Annual Report

2025

حضرة صاحب الجلالة السلطان
هيثم بن طارق المعظم حفظه الله ورعاه

His Majesty Sultan Haitham bin Tarik

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2025

Overview

At NBO, we are dedicated to drive growth through continuous innovation, while elevating the banking experience, and placing our customers at the heart of everything we do to unlock new opportunities.

Amal Suhail Bahwan Al Mukhaini
Chairperson

Chairperson's Annual Report 2025

On behalf of the Board of Directors of the National Bank of Oman SAOG, I am pleased to present the Annual Report for the period ended 31 December 2025.

Oman's Economy

Throughout 2025, Oman's economy continued to demonstrate solid performance, supported by its sustained commitment to the objectives of Oman Vision 2040. Economic growth was supported by steady progress in structural reforms and continued expansion across non-oil sectors, particularly manufacturing, services, and logistics.

According to the Central Bank of Oman, real GDP grew by 1.6 per cent during the year, with non-oil activity expanding by 3.9 per cent, while inflation remained contained at an average of 0.6 per cent, among the lowest levels in the region. Fiscal and external balances both recorded surpluses, and public debt continued its downward trajectory, declining to approximately 35–36 per cent of GDP.

These positive developments were recognised by international credit rating agencies, reflecting improved fiscal strength and enhanced economic resilience. Standard & Poor's affirmed Oman's sovereign credit rating at BBB- with a stable outlook, highlighting continued improvements in public finance management. Moody's also upgraded the Sultanate's sovereign credit rating to investment grade at Baa3, supported by improvements in public debt indicators and the Sultanate's ability to maintain prudent fiscal conditions even under scenarios of lower oil prices.

Looking ahead, official projections, including those from the International Monetary Fund, indicate that real GDP growth is expected to accelerate to around 2.9 per cent, supported by further expansion in non-oil sectors and the gradual normalisation of oil production. These outcomes underscore the effectiveness of Oman's reform agenda and reinforce confidence in the Sultanate's long-term economic outlook under Oman Vision 2040.

Highest Net Profit in NBO History

﷼70.2 Million

Capital Adequacy Ratio

20.4%

NBO's Operating Performance

Given this backdrop, the Bank's net profit for the year 2025 stood at ﷼70.2 million, compared to ﷼63.1 million for the same period last year, reflecting an increase of 11.3 per cent.

Net interest income for the year 2025 was ﷼111.9 million, reflecting an increase of 2.8 percent over the corresponding period last year, primarily driven by lower interest expenses.

Net fee and other operating income for the year 2025 was ﷼51.6 million, compared to ﷼42.5 million last year, registering a growth of 21.4 per cent.

Operating expenses for the year ended 31 December 2025 was ﷼66.4 million, compared to ﷼63.0 million for the corresponding period in 2024, an increase of 5.4 per cent. The Bank continues to invest in its people, technology, and infrastructure.

Net Impairment charge for 2025 was ﷼14.5 million, compared to ﷼14.1 million for the corresponding period last year, an increase of 2.8 per cent.

Gross loans and advances stood at ﷼4.33 billion as at 31 December 2025, reflecting growth of 5.8 per cent over last year. Customer deposits amounted to ﷼4.01 billion as of 31 December 2025, with a comfortable CASA mix.

The Bank's Core Equity and Total Capital Adequacy Ratio stood at 11.7 per cent and 20.4 per cent, respectively.

NBO has sustained its leadership in digital innovation with pioneering initiatives

Key Achievements

Throughout 2025, we continued to advance our digital transformation, partnership strategy and financing capabilities in support of Oman Vision 2040, delivering meaningful value across retail, corporate, investment and government banking.

We successfully completed the issuance of our Additional Tier 1 (AT1) capital securities in Regulation S format, representing the largest US dollar AT1 issuance by an Omani bank in the international market. The transaction attracted strong demand from local, regional and international investors, with orders reaching $1.5bn, allowing us to upsize the issuance to $450mn and price it at par with a 6.625 per cent coupon. This milestone reflects investor confidence in our financial strength and long-term strategy, as well as in Oman's economic outlook, and further strengthens our capital base, funding diversification and ability to deliver sustainable growth while supporting the development of the Omani financial sector.

We also launched a range of strategic digital initiatives to enhance customer convenience and operational efficiency. These included fully digital onboarding for new-to-bank customers, featuring instant account activation, debit card delivery, and virtual debit card issuance. We also rolled out the Direct Debit E-mandate service through the NBO app and facilitated digital Systematic Investment Plan (SIP) applications through the app. In line with the Central Bank of Oman's directives, partial cheque payment functionality was also introduced to enhance customer satisfaction. In parallel, we deployed an API Gateway to support seamless system integration for corporate clients, government entities, and fintech partners.

As part of our customer-focused innovation efforts, we introduced a range of initiatives and services, including Drive-Thru ATMs in Al Mussanah, Samail and Salalah, and integrated Eid cash solutions combining a limited-time Eid notes pre-booking service with dedicated Eid Note Dispensing Machines.

In parallel, we showcased our latest digital solutions at COMEX 2025, including our self-service kiosks that enable digital account opening, as well as the printing, renewal, and replacement of Badeel prepaid and debit cards. We also introduced our full-function machines, which offer remittance services and cash withdrawals, in addition to voice guidance to enhance accessibility and improve the overall customer experience. This participation also served as a platform to enhance collaboration through strategic agreements with Al Jabr, Omantel, Public Prosecution and others.

We also signed different agreements and MoUs throughout the year across the real estate, fintech, technology, and public sectors, fostering collaboration in support of key national priorities.

To support the Ministry of Housing and Urban Planning's Sorouh Initiative, we signed several agreements to fund different projects within the initiative including the Hai Al Naseem Project, Husn Al Zain and Boulevard Al Samou.

We also strengthened our trade finance, escrow, and export finance activities, supporting strategic infrastructure projects and facilitating export transactions with significant year-on-year growth, reinforcing our position as a trusted financial partner for complex and high-value operations.

In capital markets and investment banking, we played a key role in advancing Oman's debt capital markets through the successful facilitation of Energy Development Oman's inaugural listed Sukuk, supporting market depth, diversification of funding sources, and the development of local investment instruments.

Building on this momentum, we expanded our asset management and investment offering through the launch of the NBO Money Market Fund, while continuing to offer the NBO GCC Fund and Global Equity Fund, providing diversified investment opportunities tailored to the needs of retail and corporate clients.

In parallel, we facilitated landmark equity capital markets transactions, including the Asyad Shipping IPO, reinforcing our capabilities across both debt and equity markets and our role in supporting major national champions.

> Muzn Islamic Banking continues to perform well with total income for the year 2025 growing by 31.0 per cent YoY.

In government banking, we managed the opening and conversion of revenue and expense accounts under the Treasury Single Account framework, including sub-revenue accounts, to support efficient financial operations.

Complementing these achievements, we hosted a series of high-profile stakeholder, customer, and industry engagements, including the MEIRA Oman Chapter Meeting and CEO Roundtable in collaboration with the Muscat Stock Exchange, the third edition of our Market Outlook 2025 event featuring global economic experts, our inaugural Digital Partnership Awards Ceremony recognizing public and private sector collaborators.

To emphasize our strive to support our high net worth individuals, we held exclusive Ramadhan iftar and networking dinners for Sadara Priority Banking clients in Salalah and Al Buraimi. Internally, we organized 10 workshops, delivered both virtually and in person, to enhance staff awareness and understanding of our Corporate Internet Banking services.

NBO Muzn Islamic Banking

Muzn Islamic Banking continues to perform well with total income for the year 2025 growing by 31.0 per cent YoY. Gross Financing grew by 11.4 per cent YoY to reach RO 399 million at 31st December 2025 and customer deposits grew by 9.1 percent YoY to reach RO 366 million as at 31st December 2025.

Throughout the year, Muzn Islamic Banking introduced a range of innovative products and services for its retail and corporate customers across Oman. In line with its digital transformation journey, Muzn advanced its digital capabilities by launching digital onboarding for new customers, e-IPO services through the Muzn Islamic Banking app, Samsung in-app tokenization for secure payments, Dhamani Pay for streamlined health insurance transactions, and a Shari'ah-compliant Direct Debit e-Mandate through its corporate internet banking platform and mobile app.

To strengthen its presence across the Sultanate, Muzn Islamic Banking opened a new branch in Al Mussanah and relocated its branch in Al Mabilah to a more accessible location to better serve customers.

Partnerships with Oman Housing Bank further supported homeownership, offering additional benefits such as waived first-year fees on Muzn credit cards for eligible customers.

Muzn continued to expand its home financing portfolio in alignment with Oman Vision 2040, signing multiple memoranda of understanding with leading real estate developers to provide Shari'ah-compliant financing for projects under the Sorouh initiative and other developments.

Tailored solutions were also launched for self-employed customers, small business owners, and freelancers, offering competitive profit rates and financing tenures of up to 25 years, promoting financial inclusion across diverse customer segments.

