ANNUAL REPORT 2024



Moving
forward
to shape a
Sustainable
future

بنك نزوى
Bank Nizwa



HIS MAJESTY
SULTAN HAITHAM BIN TARIK

Moving Forward to Shape a Sustainable Future

Building on our strong legacy and remarkable growth, Bank Nizwa steps into 2025 with the vision of Moving Forward to Shape a Sustainable Future. In a rapidly evolving financial world, we continue to embrace change and innovation while staying true to our Sharia-compliant values. Our dedication to blending tradition with modernity ensures that we remain at the forefront of providing sustainable and ethical banking solutions.

Reflecting on our performance in 2024, Bank Nizwa has achieved significant milestones. We have seen a 13% growth in total assets, reinforcing our position as Oman's leading Islamic bank. Our financing portfolio increased by 14%, underlining our ongoing support for businesses, entrepreneurs, and individuals in alignment with Islamic principles. These accomplishments reflect our resilience in navigating challenging market conditions while focusing on sustainable growth.

Customer trust remains the foundation of our success, with 20% growth in customer deposits demonstrating the confidence our clients place in us. This trust empowers us to continuously innovate and improve our offerings, ensuring that we meet the evolving financial needs of our customers. Despite global economic challenges, we have achieved a 6% rise in net profit, highlighting our ability to thrive and create lasting value for all stakeholders.

At Bank Nizwa, sustainability goes beyond financial performance. Our commitment to financial literacy, economic diversification, and green financing continues to drive us toward shaping a more sustainable and inclusive future.

Initiatives like the Ishraq Endowment Investment Fund reflect our efforts to support Oman's long-term development while promoting sustainable finance that benefits the economy, community, and the environment.

Our ongoing investment in digital transformation ensures that we remain aligned with the needs of the modern banking world. By embracing cutting-edge technology, we strive to provide our customers with seamless, efficient, and accessible banking experiences that meet the demands of today's digital era.

As we move forward into 2025, Bank Nizwa remains firmly focused on shaping a sustainable future. Our commitment to ethical, innovative, and Sharia-compliant solutions will continue to guide our growth and support the prosperity of Oman and its people. With a prudent roadmap for the future, we step confidently into the next chapter of progress and sustainability.



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BOARD OF DIRECTORS



Sheikh Khalid Abdullah Ali Al Khalili
Chairman



Mr. Musabah Saif Musabah Al Mutairy
Vice Chairman



Sayyid Amjad Mohammed Ahmed Al Busaidi
Member



Sheikh Saif Hilal Nasser Al Mawali
Member



Sheikh Majid Ali Majid Al Mamri
Member



Mr. Hussain Yousef Dawood Al Shalwani
Member
Till 29/4/2024



Mr. Ishaq Zayed Khalifa Al Mawali
Member
Till 29/5/2024



Mr. Saleem Peerbaksh Al Raisi
Member



Mr. Atif Said Rashid Al Siyabi
Member

EXECUTIVE MANAGEMENT TEAM



Mr. Khalid Jamal Al Kayed
Chief Executive Officer



Mr. Nasser Said Al Lamki
General Manager
Internal Audit



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



Mr. Mujahid Said Daud Al Zadjaly
General Manager IT



Mr. R. Narasimhan
General Manager
Retail Banking
Till 15/04/2024



Mr. Salim Rashid Ali Al Maharbi
Chief Financial Officer



Mr. Khalid Al Barwani
Deputy General Manager
Wholesale Banking
Till 15/09/2024



Mr. Mohamed Al Ghasni
Deputy General Manager
Retail Banking



Mr. Saif Abdullah Al Rawahi
Assistant General Manager
Investment, Treasury, Government
Relations and Project Finance



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



Mr. Mohammed Al Hashmi
Assistant General Manager
Compliance - Chief Compliance
Officer



Mohamed Iqbal Mahrab Al Balushi
Assistant General Manager
Operations



Mr. Azzan Al Saleh
Assistant General Manager of
the bank's Small and Medium
Enterprises Division



Mr. Tariq Mohammed Osman
Head of Legal Department
and Board Secretary



Dr. Mansoor Ali Al Qudah
Head of Sharia



Mr. Ahmed Abdullah Salim Al Wayili
Head of Corporate Communications,
Marketing and Sustainability

FINANCIAL HIGHLIGHTS

GROWING SHAREHOLDERS' WEALTH



2023	2024
3%	4%

Growth in Equity

TRUSTED BANK OF THE COMMUNITY



2023	2024
6%	24%

Growth in Deposits

FINANCIAL HIGHLIGHTS

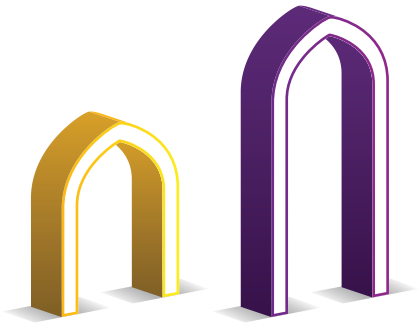
GROWING REACH OF ISLAMIC FINANCE



2023	2024
12%	15%

Growth in Financing

GROWING MARKET SHARE



2023	2024
8%	17%

Growth in Assets

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 2024.

The global economy in 2024 navigated a period of volatility driven by rising costs and elevated energy prices. Despite these challenges, the global economic landscape demonstrated notable resilience. With inflation showing signs of moderation, particularly in several G7 nations where it has approached central bank targets of 2%, monetary authorities worldwide are increasingly considering rate cuts. These adjustments, following a period of higher interest rates, aim 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 aims to lower public debt to 29% of GDP by 2027, supported by improved governance in state-owned enterprises, which has boosted profitability and reduced liabilities.

Buoyed by strong oil prices, Oman's fiscal position remains resilient, providing a buffer against external shocks. From 2024 to 2027, Oman is expected to maintain an average fiscal surplus of 1.9%, assuming stable crude prices. Real GDP growth is projected at approximately 2% per year, supported by both increased oil production and consistent non-oil sector growth of around 2% annually. The current account balance is forecasted to remain in surplus, with inflation expected to average a low 1.4% over the same period. These positive indicators contributed to S&P upgrading Oman's credit rating to investment grade (BBB- with a stable outlook), with other rating agencies likely to follow suit by late 2024 or early 2025.

At Bank Nizwa, we firmly believe that Islamic banking serves a higher purpose — one centered around enriching the lives of our customers and the communities we serve. During this period of economic recovery, Bank Nizwa played a key role in supporting government initiatives that provided vital assistance to households and businesses. We remain committed to supporting our communities as they continue navigating evolving economic conditions.

Throughout 2024, Bank Nizwa demonstrated the resilience of its business model and balance sheet. Our unwavering focus on customer-centric solutions led to the enhancement of our product offerings, empowering businesses to achieve their financial goals while contributing to Oman's broader economic progress.

Our strategic priority remains delivering an exceptional Sharia-compliant banking experience. By equipping customers with the right tools, insights, and financial solutions, we created sustainable value for both our customers and shareholders. Our efforts were further supported by the decisive actions of Oman's leadership and the Central Bank of Oman, ensuring continued financial stability for individuals and businesses alike.

The leadership team at Bank Nizwa continues to execute on our strategic roadmap, with the goal of becoming a simpler, more efficient, and customer-focused institution. Significant investments in talent, processes, technology, and product innovation have strengthened the bank's foundation, positioning us well to achieve our long-term objectives. As Oman's first fully-fledged Sharia-compliant bank, our financial and operational progress reflects our commitment to excellence and innovation in Islamic banking.

A key milestone in 2024 was the launch of our RO 50 million Sukuk program, of which first tranche of RO 10 million is already listed at MSX. The instrument also complies with Basel III standards to be qualified as Additional Tier 1 instrument. This strategy underscores our commitment to continue to strengthen our balance sheet with robust capital ratios and also our shareholders to get better returns on their investment.

FINANCIAL PERFORMANCE

Bank Nizwa has made significant strides in achieving its strategic priorities in 2024 and successfully delivered on them to all stakeholders. Our financial performance for the year showcases the robustness of our business model. Our core banking businesses experienced growth, thanks to our unwavering focus on operational excellence. Our prudence in managing our balance sheet has led to a strong funding and liquidity position, while our credit discipline resulted in a record highest net profit ever of Omani Riyals 18.1 million Omani Riyals, a growth of 6% compared to the previous year's net profit of 17 million Omani Riyals.

A review of our 2024 financial results demonstrates outstanding growth rates across all financial indicators. Total assets grew by 17% to reach 1.88 billion Omani Riyals, the total portfolio of financing increased by 15% to reach 1.58 billion Omani Riyals, total customer deposits grew by 24% to reach 1.56 billion Omani Riyals, and the total shareholders' equity grew by 4% to reach 263 million Omani Riyals.

These results are a direct outcome of our commitment to executing our 2025 strategy, leveraging our financial expertise and strengths to create value, and our capacity to adapt to economic conditions, including the competitive landscape in which we operate. Our sound governance practices provide a solid foundation for our achievements, while our dedication to delivering unparalleled customer experience and staying true to our core values, which are fundamental to our institution, has been our top priority.

FUTURE OUTLOOK

The global economy is expected to experience moderate growth in 2025, driven by improving economic fundamentals across key regions. The US Federal Reserve is anticipated to begin reducing interest rates in the latter half of 2025, which should help stimulate global consumption and investment activities. Inflationary pressures are gradually easing, and global trade is showing signs of recovery, though geopolitical uncertainties and supply chain vulnerabilities remain key risks.

Oil markets are likely to see increased supply following the latest OPEC+ announcements, with global output expected

to outpace demand, leading to a projected surplus of approximately 450,000 barrels per day by the end of the year. This surplus may exert downward pressure on oil prices. However, growth in non-oil sectors, including technology, sustainable energy, and tourism, is expected to provide significant diversification and contribute to global economic resilience.

Oman's economy is poised for steady growth, with the International Monetary Fund (IMF) forecasting real GDP growth of 3.1% in 2025, up from an estimated 2.7% in 2024. This expansion will continue to be driven predominantly by the non-oil sector, which is projected to grow by 5.6%, reflecting the country's successful efforts in economic diversification. Key sectors contributing to this growth include manufacturing, construction, and tourism, supported by Oman's growing appeal to new international markets such as Europe and the planned GCC unified tourist visa, which is expected to further enhance visitor inflows.

On the hydrocarbon front, oil production is expected to gradually increase, though lower global oil prices may partially offset revenue gains. However, higher natural gas revenues, coupled with broadening the tax base, are expected to support fiscal revenues and economic stability.

Oman's fiscal policy remains prudent, with the government budgeting for an average oil price of $60 per barrel in 2025. Despite this conservative outlook, fiscal indicators remain positive. Inflation is projected to stay subdued at 1.5%, and Oman is expected to maintain a fiscal surplus, reflecting ongoing improvements in public financial management.

The 2025 budget forecasts a fiscal deficit of OMR 0.62 billion, a 3% reduction compared to the previous year, driven by strong revenue growth from natural gas receipts. This deficit reduction comes despite a 1.4% decline in budgeted oil revenues, highlighting the government's cautious and disciplined approach to both spending and growth. Favorable credit conditions are also expected to support private sector credit growth at a healthy pace of 5%-6% annually.

Oman's banking sector is expected to remain resilient in 2025, supported by a stable macroeconomic environment, improved fiscal health, and ongoing economic diversification initiatives. The country's fiscal consolidation efforts, coupled with the government's support for SMEs, public-private partnerships, and investment climate reforms, will help foster private sector development and enhance lending opportunities across various sectors.

International credit rating agencies have acknowledged Oman's improving economic outlook, with S&P upgrading Oman's sovereign credit rating to investment grade in September 2024. Further upgrades from other rating agencies are anticipated, reinforcing investor confidence in Oman's economic and financial stability.

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

With growing awareness and acceptance of Islamic finance, with a strong regulatory support, Islamic banking is expected to play an increasingly pivotal role in Oman's financial ecosystem. Its ability to offer innovative, Sharia-compliant solutions tailored to both individuals and businesses will further drive market share gains.

Bank Nizwa has demonstrated consistent resilience and sustainable growth since its inception, underpinned by a robust balance sheet, prudent risk management framework, and a strong commitment to serving its clients, employees, communities, and shareholders. The Bank has firmly established itself as a pioneer and leader in Oman's Islamic banking sector, leveraging its deep market expertise and innovative product offerings to meet evolving customer needs.

With a strong capital base, diversified business portfolio, and proven adaptability in navigating economic cycles, Bank Nizwa is well-positioned to capture emerging opportunities in line with Oman's economic diversification efforts. The Bank's focus on organic growth, disciplined execution, and sustainable value creation will continue to underpin its strategy, enabling it to deliver long-term value to shareholders while contributing meaningfully to Oman's economic transformation journey.

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 Tarik 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

pwc

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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Commercial Register No. 1230865 Tax Card No 8055889

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 08 August 2024, on the compliance of the Report with the Code for the year ended 31 December 2024.

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 2024". 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 2024, 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 2024 and does not extend to the Bank's financial statements taken as a whole.

12 March 2025
Muscat, Sultanate of Oman

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; and
- 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.
- 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 Annual General Assembly on March 28, 2022 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. Musabah Saif Musabah Al Mutairy	Independent	Non-Executive	1
3. Sayyid Amjad Mohammed Ahmed Al Busaidi	Independent	Non-Executive	0
4. Sheikh Saif Hilal Nasser Al Mawali	Independent	Non-Executive	0
5. Sheikh Majid Ali Majid Al Mamri	Independent	Non-Executive	0
6. Atif bin Said Al Siyabi	Independent	Non-Executive	1
7. Saleem Pir Baksh Al Raisi	Independent	Non-Executive	1

Profile of the Current Board of Directors

Sheikh Khalid Abdullah Ali Al Khalili - Chairman

Sheikh Khalid Al Khalili has over 25 years of experience in various fields. He graduated from the Florida Institute of Technology in Civil Engineering, USA. He is the Chairman of Aflag Group, a diverse group of operating companies. He has previously held various senior management positions involving multiple business disciplines such as Finance, Insurance, Project management and Real estate development.

Sheikh Khalid is the Deputy Chairman of the Board of Directors of OMINVEST SAOG and a member of the Board's Executive Committee and Nomination and Remuneration Committee. He also serves as Chairman of the Board of Liva Insurance SAOG and its Investment and Strategy Committee. In addition, Sheikh Khalid serves as the Deputy Chairman of the Board of Omantel SAOG and its Investment and Strategy Committee.

Mr. Musabah Saif Musabah Al Mutairy – Vice Chairman

Mr. Al Mutairy has 30 years of experience in the areas of investment, finance, and accounting. Mr. Al Mutairy is a Member of several Boards, including Chairman of Green Valley Farms LLC, Member of the Board at Hotels Management Co. International SAOG and Oman National Investments Development Company SAOC.

Mr. Al Mutairy holds a bachelor's degree in Accounting and a Master of Business Administration in Finance. In addition, he holds several internationally recognized accounting qualifications.

Sayyid Amjad Mohammed Ahmed Al Busaidi – Member

Sayyid Amjad presently holds the position of Director General of Administrative, Financial, and Human Resources at the Diwan of Royal Court. Previously, he held the role of Executive President at the Diwan of Royal Court Pension Funds and served as Deputy Director General at the Directorate General of Financial Affairs. Sayyid Amjad is equipped with a Master's of Business Administration degree from Southern Cross University, Australia.

Sheikh Saif Hilal Nasser Al Mawali – Member

Sheikh Saif Al Mawali has a distinguished professional career spanning over 20 years, complemented by a Bachelor's degree in Economics from the University of Arkansas, USA. He began his career at the Ministry of Commerce and Industry, working within the Directorate General of Organizations and Foreign Relations, before transitioning to the Directorate General of Customs, where he gained extensive experience in logistics and trade facilitation.

Sheikh Saif played a pivotal role as a key negotiator in Free Trade Agreement (FTA) discussions between Oman and the United States, as well as other international free trade agreements. He is also an accredited expert for the MERCATOR Program from the World Customs Organization (WCO), which supports governments in implementing the WTO Trade Facilitation Agreement and strategic planning. Additionally, he has made significant contributions to Oman's logistics sector as an associate of the Tanfeedh Program, supporting national economic diversification efforts.

Beyond his public sector contributions, Sheikh Al Mawali has extensive experience in the private sector, successfully overseeing real estate in Oman and the broader region. His position as a Board Member of Bank Nizwa has further enhanced his expertise in corporate governance and strategic decision-making. Sheikh Saif Al Mawali also serves as the Chairman of the Board of Directors of Al Waqaf Al Khairy Foundation in Muscat, reflecting his strong commitment to philanthropy and community-driven initiatives.

Sheikh Majid Ali Majid Al Mamri – Member

Sheikh Majid presently holds the position of CEO at Al Ghadeer Investment Company, where he has dedicated 16 years of service, advancing through various roles. With a diverse background spanning banking, construction, real estate, property management, aviation, logistics, and agricultural investment, he brings over 16 years of extensive experience to the table. His expertise extends to strategic analysis and decision making. Additionally, he contributes his insights as a board member of Salam Air SOAC.

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. Saleem Pir Bakhsh Al Raisi - Member

Mr. Saleem Al Raisi is currently serving as a Senior Investment Officer in Social Protection Fund. He is also member of the Board of Directors in Bank Nizwa SAOG, Oman Flour Mills Company SAOG and United GCC Fund. Mr. Al Raisi has a Bachelor Degree in Economics and Minoring in Administrative Sciences from Kuwait University.

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, 2024, 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-2024	24-Mar-2024	29-Apr-2024	29-May-2024	29-Jul-2024	30-Oct-2024	25-Dec-2024
Sheikh Khalid Al Khalili	✓	✓	✓	✓	✓	✓	✓
Sheikh Musabah Al Mutairy	✓	✓	✓	✓	✓	✓	✓
Sheikh Saif Al Mawali	✓	✓	✓	✓	✓	✓	✓
Sayyid Al Busaidi	✓	✓	✓	✓	✓	✓	✓
Mr. Ishaq Al Mawali (Resigned)	✓	✓	✓	✓	-	-	-
Sheikh Majid Al Mamri	✓	✓	✓	✓	✓	✓	✓
Mr. Atif Al Siyabi	✓	✓	✓	✓	✓	✓	✓
Mr. Saleem Al Raisi	✓	✓	✓	✓	✓	✓	✓
Mr. Hussain Al Shalwani (Resigned)	✓	✓	✓	-	-	-	-

Board of Director has received an amount of RO 79,200 as sitting fees for the year ended December 31, 2024, which includes the Board sub-Committees, where the sitting fees per each Director did not exceed RO 10,000 as per the guidelines of FSA. Apart from sitting fees, the Board was given remuneration of RO 270,000 during the year.

The total remuneration received by the top five (5) Executives in Management during the year ended December 31, 2024 is RO 1.380 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 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. Ishaq Al Mawali – Member (Resigned)	2
Mr. Majid Al Mamari – Member	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. Hussain Al-Shalwani – Chairman (Resigned)*	2
Mr. Saleem Al Raisi – Member*	4
Mr. Musabah Al Mutairy - Member	4
Total Number of Meetings Held During the Year	**4**

** Mr. Hussain Shalwani resigned during the year and Mr. Saleem Al Raisi was appointed as Chairman.*

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, 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, 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 Majid Al Mamari – Chairman	4
Sheikh Saif Al Mawali – Member	4
Sheikh Khalid Al Khalili - Member	4
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-today 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**
Mr. Musabah Al Mutairy – Chairman	4
Sayyid Al Busaidi – Member	4
Sheikh Saif Al Mawali – Member	4
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 oversight 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 (continued)

Information Technology Committee & Cyber Security Committee	
Name of Members	**No. of Meetings Attended**
Mr. Atif Al Siyabi – Chairman	5
Mr. Ishaq Al Mawali – Member (Resigned)	3
Mr. Saleem Al Raisi – Member	5
Total Number of Meetings Held During the Year	**5**

Major Shareholders

Bank Nizwa was incorporated with a capital of RO 150 million. A further RO 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, 2024 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 97.85% of Bank's shareholding, whereas foreign investors own the remaining 2.14%.

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-24	0.0960	0.0950	0.0950	4590.276	7466.5610	7364.9480	7369.9190
Feb-24	0.0970	0.0970	0.0970	4530.24	7108.4460	7059.4060	7094.1210
Mar-24	0.0970	0.0960	0.0960	4641.987	7368.0120	7299.0030	7358.5790
Apr-24	0.1000	0.0990	0.0990	4782.202	7773.9120	7732.5330	7763.0740
May-24	0.1120	0.1110	0.1120	4834.682	8015.0150	7949.8360	8015.0150
Jun-24	0.1070	0.1030	0.1030	4704.967	7744.7610	7684.8990	7684.8990
Jul-24	0.1060	0.1030	0.1050	4663.179	7611.3290	7574.7580	7597.6040
Aug-24	0.1070	0.1060	0.1060	4733.528	7701.4370	7652.4120	7695.3140
Sep-24	0.1070	0.1050	0.1060	4724.505	7804.6560	7717.9350	7726.1790
Oct-24	0.1030	0.1020	0.1020	4752.534	7932.8580	7886.3500	7914.2390
Nov-24	0.0980	0.0970	0.0970	4547.286	7691.1680	7645.0020	7681.5290
Dec24	0.0990	0.0970	0.0970	4558.697	7725.8530	7616.9740	7725.8530

Source: Muscat Stock Exchange

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 2024, the Central Bank of Oman conducted on-site examination of the Bank. CBO established that the Bank was in violation of five (5) regulatory directives; real estate ratio breach as per Banking Law, minimum SME financing ratio not achieved, non-compliances with Cyber Security and Resilience Framework, non-compliance with Credit / Finance review Mechanism and Non-adherence to Board Appointment and Recruitment procedures. CBO has penalized the Bank on the latter two violations.

Following is the detail of penalties imposed by CBO and FSA over three year's period:

Regulators	2022	2023	2024
Financial Services Authority	NIL	NIL	NIL
Central Bank of Oman	NIL*	28,000	44,000

**Central Bank of Oman (CBO) earlier imposed a penalty of RO 10,000 on 2022 Examination violations. However, this penalty was later waived by the CBO, due to corrective actions taken by the Bank.*

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 2024, the Bank paid a cash dividend of 2.3000 Baisa per share to the shareholders, as approved in Annual General Meeting dated March 26, 2024. Additionally, the Bank distributed a non-cash dividend in the form of Mandatory Convertible Additional Tier 1 (AT1) Sukuk, equivalent to 4.54% of paid-up capital (RO 9,999,180), carrying an indicative profit rate of 6% for five years, issued at Bz. 100 per unit and allocated at 4.47 Sukuk per 100 ordinary shares. 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 our 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. This 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 2024:

Name of Director	Position	25-Jan-2024	27-Apr-2024	04-Aug-2024	03-Dec-2024
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 2024:

Sharia Executive Committee	
Name of Members	**No. of Meetings Attended**
Dr. Majid Al Kindi	6
Dr. Ali Al Jahdami	6
Total Number of Meeting Held During the Year	**6**

Sharia Supervisory Board has received an amount of RO 58,800 as sitting fees for the year ended December 31, 2024 which included the SSB sub-Committee fee.

Details of payments done for Sharia Supervisory Board and Sharia Executive Committee during the year 2024 are as following:

Sr. No.	Member	Total
1	Dr. Aznan Hasan	RO 18,000
2	Dr. Ali Al Jahdami	RO 20,400
3	Dr. Majid Al Kindi	RO 20,400
	Total	**RO 58,800**

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.

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.

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 and finance from Liverpool University. He is Certified Management Accountant (CMA), Certified Strategy and Competitive Analysis (CSCA) from Institute of Management Accountants and Certified Financial Manager (CFM) alumni 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. 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.

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, including the Risk Mitigation strategies, development and communicate Risk Management Policies, Risk Appetite & Limits, and Enterprise-wide Risk Management (ERM). He is a member of Bank's senior management committees. He is also a member of 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 35 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, AGM and Acting Head of Wholesale Banking Group – Saif Al Rawahi is a seasoned banking professional with years of industry experience. He is with Bank Nizwa from 2014 and has played a pivotal role in driving strategic growth and innovation within the organization with a career spanning over decades, Saif has developed a deep understanding of banking business, investment and financial strategy. Prior to joining Bank Nizwa, he held significant leadership positions at prominent financial institutions, including Bank Muscat and Rasmal Investment, where he contributed to transformative initiatives and operational excellence.

Committed to continuous professional development,

Saif has completed several advanced leadership courses, including the prestigious Cambridge Islamic Finance Leadership Program. His participation in these programs underscores his dedication to integrating contemporary leadership practices with the principles of Islamic finance, positioning him as a forward-thinking leader in the sector.

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 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 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. Mohammed is currently pursuing his doctorate degree in Business Administration from the University of Liverpool.

Mr. Tariq Mohammed Osman, Head of Legal Department and Board Secretary – He is a veteran in the field of legal and has 40 years of experience working with reputed financial institutions of the region. His major experience is with Dubai Islamic bank – UAE where he served as a legal advisor and lawyer for 12 years of his successful career. He has also served a reputed securities and investment banking company where he served 14 years as a legal advisor and Board secretary. He holds a Master's degree on commercial law.

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.

Mr. Ahmed Al Waily, Head Corporate Communications – Ahmed Al Wayili boasts a remarkable 14-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 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 network of firms with more than 370,393 people operating from 149 countries in 656 cities across the globe, making us the largest professional services provider in the world. We are committed to delivering quality services in Assurance, Tax and Advisory (which includes our Consulting, Deals and Strategy& practices) and Internal Firm Services. In doing so we help to build trust in society, enable our clients to make the most of opportunities and solve important business problems.

PwC has operated in the Middle East region for more than 40 years. Collectively, our Middle East network employs in the region of almost 12,000 people including over 499 partners and 766 directors working from 30 offices (in 22 locations) across 12 countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates and 41% 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. (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 have had a local practice in Oman since 1971 and now have 9 partners, 1 of whom is Omani and 5 directors and approximately 144 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.

PwC billed an amount of RO 70,560/-, including VAT, towards professional services rendered to the Bank for the year 2024.

Details	Amount
Financial Audit Fees for 2024	RO 69,182
Tax fees	RO 1,378
Total (including VAT)	RO 70,560

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 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 2024 to 31 December 2024.

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 inception, Bank Nizwa has diligently focused on fortifying its operations, broadening its service offerings, and elevating the customer experience to new heights. This relentless pursuit of excellence has positioned us ideally for future growth and expansion.

We are thrilled to announce that Bank Nizwa has marked this year with pivotal milestones, including achieving a strong operating profit and declaring a notable dividend rate to our shareholders. This achievement underscores our unwavering commitment to financial robustness and shareholder value. Our introduction of innovative products and services, alongside the expansion of our branch network and digital enhancements, has significantly boosted customer satisfaction, loyalty, and our brand's strength.

Bank Nizwa has made significant progress in 2024, achieving its strategic priorities and delivering strong results to stakeholders. Our core banking operations showed growth, resulting in a record net profit of OMR 18.1 million, a 6% increase from OMR 17 million the previous year. Financial indicators reflect outstanding growth, with total assets rising by 17% to OMR 1.88 billion, the financing portfolio increasing by 15% to OMR 1.58 billion, customer deposits growing by 24% to OMR 1.56 billion, and shareholders' equity up by 4% to OMR 263 million.

Our exceptional performance can be attributed to our strategic execution of our 2025 objectives, vision for the future, and heightened Islamic banking awareness among individuals and businesses. Bank Nizwa has embraced the responsibility to lead this responsibility.

As the largest and most rapidly expanding Islamic bank in the Sultanate, Bank Nizwa is poised to significantly contribute to Oman's economic development. Our strategy is customer-centric, focusing on digital engagement and operational excellence to spearhead growth across all banking segments. By maintaining a robust balance sheet, we aim to serve our customers effectively, achieve business goals, and ensure sustainable returns for our shareholders.

Throughout the year, Bank Nizwa has identified key opportunities for improvement within Oman's Islamic banking sector, devising strategic plans to address these areas. Our persistent efforts have solidified our leadership position, demonstrating our dedication to providing reliable and trustworthy services.

