the IRBF, the Shari'a Compliance Unit is responsible for facilitating the Bank's management to ensure compliance with Shari'a (as manifested by the guidelines and Fatwa issued by the SSB) and is extensively involved before a new product or transaction is approved. This function provides Shari'a review and supervision for business transactions and support function activities before execution (ex-ante) to confirm that structuring has been concluded based on IBRF, AAOIFI, and SSB Shari'a guidelines and controls. Consequently, Shari'a Review Reports (SRR) are prepared to document this supervision activity and presented to Shari'a Ex-Com and the SSB in the monthly and quarterly meetings. This function forms the core of Shari'a activity in the department and is also responsible for advising on any new product development activity as well for reviewing product programmes and its ancillary documentations. To support the Shari'a compliance activity, Shari'a non-compliance risks are continuously scrutinised, and specific mitigation controls are set to minimise the risks that occur due to unintentional human errors. Any income of Shari'a non-compliant transactions is donated to charity as per SSB guidelines.

Shari'a Audit Function

Under the IRBF, the Shari'a Audit Unit is responsible for assisting an "Internal Shari'a Reviewer" and the SSB to form and express an opinion on the extent of the Shari'a compliance of the Bank's operations. This is a dedicated function within the Bank that reports directly to the SSB and the ISR, staffed with experienced professionals who conduct Shari'a audit after execution of transactions to confirm adherence to Shari'a guidelines as issued by the SSB and as per Shari'a reviews (ex-post). The function is also responsible for ensuring the Profit Distribution Mechanism on Mudaraba accounts is properly executed and for ensuring all incomes generated from banking transactions and services are not tainted, which may render it Shari'a non-compliant (in which case such income must be donated to charity). Any Shari'a non-compliance event is immediately reported to Shari'a Ex-Com for review and decision and further reported to the SSB for next course of action / Shari'a rule.

External Shari'a Audit

As required by IBRF, the Bank appoints an independent and qualified external Shari'a Auditor to audit the activities of the Bank on an annual basis.

Shari'a Training

To ensure that all members of management and staff have sufficient working knowledge of Islamic banking principles

and guidelines, Shari'a compliance department staff continues to exert major focus on Shari'a training so that these principles are understood and practiced. Shari'a training also encompasses external parties based on an awareness campaign on Islamic banking for all constituents of society such as school teachers and students, university students, employees in ministries and public sector institutions.

Sharia Non-Sharia Compliance Risk:

Based on the Sharia guidelines in the IBRF concerning Sharia Non-Sharia Compliance Risk function, the Manager of Sharia Non-Compliance Risk Unit (SNCRU) identify, measure, monitor, control, and manage Sharia non-compliance risks in the bank arising from failure to comply with Sharia rules and principles as set by IBRF issued by CBO, and Sharia standards issued by AAOIFI, and the Sharia rulings and guidelines issued by SSB. The Manager also assist the ISR in identifying the Sharia non-compliance risk parameters for each department or function.

- SNCRU Measure quantitatively the volume of the identified parameters and detect any Sharia non-compliance events for each parameters.
- SNCRU Monitor the development of the Sharia non-compliance parameters during the year periodically as presented in its monthly/quarterly SNCR Reports.
- SNCRU Provide reasonable control measures to establish assurance of the soundness of operations which prevent violations to Sharia compliance measures and guidelines.

20.2 Quantitative Disclosure

Disclosure of the nature, size and number of violations of Sharia compliance during the year

- Sharia Audit Unit conducts ongoing Sharia audit on all business transactions of the bank. Wholesale banking transactions and Retail transactions are subject to Sharia audit plan prepare on Risk based audit and approved by SSB. Sharia audit findings and observations in these transactions are directly reported in quarterly bases to Sharia Board who gives immediate instructions and Sharia ruling regarding any violations. In case the violation is confirmed, Sharia Board diverts the profit of such transaction to charity account.
- During the period, the Bank did not recognize any Shari'a non-compliant income as revenue and any identified non sharia compliant income has been appropriately transferred to charity.
- All immaterial non-compliances with Shari'ah principles and rules if any have been satisfactorily resolved and matters have been concluded in light of the approvals and guidelines of the Shari'ah supervisory board.
- any amounts determined to be payable / transferable to charity fund have been transferred to the charity fund within reasonable time of identification and as of the date of the financial statements, there is no amount of charity pending transfer to the charity fund. We further confirm that all amounts allocated to charity fund were spent in accordance with the approved charity policy as approved by the Shari'ah Supervisory Board

Disclosure of annual Zakat contributions of the Licensee, where relevant, according to constitution, general assembly or national requirements or as required by the respective SSB

- SSB issues its Sharia compliance certificate where it identifies that Sharia compliance has been observed in the bank's transactions and contracts, and in case of any violation, the observation is listed in the report. In addition, and as per Management decision, SSB certificate also stipulates that Zakat payment is the responsibility of the shareholders.

Remuneration of Sharia board members

- SSB members are compensated for their contribution in the business supervision by an agreed remuneration, in addition to SSB meeting attendance fees. SSB members who participate from outside Oman are also entitled to travel and hotel accommodation expenses.
- During the year, the Bank paid RO 56,400 (Dec 2024: RO 58,800) on account of remuneration to the SSB which includes accommodation, travelling expenses, meeting and annual fees.

21. Disclosures on Remuneration

- In line with the CBO guidelines on remuneration disclosures as part of Pillar III, the Bank has outlined the relevant qualitative and quantitative disclosures in this report.
- The Bank is committed to fair, balanced, performance-oriented compensation practices that align long-term employee and shareholder interests. The policy is aimed to attract, retain and motivate the best people in the industry as it believes that human capital is fundamental to the bank's success.
- The Bank has a Board appointed Human Resource Committee whose primary objectives are – setting the principles, parameters and governance framework for the Bank's compensation policy; and ensuring the Bank is equipped to meet standards of international best practice.
- Qualitative criteria for evaluating performance in Bank Nizwa's variable compensation framework include leadership, business performance, and adherence to risk management protocols. For material risk-takers,

evaluations also factor in business performance, aligning their contributions with the bank's overall profitability and strategic objectives. The assessment considers their role in driving revenue growth while maintaining compliance with risk controls. Additionally, the bank's overall financial performance and profitability play a key role in determining the variable compensation pool, ensuring rewards are aligned with sustainable success. These qualitative measures promote accountability, prudent decision-making, and balanced performance outcomes.

Material Risk Takers

- The Bank has identified the members as material risk takers as their activities have a significant influence on the risk profile of the Bank.
- The main factors that have been used to identify the material risk-takers in the bank are:
  - o the level of the job position in the management hierarchy as defined by grade (arrived at by objective Job Evaluation)
  - o responsibilities of the job that expose it to risk

Remuneration policy

- The scope of the Bank's remuneration policy extends to all employees of the bank and is an integral part of Bank's Human Resource policy.
- Remuneration of employees of control functions like Risk Management, Internal Audit and Compliance is independent of the business performance they oversee, and the policy is designed to attract, retain and motivate the best talent in the industry.
- The remuneration for Senior Management of these functions is directly designed and approved by the Board Human Resource Committee.

Performance awards

- 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. It uses Key Result Areas/ performance factors and competencies to measure and enhance the performance of employees.
- The policy and payment of reward is in line with CBO guidelines on Sound Compensation Principles and Standards.
- The Bank is committed to follow fair compensation practices where reward will be based on performance. The compensation is designed to contribute to the Bank's objectives and encourages prudent risk taking and adherence to applicable laws, guidelines, and regulations.

Quantitative Disclosures

- The Board Human Resource Committee held four meetings in 2025 (2024: Four meetings) and RO 5,900 (2024: RO 7,200) was paid to the members in lieu of sitting fees.
- The key management comprises of 19 members (2024: 16 members) of the management executive committee. The below table provides details of key management members' compensation:

	2025	2024
	RO'000	RO'000
Salaries and Benefits	1,273	1,109
Deferred Bonus	225	200
End of Service Benefits	-	-
Total	1,273	1,109

22. Liquidity coverage ratio (LCR)

- The Basel Committee on Banking Supervision published the Basel III guidelines in June 2011. Central Bank of Oman has issued final guidelines on implementation of the new capital and liquidity norms to banks in the Country. The new regulations require banks to calculate Liquidity Coverage Ratio (LCR) and Net-Stable Funding Ratio (NSFR) on period basis. This standard aims to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario. At a minimum, the stock of unencumbered HQLA should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by management and supervisors, or that the bank can be resolved in an orderly way. Furthermore, it gives the Central Bank additional time to take appropriate measures, should they be regarded as necessary.