In retail and seasonal offerings, Muzn introduced exclusive financing during Ramadhan for auto and goods financing with competitive profit rates and flexible repayment options, and provided targeted support for back-to-school expenses, including tuition, transportation, and supplies.

On the corporate side, over 50 training sessions were conducted for 26 corporate and government entities to boost digital adoption. In parallel, corporate running wakala finance provided a flexible, Shari'ah-compliant alternative to conventional overdrafts, supporting businesses of all sizes.

People and Development

NBO's leadership and commitment to national development were highlighted through high-profile engagements and internal initiatives. Our Chief Executive Officer, participated in two prominent panels, sharing insights on digital banking, fintech, and financial inclusion at the Dubai Fintech Summit, and discussing sustainability and institutional resilience during crises with the Royal Academy of Management and the National Risk Register, reinforcing NBO's support for Oman's digital economy and Vision 2040.

We partnered with the Ministry of Labor to fuel our commitment towards cultivating future leaders and supporting Oman's national workforce priorities. Over 35 fresh graduates joined our Tomorrow's Leaders Program, an initiative that aims to equip young Omanis with essential technical and interpersonal skills, supporting their long-term professional growth in the financial services sector. Likewise, our collaboration with the Ministry of Labor supported a two-year training and employment initiative for diploma graduates pursuing careers in retail banking, targeting over 60 diploma graduates through the Universal Banker Program.

In parallel, we organised seven workshops under the "Enhancing Skills in Dealing with Beneficiaries" programme on the Tajawob platform, which saw the participation of over 750 participants across Muscat, North Al Sharqiyah, and Dhofar. The programme was delivered in collaboration with several government institutions and covered key topics related to service accuracy, inquiry handling, and feedback management.

Additionally, we continued to strengthen employee engagement and foster a sense of community by hosting a range of initiatives, including the annual NBO Day for employees and their families, a staff iftar during Ramadhan, National Day celebrations that encouraged social connection and networking beyond work-related activities, and the Kids Carnival for staff and their families.

Community values

Throughout 2025, we remained committed to corporate social responsibility by supporting a range of initiatives focused on youth empowerment, fintech development, and the advancement of underserved communities, while also promoting local empowerment.

Supporting the goals of Oman Vision 2040 and marking a significant milestone in our ongoing efforts to drive innovation and enhance Oman's fintech ecosystem, we launched the NBO Hackathon as part of our Fintech Accelerator Programme. This successful initiative brought together Oman's brightest fintech innovators, fostering entrepreneurship and encouraging the development of creative solutions in the fintech sector. The hackathon attracted over 300 applications, with 90 applicants shortlisted and formed into 17 teams, all engaged in creating innovative fintech solutions to address real-world challenges.

We also supported the "Upgrade" Programme launched by the Ministry of Higher Education, Research and Innovation, which aimed to transform student projects into viable, real-world ventures. As part of the programme, two participating teams took part in the National Bank of Oman's Hackathon this year.

We also hosted the Academy of Strategic and Defense Studies' Mulhim Hackathon, bringing together outstanding young Omani talent to develop generative AI-powered solutions, while contributing through mentorship and participation on the judging panel—reinforcing our commitment to innovation and empowering future digital leaders in the Sultanate.

We were named as the Bank of the Year 2025 by The Banker.

To promote a culture of savings and entrepreneurship, we strengthened our collaboration with Injaz Oman to support a range of programmes that reached more than 3,500 Omani students. These initiatives focused on sound financial decision-making, business development, and entrepreneurship.

Reflecting our commitment to corporate social responsibility, we funded the renovation of the Old Souk in Suroor Village in Al Dakhiliyah Governorate. The initiative contributes to economic diversification, promoting cultural tourism, and empowering local communities.

To complement our social efforts, we supported underprivileged communities through the annual Ramadhan Shahr Al Atta campaign, including food distribution initiatives and community engagement activities. We also partnered with the Zakat Committee in Al Seeb to support the Kaswat Al Eid initiative, providing new clothing for children from low-income families to ensure a dignified Eid celebration.

We also continued our weekly Café Thursday initiative, inviting cafés, restaurants, and small businesses to showcase and sell their products, with more than 45 SMEs participating, while fostering employee engagement and promoting a culture of SME support.

Global Recognition

In 2025, we were named Bank of the Year 2025 by The Banker in London, recognising its strong performance, strategic progress and digital initiatives aligned with national priorities and Oman Vision 2040. During the year, we also received several international recognitions, including Best Bank for Digital Banking Services in Oman 2024 from the Global Banking and Finance Review, Most Innovative Digital Retail Bank in Oman 2024 from the Global Business Outlook, Best Retail Bank in Oman 2025 from MEED's Middle East and North Africa Banking Excellence Awards, Oman's Best Private Bank and Best for High-Net-Worth Customers from the Euromoney Private Baking Awards, and The Straight Through Processing (STP) Excellence Award from Citibank for our outstanding achievement and efficiency in processing US Dollar Payments, alongside awards for AI-driven innovation and overall performance. These accolades reflect the Bank's effective execution of its strategy, sustained investment in innovation and growing leadership across the regional and international banking landscape.

Appreciation

On behalf of the Board of Directors, I would like to thank our customers, shareholders, executive management and the entire team of NBO for their support and efforts in implementing the Bank's strategy and achieving its goals and objectives.

We would also like to sincerely thank our regulators, the Central Bank of Oman, the Central Bank of the United Arab Emirates and the Financial Services Authority, for their constant support and dedicated efforts to develop Oman's financial industry, especially the banking sector.

We pay tribute to His Majesty Sultan Haitham bin Tarik, under whose visionary leadership and wise guidance Oman continues its steadfast march towards sustainable economic growth and social development.

Amal Suhail Bahwan Al Mukhaini

Chairperson

Board of Directors

Ms. Amal Suhail Bahwan Al Mukhaini

Chairperson

Chairperson of the Executive, Nomination and Remuneration Committee (ENRC)

Ms. Amal Suhail Bahwan is currently Vice-Chairperson of Suhail Bahwan Group Holding Company, with extensive experience in managing the companies within the Suhail Bahwan Group.

She is also the Chairperson of the Board of Directors of National Bank of Oman SAOG, Al Jazeera Steel Products Co SAOG, Al Afia Healthcare Development and Investment Co SAOC, Inventure Group Holding Co, and DHL Global Forwarding Co. LLC.

She also serves as a member of the Boards of Directors of the following companies: Oman Oil Marketing Co SAOG and National Pharmaceutical Industries SAOC. In addition, she serves as a board member of the Centre for Social Investment and a member of the Consultative Committee for the Children's Association.

She is the first Omani woman whose photo was published on the cover of Forbes Middle East. She is consistently ranked among the most influential women in the Middle East by Forbes Middle East and among the most powerful Arab women during the last five years.

She holds a Master's degree in Administration and a BA in Education from Sultan Qaboos University.

H.E. Sheikh Abdulla bin Ali bin Jabor Al Thani

Deputy Chairman

Member of the Executive, Nomination and Remuneration Committee (ENRC)

Sheikh Abdullah bin Ali bin Jabor Al Thani has been a Director of the Bank since July 2005 and serves as a member of the Board Executive, Nomination and Remuneration Committee (ENRC). His Excellency is the Chairman of The Commercial Bank (PSQC) in Qatar, a member of the Board of Directors for United Arab Bank, PJSC in UAE and is the owner of Vista Trading Company, a partner in Al Aham Company, Smart Light and Control Company, Integrated Intelligence Services Company, Falcon Petrol Station, Shaza Hotel and The Diabetes Hospital.

H.E. Sheikh Abdulla bin Ali bin Jabor Al Thani holds a Bachelor of Arts Degree, BA in Social Science from Qatar University.

Mr. Hamad Mohammad Al Wahaibi

Director

Chairperson of the Credit Committee of the Board (CCB) and member of the Board Executive, Nomination and Remuneration Committee (ENRC)

Mr. Hamad Mohammad Al Wahaibi has been a Director in the Bank since March 2014. He enjoys over 20 years of experience in investment, asset management, business development, and the financial sector.

Mr. Al Wahaibi also serves on the boards of Renaissance Services Company, Oman Flour Mills Company, Oman International Development and Investment Company (Ominvest), and Oman Real Estate Fund.

He holds a Master of Business Administration Degree with a specialization in Finance. Additionally, he is a Chartered Financial Analyst (CFA) charter holder, a Chartered Alternative Investment Analyst (CAIA) charter holder, and holds a Certificate in Investment Performance Measurement (CIPM).

Ms. Najat Ali Al Lawati

Director

Member of the Credit Committee of the Board (CCB) and member of the Board Executive, Nomination and Remuneration Committee (ENRC)

Ms. Najat Ali Al Lawati has been a member of the National Bank of Oman's Board of Directors since March 2017. She holds a Bachelor's Degree in Accounting and has over twenty-eight years of professional experience spanning various fields, including accounting, financial management, investment management, and auditing. Her career is distinguished by active participation in numerous specialized training courses in accounting, financial management, investment management, and auditing, which have significantly enhanced her practical expertise.