Bank Nizwa is committed to fostering sustainable profitability through efficient expense management, judicious capital allocation, and prudent credit decisions. Our efforts over the years have significantly enhanced our efficiency ratio, return on equity, and operating leverage. With a strong risk management framework and a CET1 ratio of 13.71% alongside a Liquidity Coverage Ratio of 164.12%, we are optimally positioned for continued growth and enhanced shareholder returns.

Country Economic and Business Environment

Oman's economic landscape in 2024 is characterized by a strategic commitment to diversification and sustainable growth, aligning closely with Oman Vision 2040. The government has implemented significant fiscal reforms that have successfully balanced public revenues and expenditures, resulting in consistent fiscal surpluses. This ongoing focus on reducing public debt aims to lower it to 29% of GDP by 2027, thereby enhancing the country's financial stability and resilience against economic fluctuations.

The business environment in Oman is increasingly favorable, bolstered by strong oil prices that provide a buffer against external shocks. The government continues to prioritize initiatives that strengthen non-oil sectors, fostering innovation, and attracting foreign investment. These efforts are critical components of Oman Vision 2040, which seeks to diversify the economy and reduce reliance on oil revenues. With real GDP growth projected at around 2% annually, driven by both oil production and a robust non-oil sector, Oman is positioning itself as a competitive player in the region.

Furthermore, the regulatory framework is evolving to support entrepreneurship and enhance the ease of doing business. Initiatives aimed at improving governance in state-owned enterprises have resulted in increased profitability and reduced liabilities, further contributing to a stable economic environment. These changes are essential for creating a vibrant business ecosystem that aligns with the goals of Oman Vision 2040, which emphasizes economic diversification and sustainable development.

Oman's recent upgrade by S&P to investment grade (BBB- with a stable outlook) underscores the effectiveness of the country's economic reforms and prudent fiscal management. Key initiatives, such as enhancing governance in state-owned enterprises and achieving consistent fiscal surpluses, have contributed to greater financial stability and a reduction in public debt. These positive developments have strengthened investor confidence and created a more favorable environment for economic growth, positioning Oman as an attractive

destination for foreign investment and aligning with the objectives of Oman Vision 2040.

Outlook for the Banking Sector

Oman's banking sector remained resilient in 2024, supported by robust capital reserves, low non-performing assets, and prudent credit risk management. The Central Bank of Oman (CBO) has been instrumental in promoting digital transformation, sustainability and reinforcing Sharia-compliant financial products, ensuring sector stability.

The Islamic banking sector in Oman has seen robust growth, with total Islamic banking assets reaching OMR 8.6 billion by December 2024, representing 19.2% of the country's total banking sector assets. Bank Nizwa, as a key player in this dynamic growth, continues to lead the market with double-digit increases in financing and deposits, strengthening its market share.

As of December 2024, total financing extended by Islamic banking institutions reached OMR 7 billion, marking a 14.2% increase compared to the previous year. Concurrently, total deposits with Islamic banks and windows rose by 21.3%, reaching OMR 6.7 billion. These developments indicate a growing preference for Sharia-compliant banking solutions and reflect heightened consumer confidence in these services.

In response to changing customer behaviours, the adoption of digital banking and fintech solutions has accelerated across the industry. Bank Nizwa, as a leader in this transition, has continued to develop seamless, secure, and customer-friendly digital banking solutions, ensuring that its services remain aligned with modern consumer expectations.

Additionally, Islamic banking institutions in Oman have benefited from stable monetary policy and increased awareness of Sharia-compliant financing models. The sector's continued profitability and liquidity strength are expected to drive further expansion in 2025, supported by the growth of Sukuk and sustainable finance initiatives.

With the economy recovering and investment activities surging, credit demand across sectors is projected to increase. The government's focus on green and ethical investments is also anticipated to enhance Islamic financial product innovation, positioning the sector as a key driver of economic transformation.

Nature of Business of Bank Nizwa

Bank Nizwa stands at the forefront of Sharia-compliant financial services, dedicated to promoting economic, social, and ethical prosperity across Oman. Our comprehensive suite of services spans Personal Banking, Corporate & Commercial Banking, and Financial Markets & Investments, designed to meet our customers' diverse needs through an extensive network of branches, direct sales, call centers, ATM/CCDMs, mobile apps, and online banking platforms.

In our Retail Banking Division, we prioritise the financial wellbeing of individuals nationwide, offering a range of innovative, Sharia-compliant financial products. These include savings, current, and investment deposit accounts, alongside tailored financing solutions for homes, personal needs, and automobiles, empowering our customers to achieve financial security and peace of mind.

Our Wholesale Banking Division caters to the sophisticated needs of government sectors, state-owned enterprises, and the SME sector, delivering cutting-edge solutions in working capital, long-term financing, and trade finance. This comprehensive support underscores our commitment to driving economic growth and development across various sectors.

Integral to our mission is a steadfast commitment to sustainability and ESG principles, guiding our operations and investment decisions. Bank Nizwa actively engages in initiatives that promote environmental stewardship, social responsibility, and ethical governance. Our sustainability efforts are woven into the fabric of our business model, from green financing and renewable energy projects to community development programs and strict adherence to ethical banking standards.

By integrating ESG considerations into our core activities, we aim not only to enhance financial returns but also to contribute positively to society and the environment. These efforts reflect our dedication to pioneering a sustainable future for banking in Oman, ensuring that we meet the needs of the present without compromising the ability of future generations to meet their own.

As Bank Nizwa continues to evolve, our focus on innovation, customer service, and sustainability positions us as a leader in the financial sector, committed to excellence, integrity, and the holistic development of the communities we serve.

Retail Banking

Retail Banking at Bank Nizwa has undergone a significant transformation, aligning with evolving customer expectations by adopting a technology-first approach. This shift has focused on digitizing products and services, ensuring seamless, secure, and efficient banking experiences tailored for tech-savvy customers. The integration of cutting-edge technologies has refined service offerings, reinforcing the bank's leadership in Sharia-compliant banking. With customer-centricity at its core, the bank has streamlined processes, reduced turnaround times, and enhanced interactions across all touchpoints. By leveraging customer experience research, Bank Nizwa ensures that its services remain intuitive, accessible, and responsive, driving customer loyalty and satisfaction.

To meet the diverse financial needs of its customers, Bank Nizwa has expanded its product suite beyond traditional offerings. The bank has introduced specialized financing solutions for high-net-worth individuals while also catering to everyday financial needs through products designed for travel, motor, and domestic helper takaful. Strengthening its digital payments ecosystem, Bank Nizwa successfully launched Samsung Pay on Credit Cards, providing customers with a secure and convenient transaction experience. The bank has also developed a comprehensive Retail Banking strategy that focuses on refining customer segmentation and product bundling, ensuring competitive, tailored solutions that add value to customers' financial lives.

Customer engagement remains a key focus, with Bank Nizwa actively interacting with different segments through roadshows, coffee meet-ups, and expert forums on financial planning, digital banking, and sustainable finance. Participation in industry events has reinforced its market presence and positioned the bank as a forward-thinking financial institution. Sustainability is also a priority, as demonstrated by the bank's commitment to green finance initiatives. By partnering with stakeholders and introducing financing solutions for renewable energy projects and environmentally conscious businesses, Bank Nizwa supports Oman's broader sustainability goals and promotes environmental stewardship.

Supporting social development, Bank Nizwa has collaborated with Oman Housing Bank to launch and promote the Iskan Program, which provides subsidized home financing to help customers achieve homeownership. This initiative will continue to expand in 2025 and beyond. Additionally, the bank has established strategic partnerships with real estate developers to enhance access to affordable housing, playing a vital role in national initiatives such as the Sultan Haitham City Project. These collaborations allow Bank Nizwa to offer competitive financing options, reinforcing its contribution to Oman's socio-economic development.

As part of its strategic growth, Bank Nizwa has expanded its branch network, including the opening of a new branch in Al Amerat, increasing its footprint to 23 branches across the Sultanate. This expansion strengthens customer access to ethical banking products and services. Simultaneously, the bank continues to enhance its digital banking channels, particularly mobile banking, ensuring an intuitive and user-friendly interface that delivers real-time financial solutions to customers across Oman. The retail division has also introduced a series of financing campaigns tailored to key periods such as National Day, Eid, and Ramadan, offering attractive rates and special benefits. Furthermore, exclusive employer offers provide discounted loan rates, competitive interest rates, and customized financial products, reinforcing the bank's commitment to customer-centric innovation.

Wholesale Banking Group

Wholesale Banking continued to grow robustly in 2024, building on its strong performance in 2023 despite persistent challenges. The Group achieved significant milestones by expanding its portfolio in critical areas such as finance, deposits, and non-funded fee collection. Additionally, it actively financed projects of national importance, underscoring its pivotal role in the Sultanate's economic progress.

Our focus remains on meeting the rising demand for Shari'a-compliant finance while establishing a distinctive presence in the nation's development. This is achieved through innovative solutions in structured working capital, long-term financing, and trade finance facilities tailored to the needs of the government sector, government-owned entities, corporations, and small-and-medium enterprises (SMEs). These initiatives support capital-intensive and strategically significant projects that directly or indirectly impact Oman's economic and social priorities in vital sectors.

In 2024, the Wholesale Banking Group advanced its "Sustainable Finance" portfolio, reaffirming its dedication to supporting Oman's transition to a low-carbon, resource-efficient, and sustainable economy. By financing projects aligned with the Sultanate's Vision 2040, the Group has played a key role in fostering economic resilience and sustainable growth. Its sustainable finance initiatives solidify its leadership in building a financial system that supports long-term development.

Additionally, Wholesale Banking prioritized innovation by streamlining processes, launching digital ventures, and introducing cutting-edge business models. The Group strengthened its existing segments, expanded its offerings, and bolstered support for Small and Medium Enterprises. Through significant investments in digitalization and automation, it has enhanced the customer experience, improving operational efficiency and delivering seamless services.

1- Global Markets (Treasury)

2024 has been a year of growth and innovation for our bank's treasury. We have continued to strengthen our position as a trusted financial partner by consistently delivering value and maintaining a customer-centric approach. Through our dedication to excellence, we have not only embraced the changing dynamics of the industry but have also proactively pursued strategic initiatives to stay ahead.

In the face of an evolving regulatory landscape, we have maintained our commitment to sound risk and balance sheet management. In a year that witnessed the issuance of multiple IPOs and Bond/Sukuk, Our treasury team has worked diligently to navigate the complexities of the market, ensuring that our clients' funds are deployed wisely and efficiently across various investment avenues. We have focused on optimizing liquidity, rigorously managing profit rate risk, and effectively allocating capital to deliver sustainable returns.

2- International Banking

The International Banking unit continues to build and maintain relationships with partner financial institutions, domestically and globally. This effort is fundamental to provide our clients with the requisite network for

payment, trade finance business as well as state-of-the-art products by top regional and global banks. Supplemental funding/sourcing were also achieved through financial institution partnerships.

The team ensured smooth correspondent banking relations and business flows, while monitoring worldwide country exposures and risks. During 2024, Bank Nizwa continued to add new financial institution partners and connections from Africa, Asia and Europe. The Bank and its clients have access to more than 100 correspondents to cater their needs. New lines for handling variety of products continued to be set up and enhanced. The International Banking unit will continue to increase the participation to ensure the efficiency of the Bank's transaction processes, internally and externally.

3- Government & Investment Banking

The Government & Investment Banking unit is essential in driving the wholesale deposit base that supports asset growth, apart from investments and advisory mandates. Increasing costs was a mounting challenge to the industry, and efforts by the Government unit had ensured the requisite sustenance while adding new clientele. With the increased budget rationalization in the public sector, a proactive relationship management approach had ensured uninterrupted business.

The Investment Banking unit continued to make efforts in developing the Islamic capital market sector. The existing portfolio has been streamlined and new investments has been added during the year. The Government & Investment Banking unit will continue to broaden the base for the Bank to deliver core-funding sources as well as supplement other income streams, including advisory services, with a differentiated approach

4- Project Finance

Considering the fast changing economic and industrial environment in the Sultanate and in line with the objectives of Oman's Vision 2040, our dedicated Project Finance and Syndication unit has continued to assist various Greenfield and brownfield project of national importance.

Leveraging its strong expertise in developing sharia compliant deal structures, during the year 2024, the Business Unit delivered on six large scale syndications for new/existing projects, with the key theme of economic diversification. The portfolio witnessed a growth of over 50% without losing focus on Sustainable and Environment friendly projects.

Aptly guided by various government initiatives like, opening up new economic sectors for Private Sector participation, setting up a dedicated Public-Private Partnership unit, encouraging private sector participation in strategic national projects through Oman Future fund, promulgation of enabling regulations like The Public-Private Partnership Law, The Bankruptcy Law and Foreign Capital Investment Law, etc., Sultanate is expected to witness rising need of project financing assuring a bright future for project finance business.

With requisite skillsets and diversified experience of offering Sharia compliant innovative deal structures, the team is striking a fine balance between new investments and risk mitigation, For the forthcoming year of 2025 too, Project Finance unit is fully geared to meet the emerging needs of projects and contracts, across all the key economic sectors. The team strives to differentiate itself a knowledge based leader focus on green energy, infrastructure, utilities, renewables and manufacturing sectors, with 100% adherence to the principles of Sharia.

5- Corporate Banking

Corporate Banking remains one of the key growth drivers in the Wholesale Banking business, registering a record growth once again during 2024. Emphasis on asset quality through a diversified portfolio approach has resulted in achieving the main goals. The bank ensured its continued support of clients affected by the pandemic in order to ensure their business continuity and recovery. With a balanced approach, and focus clients and industries, the Bank continued to support businesses – and in turn the general economy – during the difficult period of the pandemic.

As in previous years, multi-location, multi-industry and multi-product approach has resulted in addition of new customers to our bank which sizeable business volume. During the year, special attention was given to finance infrastructure projects, financing in basic necessity industries. Supported companies involved in uplifting the natural calamity affected areas with innovative Sharia compliant solutions that delivered strong business value.

6- 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.

7- Transaction Banking

Transaction Banking and Global Trade services continued its journey of growth by providing new products, revamped services and delivery standards to meet the consistently rising demand for cash management, trade finance, salaries, payment services as well as international trade. Impressive growth of non-funded income also demonstrated the improved trade volumes and service standards. Corporate Internet Banking recorded significant growth in corporate online transactions, supported by enhanced features and services. The commendable performance was enabled by the continuous relationship and marketing efforts of the WBG business team which enhanced clients' confidence in the Bank's capabilities.

Our commitment to implement the best-in-class digital platforms and services including Transaction Banking and Trade Finance systems have been approved and achieved significant progress during the year. The sustained business growth achieved by the bank also recorded substantial increase in both the fee and non-funded income. Transaction Banking and Trade Finance will continue the efforts to improve the business volume and value by facilitating higher benchmarks in product range, service quality and customer experience.

8- SME Banking

Bank Nizwa acknowledges the vital role the small and medium enterprise (SME) sector plays in contributing to the economy and its impact in providing national employment, and supports the sector keenly with solutions tailor-made for SMEs in the Sultanate.

The trust placed in Bank Nizwa's Sharia compliant products and services is evident in the notable increase of the SME customer-base and business volume. The SME business continues to expand coverage in key cities outside Muscat.

Affiliations with vendors in the supply chain of larger corporate enterprises, particularly SMEs, will remain a mainstay. The SME Banking unit added new business and products to register satisfactory growth. Bank Nizwa will continue to support the growth of SMEs with Sharia compliant products and services utilizing various channels.

Aligning itself to the country's economic diversification plan as outlined in its vision 2040 and in an endeavour to bridge the funding gap for SMEs operating in key sectors, the bank is constantly engaging with and signing numerous financing agreements with potential SME clients.

9- Product Development

In 2024, the Product Development Department continued to drive innovation and enhance the bank's Shari'a-compliant offerings to meet evolving market demands. A strong emphasis was placed on improving existing products and introducing new fee-based solutions, aligning with the bank's strategic focus on diversifying revenue streams and enhancing customer experience.

During the year, three significant products were successfully launched:

1. **Risk Participation:** A strategic solution enabling the bank to share financing risks with other financial institutions, supporting trade finance activities while optimizing asset utilization.
2. **Musawama Product:** A flexible and Sharia-compliant trade finance product that provides companies with immediate liquidity by purchasing goods from the client at a discounted price without specifying cost details in accordance with Sharia, and authorizing them to sell these goods at a higher price to their customers.
3. **Escrow Account Services:** A secure and compliant solution for managing funds in real estate and contractual transactions, ensuring transparent and structured fund disbursement.

The department maintained a special focus on fee-based products, recognizing their importance in generating sustainable non-funded income and strengthening the bank's service portfolio. These initiatives reinforce the bank's commitment to offering innovative, Shari'a-compliant financial solutions that cater to the diverse needs of its clients while contributing to the broader Islamic finance ecosystem.

10- Wholesale Banking Support

A key anchor for all Wholesale Banking units, the Wholesale Banking Support team was instrumental in the overall commendable performance and growth of the Wholesale Banking business. The team fortifies the efficiency of the Wholesale Banking Group covering multitude of client services.

The unit aims to deliver high client satisfaction levels through continuous improvement in its operations. In addition, the unit collaborates with all departments to resolve bottleneck issues in the timely delivery of services to clients. The unit will continue to provide all necessary support to new initiatives.

Customer Experience:

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.

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 education. We have released a Code of Commitment on our website, detailing the rights and responsibilities of our customers when banking with us. Additionally, we have conducted a series of educational sessions focusing on the intricacies of Islamic banking contracts and the range of products offered by Bank Nizwa. These initiatives are designed to enhance our customers' banking experience and ensure they are well-informed to make sound financial decisions.

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:

Phone	24950500 or +968 2495599
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
Internet Banking	
In person	- all branches - Customer Experience Department at Head Office Building, Beach One Building, Al Khuwair, 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 have different process times depending on their nature.

Below is a summary of the total number of complaints received and resolved by Bank Nizwa for the years ending December 31, 2023, and December 31, 2024:

	Customer Complaints Received by the Bank	31st Dec 2023	31st Dec 2024
I.	Number of complaints pending at the beginning of the year	0	0
2.	Number of complaints received during the year	3270	2705
3.	Number of complaints disposed during the year	3269	2572
3.1	Of which, number of complaints rejected by the Bank	0	0
4.	Number of complaints pending at the end of the year	1	54
4.1.	Of which, number of complaints pending beyond 30 days	1	27

Risk Management

At Bank Nizwa, risk management is more than a function—it 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. From market volatility and cybersecurity threats to liquidity risks, our approach ensures we remain resilient in an ever-changing landscape.

This year, guided by the directives of the Central Bank of Oman, we elevated our risk management framework to new heights. Our focus goes beyond mitigating risks as we work closely with our stakeholders to thrive amid complexity. Asset diversification remains a cornerstone of our strategy, prioritizing quality over quantity to ensure sustainable growth. A major milestone has been the adoption of an advanced Obligor Risk Rating system, leveraging cutting-edge technology to enhance credit decision-making with improved precision and stronger controls.

Our ability to identify emerging risks and adapt swiftly is underpinned by a strong governance framework. Anchored by the Board Governance, Risk, and Compliance Committee (BGRCC) and the Risk Management Group (RMG), this framework ensures a unified, forward-looking strategy. Senior Management Committees, including the Assets and Liability Committee (ALCO), Credit and Investment Committee (CIC), and IT Steering Committee (ITSC), further strengthen our risk oversight. Regular audits and a disciplined approach foster a culture of accountability and continuous improvement.

The Risk Management Group plays a pivotal role in aligning growth with our defined risk appetite. Through disciplined portfolio management and diversification, we have minimized credit losses and reinforced our balance sheet. Our adherence to stringent liquidity and operational risk practices, aligned with Basel III standards, underscores our commitment to resilience and financial stability.

Key tools like the Internal Capital Adequacy Assessment Process (ICAAP) and stress testing equip us to prepare for adverse scenarios with agility. By staying ahead of global regulatory developments and integrating local directives, we maintain compliance while enhancing our institutional strength.

Our risk management ethos also integrates Environmental, Social, and Governance (ESG) principles. ESG considerations shape our operations and client relationships, supported by an innovative scoring system that evaluates counterparties based on sustainability and governance excellence. This system incentivizes responsible practices, aligning with our commitment to sustainable banking.

To advance our ESG vision, we have established a dedicated taskforce to embed ESG-related policies into our risk framework. This initiative strengthens alignment with global standards and reinforces our leadership in sustainable finance. By embedding ESG into our core strategy, we ensure that Bank Nizwa is well-positioned to lead with integrity and innovation in a rapidly evolving financial landscape.

Raising Awareness

In 2024, Bank Nizwa made notable strides in promoting awareness of Islamic finance and advancing financial literacy across various segments of the community. A key milestone in this journey was the successful launch of the Sairafah program, developed in collaboration with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This initiative was specifically designed to cater to professionals within the Islamic finance sector, offering a series of training sessions on AAOIFI's Sharia standards. Additionally, the bank hosted a tailored Sairafah program for employees of the Ministry of Endowments and Religious Affairs in the Dhofar Governorate, further bolstering their understanding of Sharia-compliant principles within the banking and finance sectors.

As a proponent of the values inherent in Islamic finance and the alignment of Sharia-compliant financial practices with individual beliefs and value systems, Bank Nizwa continued its esteemed Islamic Finance Knowledge Series (IFKS) with a distinguished edition in Salalah. This session was led by Mr. Mustafa Al Naabi, Deputy Manager of Sharia Training at Bank Nizwa, and took place at the Oman Chamber of Commerce and Industry in Dhofar Governorate. The event was held under the patronage of Sheikh Mohammed bin Ahmed Al Ghassani, Director of the Public Authority for Small and Medium Enterprises Development in Dhofar. Attendees included representatives from the Oman Chamber of Commerce and Industry, the Public Authority for Small and Medium Enterprises Development, and the General Directorate of Endowments and Religious Affairs in Dhofar Governorate.

The bank further strengthened its commitment to fostering meaningful engagement with the nation's youth and children by offering a series of workshops on topics such as sustainability practices, financial awareness, and investments. These initiatives were designed to cultivate sound financial habits and equip young participants with the knowledge and skills necessary for future financial success and preparedness. The workshops were held at esteemed institutions, including Al Huda Private School, Abu Umamah Basic Education School, and the Modern College of Business and Science.

Sustainability

At the core of Bank Nizwa's sustainability strategy lies a robust framework encompassing the key pillars of responsible leadership, ethical banking, societal prosperity, and environmental stewardship. Through the diligent execution of this meticulously crafted roadmap, the bank has achieved significant milestones across all domains, underscoring its well-rounded progress toward broader sustainability objectives while contributing to the advancement of Oman Vision 2040.

A focal point of Bank Nizwa's strategy is the prioritization of national talent development to enhance local capabilities. As of the end of 2024, the bank proudly reported an impressive Omanisation rate of 91%, with 443 Omani employees out of a total workforce of 486 full-time staff. This accomplishment reflects the bank's steadfast commitment to nurturing national talent and equipping them with the skills and experience needed to drive the continued growth of the Islamic banking sector. The workforce comprises 349 male and 137 female employees, with women making up 28% of the total workforce.

Bank Nizwa actively promotes a healthy work-life balance, which serves as the foundation of a sustainable workplace culture. In 2024, 33 male and 13 female employees benefitted from the bank's progressive parental leave system. Employee retention remained a key focus, with a turnover rate of 5.5%, highlighting the bank's ability to foster an engaging and positive work environment. Additionally, Bank Nizwa placed significant emphasis on upskilling and professional development, ensuring that 100% of employees received regular performance and career development reviews. The bank also launched the Islamic Finance Graduate Program, NANMU, in collaboration with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), designed to nurture future leaders in Islamic finance. In 2024, the third phase of the High Potential Employee Programme (HiPo) was launched with the aim to train and mentor talented employees for potential leadership roles within the bank.

The bank's commitment to digital security was evident in 2024, maintaining an exemplary record of zero data breaches, reinforcing its dedication to the highest

cybersecurity standards. Moreover, Bank Nizwa has prioritized youth empowerment through strategic collaborations, instilling values of responsible citizenship and equipping young Omanis with essential skills for personal and professional success. In 2024, the bank provided 345 unique learning opportunities through 120 specialized courses, fostering a dynamic and enriching learning environment.

Bank Nizwa's sustainability approach is deeply embedded in its operations, guided by Sharia values and aligned with Oman Vision 2040. Through a structured framework, the bank integrates responsible governance, sustainable finance, and environmental stewardship while fostering socio-economic development. A dedicated ESG Task Force ensures accountability, while stakeholder engagement drives meaningful impact. By advancing financial inclusion, environmental initiatives, and ethical banking, Bank Nizwa remains committed to long-term sustainability and shared prosperity.

The bank actively supports education, sustainability, and social welfare, aligning with Oman Vision 2040. In 2024, the bank invested in the community welfare, environmental initiatives, and Ramadan food assistance, while employees contributed 1,498 volunteering hours. Through initiatives like the Masoliyati Programme, the bank fostered youth empowerment and environmental conservation, further strengthening its commitment to community well-being. Additionally, Bank Nizwa collaborated with the Environment Society of Oman on the Wa'ai Competition, an online environmental initiative aimed at young adults aged 18-25. This competition raised awareness about sustainable living practices and addressed key environmental challenges facing Oman.

Awards 2024

Demonstrating its leadership in the Islamic banking sector, Bank Nizwa received multiple accolades in 2024, highlighting its achievements in leadership, wealth management, digital transformation, and sustainability. The bank was honored as the 'Best Bank for Islamic Wealth Management Solutions in Oman' at the Cambridge Islamic Funds Awards (CIFA), further reinforcing its expertise in Sharia-compliant wealth management. Additionally, its commitment to sustainability was acknowledged with the Bronze Award at Oman Sustainability Week 2024, reflecting the bank's ongoing efforts to drive responsible and ethical banking practices.

Bank Nizwa's outstanding performance was also recognized at major industry events. At the IFN Awards in Dubai, the bank was named the 'Best Islamic Bank in Oman 2024', a testament to its unwavering dedication to innovation and excellence in Islamic finance. The New Age Banking Summit 2024 saw the bank receiving multiple accolades, including 'Islamic Bank of the Year' and 'Best Bank in the Mid-Size Banks' category. Similarly, Themar Islamic Banking Conference 2024 honored Bank Nizwa with the 'Best Islamic Bank in the Sultanate for 2024' award, alongside the 'Digital Transformation Award for 2024', highlighting its advancements in digital banking solutions.

Further establishing its regional influence, Bank Nizwa was recognized as the 'Best Islamic Bank in Oman 2024' by the World Union of Arab Bankers and was named the 'Strongest Islamic Retail Bank in Oman 2024' at the Islamic Retail Banking Awards (IRBA). The bank's dedication to fostering an inclusive workplace was also acknowledged, winning the 'Best Organization for Female Employees Support 2024' award at WOMANi 2024. Individual leadership within the bank was equally celebrated, with Haifa Al Lawati, Chief Human Resources Officer, being recognized among the 'Most Influential Women in Islamic Business and Finance' at the WOMANi 2024 Awards. Meanwhile, CEO Mr. Khalid Al Kayed received the prestigious Excellence in Leadership Award at the TAS Conclave Award Ceremony, further cementing Bank Nizwa's reputation for visionary leadership and industry excellence.

Building Brand Equity

Bank Nizwa's strategic efforts to strengthen its brand equity and maintain its leadership in the Islamic banking sector yielded excellent results in 2024. The bank's unwavering commitment to digitalization, sustainability, and socio-economic development has reinforced customer trust and solidified its position as Oman's premier Islamic bank. By continuously innovating financial solutions and leveraging advanced FinTech, Bank Nizwa has set new industry benchmarks, offering customers seamless, Sharia-compliant banking experiences that align with evolving financial needs.

The bank's steady expansion reflects broader trends in the global Islamic finance industry, which has consistently outperformed conventional banking in asset growth. With a well-diversified portfolio and a strong focus on risk management, Bank Nizwa has maintained a healthy balance sheet, underpinned by solid capital reserves and a stable funding structure. Its prudent approach to financial management, coupled with a commitment to ethical banking principles, has ensured long-term stability and profitability.