2025 Liquidity Coverage Ratio (LCR)	Factor	Book Balance	Adjusted amount
Level 1 assets		RO '000	RO '000
Coins and bank notes	100%	7,427	7,427
Qualifying central bank reserves	100%	7,715	7,715
Qualifying marketable securities from sovereigns, central banks, PSEs and multilateral development banks	100%	68,445	68,445
Domestic sovereign or Central Bank debt for non-0% Risk-Weighted sovereigns	100%	-	-
Total Level 1 assets		83,587	83,587
Level 2A			
Sovereign, Central Bank, Public Sector Entity (PSE), multilateral development banks assets (qualifying for 20% risk weighing)	85%	48,912	41,575
Qualifying Corporate Debt securities AA- or higher	85%	-	-
Qualifying Corporate Bonds AA- or higher	85%		-
Total Level 2A		48,912	41,575
Level 2B			
Qualifying RMBS	75%		-
Qualifying Corporate Debt securities, related between A+ and BBB-	50%	-	-
Qualifying common equity shares	50%	12,020	6,010
Total Level 2B (maximum 15% of HQLA)		12,020	6,010
Total level 2 assets (Maximum 40% of HQLA)		60,932	47,585
Total Stock of high quality liquid assets		144,519	131,172
Cash outflows			
Stable Deposits	5%	201,963	10,098
Less stable deposits- Retail	10%	401,594	40,159
Term Deposits with residual maturity of more than 30 days	0%	-	-
Less stable deposits- Wholesale Funding	10%	572,791	57,279
Non-financial corporates, sovereigns, central banks and PSE	40%	4,695	1,878
Other legal entity customers	100%	43,288	43,288
Currently undrawn portion of credit lines			
Retail and small business	5%	5,952	298
Other Legal entity customers, credit and liquidity facilities	100%		
Other contingent funding liabilities (Letters of credit, guarantee)	5%	249,062	12,453
Total cash outflows		1,479,345	165,453
Cash inflows			
All other assets	100%	7	7
Amounts to be received from retail counterparties	50%	10,149	5,075
Amounts to be received from non-financial wholesale counterparties from transactions other than those listed.	50%	15,942	7,971
Amounts to be received from financial institutions and central banks from transactions other than those listed	100%	86,043	86,043
Operational deposits held at other financial institutions	0%	14,793	-
Total cash inflows		126,934	99,096
75% of outflows			124,090
Inflows restricted to 75% of outflows			99,096
Net cash outflows			66,358
LCR (%)			197.67

2024 Liquidity Coverage Ratio (LCR)	Factor	Book Balance	Adjusted amount
Level 1 assets		RO '000	RO '000
Coins and bank notes	100%	8,879	8,879
Qualifying central bank reserves	100%	9,957	9,957
Qualifying marketable securities from sovereigns, central banks, PSEs and multilateral development banks	100%	86,995	86,995
Domestic sovereign or Central Bank debt for non-0% Risk-Weighted sovereigns	100%	-	-
Total Level 1 assets		105,831	105,831
Level 2A			
Sovereign, Central Bank, Public Sector Entity (PSE), multilateral development banks assets (qualifying for 20% risk weighing)	85%	54,670	46,470
Qualifying Corporate Debt securities AA- or higher	85%	-	-
Qualifying Corporate Bonds AA- or higher	85%		-
Total Level 2A		54,670	46,470
Level 2B			
Qualifying RMBS	75%		-
Qualifying Corporate Debt securities, related between A+ and BBB-	50%	-	-
Qualifying common equity shares	50%	22,127	11,064
Total Level 2B (maximum 15% of HQLA)		22,127	11,064
Total level 2 assets (Maximum 40% of HQLA)		76,797	57,533
Total Stock of high quality liquid assets		182,628	163,364
Cash outflows			
Stable Deposits	5%	216,318	10,816
Less stable deposits- Retail	10%	366,357	36,636
Term Deposits with residual maturity of more than 30 days	0%	-	-
Less stable deposits- Wholesale Funding	10%	530,943	53,094
Non-financial corporates, sovereigns, central banks and PSE	40%		
Other legal entity customers	100%	6,864	6,864
Currently undrawn portion of credit lines			
Retail and small business	5%	2,602	130
Other Legal entity customers, credit and liquidity facilities	100%	16,152	16,152
Other contingent funding liabilities (Letters of credit, guarantee)	5%	271,187	13,559
Total cash outflows		1,410,423	137,251
Cash inflows			
All other assets	100%	-	-
Amounts to be received from retail counterparties	50%	9,170	4,585
Amounts to be received from non-financial wholesale counterparties from transactions other than those listed.	50%	19,011	9,506
Amounts to be received from financial institutions and central banks from transactions other than those listed	100%	23,620	23,620
Operational deposits held at other financial institutions	0%	18,312	-
Total cash inflows		70,113	37,711
75% of outflows			102,939
Inflows restricted to 75% of outflows			37,711
Net cash outflows			99,541
LCR (%)			164.12

23. Net Stable Funding Ratio (NSFR)

The Basel Committee on Banking Supervision published the Basel III guidelines in June 2011. Central Bank of Oman has issued final guidelines on implementation of the new capital and liquidity norms to banks in the Country. The new regulations require banks to calculate Liquidity Coverage Ratio (LCR) and Net-Stable Funding Ratio (NSFR) on period basis. The Net Stable Funding Ratio (NSFR) promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. As per the CBO regulations, banks are required to have NSFR more than 100%.

2025	Associated factor	Unweighted amount	Weighted amount
Available stable funding		RO'000	RO'000
Tier 1 capital	100%	259,800	259,800
Tier 2 capital (excluding Tier 2 instruments with residual maturity of less than one year)	100%	4,094	4,094
Other liabilities with effective residual maturities of one year or more	100%		
Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and small business customers	90%	486,363	437,727
Funding with residual maturity of less than one year provided by non-financial corporate customers, Funding with residual maturity of less than one year from sovereigns, PSEs, and multilateral and national development banks	50%	806,651	403,326
All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests)	0%	106,669	-
Total Available Stable Funding			1,110,447
Required stable funding			
Coins, bank notes and reserves with CBO	0%	98,086	-
Financing to financial institutions and central banks with residual maturities between six months and less than one year	0%	-	-
All other assets not included in the above categories with residual maturity of less than one year, including financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns and PSEs	50%	478,099	239,050
Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach	65%	316,131	205,485
All other assets not included in the above categories, including non-performing financing, financing to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities.	100%	64,362	64,362
Sub total (A)		956,678	508,897
Off balance sheet exposures			
Other contingent funding obligations, including products and instruments such as guarantees, letters of credit, Unconditionally revocable credit and liquidity facilities	5%	5,952	298
Non contractual obligations such as potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities, structured products where customers anticipate ready marketability, managed funds that are marketed with the objective of maintaining a stable value	5%	249,062	12,453
Sub total (B)		-	12,751
Total Required Stable Funding (A+B)		-	521,647
NSFR (%)		-	212.87

2024	Associated factor	Unweighted amount	Weighted amount
Available stable funding		RO'000	RO'000
Tier 1 capital	100%	244,516	244,516
Tier 2 capital (excluding Tier 2 instruments with residual maturity of less than one year)	100%	7,110	7,110
Other liabilities with effective residual maturities of one year or more	100%	27,807	27,807
Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and small business customers	90%	261,031	234,928
Funding with residual maturity of less than one year provided by non-financial corporate customers, Funding with residual maturity of less than one year from sovereigns, PSEs, and multilateral and national development banks	50%	414,694	207,347
All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests)	0%	36,281	-
Total Available Stable Funding			721,707
Required stable funding			
Coins, bank notes and reserves with CBO	0%	77,289	-
Financing to financial institutions and central banks with residual maturities between six months and less than one year	0%	-	-
All other assets not included in the above categories with residual maturity of less than one year, including financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns and PSEs	50%	525,161	262,580
Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach	65%	306,004	198,903
All other assets not included in the above categories, including non-performing financing, financing to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities.	100%	51,622	51,622
Sub total (A)			513,105
Off balance sheet exposures			
Other contingent funding obligations, including products and instruments such as guarantees, letters of credit, Unconditionally revocable credit and liquidity facilities	5%	18,754	938
Non contractual obligations such as potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities, structured products where customers anticipate ready marketability, managed funds that are marketed with the objective of maintaining a stable value	5%	271,187	13,559
Sub total (B)		-	14,497
Total Required Stable Funding (A+B)		-	527,602
NSFR (%)		-	136.79

Basel III common disclosure (as per the template to be used during the transition of regulatory adjustments i.e. from 1 January 2013 to 1 January 2018)