Currently, she works as the General Manager of Finance and Investment Performance Monitoring at the Social Protection Fund in the Sultanate of Oman, where she plays a pivotal role in enhancing financial performance efficiency.

Additionally, Ms. Najat has contributed through her membership in several boards of directors of public and private companies. She is currently a member of the Board of Directors of Oman International Development and Investment Company (Ominvest), Oman Real Estate Fund, and Oman Cement Company.

Mr. Mohamed Ismail Mandani Al Emadi

Director

Chairperson of the Credit Committee of the Board (CCB)

Mr Mohamed Ismail Mandani Al Emadi has been a Director of the Bank since November 2014. He is also a member of the Board for The Commercial Bank (PSQC) and a member of the Board of Alternatifbank AS (ABank), Turkey. He has over 30 years of banking experience. Mr. Al Emadi has held a number of key roles at Commercial Bank from 1983 to 2006, including Head of Banking, Operations, Commercial Services, and Risk Management, and served as Deputy General Manager from 2004 to 2007. He also served as Chief Executive Officer of Qatar Real Estate Investment Company QSC from 2008 to 2011 and as its Director.

Mr. Al Emadi graduated from Holy Names University, California, with a BSc in Business Administration & Economics. He was a former Member of the Board of Governors at Sidra Medicine and the former Managing Director of Qatar Cinema & Film Distribution Co. in Qatar. Additionally, he served as a former Director for Mannai Corporation, Qatar Shipping Co., and Doha Securities Market.

Mr. Fahad Abdulrahman Badar

Chairperson of the Board Risk and Compliance Committee (BRCC) and member of the Board Audit Committee (BAC)

Mr. Fahad Abdulrahman Badar has been a Director of the Bank since May 2016. He is also a member of the Board for United Arab Bank, PJSC in UAE since July 2016.

Mr. Badar's career at The Commercial Bank (PSQC) in Qatar spans over 25 years. Prior to his current role as EGM, Chief Wholesale and International Banking Officer, he held a number of key roles in the wholesale banking, government and international banking, retail banking, and operations divisions.

Mr. Badar holds an MBA from Durham University, UK, and a Bachelor's in Banking and Finance Bangor University, UK.

Mr. Stephen Moss

Member of the Credit Committee of the Board (CCB) and member of the Board Executive, Nomination and Remuneration Committee (ENRC)

Mr. Stephen Moss is the Group Chief Executive Officer of Commercial Bank of Qatar. In addition to his primary executive role, he serves as Vice Chairman of Alternatif Bank in Türkiye and is a member of the Boards of Directors of the National Bank of Oman and United Arab Bank in Sharjah, United Arab Emirates.

He has over 33 years of international banking experience, having held senior executive and board roles across Asia, the Middle East, Europe, and the Americas.

Most recently, he was Regional Chief Executive Officer for HSBC's Middle East, North Africa and Türkiye business, with responsibility for operations across nine countries. During this time he sat on the boards of financial institutions in Saudi Arabia, Egypt, and for the wider Middle East. Earlier leadership roles included Chief of Staff to the HSBC Group CEO, HSBC Group Head of Strategy, and HSBC Group Head of Mergers & Acquisitions. He also served on the HSBC Group Executive Committee for 10 years

Dr. Stephen is a Chartered Accountant (ICAEW), holds a BA in Economics and Accountancy from the University of Kent and is an Advisory Board member of the Hong Kong Red Cross.

Brigadier Jamal bin Said bin Mohamed Al Tai

Director

Chairman of the Audit Committee

Brigadier Jamal bin Said bin Mohamed Al Tai holds a Bachelor of Science Degree in Accounting and Treasury Management and has nearly 30 years of extensive and diverse experience in building and leading finance teams.

He currently holds the position of Director General of Financial Affairs at the Royal Oman Police, where he oversees accounting, insurance, financial planning and analysis, treasury, audit, and budgeting functions.

He serves as a board member of the Military and Security Services Pension Fund, The Sultan's School, Oman Automobile Association, Oman International Investment & Development Co. SAOG (OMINVEST), National Bank of Oman SAOG, and Renaissance Services SAOG.

Mr. Nabil Hamad Al Mahroqui

Director

Member of the Board Audit Committee (BAC), Board Risk and Compliance Committee (BRCC), and the Board Executive, Nomination and Remuneration Committee (ENRC)

Mr. Nabil Al Mahrouqi holds a Master's Degree in Business Administration from the University of Strathclyde (UK) and a Bachelor of Science in Finance from the College of Economics and Political Science at Sultan Qaboos University. He has over 16 years of experience in business and investment across global, regional, and local financial markets, with expertise in financial analysis, valuation, and financial modeling. He is a Certified Financial Modeling & Valuation Analyst (FMVA) from the Corporate Finance Institute (CFI).

Mr. Al Mahrouqi currently serves as Head of Regional Investments at the Investment Unit of the Social Protection Fund, where he leads the evaluation, execution, and oversight of regional investments and supports the development of long-term investment strategies.

He serves on the boards of several companies, including Oman Chlorine, Al Omaniya Financial Services, and Al Maha Petroleum Marketing Company,

and has previously served as a board member of Muscat National Development and Investment Company (ASAAS) and Al Sharqiya Investment Holding Company.

In addition to his professional responsibilities, Mr. Al Mahrouqi has completed advanced executive and professional programs in management, leadership, finance, and investment from leading international institutions.

Mr. Said Hilal Al Habsi

Director

Member of the Board Audit Committee (BAC) and Board Risk and Compliance Committee (BRCC)

Mr. Said Hilal Al Habsi is a distinguished finance and investment professional with an impressive career spanning over two decades in Oman's financial landscape. He currently serves as an Investment Director at the Oman Investment Authority (OIA).

Al Habsi's professional journey includes significant roles at prestigious institutions such as the Oman Investment Fund (OIF) and the Ministry of Defense Pension Fund, where he held various senior positions in investment and finance. He has MBA and a Bachelor's degree in Finance, complemented by his certification as a professional accountant.

Mr. Al Habsi has participated in specialized executive management programs at world-renowned institutions including IMD, Columbia Business School, and Cambridge University Judge Business School. Additionally, he participated in the National Leadership Program organized by the Royal Academy of Management. Al Habsi serves as a Board member at Salalah Mills SAOG. His extensive experience has equipped him with in-depth knowledge of global

financial markets and investments, making him a respected figure in the Omani financial sector.

With over 22 years of industry experience, Mr. Said Al Habsi continues to be a pivotal contributor to Oman's investment and financial sector, leveraging his expertise to drive strategic growth and development.

Mr. Padmanabhan Ananthan

Director

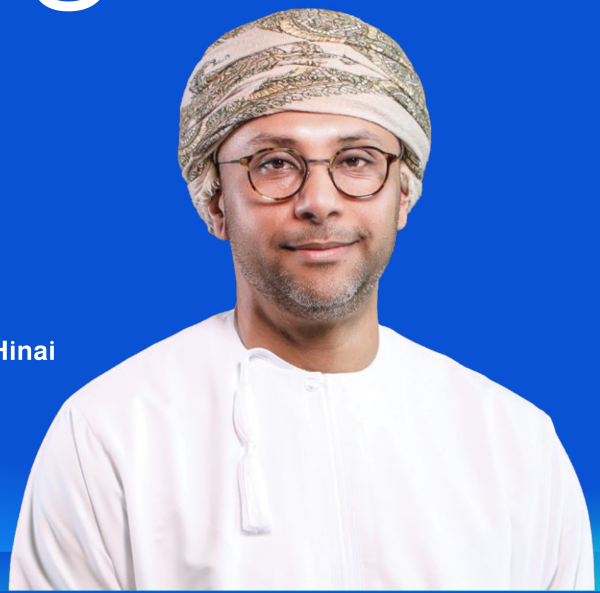
Member of the Board Audit Committee (BAC) and Board Risk and Compliance Committee (BRCC)

Mr. Padmanabhan Anathan is Chartered Accountant and has more than 40 years of professional experience in manufacturing and construction industries. He is currently the Managing Director – Finance & Corporate Services of Bahwan Engineering Group.

During his 31 years with Bahwan Engineering Group, he has worked closely on investment decisions in new ventures, particularly in the Omani power and water sector. His areas of specialization are finance, taxation, budgeting, management reporting and investment analysis.

He has served on the Boards and Audit Committees of Al Batinah Power Co SAOG (from 2010 to 2018) and Sharqiyah Desalination Co SAOG (from 2013 to 2018).