Bank Nizwa has remained the fastest-growing Islamic bank in Oman, with robust expansion in both retail and corporate banking, driven by product diversification and cutting-edge digital capabilities. A key factor in this success has been the launch of Islamic green financing solutions, catering to home, automotive, and personal finance needs, aligning with Oman's Vision 2040 sustainability goals. Furthermore, the bank's strategic emphasis on innovation and sustainable finance has strengthened its market presence, enabling it to navigate evolving economic landscapes with confidence and agility.

Further validating its strength, Moody's Investors Service upgraded Bank Nizwa's outlook from 'Stable' to 'Positive' in 2024. This upgrade reflects confidence in the bank's solid capital reserves, stable liquidity, and strong government backing. With a stable deposit-based funding structure and an expanding Islamic franchise, Bank Nizwa is well-positioned to navigate market dynamics and sustain long-term profitability.

Digital transformation remains at the heart of the bank's growth strategy. Partnering with Avanza Unison Ace, Bank Nizwa has enhanced its retail banking platform with next-generation digital solutions that improve customer engagement and operational efficiency. The bank's commitment to innovation has strengthened its franchise, positioning it at the forefront of the Sultanate's financial evolution.

Beyond financial performance, Bank Nizwa has maintained a strong focus on social responsibility, financial literacy, and sustainability. By investing in educational programs, participating in national economic initiatives, and launching targeted marketing campaigns, the bank continues to deepen its engagement with both customers and the broader community. These concerted efforts reinforce Bank Nizwa's reputation as a forward-thinking, customer-centric institution that leads with purpose.

Looking ahead, the bank remains dedicated to sustaining its upward trajectory, expanding its market position, and pioneering the next phase of Islamic banking excellence in Oman and beyond. With its strategic vision, financial strength, and commitment to innovation, Bank Nizwa is set to continue redefining the Islamic banking landscape in the years to come.

Partnerships & Collaborations

Bank Nizwa has cultivated strategic partnerships across various sectors to drive innovation and strengthen its community engagement. A key collaboration was its participation in Oman Housing Bank's Iskan Program, a strategic initiative designed to expedite the approval process for pending housing finance applications in coordination with the Ministry of Housing and Urban Planning. This initiative has enabled more citizens to secure home financing efficiently. The bank also played a pivotal role as the Strategic Partner of the Second Family and Value Building Symposium, which focused on addressing familial challenges, preserving Oman's cultural heritage, and reinforcing deeply rooted national values.

To support the growth of endowment initiatives in Oman, Bank Nizwa partnered with several key institutions, including Bousher Endowment Foundation, Hidaya Endowment Foundation, Intaj Endowment Foundation, and Al Waqf Al Khayrii Foundation. These collaborations aim to enhance Waqf activities through advanced Sharia-compliant banking expertise, fostering sustainable development in the sector. Additionally, in a move to drive digital transformation, the bank signed partnerships with Omantel and Oman Data Park (ODP) to advance Islamic Fintech solutions, reinforcing its commitment to technological innovation in the financial sector.

Further supporting economic development, Bank Nizwa formalized a partnership with the Office of the Governor of Al Dakhiliyah to support the Entrepreneurship and Innovation Award, aligning with Oman Vision 2040's goal of fostering a diversified and sustainable economy. The bank also played a crucial role in the launch of the Ishraq Waqf Investment Fund, a pioneering initiative developed in collaboration with the Ministry of Endowments and Religious Affairs, the Sultan Qaboos Higher Center for Culture and Science, and TANMIA as the fund's investment manager. This initiative is set to enhance waqf investment opportunities in Oman, demonstrating Bank Nizwa's commitment to ethical, impact-driven investments that contribute to national progress.

Community Engagement

Bank Nizwa remains deeply committed to empowering communities across the Sultanate of Oman through meaningful initiatives that support social welfare, environmental conservation, and overall socio-economic progress. In response to the severe flooding and adverse weather conditions in 2024, the bank donated RO 100,000 to the Oman Charitable Organization, ensuring that aid reached families in need. This initiative exemplified the bank's dedication to supporting the community during challenging times and providing crucial financial assistance to those affected.

Further strengthening its commitment to social development, Bank Nizwa signed a Cooperation Agreement with the Ministry of Social Development to fund a leather crafting workshop for individuals with disabilities graduating from the Seeb Vocational Rehabilitation Center. By supporting skill development and vocational training, the bank aims to empower individuals with disabilities, enhancing their employability and fostering financial independence.

In addition to social initiatives, the bank also took significant steps toward environmental sustainability. Through its Masoliyati Volunteer team, Bank Nizwa actively participated in Muscat Municipality's tree-planting initiative, distributing saplings to employees as part of a broader effort to promote sustainability and advance towards the vision of a green nation. This initiative not only reinforced the bank's commitment to environmental stewardship but also encouraged employees to play an active role in conservation efforts, further embedding sustainability into the bank's corporate culture.

Sharia Governance

At Bank Nizwa, our dedication to Sharia compliance is not just about following rules; it's about embedding Islamic principles into every facet of our operations, from our products and services to our day-to-day transactions. Our comprehensive Sharia Governance Framework ensures that every step we take is in harmony with Islamic law, offering peace of mind to our customers and stakeholders that we are not just a bank, but a bank that truly lives by the values of Islamic finance.

The cornerstone of our Sharia compliance journey is the Islamic Banking Regulatory Framework (IBRF), a set of guidelines issued by the Central Bank of Oman. It serves as our roadmap, outlining the Sharia governance, risk management, and accounting concepts that align with Oman's banking laws and the broader principles of Islamic banking.

We also lean heavily on the standards set by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). These guidelines help us navigate the complexities of Sharia compliance, ensuring that our products and services meet the highest standards of Islamic finance.

The heart and soul of our Sharia governance is our Sharia Supervisory Board (SSB), a group of esteemed scholars from Oman and around the world. They are our compass, offering fatwas and resolutions that guide our operations and ensure they remain true to Islamic principles. Our SSB meets quarterly, but we also have a Sharia Executive Committee that convenes monthly to address immediate Sharia-related matters, ensuring our bank remains agile and responsive.

Our Internal Sharia Reviewer (ISR) plays a pivotal role, leading the charge in ensuring that our financing proposals and products align with Sharia guidelines. This involves a thorough pre-execution review process, coordinating closely with our Sharia structuring team and ensuring that all new initiatives get the green light from a Sharia perspective before they are rolled out.

Sharia Structuring & Compliance is where the rubber meets the road. Before any new product or transaction sees the light of day, this team dives deep to ensure everything we do is structured in accordance with Islamic law. They're the architects of our Sharia compliance, crafting solutions that not only meet our business objectives but also uphold our Islamic values.

The Internal Sharia Audit Function is our safety net, conducting post-transaction audits to ensure every aspect of our operations remains in compliance with Sharia law. This team's work is critical in maintaining the integrity of our Islamic banking operations, ensuring that any income from non-compliant transactions is identified and donated to charity, as per our strict guidelines.

External Sharia Audit adds another layer of oversight, with independent auditors assessing our compliance annually to provide an unbiased view of our adherence to Islamic principles.

Sharia Training ensures that our team is not just proficient in Islamic banking but also passionate advocates of its values. This education extends beyond our walls, reaching out to the community to raise awareness and understanding of Islamic finance.

Lastly, our Sharia Non-Compliance Risk management is our early warning system, identifying and mitigating risks that could veer us off the path of Sharia compliance. This unit is essential in keeping us aligned with Islamic principles, ensuring that our operations not only succeed financially but also spiritually.

In essence, at Bank Nizwa, Sharia compliance is more than just a set of rules to follow. It's a commitment to integrity, ethical banking, and the provision of financial services that not only grow wealth but also nurture societal values and principles laid down by Islamic law.

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 2024, 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 a comprehensive job evaluation assessment across various levels of the organization. A key focus of this initiative is to assess roles from the managerial level and above, particularly for Omani employees, ensuring that they are well-positioned for career advancement. By systematically analyzing competencies, job responsibilities, and performance expectations, this assessment allows us to identify skill gaps, training needs, and career progression opportunities. This initiative is designed to provide employees with a clearer understanding of the skills and experience required for their next career move, thereby fostering continuous professional development and enhancing overall workforce readiness.

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

The Bank concluded 2024 with a total workforce of 486 employees, reflecting its strong commitment to diversity and inclusion. Bank Nizwa continued to strategically recruit talent to address the needs of a comprehensive range of client segments and industries. In alignment with the Omani government's Omanization policy, the Bank prioritized hiring qualified Omanis, ensuring compliance with national regulations while contributing to economic stability and reducing unemployment.

In 2024, 91.5% of the Bank's new hires were Omani nationals, highlighting its strong commitment to supporting local talent. The recruitment strategy also prioritized fresh graduates, with 31.9% of new recruits coming from this group. These graduates were assessed through the Bank's digital assessment platform, reflecting the Bank's dedication to nurturing emerging talent and providing opportunities to the next generation of professionals. Introduced in 2023, the digital assessment platform continues to enhance the recruitment process, offering a dynamic and efficient approach to evaluating candidates' capabilities and potential.

Bank Nizwa actively collaborated with local universities and educational institutions to identify top Omani talent through participation in career fairs and recent partnerships with local job portals such as Tawteen. These efforts further strengthened the Bank's reputation as an employer of choice. In 2024, the Bank's workforce included employees from 12 countries, highlighting its commitment to fostering a diverse and inclusive workplace.

Through precise recruitment policies and a strong focus on retention, Bank Nizwa aligns its hiring practices with its mission to attract and retain the best talent

and providing opportunities to the next generation of professionals.

Training & Development

In fiscal year 2024, the HR department undertook several strategic initiatives to boost employee performance and productivity. These centered on robust talent management practices and comprehensive training programs tailored to all levels, from top management to junior employees. The bank invested heavily in its learning initiatives, adopting an agile approach to learning and development. Simultaneously, the launch of "Bait Al Ma'arifah," the new learning center, and the corporate library "Qanadeel" provided enhanced learning spaces. Furthermore, the bank introduced more customized and closely aligned curated learning programs, significantly increasing training delivery throughout the year, such as NANMU, Power BI, and Retail Recoveries etc. This multifaceted approach aimed to nurture the professional growth of all employees while addressing critical succession planning needs. Bank Nizwa also observed a significant increase in training delivery in 2024, successfully implementing several development programs and effectively utilizing the e-learning platform to cater to both individual and group learning needs.

In 2024, the Bank prioritized the enhancement of employee skills and competencies through a significant intensification of its learning and development initiatives. This included conducting detailed assessments to identify the development needs of identified successors, as well as conducting Sharia awareness assessments to foster a deeper understanding of Islamic principles. To support this strategic focus, the Bank delivered advanced training programs across all key functional areas, encompassing Islamic Banking, Product Development, Sales Leadership, Risk Management, Wealth Management, Corporate and Retail Banking, and essential soft skills development.

Furthermore, through dedicated strategic consultations with business units, we meticulously identified specific business needs and analyzed their root causes. Based on these insights, we developed and implemented tailored capability-building strategies to effectively address the identified challenges. In 2024, we successfully delivered more than 100 learning programs, providing 346 unique learning opportunities for our employees.

Our commitment to fostering a culture of continuous learning and skill enhancement is further strengthened by the strategic integration of cutting-edge technologies. A prime example is 'Bank Nizwa Learning,' our cutting-edge e-learning platform built on a world-class foundation. This platform hosts a vast library of over 100,000 curated learning resources from industry leaders, empowering employees with on-demand access to a wealth of knowledge. To date, 'Bank Nizwa Learning' has facilitated over 11,000 hours of active learning, enabling employees to learn at their own pace and convenience.

Bank Nizwa prioritizes the development of exceptional leadership within its organization. To this end, the Bank actively invests in the professional growth of its top management team. This includes encouraging and nominating key leaders to pursue advanced management and executive leadership courses at prestigious institutions. Notably, two senior executives were nominated to participate in the esteemed Islamic Leadership Program at Cambridge, and one successfully completed an executive leadership course at the University of Texas. The Bank also prioritizes board development, ensuring directors possess the latest market insights and governance best practices.

Bank Nizwa remains committed to developing a high-performing Omani workforce. In line with this commitment, 25 employees were nominated to participate in the "High Potential Employees (HiPo)" Leadership Development Program (LDP) to prepare them for future leadership roles within the bank. Additionally, 25 promising employees joined Bank Nizwa's esteemed "NANMU" Islamic Finance Graduate Program, providing them with valuable on-the-job training and development opportunities.

Two employees successfully completed the prestigious 2024 National Leadership Programme "Etimad," underscoring Bank Nizwa's commitment to fostering Omani leadership. To address the diverse development needs of its employees, the bank conducted over 19 internal group training sessions. Moreover, Bank Nizwa actively supported the professional growth of over 14 employees by providing financial assistance and mentorship to those pursuing prestigious academic and professional qualifications. This includes certifications such as CIPD, CBBM, CSDG, CIPA, CIFPA, CIB, and CISI.

Demonstrating a strong commitment to societal impact, Bank Nizwa facilitated over 70 internship opportunities for aspiring professionals. This aligns with the bank's broader objective of contributing to the development of the Omani workforce and supporting the growth of the local economy.

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, which introduced changes to Oman's labor laws, 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, which include adjustments to employee and employer contributions. Additionally, modifications have been made to insurance, maternity, and paternity leave contributions for both Omani and non-Omani employees. These updates have been reflected in the payroll system to ensure full compliance with social protection regulations.

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

Information and Technology: Digital Transformation and Innovation

The IT department has played a pivotal role in realizing the bank's digital aspirations and advancing its technological maturity. Through strategic initiatives, modernization efforts, and operational excellence, the department has successfully transformed key areas, ensuring resilience, security, and innovation in banking services. These efforts have positioned the bank as a leader in digital banking, enabling seamless operations and enhancing customer experience while adhering to stringent regulatory and compliance standards.

IT Department has successfully modernized the bank's infrastructure, establishing a robust, flexible, scalable, and secure foundation to support innovative digital services. Delivered a major infrastructure transformation, enhancing system resilience and scalability to meet future business needs and ensure uninterrupted banking operations. Upgraded disaster recovery capabilities to a higher maturity level, addressing critical shortcomings in Core Banking and ATM switch resilience. Ensured business continuity planning aligns with global best practices and regulatory expectations, mitigating risks associated with IT failures.

Successfully executed the seamless upgrade of iMAL Core Banking R14, ensuring minimal change requests and smooth adoption while enhancing operational efficiency. Integrated advanced analytics and reporting tools to provide real-time insights into banking operations and customer behaviors. Strengthened security measures within the core banking platform to safeguard against cyber threats and unauthorized access. Completed end to end ATM Switch Transformation, leading the upgrade of ATM switch technology to align with performance and technological requirements for digital initiatives, including tokenization and fintech integrations. Enhanced ATM security protocols to protect against emerging cyber threats and fraudulent activities.

Retail Digital Bank: Seamless digital banking experiences for customers. AI-driven chatbots and automation tools to enhance customer support and engagement & seamless and safe banking experience. Implemented Transaction banking to facilitate the safe transition of money from one country to another, as well offering risk management services, cash flow management assistance and security services aimed at improving relationships between customers, banking institutions and their partners with improved transaction processing speeds and reliability, ensuring greater efficiency in corporate banking operations.

Strategic Digital Roadmap Initiatives

The IT department has successfully delivered multiple projects aligned with the bank's Digital Roadmap, driving business growth and operational efficiency.

Digital Branch and Process Digitalization: Implemented critical solutions such as Digital HRMS, Digital Onboarding, and a Survey Portal to enhance internal efficiencies and improve customer interactions. Launched GCC-RTGS, Interbank Direct Debits, IFRS9

calculation systems, and VAT compliance enhancements, ensuring regulatory compliance and streamlined operations.

Mobile Banking App Enhancements: Introduced features such as card-less withdrawal, debit card services, international transfers, online IPO subscription, and bulk payments, significantly enhancing user experience and engagement. AI-Driven Innovations: Implemented AI-based fraud detection mechanisms, predictive analytics, and customer behavior modeling to strengthen security and deliver personalized banking experiences.

Strengthening Information Security: The IT department has played a crucial role in enhancing the bank's security framework by implementing advanced IT security solutions, including Attivo, Guardium, Tripwire, Tenable, and McAfee Endpoint Protection. Additionally, key compliance initiatives such as PCI-DSS and QRadar to enhance monitoring and threat management capabilities are under taken.

Future Focus Areas: The IT department continues to drive strategic IT initiatives, including advancements in POS Acquiring, Tokenization, Payment Gateways, Virtual & Vertical Cards, and Loyalty Systems to drive customer engagement and payment innovation.

Through a commitment to innovation, digital excellence, and operational resilience, the IT department remains a cornerstone of the bank's digital transformation journey. By leveraging state-of-the-art technologies and strategic partnerships, the department is ensuring a future-ready banking ecosystem, driving enhanced customer satisfaction, operational efficiency, and long-term business growth.

Confidence in the Future

Bank Nizwa leads the Islamic banking sector in Oman, guided by a commitment to adhere to Sharia principles while contributing to the development of the community by expanding credit access, financing key industries, and supporting entrepreneurship.

The bank's growth aligns with a broader regional trend, where Islamic banking is expected to outpace conventional banking. Moody's Investors Service predicts that Islamic financial institutions in the GCC will maintain stronger net profit margins and returns on assets due to rising demand for Sharia-compliant products and the stability of Islamic banking models.

The sukuk market, expected to exceed $200 billion in 2025, presents opportunities for Bank Nizwa to strengthen its market position by leveraging its Islamic finance expertise, expanding its financing portfolio, and innovating Sharia-compliant investment products.

Looking ahead, the bank will remain focused on accelerating digital transformation, developing advanced fintech solutions, and integrating sustainability into its financial offerings. Committed to enhancing its digital banking ecosystem, adopting emerging technologies, and providing seamless, customer-centric experiences.

Guided by core values of innovation, integrity, and customer-centricity, Bank Nizwa's strategic blueprint aims to amplify shareholder value, capitalize on its strengths across various banking domains, and support programs like 'Tanfeedh' and Oman's Vision 2040. As it continues to evolve, Bank Nizwa is poised to redefine industry standards and contribute to the Sultanate's financial stability, positioning Oman as a leading hub for Islamic finance on the global stage.

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

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Independent assurance report on management's statement of compliance with the Sharia principles and rules

To the Board of Directors of Bank Nizwa SAOG

Introduction

We have been engaged by the directors of Bank Nizwa SAOG (the "Bank") to perform an independent reasonable assurance engagement attestation (external Sharia audit) on the management's report on control procedures and management's statement of compliance of the financial arrangements, contracts and transactions with the Sharia principles and rules (together the "Management Report") as set out on pages 1 to 15 with respect to the Bank for the year ended 31 December 2024.

Applicable criteria

The criteria for the assurance engagement against which the underlying subject matter information i.e. the Management Report's compliance with, is assessed comprise the Sharia principles and rules that for the purpose of external Sharia audit mean the following, in the sequence provided below:

a. The Sharia standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI);
b. The regulations issued by the Central Bank of Oman (CBO) Islamic Banking Regulatory Framework (IBRF) insofar as these entail the regulatory Sharia requirements;
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 Sharia related requirements; and
e. Approvals and rulings given by the Sharia Supervisory Board (SSB) of the Bank.

The above criteria was applied for its implications on the Management Report of the Bank for the year ended 31 December 2024 and which is annexed to this report.

Management's responsibilities

The Bank's management (hereinafter referred to as "Management") is responsible for the preparation and presentation of the Management Report. Management is also responsible for setting up a Sharia Governance Structure to comply with the Sharia principles and rules and the approvals and rulings issued by its SSB. Management is also required to ensure the Bank's compliance with the relevant and applicable guidelines and directives issued by the CBO. This responsibility includes designing, implementing, maintaining and effectively operating appropriate internal controls to ensure that the financial arrangements, contracts and transactions having Sharia implications, entered into by the Bank with its customers, other financial institutions and stakeholders and related policies and procedures are in compliance with the requirements of Sharia principles and rules.

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Independent assurance report on management's statement of compliance with the Sharia principles and rules

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

Management's responsibilities (continued)

Management is also responsible for designing, implementing and maintaining appropriate internal control procedures with respect to such compliance and maintaining relevant accounting records and achieving the control objectives stated in the Management Report.

Management is also responsible for the prevention and detection of fraud, error and non-compliance with the laws and regulations applicable to the activities of the Bank and for the fair presentation of their Statement of Compliance with the Sharia principles and rules as set out on page 15 of the Management Report.

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.

Our responsibilities and summary of the work performed

Our responsibility in connection with this engagement is to express an independent conclusion on the Management Report, based on our procedures.

We conducted our reasonable assurance engagement in accordance with the Auditing Standard for Islamic Financial Institutions ("ASIFI") 6 "Independent Assurance Engagement on an Islamic Financial Institution's Compliance with Sharia Principles and Rules (External Sharia Audit)", issued by AAOIFI read in conjunction with International Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the Management Report is fairly presented and the controls as mentioned in the Management Report are suitably designed and operating effectively.

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Independent assurance report on management's statement of compliance with the Sharia principles and rules

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

Our responsibilities and summary of the work performed (continued)

The procedures selected by us for the engagement depend on our judgment, including the assessment of the risks of material non-compliance with the Sharia principles and rules. In making those risk assessments, we considered and tested the internal control relevant to the Bank's compliance with the Sharia principles and rules in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control as well as the controls relevant for the collection of relevant data and preparation of the management's statement for compliance with Sharia principles and rules. In this connection, we have also reviewed the work carried out by the internal Sharia reviewer, Sharia compliance and internal audit functions performed under the supervision of the SSB.

We have designed and performed necessary testing procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Sharia principles and rules and fair presentation of the same along with other statements made in the Management Report. In performing our procedures necessary guidance on Sharia matters was provided by the subject matter (Sharia) expert referred above.

We believe that the evidence we have obtained through performing our procedures was sufficient and appropriate to provide a basis for our conclusion.

Limitation of management's statement of compliance with the Sharia principles and rules

Management's statement of compliance with the Sharia principles and rules and our assurance report thereon are prepared to meet the needs of the intended users (the Board of Directors of the Bank, the SSB and the CBO) and may not, therefore, include every aspect of the control procedures that each user may consider important in their own particular environment.

The conclusion relates only to the year ended 31 December 2024. The conclusion does not provide assurance in relation to any future periods as changes to systems or controls may alter the validity of our conclusion. Also, any evaluation of the internal financial controls over financial reporting for future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Furthermore, the controls activities designed, implemented and operated as of 31 December 2024 covered by our assurance report will not have retrospectively remedied any weaknesses or deficiencies that existed in relation to the internal controls over the financial reporting and compliance with applicable laws and regulations prior to the date those controls were placed in operation.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the 'Sharia Compliance Report' and the methods used for determining such information.

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Independent assurance report on management's statement of compliance with the Sharia principles and rules

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

Limitation of management's statement of compliance with the Sharia principles and rules (continued)

Our procedures regarding adequacy of systems and controls relating to the Bank's compliance with applicable criteria are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust. Therefore, internal controls relating to management's statement of compliance with Sharia principles and rules may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met.

Conclusion

Based on procedures, we report that in our opinion, the Management Report on control procedures and the statement of compliance with the Sharia principles and rules as set out on page 15 of the Management Report, for the year ended 31 December 2024 present fairly the state of its compliance with the Sharia principles and rules, in all material respects, during the period covered by such statement, based on the applicable criteria.

A long form report is being issued separately to the Board of Directors of the Bank as of the date of this report.

Intended users and purpose

In accordance with the terms of our engagement, this reasonable assurance report on the management's statement of compliance with Sharia principles and rules, has been prepared for the Board of Directors of the Bank, the SSB and the CBO, solely to assist the Board of Directors to meet the regulatory requirements, and for no other purpose or in any other context.

This report should not be regarded as suitable to be used or relied upon by any third party, for any purpose or in any context. Any third party who obtains access to this report or a copy thereof and chooses to rely on this report (or any part thereof) does so at its own risk; and we accept no responsibility or liability to any third party. Our report is not to be copied, referred to or disclosed, in whole or in part, to any third party, other than the SSB and the CBO, without our prior written consent.

Date: 12 March 2025

PricewaterhouseCoopers LLC

Muscat, Sultanate of Oman

Kashif Kalam
Partner

C.R. No 1230865
PricewaterhouseCoopers LLC

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 2024

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 2024 to 31 December 2024;

b) The control procedures listed in Appendix A were suitably designed throughout the period from 1 January 2024 to 31 December 2024; and

c) The controls procedures listed in Appendix A operated effectively throughout the period from 1 January 2024 to 31 December 2024.

Approved by the management of the Bank on 28/01/2024



Chief Executive Officer



Internal Sharia Reviewer

MANAGEMENT'S SHARIA COMPLIANCE AND GOVERNANCE REPORT

For the year ended 31 December 2024

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 2024 to 31 December 2024. 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

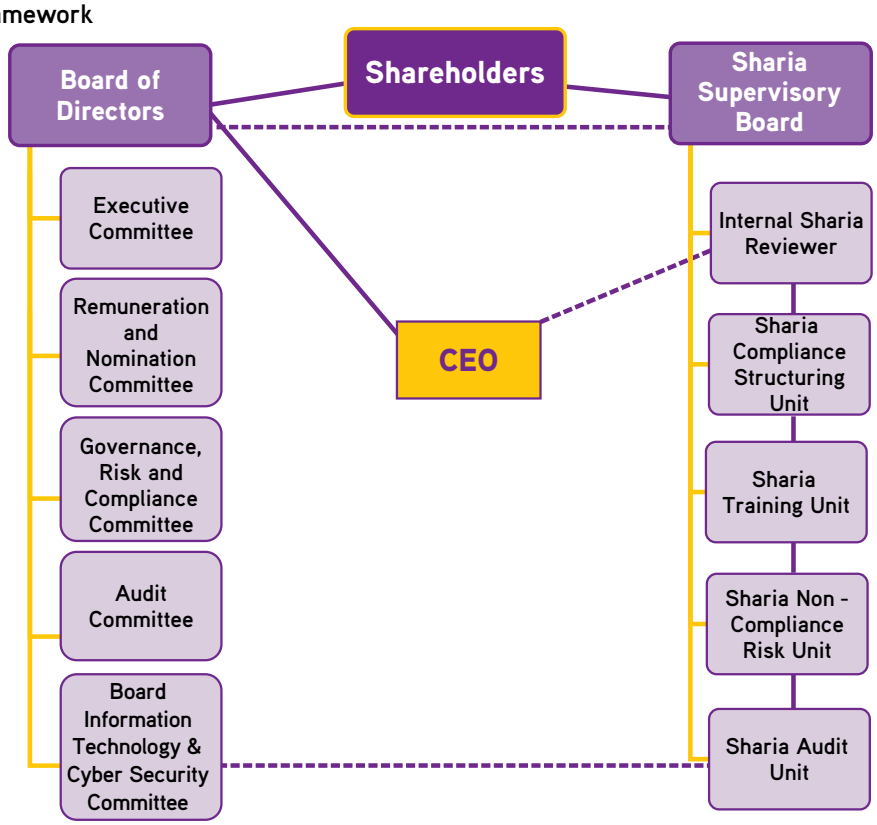
xiv. To meet with the Board of directors of the Bank at least once a year to discuss issues of common interest. Such meeting must have a clear and specific agenda including the difficulties faced by both parties and ways to resolve them;

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.

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.

Shari'a Audit Unit

Appendix A

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 2024, period from January 1 to 31 December 2024, 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 54	25/1/2024	1. Dr. Majid Alkindi 2. Dr. Aznan Bin Hasan 3. Dr. Ali Al Jahdami	NIL
2nd Meeting of SSB 55	27/4/2024	1. Dr. Majid Alkindi 2. Dr. Aznan Bin Hasan 3. Dr. Ali Al Jahdami	NIL
3rd meeting of SSB 56	4/8/2024	1. Dr. Majid Alkindi 2. Dr. Aznan Bin Hasan 3. Dr. Ali Al Jahdami	Nil
4th Meeting of SSB 57	3/12/2024	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 2024, the Shari'a Ex-com has conducted 6 meetings to review and approve key decisions relating to Shari'a matters.