		Dec-25	Dec-24
	Common Equity Tier 1 capital: instruments and reserves	RO'000	RO'000
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	222,102	222,102
2	Retained earnings	9,783	8,734
3	Accumulated other comprehensive income (and other reserves)	11,543	9,538
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-
5	Public sector capital injections grandfathered until 1 January 2018		
6	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
7	**Common Equity Tier 1 capital before regulatory adjustments**	**243,428**	**240,374**
8	**Common Equity Tier 1 capital: regulatory adjustments**		
9	Prudential valuation adjustments	(1,366)	(4,185)
10	Unrealized losses		
11	Goodwill (net of related tax liability)	-	-
12	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(6,760)	(4,871)
13	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
14	Mortgage Servicing rights (amount above 10% threshold)		
15	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
16	Amount exceeding the 15% threshold		
17	of which: significant investments in the common stock of financials		
18	of which: mortgage servicing rights		
19	of which: deferred tax assets arising from temporary differences		
20	National specific regulatory adjustments		
21	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
22	**Total regulatory adjustments to Common equity Tier 1**	**235,302**	**231,318**
23	**Common Equity Tier 1 capital (CET1**	**235,302**	**231,318**
24	**Additional Tier 1 capital: instruments**		
25	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	-
26	of which: classified as equity under applicable accounting standards	-	-
27	of which: classified as liabilities under applicable accounting standards 6	-	-
28	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
29	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)	-	-
30	of which: instruments issued by subsidiaries subject to phase out	-	-
31	**Additional Tier 1 capital before regulatory adjustments**	**-**	-
32	**Additional Tier 1 capital: regulatory adjustments**		
33	Investments in own Additional Tier 1 instruments		
34	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
35	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)	-	-
36	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)		
37	National specific regulatory adjustments	(5,500)	(6,800)
38	**REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT**	-	-

		Dec-25	Dec-24
	Common Equity Tier 1 capital: instruments and reserves	**RO'000**	**RO'000**
39	of which: Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
40	of which: Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
41	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
42	Total regulatory adjustments to Additional Tier 1 capital	-	-
43	Additional Tier 1 capital (AT1)	29,998	19,998
44	**Tier 1 capital (T1 = CET1 + AT1)**	**259,800**	**244,516**
45	**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	Fair value gains on financial assets at fair value through equity	479	300
50	Provisions	3,615	6,810
51	**Tier 2 capital before regulatory adjustments**	**4,094**	**7,110**
52	**Tier 2 capital: regulatory adjustments**		
53	Investments in own Tier 2 instruments	-	-
54	Reciprocal cross-holdings in Tier 2 instruments	-	-
55	Total regulatory adjustments to Tier 2 capital	-	-
56	Tier 2 capital (T2)	**4,094**	**7,110**
57	Total capital (TC = T1 + T2)	**263,894**	**257,106**
58	**RISK-WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT**		
59	OF WHICH: [INSERT NAME OF AJUSTMENT]	-	-
60	OF WHICH.....	-	-
61	Total Risk-Weighted assets (61+62+63)	**1,738,643**	**1,638,019**
62	Of which: Credit Risk-Weighted assets	1,500,412	1,385,945
63	Of which: Market Risk-Weighted assets	128,640	148,832
64	Of which: Operational Risk-Weighted assets	109,591	103,242
65	**Capital Ratios**		
66	Common Equity Tier 1 (as a percentage of Risk-Weighted assets)	**13.22%**	**13.71%**
67	Tier 1 (as a percentage of Risk-Weighted assets)	**14.94%**	**14.93%**
68	Total capital (as a percentage of Risk-Weighted assets)	**15.18%**	**15.36%**

Table 2 (A)	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	RO'000	**RO'000**	RO'000	RO'000
Assets	Dec-25	Dec-25	Dec-24	Dec-24
Cash and balances with Central Bank of Oman*	77,765	77,765	54,000	54,000
Certificates of deposit	-	-	-	-
Due from banks	101,143	101,143	41,953	41,953
Islamic Financing	1,636,278	1,636,278	1,558,614	1,558,614
Investments in Sukuk and Securities	169,088	169,088	193,644	193,644
Financing to banks	-	-	-	-
Investment in Assets generated revenue	-	-	-	-
Property and equipment	10,858	10,858	4,255	4,255
Deferred tax assets	-	-	-	-
Other assets	31,543	31,543	28,882	28,882
Total assets	**2,026,675**	**2,026,675**	**1,881,348**	**1,881,348**
Liabilities				
Due to banks	-	-	-	-
Customer deposits	1,708,283	1,708,283	1,571,991	1,571,991
Current and deferred tax liabilities	-	-	-	-
Other liabilities	45,081	45,081	51,836	51,836
Subordinated Sukuk	-	-	-	-
Total liabilities	**1,753,364**	**1,753,364**	**1,623,827**	**1,623,827**
Shareholders' Equity				
Paid-up share capital	220,011	220,011	220,011	220,011
Share premium	2,091	2,091	2,091	2,091
Legal reserve	11,543	11,543	9,538	9,538
Impairment Reserve	150	150	150	150
Retained earnings*	9,783	9,783	8,734	8,734
Cumulative changes in fair value of investments	(264)	(264)	(3,001)	(3,001)
Mandatory Convertible Sukuk	29,997	29,997	19,998	19,998
Total shareholders' equity	**273,311**	**273,311**	**257,521**	**257,521**
Total liability and shareholders' funds	**2,026,675**	**2,026,675**	**1,881,348**	**1,881,348**

**Net-off cash and non-cash dividend proposed.*

Table 2 (B)	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
Assets	**Dec-25**	**Dec-25**	Dec-24	Dec-24
Cash and balances with CBO	77,765	77,765	77,645	77,645
Balance with banks and money at call and short notice	101,143	101,143	18,308	18,308
Investments				
Of which Held to Maturity	2,002	2,002	2,002	2,002
Out of investments in Held to Maturity:		-		-
Investments in subsidiaries	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-
Available for Sale		-		-
Of which: Investments in Sukuks and Securities	167,086	167,086	191,642	191,642
Held for Trading		-		
Investments in Real Estate	-	-	-	-
Islamic Financing Of which :		-		

Table 2 (B)	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets	**Dec-25**	**Dec-25**	Dec-24	Dec-24
Islamic Financing to domestic banks		-		
Islamic Financing to non-resident banks		-		
Islamic Financing to domestic customers	1,569,980	1,569,980	1,522,840	1,522,840
Islamic Financing to non-resident Customers for domestic operations		-		
Islamic Financing to non-resident Customers for operations abroad	-	-	-	-
Islamic Financing to SMEs	66,298	66,298	35,774	35,774
Islamic Financing from Islamic banking window				
Fixed assets	4,098	4,098	4,255	4,255
Other assets of which:				
Profit Receivable	22,168	22,168	15,573	15,573
Prepaid Expense	758	758	726	726
Refundable Deposits	89	89		
Goodwill				
Other intangibles	6,760	6,760	4,871	4,871
Deferred tax assets				
Others	8,528	8,528	7,712	7,712
Debit balance in Profit & Loss account				
Total Assets	**2,026,675**	**2,026,675**	**1,881,348**	**1,881,348**
Paid-up Capital	220,011	220,011	220,011	220,011
Of which:		-		-
Amount eligible for CET1	235,302	235,302	224,518	224,518
Amount eligible for AT1	29,997	29,997	19,998	19,998
Reserves & Surplus	8,012	8,012	13,005	13,005
Total Capital	273,311	273,311	257,521	257,521
Deposits Of which:				
Deposits from banks				
Customer deposits	1,701,533	1,701,533	1,571,991	1,571,991
Deposits of Islamic Banking window				-
Other deposits (please specify)				-
Borrowings Of which: From CBO				-
From banks	6,750	6,750	5,812	5,812
From other institutions & agencies	-	-	-	-
Borrowings in the form of bonds, Debentures and Sukuk	-	-	-	-
Others (Please specify)	-	-	-	-
Other liabilities & provisions Of which:	-	-	-	-
Creditors and Accrual	14,832	14,832	23,840	23,840
Payment Order	4,657	4,657	5,404	5,404
Profit Payables	18,750	18,750	16,055	16,055
Others	6,842	6,842	725	725
Total Equity and Liabilities	**2,026,675**	**2,026,675**	**1,881,348**	**1,881,348**

Table 3

Disclosure template for main features of regulatory capital instruments

Common equity comprises of 2,236,953,032 equity shares of Bz. 98 each fully paid up, issued and governed under the law of Sultanate of Oman.