Senior Management



Abdullah Zahran Al Hinai
Chief Executive Officer

Hassan Abdul Amir Shaban
General Manager
Chief Government Banking & Alliance Officer

Tariq Atiq *
General Manager
Chief Operating Officer

Sulaiman Said Al Lamki
General Manager
Chief Risk Officer

Srinivasaraghava Varadachari Giridhar
General Manager
Chief Financial Officer

Faisal Hamed Al Wahibi
General Manager
Chief Retail & Digital Banking Officer

Dr. Ali Mousa Al Abri
General Manager
Chief Human Resources Officer

Pullattu Radhakrishnan Anil Kumar
General Manager
Chief Corporate Banking Officer

Salah Abdullah Al Sharji
General Manager
Chief Internal Auditor

Abdul Karim Zahran Zahir Al Hinai **
Deputy General Manager
Chief Information Officer

Dr. Issam Mohsin Al Balushi
Deputy General Manager
Chief Compliance Officer

Salima Obaid Al Marzoqi
Assistant General Manager
Chief Islamic Banking Officer

Ali Mustafa Al Lawati
Assistant General Manager
Head of Private Banking & Segments

Musallam Suhail Kashoub
Assistant General Manager
Head Retail Operations & General Services

Mohammed Yahya Al Jabri
Assistant General Manager
Head of Global Transaction Banking

Maha Saud Al Raisi
Assistant General Manager
Head of Products

Mohamed Abdullah Al Dhahab
Assistant General Manager
Head of Large Corporates

Ghadeer Iqbal Al Lawati *
Assistant General Manager
Head of Project Finance & Syndication

Dr. Ali Salim Al Shekeili
Assistant General Manager
Head of Digital & E-Channels

Mustahil Ahmed Al Mamari *
Assistant General Manager
Head of Strategy & Transformation

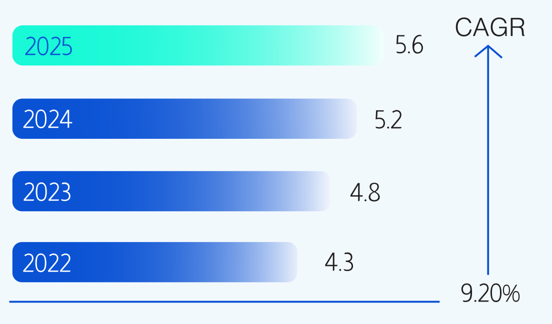
*Left NBO in 2025 and 2026
**Retired in 2026

02

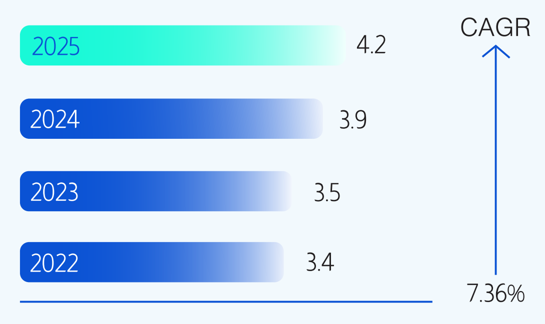
Management

Discussion & Analysis Report 2025

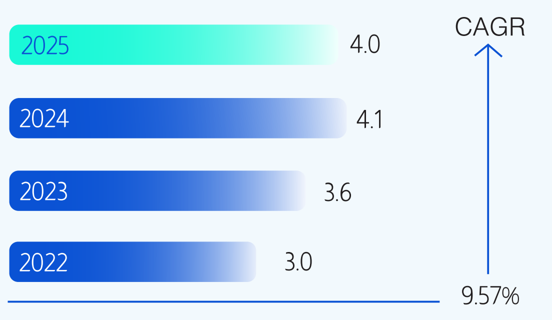
TOTAL ASSETS (⃁Bn)



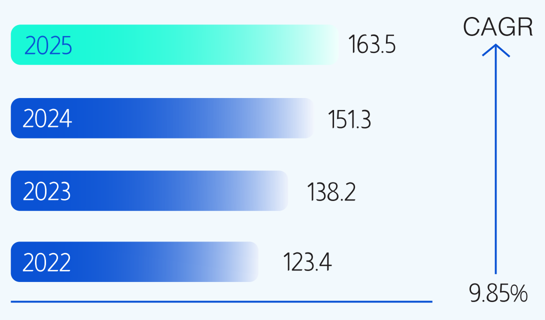
NET LOANS & ADVANCES (⃁Bn)



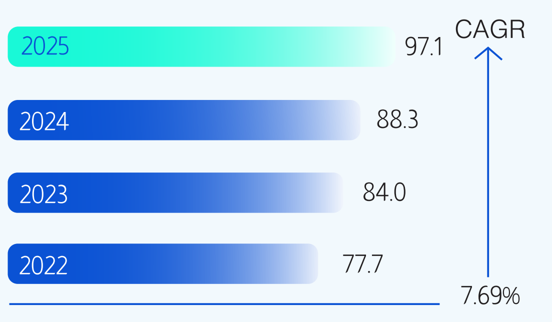
CUSTOMER DEPOSITS (⃁Bn)



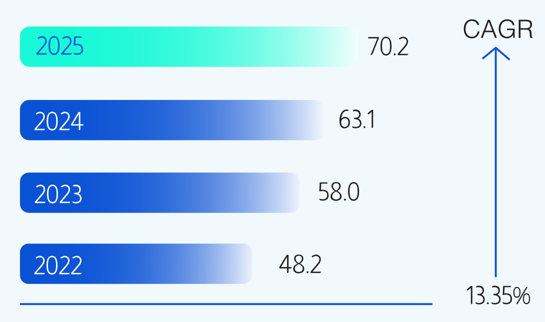
OPERATING INCOME (⃁Mn)



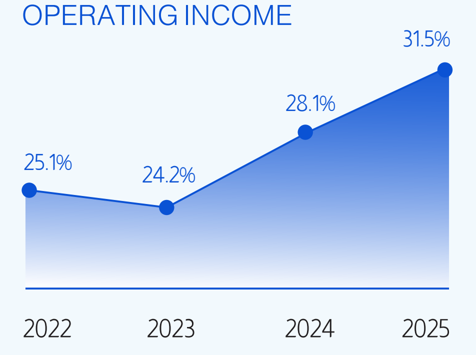
OPERATING PROFIT (⃁Mn)



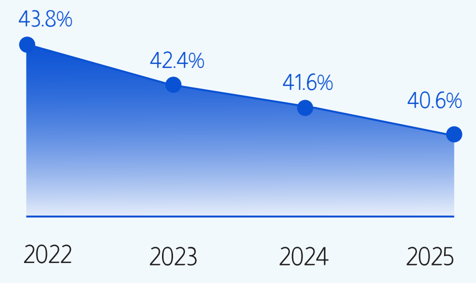
NET PROFIT (⃁Mn)



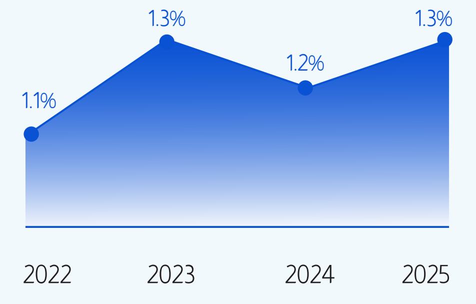
NON-INTEREST INCOME/ OPERATING INCOME



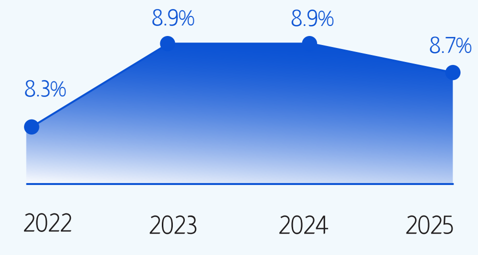
COST TO INCOME



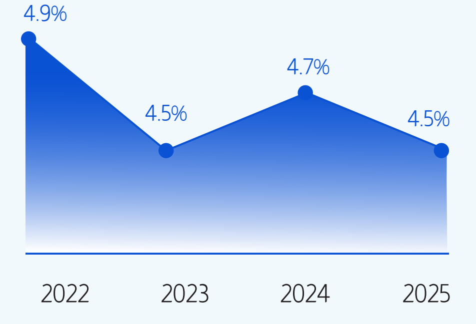
RETURN ON ASSETS



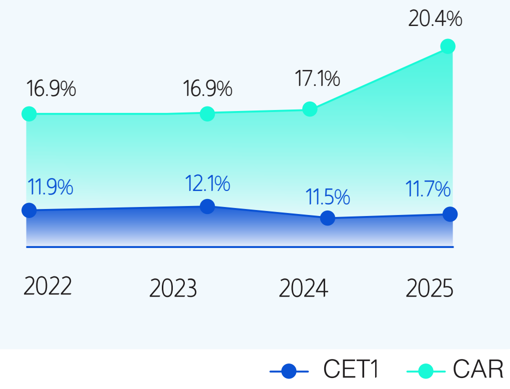
RETURN ON EQUITY



NON-PERFORMING LOANS RATIO



CORE EQUITY TIER 1 & CAPITAL ADEQUACY RATIO



Management Discussion and Analysis 2025

Overview

In 2025, we delivered another year of strong progress, successfully concluding our five-year Return to Prominence strategic roadmap. We achieved improved financial performance across all key metrics, strengthened our market position, and advanced the transformation of our business to better meet the evolving needs of our customers and the nation we serve. This momentum was further reinforced by our recognition as Bank of the Year 2025 in Oman by The Banker, reflecting the strength of our strategy and execution. Throughout the year, we remained focused on safeguarding the balance sheet, creating sustainable value, and accelerating digital transformation.