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:

Appendix A

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.

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

Appendix A

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.

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;

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.

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 2024 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.

MANAGEMENT'S SHARIA COMPLIANCE AND GOVERNANCE REPORT

For the year ended 31 December 2024

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.

MANAGEMENT'S SHARIA COMPLIANCE AND GOVERNANCE REPORT

For the year ended 31 December 2024

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 2024.

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 2024:

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 2024 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 2024 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 2024 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 Sharia 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 2024 for the period from 01/01/2024 to 31/12/2024.

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 2024 for the period from 01/01/2024 to 31/12/2024, 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	Sheikh Dr. Aznan bin Hasan	Sheikh Dr. Ali bin Sulaiman Aljahdami
Chairman of Sharia Supervisory Board	Member of Sharia Supervisory Board	Member of Sharia Supervisory Board

Place and Date: Muscat, 26 of Rajab, 1446 Corresponding to 26 January 2025.

Independent auditor's report to the shareholders of Bank Nizwa SAOG

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bank Nizwa SAOG (the "Bank") as at 31 December 2024, and its financial performance and its 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 Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of income for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of income and attribution related to quasi equity for the year then ended;
- the statement of changes in owners' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising significant accounting policies and other explanations.

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 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 Bank in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and the ethical requirements that are relevant to our audit of the 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 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.

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Commercial Register No. 1230865 Tax Card No 8055889

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Independent auditor's report to the shareholders of Bank Nizwa SAOG (continued)

Our audit approach (continued)

Overview (continued)

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 2024 amounted to RO 7.63 million (net of recoveries) and the allowance for ECL as at that date amounted to RO 49.10 million. The ECL provision represents the directors' best estimate of the credit losses as at the statement of financial position date. We considered the measurement of ECL as a key audit matter as the determination of ECL has a material impact on the 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;	We assessed the appropriateness of the methodology to calculate ECL and the adequacy of the ECL as at 31 December 2024. Our testing included: • understanding the Bank's FAS 30 based impairment provisioning policy and comparing it with the requirements of FAS 30; • obtaining an understanding of and testing 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 portfolios for the purposes of measuring ECL; • testing a sample of financial assets to determine the appropriateness and application of the staging criteria; • obtaining an understanding of the methodology 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; and • assessing the adequacy and appropriateness of disclosures made by the directors in the financial statements.

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Independent auditor's report to the shareholders of Bank Nizwa SAOG (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses (ECL) (continued) • 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. 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. Information on credit risk and the Bank's credit risk management is provided in note 40. Disclosure of the impairment allowance and the net impairment charge for the year is provided in note 12.	We carried out the above procedures in conjunction with our ECL experts who supported us on specific matters including: • testing the FAS 30 methodology for the ECL calculation and the mathematical accuracy and logical integrity of the ECL model; • 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 discounting.

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 2024, Management's Sharia Compliance and Governance Report and Sharia Supervisory Board Report, (but does not include the 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 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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.

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Independent auditor's report to the shareholders of Bank Nizwa SAOG (continued)

Other information (continued)

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 financial statements

These 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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Independent auditor's report to the shareholders of Bank Nizwa SAOG (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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.

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 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 any other 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
12 March 2025

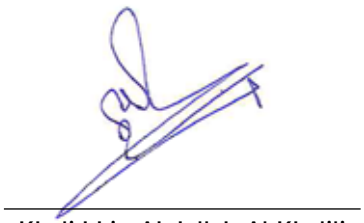
C.R. No 1230865
PricewaterhouseCoopers LLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024	2023
		RO '000	RO '000
Assets			
Cash and balances with Central Bank of Oman	4	**59,480**	51,300
Due from banks and financial institutions	5	**18,308**	9,199
Inter-bank Wakala investments	6	**23,645**	15,315
Sales receivables and other receivables – net	7	**306,586**	274,963
Investment securities	8	**193,644**	144,742
Musharaka Financing – net	9	**595,595**	484,986
Ijara Muntahia Bittamleek – net	10	**206,057**	228,309
Wakala Bil Istethmar – net	11	**450,376**	371,924
Other assets	15	**24,011**	18,791
Property and equipment	13	**4,255**	5,239
Intangible assets	14	**4,871**	3,527
Total assets		**1,886,828**	1,608,295
Liabilities, quasi-equity and owners' equity			
Liabilities			
Customers' accounts	16	**226,329**	218,828
Other liabilities	17	**51,836**	38,997
Total liabilities		**278,165**	257,825
Quasi-Equity			
Participatory investment accounts	19	**1,345,662**	1,097,426
Owners' equity			
Paid-up capital	20	**220,011**	220,011
Share premium	21	**2,091**	2,091
Investment fair value reserve	22.1	**(3,001)**	(259)
Legal reserve	22.2	**9,538**	7,727
Impairment reserve		**150**	150
Retained earnings		**24,213**	23,324
Mandatory convertible sukuk	23	**9,999**	-
Total owners' equity		**263,001**	253,044
Total liabilities, quasi- equity and owners' equity		**1,886,828**	1,608,295
Net assets per share (RO)	35	**0.113**	0.113
Contingent liabilities and commitments	24	**426,210**	381,640

The financial statements were approved by the Board of Directors on 29th January 2025 and signed on their behalf by:



Khalid bin Abdullah Al Khalili
Chairman



Musabah bin Saif Al Mutairy
Vice Chairman



Khalid Al Kayed
Chief Executive Officer

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

STATEMENT OF INCOME

For the year ended 31 December 2024

	Note	2024	2023
		RO '000	RO '000
Sales receivables and other receivables revenue	25	**15,340**	14,352
Ijara Muntahia Bittamleek	26	**10,992**	12,129
Profit from Wakala Bil Istethmar		**21,956**	19,191
Profit from Musharaka Financing	27	**32,284**	25,119
Profit from inter-bank Wakala investments	28	**1,061**	1,132
Profit from investment securities	29	**9,367**	8,439
Income from jointly financed investments and receivables		**91,000**	80,362
Bank's income from its own investments and financing	31	**440**	550
Revenue from banking services	32	**12,588**	9,431
Foreign exchange gain – net		**1,545**	1,455
Total revenues		**105,573**	91,798
Operating expenses	33	**(25,634)**	(24,730)
Depreciation and amortization	13, 14	**(2,907)**	(2,921)
Total expenses		**(28,541)**	(27,651)
Profit before provisions and tax		**77,032**	64,147
Impairment losses - net	12	**(7,629)**	(7,949)
Profit for the year before net income attributable to quasi- equity		**69,403**	56,198
Less: Net income attributable to quasi-equity	30	**(48,239)**	(36,442)
Profit before tax		**21,164**	19,756
Income tax	34	**(3,053)**	(2,734)
Profit for the year		**18,111**	17,022
Earnings per share basic and diluted – (RO)	36	**0.008**	0.008

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
	RO '000	RO '000
Net income for the year	**18,111**	17,022
Other comprehensive income		
Items that may subsequently be classified to statement of income		
Fair value changes on equity type investments carried at fair value through OCI	**(3,116)**	(1,942)
Fair value changes on debt type investments carried at fair value through OCI	**(100)**	759
Attributable to quasi-equity	**474**	183
Total other comprehensive income for the year	**(2,742)**	(1,000)
Total comprehensive income	**15,369**	16,022

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

STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

For the year ended 31 December 2024

	2024	2023
	RO '000	RO '000
Net income for the year before net profit attributable to quasi-equity after tax	**66,350**	53,464
Less: Income not attributable to quasi- equity	**(51,015)**	(48,580)
Less: Bank's income from its own investments and financing	**(440)**	(550)
Add: Expenses not attributable to quasi- equity	**39,223**	38,334
Net income attributable to quasi- equity before Bank's Mudaraba income	**54,118**	42,668
Less: Mudarib's share	**(5,879)**	(6,226)
Net income attributable to quasi- equity	**48,239**	36,442
Other comprehensive income		
Items that may be subsequently classified to statement of income		
Share in the investment fair value reserve attributable to quasi-equity	**(474)**	(183)
Total other comprehensive income for the year	**(474)**	(183)
Total income attributable to quasi-equity	**47,765**	36,259

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2024

	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

	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 2023	220,011	2,091	741	6,025	150	-	17,038	246,056
Net profit for the year	-	-	-	-	-	-	17,022	17,022
Other comprehensive income	-	-	(1,000)	-	-	-	-	(1,000)
Total comprehensive income for the year	-	-	(1,000)	-	-	-	17,022	16,022
Transfer to legal reserve	-	-	-	1,702	-	-	(1,702)	-
Dividend paid	-	-	-	-	-	-	(9,034)	(9,034)
Balance as at 31 December 2023	220,011	2,091	(259)	7,727	150	-	23,324	253,044

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024	2023
		RO '000	RO '000
Cash flows from operating activities			
Profit before tax		**21,164**	19,756
Adjustments for:			
Depreciation and amortization	13, 14	**2,907**	2,921
Gain on sale of investments		**(438)**	(1,321)
Investment income		**(8,929)**	(7,118)
Impairment losses	12	**7,629**	7,949
Cash flows from operating activities before changes in operating assets and liabilities		**22,333**	22,187
Changes in operating assets and liabilities:			
Increase in sales receivables and other receivables		**(34,183)**	(3,177)
Decrease in Ijara Muntahia Bittamleek assets		**22,435**	22,105
Increase in Musharaka financing		**(109,316)**	(124,248)
Decrease in other assets		**(5,221)**	(6,977)
Increase in customers' accounts		**7,501**	13,620
Increase in other liabilities		**16,551**	2,744
Cash used in operations		**(79,900)**	(73,746)
Tax paid		**(2,518)**	(2,455)
Net cash used in operating activities		**(82,418)**	(76,201)
Investing activities			
Net movement in investment securities		**(51,528)**	(3,047)
Investment income		**8,929**	7,118
Decrease in investment in financial assets at amortized cost		**-**	2,002
Increase in Wakala Bil Istethmar		**(84,539)**	(36,638)
Purchase of intangible assets	14	**(1,823)**	(878)
Purchase of property and equipment	13	**(911)**	(3,104)
Inter-bank Wakala investment		**1,155**	(5,775)
Payment of lease liabilities		**(1,036)**	(191)
Net cash flows used in investing activities		**(129,753)**	(40,513)
Financing activities			
Increase in participatory investment accounts		**248,710**	102,342
Dividends paid		**(5,145)**	(9,034)
Net cash flows generated from financing activities		**243,565**	93,308
Increase/ (decrease) in cash and cash equivalents		**31,394**	(23,406)
Cash and cash equivalents at the beginning of the year		**69,517**	92,923
Cash and cash equivalents at the end of the year		**100,911**	69,517
Cash and balances with CBO	4	**59,480**	51,300
Capital deposit with CBO	4	**(500)**	(500)
Due from banks and financial institutions	5	**18,311**	9,202
Inter-bank Wakala investment less than three months	6	**23,620**	9,515
Cash and cash equivalents for the purpose of cash flow statement		**100,911**	69,517

The attached notes 1 to 42 form part of these 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 (2023: 22 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, Ijara 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 2024, the Bank had 486 employees (2023: 463 employees) and its address is: P O Box 1423, Postal Code 133, Muscat, Sultanate of Oman.

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 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 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 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 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:

2.4.1 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:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.
- 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.

2 BASIS OF PREPARATION *(continued)*

2.4 Use of estimates and judgements (continued)

2.4.1 Expected Credit Loss on financial assets (continued)

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.

2.4.2 Classification of Mandatory convertible Sukuk

On 25 July 2024, the Bank issued a convertible Mudaraba Sukuk 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 management has 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, should be classified as equity.

2.4.3 Determining Fair Values

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 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 remaining maturity of three months or less than three months. Cash and cash equivalents are carried at amortised cost at the reporting date.

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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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-type instruments at fair value through profit and loss (FVPL)

Investments at fair value through statement of income 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 statement of income.

Equity-type 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 statement of income. These investments are subject to impairment testing at each reporting date.

Debt-type 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 equity of investment accountholders 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 statement of income. These investments are subject to impairment testing at each reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Financial Instruments

a) Debt-type 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 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, financial assets at amortised cost, financial assets through other comprehensive income, sales receivables and other receivables, Musharaka Financing, Inter-bank Wakala Investments, Ijarah Muntahia Bittamleek, Diminishing Musharaka, and other receivables.

Financial liabilities contracts consist of customers' accounts and other payables.

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

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

f) Impairment (continued)

Credit-impaired financial assets (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.

Allowance for credit losses are presented in the 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

f) Impairment (continued)

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

Assessment of Significant Increase in Credit Risk (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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Derecognition of financial assets and liabilities

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

(i) The right to receive cash flows from the asset has expired;

(ii) The Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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 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 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 statement of financial position.

Amortization charge for the period is presented with net Ijarah costs under other general and administrative expenses.

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 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 statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Intangible assets (continued)

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 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 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.

3.20 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.20 Revenue recognition (continued)

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 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

Director's 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 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 6 million (2023: RO 5.8 million) divided into 2,236,953,032 shares equal to 0.0027 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 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 statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.34 New standards, amendments and interpretations (continued)

3.34.1 New standards, amendments and interpretations effective from 1 January 2024 (continued)

FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:

a) Revised conceptual framework is now integral part of the AAOIFI FAS's;

b) Definition of Quasi equity is introduced;

c) Definitions have been modified and improved;

d) Concept of comprehensive income has been introduced;

e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current; f) Disclosure of Zakah and Charity have been relocated to the notes;

g) True and fair override has been introduced;

h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;

i) Disclosures of related parties, subsequent events and going concern have been improved;

j) Improvement in reporting for foreign currency, segment reporting;

k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AAOIFI FAS's; and

l) The illustrative financial statements are not part of this standard and will be issued separately.

The Bank has adopted the standard during the year and applied changes in certain presentation and disclosures in its financial statements for the year.

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

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 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.

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 (continued)

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

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.

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. This standard is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

FAS 45 Quasi-Equity (Including Investment Accounts)

AAOIFI has issued FAS 45 Quasi-Equity (Including Investment Account) in 2023. 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 2023. 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. Based on the initial review, Management believes that there is no significant impact on Bank's financial statements.

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 (continued)

FAS 47 Transfer of Assets between Investment Pools

AAOIFI has issued FAS 47 Transfer of Assets between Investment Pools in 2023. 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. Based on the initial review, Management believes that there is no significant impact on Bank's financial statements.

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

FAS 48 Promotional Gifts and Prizes

AAOIFI has issued FAS 48 in 2024, 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 2024, 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.

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

AAOIFI has issued FAS 50 in 2024,The objective of this standard is to set out the principles of financial reporting for Islamic investment institutions ((Ils) 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.

4 Cash and balances with Central Bank of Oman

	2024	2023
	RO '000	RO '000
Cash in hand	8,879	8,523
Balances with Central Bank of Oman	50,101	42,277
Capital deposit with Central Bank of Oman	500	500
	59,480	51,300

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 44.506 million (2023: RO 36.424 million).

ECL 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

	2024	2023
	RO '000	RO '000
Foreign banks – foreign currency	18,311	9,202
	18,311	9,202
Less: Impairment losses	(3)	(3)
Total	18,308	9,199

Movement in allowances for the credit losses is set out below:

	2024	2023
	RO '000	RO '000
Balance at beginning of year	3	66
Provided / (released) during the year (note 12)	-	(63)
Total	3	3

6 Inter-bank Wakala investments

	2024	2023
	RO '000	RO '000
Local banks – local currency	19,000	2,067
Foreign banks –foreign currency	4,620	13,223
Profit receivable	34	33
	23,654	15,323
Less: Impairment losses (note 12)	(9)	(8)
	23,645	15,315

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

	2024	2023
	RO '000	RO '000
Impairment losses as at 1 January	8	32
Impairment losses provided / (released) during the year (note 12)	1	(24)
Balance at 31 December	9	8

7 Sales receivables and other receivables – net

	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

	Jointly-financed 2023	Self-financed 2023	Total 2023
	RO '000	RO '000	RO '000
Sales receivables (Murabaha)- retail	169,128	1,753	170,881
Sales receivables (Murabaha)- corporate	138,233	-	138,233
Istisna receivables – corporate	1,274	-	1,274
Ijara rent receivables - retail	257	3	260
Ijara rent receivables – corporate	499	-	499
Credit card receivables	3,561	-	3,561
Gross sales receivables and other receivables	312,952	1,756	314,708
Less:			
Deferred profit	(29,146)	(173)	(29,319)
Impairment losses	(10,165)	(13)	(10,178)
Reserved profit	(236)	(12)	(248)
Net sales receivables and other receivables	273,405	1,558	274,963

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

	2024	2023
	RO '000	RO '000
Balance at 1 January	10,178	10,034
Impairment losses during the year (note 12)	2,560	144
Balance at 31 December	12,738	10,178

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

	2024	2023
	RO '000	RO '000
Balance at 1 January	248	156
Profit reserved during the year	(68)	92
Balance at 31 December	180	248

8 Investment securities

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

	Jointly-financed	
	2024	2023
	RO '000	RO '000
Debt instruments measured at FVOCI (note i)	**170,385**	140,284
Equity instruments measured at FVOCI (note ii)	**23,381**	4,630
Total before impairment losses	**193,766**	144,914
Less: Impairment losses	**(122)**	(172)
	193,644	144,742

i. Debt instruments measured at FVOCI

	2024	2023
	RO '000	RO '000
Quoted investments		
Government Sukuk	**87,755**	104,149
Corporate Sukuk	**17,410**	16,543
Unquoted investments		
Government Sukuk	**65,220**	19,592
	170,385	140,284
Less: Impairment losses	**(122)**	(172)
	170,263	140,112

ii. Equity instruments measured at FVOCI

	2024	2023
	RO '000	RO '000
Regional un-listed funds	**1,065**	1,128
Regional un-listed shares	**189**	189
Local listed shares	**22,127**	3,313
Total	**23,381**	4,630

8.1 Debt/equity instruments measured at FVOCI

	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**

8 Investment securities *(continued)*

8.1 Debt/equity instruments measured at FVOCI (continued)

	Cost 2023	Fair value 2023
	RO '000	RO '000
International un-listed Sukuk	13,475	13,467
International listed Sukuk	768	746
Regional un-listed Sukuk	6,125	6,125
Regional listed Sukuk	12,585	12,514
Regional un-listed funds	1,128	1,128
Regional un-listed shares	335	189
Local rated listed Sukuk	104,329	105,002
Local Unrated listed Sukuk	2,430	2,430
Local listed shares	4,041	3,313
Less: Impairment losses	-	(172)
	145,216	144,742

The impairment losses against investments are as follow:

	2024	2023
	RO '000	RO '000
Balance at 1 January	**172**	130
Impairment losses created / released during the year (note 12)	**(50)**	42
Balance at 31 December	**122**	172

9 Musharaka financing – net

	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**

	2023		
	Jointly-financed	Self-financed	Total
	RO '000	**RO '000**	**RO '000**
Musharaka financing corporate	345,485	-	345,485
Musharaka financing retail	150,950	4,222	155,172
	496,435	4,222	500,657
Reserved profit	(452)	-	(452)
Less: Impairment losses	(15,219)	-	(15,219)
Net investment in Musharaka financing	480,764	4,222	484,986

9 Musharaka financing – net *(continued)*

The Impairment losses movement against Musharaka as follow:

	2024	2023
	RO '000	RO '000
Balance at 1 January	15,219	11,121
Impairment losses released during the year (note 12)	(1,293)	4,098
Balance at 31 December	13,926	15,219

10 Ijara Muntahia Bittamleek – net

	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

	2023		
	Jointly-financed	Self-financed	Total
	RO '000	RO '000	RO '000
Real estate			
Cost	275,156	12,619	287,775
Accumulated depreciation	(65,566)	(3,421)	(68,987)
Net book value	209,590	9,198	218,788
Equipment			
Cost	21,156	-	21,156
Accumulated depreciation	(10,487)	-	(10,487)
Net book value	10,669	-	10,669
Total cost	296,312	12,619	308,931
Accumulated depreciation	(76,053)	(3,421)	(79,474)
Net book value before impairment losses	220,259	9,198	229,457
Less: Impairment losses	(1,135)	(13)	(1,148)
Net book value after impairment losses	219,124	9,185	228,309

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

	2024	2023
	RO '000	RO '000
Balance at 1 January	1,148	1,014
Impairment movement during the year (note 12)	(183)	134
Balance at 31 December	965	1,148

11 Wakala Bil Istethmar – net

	Jointly-financed	
	2024	2023
	RO '000	RO '000
Wakala Bil Istethmar	452,425	371,298
Profit Receivable	18,452	14,340
Gross investment in Wakala Bil Istethmar	470,877	385,638
Reserved profit	(956)	(256)
Less: impairment losses	(19,545)	(13,458)
Net investment in Wakala Bil Istethmar	450,376	371,924

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

	2024	2023
	RO '000	RO '000
Balance at 1 January	13,458	9,298
Impairment losses created during the year (note 12)	6,087	4,160
Balance at 31 December	19,545	13,458

12 Impairment losses provision movement

	2024	2023
	RO '000	RO '000
Balance at 1 January	41,466	34,759
Impairment losses / (reversals) during the year for:		
Sales and other receivables (note 7)	2,560	144
Ijara Muntahia Bittamleek (note 10)	(183)	134
Wakala Bil Istethmar (note 11)	6,087	4,160
Musharaka financing (note 9)	(1,293)	4,098
Investments securities (note 8)	(50)	42
Due from banks (note 5)	-	(63)
Inter-bank Wakala investments (note 6)	1	(24)
Non-funded facilities (note 17)	507	(1,784)
Total impairment losses	7,629	6,707
Balance at 31 December	49,095	41,466

13 Property and equipment - net

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

13 Property and equipment - net *(continued)*

2023	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	5,554	1,698	131	3,668	355	4,079	15,485
Additions	119	283	-	372	186	2,144	3,104
Transfers	354	-	-	-	(354)	-	(0)
Balance at 31 December	6,027	1,981	131	4,040	187	6,223	18,589
Accumul ated depreciation at 1 January	(4,341)	(1,089)	(108)	(2,395)	-	(2,991)	(10,924)
Depreciation expense	(311)	(157)	(5)	(367)	-	(1,586)	(2,426)
Accumulated depreciation at 31 December	(4,652)	(1,246)	(113)	(2,762)	-	(4,577)	(13,350)
Carrying value at 31 December	1,375	735	18	1,278	187	1,646	5,239

14 Intangible assets

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

2023	Software	Capital work in progress	Total
	RO '000	RO '000	RO '000
Carrying value at 1 January	2,579	565	3,144
Additions	764	114	878
Amortisation	(495)	-	(495)
Carrying value at 31 December	2,848	679	3,527

15 Other assets

	2024	2023
	RO '000	RO '000
Profit receivable	15,573	10,379
Prepaid expense	726	593
Refundable deposits	89	89
Inventory	43	52
Asset seized by Bank	6,552	6,552
Others	1,028	1,126
	24,011	18,791

16 Customers' accounts

	2024	2023
	RO '000	RO '000
Current accounts	117,100	111,085
Margin accounts	109,229	107,743
	226,329	218,828

17 Other liabilities

	2024	2023
	RO '000	RO '000
Payment orders	5,404	5,662
Creditors and accruals (i)	23,840	18,561
Tax liability (note (34)	3,407	2,623
Profit payable (ii)	16,055	8,825
Expected credit loss on non-funded facilities (note 12)	1,787	1,280
Deferred tax liability (note (34)	312	241
Lease liability	306	1,342
Others	725	463
	51,836	38,997

i) Creditors and accrual includes payment due to suppliers towards LC Murabaha amounting to RO 15.3 million (2023: RO 12.6 million).

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

18 Source and uses of charity fund

	2024	2023
	RO '000	RO '000
Balance as at beginning of year		
Shari'ah non-compliant income for the year		
Late payment by customers	121	90
Total sources available	121	90
Use of charity fund*	121	90
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

	2024	2023
	RO '000	RO '000
Inter-bank Wakala (refer note (a) below)	12,254	55,803
Customers' Wakala (refer note (b) below)	886,858	673,606
Customers' Mudaraba (refer note (c) below)	447,067	368,060
Investment fair value reserve	(517)	(43)
	1,345,662	1,097,426

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.

19 Quasi - Equity - Participatory investment accounts *(continued)*

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

	2024 RO '000	2023 RO '000
Local banks – local currency	**3,850**	50,000
Foreign banks – local currency	**1,089**	28
Foreign banks – foreign currency	**7,315**	5,775
	12,254	55,803

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.

c) Customers' Mudaraba accounts

	2024 RO '000	2023 RO '000
Saving account	**345,374**	298,446
Investment accounts:		
One month	**48**	19
Three months	**281**	348
Six months	**1,109**	997
Nine months	**141**	180
One year	**33,838**	33,523
One and a half year	**1,735**	2,318
Two years	**57,171**	24,332
Three years	**702**	709
Four years	**242**	255
Five years	**2,040**	1,818
More than five years	**4,386**	5,115
	447,067	368,060

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 2024 and 2023 as follows:

	2024 Percentage	2023 Percentage
Customers' Mudaraba accounts share	**50%**	50%
Mudarib share	**50%**	50%

The investment risk reserve at nil percent (2023: 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.

19 Quasi - Equity - Participatory investment accounts *(continued)*

c) Customers' Mudaraba accounts (continued)

The profit equalisation reserve (PER) at nil percent (2023: 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		2024 average rate of return	2023 average rate of return
	RO	USD	RO	RO
Saving account	10% - 70%	15% - 30%	1.00%	1.00%
One-month tenure	46% - 50%	-	1.74%	1.70%
Three months tenure	51% - 55%	-	1.93%	1.91%
Six months tenure	61% - 68%	-	2.39%	2.37%
Nine months tenure	66% - 73%	-	2.58%	2.58%
One-year tenure	71% - 78%	-	2.79%	2.75%
One year and a half tenure	78.5% - 85%	-	2.98%	2.96%
Two years tenure and above	79.5% - 87%	-	3.07%	3.04%

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 2023: 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 2024 shareholding of Aflaj Financial Investment Holding SAOC was 782,933,561 shares equivalent to 35% (31 December 2023: 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

	2024	2023
	RO '000	RO '000
1 January	7,727	6,025
Appropriation for the year	1,811	1,702
31 December	9,538	7,727

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 current 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 first series of mandatory convertible Mudaraba Sukuk to its shareholders amounting to RO 9,999,180 (99,991,801 certificates of RO 0.100 per each certificate). 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.