1	Issuer	Bank Nizwa	Bank Nizwa Sukuk	Bank Nizwa Sukuk
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for Private placement)	BKNZ:OM	NSUK:OM	NS25:OM
3	Governing law (s) of the instrument Regulatory treatment	Sultanate of Oman	Sultanate of Oman	Sultanate of Oman
4	Transitional Basel III rules	Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Eligible	Eligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Paid-up Capital	Mandatory convertible Sukuk	Mandatory convertible Sukuk
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	RO 233.838 Millions	RO 9.999 Millions	RO 9.999 Millions
9	Par value of instrument	98 Bz	100 Bz	100 Bz
10	Accounting classification	Paid-up Capital	Additional Tier 1	Additional Tier 1
11	Original date of issuance	23-Apr-12	25-Jul-24	3-Jun-25
12	Perpetual or dated	N/A	Perpetual	Perpetual
13	Original maturity date	N/A	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	25-Jul-29	4-Jun-30
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A
16	subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons/dividends		25 Jan 25 Jul	4 Dec 4 June
17	Fixed or floating dividend/coupon	N/A	Fixed	Fixed
18	Coupon rate and any related index	N/A	Anticipated 6%	Anticipated 6%
19	Existence of dividend stopper	N/A	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	N/A	Yes	Yes
21	Existence of step up or other incentive to redeem	N/A	N/A	N/A
22	Noncumulative or cumulative	N/A	Yes	Yes
23	Convertible or non-convertible	N/A	Yes	Yes
24	if convertible, conversion trigger (s)	N/A	Yes	Yes
25	If convertible, fully or partially	N/A	Full	Full
26	If convertible, conversion rate	N/A	Prevailing book value	Prevailing book value
27	If convertible, mandatory or optional conversion	N/A	Mandatory	Mandatory
28	If convertible, specify instrument type convertible into	N/A	Ordinary shares	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	N/A	Bank Nizwa	Bank Nizwa
30	Write-down feature	N/A	Yes	Yes
31	If write-down, write-down trigger (s)	N/A	Yes	Yes
32	If write-down, full or partial	N/A	Partial to full	Partial to full
33	If write-down, permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Deposit	Deposit
36	Non-compliant transitioned features	N/A	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Basel III leverage ratio framework and disclosure requirements - Reports for the year ended 31-Dec-25

(All amounts in RO'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	Dec – 2025	Dec - 2024
1	Total consolidated assets as per published financial statements	**2,032,716**	**1,881,348**
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
4	Adjustments for derivative financial instruments		
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)	**54,476**	**54,761**
7	Other adjustments		
8	Leverage ratio exposure	**2,089,192**	**1,936,109**

BASEL II PILLAR 3 ANNUAL DISCLOSURES 2025

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	Dec – 2025	Dec - 2024
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**2,032,716**	**1,881,348**
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)	**2,032,716**	**1,881,348**
	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	**462,981**	**426,367**
18	(Adjustments for conversion to credit equivalent amounts)	**(406,505)**	**(371,606)**
19	Off-balance sheet items (sum of lines 17 and 18)	**54,476**	**54,761**
	Capital and total exposures		
20	Tier 1 capital	**259,800**	**244,516**
21	Total exposures (sum of lines 3, 11, 16 and 19)	**2,089,192**	**1,936,109**
	Leverage Ratio		
22	Basel III leverage ratio (%)	**12.43**	**12.63**

End of Basel II Pillar 3 Disclosures

Appendix - Sharia Supervisory Board Resolutions (Fatwas)

Appendix - Sharia Supervisory Board Resolutions (Fatwas)

Fatwa on the instant Debit Card Mastercard program offered through the electronic bank branch (Kafu)

In the name of Allah, the Most Gracious, the Most Merciful.

All praise is due to Allah, the Lord of all worlds, and peace and blessings be upon the noblest of messengers, our master Muhammad, and upon his family and all his companions.

The Sharia Supervisory Committee at Bank Nizwa reviewed the instant Debit Card Program, Mastercard, and thoroughly examined its documents, which based on the details stipulated in the program regarding the basic implementation steps.

1. This card is a payment tool and not a credit tool (lending or financing), as it is linked to the available balance in the holders account with the issuer.
2. Cardholders are provided with Sharia-compliant services and discounts through points of sale.
3. The bank will block illegal services for card users.
4. The card is used for cash withdrawals from ATMs.
5. The card is used to purchase goods and services that are Sharia complaint and legally permissible.
6. Services and cash withdrawals are subject to fixed fees.
7. Foreign currency exchange transactions are subject to a profit at a specified percentage of the exchange value.
8. Dealing with it does not entail lending with interest; such as allowing overdrafts for a fee.
9. Current account cards shall not be granted fee exemptions or reductions if the card is issued on savings or investment accounts, whether they are fee-based or fee-free.
10. Granting of it is not conditioned on the current account balance of its holder reaching a certain amount, if the issuer issues it without a fee or for a fee less than the actual direct cost of issuing it, or if its holder receives benefits for which the issuer is compensated.

The committee confirms the result of this review and declares that the Instant Discount Card program complies with the Islamic Sharia provisions issued by the Accounting and Auditing Organization for Islamic Financial Institutions, particularly Sharia Standard No. (02) on debit and credit cards, Sharia Standard No. (28) on banking services in Islamic banks, Sharia Standard No. (61) on payment cards, Accounting Standard No. (01) on presentation and general disclosure, and other Sharia and accounting standards.

The Sharia Supervisory Committee advises fearing Allah, sincerity of intention in private and public, and improving actions for what is good. And Allah is the grantor of success; and Allah knows best.

Sheikh Dr. Majid Muhammad Al-Kindi
Chairman - Sharia Supervisory Committee

Sheikh Dr. Azzan Hassan
Deputy Chairman - Sharia Supervisory Committee

Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member - Sharia Supervisory Committee

Fatwa on the "Wakala for Investment" account program, fixed term deposit or recurring savings deposit - according to the chosen savings plan - offered through the bank's electronic branch (Kafu)

In the name of Allah, the Most Gracious, the Most Merciful. Praise be to Allah, Lord of the Worlds, and peace and blessings be upon the noblest of messengers, our master Muhammad, and upon his family and all his companions.

Now then,

The Sharia Supervisory Committee at Bank Nizwa has thoroughly reviewed the " Wakala Investment Fixed Deposit or Recurring Savings deposit account" program and its documentation, including the terms and conditions of the Wakala investment and its appendices. This product is based on the following basic implementation steps:

1. The Wakala investment is between two parties, one of whom is the investor (the principal/client) and the other is the investment manager (the agent, Bank Nizwa).
2. The two parties exchange offer and acceptance to finalize the contract between them. The two parties may agree on the percentage of profit expected to be achieved upon exchanging the offer and acceptance, which is not guaranteed to the agent. A known and reliable indicator may be used as a guide to arrive at the expected percentage of profit.
3. The agent's fees is determined by a fixed amount or a percentage of the invested money;
4. The Wakala for investment is binding when it is signed by specifying the agent's fees or by his undertaking not to terminate it before the specified period;
5. The client shall pay the investment amount on the agreed investment date. If the investment amount is not paid on the aforementioned date, the investment offer shall be void;
6. The investment shall be unrestricted, so that the agent has the right to invest the investment amount in the public treasury fund or in whatever he deems appropriate in a way that serves the interest of the client;
7. The investment is restricted if the principal specifies the investment way and its conditions in the offer and acceptance;
8. The agent does not guarantee the profit of the investment and his hand is a hand of trust except in cases of transgression, negligence or violation of the terms of the agreement;
9. The client/investor bears the investment risks and is entitled to the investment profit after deducting the agent's fee;
10. Some or all of the excess over the expected investment profit may be allocated to the agent on the basis of a performance incentive in addition to the agency fees;
11. The agent may pay in advance part or all of the expected profit to the principal after the investment has commenced and a profit has appeared (on account), provided that the profits paid are settled against the actual profit when the investment is liquidated;
12. The client may request the liquidation or termination of the investment before the agreed-upon expiry date. If the agent agrees, they must inform the client of their share of the profit for the investment period, if any. The agent may take the profit from the lowest and closest tier for the same period if withdrawn early.

As a result of this review, the Sharia Supervisory Committee confirms that the "Wakala Investment" program and its documents are in compliance with the Islamic Sharia provisions issued by the Bank's Sharia Committee and the Accounting and Auditing Organization for Islamic Financial Institutions, particularly Sharia Standard No. (46) on the Wakala Investment, Sharia Standard No. (56) on Investment Manager Guarantee, Sharia Standard No. (23) on Wakala, Accounting Standard No. (01) on Public Presentation and Disclosure, and other relevant Sharia and accounting standards, and in accordance with the valid laws in the Sultanate of Oman.

The Sharia Supervisory Committee recommends fearing Allah and having sincere intentions in secret and in public, and improving one's work for the better. And Allah is the One who grants success; and Allah knows best.

Sheikh Dr. Majid Muhammad Al-Kindi
Chairman - Sharia Supervisory Committee

Sheikh Dr. Azzan Hassan
Deputy Chairman - Sharia Supervisory Committee

Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member - Sharia Supervisory Committee

Muscat, Wednesday, 6th Rabea AlAwal 1447H – 28/ 9/2025

Fatwa on Endowment Savings Account product

Subject: Endowment Savings Account

Ref.No.: 1/2025

Date: 2.7.1446 H – 2/1/2025

Praise be to Allah, and peace and blessings be upon the Messenger of Allah, and upon his family and companions.

After review and amendment, the Sharia Supervisory Committee at Bank Nizwa presented the (Waqf Savings Account) product, and formulated the approved product according to the following terms:

First: Definition of the endowment Savings Account: A savings account, based on the legal Mudaraba contract for investing money, whose purpose is to direct the returns of the cash capital, or some of its returns, to charitable causes, through a permanent Waqf contract or a temporary Waqf contract.