Retail and wholesale banking continued to grow, supported by stronger digital capabilities and customer engagement. Muzn Islamic Banking also expanded, driven by increased adoption and a stronger proposition.

Following the successful completion of our Return to Prominence strategy, we have refreshed our approach with a focused three-year plan centred on balanced growth, stronger customer relationships, digital acceleration, a future-ready workforce, and a stronger NBO ecosystem. Our PRIME framework will guide this next phase of the bank's evolution.

Operating Environment

Oman's economic environment remained stable and positive, underpinned by continued fiscal prudence, declining public debt levels and steady GDP growth throughout 2025. These fundamentals provided a solid platform for the banking sector and reinforced confidence in the country's long-term economic trajectory. The outlook for the Sultanate remains positive.

Real GDP grew by 1.6 percent during the year with non-oil activity expanding by 3.9 percent. Diversification is being further accelerated by the Government of Oman's latest five-year plan, targeting high-potential sectors including tourism, logistics, mining, fisheries, renewable energy and technology. The country's sovereign credit rating was upgraded to investment grade by Fitch and Moody's, reflecting improved fiscal discipline and the credibility of reform efforts.

Diversification efforts are creating new lending opportunities across priority non-oil sectors, while the broader economic stability supports healthy credit demand and asset quality.

Moreover, we are well positioned to respond to the increased transparency, innovation and opportunity they create through well executed, customer-centric delivery and excellence across retail, wholesale, treasury and investment operations.

Financial Performance

Given this backdrop, the Bank's net profit for the year 2025 stood at RO 70.2 million, compared to RO 63.1 million for the same period last year, reflecting an increase of 11.3 per cent.

Net interest income for the year 2025 was RO 111.9 million, reflecting an increase of 2.8 percent over the corresponding period last year, primarily driven by lower interest expenses.

Net fee and other operating income was RO 51.6 million, compared to RO 42.5 million last year, registering a growth of 21.4 per cent.

Operating expenses for the year ended 31 December 2025 were RO 66.4 million, compared to RO 63.0 million for the corresponding period in 2024, an increase of 5.4 per cent. The Bank continues to invest in its people, technology, and infrastructure.

Net Impairment charge for 2025 was RO 14.5 million, compared to RO 14.1 million for the corresponding period last year, an increase of 2.8 per cent.

Gross loans and advances stood at RO 4.33 billion as at 31 December 2025, reflecting growth of 5.8 per cent over last year. Customer deposits amounted to RO 4.01 billion as of 31 December 2025, with a comfortable CASA mix.

The Bank's Core Equity and Total Capital Adequacy Ratio stood at 11.7 per cent and 20.4 percent, respectively.

Retail & Digital Banking

In 2025, we delivered strong and customer-centric performance across our retail and digital banking businesses, responding to continued shifts in customer behaviour and preferences, accelerated digital adoption, and ongoing competitive pressures.

Customer preferences continued to move toward simplicity, speed, and self-service. At NBO, we addressed these expectations by simplifying processes, digitising key journeys, and tailoring propositions to specific customer segments.

Enhancements to the NBO App included enabling personal loan top-ups, traffic fine and Public Prosecution payments, insurance renewals, seamless credit card applications without the need to visit branches, ordering virtual debit cards, and applying for a Systematic Investment Plan (SIP). We also introduced the Direct Debit e-mandate service through the app, further strengthening digital payment convenience.

We launched a range of strategic digital initiatives to enhance customer convenience and operational efficiency. These included fully digital onboarding for new-to-bank customers, featuring instant account activation, debit card delivery, and virtual debit card issuance. In line with the Central Bank of Oman's directives, partial cheque payment functionality was also introduced to enhance customer satisfaction.

Digital onboarding, payments, and self-service channels remained key drivers of growth and efficiency. Faster digital onboarding boosted account acquisition while reducing manual processing, and enhanced payment capabilities increased transaction volumes and card usage.

Self-service access was further expanded through 24-hour drive-thru ATMs in Al Musannah, Samail, and Salalah, offering cash, cardless services, transfers, and bill payments with enhanced accessibility. We also deployed self-service kiosks enabling digital account

opening, as well as the printing, renewal, and replacement of Badeel prepaid and debit cards. In addition, we introduced full-function machines offering remittance services and cash withdrawals, supported by voice guidance features to enhance accessibility and improve the overall customer experience.

As part of our seamless customer experience efforts, we introduced smart Eid note booking, allowing customers to pre-book small denomination notes through the app and collect them from selected branches. We also launched Eid note dispensing machines, providing an additional convenient self-service option during the festive period.

We also marked the soft launch of the national payment card Maal, supporting the Central Bank of Oman's initiative to strengthen the national payments ecosystem and advance a secure, inclusive digital economy while reducing reliance on international platforms.

Through targeted campaigns, strategic partnerships, and lifestyle-aligned propositions, we deepened customer engagement, strengthened loyalty, and enhanced the appeal of our card and digital banking offerings. Collaborations with leading brands, including Landmark Group, Oman Oil, Nesto Hypermarket, Sharaf DG, Shell Oman, Premium Motors (Audi Oman), and Oman Air, enabled customers to benefit from exclusive rewards, cashback incentives, milestone benefits, and premium privileges.

These partnerships expanded NBO's reach and strengthened card usage by increasing digital transactions across our Debit, Credit, and Badeel Prepaid Cards. App-integrated campaigns, such as the Shukran Summer Bonus, further encouraged customers to adopt digital channels for everyday needs.

Going further, we played a key role in financing development projects across multiple sectors, including hospitality, tourism, and housing. In this line, we signed a credit facilities agreement with Dar Global to support the development of AIDA Oceana, a flagship luxury tourism and residential destination within the Yiti Master Development.

To support the Ministry of Housing and Urban Planning's Sorouh Initiative, we signed MoUs with Zain Property Development and Adrak Developers, enabling customers to access tailored financing for the Husn Alzain and Hai Al Naseem housing projects. We also signed additional agreements under the initiative, including support for the Boulevard Al Samou project. Furthermore, we partnered with Al Sarooj Development Company to support the Sarooj Oasis project, reinforcing our contribution to Oman Vision 2040's sustainable housing and urban development priorities.

Premium customer segments also received focused attention. Enhanced Infinite Credit Card benefits, milestone rewards, exclusive events, and partnerships with Audi Oman and Oman Air elevated the Bank's premium value proposition.

Together, these improvements demonstrate our ability to blend convenience and innovation, reinforcing our app as a central platform for payments, rewards, and seasonal services.

While digital channels remained central to our strategy, we continued to invest in our physical network to ensure customers benefit from both convenience and in-person support. We strengthened our presence in 2025 through the relocation of the Duqm, Al Mabilah, and Al Musannah branches, enhancing accessibility and improving the overall customer experience in these key locations.

Beyond digital banking, we maintained a strong human touch through our dedicated relationship managers, branch staff, and contact centre teams, supporting customers with more complex needs, financial advice, and problem resolution.

Corporate Banking

Through development project financing, advanced transaction banking, fintech partnerships, and digital ecosystem growth, we strengthened our role as a trusted partner to corporate, SME, government, and institutional clients.

At the heart of our Corporate Banking business is our Corporate Internet Banking platform. Continual improvements have been implemented and the platform now offers a full suite of real-time services. As digital adoption grows, we remain focused on delivering solutions that empower businesses to manage complex financial operations with greater speed and control.

We also strengthened our role in arranging and structuring complex financing solutions. During the year, we successfully arranged a landmark syndicated loan facility as mandated lead arranger for a major energy group, attracting double the subscription from six regional banks. In addition, we arranged a refinancing transaction for a leading industrial entity and provided finance in working capital facilities to support a major manufacturer. Our relationship with a key government-related group was further strengthened through tailored working capital solutions across six of its subsidiaries.

In trade finance and transaction banking, we continued to expand our ecosystem through strategic integrations and platform enhancements. We integrated our Business-to-Business platform with Oman Oil Marketing Company to enable automated, real-time transactions and secure payroll processing through the Wages Protection System. We also partnered with PayByte to expand secure digital payments across the Sultanate by providing POS terminals and payment processing services.

We further strengthened our trade finance, escrow, and export finance activities, supporting strategic infrastructure developments and enabling a growing volume of export-related transactions. In 2025, we played a key role in financing a major infrastructure project in Al Batinah, successfully processed export collection transactions, and achieved notable year-on-year growth in export finance. Export Letters of Credit also increased, reflecting higher customer engagement and rising trade activity. In addition, we activated new escrow accounts and onboarded clients for Direct Debit arrangements, reinforcing our capability to manage complex, high-value financial operations.