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

	2024	2023
	RO '000	RO '000
Letters of guarantee	151,705	124,878
Letters of credit	119,482	109,881
Acceptances	7,006	5,706
Bills for collection	210	693
Total contingent liabilities (a)	278,403	241,158

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

	2024	2023
	RO '000	RO '000
Construction	88,290	57,802
Manufacturing	36,507	29,543
Service	14,778	51,577
Others	138,828	102,236
	278,403	241,158

b) Commitments

	2024	2023
	RO '000	RO '000
Unutilised limits	147,807	140,482
Total commitments (b)	147,807	140,482
Total contingent liabilities and commitments (a+b)	426,210	381,640

25 Sales receivables and other receivables revenue

	Jointly-financed	
	2024	2023
	RO '000	RO '000
Retail	8,854	7,819
Corporate	6,486	6,533
	15,340	14,352

26 Ijara Muntahia Bittamleek revenue

	Jointly-financed	
	2024	2023
	RO '000	RO '000
Ijara Muntahia Bittamleek – real estate	30,053	33,427
Ijara Muntahia Bittamleek – equipment	3,017	3,055
Depreciation on Ijara Muntahia Bittamleek assets	(22,078)	(24,353)
	10,992	12,129

27 Profit from Musharaka Financing

	Jointly-financed	
	2024	2023
	RO '000	RO '000
Retail	8,812	7,129
Corporate	23,472	17,990
	32,284	25,119

28 Profit from inter-bank Wakala investment

	Jointly-financed	
	2024	2023
	RO '000	RO '000
Inter-bank Wakala local currency	243	434
Inter-bank Wakala foreign currency	818	698
	1,061	1,132

29 Profit from investment securities

	Jointly-financed	
	2024	2023
	RO '000	RO '000
Profit on Sukuk and funds	8,140	6,929
Gain on sale of Sukuk and shares	438	1,321
Dividend income	789	189
	9,367	8,439

30 Net income attributable to quasi- equity

	2024	2023
	RO '000	RO '000
Profit paid on wakala	42,519	30,273
Saving accounts	3,234	3,288
Investment accounts	2,486	2,881
	48,239	36,442

31 Bank's income from its own investments and financing

	2024	2023
	RO '000	RO '000
Profit from financial assets at amortized cost	-	112
Sales receivables revenue	56	56
Musharaka financing revenue	147	123
Ijara Muntahia Bittamleek revenue - net of depreciation	237	259
	440	550

32 Revenue from banking services

	2024	2023
	RO '000	RO '000
Commission income	3,047	2,513
Processing fees	6,678	4,782
Service charges	2,863	2,136
	12,588	9,431

33 Operating expenses

	2024	2023
	RO '000	RO '000
Staff cost	16,664	16,059
Advertisement	1,912	1,980
Maintenance expense	1,896	1,579
Cards expense	1,428	1,569
Telephone, electricity and water	829	762
Professional and consulting charges	679	507
Boards expenses	417	372
Security and cleaning	381	347
Government fee	270	278
Subscription expense	189	186
Printing and stationery	123	185
Traveling expense	115	93
Finance charges on lease liability	70	79
Operational leasing	21	22
Others	640	712
	25,634	24,730

34 Income tax

34.1 Recognized in the statement of income

	2024	2023
	RO '000	RO '000
Current tax liability	2,967	446
Deferred tax / Tax provision recognized from previous year	86	2,288
Income tax expense	3,053	2,734

The Bank is subject to income tax at the rate of 15% of taxable profits (2023 - 15%).

34 Income tax *(continued)*

34.2 Reconciliation

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense:

	2024	2023
	RO '000	RO '000
Profit as per financial statements	21,164	19,756
Tax liability at the rate mentioned above	3,175	2,963
Non-deductible expenses and other permanent differences	(137)	(219)
Deferred tax/ tax provision recognized from previous years	15	(10)
	3,053	2,734

34 Income tax

34.3 Net deferred tax asset / (liability) routed through statement of income are attributable to the following items:

Deferred tax asset / (liability) is attributable to the following items:

	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 asset / (liability)	(241)	(71)	(312)

	As at 1 Jan 2023	Recognised in income	As at 31 Dec 2023
	RO '000	RO '000	RO '000
Property and equipment	(310)	(48)	(358)
Other provisions	2,357	(2,240)	117
Net deferred tax asset	2,047	(2,288)	(241)

The tax assessment of the Bank for the tax years up to 2020 have been agreed 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

	2024	2023
Net assets attributable to ordinary shareholders (RO '000)	253,002	253,044
Number of shares at reporting date	2,236,953,032	2,236,953,032
Net assets per share (RO)	0.113	0.113

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:

	2024	2023
Profit for the year (RO '000)	18,111	17,022
Less : Profit on Mandatory convertible sukuk (RO '000)	(267)	-
Profit attributable to ordinary shareholders for basic earnings per share	17,844	17,022
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	38,407,261	-
Adjusted weighted average number of shares outstanding during the year for diluted earnings per share	2,275,360,293	2,321,691,846
Earnings per share basic (RO)	0.008	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:

	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

37 Segment reporting *(continued)*

31 December 2023	Retail banking RO '000	Corporate banking RO '000	Treasury and investment RO '000	Others RO '000	Total RO '000
Total revenue (joint)	24,746	46,045	9,571	-	80,362
Bank's income from its own investments and financing	438	-	112	-	550
Other operating income	2,834	7,247	805	-	10,886
Total revenue	28,018	53,292	10,488	-	91,798
Staff cost	(10,728)	(4,325)	(1,006)	-	(16,059)
Other operating expenses	(5,843)	(2,350)	(478)	-	(8,671)
Depreciation and amortisation	(2,509)	(340)	(72)	-	(2,921)
Total expense	(19,080)	(7,015)	(1,556)	-	(27,651)
Profit before provisions and tax	8,938	46,277	8,932	-	64,147
Impairment losses	(541)	(7,517)	109	-	(7,949)
Profit for the year before net profit attributable to quasi equity	8,397	38,760	9,041	-	56,198
Less: Net income to attributable to quasi-equity	(8,085)	(29,506)	(4,250)	5,399	(36,442)
Profit before tax	312	9,254	4,791	5,399	19,756
Income tax	-	-	-	(2,734)	(2,734)
Profit for the year	312	9,254	4,791	2,665	17,022
Total assets	500,110	845,732	221,105	41,348	1,608,295
Total liabilities and Quasi equity (Participatory investment accounts)	570,720	689,775	55,803	38,953	1,355,251

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)	127,292	66,474	-	193,766
Total financial assets at 31 December 2024	127,292	66,474	-	193,766

	Level 1	Level 2	Level 3	Total
	RO '000	RO '000	RO '000	RO '000
Investment securities (note 8)	124,005	20,909	-	144,914
Total financial assets at 31 December 2023	124,005	20,909	-	144,914

(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 664 thousands (2023: RO 210 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 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

39 Related party transactions *(continued)*

31 December 2023	Principal shareholders and directors	Shari'a Board members	Senior management	Total
	RO '000	RO '000	RO '000	RO '000
Sales receivables and other receivables	150	-	105	255
Ijara Muntahia Bittamleek	327	-	1,133	1,460
Wakala Bil Istethmar	-	-	-	-
Musharaka Financing	4,684	-	328	5,012
Customers' accounts	560	-	151	711
Participatory investment accounts	131,242	-	-	131,242

The ECL for exposures to related parties amount to RO 39,000 (2023: 35,508)

The statement of income includes the following amounts in relation to transactions with related parties:

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)**

31 December 2023	Principal shareholders and directors	Shari'a Board members	Senior management	Total
	RO '000	RO '000	RO '000	RO '000
Profit account	270	-	62	332
Profit Expense	(4,147)	-	-	(4,147)
Operating expenses				
- Staff expense	-	-	(2,393)	(2,393)
- Other expenses	(313)	(59)	-	(372)

Senior management comprises of 16 personnel (2023: 18) of the management executive committee in the year 2024. 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

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 Standardardized 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. The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank uses mathematical function which links the GDP with PD as a key input to ECL. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

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 in Sukuk and securities, investments in real-estate 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		
	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**
31 December 2024	**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**
	41,931	**1,621,644**	**193,766**	**1,560,254**	**12,254**	**426,210**

	Assets			Liabilities		
	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
31 December 2023	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Sultanate of Oman	2,067	1,416,120	110,744	1,260,494	50,000	347,153
Other GCC countries	10,609	-	17,505	-	5,775	21,914
Europe and North America	9,469	-	3,197	-	-	3,280
Africa and Asia	2,347	-	13,468	-	28	9,293
	24,492	1,416,120	144,914	1,260,494	55,803	381,640

40 Financial risk management *(continued)*

Credit risk (continued)

(b) Customer concentrations of financial instruments

2024	Assets			Liabilities		
	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	-	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

2023	Assets			Liabilities		
	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	-	522,383	-	525,959	-	-
Corporate	24,492	893,737	14,151	140,277	55,803	320,598
Government	-	-	130,763	594,258	-	61,042
Total	24,492	1,416,120	144,914	1,260,494	55,803	381,640

(c) Economic sector concentrations of financial instruments

2024	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
	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

40 Financial risk management *(continued)*

Credit risk (continued)

(c) Economic sector concentrations of financial instruments (continued)

	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
2023	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Personal	-	522,383	-	525,959	-	-
Construction	-	112,715	-	8,180	-	57,802
Manufacturing	-	-	-	12,556	-	29,542
Financial services	24,492	-	-	-	55,803	-
Government	-	-	130,763	594,258	-	61,042
Oil& Gas	-	84,367	-	-	-	18,906
Trading	-	112,191	-	-	-	13,183
Real Estate	-	60,230	-	-	-	1,167
Other services	-	305,153	-	34,757	-	51,577
Others	-	219,081	14,151	84,784	-	148,421
	24,492	1,416,120	144,914	1,260,494	55,803	381,640

(d) Gross credit exposure of financial assets

	2024	2023
	RO '000	RO '000
Gross financing	**1,621,644**	1,416,120
Due from banks and interbank Wakala	**41,931**	24,492
Investments securities	**193,766**	144,914
	1,857,341	1,585,526

(e) Geographical distribution of exposures financial assets by product wise:

	Sultanate of Oman	**Other countries**	**Total**
31 December 2024	**RO '000**	**RO '000**	**RO '000**
Gross Sales receivables and other receivables	**351,603**	**-**	**351,603**
Gross Ijarah Muntahia Bittamleek	**207,022**	**-**	**207,022**
Gross Musharaka financing	**610,594**	**-**	**610,594**
Gross Wakala Bil Istethmar	**452,425**	**-**	**452,425**
Investments securities	**123,256**	**70,510**	**193,766**
Due from banks and interbank Wakala	**19,000**	**22,931**	**41,931**
	1,763,900	**93,441**	**1,857,341**

	Sultanate of Oman	Other countries	Total
31 December 2023	RO '000	RO '000	RO '000
Gross Sales receivables and other receivables	314,708	-	314,708
Gross Ijarah Muntahia Bittamleek	229,457	-	229,457
Gross Musharaka financing	500,657	-	500,657
Gross Wakala Bil Istethmar	371,298	-	371,298
Investments securities	110,744	34,170	144,914
Due from banks and interbank Wakala	2,067	22,425	24,492
	1,528,931	56,595	1,585,526

40 Financial risk management *(continued)*

Credit risk (continued)

(f) Industry type distribution of exposures by major types of credit exposures:

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 and 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

2023	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
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Construction	-	22,066	794	40,895	48,960	-	112,715	57,802
Electricity, gas and water	-	10,559	87	32,067	55,572	-	98,285	-
Financial institutions	24,492	-	-	-	-	-	24,492	-
Services	-	12,575	2,532	84,271	191,857	-	291,235	51,577
Personal financing	-	171,144	196,067	155,172	-	-	522,383	-
Government	-	-	-	-	-	130,763	130,763	61,042
Non-resident financing	-	-	-	-	-	-	-	-
Others	-	98,365	29,977	188,252	74,908	14,151	405,653	211,219
Total	24,492	314,709	229,457	500,657	371,297	144,914	1,585,526	381,640

40 Financial risk management *(continued)*

Credit risk (continued)

(g) Residual contractual maturities of the portfolio by major types of credit exposures:

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 and securities	Total	Off balance sheet exposures
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Upto 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

2023	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
Upto 1 month	24,492	16,386	1,288	6,382	20,069	8,255	76,872	33,560
1 to 3 months	-	33,027	2,473	3,660	64,944	13,681	117,785	25,266
3 to 6 months	-	37,770	3,444	6,065	45,046	35,836	128,161	81,353
6 to 9 months	-	32,692	3,508	7,080	21,216	7,010	71,506	9,724
9 to 12 months	-	19,718	3,852	15,471	14,597	760	54,398	5,709
1 to 3 years	-	100,873	42,519	125,427	86,261	43,892	398,972	27,846
3 to 5 years	-	41,072	41,237	109,635	98,448	2,430	292,822	7,992
Over 5 years	-	33,170	131,136	226,937	20,717	33,050	445,010	190,190
	24,492	314,708	229,457	500,657	371,298	144,914	1,585,526	381,640

(h) Distribution of performing and non performing financing by segments:

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	558,303	2,278	1,497	187
Corporate financing	1,023,663	37,400	24,122	21,368
	1,581,966	39,678	25,619	21,555

31 December 2023	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	520,998	1,385	981	380
Corporate financing	862,861	30,876	17,953	20,689
	1,383,859	32,261	18,934	21,069

40 Financial risk management *(continued)*

Credit risk (continued)

(i) Distribution of performing and non performing financing by geographical distribution:

31 December 2024	Performing financing RO '000	Non-performing financing RO '000	Impairment losses for non-performing financing RO '000	Impairment losses for performing financing RO '000
Sultanate of Oman	**1,581,966**	**39,678**	**25,619**	**21,555**
Total	**1,581,966**	**39,678**	**25,619**	**21,555**

31 December 2023	Performing financing RO '000	Non-performing financing RO '000	Impairment losses for non-performing financing RO '000	Impairment losses for performing financing RO '000
Sultanate of Oman	1,383,859	32,261	18,934	21,069
Total	1,383,859	32,261	18,934	21,069

(j) Maximum exposure to credit risk without consideration of collateral held:

	2024 RO '000	2023 RO '000
Due from banks and interbank Wakala investments	**41,931**	24,492
Investment in Sukuk and securities	**193,766**	144,914
Gross Financing	**1,621,644**	1,416,120
	1,857,341	1,585,526
Off-balance sheet items		
Financial guarantee	**151,705**	124,878
Financial letter of credits	**119,482**	109,881
Acceptances	**7,006**	5,706
Bills for collection	**210**	693
Commitments	**147,807**	140,482
	426,210	381,640

40 Financial risk management *(continued)*

Credit risk (continued)

(k) Movement in ECL

31 December 2024	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total 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
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)

40 Financial risk management *(continued)*

Credit risk (continued)

(k) Movement in ECL (continued)

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

	Stage 1	Stage 2	Stage 3	Total
31 December 2024	**RO '000**	**RO '000**	**RO '000**	**RO '000**
Exposure subject to ECL (gross) 1 January 2023				
Gross financing- corporate	485,429	259,114	26,978	771,521
Gross financing- retail	463,313	6,334	922	470,569
Gross financing- commitments	274,435	113,067	3,802	391,304
Debt instruments measured though FVOCI	135,770	3,645	-	139,415
Debt instruments measured at amortized cost	-	2,002	-	2,002
Interbank wakala investments	28,850	-	-	28,850
Due from banks, central banks and other financial assets	11,995	-	-	11,995
	1,399,792	384,162	31,702	1,815,656
Net movement during the year				
Gross financing- corporate	146,637	(37,683)	3,898	112,852
Gross financing- retail	35,862	(5,422)	463	30,903
Gross financing- commitments	12,857	(21,279)	(1,242)	(9,664)
Debt instruments measured though FVOCI	4,514	(3,645)	-	869
Debt instruments measured at amortized cost	-	(2,002)	-	(2,002)
Interbank wakala investments	(13,560)	-	-	(13,560)
Due from banks, central banks and other financial assets	(2,793)	-	-	(2,793)
	183,517	(70,031)	3,119	116,605

40 Financial risk management *(continued)*

Credit risk (continued)

(k) Movement in ECL (continued)

Exposure subject to ECL (gross) 31 December 2023				
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
Expected Credit Loss as at 1 January 2023				
Gross financing- corporate	(2,663)	(13,687)	(14,296)	(30,646)
Gross financing- retail	1	(172)	(611)	(782)
Gross financing- commitments	(595)	(811)	(1,658)	(3,064)
Debt instruments measured though FVOCI	(140)	(23)	-	(163)
Debt instruments measured at amortized cost	-	(6)	-	(6)
Interbank wakala investments	(32)	-	-	(32)
Due from banks, central banks and other financial assets	(66)	-	-	(66)
	(3,495)	(14,699)	(16,565)	(34,759)
Charge for the year (net)				
Gross financing- corporate	(3,178)	(1,123)	(3,657)	(7,958)
Gross financing- retail	(104)	(106)	(370)	(580)
Gross financing- commitments	369	626	753	1,748
Debt instruments measured though FVOCI	(33)	-	-	(33)
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	24	-	-	24
Due from banks, central banks and other financial assets	63	-	-	63
	(2,859)	(603)	(3,274)	(6,736)
Expected Credit Loss as at 31 December 2023				
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)
Net closing balance - as at 31 December 2023				
Gross financing- corporate	626,225	206,621	12,923	845,769
Gross financing- retail	499,072	634	404	500,110
Gross financing- commitments	287,066	91,603	1,655	380,324
Debt instruments measured though FVOCI	140,111	-	-	140,111
Debt instruments measured at amortized cost	-	-	-	-
Interbank wakala investments	15,282	-	-	15,282
Due from banks, central banks and other financial assets	9,199	-	-	9,199
	1,576,955	298,858	14,982	1,890,795

40 Financial risk management *(continued)*

Credit risk (continued)

(k) Movement in ECL (continued)

Restructured financing

As of 31st December 2024, the restructured financing amounts to RO 235,327 million and the stage wise details are as follows:

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**

Classification/Stage as per FAS 30 as at 31 December 2023	Restructured RO '000	ECL RO '000
Stage 1	82,573	1,742
Stage 2	140,821	12,798
Stage 3	8,605	4,714
Total	231,999	19,254

Post Model Adjustments

The Bank's models have been developed and calibrated using historical data and economic scenarios. Due to the 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.

Post-model adjustments (including those required by CBO for restructured cases) and management overlays made in estimating the reported ECL as at 31 December 2024 are set out as follows:

As on the reporting date the collective provision held by the Bank through management overlays and post-model adjustment amounts to 28.04% (2023:21.4%) of total impairment based on latest available PD term structure and macro-economic forecasts. This is in addition to the existing ECL provision considered on a conservative practice to mitigate any unforeseen impacts in the portfolio. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected period.

Scenario weightages used by the Bank

Scenario weightings of 50%, 30%, and 20% for Base, Downside and Upside scenarios (31 December 2023: 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 Dec-24	ECL Dec-23
	RO '000	RO '000
Simulations		
Upside case - 100% weighted	**21,404**	12,335
Base case - 100% weighted	**22,280**	14,818
Downside scenario - 100% weighted	**22,384**	15,869

40 Financial risk management *(continued)*

Credit risk (continued)

(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 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.

(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 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)

(n) Credit quality (continued)

31 December 2023 (RO '000)	2023			
	Stage 1	Stage 2	Stage 3	Total
Performing grades (Grade 1 to 7)				
Gross financing amount including off-balance sheet	1,418,534	314,130	-	1,732,664
ECL on Financing	(6,171)	(15,273)		(21,444)
Gross Investments	140,284	-	-	140,284
ECL on Investments	(172)	-	-	(172)
Gross Interbank	15,290	-	-	15,290
ECL on Interbank	(8)	-	-	(8)
Due from Banks, Central Banks and Other Financial Assets	9,202	-	-	9,202
ECL on Due from Banks, Central Banks and Other Financial Assets	(3)	-	-	(3)
Carrying amount	1,576,956	298,857	-	1,875,813
Non-performing grades (Grade 8 - 10)				
Gross financing amount including off-balance sheet	-	-	34,821	34,821
ECL on Financing	-	-	(19,839)	(19,839)
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	-	-	14,982	14,982
Total of performing and Non-performing grades (Grade 1 - 10)				
Total gross financing amount including off-balance sheet	1,418,534	314,130	34,821	1,767,485
Total ECL on Financing	(6,171)	(15,273)	(19,839)	(41,283)
Total Gross Investments	140,284	-	-	140,284
Total ECL on Investments	(172)	-	-	(172)
Total Gross Interbank	15,290	-	-	15,290
Total ECL on Interbank	(8)	-	-	(8)
Due from Banks, Central Banks and other financial assets	9,202	-	-	9,202
ECL on Due from Banks, Central Banks and other financial assets	(3)	-	-	(3)
Carrying amount	1,576,956	298,857	14,982	1,890,795

40 Financial risk management *(continued)*

Credit risk (continued)

(n) Credit quality (continued)

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, 2024 were Oil Price $75 (2023: $78.74); GDP 2.4% (GDP 2023: 4.83%) and Unemployment 1.99% (2023: 3.24%).

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.

40 Financial risk management *(continued)*

Liquidity risk (continued)

Maturity profile of assets and liabilities

31 December 2024	Due on demand and up to 30 days RO '000	More than 1month 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
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	-	-

31 December 2023	Due on demand and up to 30 days RO '000	More than 1month 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	50,800	-	-	-	500	51,300
Inter-bank Wakala and Due from banks	18,739	5,775	-	-	-	24,514
Financing to customers - net	44,258	193,437	122,324	634,832	365,331	1,360,182
Investment securities	8,255	49,517	7,770	46,322	32,878	144,742
Intangible assets	-	-	-	-	3,527	3,527
Property and equipment	-	-	-	-	5,239	5,239
Other assets	260	1,866	1,991	286	14,388	18,791
Total assets	122,312	250,595	132,085	681,440	421,863	1,608,295
Customers' accounts and Participatory investment accounts	108,950	244,380	164,510	517,464	280,950	1,316,254
Other liabilities	-	4,432	14,439	12,002	8,124	38,997
Investment risk and profit equalization reserve	-	-	-	-	-	-
Owners' equity	-	-	-	-	253,044	253,044
Total liabilities, Quasi equity and Owners' equity	108,950	248,812	178,949	529,466	542,118	1,608,295
Net gap	13,362	1,783	(46,864)	151,974	(120,255)	-
Cumulative net gap	13,362	15,145	(31,719)	120,255	-	-

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

	2024	2023
	RO '000	RO '000
Net assets denominated in US Dollars	**149,253**	51,482
Net assets denominated in other foreign currencies	**14,898**	12,766

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 (2023: RO 64 thousands).

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 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 2024 is 5.66% (2023: 5.57%), and the average range of profit paid to customers on participatory investment accounts for 2024 is 3.37% (2023: 2.85%).

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

	2024	2023
	RO '000	RO '000
+200 bps	**10,375**	5,629
+100 bps	**5,188**	2,814
-200 bps	**(10,375)**	(5,629)
-100 bps	**(5,188)**	(2,814)

40 Financial risk management *(continued)*

Market risk (continued)

Rate of Return Risk (continued)

Profit rate sensitivity gap

	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 2024	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**RO '000**	**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	(29,680)	(194,569)	255,097	(447,604)	-
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)

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 2023	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	-	-	-	-	-	51,300	51,300
Inter-bank Wakala and Due from banks	9,069	-	-	5,775	-	9,670	24,514
Financing to customers – net	277,598	178,876	57,895	431,081	414,732	-	1,360,182
Investment Securities	8,255	50,833	6,454	46,322	32,878	-	144,742
Intangible asset	-	-	-	-	-	3,527	3,527
Property and equipment	-	-	-	-	-	5,239	5,239
Other assets	-	-	-	-	-	18,791	18,791
Total assets	294,922	229,709	64,349	483,178	447,610	88,527	1,608,295
Customers' accounts and Participatory investment accounts	34,043	142,502	89,648	553,647	221,825	274,589	1,316,254
Other liabilities	-	-	-	-	-	38,997	38,997
Investment risk and profit equalization reserve	-	-	-	-	-	-	-
Owners' equity	-	-	-	-	-	253,044	253,044
Total liabilities, Quasi equity and Owners' equity	34,043	142,502	89,648	553,647	221,825	566,630	1,608,295
On-balance sheet gap	260,879	87,207	(25,299)	(70,469)	225,785	(478,103)	-
Cumulative profit sensitivity gap	260,879	348,086	322,787	252,318	478,103	-	-

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 2024 and 2023 as follows:

Capital structure	2024	2023
	RO '000	RO '000
TIER I CAPITAL		
Paid up capital	**220,011**	220,011
Share premium	**2,091**	2,091
Legal reserve	**9,538**	7,727
Retained earnings (Excluding cash dividend)	**8,734**	18,179
Fair value gains or losses on financial assets at fair value through equity	**(4,185)**	(1,047)
Mandatory Convertible Additional Tier 1 (AT1) Sukuk	**19,998**	-
Less: Intangible assets	**(4,871)**	(3,527)
Less: Additional regulatory adjustments	**(6,800)**	-
Total Tier I capital	**244,516**	243,434
TIER II CAPITAL		
Fair value gains on financial assets at fair value through equity	**300**	335
Impairment losses	**6,810**	10,014
Total Tier II capital	**7,110**	10,349
Total eligible capital	**257,106**	253,783
Risk weighted assets		
Credit risk	**1,385,945**	1,375,883
Market risk	**148,832**	77,926
Operational risk	**103,242**	95,126
Total	**1,638,019**	1,548,935
Tier I capital	**244,516**	243,434
Tier II capital	**7,110**	10,349
Total regulatory capital	**251,626**	253,783
Tier I capital ratio	**14.93%**	15.72%
Total capital ratio	**15.36%**	16.38%
Common Equity Tier 1 (CET1)	**224,518**	243,434
Common Equity Tier 1 ratio	**13.71%**	15.72%

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, 2024 stands at 164.12% (Dec 31, 2023: 109.47%) and NSFR stands at 136.79% (Dec 31, 2023: 132.20%).

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 2024)

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	1,768	14,886	(13,118)	179,759	166,641	999
	Stage 3	-	-	-	-	-	-	-
Subtotal		242,148	2,363	16,916	(14,553)	239,785	225,232	999
			-		-	-		
	Stage 1	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,017	254	446	(192)	763	571	15
Subtotal		1,017	254	446	(192)	763	571	15
			-		-	-		
	Stage 1	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-
	Stage 3	6,942	3,321	3,035	286	3,621	3,907	224
Subtotal		6,942	3,321	3,035	286	3,621	3,907	224
	Stage 1	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-
	Stage 3	31,719	28,513	22,137	6,376	3,206	9,582	972
Subtotal		31,719	28,513	22,137	6,376	3,206	9,582	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	2,422	17,721	(15,299)	304,885	289,586	999
	Stage 3	44,548	32,088	26,883	5,205	12,460	17,665	1,211
Total		2,226,019	48,876	49,095	(219)	2,177,143	2,176,924	2,210

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 2023) (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	1,061,225	9,540	4,136	5,404	1,051,685	1,057,089	-
Standard	Stage 2	81,536	793	3,515	(2,722)	80,743	78,021	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		1,142,761	10,333	7,651	2,682	1,132,428	1,135,110	-
	Stage 1	70,016	695	1,834	(1,139)	69,321	68,182	-
Special Mention	Stage 2	140,807	1,364	11,584	(10,220)	139,443	129,223	203
	Stage 3	-	-	-	-	-	-	-
Subtotal		210,823	2,059	13,418	(11,359)	208,764	197,405	203
	Stage 1	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-
	Stage 3	3,583	896	2,119	(1,223)	2,687	1,464	175
Subtotal		3,583	896	2,119	(1,223)	2,687	1,464	175
	Stage 1	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,910	2,716	2,322	394	2,194	2,588	51
Subtotal		4,910	2,716	2,322	394	2,194	2,588	51
	Stage 1	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-
	Stage 3	23,768	22,432	14,493	7,939	1,336	9,275	527
Subtotal		23,768	22,432	14,493	7,939	1,336	9,275	527
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	452,068	-	384	(384)	452,068	451,684	-
	Stage 2	91,788	-	174	(174)	91,788	91,614	-
	Stage 3	2,560	-	905	(905)	2,560	1,655	-
Subtotal		546,416	-	1,463	(1,463)	546,416	544,953	-
	Stage 1	1,583,309	10,235	6,354	3,881	1,573,074	1,576,955	-
Total All	Stage 2	314,131	2,157	15,273	(13,116)	311,974	298,858	203
	Stage 3	34,821	26,044	19,839	6,205	8,777	14,982	753
Total		1,932,261	38,436	41,466	(3,030)	1,893,825	1,890,795	956

41 Comparison of provision held as per FAS 30 and required as per CBO norms *(continued)*

(b) Restructured accounts

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	98,966	-
	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)	215,739	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	98,966	
	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

31 December 2023

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*	Assets classification as per CBO norms	Reserve profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7) =(3)-(4)	(1)	(9)
Classified as performing	Stage 1	82,573	687	1,742	(1,055)	81,886	80,831	-
	Stage 2	140,821	1,235	12,798	(11,563)	139,586	128,023	203
	Stage 3	-	-	-	-	-	-	-
Sub Total		223,394	1,922	14,540	(12,618)	221,472	208,854	203
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	8,605	6,113	4,714	1,399	2,492	3,891	124
Sub Total		8,605	6,113	4,714	1,399	2,492	3,891	124
Total	Stage 1	82,573	687	1,742	(1,055)	81,886	80,831	-
	Stage 2	140,821	1,235	12,798	(11,563)	139,586	128,023	203
	Stage 3	8,605	6,113	4,714	1,399	2,492	3,891	124
		231,999	8,035	19,254	(11,219)	223,964	212,745	327

41 Comparison of provision held as per FAS 30 and required as per CBO norms (Continued)

(c) Non-performing financing ratio

	31 December 2024 (RO '000)		
	As per CBO Norms	As per FAS 30	Difference
Impairment loss charged to profit and loss account	8,253	7,629	624
Provisions required as per CBO norms/held as per FAS 30	48,876	49,095	(219)
Gross NPA ratio %	1.97	1.97	-
Net NPA ratio %	0.63	0.90	(0.27)

	31 December 2023 (RO '000)		
	As per CBO Norms	As per FAS 30	Difference
Impairment loss charged to profit and loss account	14,145	6,707	7,438
Provisions required as per CBO norms/held as per FAS 30	38,436	41,466	(3,030)
Gross NPA ratio %	1.99	1.99	-
Net NPA ratio %	0.51	0.88	(0.37)

42 Dividend proposed

The Board of Directors in their meeting held on 29 January 2025 has proposed a cash dividends of 2.45 Baiza per share; amounting to RO 5.48 Million (2023 approved: 2.3 Baiza per share; amounting to RO 5.1 Million) and Mandatory Convertible Additional Tier 1 Sukuk (MCSs) amounting RO 9.99 Million to be issued at a rate of 4.47 units per 100 ordinary shares (2023: 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 2024. 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 27 March 2025.