Second: Steps to activate the Waqf savings account:

- The endower opens a savings account based on a Mudaraba contract.
- The endower specifies an amount to be deposited into the account and has the option of: 1- depositing the amount in one lump sum, 2- allocating a portion from his other accounts for specific periods, 3- adding amounts to the account as the account owner decides, 4- increasing the capital by adding the account's profits to the capital and reinvesting them.

Third: The endower options for the endowment savings account:

First option: Permanent and final suspension of the endowment savings account.

- By way of endowment, the endowed asset will be out of the endower ownership, and neither he nor his successors have any right to the a cash refund of the account's assets.
- The endower may make the beneficiaries' use of the account's proceeds a benefit:

1. A permanent and immediate endowment,
2. Adding to a term he specifies,
3. Adding to him to benefit from it after death, and here he has the right to allocate to himself or any external party to benefit of all or part of the endowment's proceeds, for a period of time, or as long as he is alive.

Second option: Endowment of the proceeds of the cash asset without the asset itself, either partially or temporarily.

- The cash asset will not be out of the proceeds owner, but the proceeds is spent as determined by the endower.
- The endower may make the beneficiaries' benefit from the proceeds of the account as total or partial benefit, and the remaining amount will be for him.
- The endower may allow the beneficiaries to avail from the proceeds: 1- immediate as long as he is alive, 2- added to a term that has a beginning and an end during his life, 3- added to a term that has a beginning and an end after his death.

Third option: Endowment of the proceeds of the cash asset permanently and completely.

The endower may endow the distribution of the proceeds to the charitable parties permanently and thus the cash asset becomes a permanent endowment, thereby the ownership of the asset will be out of his ownership as well as the proceeds following it after.

Fourth: The relationship between the endower and Bank Nizwa:

- The endower appoints Bank Nizwa as the legal agent to manage the endowment, and the bank may stipulate fees for management.
- The endower authorizes Bank Nizwa to invest the endowment within the bank's general investment pool.

Sheikh Dr. Majid Muhammad Al-Kindi
Chairman - Sharia Supervisory Committee

Sheikh Dr. Azzan Hassan
Deputy Chairman - Sharia Supervisory Committee

Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member - Sharia Supervisory Committee

Decision

Regarding the prospectus for Tier 1 Capital Sukuk (Mudaraba) and the master Mudaraba agreement and its annexes

Subject: Prospectus for Tier 1 Capital Sukuk (Mudaraba) and the master Mudaraba agreement and its annexes

Decision no.: 1/95/2025

Date: 25 Jumada al-Akhirah 1447H -16/12/2025

Praise be to Allah, and peace and blessings be upon the Messenger of Allah.

With reference to the Sharia Committee's Fatwa No. (10/61/2025) dated 17/11/2025, regarding the ruling on issuing Tier 1 Capital Sukuk certificates with a value of up to 60 million Omani Riyals, and according to the structure paper, the following documents were presented to the Sharia Committee:

Base Prospectus, Supplemental Prospectus , Master Declaration of Trust, Supplemental Declaration of Trust, Paying Agency Agreement , Register Agreement, Master Mudaraba agreement , Mudaraba Contract.

The Sharia Committee reviewed the proposed topic idea and the structure of the Sukuk, the prospectus regulating the issuance of the Sukuk, the main Mudaraba agreement and its annexes, and the documents necessary for implementation. It met with the concerned parties and those related to the topic, reviewed it, and amended it to make it compatible with Islamic Sharia. The committee decided that the bank may issue Tier 1 capital sukuk according to the description, structure, and controls set by the Authority in its Fatwa No. (10/61/2025) dated 29/10/2025, which was adopted in its final form on 17/11/2025, the bank deems the matter beneficial and appropriate. And Allah is the One Who grants success and the one who knows best what is right.

Sheikh Dr. Majid Muhammad Al-Kindi
Chairman - Sharia Supervisory Committee

Sheikh Dr. Azzan Hassan
Deputy Chairman - Sharia Supervisory Committee

Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member - Sharia Supervisory Committee

- Attached is the fatwa pertaining to the structure, including the Sharia controls for the sukuk.

Meeting of the Board (95) 25 Jumada al-Akhirah 1447 H - 16/12/2025

Fatwa on Musawama selling products for companies and individuals

Subject: Fatwa- Musawama sale for companies and individuals
Fatwa no.: 2(a)/92/28122024
Date: 27 Jumada Alakhirah 1446H- 28.12.2024

Praise be to Allah, and peace and blessings be upon the Messenger of Allah.

First: Product description:

The product includes the basic implementation steps:

1. The Customer requests to purchase assets/goods:
   1.1. The customer specifies the assets/goods that he requests to purchase from the supplier or seller.
   1.2. The customer submits the price quotation issued by the supplier to the bank, then the bank buys the asset/ goods and sells them to the customer through a negotiated sale (بيع المساومة) .
   1.3. Ownership of the asset/goods is transferred to the customer under the bargain sale contract (بيع المساومة) .
   1.4. The bank may require the customer to provide guarantees to secure the debt.
2. The main steps for the product in the case of export letters of credit/documents (bill of lading) are:
   2-1. Signing of a master export credit/document agreement, under which:
   - The client (exporter) authorizes the bank to communicate and coordinate with the buyer on behalf of the bank to open the credit or submit a purchase order for the goods from the buyer, or a pro forma invoice/ purchase order signed between the exporter (client) and the importer (buyer). This invoice/purchase order does not have the force of a sales contract in terms of obligation.
   - Authorizing the client (exporter) to sell the goods agreed upon in the credit/collection policy(s) to the buyer under an undeclared agency agreement.

   2.2. After the credit is opened by the buyer or an agreement is reached with him to purchase under collection bills, the customer (exporter) submits an offer to sell the goods to the bank at a price to be negotiated in accordance with Appendix (2) of the main agreement, attaching details of the goods and the name of the importer (the final buyer). At the same time, he submits an offer to sell the same goods on behalf of the bank to the buyer at the price required by the bank.
   2.3. Upon the bank's acceptance of the sale offer submitted by the client (exporter), a bargaining agreement (اتفاقية المساومة) is concluded between Bank Nizwa, as the buyer, and the client (exporter), as the seller. The goods sold are identified and segregated, and their guarantee is transferred to the bank, insured by the seller (client). The client (exporter) provides the documents proving the bank's ownership, such as the bargaining invoice, and issues the commercial invoice in the name of the beneficiary (importer). The client (exporter), acting as the bank's agent, then sells the goods at the agreed price to the final buyer. The client (exporter), on behalf of the bank, then ships the goods and prepares the invoices, shipping documents, and all other documents required by the letter of credit or memorandum of understanding for Bank Nizwa. The bank then verifies the documents and sends them to the issuing bank/collecting bank for acceptance and undertaking to pay their value.
   2.4. The bank may stipulate to the seller (exporter) the right to terminate the contract (option clause) within a period of two months.
   2.5. Upon receiving the authenticated acceptance letter from the issuing bank, Bank Nizwa pays the bargain purchase price to its client and records the transaction in the system.
   2.6. If the intended buyer (importer) rejects the letters of credit due to discrepancies in the documents caused by the client (exporter), the client (exporter) is obligated to compensate the bank for any actual losses resulting from the buyer's (importer's) non-acceptance of the documents.
3. Musawama Sale of the compromised assets pledged to the bank to document the Murabaha and Istisna'a debt.
   3.1. The steps advanced in (1) are followed.
   3.2. If the customer fails to make the payment, the bank can sell the mortgaged assets to a third party.
   3.3. If the Musawama value of the asset is higher than the amount due to the bank, the bank returns the excess amount to the customer because he is the owner of the asset. If the Musawama value of the asset is lower than the amount due to the bank, the bank demands that the customer pay the shortfall in value.
4. Musawama sale related to leased assets:
   4.1. In Ijarah financing, the bank owns the assets, including real estate, equipment, and other assets, and leases them to customers for an agreed period in exchange for agreed lease payments.
   4.2. If the customer fails to make the payment, the bank may sell the asset it owns to a third party.
   4.3. If the Musawama value of the asset is higher than the amount due to the bank, the bank retains the surplus amount because it is the owner of the asset, and returns to the customer the amount exceeding the fair rent for the previous period. If the Musawama value of the asset is lower than the amount due to the bank, the bank demands that the customer pay the shortfall in the value of the outstanding unpaid lease payments.

The contracts required to implement the product are:

The Musawama may be unrestricted or it may be restricted by the existence of issued letters of credit/documents (bill of lading)

Unrestricted Musawama sale:

1. Purchase offer from the customer (the customer requests the bank to purchase Musawama goods)
2. Approval of the purchase offer (signed by the bank).
3. Purchase order (submitted by the bank to the supplier requesting the purchase of goods)
4. An acceptance notice from the seller (owner of the goods) offering to sell the goods to the bank.
5. Bank acceptance notice (in which the bank agrees to purchase the goods detailed in the seller's offer).
6. Musawama Sale Agreement / Bank Offer Form and Customer Acceptance Form (Musawama Buyer) showing that the bank sells the goods to the customer through Musawama agreement.