In a significant step towards advancing the Sultanate's digital banking landscape, we launched our Application Programming Interface (API) Gateway. This foundational platform supports corporate customers, government entities, and fintech developers by enabling seamless integration with Enterprise Resource Planning (ERP) systems, treasury functions, and custom financial applications. It aligns with the Central Bank of Oman's vision to foster open banking and a digitally connected financial ecosystem.

Through a robust API platform, we enable corporates, SMEs, and developers to automate financial operations, integrate directly with their systems, and collaborate securely at scale, laying the foundation for deeper digital partnerships and future fintech onboarding.

Government Banking

As one of Oman's leading financial institutions, our relationship with government entities remains a strategic priority. We continue to support national development by delivering solutions and initiatives that enhance the efficiency, financial capabilities, and service delivery of ministries and public agencies, in line with Oman's broader economic and social development agenda.

During the year, we advanced key government banking services through the successful implementation of the Treasury Single Account framework. This included opening new revenue and expense accounts, converting existing accounts into Treasury Single Accounts, and establishing two sub-revenue accounts to strengthen financial operations and cash management efficiency.

We also supported greater convenience and accessibility through digital integration. In partnership with the Royal Oman Police, we activated a real-time traffic fines payment feature through the NBO App, and introduced Public Prosecution payment services, enabling faster and more seamless access to essential government transactions.

In parallel, we delivered training programmes to empower employees across the government, semi-government, and private sectors throughout the Sultanate, strengthening financial literacy and institutional capability. As part of this effort, we delivered the Tajawob platform programme, engaging over 750 participants across Muscat, North Al Sharqiyah, and Dhofar, in collaboration with several government institutions and focused on service accuracy, inquiry handling, and feedback management.

Capital Market & Investment Banking

Building on strong investor appetite and our solid performance momentum, we completed a landmark USD 450 million Additional Tier 1 (AT1) issuance, reflecting strong market confidence in our performance and strategic direction. As the largest AT1 issuance ever by an Omani bank, it strengthened our capital base, diversified our funding sources, and supports accelerated growth aligned with Oman Vision 2040.

In capital markets and investment banking, we continued to play a pivotal role in advancing Oman's financial market development. We successfully facilitated Energy Development Oman's inaugural listed Sukuk, a landmark transaction that contributed to deepening market liquidity, diversifying funding sources, and supporting the development of robust local investment instruments.

We also supported equity market participation by facilitating the successful subscription of the Asyad Shipping IPO through our digital platform, ensuring a smooth experience for both retail and institutional investors and reinforcing our commitment to Oman's capital market growth.

In investment management, we further expanded our product offering with the launch of the NBO Money Market Fund, our third open-ended mutual fund, following a successful public offering that closed in February. Designed to generate returns while preserving capital and maintaining daily liquidity, the fund invests in low-risk instruments across Omani, regional, and international markets. In addition, we continue to offer the NBO GCC Fund and NBO Global Equity Fund, providing both retail and corporate clients with diversified investment opportunities.

NBO Muzn Islamic Banking

In 2025, Muzn Islamic Banking continued to strengthen its position as one of Oman's leading Shari'ah-compliant financial service providers, delivering strong growth aligned with our strategic priorities and core brand.

Muzn accelerated its digital transformation through a range of initiatives designed to enhance customer convenience, accessibility, and security. These included the launch of the Shari'ah-compliant Direct Debit E-Mandate, alongside the introduction of E-IPO services through the Muzn app, Dhamani Pay for streamlined health insurance transactions, and Samsung In-App Tokenization Provisioning to enhance payment security. Digital onboarding capabilities were also introduced to support a seamless customer journey.

On the corporate side, Muzn conducted over 50 training sessions for 26 corporate and government entities to strengthen digital adoption. To support business liquidity needs, Muzn introduced Corporate Running Wakala Finance, a Shari'ah-compliant alternative to conventional overdrafts, reinforcing its role as a strategic partner to Oman's corporate sector.

In retail banking, Muzn expanded its offering with tailored Shari'ah-compliant financing solutions, including auto and goods financing with exclusive Ramadhan offers, as well as education financing structured under Services Ijarah to support school fees, higher education, and professional training. Muzn also introduced targeted support for seasonal family needs, including back-to-school expenses.

Muzn further strengthened its credit card proposition through zero-profit easy payment plans at leading retail partners, cashback incentives, and first-year annual fee waivers for new cardholders.

In support of Oman's housing and urban development goals, Muzn expanded its home financing portfolio in alignment with Oman Vision 2040, signing multiple MOUs with leading real estate developers under the national Sorouh initiative and other key developments, including the Sarooj Oasis Project in Sultan Haitham City. Partnerships with Oman Housing Bank further supported homeownership, while new solutions for self-employed customers, small business owners, and freelancers promoted greater financial inclusion with financing tenures of up to 25 years.

To strengthen its presence across the Sultanate, Muzn opened a new branch in Al Musannah and relocated its Sur and Al Mabilah branches to a more accessible location, enhancing service delivery and customer experience.

Across all initiatives, Muzn Islamic Banking remained committed to empowering individuals, families, and businesses with ethical financial solutions aligned with their values and long-term prosperity.

Stakeholder Engagement

Complementing these achievements, we hosted a series of high-profile stakeholder, customer, and industry engagements to deepen relationships, share market insights, and reinforce our role as a trusted financial partner. These included the MEIRA Oman Chapter Meeting and CEO Roundtable, held in collaboration with the Muscat Stock Exchange, which brought together industry leaders to discuss the future of investor relations, ESG practices, transparency, and long-term value creation.

We also delivered the third edition of our Market Outlook 2025 event, providing customers and partners with valuable perspectives on global macroeconomic trends and evolving political dynamics shaping financial markets and investment strategies. In addition, we hosted our inaugural Digital Partnership Awards Ceremony, recognising public and private sector collaborators whose contributions are accelerating Oman's digital transformation and supporting NBO's vision of seamless, customer-centric banking.

To enhance engagement with our premium segments, we organised exclusive Ramadhan iftars and networking dinners for Private Banking and Sadara Priority Banking clients in Salalah, Al Buraimi, and Muscat, highlighting our bespoke wealth advisory services and tailored privileges.

People and Development

A central pillar of delivering NBO's Return to Prominence strategy has been the commitment, capability, and performance of our people. We have worked closely with our teams, investing in their development, embedding our core values, fostering a unified culture, and strengthening our employee value proposition to attract and retain the critical talent required to sustain growth and long-term success.

During the year, we delivered a broad range of training programmes totaling 8,265 man-days, enabling our employees to enhance their capabilities and successfully attain professional certifications that support both their individual growth and the Bank's strategic ambitions.

We also celebrated employees who live our values every day through our Taqdeer recognition programme. We recognised NBO employees who have demonstrated excellence in customer service as we joined the international celebration of Customer Experience Day. In a special event, we brought together NBO leaders, employees and partners to reflect on the Bank's ongoing journey towards service excellence and innovation.

As part of our commitment to supporting Oman Vision 2040 youth development goals, and in collaboration with the Ministry of Labour, we launched two exceptional talent programmes to prepare young Omanis for careers in the banking sector.

In 2025, we introduced NBO's Tomorrow's Leaders Programme, selecting 35 graduates through a rigorous assessment process to gain practical exposure, mentorship, and in-depth experience across core

banking functions. In parallel, the Universal Banker Programme was launched as a two-year training and employment initiative for over 60 diploma graduates pursuing roles in retail banking. Together, these initiatives reinforce our shared focus with the Ministry of Labour on building a future-ready national workforce and strengthening the long-term sustainability of Oman's financial sector.

We continue to run an annual internship programme, offering university students across the Sultanate meaningful on-the-job training that bridges academic learning with real-world experience. In 2025, 24 interns benefitted from practical experience alongside our teams across the NBO organisation.

Our Omanisation efforts remain strong. Omani nationals make up 93% of our workforce, of which 44% are female. Notably, all employees in our branches are Omani.

Moreover, in support of youth development and career readiness, we participated in the Sultan Qaboos University Career Fair, highlighting training opportunities, internships, and pathways for young Omanis to build future careers in banking and financial services.

We also strengthened employee engagement and fostered a sense of community through a range of internal initiatives, including our annual NBO Day for employees and their families, a staff iftar during Ramadhan, National Day celebrations, and the Kids Carnival, encouraging connection and collaboration beyond the workplace.

Our Chief Executive Officer also participated in prominent panels at the Dubai Fintech Summit and the Royal Academy of Management, sharing insights on digital banking innovation, financial inclusion, sustainability, and institutional resilience, reinforcing the Bank's support for Oman Vision 2040 and the long-term strength of the national economy.

Together, these initiatives form a cohesive framework that ensures a fit-for-purpose organisation and a strong pipeline of capable talent to manage and lead the Bank both now and well into the future. By supporting talent from entry through mid-career, the Bank continues to play an active role in advancing national goals for workforce sustainability and economic empowerment.

Corporate Social Responsibility

We continue to support Oman's economic development beyond our core banking services and human capital investments, advancing fintech development, financial inclusion, youth education, community well-being, and environmental awareness.