The Board of Directors
Bank Nizwa SAOG
P. O Box 1423
P. C. 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 2024

Purpose of this Agreed-upon procedures report

This report is produced in accordance with the terms of our agreement dated 08 August 2024. The procedures, as set out in Circular No. BM 1027 dated 04 December 2007 were performed solely to assist the directors of Bank Nizwa SAOG ("the Bank") in evaluating the Bank's compliance with the disclosure requirements set out in the CBO's Circular No. BM 1009 dated 13 September 2006, BM 1114 dated 17 November 2013 and, Circular No. BM 1149 dated 13 April 2017 amended with letter BSD/CB/FLC/2018/17 dated 26 November 2018, letter BSD/CB/2020/001 dated 18 March 2020 and 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 in Circular No. BM 1027 dated 4 December 2007. Our work was performed 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 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.

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, www.pwc.com/me

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

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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 2024 (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 performed the procedures agreed with you and as prescribed in the CBO Circular No. BM 1027 dated 4 December 2007 with respect to the disclosures of the Bank, set out on pages 1 to 58 as at and for the year ended 31 December 2024.

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. Had we performed additional procedures or had we 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 is 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,

Muscat, Sultanate of Oman
12 March 2025

C.R. No 1230865
PricewaterhouseCoopers LLC

BASEL II PILLAR 3 ANNUAL DISCLOSURES 2024

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 2023 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 no subsidiary.
- 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 2023: 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 2024 shareholding of Aflaj Financial Investment SAOC was 782,933,561 shares equivalent to 35.00% (31 December 2023: shareholding of Aflaj Financial Investment SAOC was 782,933,561 shares equivalent to 35%).
- 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 0.48% of Oman Takaful 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 2023: 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 OMR 50 Million, of which OMR 10M was issued, paid fully from Retained Earning, that has a coupon rate of 6%, payable on semi-annual basis.
- The Bank also announced issuance of Tranche 2 of OMR 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 OMR 20M.
- 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 follow s:

	2024	2023
	RO '000	RO '000
(a) Tier I Capital		
Paid up capital	**220,011**	220,011
Share premium	**2,091**	2,091
Legal Reserve	**9,538**	7,727
Retained Earnings	**8,734**	18,179
Net Fair value losses on financial assets at fair value through equity	**(4,185)**	(1,047)
Less: Intangible Assets, Including Losses, Cumulative Unrealized Losses Recognized Directly In Equity	**(4,871)**	(3,527)
Less: Adjustment for holding security above regulatory limits	**(6,800)**	-
Add: Mandatory Convertible Additional Tier 1 Sukuk (refer note below)	**19,998**	-
Total Tier I capital	**244,516**	243,434

Note: Mandatory Convertible Additional Tier 1 sukuk (Tranche 2) 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	**300**	335
Impairment Losses/General provision	**6,810**	10,014
Total Tier II capital	**7,110**	10,349
Total eligible capital	**251,626**	253,783

(c) Unrestricted Investment Account and Related Reserves	**2024**	2023
	RO '000	RO '000
Customer Mudaraba Account	**447,067**	368,060
Investment fair value reserve	**(517)**	(43)
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, 2024 is 15.36% (31 December, 2023:16.38%). Please refer the note below for a material information in this regard.

	2024		2023	
(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	1,385,945	187,103	1,375,883	168,546
Market Risk	148,832	20,092	77,926	9,546
Operational Risk	103,242	13,938	95,126	11,653
Total	**1,638,019**	**221,133**	1,548,935	189,745

(b) Capital Requirements Details	**2024**	2023
	RO '000	RO '000
Tier I Capital (after supervisory deductions)	**244,516**	243,434
Tier II capital (after supervisory deductions & up to eligible limits)	**7,110**	10,349
Risk-Weighted Assets – Banking Book	**1,534,777**	1,453,809
Risk-Weighted Assets – Operational Risk	**103,242**	95,126
Total Risk-Weighted Assets – Banking Book + Operational Risk	**1,638,019**	1,548,935
Minimum required capital to support RWAs of banking book & operational risk	**221,133**	189,745
i) Minimum required Tier I Capital for banking book & operational risk	**214,023**	179,396
ii) Tier II Capital required for banking book & operational risk	**7,110**	10,349
Tier I capital available for supporting Trading Book	**35,973**	64,038
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	**251,626**	253,783
Total Risk-Weighted Assets – Whole bank	**1,638,019**	1,548,935
Common Equity Tier 1 (as a percentage of Risk-Weighted assets)	**13.71%**	15.07%
Tier 1 (as a percentage of Risk-Weighted assets)	**14.93%**	15.72%
Total capital (as a percentage of Risk-Weighted assets)	**15.36%**	16.38%

(c) Capital Adequacy Ratio	**2024**	2023
	RO '000	RO '000
Total Risk-Weighted Assets (RWA)	**1,638,019**	**1,548,935**
Total Eligible Capital	**251,626**	**253,783**
Capital Adequacy Ratio	**15.36%**	**16.38%**
(d) Ratio of Total and Tier 1 Capital to Total RWA		
Tier 1 Capital	**244,516**	243,434
Total Capital	**251,626**	253,783
Total RWA	**1,638,019**	1,548,935
Ratio of Total Capital	**15.36%**	16.38%
Ratio of Tier 1 Capital	**14.93%**	15.72%
Ratio of CET 1 Capital	**13.71%**	15.07%
(e) Ratio of Total Capital to Total Assets		
Total Capital	**251,626**	253,783
Total Assets	**1,886,828**	1,608,295
Total Capital to Total Assets	**13.63%**	15.78%

(f) Disclosure of Capital Requirements according to different risk categories for each shari'a compliant financing contract:

	2024			2023		
	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	22,314	-	165,286	19,493	-	159,130
Sales Receivable and Other Receivables	41,117	-	304,568	33,598	-	274,266
Wakala Bil Istethmar	44,915	-	332,703	58,497	-	477,523
Musharaka Financing	56,241	-	416,598	42,183	-	344,347
Letter of Guarantees	4,096	-	30,341	3,060	-	24,976
Letter of Credit	4,379	-	32,439	6,730	-	54,942
Acceptance and Bills for Collection (Wakala)	974	-	7,216	784	-	6,398
Total	174,035		1,289,151	164,445		1,341,582

(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:

	2024	2023
	Percentage	Percentage
Customers' Mudaraba accounts share	50%	50%
Mudarib share	50%	50%

The investment risk reserve at Zero percent (2023: 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

	2024	2023
	RO '000	RO '000
Amount of Total PER	NIL	NIL
Amount of PSIA by PIA	447,067	368,060
PER to PSIA Ratio	0%	0%

b) Investment Risk Reserve (IRR) to Profit Sharing Participatory Investment Account (PSIA) Ratio

	2024	2023
	RO '000	RO '000
Amount of Total IRR	-	-
Amount of PSIA by PIA	447,067	368,060
IRR to PSIA Ratio	0.00%	0.00%

c) Return on Assets (ROA)

	2024	2023
	RO '000	RO '000
Amount of Total Net Income (before distribution of profit to PIA)	91,000	80,362
Total Amount of Assets	1,886,828	1,608,295
Return on Assets (ROA)	4.82%	5.00%

d) Return on Equity (ROE)

	2024	2023
	RO '000	RO '000
Amount of total jointly financed net income (after distribution of profit to PIA)	427,617	43,920
Amount of shareholders' equity	263,001	253,044
Return on Equity (ROE)	16.26%	17.36%

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 5,879 thousands (FY-2023: RO 6,226 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	2024		2023	
	RO '000	%	RO '000	%
Sales Receivables and Other Receivables	351,602	21.70%	314,708	22.22%
Ijarah Muntahia Bittamleek	207,022	12.78%	229,457	16.20%
Musharaka financing	610,595	37.69%	500,657	35.35%
Wakala Bil Isthimaar	452,425	27.83%	371,298	26.22%
Total Financing	1,621,644	100.00%	1,416,120	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:

	2024	2023
	Percentage	Percentage
Customers' Mudaraba accounts share	50%	50%
Mudarib share	50%	50%

- The investment risk reserve at Zero percent (2023: 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	2024	2023
	RO '000	RO '000
Saving account	345,374	298,446
Investment accounts:		
One month	48	19
Three months	281	348
Six months	1,109	997
Nine months	141	180
One year	33,838	33,523
One year and a half	1,735	2,318
Two years	57,171	24,332
Three years	702	709
Four years	242	255
Five years	2,040	1,818
More than five years	4,386	5,115
Total	447,067	368,060

b) Share of profits earned by PIA, before transfers to or from reserves (amount and as a percentage of funds invested)

	2024	2023
	RO '000	RO '000
Share of profits	5,879	6,226
funds invested	447,067	368,060
Ratio	1.32%	1.69%

c) Share of profits paid out to PIA, after transfers to or from reserves (amount and as a percentage of funds invested)

	2024	2023
	RO '000	RO '000
Share of profits	**5,879**	6,226
funds invested	**447,067**	368,060
Ratio	**1.32%**	1.69%

d) Movements on PER and IRR during the year

During the year, RO 109 thousands PER was created and utilized in full by the Bank (Dec 2023: RO Zero).

During the year RO Zero (2023: Zero) was utilized in IRR.

Following is the movement of IRR and PER:

	2024		2023	
	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 RO 109 thousand PER created and utilized fully whereas RO Zero in IRR (2023: Zero) utilized.

f) Profits earned and profits paid out over the past three to five years (amounts and as a percentage of funds invested)

	2024	2023	2022	2021	2020
	RO '000	RO '000	RO '000	RO '000	RO '000
Profit Earned	**91,000**	80,362	72,803	64,727	54,752
Profit Distributed	**5,879**	6,226	6,180	6,814	7,603
Funds Invested	**447,067**	368,060	368,516	346,665	365,738
Return as % of Funds Invested	**1.32%**	1.69%	1.68%	1.97%	2.08%

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		2024 average rate of return	2023 average rate of return
	RO	USD	RO	RO
Saving account	10% - 70%	15% - 30%	1.00%	1.00%
One-month tenure	46% - 50%	-	1.74%	1.70%
Three months tenure	51% - 55%	-	1.93%	1.91%
Six months tenure	61% - 68%	-	2.39%	2.37%
Nine months tenure	66% - 73%	-	2.58%	2.58%
One-year tenure	71% - 78%	-	2.79%	2.75%
One year and a half tenure	78.5% - 85%	-	2.98%	2.96%
Two years tenure and above	79.5% - 87%	-	3.07%	3.04%

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

	2024	2023
Off-balance sheet items	**RO '000**	**RO '000**
Financial guarantee	**151,705**	124,878
Financial letter of credits	**119,482**	109,881
Acceptances	**7,006**	5,706
Bills for collection	**210**	693
Commitments	**147,807**	140,482
Total	**426,210**	381,640

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	2024	2023
Pool Income from Financing	**80,572**	70,791
Income from Investments	**10,428**	9,571
Total Pool Income	**91,000**	80,362
	-	-
Profit Equalization Reserve	**-**	-
Investment risk reserve	**-**	-
	-	-
Pool Income	**91,000**	80,362
Mudarib fee	**5,879**	6,226
Movement to or from PER/IRR	**-**	-
Total amount paid to PIA Mudaraba	**5,879**	6,226
Total amount attributable to shareholders pool including Wakala	**96,879**	92,757

8. Restricted Investment Accounts

The Bank does not have Restricted Investment Accounts product as of reporting date.

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.

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.

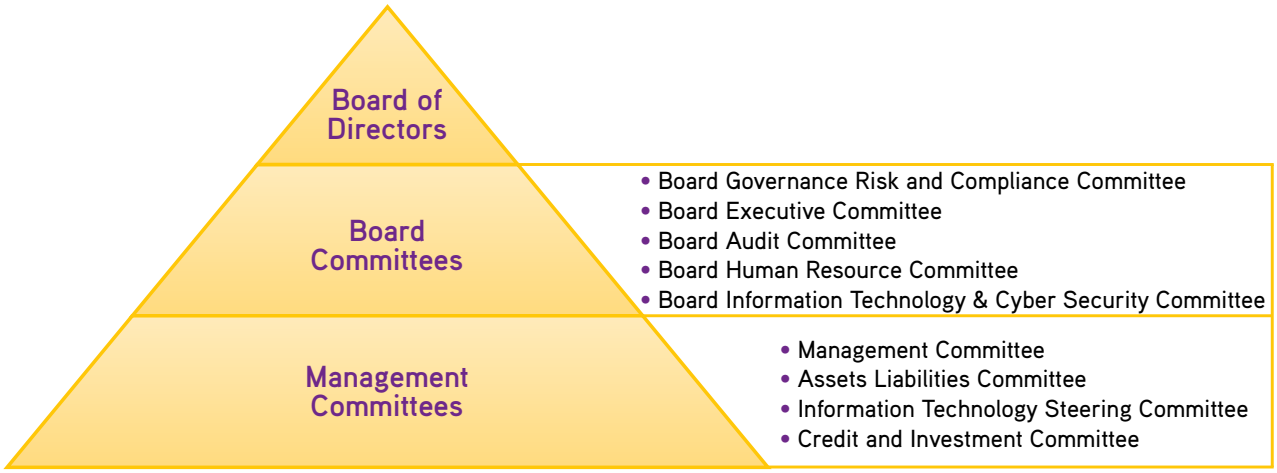
The four risk management decision phases are:

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	2024		2023	
	RO '000	%	RO '000	%
Sales Receivable and Other Receivables	**351,602**	**21.68%**	314,708	22.22%
Ijarah Muntahia Bittamleek	**207,022**	**12.77%**	229,457	16.20%
Musharaka financing	**610,595**	**37.65%**	500,657	35.35%
`Wakala Bil Isthimaar	**452,425**	**27.90%**	371,298	26.22%
Total Gross Financing	**1,621,644**	**100.00%**	1,416,120	100.00%

(e) Percentage of financing for each category of counterparty to total financing

	2024 Gross Financing		2023 Gross Financing	
	RO '000	%	RO '000	%
Personal	**560,581**	**34.57%**	522,383	36.89%
Small Medium Enterprises	**35,774**	**2.21%**	47,104	3.33%
Corporate	**1,025,289**	**63.23%**	846,633	59.79%
Government	**-**	**0.00%**	-	0.00%
Total	**1,621,644**	**100.00%**	1,416,120	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 151,705 thousands (Dec 2023: RO 124,878 thousands) as of reporting date.

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

	2024		2023	
	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	**351,602**	**333,156**	314,708	312,273
Ijarah Muntahia Bittamleek	**207,022**	**218,240**	229,457	240,510
Musharaka financing	**610,595**	**555,626**	500,657	438,447
Wakala Bil Istethmar	**452,425**	**411,862**	371,298	373,768
Investments in Sukuk & securities	**193,766**	**169,340**	144,914	144,291
Interbank Wakala Placements	**41,931**	**33,212**	24,492	32,669
Total	**1,857,341**	**1,721,434**	1,585,526	1,541,958

The breakup of Investment in Sukuk & securities and Interbank Wakala placements with respect to external ratings are given below:

	2024		2023	
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	**54,670**	**5.00**	13,467	6
AA+,AA-AA		**1,569**	-	1,409
A+, A, A-		**15,935**	3,211	10,767
BBB+, BBB, BBB-	**3,276**	**-**	7,975	-
BB+, BB, BB-	**98,489**	**19,649**	105,001	2,820
B+, B, B-	**11,310**	**4,694**	10,629	9,490
Unrated	**2,641**	**79**	-	-
Total	**170,386**	**41,931**	140,283	24,492

(b) Exposure in terms of geographical area

2024	Assets			Liabilities		
	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
2024	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
	41,931	1,621,644	193,766	1,560,254	12,254	426,210

2023	Assets			Liabilities		
	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	2,067	1,416,120	110,744	1,260,494	50,000	347,153
Other GCC countries	10,609	-	17,505	-	5,775	21,914
Europe and North America	9,469	-	3,197	-	-	3,280
Africa and Asia	2,347	-	13,468	-	28	9,293
Total	24,492	1,416,120	144,914	1,260,494	55,803	381,640

(c) Customer concentrations

2024	Assets			Liabilities		
	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

2023	Assets			Liabilities		
	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	-	522,383	-	525,959	-	-
Corporate	24,492	893,737	14,151	140,277	55,803	320,598
Government	-	-	130,763	594,258	-	61,042
Total	24,492	1,416,120	144,914	1,260,494	55,803	381,640

(d) Industry concentrations

2024	Assets			Liabilities		
	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

2023	Assets			Liabilities		
	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	-	522,383	-	525,959	-	-
Construction	-	112,715	-	8,180	-	57,802
Manufacturing	-	-	-	12,556	-	29,542
Financial services	24,492	-	-	-	55,803	-
Government	-	-	130,763	594,258	-	61,042
Other services	-	389,520	-	34,757	-	51,577
Others	-	391,502	14,151	84,784	-	181,677
	24,492	1,416,120	144,914	1,260,494	55,803	381,640

(e) Industry type distribution of exposures by major types of credit exposures:

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

2023	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	-	22,066	794	40,895	48,960	-	112,715	57,802
Electricity, gas and water	-	10,559	87	32,067	55,572	-	98,285	-
Financial institutions	24,492	-	-	-	-	-	24,492	-
Services	-	12,575	2,532	84,271	191,857	-	291,235	51,577
Personal financing	-	171,144	196,067	155,172	-	-	522,383	-
Government	-	-	-	-	-	130,763	130,763	61,042
Non-resident financing	-	-	-	-	-	-	-	-
Others	-	98,365	29,977	188,252	74,908	14,151	405,653	211,219
Total	24,492	314,709	229,457	500,657	371,297	144,914	1,585,526	381,640

(f) Residual contractual maturities of the portfolio by major types of Islamic financing assets:

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

2023	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	24,492	16,386	1,288	6,382	20,069	8,255	76,872	33,560
1 to 3 months	-	33,027	2,473	3,660	64,944	13,681	117,785	25,266
3 to 6 months	-	37,770	3,444	6,065	45,046	35,836	128,161	81,353
6 to 9 months	-	32,692	3,508	7,080	21,216	7,010	71,506	9,724
9 to 12 months	-	19,718	3,852	15,471	14,597	760	54,398	5,709
1 to 3 years	-	100,873	42,519	125,427	86,261	43,892	398,972	27,846
3 to 5 years	-	41,072	41,237	109,635	98,448	2,430	292,822	7,992
Over 5 years	-	33,170	131,136	226,937	20,717	33,050	445,010	190,190
	24,492	314,708	229,457	500,657	371,298	144,914	1,585,526	381,640

(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
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**

(h) Distribution of impaired financing, past due and not past due financing by type of industry (continued):

B)	Performing financing	Non-performing financing	Impairment losses under stage III held	Impairment losses under stage I and II Held
2023	RO '000	RO '000	RO '000	RO '000
Personal financing	520,998	1,385	981	380
Resident corporate financing	862,861	30,876	17,953	20,689
	1,383,859	32,261	18,934	21,069

A)	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**
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**

B)	Performing financing	Non-performing financing	Impairment losses under stage III held	Impairment losses under stage I and II Held
2023	RO '000	RO '000	RO '000	RO '000
Construction	94,475	9,675	5,262	7,498
Electricity, gas and water	97,764	-	-	28
Financial institutions	950	-	-	1
Services	219,994	-	-	1,509
Personal financing	491,100	1,385	981	380
Government	-	-	-	-
Non-resident financing	-	-	-	-
Others	479,576	21,201	12,691	11,653
	1,383,859	32,261	18,934	21,069

(i) Distribution of impaired financing and past due financing by geographical distribution:

2024	Performing financing RO '000	Non-performing financing RO '000	Impairment losses under stage III held RO '000	Impairment losses under stage I and II Held 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

2023	Performing financing RO '000	Non-performing financing RO '000	Impairment losses under stage III held RO '000	Impairment losses under stage I and II Held RO '000
Sultanate of Oman	1,383,859	32,261	18,934	21,069
Other countries	-	-	-	-
Total	1,383,859	32,261	18,934	21,069

(j) Distribution of provision with type of Islamic financing asset:

	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

	2023			
	Stage 1	Stage 2	Stage 3	Total
Total of performing and Non-performing financial assets				
Total gross financing amount including off-balance sheet	1,418,534	314,130	34,821	1,767,485
Total ECL on Financing	(6,171)	(15,273)	(19,839)	(41,283)
Total Gross Investments	140,284	-	-	140,284
Total ECL on Investments	(172)	-	-	(172)
Total Gross Interbank	15,290	-	-	15,290
Total ECL on Interbank	(8)	-	-	(8)
Due from Banks, Central Banks and other financial assets	9,202	-	-	9,202
ECL on Due from Banks, Central Banks and other financial assets	(3)	-	-	(3)
Carrying amount	1,576,956	298,857	14,982	1,890,795

(k) Change in loss provisions during the financial year

	2024	2023
	RO '000	RO '000
Balance at 1 January	41,466	34,759
Impairment losses / (reversals) during the year for:		
Sales and other receivables	2,560	144
Ijara Muntahia Bittamleek	(183)	134
Wakala Bil Istethmar	6,087	4,160
Musharaka financing	(1,293)	4,098
Investments securities	(50)	42
Due from banks	-	(63)
Inter-bank Wakala investments	1	(24)
Non-funded facilities	507	(1,784)
Total impairment losses	7,629	6,707
Balance at 31 December	49,095	41,466

(l) Penalty imposed on customers for default, and the disposition of any monies received as penalty

During the year, RO 121 thousands (Dec 2023: RO 90 thousands) penalty is imposed to customer for delayed payment and RO 121 thousands (2023: RO 90 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

- 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

- 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).

- 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

	2024	2023
	RO '000	RO '000
Real Estate	855,907	714,875
Movable Assets	106,550	77,044
Total	962,457	791,919

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

	2024	2023
	RO '000	RO '000
Ijarah Muntahia Bittamleek	207,022	229,457

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

	2024	2023
	RO '000	RO '000
Short-term Assets	478,139	727,701
Short-term Liabilities	536,711	802,660
Short-term Assets to Liabilities	89.09%	90.66%

(b) Indicators of exposure to liquidity risk - liquid assets ratio

	2024	2023
	RO '000	RO '000
Liquid Assets	182,628	141,864
Short-term Liabilities	536,711	802,660
Total Liabilities	1,623,827	1,355,251
Liquid Asset to Short-term Liabilities	34.03%	17.67%
Liquid Asset to Total Liabilities	11.25%	10.47%

(c) Maturity profile of assets and liabilities

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	-	-

31 December 2023	Due on demand and up to 30 days RO '000	More than 1month 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	50,800	-	-	-	500	51,300
Inter-bank Wakala and Due from banks	18,739	5,775	-	-	-	24,514
Financing to customers - net	44,258	193,437	122,324	634,832	365,331	1,360,182
Investment securities	8,255	49,517	7,770	46,322	32,878	144,742
Investment in real estate	-	-	-	-	-	-
Intangible assets	-	-	-	-	3,527	3,527
Property and equipment	-	-	-	-	5,239	5,239
Other assets	260	1,866	1,991	286	14,388	18,791
Total assets	122,312	250,595	132,085	681,440	421,863	1,608,295
Customer accounts, Wakala and unrestricted accountholders	108,950	244,380	164,510	517,464	280,950	1,316,254
Other liabilities	-	4,432	14,439	12,002	8,124	38,997
Investment risk and profit equalization reserve	-	-	-	-	-	-
Owners' equity	-	-	-	-	253,044	253,044
Total liabilities, equity of Quasi-Equity Holders and owners' equity	108,950	248,812	178,949	529,466	542,118	1,608,295
Net gap	13,362	1,783	(46,864)	151,974	(120,255)	-
Cumulative net gap	13,362	15,145	(31,719)	120,255	-	-

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	2024	2023
	RO '000	RO '000
Equity Position	-	-
Foreign Exchange Risk	148,832	77,926
Commodity Risk	-	-
Total	148,832	77,926

(b) Foreign Exchange Net Open Position to Capital

	2024	2023
Foreign Exchange Net Open Position to Capital	4.49%	26.78%

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.

	2024	2023
	RO '000	RO '000
Net income from financing activities	**81,012**	70,791
Add: Net income from investment activities	**10,428**	9,571
Add: Fee income	**12,588**	9,431
Less: Participatory Investment Accounts share of income	**48,239**	36,442
Add : Other Income	**1,545**	2,005
Total Revenues	**57,334**	55,356
Less: Exceptional and extraordinary income	**-**	-
Gross Income	**57,334**	55,356
Gross Income times of Alpha (15%)	**8,600**	8,303
Operational Risk-Weighted Assets 12.5x	**107,501**	103,793
Operational Risk-Weighted Assets (Average of last 3 Years)	**103,242**	95,126

b) Indicators for Operational risk exposures

	2024	2023
	RO '000	RO '000
• Gross Income taken in RWA calculation	**57,334**	55,356

- 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, 2024.