Restricted Musawama sale through the letters of credit/documents (bill of lading) for export:

1. Export Credit Facilities Agreement/Export bills of lading Main Agreement. Under the agreement, the client is authorized to communicate and arrange with the buyer on behalf of the bank to open the credit or submit a purchase order for goods from the buyer in the case of bill of lading, or a memorandum of understanding signed between the exporter as an agent of the bank and the importer under a Disclosed/ Undisclosed agreement.
2. Agency agreement: The bank authorizes the client to communicate and arrange with the buyer to sell the goods on behalf of the bank.
3. A sales offer form submitted by the client/exporter (seller) requesting the bank to purchase the goods and enter into a Musawama sale contract (attached with details of the goods, payment date, Musawama invoice in the name of the bank and commercial invoice in the name of the beneficiary), and at the same time including his offer to sell the same goods on behalf of the bank at the agreed price to the final buyer.
4. Bank approval form for the sale offer received from the client (exporter), which includes the bank's no objection to the client (exporter) selling the goods to the end buyer.
5. Shipping the goods and providing the bank with the shipping documents required by the letter of credit/sales contract or the memorandum of understanding in case of issued bills of lading.

Second: Sharia Decision

The Sharia Supervisory Committee at Bank Nizwa reviewed the "Musawama Sale for Companies and Individuals" product and thoroughly examined its documentation after meeting with stakeholders. amendments were made as needed to ensure compliance with Sharia principles. The Committee concluded that the "Musawama Sale for Companies and Individuals" product, as described and outlined in the preamble to the Fatwa, is compliant with Sharia principles. It should be noted that the buyer's prior knowledge of the commodity's price does not constitute a Murabaha transaction. Murabaha is only valid when the buyer is aware of the purchase price and intends to contract accordingly. Therefore, the client sells the commodity to the importer at a mutually agreed-upon price. The agent acts on behalf of the principal, and there is no objection to having two agents in this transaction. The bank may implement this arrangement if it so desires. And Allah is the Granter of Success; Allah knows best.

Note: This Fatwa amends the previous Fatwa issued on 3/3/2019.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman - Sharia Supervisory Committee	**Sheikh Dr. Azzan Hassan** Deputy Chairman - Sharia Supervisory Committee	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member - Sharia Supervisory Committee

Final agreement dated 8/2/2025 , meeting no. (93)
Decision no. 2A /92

Partnership Approvals

Fatwa: "Agreement to establish a partnership for the ownership of goods that ends with Ijara or Murabaha"

Fatwa subject	Fatwa: "Agreement to establish a partnership for the ownership of goods that ends with Ijara or Murabaha . Specifically related to partnership approvals for companies and applicable to the retail sector for individuals
Fatwa no.	(2(C) / 92/28122024)
Fatwa date	27 Jumada al-Akhirah 1446 H - 28/12/2024
No. of attachments	17

Praise be to Allah alone, and prayers and peace be upon our Prophet Muhammad, and upon his family and companions, and those who follow them in goodness until the Day of Judgment.

First: Product description:

The Bank participates with the client in purchasing goods from the local or international market. The value of the goods is paid jointly by the client and the Bank. This may be executed through opening letters of credit in favor of the seller. Subsequently, the Bank sells its share to the client or leases it to the client under separate contracts, in accordance with the terms agreed upon by both parties at the time.

Second: The Sharia decision:

The Sharia Supervisory Committee of Bank Nizwa reviewed the agreement to establish a partnership in the ownership of goods ending with Ijara or Murabaha and its attachments, and thoroughly examined its documents after meeting with the concerned parties, and amended what needed amendment to comply with Sharia controls, and concluded that:

1. It's permitted for bank Nizwa to participate with the client in purchasing goods, then the bank sells its share to the client on a Murabaha basis, or leases it to him on a lease ending with ownership.
2. It is permissible for Bank Nizwa to adopt the following forms: "Agreement to establish participation in ownership of goods," "Application for participation and documentary credits," "Approval of application for participation and Power of Attorney," "Notice of discrepancy in documents," "Notification of arrival of participation goods or their documents," "Statement from the partner client of receipt of participation goods," and "Request to open a Letter of credit for Importing participation goods," in the format attached to the resolution signed by the Authority.

   [Attachment 1: "Agreement to establish Participation in ownership of goods,

   "Attachment 2: "Application for Participation and documentary credits,

   "Attachment 3: "Approval of application for participation and Power of Attorney,

   "Attachment 4: "Notice of discrepancy in documents,

   "Attachment 5: "Notification of arrival of participation goods or their documents,

   "Attachment 6: "Statement from the partner client of receipt of participation goods,

   "Attachment 7: "Request to open a Letter of Credit for Importing participation goods".
3. It is permissible for Bank Nizwa to adopt the "Murabaha Sale of Shares of Goods Contract," the "Maturity Schedule" form, the "Request for Early Payment" form, and the "Early Payment Agreement" form, in the format attached to the resolution signed by the Authority. [Attachment 8/ "Murabaha Sale of Shares of Goods Contract," Attachment 9/ "Maturity Schedule" form, Attachment 10/ "Request for Early Payment" form, Attachment 11/ "Early Payment Agreement" form].
4. It is permissible for Bank Nizwa to adopt the following forms: "Lease Agreement for a Share of Specific Assets with Subsequent Ownership," "Lease Assets Form," "Fixed Element of Lease Payment Form," "Variable Element of Lease Payment Calculation Form," "Lease Termination Payment Form," "Insurance Expenses Form," "Acknowledgment of Receipt of Lease Assets Form," and "Notification of Lease Payment Amount and Request for Payment Form," in the format attached to the resolution signed by the committee. [Attachment 12/ "Lease Agreement for Specific Assets with Subsequent Ownership," Attachment 13/ "Lease Assets Form," Attachment 14/ "Fixed Element of Lease Payment Form," Attachment 15/ "Variable Element of Lease Payment Calculation Form," Attachment 16/ "Lease Termination Payment Form," Attachment 17/ "Insurance Expenses Form," Attachment 18/ "Acknowledgment of Receipt of Lease Assets Form," Attachment 19/ "Notification of Ijara Payment Amount and Request for Payment Form"].
5. The bank must adhere to the following controls when carrying out this transaction:
   a) The commodity must be one that is permissible to trade according to Islamic law.
   b) The fee adjustment for subsequent periods must be based on a fixed and mutually agreed-upon index.
   c) The bank should not participate with the client in purchasing goods that the client owns, or owns more than half of, if the bank intends to sell them back to the client. This constitutes a Bay al-Inah (بيع العينة), which is prohibited according to Islamic law, regardless of whether the goods are registered in the client's name or someone else's, unless a reasonable period has passed during which prices have changed.
   d) The bank sould not participate with the client in purchasing goods if a purchase contract has already been concluded between the client and the owner. Examples of such contracts include a pro forma invoice signed by both the client and the supplier, a sales contract signed by both, or a verbal agreement reached directly or via telephone, even without a written contract. This is only permissible if the partners intend to sell the goods to a third party, or if a reasonable period has passed during which prices have changed. However, a mere understanding between the client and the owner of the goods, which does not create any binding obligation, does not preclude the bank from participating with its client in purchasing a commodity and then selling its share of it back to the client.
   e) The bank shall not sell or lease its share to the client before it owns and takes actual or constructive possession of it. This is achieved by specifying the commodity and enabling its possession. The specification shall be by what identifies the commodity itself: such as separating it from others, or the existence of a document of specification that is customarily considered valid, or an inspection certificate from the competent employee or the Sharia supervisor. This shall be proven within the transaction documents, and mere invoices shall not suffice.

May Allah's prayers and peace be upon our Prophet Muhammad and upon his family and all his companions.

Sheikh Dr. Majid Muhammad Al-Kindi
Chairman - Sharia Supervisory Committee

Sheikh Dr. Azzan Hassan
Deputy Chairman - Sharia Supervisory Committee

Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member - Sharia Supervisory Committee

Participants Zakat in Ishraq Endowment Fund

Subject: Participants Zakat in Ishraq Endowment Fund

Ref.No.: 2/ 2025

Date: 10th Ramadan 11446H – 10/3/2025

The participants in Ishraq Endowment Fund have mixed personalities; some of them

1- **Permanent Endower:** Unit owners who provide their shares of participation in the fund's units in the form of a permanent Waquf , non-refundable endowment, and

2- **Temporary Endower:** Unit owners who provide their shares of participation in the fund's units in the form of a temporary endowment for a period they choose, which is one year, three years, or five years, renewable for similar periods and in accordance with the controls specified in the Endowments Law and

3- **The Investor:** A unit holder who contributes his share of the fund's units as an investment in accordance with the terms and conditions stated in the bylaws and prospectus. The question is: How do the holders of the aforementioned securities pay their Zakat?