Supporting the goals of Oman Vision 2040 and marking a significant milestone in our efforts to strengthen Oman's fintech ecosystem, we launched the NBO Hackathon as part of our Fintech Accelerator Programme. The initiative attracted over 300 applications, with shortlisted participants forming 17 teams to develop innovative solutions addressing real-world financial challenges. The top teams received cash prizes and an opportunity to enter into the Accelerator, where they benefited from tailored mentorship, funding opportunities, and live testing within the Bank. We also announced the soft launch of the second cohort of its Fintech Accelerator Programme. The six participating startups will receive early access to NBO's Developer Platform and Sandbox,

enabling them to test and refine solutions within a secure environment.

We also supported national innovation platforms, including the Ministry of Education's Upgrade Programme, which aims to transform student projects into viable real-world ventures. In addition, we hosted the Mulhim Hackathon in collaboration with the Academy of Strategic and Defense Studies, empowering young Omani talent to develop generative AI-driven solutions that address future digital needs and strengthen national capabilities in advanced technology.

To promote financial literacy and entrepreneurship, we strengthened our collaboration with Injaz Oman through flagship programmes such as More Than Money and The Company Programme, reaching more than 3,500 Omani students, equipping youth with practical knowledge in budgeting, saving, investment fundamentals, and responsible financial behaviour.

Long-standing initiatives such as our annual Ramadhan "Shahr Al Atta" campaign continued to support underprivileged communities through food hamper distribution, charity-driven engagement activities, and celebrations with community groups. In partnership with the Zakat Committee in Al Seeb, we also supported the Kaswat Al Eid initiative, providing new clothing for children from low-income families to ensure a dignified Eid celebration.

Reflecting our commitment to local empowerment, we financed the renovation of the Old Souk in Suroor Village in Al Dakhiliyah Governorate, contributing to economic diversification, cultural tourism, and the revitalisation of community-based entrepreneurship.

We also continued to champion SME development through initiatives such as our weekly Café Thursday programme, which welcomed more than 45 small businesses to showcase their products, fostering employee engagement and promoting a culture of local enterprise support.

Our sustainability commitment also extends to environmental awareness. In celebration of World Cleanup Day, we sponsored the Environmental Society of Oman charity run, reinforcing our dedication to community initiatives that contribute to a greener and cleaner Oman.

Across all these efforts, NBO's brand and community strategy is guided by a commitment to long-term, sustainable impact, empowering individuals, supporting innovation, strengthening communities, and ensuring that every initiative contributes to a more inclusive and prosperous future for Oman.

Recognition

In 2025, we were named Bank of the Year by The Banker in London, recognising our strong financial performance, strategic progress, and leadership in digital innovation aligned with Oman Vision 2040. During the year, NBO also received several regional and international awards, including Best Retail Bank in Oman 2025 from MEED, Best Bank for Digital Banking Services in Oman from Global Banking and Finance Review, and Oman's Best Private Bank and Best for High-Net-Worth Customers from the

Euromoney Private Banking Awards. We also received recognition for AI-driven marketing innovation and operational excellence, reflecting our effective strategy execution, continued investment in innovation, and growing regional and international profile.

Strategic Journey & Outlook

Our five-year Return to Prominence strategic transformation has been a remarkable success. Over the last 5 years, we have delivered market-leading performance across key financial parameters.

We have more than doubled our active retail customer base and doubled Muzn's market share of Islamic banking. We have added innovative new product offerings and have been at the forefront of the fintech revolution in Oman, migrating an ever greater volume of transactions and customer interactions to our expanding range of digital banking services. In parallel, we have invested in our people, equipping them to focus on offering value-adding services and products to our customers.

The outcome is that we have re-established NBO as a strong and leading brand in the Omani banking sector, delivering high-quality services, creating market-leading value for our customers, investors and broader stakeholders.

Our focus now is to build on this success and sustain progress through the next strategic cycle and beyond. We have evolved our strategy into a focused three-year plan under our PRIME framework: **Profitable** and sustainable growth, **Relationship**-centric business, **Innovation** culture and agile processes, **Market-ready** capabilities, and **Ecosystem** and technology enablement. Together, we drive disciplined growth, deeper customer engagement, accelerated digital transformation, a future-ready workforce, and a stronger, more connected banking ecosystem.

In conclusion, we are confident in our ability to execute this next phase of our growth journey, navigating the uncertainties of geopolitics, responding to the changing regulatory landscape and evolving requirements of our customers, and utilising the rapidly developing technology at our disposal. The foundations we have built over the past five years – strong governance, a resilient balance sheet, a modernised operating model, and a culture striving for flawless execution, innovation and customer service - position us well for the next phase of growth.

Our focus will remain on delivering value for our shareholders, supporting our customers through every stage of their financial journey and contributing meaningfully to Oman's economic transformation.

03

Corporate Governance Report 2025

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

To the board of Directors of National Bank of Oman SAOG

Purpose of this Agreed-upon Procedures Report

Our report is solely for the purpose of assisting the directors of National Bank of Oman 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.

Procedures and Findings

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

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

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

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

PricewaterhouseCoopers

Muscat, Sultanate of Oman

5 March 2026

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C.R. No 1230865
PricewaterhouseCoopers LLC

Corporate Governance Report – 2025

The corporate governance framework of the National Bank of Oman SAOG (NBO, or the Bank) is based on the principles set out in the regulations for Corporate Governance of Banking and Financial Institutions issued by the Central Bank of Oman (CBO), the Financial Services Authority (FSA) Code of Corporate Governance (the Code) as amended for Muscat Stock Exchange (MSX)–listed companies, and the Commercial Companies Law (CCL) of Oman.

The Board of NBO supports the development of a healthy and effective governance culture across the Bank and remains committed to the highest standards of corporate governance. To this end, the Board and its Committees continuously evaluate and enhance their governance practices, policies, and procedures to sustain and grow stakeholder value and trust, while upholding a high level of business ethics.

In accordance with the directives of the FSA Code, this corporate governance report is presented separately within the annual report and is duly certified by the statutory auditors.

Board of Directors

The Board of Directors is responsible for the overall direction, supervision and control of the Bank. Specific responsibilities of the Board include approving the business objectives of the Bank, approving the strategies and policies for achieving these objectives, and continually reviewing the performance of the Bank in relation to the approved objectives and adherence to policies.

Appointment of Directors

The Board of Directors comprises of 11 members, 10 were elected by the shareholders on March 19, 2023. On July 28, 2025, the Board of Directors approved the appointment of Mr. Stephen Moss following the resignation of Mr. Joseph Abraham in accordance with Article 6 of the Bank's Articles of Association. The current term of all the Directors will expire at the end of March 2026.

Process of Nomination of the Directors

The nomination of Directors is as per Article 6 of the Bank's Articles of Association and also in accordance with CBO, FSA, Ministry of Commerce, Industry and Investment Promotion (MOCIIP), CCL and MSX regulations. The Executive, Nomination and Remuneration Committee (ENRC) reviews the appropriate skills and character required of the Board members and recommends suitable names to the shareholders for election. Shareholders retain the power to elect any candidate to the Board irrespective of whether the candidate is recommended by the ENRC or otherwise.

Characteristics and Core Competency of the Board

Members of the Board and its committees bring appropriate knowledge, experience and independent judgment to Board meetings and in passing resolutions. The Board collectively possesses professional knowledge, business expertise, industry knowledge and financial awareness to carry out its oversight responsibilities over the Executive and Senior Management of the Bank.

Information Provided to the Board

The Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, risk, compliance and governance issues. The information provided to the Board is as per the guidelines provided in the Code.

On appointment, each Director receives information about the Bank in an induction pack and is advised of the legal, regulatory and other obligations devolving upon a Director of listed companies.

Composition of the Board

No Director is a member of the Board of more than four public joint stock companies whose principal place of business is the Sultanate of Oman or is a chairperson of more than two such public joint stock companies.

The following table shows the position of each of the current Board members in line with the Code's requirements:

Name of Director	Role	Category of the Director*
Ms. Amal Suhail Bahwan Al Mukhaini	Chairperson	NEX-NIND
Sheikh Abdulla Bin Ali Bin Jabor Al Thani	Deputy Chairperson	NEX-NIND
Mr. Hamad Mohammad Al Wahaibi	Director	NEX-IND
Mr. Mohammed Ismail Mandani Al Emadi	Director	NEX-NIND
Brigadier Jamal Said Mohamed Al Tai	Director	NEX-IND
Mr. Fahad Abdulrahman Badar	Director	NEX-NIND
Ms. Najat Ali Al Lawati	Director	NEX-IND
Mr. Joseph Abraham**	Director	NEX-NIND
Mr. Said Hilal Al Habsi	Director	NEX-IND
Mr. Padmanabhan Ananthan	Director	NEX-NIND
Mr. Nabil Hamad Al Mahrouqi	Director	NEX-IND
Mr. Stephen Moss**	Director	NEX-NIND

***NEX**: Non-Executive Director, **IND**: Independent, **NIND**: Non-Independent

** Mr. Abraham submitted his resignation to the Board of Directors on July 28, 2025. Mr. Moss was appointed on July 28, 2025.