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 2024	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	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	-	-

31 December 2023	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	-	-	-	-	-	51,300	51,300
Inter-bank Wakala and Due from banks	9,069	-	-	5,775	-	9,670	24,514
Financing to customers – net	277,598	178,876	57,895	431,081	414,732	-	1,360,182
Investment Securities	8,255	50,833	6,454	46,322	32,878	-	144,742
Intangible asset	-	-	-	-	-	3,527	3,527
Property and equipment	-	-	-	-	-	5,239	5,239
Other assets	-	-	-	-	-	18,791	18,791
Total assets	294,922	229,709	64,349	483,178	447,610	88,527	1,608,295
Customer accounts, Wakala and unrestricted accountholders	34,043	142,502	89,648	553,647	221,825	274,589	1,316,254
Other liabilities	-	-	-	-	-	38,997	38,997
Investment risk and profit equalisation reserve	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	253,044	253,044
Total liabilities and shareholders' equity	34,043	142,502	89,648	553,647	221,825	566,630	1,608,295
On-balance sheet gap	260,879	87,207	(25,299)	(70,469)	225,785	(478,103)	
Cumulative profit sensitivity gap	260,879	348,086	322,787	252,318	478,103	-	-

- 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

	2024	2023
	RO '000	RO '000
+200 bps	**10,375**	5,629
+100 bps	**5,188**	2,814
-200 bps	**(10,375)**	(5,629)
-100 bps	**(5,188)**	(2,814)

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:

	2024	2023
Items	**RO '000**	RO '000
Total distributable profits	**91,000**	80,362
Bank Share As " Mudarib and Rab ul Maal"	**42,761**	43,920
Depositors Share of profits	**48,239**	36,442
Bank Share As " Mudarib"	**5,879**	6,226
Net profit to be distributed to the depositors before IRR & PER	**5,879**	6,226
Investment Risk Reserve "IRR"	**-**	-
Profit Equalization Reserve "PER"	**-**	-
Net profit to be distributed to the depositors after IRR & PER	**48,239**	36,442

- During the period the Bank did not utilize from PER (2023: 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:

	2024	**2023**	**2022**	**2021**	**2020**
	RO '000	RO '000	RO '000	RO '000	RO '000
Profit Earned	**91,000**	80,362	72,803	64,727	54,752
Profit Distributed	**5,879**	6,226	6,180	6,814	7,603
Funds Invested	**368,060**	368,060	368,516	346,665	365,738
Return as % of Funds Invested	**1.60%**	1.69%	1.68%	1.97%	2.08%

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

	2023			2022		
	Credit risk	Market risk	Risk-Weighted Assets	Credit risk	Market risk	Risk-Weighted Assets
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Ijarah Muntahia Bittamleek	207,022	-	165,286	229,457	-	159,130
Sales Receivable and Other Receivables	351,602	-	304,568	314,708	-	274,266
Wakala Bil Istethmar	452,425	-	332,703	371,298	-	477,523
Musharaka Financing	610,595		416,598	500,657		344,347
Letter of Guarantees	151,705	-	30,341	124,878	-	24,976
Letter of Credit	119,482	-	32,439	109,881	-	54,942
Acceptance and Bills for Collection (Wakala)	7,216	-	7,216	6,399	-	6,398
Total	1,873,220	-	1,289,151	1,657,278	-	1,341,582

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:

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

2023	Principal shareholders and directors	Shari'a Board members	Senior management	Total
	RO '000	RO '000	RO '000	RO '000
Sales receivables and other receivables	150	-	105	255
Ijara Muntahia Bittamleek	327	-	1,133	1,460
Wakala Bil Istethmar	-	-	-	-
Musharaka Financing	4,684	-	328	5,012
Customers' accounts	560	-	151	711
Participatory investment accounts	131,242	-	-	131,242

The ECL for exposures to related parties amount to RO 39,000 (2023: 35,508)

The income statement includes the following amounts in relation to transactions with related parties:

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)**

31 December 2023	Principal shareholders	Sharia Board	Senior management	Total
	RO '000	RO '000	RO '000	RO '000
Profit account	270	-	62	332
Profit Expense	(4,147)	-	-	(4,147)
Operating expenses				
Staff expense	-	-	(2,393)	(2,393)
Other expenses	(313)	(59)	-	(372)

- 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:

1) 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.

2) 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.

3) 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.

4) 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.

5) 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 scrutinized, and specific mitigation controls are set to minimize 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.

6) 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.

7) 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.

8) 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.

9) 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 based on Risk based sampling as approved by SSB in the annual Sharia Audit Plan. 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 67 thousands (Dec 2023: RO 59 thousands) 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:
  - the level of the job position in the management hierarchy as defined by grade (arrived at by objective Job Evaluation)
  - 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 2024 (2023: Four meetings) and RO 7,200 (2023: RO 5,500) was paid to the members in lieu of sitting fees.
- The key management comprises of 16 members (2023: 18 members) top of the management executive committee. The below table provides details of key management members' compensation

	2024	2023
	RO '000	RO '000
Salaries and Benefits	**1,109**	1,305
Deferred Bonus	**200**	90
End of Service Benefits	**-**	-
Total	**1,309**	1,395

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.

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

2023 Liquidity Coverage Ratio (LCR)	Factor	Book Balance	Adjusted amount
Level 1 assets		RO '000	RO '000
Coins and bank notes	100%	8,523	8,523
Qualifying central bank reserves	100%	13,158	13,158
Qualifying marketable securities from sovereigns, central banks, PSEs and multilateral development banks	100%	103,403	103,403
Domestic sovereign or Central Bank debt for non-0% Risk-Weighted sovereigns	100%	-	-
Total Level 1 assets		125,084	125,084
Level 2A			
Sovereign, Central Bank, Public Sector Entity (PSE), multilateral development banks assets (qualifying for 20% risk weighing)	85%	13,467	13,467
Total Level 2A		13,467	13,467
Level 2B			
Qualifying corporate debt securities, rated between A+ and BBB-	50%	-	-
Qualifying common equity shares	50%	3,313	1,657
Total Level 2B (maximum 15% of HQLA)		3,313	1657
Total level 2 assets (Maximum 40% of HQLA)		16,780	13,103
Total Stock of high quality liquid assets		141,864	138,187
Cash outflows			
Stable Deposits	5%	207,182	10,359
Less stable deposits- Retail	10%	318,653	31,865
Term Deposits with residual maturity of more than 30 days	0%	-	-
Less stable deposits- Wholesale Funding	10%	570,584	57,058
Non-financial corporates, sovereigns, central banks and PSE	40%	3,665	1,466
Other legal entity customers	100%	30,028	30,028
Currently undrawn portion of credit lines			
Retail and small business	5%	236	12
Other Legal entity customers, credit and liquidity facilities	100%	9,169	9,169
Other contingent funding liabilities (Letters of credit, guarantee)	5%	234,759	11,738
Total cash outflows		1,374,276	151,696
Cash inflows			
All other assets	100%	727	727
Amounts to be received from retail counterparties	50%	8,465	4,233
Amounts to be received from non-financial wholesale counterparties from transactions other than those listed.	50%	10,431	5,216
Amounts to be received from financial institutions and central banks from transactions other than those listed	100%	15,290	15,290
Operational deposits held at other financial institutions	0%	9236	-
Total cash inflows		44,149	25,465
75% of outflows			113,772
Inflows restricted to 75% of outflows			25,465
Net cash outflows			126,231
LCR (%)			109.47

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%.

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

2023	Associated factor	Unweighted amount	Weighted amount
Available stable funding		**RO '000**	**RO '000**
Tier 1 capital	100%	248,579	248,579
Tier 2 capital (excluding Tier 2 instruments with residual maturity of less than one year)	100%	10,349	10,349
Other liabilities with effective residual maturities of one year or more	100%	20,430	20,430
Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and small business customers	90%	205,327	184,794.3
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%	300,376	150,188
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%	74,291	-
Total Available Stable Funding			614,340.3
Required stable funding			
Coins, bank notes and reserves with CBO	0%	59,991	-
Financing to financial institutions and central banks with residual maturities between six months and less than one year	50%	-	-
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%	445,875	222,937.5
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%	282,883	183,873.95
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%	41,851	41,851
Sub total (A)			448,662.45
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%	9,405	470.25
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%	234,759	11,738
Sub total (B)		-	12,208.2
Total Required Stable Funding (A+B)		-	460,870.65
NSFR (%)		-	133.30

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-24	Dec-23
		RO '000	RO '000
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	222,102	222,102
2	Retained earnings	8,734	8,180
3	Accumulated other comprehensive income (and other reserves)	9,538	7,727
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**	**240,374**	**238,009**
8	**Common Equity Tier 1 capital: regulatory adjustments**		
9	Prudential valuation adjustments	(4,185)	(1,047)
10	Unrealized losses		
11	Goodwill (net of related tax liability)	-	-
12	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(4,871)	(3,527)
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**	**231,318**	**233,435**
23	**Common Equity Tier 1 capital (CET1**	**231,318**	**233,435**
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	(6,800)	-

		Dec-24	Dec-23
		RO '000	RO '000
38	**REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT**	-	-
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)	19,998	9,999
44	**Tier 1 capital (T1 = CET1 + AT1)**	**244,516**	**243,434**
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	300	335
50	Provisions	6,810	10,014
51	**Tier 2 capital before regulatory adjustments**	**7,110**	**10,349**
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)	**7,110**	**10,349**
57	Total capital (TC = T1 + T2)	**251,626**	**253,783**
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)	**1,638,019**	**1,548,935**
62	Of which: Credit Risk-Weighted assets	1,385,945	1,375,883
63	Of which: Market Risk-Weighted assets	148,832	77,926
64	Of which: Operational Risk-Weighted assets	103,242	95,126
65	**Capital Ratios**		
66	Common Equity Tier 1 (as a percentage of Risk-Weighted assets)	**13.71%**	**15.07%**
67	Tier 1 (as a percentage of Risk-Weighted assets)	**14.93%**	**15.72%**
68	Total capital (as a percentage of Risk-Weighted assets)	**15.36%**	**16.38%**

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-24	Dec-24	Dec-23	Dec-23
Cash and balances with Central Bank of Oman	54,000	54,000	51,300	51,300
Certificates of deposit	-	-	-	-
Due from banks	41,953	41,953	24,514	24,514
Islamic Financing	1,558,614	1,558,614	1,360,182	1,360,182
Investments in Sukuk and Securities	193,644	193,644	144,742	144,742
Financing to banks	-	-	-	-
Investment in Assets generated revenue	-	-	-	-
Property and equipment	4,255	4,255	5,239	5,239
Deferred tax assets	-	-	-	-
Other assets	28,882	28,882	22,318	22,318
Total assets	**1,881,348**	**1,881,348**	**1,608,295**	**1,608,295**
Liabilities				
Due to banks	-	-	55,803	55,803
Customer deposits	1,571,991	1,571,991	1,260,494	1,260,494
Current and deferred tax liabilities	-	-	-	-
Other liabilities	51,836	51,836	38,954	38,954
Subordinated Sukuk	-	-	-	-
Total liabilities	**1,623,827**	**1,623,827**	**1,355,251**	**1,355,251**
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	9,538	9,538	7,727	7,727
Impairment Reserve	150	150	150	150
Retained earnings	8,734	8,734	13,325	13,325
Cumulative changes in fair value of investments	(3,001)	(3,001)	(259)	(259)
Mandatory Convertible Sukuk	19,998	19,998	9,999	9,999
Total shareholders' equity	**257,521**	**257,521**	**253,044**	**253,044**
Total liability and shareholders' funds	**1,881,348**	**1,881,348**	**1,608,295**	**1,608,295**

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
	Dec-24	Dec-24	Dec-23	Dec-23
Assets				
Cash and balances with CBO	77,645	77,645	51,300	51,300
Balance with banks and money at call and short notice	18,308	18,308	24,514	24,514
Investments				
Of which Held to Maturity	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	191,642	191,642	144,742	144,742
Held for Trading				-
Investments in Real Estate	-	-	-	-

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
	Dec-24	Dec-24	Dec-23	Dec-23
Islamic Financing Of which :				-
Islamic Financing to domestic banks				-
Islamic Financing to non-resident banks				-
Islamic Financing to domestic customers	1,522,840	1,522,840	1,313,078	1,313,078
Islamic Financing to non-resident Customers for domestic operations				-
Islamic Financing to non-resident Customers for operations abroad	-	-	-	-
Islamic Financing to SMEs	35,774	35,774	47,104	47,104
Islamic Financing from Islamic banking window				-
Fixed assets	4,255	4,255	5,239	5,239
Other assets of which:				-
Profit Receivable	15,573	15,573	10,379	10,379
Prepaid Expense	726	726	593	593
Refundable Deposits			89	89
Goodwill				-
Other intangibles	4,871	4,871	3,527	3,527
Deferred tax assets				
Others	7,712	7,712	7,730	7,730
Debit balance in Profit & Loss account				
Total Assets	1,881,348	1,881,348	1,608,295	1,608,295
Paid-up Capital	220,011	220,011	220,011	220,011
Of which:		-		-
Amount eligible for CET1	224,518	224,518	233,435	233,435
Amount eligible for AT1	19,998	19,998	9,999	9,999
Reserves & Surplus	13,005	13,005	9,610	9,610
Total Capital	257,521	257,521	253,044	253,044
Deposits Of which:				-
Deposits from banks				-
Customer deposits	1,571,991	1,571,991	1,260,494	1,260,494
Deposits of Islamic Banking window		-		-
Other deposits (please specify)		-		-
Borrowings Of which: From CBO		-		-
From banks	5,812	5,812	55,803	55,803
From other institutions & agencies	-	-	-	-
Borrowings in the form of bonds, Debentures and Sukuk	-	-	-	-
Others (Please specify)	-	-	-	-
Other liabilities & provisions Of which:	-	-	-	-
Creditors and Accrual	23,840	23,840	18,561	18,561
Payment Order	5,404	5,404	5,662	5,662
Profit Payables	16,055	16,055	8,825	8,825
Others	725	725	5,906	5,906
Total Equity and Liabilities	1,881,348	1,881,348	1,608,295	1,608,295

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
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for Private placement)	BKNZ:OM	NSUK:OM
3	Governing law (s) of the instrument Regulatory treatment	Sultanate of Oman	Sultanate of Oman
4	Transitional Basel III rules	Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Eligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Paid-up Capital	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
9	Par value of instrument	98 Bz	100 Bz
10	Accounting classification	Paid-up Capital	Additional Tier 1
11	Original date of issuance	23-Apr-12	25-Jul-24
12	Perpetual or dated	N/A	Perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	25-Jul-29
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		25 Jan 25 Jul
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	Anticipated 6%
19	Existence of dividend stopper	N/A	Yes
20	Fully discretionary, partially discretionary or mandatory	N/A	Yes
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Noncumulative or cumulative	N/A	Yes
23	Convertible or non-convertible	N/A	Yes
24	if convertible, conversion trigger (s)	N/A	Yes
25	If convertible, fully or partially	N/A	Full
26	If convertible, conversion rate	N/A	Prevailing book value
27	If convertible, mandatory or optional conversion	N/A	Mandatory
28	If convertible, specify instrument type convertible into	N/A	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	N/A	Bank Nizwa
30	Write-down feature	N/A	Yes
31	If write-down, write-down trigger (s)	N/A	Yes
32	If write-down, full or partial	N/A	Partial to full
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Deposit
36	Non-compliant transitioned features	N/A	No
37	If yes, specify non-compliant features	N/A	N/A

Basel III leverage ratio framework and disclosure requirements - Reports for the year ended 31-Dec-24

(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 - 2024	Dec - 2023
1	Total consolidated assets as per published financial statements	**1,881,348**	1,608,295
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)	**54,761**	107,847
7	Other adjustments		
8	Leverage ratio exposure	**1,936,109**	1,716,142

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 - 2024	Dec - 2023
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,881,348**	1,608,295
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)	**1,881,348**	1,608,295
	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	**426,367**	381,641
18	(Adjustments for conversion to credit equivalent amounts)	**(371,606)**	(273,794)
19	Off-balance sheet items (sum of lines 17 and 18)	**54,761**	107,847
	Capital and total exposures		
20	Tier 1 capital	**244,516**	243,434
21	Total exposures (sum of lines 3, 11, 16 and 19)	**1,936,109**	1,716,142
	Leverage Ratio		
22	Basel III leverage ratio (%)	**12.63**	14.18

End of Basel II Pillar 3 Disclosures

Appendix - Sharia Supervisory Board Resolutions (Fatwas)

Commodity Sale in Exchange for Debt

Commercial Financing by Selling Commodities in Exchange for Debt

Fatwa Number: 1/52/2023

Fatwa Date: 16 Rabi' al-Akhir 1445 AH - 31/10/2023 CE

Praise be to Allah, and may and Peace be upon the Messenger of Allah.

A request for a fatwa was presented to the Sharia Committee regarding the commercial financing product of selling commodities in exchange for debt.

Sharia Ruling

The Sharia Committee has reviewed the proposal which was submitted by the bank's management, met with relevant stakeholders, and amended the document to ensure it is Sharia-compliant, in accordance with the concept as presented in this proposal. The bank may implement it if it deems it feasible and appropriate.

And Allah is the One who will grant us with success and He knows best.

Sharia Board - Meeting 52

Tuesday: 16 Rabi' al-Akhir 1445 AH - 31/10/2023 CE

Singed by the committee in their meeting no 54 date 25/1/2024

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Fatwa on Dealing with Zappit Company

The Ruling on Dealing with Zappit to Instant Remittances

Fatwa Number: 2/52/2023

Fatwa Date: Tuesday: 16 Rabi' al-Akhir 1445 AH - Corresponding to October 31, 2023 AD

Praise be to Allah, and peace and blessings be upon the Messenger of Allah.

The Sharia Committee has reviewed the agreement with regards to the partnership with Zappit Company on the Instant remittance services at its meeting No. (52) on Tuesday, Rabi' al-Akhir 16, 1445 AH (corresponding to October 31, 2023 AD). The Committee has accordingly approved the agreement. In order to issue the Fatwa, the Sharia Committee will be describing the product/service, followed by the Sharia ruling, in Sha Allah.

Introduction to the Service:

- Bank Nizwa is seeking to provide a new instant international remittance services in partnership with Zappit, a FinTech specialist.
- To utilize this service, customers must download an application, register themselves in order to create a Bank Nizwa wallet.
- Through this platform, customers can send and receive money to and from different banks, as well as to and from different countries and currencies.
- The service is basically transferring money and various currencies via the Bank Nizwa wallet instantly to beneficiaries' accounts outside the country for a specified fee.
- The bank agrees to have a partnership with the platform owned by Zappit, for such transfer services in lieu for a fee.
- The bank and Zappit will be sharing the fee / revenues based on their mutual agreement.
- The platform will be displaying the foreign exchange rate and the service fees for the end user to confirm before the transaction is completed.

Sharia Ruling: The Sharia Committee has reviewed the proposal which was submitted by the bank's management, met with relevant stakeholders, and amended the document to ensure it is Sharia-compliant, in accordance with the concept presented in this proposal. The aforementioned structure includes two contracts:

1. An Agency Contract for Money Exchange
2. An Agency Contract for Money Transfer

Both type of agencies and services are permissible from a Sharia perspective and relevant fees may be levied upon to the client. The Bank and Zappit will be sharing the revenue based on their mutual agreement on the fee collected from the client at Zappit platform. The exchange rate is based on the rate announced on the platform.

The aforementioned proposal is permissible under Sharia, and the bank may implement it after obtaining the necessary approvals from various authorities if the bank deems it feasible and appropriate.

And Allah is the One who will grant us with success and He knows best.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Sharia Resolution

Regarding the Prospectus for the issuance of Tier 1 Capital Sukuk (Mudaraba) Convertible into Equity Shares, the Mudaraba Agreement, and its Appendices

Subject: Prospectus for the issuance of Tier 1 Capital Sukuk, the Master Mudaraba Agreement, and its Appendices

Resolution Number: 3/53/2

Resolution Date: AH - Corresponding to March 5, 2024 A

Praise be to Allah, and prayers and peace be upon the Messenger of Allah.

With reference to the Sharia Committee's Fatwa No. (3/53) dated 12/21/2023 AD regarding the Sharia ruling as well as the review which was performed on documents pertaining to the issuance of Tier 1 capital Sukuk which will be mandatorily convertible into Bank Nizwa common shares upon maturity, where the right to convert the Sukuk is given to the issuing bank, the structure paper, the Sukuk prospectus consisting of 88 pages, the main Mudaraba agreement, and its appendices consisting of 30 pages were presented to the Sharia Committee.

The Sharia Committee has reviewed the proposed concept, the structure of the Sukuk, the prospectus regulating the issuance of the Sukuk, the main Mudaraba agreement, its appendices, and the necessary documents for implementation. It met with those concerned stakeholders, and amended the document to ensure it is Sharia-compliant, in accordance with the concept presented in this proposal.

The Sharia Committee, having reviewed the documents and having discussed the subject has hereby decided that the bank may issue the Tier 1 capital Sukuk according to the description, structure, and Sharia controls, rules and principles as set and decided by the Sharia Committee in its Fatwa No. (53/3) dated 12/21/2023 AD, which was approved in final form on 02/24/2024 AD, if the bank deems the matter feasible and appropriate.

And Allah is the One who will grant us with success and He knows best.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Appendix (4) Minutes of Meeting (53) dated 12/21/2023 (A) Resolution

Sharia Guidelines for Direct and Indirect Real Estate Investment

The Sharia Supervisory Board has opined that the Sharia Guidelines for real estate investment are as follows:

1. It is permissible, in principle, to engage in real estate investments, whether through direct or indirect investment (real estate investment fund units, real estate portfolios, or real estate REITs).
2. It is prohibited to purchase, trade, invest, broker, manage, or accept any such investment as a guarantee for any banking activity in any real estate investment whose primary operational activity is prohibited and against the Sharia rules and principles. Such Sharia non-compliant business activities are including but not limited to buildings owned by conventional banks /interest-bearing financial institutions and conventional insurance companies; companies that raise, produce, sell, and distribute alcohol and prohibited non-halal foods such as pork, meat that is being slaughtered in a non-halal manners, tobacco, musical instruments, idols and statues for worshipping rituals, dice, and gambling equipment; and media companies that produce, market, or display atheistic or immoral material. In the event of investment in such real estate, all proceeds from such activity, whether operating profit or capital income, must be set aside and be purified by channeling it to charity account. The bank must immediately dispose of such investments, whether they yield a profit or a loss, and whether the profits are distributed or not.
3. It is permissible to purchase, invest, broker, or manage mixed-use real estate units, subject to the following controls:

   • 3-1: The primary activity of the owner/real estate fund must be permissible, such that the company's articles of association do not stipulate that its purposes and activities include dealing in usury interest-bearing transactions or other prohibited matters.

   • 3-2: If the company has an investment (such as an investment in securities) or revenue whose nature or source it has not disclosed, and which is simply listed in its financial statements under the heading "investments or other revenues," then the basic principle is that it is permissible if made in Islamic countries. However, if the investment is made in Muslim minority or non-Islamic countries, the basic principle is that it is prohibited until proven otherwise.

   • 3-3: If the Shari'ah controls for dealing in real estate investment/real estate fund units are violated, then they must be disposed of immediately by selling them, provided there is no loss incurred by selling them for less than the original price they were purchased for. If the sale would result in such a loss, then it is permissible to wait a period not exceeding 90 days from the date of learning of the violation of the controls, as it is permissible to continue what was not initially permissible. If the sale is completed within this period, the seller is not required to dispose of any of the proceeds or profit from the sale to charity account.

4. **Disposal of Prohibited Income**

   Prohibited income from real estate, whether generated by direct or indirect real estate activity, whether from trading and dealing in real estate or from dividends and returns, must be disposed of as part of the returns generated by the investor/real estate fund and disbursed to charitable causes, in accordance with the following controls:

   • 4-1: Prohibited income must be disposed of by whoever owns the investment/real estate units at the time the returns are allocated to the owners of the investment/real estate units, whether they were owners at that time as an investment or trading owner. If they withdraw before that time, they are not required to dispose of anything, considering the provisions of Clause 3-3.

   • 4-2: Disposal of prohibited income from real estate investments shall be subject to the provisions of Article 3-3, regardless of whether the investor/fund/portfolio distributes profits or not, and regardless of whether the investor/bank/portfolio/fund generates prohibited returns that offset the loss without any surplus for distribution. The bank, as an investor, is required to dispose of the prohibited income, even if it uses its own funds. If the profits are disbursed as capital gains to increase the investment capital, the prohibited income must be disposed of proportionally to the investment value, even if the disbursement is made from the bank's own funds as an investor.

5. A bank may not manage a real estate portfolio that includes prohibited activities unless there is a decision to convert it to a Sharia-compliant portfolio. The bank is not required to dispose of prohibited income resulting from brokerage commissions, whether for sale or purchase.
6. It is important to review lease contracts for real estate complexes (commercial, residential, or otherwise) before executing any investment, trading, financing, or divestment operations. This is to verify the purposes of trading, acquisition, investment, brokerage, management, or representation of investment income sources which have to be in line with Sharia rules and principles and to purify the proceeds from Sharia non-compliant prohibited elements.
7. If a bank owns real estate properties managed for prohibited activities due to judicial enforcement, it is obligated to immediately dispose of their revenues and correct their lease contracts to ensure that the activities therein are lawful. Otherwise, it is obligated to dispose of the properties immediately unless an immediate sale would result in a loss to the bank, in which case it must wait a period not exceeding one fiscal year from the date of its acquisition of these properties managed for prohibited activities.
8. Real estate managed for prohibited activities may not be accepted as collateral for financing/investments granted or co-sponsored by the bank with any of its clients or entities it invests with, directly or indirectly.
9. Sharia-compliant controls must be observed in real estate investments owned by the bank or in which it participates, directly or indirectly.
10. Leasing to entities that use the property for unlawful and Sharia non-compliant activities is prohibited.
11. The bank must not insure its properties and properties invested in under its management or for the benefit of its clients with conventional insurance companies, unless this is impossible due to the inability of Islamic Takaful companies to provide coverage for the properties. Special approval by the Sharia Supervisory Board must be obtained for each exception mentioned above.
12. REITs, real estate funds, and real estate portfolios must refrain from engaging in usury interest-bearing and prohibited transactions, whether through leasing, investment, or other prohibited transactions.
13. The Investment Department and/or the relevant department must prepare a detailed report confirming the above.
14. These controls will be effective after approval by the Sharia Supervisory Board of Bank Nizwa. Any provisions that conflict with previous resolutions related to real estate investment will be repealed.

Note: Final approval was made on 2/19/2024 AD, after the final review of the wording by the Chairman of the Sharia Board.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Appendix (3) Minutes of Meeting (53) dated 12/21/2023 Detailed Shariah Guidelines for Dealing in Company Shares, Including Trading, Purchasing, Financing, Investing, Brokering, Managing, and Acting as an Agent for Others

The Sharia Supervisory Board has opined that the Shariah Guidelines for shares that may be traded, purchased, invested in, brokered, financed, managed (in the capacity as fund managers), or acted as an agent for others are as follows:

1. It is permissible to purchase, invest, broker, or manage shares of companies whose primary activities are permissible, whose operations are lawful, and which have a designated Sharia Board that audits their end-to-end activities and business practices. If the company has no designated Sharia Board (either internally appointed or being outsources to 3rd party Sharia Advisor) and the company's activity is permissible, the necessary Shariah approvals from the Sharia Supervisory Board must be obtained before investing/subscribing on the shares of such company.

2. It is prohibited to purchase, invest, broker, or manage shares in companies whose primary business activity is prohibited and Sharia non-compliant including but not limited to usurious interest-bearing conventional banks and conventional insurance companies; companies that raise, produce, sell, and distribute alcohol and prohibited non-halal foods such as pork, meat that is being slaughtered not in accordance with Islamic rituals or not in a halal manner, tobacco, musical instruments, statues and idols for worshipping rituals, dice, and gambling equipment; and media companies that produce, market, or display atheistic or immoral material. In the event of investment in such companies, all returns resulting from such activity, whether operating profit, capital income, or ownership of prohibited items, must be set aside for purification and being diverted to charity. The bank must immediately dispose of such ownership/investment, regardless of whether the company makes a profit or a loss, or distributes dividends or not.

3. It is permissible to purchase, invest, broker, or manage shares in mixed companies, subject to the following controls:

   3-1: The primary business of the company must be permissible and Sharia-compliant, such that the company's articles of association do not stipulate that its purposes and activities include dealing in interest-bearing transactions or other prohibited items.

   3-2: The loan amount borrowed by the company from conventional bank with interest, whether long-term or short-term, must not exceed 33.33% of the market capitalization of the company's total shares. As far as Sharia is concerned, Borrowing with interest is prohibited regardless of the amount and percentage. If the company's shares include preference shares, the nominal value of the preference shares is included in the amounts borrowed with interest. If the company issues conventional bonds with interest, the value of these bonds are included in the amounts borrowed with interest. Any issuance of preference shares or bonds with interest is prohibited according to Sharia regardless of the amount and percentage.

   3-3: The amount deposited by the company with interest in the conventional banks, whether short-term, medium-term, or long-term, must not exceed 33.33% of the market capitalization of the company's total shares. Depositing with interest is prohibited regardless of the amount and percentage.

   3-4: Total prohibited Sharia non-compliant revenues must not exceed 5% threshold of the company's total revenues, whether they result from a prohibited activity/element, including usurious interest, prohibited investments, or prohibited capital income. The Sharia Board may exempt this percentage in the company's first fiscal year of incorporation if prohibited interest returns increase due to increased liquidity that the company may deposit with usurious conventional banks during that period, and if the company's main business activities are Sharia-compliant originally and income generation take time.