Praise be to Allah, and peace and blessings be upon the Messenger of Allah, and upon his family and companions, and upon all those who follow his path until the Day of Judgment.

Then, two preliminary principles govern the zakat on securities traded through investments in the Ishraq Endowment Fund:

1- The activity of the Ishraq Endowment Fund is trading in Sharia-compliant securities in a way that generates profits from the difference between buying and selling transactions. Accordingly, securities are commercial offerings, and commercial offerings are among the categories subject to Zakat.

2- The condition for the obligation of Zakat is the establishment of stable ownership of the Zakatable property. If its ownership is not established, then there is no Zakat due on it.

From the two aforementioned premises:

- There is no zakat due on the permanent endower because he does not own the endowed asset.
- Zakat is obligatory on the investor, so he calculates the market value of his assets, subtracting from it the cost of investment. If he has other zakatable funds, he adds them to the earlier of the two funds and takes out 2.5% from the total. If he does not have other funds, he pays zakat on them if they reach the Nisab (the minimum amount that a Muslim must have before paying Zakat) after the year has passed, at a rate of 2.5%.
- Zakat is obligatory on the temporary endower because he owns the invested financial assets. He pays 2.5% of the market value after deducting the cost of investment and the amount of the excluded profit for the endowment if his payment of zakat coincides with the time of deducting the profit of the entity benefiting from the endowment. If his payment of zakat is before the payment of the share of the beneficiary, he pays 2.5% of the total market value after deducting the cost of investment. And Allah is the One Who grants success and the One Who knows best what is right.

Sheikh Dr. Majid Muhammad Al-Kindi
Chairman - Sharia Supervisory Committee

Sheikh Dr. Azzan Hassan
Deputy Chairman - Sharia Supervisory Committee

Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member - Sharia Supervisory Committee

Oman Government Sukuk

Fatwa no.: 2/95/2025

Date of Fatwa: 17 Jumada AlAkhira1447 H -18/12/2025

In the name of Allah, the most gracious, the most merciful

Praise be to Allah, and peace and blessings be upon the Messenger of Allah, and upon his family and companions, and upon all those who follow his path until the Day of Judgment.

The Sharia Supervisory Committee was presented with a request for a statement of the Sharia ruling on subscribing to the Omani government's sukuk (Series 10), and after studying the structure and the documents regulating it, the following statement was issued:

First: Describing the structure

The Omani Sovereign Sukuk Company, acting as an agent for the government and an agent for the Sukuk holders, issues Ijara Sukuk, the proceeds of which are used to purchase a shared portion of a logistics land located in the city of Duqm from the government. Ownership of this portion is established for the sukuk holders by a corresponding document, while the official registration remains in the name of the government to facilitate procedures.

The land is then leased to the government under Ijara agreement, with the rent due equal to the periodic distribution amounts to the sukuk holders. Upon maturity or termination, the issuer, acting as the government's agent, has the right to exercise the purchase undertaking issued by the government at a price equal to the remaining nominal value of the sukuk plus any unpaid distribution amounts, in accordance with the Ijara agreement.

The government may also replace the leased asset with other Sharia-compliant assets, provided that the value of the replacement assets is not less than that of the original asset, and that this is done through legally binding transfer and amendment contracts. Furthermore, the government may, upon purchasing sukuk from the market, request their cancellation in exchange for a corresponding share in the leased asset. Sukuk are subject to specific regulatory documents, the most important of which are: the prospectus, the sukuk structure, the purchase agreement, the two lease contracts, the agency, payment, and registration agreements, the purchase, transfer, and replacement undertakings, and the title deed.

Second: The Committee's Decision

Having reviewed the structure and its governing documents, the committee believes that:

1. The subject of the Sukuk is the land only, and the ownership of the Sukuk holders is limited to it without the facilities. Any structures erected on the land are owned by the developer, who in this case is the tenant (the government), and the consequences of maintenance, insurance, and taxes are his responsibility.
2. Ownership of the undivided share is transferred to the holders of the sukuk by the purchase contract, and there is no legal impediment to the official registration remaining in the name of the government if a document is organized to prove the real ownership of the sukuk holders.
3. There is no legal impediment to this structure, and to the purchase of the land by the sukuk holders and its lease to the government, with the tenant being able to develop it during the lease period, provided that the activities are in accordance with the provisions of Islamic Sharia. And Allah is the One who grants success and the One who knows best what is right.

Sheikh Dr. Majid Muhammad Al-Kindi
Chairman - Sharia Supervisory Committee

Sheikh Dr. Azzan Hassan
Deputy Chairman - Sharia Supervisory Committee

Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member - Sharia Supervisory Committee

Shariah Perspective on the “Repo” Product

Product:	“Repo and Reverse Repo”
Date:	03/12/2024
Reference Number:	1/57/03122024
Summary:	The product is Sharia-compliant.

Praise is due to Allah, and may the blessings and peace be upon our Prophet Muhammad, on his family, and all his companions.

The Shari’a Committee of Bank Nizwa reviewed the product: “Repurchase Agreement Based on Dual Promises from Both Seller and Buyer.” After examining its documentation and inquiring all its details through meetings with the concerned parties, the Committee reached the following conclusion; ensuring that the product complies with Islamic Shari’a, avoids Shari’ah-related prohibitions, and fulfills the requirements of a valid contract.

First: Definition of Repo:

The sale of securities or liquid assets at a specified price, along with a commitment to repurchase them from the buyer at a specified date and at a price stated in the agreement.

In most cases, the maturity period is short-term; therefore, Repo transactions are classified as transactions traded in the money market.

This transaction is called a Repurchase Agreement (Repo) from the perspective of the securities seller, and a Reverse Repurchase Agreement (Reverse Repo) from the perspective of the securities buyer. Accordingly, the seller undertakes a Repo transaction, while the buyer undertakes a Reverse Repo transaction. The structure of the Repo product is based on Dual Promises.

Second: Transaction Procedures

1. The Bank sells Shari’ah-compliant securities to another party (such as Sukuk) through an executed sale at spot price, receives the payment, and transfers ownership of the securities to the buyer, who may then dispose of them as an owner would with his property.
2. The Bank undertakes a promise to the other party to repurchase these securities, or their equivalent, or an alternative (in case the original security has been replaced), at a price equal to the purchase price plus an agreed profit, provided that the market price of the Sukuk on the settlement date is less than or equal to the purchase price.
3. The other party undertakes a promise to the Bank to sell the securities (the original issue) or their equivalent or an alternative (in case the original Sukuk has been replaced), at a price equal to the purchase price plus an agreed profit, provided that the market price of the Sukuk on the settlement date is higher than the purchase price.
4. To address the issue of receiving distributions paid by the Sukuk issuer during the period, the two parties may agree that:

The repurchase price stated in the promise shall be the total resale price minus the distributions paid by the issuer to Sukuk holders during that period.

Third: Distributions Related to Securities During the Repo Term

Distributions shall be treated according to the method agreed upon at the beginning of the transaction, by deducting the distributions paid by the issuer to Sukuk holders during the period.

Fourth: Change in the Market Value of Securities

a. In the event that the market value of the securities decreases, the Bank (the seller) shall provide the other party with a seriousness guarantee (a guarantee of its commitment to its promise) equal to the difference between the original value and the market value, or more, to fulfill its promise at the end of the Repo in one of the following two ways:
   - First: A cash amount deposited in the other party’s investment account, or current account, or treated as a Murabaha investment, with the profits due to the Bank, as per the agreement. If the other party is a conventional bank that does not have Islamic investment accounts, the only available option is that the guarantee be Shari’a-compliant securities.
   - Second: Additional securities to cover the decline in the market value of the securities.

b. In the event that the market value of the securities increases, the other party shall then provide the Bank with a seriousness guarantee (a guarantee of its commitment to its promise).

Fifth: Replacement of Securities

If the seller wishes to replace the original securities and the buyer agrees, mutually acceptable securities shall be identified. A swap shall then be carried out between the securities (a sale of one security for another), provided that the market value of the new securities is equal to the market value of the replaced securities on the replacement date. All initial obligations shall thereafter apply to the new securities.

Sixth: Early Execution of the Promises

If both parties agree on the early execution of the promises, the effect of this on the resale price shall be taken into consideration when applying either promise.

Seventh: Repo Maturity (Repurchase Date)

On the Repo settlement date: If the market price of the securities is equal to or less than the agreed repurchase price, the Bank shall be under a binding promise to the other party to repurchase the securities, or their equivalent, at the end of the transaction. The other party shall have the option. If the market price of the securities is greater than the agreed repurchase price, the other party shall be under a binding promise to the Bank to sell the securities, or their equivalent on the maturity date of the transaction, and the bank has the option to proceed.

Eighth: Failure or refusal:

If one party fails to fulfill a promise or defaults, resulting in that party’s failure to fulfill its promise or obligations—including failure to pay the earnest money guarantee—then the other party shall bear the actual damages resulting from that failure.

Ninth: Settlement House

The Settlement House, if present, shall act as a guarantor for each party in relation to the other.

Tenth: Governing Law

The governing law shall be the applicable law in the Sultanate of Oman.

Summary of the Proposed Shari’a-Compliant Structure:

Under this structure, the seller agrees to sell the securities to the buyer in exchange for the initial purchase price, on a spot basis (same-day settlement).

The structure involves dual promises from both the buyer and the seller, which are executed under different circumstances:

- The seller issues a unilateral promise to the buyer to repurchase the securities from the buyer on a specified future date at the second purchase price (principal amount plus profit), if the condition for exercising the seller’s promise is met.
- The seller’s exercise condition stipulates that if the market value of the underlying securities on the exercise date (i.e., the maturity date or early termination date) is less than the second purchase price, the seller shall repurchase the securities from the buyer at the second purchase price.

- In this case, the buyer delivers a notice of exercise to the seller to complete the sale of the securities from the buyer to the seller.
- The buyer also issues a unilateral promise to the seller to sell the securities to the seller on a specified future date, subject to a defined condition.
- The buyer's exercise condition stipulates that if the market value of the securities on the second purchase date (future date) is equal to or greater than the second purchase price, the buyer shall sell the securities to the seller at the second purchase price.
- In this case, the seller delivers a notice of exercise to the buyer to complete the sale of the same securities from the buyer to the seller.

Key Considerations under this Structure are as follows:

1. The unilateral promises from both the seller and the buyer must be incorporated into the main documentation.
2. Net exposure throughout the transaction period will be secured by cash margin or other Shari'a-compliant collateral acceptable to both parties.
3. The cash margin will be maintained either on a non-return-bearing basis — in a current account — or on a return-bearing basis under a Shari'a-compliant product, such as a Mudarabah or Wakala investment account.
4. Substitution or replacement of the collateral during the term or at maturity may be permitted upon mutual agreement of the parties.
5. The sale is deemed a genuine sale with a legal transfer of ownership.

After reviewing the resolution of the International Islamic Fiqh Academy No. 40-41 (5/2 and 5/3) in its fifth session on "Keeping a Promise and Murabaha to the Purchase Orderer," resolution No. 157 (17/6) in its seventeenth session on "Mutual Promises and Collusion in Contracts," and resolution No. 238 (24/9) in its twenty-fourth session on "Hedging in Islamic Financial Institutions." And after reviewing Shari'a Standard No. (08) on "Murabaha to the Purchase Orderer" and Shari'a Standard No. (49) on "Unilateral and Bilateral Promise" issued by the Shari'a Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

After carefully examining the structure of the "Repo Product Based on Dual Promises," it was noted that the compensation stipulated in the event that either party fails to fulfill its promise to the other is limited to actual damages only — namely, the difference between the cost of the securities to the promisee and their sale price in the market. This does not include lost profit, lost opportunity, or any shortfall from the promised price. This restriction removes the product from the suspicion of riba.

Resolution No. (157/17/6) of the International Islamic Fiqh Academy, dated 26/06/2006, regarding "Mutual Promises and Collusion in Contracts," states:

"Fifth: If any of the two parties fails to honor his promise in the case referred to in the third paragraph above, he can be forced by law to conclude the contract or bear the actual damage that falls on the other party due to breach of commitment (not to include any opportunity cost)."

Likewise, Sharia Standard No. (08) on "Murabaha to the Purchase Orderer" states:

"Customer's Promise: 2/5/6: The institution may take earnest money ('urbun') at the time of contracting the Murabaha sale with the customer, but it is not permissible to take it during the promise stage. It is preferable that the institution waives any excess amount of the earnest money over the actual damage incurred — which is the difference between the cost of the commodity and the price at which it is sold to another party."

After study, review, and discussion, the Sharia Board resolved the following:

First: The Bank is permitted to implement the Repurchase Agreement (Repo) Product according to the dual-promise structure described in the preamble of this resolution, provided that the documentation explicitly states that compensation, in the event one of the parties fails to fulfill its promise to the other, is limited to actual damages — namely, the difference between the cost of the securities to the promisee and their sale price in the market. This excludes lost profit, lost opportunity, or any shortfall from the promised price. The Board affirms that the approval of this structure applies specifically to this product and does not qualify it to be used as a standard model for other similar transactions.

Second: The Bank must submit the finalized documents, including contracts and relevant templates, after their completion and after obtaining all necessary approvals from the concerned authorities. These documents must incorporate the contents of this fatwa and the details provided above. The Board's final opinion is contingent upon reviewing these documents.

Third: This product may be applied to Shari'a-approved listed securities, including shares, sukuk, and listed real estate investment trust (REIT) units.

Fourth: The Bank must comply, when executing this transaction, with the guidelines set out in the Shari'a Board Resolution No. (6/29/23122018) concerning hedging against exchange rate fluctuations, as well as any subsequent resolutions on the matter. The Bank must also adhere to the provisions of Repurchase Standard No. (58), specifically clauses 3, 4, and 5/1.

Accordingly, this product is considered compliant with the Sharia resolutions of Bank Nizwa and other relevant Shari'a standards — in particular, Shari'a Standard No. (21) on Financial Paper (Shares and Bonds), Standard No. (49) on Unilateral and Bilateral Promise, and Repurchase Standard No. (58) — as well as the applicable accounting standards and the laws and regulations in force in the Sultanate of Oman.

Sheikh Dr. Aznan Hasan
Deputy Chairman of the Sharia Board

Sheikh Ali bin Suleiman Al Jahdhami
Sharia Board Member

Final Approval on 20/04/2025 – Meeting (59)

Fatwa on the Sukuk Certificate Issuance Program for Tier 1 Capital, with a value of up to 60 million Omani rials.

Subject of the Fatwa	Ruling on the issuance of Tier 1 Capital Sukuk certificates with a value of up to 60 million Omani rials.
Fatwa Number	10/61/2025
Date of the Fatwa:	07 Jumada al-Awwal 1447 AH - 29/10/2025 AD

Praise be to Allah, and peace and blessings be upon the Messenger of Allah, his family, and all his companions.

The Shariah Committee has reviewed the product "Additional Mudarabah Sukuk from Tier 1 (AT1) Capital" submitted by Bank Nizwa. After studying its structure and documentation, the Committee has concluded the following:

First: Overview of the Product

These Sukuk represent unrestricted Shariah-compliant Mudarabah, in which the Sukuk holders provide the capital, and the Bank acts as the Mudarib of these funds, as a partner in the profit. The capital is invested in Shariah-compliant banking activities within the Bank's business portfolio.

The subscription amounts and their profits constitute trust assets, with Sukuk holders owning undivided shares in them through the Special Purpose Vehicle (SPV).

Profits -if any, and provided the Bank has distributable profits- are distributed at 99% to the Sukuk holders and 1% to the Bank. The Bank may suspend distributions without accumulation if no profits are realized, or if capital adequacy requirements or regulatory decisions necessitate such suspension.

These Tier 1 Sukuk are capital-dependent instruments, ranking below the Bank's other liabilities. The Bank may redeem them at par value after five years without obligation. The Sukuk will automatically convert into ordinary shares upon the occurrence of capital adequacy shortfalls, inability to continue operations, or a regulatory capital trigger event.

Second: Shariah Ruling

The Shariah Committee is of the view that the structure is based on a valid Mudarabah contract, in which all the pillars and conditions of Mudarabah are fulfilled, and it shows the following:

1. Appointment of the Rabb al-Mal (capital provider) and the Mudarib, and specification of the capital and profit-sharing ratio.
2. Exclusion of capital and profit guarantees; the Rabb al-Mal bears the loss except in cases of misconduct or negligence by the Mudarib.
3. Permissibility of commingling the capital with the Bank's activities, as the Mudarabah is unrestricted.
4. Permissibility of suspending distributions without accumulation; profits are due only upon realization, and no debt is established before that.
5. Permissibility of creating a Mudarabah reserve and the Mudarib using it with the consent of the Rabb al-Mal, with an obligation to return it when needed.
6. Permissibility of subordination in the claims hierarchy, as it aligns with the nature of profit and loss sharing.
7. Permissibility of including a mandatory conversion to shares during capital crises, as it constitutes a valid contractual condition that fulfills the meaning of loss-bearing.
8. Permissibility of redemption without obligation, as it does not include a binding promise that would guarantee the capital.

Based on the above, the Shariah Committee considers the issuance of these Sukuk permissible according to the presented structure, while emphasizing the Bank's obligation to submit the final contracts governing the product to the Committee for review prior to completion of the issuance.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman - Sharia Supervisory Committee	**Sheikh Dr. Azzan Hassan** Deputy Chairman - Sharia Supervisory Committee	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member - Sharia Supervisory Committee

Final Approval: Muscat, Wednesday, 26 Jumada al-Awwal 1447 AH, corresponding to 17 November 2025 AD.