   3-5: The aforementioned percentages are determined based on the latest balance sheet, financial position /Income Statement, or audited financial statements. The Sharia Board may rely on unaudited financial statements if necessary. A consequence of this is that if the Sharia Board authorizes a bank to act as a subscription bank for a new company, to finance such subscriptions, or to invest in it, based on the fact that this is permissible in light of the company's financial statements, this ruling shall remain in effect until the company issues audited financial statements which may demonstrate a clear violation of Sharia guidelines as determine herein, in accordance with the principle of permissibility.

   3-6: When determining the market value of a company's total shares, the average daily price for the twelve months preceding the analysis is taken, i.e., 365-Day Trailing Price Average (12 Month Trailing Price Average). The company's total assets may also be considered, whichever is higher (i.e., the market value or the company's total assets), depending on the availability of financial data and/or the purpose of owning or trading shares.

   If the company's shares are not listed on a financial market (such as private/closed joint-stock companies), the fair value is taken as defined in Appendix (E) of Financial Accounting Standard No. (25) on Investment in Sukuk, Shares, and Similar Instruments issued by the Accounting and Auditing Organization for Islamic Financial Institutions, which defines fair value as: "The value resulting from the exchange of assets or the settlement of a liability, if either occurs between knowledgeable, willing parties in an arm's length transaction, on the same terms as those of third parties."

   3-7: If a company has an investment (such as an investment in securities) or revenue whose nature or source it has not disclosed, and which is simply listed in its financial statements under the heading "investments or other revenues," then the basic principle is that it is permissible if made in Islamic countries. However, if the investment is made in Muslim minority or non-Islamic countries, then the basic principle is that it is prohibited until proven otherwise.

3-8: If the Shari'ah guidelibes for dealing in company shares are violated, they must be disposed of immediately by selling them, provided there is no loss from selling for less than the price at which they were purchased. If the sale would result in such a loss, then it is permissible to wait a period not exceeding 90 days from the date of learning of the violation of the controls, as it is permissible to keep what was not forgiven in the first instance. If the sale is completed, the seller is not required to dispose of any of the proceeds or profits from the sale.

3-9: What is stated in the company's articles of association, or in the feasibility study and future of the company's activity regarding its ability to finance itself through borrowing, issuing loan bonds, investing in activities that may be unlawful, or dealing with banks, does not affect the company's original activity, as long as it is permissible. These are standard provisions that only have an impact when actually implemented. They should then be examined and analyzed in light of Sharia guidelines, with the possibility of implementing what these provisions state in terms acceptable to Sharia or in accordance with Sharia requirements.

4. Disposal of Prohibited Income

   The prohibited income from the shares must be disposed of as part of the returns generated by the company, by spending it on charitable causes.

   Charitable Purposes, in Accordance with the Following Controls:

   4-1: The prohibited income must be disposed of by whoever owns the share at the time the proceeds are allocated to shareholders, whether they own the share at that time as an investment or for trading. If they sell the shares before that time, they are not required to dispose of anything. The provisions of Article 3-8 shall be observed in this application.

   4-2: The prohibited income from the share must be disposed of regardless of whether the company distributes dividends or not, and regardless of whether it makes a profit or a loss. In the event that the company earns prohibited income that offsets the loss without a surplus for distribution, the share owner is required to dispose of it, even if they use their own money. If the profits are paid in the form of bonus shares, the prohibited income must be disposed of proportionately to the value of the bonus shares, even if they use the share owner's own money, as previously mentioned.

5. If the company deals in conventional financial derivatives (futures, options, or temporary swaps), its profits must be disposed of because they are included in the prohibited Sharia non-compliant income percentage.

6. A bank may not manage a stock portfolio that includes prohibited stocks unless there is a decision to convert it to a Sharia-compliant portfolio. The bank is not required to dispose of prohibited income resulting from brokerage commissions (both buying and selling).

7. Warrants or Preference rights are sold with the stock and are subordinate to it, whether for investment or stock trading.

8. Care must be taken to refer to the list of permissible stocks and the list of mixed stocks that may be traded before executing any trading or financing transactions for the purposes of trading, acquisition, investment, brokerage, management, or representation on behalf of others.

9. If a bank acquires prohibited shares due to judicial enforcement against the assets of clients who have received financing from the bank, it is obligated to dispose of them immediately unless an immediate sale would result in a loss to the bank. In that case, it must wait a period not exceeding 90 days from the date of acquisition of these prohibited shares. It is not permissible to accept prohibited shares as collateral for financing granted by the bank to any of its clients.

10. The aforementioned Sharia guidelines regarding borrowing and depositing with interest, and prohibited income or investment, apply exclusively to those who do not have influence over the company's decisions issued in this regard. However, for those who have authority over the company and can influence its decisions, given the size of the shares they own or would like to own, their investment in the company or their ownership of its shares is not permissible, regardless of the small percentage of borrowing or depositing with interest, or the percentage of prohibited income or investment. Responsibility for these actions rests with the bank, the company's board of directors, its executive management, and anyone else who plays a role in its management and decision-making.

11. Where there is no text in the foregoing, reference shall be made to Shari'a Standard No. 21 on Securities (Stocks and Bonds).

12. These regulations shall be effective after their approval by the Shari'a Supervisory Board of Bank Nizwa, and all conflicting provisions in previous resolutions related to stocks shall be repealed.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Note: Final approval was made on February 19, 2024, following a final review of the wording by the Chairman of the Shari'a Board.

Appendix (4) Minutes of Meeting (53) dated 12/21/2023

(c) Resolution

Sharia Guidelines for Exiting Investments in Which the Bank Participates

The Sharia Supervisory Board has opined that the Sharia Guidelines for exiting real estate investments are as follows:

1. Exit would mean that the bank's withdrawal, as an investor, from the investment (fund/portfolio/direct investment) and the termination of its relationship with it.
2. Exit may be consensual as per the agreement, via legal way, or being decided judicially by the court.
3. Exit shall be at the fair market value of the investment that is required to be exited at the time of redemption or at the agreed-upon value at the time of redemption. In specific cases as determined by the Sharia Supervisory Board and/or relevant Authority, it is permissible to redeem from such investment may be at the nominal value.
4. Upon redemption, the bank must ensure that it has disposed of all prohibited Sharia non-compliant income which was generated by the investment. The purification of prohibited income must be implemented in accordance with the mechanisms set forth in other relevant Sharia guidelines.
5. Upon redemption, care must be taken to ensure that zakat is paid on the investment to be redeemed, regardless of whether the bank has made a profit or a loss, provided that the zakat requirements are met. Zakat is paid on the funds received as they are earned, whether they are received when it is due or delayed on any relevant redemption date. Zakat is paid on the cash resulting from the redemption of loss or distressed investments when they are received as doubtful debts.
6. The Investment Department and/or the relevant department shall prepare a detailed report confirming the above.
7. These regulations shall be implemented after its approval by the Sharia Supervisory Board of Bank Nizwa, and all previous resolutions that conflict with them shall be superseded.

Note: Final approval was made on February 19, 2024, after a final review of the wording by the Chairman of the Sharia Board.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Appendix (4) Minutes of Meeting (53) dated 12/21/2023

(b) Resolution

Sharia Controls regarding the Zakat on Investments being made by the Bank

The Sharia Supervisory Board has opined that the Sharia controls regarding the Zakat on real estate investments being made by the Bank are as follows:

1. Zakat is a religious financial obligation that cannot be waived except by settling it through payment. The investor is obliged to pay the Zakat according to the nature of the assets they own, provided that the conditions for paying Zakat are met.
2. When the bank makes any investment or receives investments from others, the investment entity must disclose the mechanism for dealing with zakat, in terms of calculation and payment.
3. For the investment entity, Zakat is managed based on two options:
   - **First**: Calculating the Zakat element and authorizing the investors to pay it. In this case, the investment returns are the sole right of the investor, and the Zakat due on them is paid.
   - **Second**: The investment entity shall undertake the duty of calculating the Zakat element and informing each investor of the Zakat due on their investments. Each investor shall then on their own bear the responsibility to pay Zakat on their share of the investments.
4. When calculating Zakat, the Shari'a-compliant conditions for calculating Zakat shall be met.
5. When calculating Zakat, the nature of the assets for which Zakat is being calculated shall be taken into account, whether they are cash based, income-generating assets, assets for the purpose of resale, trading goods, crops, or cash profit, or any other type of assets for which Zakat is being calculated.
6. For the purposes of implementing these Sharia controls, the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the fatwas pertaining to calculating Zakat on bank activities shall be taken into account, with regard to the elements related to the Zakatable assets and liabilities.
7. In the event where Zakat is paid on investments made by the bank, it must be deducted from the Zakat component calculated on the bank's Zakatable assets to avoid duplication in Zakat calculations. These investments must be declared at their net value after Zakat has been paid, to distinguish them from investments on which Zakat must be paid after disclosing the Zakat percentage therein.
8. When calculating Zakat, all Zakatable assets must be included in the calculation, minus zakat liabilities.
9. Regarding Zakat on assets/investment units on losses or in distressed funds and portfolios, Zakat should be paid upon redemption.
10. When calculating Zakat, all assets and zakatable funds owned by the bank as an investor at the date of calculation are taken into account, even if they are intended to be disposed of later.
11. The Investment Department and/or the relevant department shall prepare a detailed report confirming the above.
12. These regulations will be implemented after its approval by the Sharia Supervisory Board of Bank Nizwa. Any provisions that conflict with previous Sharia decisions related to real estate investment will be repealed.

Note: Final approval was made on February 19, 2024, after the final wording review by the Chairman of the Sharia Board.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

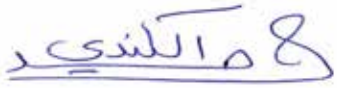
Appendix (4) Minutes of Meeting (53) dated 12/21/2023
(d) Resolution

Sharia Controls for Resolving Disputes Related to Investments in Which the Bank Participates

The Sharia Supervisory Board has opined that the Sharia controls regarding on resolving disputes related to investments are as follows:

1. In order to resolve disputes related to the investments in which it participates the bank has the right to resort to courts or arbitration center, taking into account its interests in choosing the means of dispute resolution.
2. The bank is not entitled to collect any compensation for the opportunity cost/loss of distressed investments pending before dispute resolution bodies.
3. The bank is entitled to collect any compensation being awarded to it or from insurance placed in the Bank's possession /securities held by it on any amount which is equivalent to the actual cost it has incurred to recover its rights in investments whch is pending before dispute resolution bodies.
4. When determining the cost of litigation and dispute resolution, the understandings or contracts concluded between the parties shall stipulate that the other party bear the costs of litigation whenever possible, and that the bank stipulates that it is exempted from these costs.
5. The bank is prohibited from demanding and/or paying any usurious interest, whether the obligation to do so is contractual, judicial, or by virtue of the law, arising from subscribing into an investment or from defaulting on its commitment thereof. Exceptions, if any, shall be dealt with individually by presenting them to the Sharia Supervisory Board and relevant Authority, without comparing each case to the others.
6. The Investment Department and/or the relevant department shall prepare a detailed report confirming the above.
7. These regulations shall be effective after their approval by the Sharia Supervisory Board of Bank Nizwa. Any conflicting decisions or previous resolutions shall be repealed.

Note: Final approval was obtained on February 19, 2024, following a final review of the wording by the Chairman of the Sharia Board.



Sheikh Dr. Majid Muhammad Al-Kindi
Chairman of the Sharia Board



Sheikh Dr. Azzan Hassan
Deputy Chairman
of the Sharia Board



Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member of the Sharia Board

Fatwa Regarding the Electronic Payment Gateway Service via the OmanNet Network

Subject of the Fatwa: The Sharia ruling on the Electronic Payment Gateway Service via the OmanNet network.

Fatwa Number: 2/54/2024

Date of Fatwa: 15th of Rajab, 1445 AH - 25th January 2024

Praise be to Allah, and peace and blessings be upon the Messenger of Allah.

The Sharia Committee has reviewed the idea of establishing an electronic payment gateway via the OmanNet network during its 54th meeting on Thursday, 15th of Rajab, 1445 AH, corresponding to 25th January 2024. To issue the Fatwa, the Sharia Committee will describe the product/service, and followed by the Sharia ruling - Insha'Allah.

First: Description of the Service

- The service involves accepting and processing payment transactions via debit and credit cards on the internet through merchant websites and applications, this allows the public and private sector institutions to collect fees and payments for their services electronically.
- The bank will provides the service to the public and private sector institutions in-lieu for a fixed sum of fee or a known fee on a fixed percentage of the collected amounts.

Implementation Process:

1. The customer initiates the purchase process of a service or a product on a website or mobile application, enters their payment details, then the payment gateway encrypts the sensitive data to ensure secure transmission. The encrypted payment details will be sent to the payment gateway, which redirects the authorization request to the payment processor.
2. The payment processor, which is linked to the relevant financial institutions (banks or credit card networks), verifies the transaction, checks the available funds, and performs other security checks.
3. The payment processor sends the authorization response back to the gateway, and the customer receives feedback on the transaction. Upon approval, the purchase is made and completed. Subsequently, the payment processor facilitates the transfer of funds from the customer's account to the merchant's account.

Second: Sharia Ruling

The Sharia Committee has reviewed the contract which will regulate the services and its workflow structure, met with the relevant parties related to the services, and amended some part of it to ensure it is Sharia compliant. The structure is based on an agency for a fee in a Sharia-compliant transaction and therefore it is permissible.

The service involves collecting payments on behalf of the company into the company's current account held at the bank, and in-lieu for that services, OmanNet will be charging relevant fees which will be published by the Bank on its website / platform, and accordingly such fees will be shared between the bank and the platform according to their agreement. Therefore, the bank may proceed with this service if it deemed beneficial, after obtaining the necessary approvals.

And Allah is the One who will grant us with success and He knows best.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

The Sharia Ruling on Escrow Account

Praise be to Allah, and peace and blessings be upon the Messenger of Allah.

The Sharia Committee was presented with a request for a fatwa regarding the escrow account product. In order to issue the Fatwa, the Sharia Committee will be describing the product/service, followed by the Sharia ruling, in Sha Allah.

First: The Concept of the Topic

Escrow Account: It is an intermediary account with a third party (such as bank, financial institution, or escrow agent) which guarantees a temporary legal arrangement between two transacting parties by depositing cash amounts to secure the relationship between them.

Structure of the Escrow Account:

- An escrow account is a current account that does not accept withdrawals by cheque or ATM card.
- An escrow account is based on a qardh or loan contract, in which the customer is the lender and the bank is the borrower. It is established within the context of Islamic jurisprudence that the borrower (the bank) has the right to utilize the loan amounts /funds wherever it wishes such as for its operations, while guaranteeing the funds to the account holders and returning the amount once the mutually agreed conditions are met.
- The bank may charge a fee as agreed upon by both parties for escrow account services.

The escrow account service will be having the following categories:

1. Real estate development projects
2. Payment service providers
3. Crowdfunding platforms and fintech companies
4. Financing transactions
5. Mergers and acquisitions
6. Capital market transactions
7. Online sales
8. Regulatory requirements
9. Any other bank-approved allocation requirements.

Second: Shariah Ruling

The Sharia Committee has reviewed the proposal which was submitted by the bank's management, met with relevant stakeholders, and amended the document to ensure it is Sharia-compliant, in accordance with the concept presented in this proposal.

The service is based on the customer's depositing and keeping the money with the bank for the benefit and use by another party as per the conditions agreed between them. This is a service that is permitted by Sharia, and the bank may charge a fee in lieu for the service based on the mutual consent of both parties.

There is no Sharia objection with keeping the cash that is being deposited by the client on a Qardh or loan contract, as the borrower only borrows for its own benefit, and what is prohibited is if there is any benefit that will be given to the lender in lieu for such loan. Based on the above, the bank has the right to offer the aforementioned escrow account if it deems it beneficial and appropriate.

And Allah is the One who will grant us with success and He knows best.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Rajab 15, 1445 AH corresponding to January 25, 2024 AD

Fatwa/Shari'a Resolution of the Shari'a Supervisory Board of Bank Nizwa SAOG

Resolution No. (03/53/3)

29 Sha'ban 1445 AH - Corresponding to March 10, 2024 AD

In the Name of Allah, the Most Gracious, the Most Merciful

Praise be to Allah, The Lord of the Worlds, and peace and blessings be upon the Prophet of Allah, his family, and all his companions.

Sukuk Issuance Program (Omani Riyals 50 Million) by Nizwa Sukuk, a special purpose vehicle (the "Issuer") of Bank Nizwa SAOG ("Bank Nizwa")

The Shari'a Supervisory Board of Bank Nizwa has reviewed the structure, mechanism, and documentation of the proposed issuance of Additional Tier 1 Mudaraba Sukuk by Bank Nizwa Sukuk Limited (the "Issuer"). The Sukuk will be convertible into ordinary shares.

Shari'a Ruling:

The Shari'a Board has reviewed the proposed concept, the structure of the Sukuk, the prospectus regulating the issuance of the Sukuk, the Master Mudaraba Agreement and its relevant appendices, and the documents which are required for the Sukuk issuance. The Sharia Board has also met with stakeholders and those involved in the Sukuk issuance, and amended the documents to ensure it is Sharia compliant.

And Allah is the One who will grant us with success and He knows best.

This fatwa indicates the permissibility of issuance of and investment in the Sukuk from a Sharia perspective, however the investors are advice to conduct their own feasibility studies and thereafter to make their own independent investment decisions.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

26 of Rajab, 1446 Corresponding to 26 January 2025

Product Program Document (PPD) on Opening the Virtual /Digital Accounts for Customers

Praise be to Allah, and peace and blessings be upon the Messenger of Allah.

The Sharia Committee has been requested to issue a Fatwa based on the submission of PPD regarding a product that allows customers to open accounts virtually /digitally. .

In order to issue the Fatwa, the Sharia Committee will elaborate on the submitted PPD and thereafter explain it with the Sharia ruling.

First: The Conceptual Aspect of the Account

- **Virtual Account (VAM):** A banking solution that allows businesses to create multiple virtual bank accounts within a single physical account. These virtual accounts function like normal bank accounts, with each virtual account having a unique account number which enables any transactions related to it. The key difference is that, unlike normal physical accounts, the virtual accounts do not require the opening, maintenance, or reconciliation of separate physical bank accounts.
- Customers with complex and variety of cash flows may have multiple types of income flowing into a single bank account, making it difficult to match each cash flow for each user.
- Virtual accounts make it simple and easier for businesses to track individual payments and automating the reconciliation process, and this potentially will save significant time and resources for the company's finance department. Meanwhile, manual reconciliation means businesses need to review each transaction and after that reporting the numbers, this will potentially increasing the risk of human error in reporting.

Virtual Accounts (VAMs) provide customers with a convenient and efficient way to manage their finances, improving thee cash flow, and gain greater control over their monies, ultimately supporting their financial goals and operational efficiency.

Virtual account solutions are scalable and can accommodate the evolving needs of businesses, making them suitable for organizations of all sizes and sectors.

Banks can generate revenue from the Virtual Accounts (VAMs) through various channels and fee-based services. Account maintenance fees may be charged for the setting up and ongoing management of VAMs. Fees may vary based on the number of VAMs created, the volume of transactions, or the additional services requested by the customer. The Bank may charge transaction fees for activities such as transfers between VAMs, payments to third parties, and incoming receipts. Transaction fees may be charged per transaction or based on transaction volume.

Income may be generated from the balances in the main accounts accumulated from these VAMs. This can be particularly profitable if customers maintain significant balances generated by their VAMs.

Value-added services such as automated settlement, customized reporting, liquidity management tools, and integration with other banking services may be provided, for which the bank may impose additional fees.

Second: Sharia Ruling

The Sharia Committee has reviewed the PPD which was submitted by the bank's management, met with relevant stakeholders, and amended the PPD to ensure it is Sharia-compliant, in accordance with the concept presented in this document.

The bank may—if it deems it feasible and appropriate—provide this service in accordance with the terms mentioned herein. It may also levy a fee by offering such product as agreed upon by the contracting parties, for as long as it is within the limits set by the Central Bank. This charging of fee is permissible because it is offering services as permitted by Sharia.

And Allah is the One who will grant us with su

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

Final approval was obtained at the 89th meeting on May 29, 2024.

Fatwa on Investing in the Ishraq Waqf Fund

In the Name of God, the Most Gracious, the Most Merciful

Sharia Ruling on Investing in the Ishraq Waqf Fund

Praise be to Allah, and may peace and blessings be upon the Messenger of Allah, his family, and all his companions.

The Sharia Supervisory Committee was presented with a request from the management of Bank Nizwa on the Sharia ruling on investing in the Ishraq Waqf Fund.

After reviewing the Sharia Board's Resolution No. (1/87/1) dated 29 Sha'ban 1445 AH (March 10, 2024 AD), entitled "Fatwa on the Temporary Waqf Investment Fund and its Articles of Association," and after reviewing the following documents:

1. The prospectus.
2. The articles of association.
3. The bylaws.
4. The subscription application form.
5. The agreement appointing Bank Nizwa as the subscription and collection manager.
6. The fatwa of the fund's Sharia advisor.

Upon reviewing the documents and amended them to ensure it is Sharia Compliant, the Sharia Committee has concluded that it is permissible for Bank Nizwa to invest in the Ishraq Waqf Fund, provided that the bank adheres to the Sharia rules and principles as per the Sharia Supervisory Board's Fatwa No. (1/87/1) dated 29 Sha'ban 1445 AH (March 10, 2024 AD), entitled "Fatwa on the Temporary Waqf Investment Fund and its Articles of Association."

The Sharia Committee shall be informed if the Bank decides to invest, participate and subscribe to the Fund, the Fund's final description, and all matters related to the Fund's distribution of profits and utilization of the proceeds, prior to its approval. The bank has promised and committed to the Sharia Board to inform from time to time on the fund's reports and provide the Sharia report on the fund's performance during the period where the Bank is investing and/or subscribing to the Fund.

And Allah is the One who will grant us with success and He knows best.

This fatwa indicates the permissibility of issuance of and investment in the Sukuk from a Sharia perspective, however the investors are advice to conduct their own feasibility studies and thereafter to make their own independent investment decisions.

Sheikh Dr. Majid Muhammad Al-Kindi Chairman of the Sharia Board	**Sheikh Dr. Azzan Hassan** Deputy Chairman of the Sharia Board	**Sheikh Dr. Ali Sulaiman Al-Jahdhami** Member of the Sharia Board

16 Jumada alakerah 1446 -18/11/2024

Fatwa on Bank Nizwa's Subscription to the Apple Pay Service, which Includes a Late Payment Penalty

In the Name of Allah, the Most Gracious, the Most Merciful

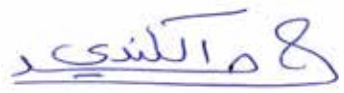
Praise be to Allah, Lord of all the worlds, and peace and blessings be upon our master Muhammad, his family, and companions.

The Bank Nizwa management submitted to the Sharia Supervisory Committee a request on the fatwa regarding the bank's subscription to the Apple Pay service, which includes a late payment penalty clause in the contract provided by the service provider. After deliberating and examining the issue, as well as considering the various factors and its Sharia implications, the Sharia Committee has conclude the following:

- The basic principle is that it is not permissible to participate in a contract that includes a penalty clause due to late payment, as this is a blatant interest-bearing and usurious condition, unless it is an urgent necessity or a need that is considered a necessity.
- The reason for the need in this case is the general and popular reliance on this type of service by the public, which is expected to increase over time, as evidenced by the current situation in the market. There is also a concern that the bank could be held accountable for not providing this service, which might lead people to abandon Islamic banking in favor of other types of banking.
- The Sharia exception that the Bank is seeking from the Sharia Supervisory Board for the Bank to subscribe to this service is based on the fact that the Shari'ah Committees of other Islamic Banks in Oman and the Sharia Committee of the Islamic Banks in this region have approved for their respective institution to subscribe to this service although with the prohibited clause such as that late payment penalty interest still exist in the contract.
- In view of all of the above, the bank is exceptionally approved to subscribe to the aforementioned service as an exception, subject to the following conditions:

1. Exhaust all possible efforts to negotiate with the service provider to delete the late payment penalty clause, with proof of such efforts.
2. If negotiations prove unsuccessful, and the service provider still insists on maintaining the late payment penalty clause in the agreement, it should be noted that this remains as a prohibited condition that is against Sharia. However, the agreement may be signed to be entered into as an exception for this particular service only based on the need that is deemed a necessity, rather than being permissible in principle.
3. This exceptional decision must be accompanied with the bank's undertaking to ensure all necessary measures to prevent exposure to late payment penalties must be taken very seriously and timely.

And Allah is the One who will grant us with success and He knows best.



Sheikh Dr. Majid Muhammad Al-Kindi
Chairman of the Sharia Board



Sheikh Dr. Azzan Hassan
Deputy Chairman
of the Sharia Board



Sheikh Dr. Ali Sulaiman Al-Jahdhami
Member of the Sharia Board

25 of Rabie Awal 1446 -29/9/2024

Shariah Guidelines for the Media and Marketing Materials Issued by Bank Nizwa

In the Name of Allah, the Most Gracious, the Most Merciful

Praise be to Allah, Lord of all the worlds, and peace and blessings be upon our master Muhammad, his family, and companions.

Afterward:

Date: 03/12/2024

No.: 2/57/03122024

Based on Bank Nizwa's reputation and images on being the market standard for Islamic reference, its commitment to comply with the Sharia rulings on its dealings, contracts and agreement, the projects it undertakes, and the community service it provides, the media abd materials published by the bank, including marketing materials in all their forms (whether visual, audio, or written), must fully comply and adhere with the Sharia guidelines. Among these guidelines are:

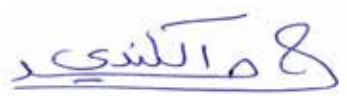
1. Ensuring Accuracy and Academic Integrity in the educational materials published by the bank, in defining the methodology followed in contracts and financial transactions based on legitimate Sharia principles. This is a matter of academic integrity and precision in Sharia principles. Allah, the Almighty, says:

   "And do not falsely declare with your tongues, "This is lawful, and that is unlawful," "only" fabricating lies against Allah. Indeed, those who fabricate lies against Allah will never succeed." (An-Nahl: 116)
2. Ensuring Credibility and Accuracy in marketing materials, an adopt a method of transparency, clarity, and clear disclosure to guarantee the rights and inform all parties of their relevant obligations. The Prophet, peace be upon him, said:

   "The two parties in a transaction have the choice of canceling or continuing the sale as long as they have not parted. If they are truthful and clarify the details, then their transaction will be blessed. But if they lie and conceal the facts, the blessing of the transaction will be lost." (Narrated by Bukhari and Muslim)
3. Commitment to a Professional Media Style that aligns with the bank's image and reputation on Islamic identity, as well as its ethical commitment in its community message. Avoid using low-quality methods of presentation or marketing for the products or services offered by the bank.
4. Adherence to Sharia Guidelines Regarding Modesty in Dress for both genders male and female, and the prohibition of marketing that involves showing a woman's adornments beyond the face and hands, as this is the permissible limit for displaying a woman's adornments.
5. Adherence to Permissible Audio Materials and the prohibition of using prohibited musical instruments, as stated in the Hadith of the Prophet, peace be upon him:

   "There will be some people from my Ummah who will consider permissible illegal sexual intercourse, the wearing of silk, the drinking of alcohol, and the use of musical instruments." (Narrated by Bukhari)

   Note: The use of the tambourine (duff) is exempt from this prohibition.
6. Musical Instruments and Similar Sounds: The ruling on prohibited musical instruments extends to any artificially processed sounds created with modern equipment that resemble the sounds of musical instruments and cannot be distinguished from them.
7. Permissible Use of Processed Sounds: The use of processed sounds created with modern equipment, whether human or non-human sounds, is allowed as long as they do not resemble the sounds of prohibited musical instruments.



Sheikh Dr. Majid Muhammad Al-Kindi
Chairman of the Sharia Board



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