As per the FSA guidelines, five Board members are currently considered independent which complies with the required minimum number of independent directors as mandated by the FSA.

Name of the Director	Other Board Committees Membership*	No. of other SAOG Boards memberships	No. of Board meetings attended	Attended last AGM on March 18, 2025
Ms. Amal Suhail Bahwan Al Mukhaini - Chairperson	ENRC	2	8	Yes
Sheikh Abdulla Bin Ali Bin Jabor Al Thani - Deputy Chairperson	ENRC	NIL	8	Yes
Mr. Mohammed Ismail Mandani Al Emadi	CCB	NIL	8	Yes
Mr. Hamad Mohammad Al Wahaibi	ENRC / CCB	3	7	Yes
Brigadier Jamal Said Mohamed Al Tai	BAC	2	8	Yes
Mr. Fahad Abdulrahman Badar	BAC / BRCC	NIL	8	Yes
Ms. Najat Ali Al Lawati	ENRC / CCB	2	7	Yes
Mr. Joseph Abraham	ENRC / CCB	NIL	4	Yes
Mr. Said Hilal Al Habsi	BAC / BRCC	1	8	Yes
Mr. Padmanabhan Ananthan	BAC / BRCC	NIL	8	Yes
Mr. Nabil Hamad Al Mahrouqi	BRCC / ENRC/ BAC	3	8	Yes
Mr. Stephen Moss	ENRC / CCB	NIL	3	No

***ENRC**: Executive, Nomination and Remuneration Committee, **BAC**: Board Audit Committee, **CCB**: Credit Committee of the Board, **BRCC**: Board Risk and Compliance Committee.

Number and Dates of Board Meetings

NBO held eight Board meetings during 2025: January 26, April 29, June 24, two meetings on July 28, September 24–25, October 29, and November 18. The longest interval between meetings was 93 days, which complies with the maximum regulatory requirement of 120 days.

Remuneration to Board and Senior Management

The sum of remuneration allocated to the currently active top five senior managers of the Bank in 2025 was ⃁ 2,238,953/-. The remuneration includes variable pay, salaries and other monetary benefits.

Staff service contracts are two years for expatriate officers and determined by the prevailing labor laws for Omanis. The notice period is between one to three months for existing contracts.

As all members of the Board are non-executive Directors no fixed remuneration or performance linked incentives are applicable. The Directors are paid sitting fees and reimbursement of expenses for attending the Board and Committee meetings. In addition to the sitting fees paid, the total proposed remuneration for the Directors in relation to 2025 is ⃁ 300,000 subject to the Annual General Meeting approval on March 29, 2026.

The details of the sitting fees paid to the Directors during 2025 are tabled below:

Name of the Directors	Total fees (⃁)*
Ms. Amal Suhail Bahwan Al Mukhaini	10,000
Sheikh Abdulla Bin Ali Bin Jabor Al Thani	10,000
Mr. Mohammed Ismail Mandani Al Emadi	10,000
Mr. Hamad Mohammad Al Wahaibi	10,000
Mr. Fahad Abdulrahman Badar	10,000
Ms. Najat Ali Al Lawatia	10,000
Mr. Joseph Abraham	10,000
Mr. Said Hilal Al Habsi	10,000
Mr. Nabil Hamad Al Mahrouqi	10,000
Brigadier Jamal Said Mohamed Al Tai	10,000
Mr. Padmanabhan Ananthan	10,000
Mr. Stephen Moss	5,850
Total	**115,850**

*The maximum sitting fees per director in a financial year shall not exceed ⃁ 10,000.

Board Committees

The Board of Directors has four standing committees: Executive, Nomination and Remuneration Committee (ENRC), the Board Audit Committee (BAC), the Board Risk and Compliance Committee (BRCC) and the Credit Committee of the Board (CCB).

Board Audit Committee (BAC)

The BAC comprises five members, three of whom are independent and two non-independent. The Committee held eight meetings in 2025. The composition of the BAC and members' meeting attendance are presented in the table below:

Name	Position	Meetings attended
Brigadier Jamal Said Mohamed Al Tai	Chairperson	8
Mr. Said Hilal Al Habsi	Member	7
Mr. Nabil Hamad Al Mahrouqi	Member	6
Mr. Fahad Abulrahman Badar	Member	6
Mr. Padmanabhan Ananthan	Member	8

The main responsibilities of the Committee include but are not limited to:

- Recommend to the Board of Directors matters to be submitted to the Annual General Meeting concerning the appointment, removal, and remuneration of external auditors, with due regard to their independence.
- Discuss with the external auditors their audit plan and the results of their audit, including whether they have had full access to all relevant documents.
- Approve non-audit services awarded to the statutory auditors prior to commencing the engagement and ensure that their independence is not compromised in any manner, and that such engagements comply with FSA regulations.
- Review and approve the appointment, promotion, replacement, reassignment or dismissal of the Chief Internal Auditor of the Bank.
- Review and discuss and approve the overall scope of the annual internal audit plan with the Chief Internal Auditor, including the adequacy of the individual audits, staffing and their full access to all relevant documents.
- Review and discuss with the Chief Internal Auditor findings of critical importance arising from the internal audits carried out in the period between meetings.
- Review management's responsiveness to internal audit findings and recommendations and assess internal audit effectiveness.

- Review and discuss with management, internal auditors and external auditors the adequacy and effectiveness of the internal control systems, including information technology security, accounting and financial controls and the bank's system to monitor and manage business risk, and its legal and ethical compliance programs.
- Oversee the financial reporting process on behalf of the Board, including review of the annual and quarterly financial statements before publication, review of qualifications/reservations in the draft financial statements and discussion of the accounting principles. In particular, any changes in the accounting policies, principles and accounting estimates in comparison to the previous year, any adoption of new accounting policies, any departure from International Financial Reporting Standards (IFRS) and non-compliance with the disclosure requirements prescribed by regulatory authorities such as CBO, FSA etc., should be critically reviewed and discussed with the management and auditors.
- Review the details of all proposed related party transactions in line with the Bank's policy and provide appropriate recommendations to the Board.

Credit Committee of the Board (CCB):

The CCB comprises four members. The Committee held fourteen meetings in 2025. The composition of the CCB and members' meeting attendance are presented in the table below:

Name	Position	Meetings attended
Mr. Hamad Mohammad Al Wahaibi	Chairperson	14 (2 via proxy)
Ms. Najat Ali Al Lawatia	Member	11
Mr. Mohammed Ismail Mandani Al Emadi	Member	14 (3 via proxy)
Mr. Joseph Abraham*	Member	9
Mr. Stephen Moss	Member	5 (2 via proxy)

* Resigned from the Board of Directors on July 28, 2025.

The main responsibilities of the Committee include reviewing, approving, and renewing credit transactions in accordance with the Bank's Manual of Authority, as well as reviewing and approving investment proposals in line with the same authority framework.

Board Risk and Compliance Committee (BRCC)

The BRCC comprises four members. The Committee held ten meetings in 2025. The composition of the BRCC and members' meeting attendance are presented in the table below:

Name	Position	Meetings Attended
Mr. Fahad Abdulrahman Badar	Chairperson	10
Mr. Padmanabhan Ananthan	Member	10 (1 via proxy)
Mr. Said Hilal Al Habsi	Member	8
Mr. Nabil Hamad Al Mahrouqi	Member	10

The main responsibilities of the Committee include but are not limited to:

- Approval of new policies of the Bank and periodic review of existing policies.
- To establish an appropriate credit risk environment.
- To develop appropriate operational risk management.
- To consider the strategic risks facing the Bank and refer suggestions for mitigating such risks to the Boar of Directors.
- To maintain oversight of interest rate risk, the bank's balance sheet and income risks.
- Approval of credit loss write-offs that are over the limits prescribed for the management.
- Build and promote compliance culture.
- Review the implementation of risk-based approach for a robust and effective Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Program.

- Review, assess and monitor the Bank's compliance activities and overall performance with respect to key legislative and regulatory requirements.
- Discuss with senior management the outcome of the monitoring and reviews program in assessing the overall adequacy and effectiveness of the Bank's legal, regulatory and ethical compliance framework.

Executive, Nomination & Remuneration Committee of the Board (ENRC)

The ENRC comprises six members. The Committee held eight meetings in 2025. The composition of the ENRC and members' meeting attendance are presented in the table below:

Name	Position	Meetings Attended
Ms. Amal Suhail Bahwan Al Mukhaini	Chairperson	8
Sheikh Abdulla Bin Ali Bin Jabor Al Thani	Member	8
Mr. Hamad Mohammad Al Wahaibi	Member	7
Mr. Joseph Abraham*	Member	4
Ms. Najat Ali Al Lawatia	Member	6
Mr. Nabil Hamad Al Mahrouqi	Member	8
Mr. Stephen Moss	Member	3

* Resigned from the Board of Directors on July 28, 2025.

The main responsibilities of the Committee include but are not limited to:

- Review the Bank's overall strategy and monitor implementation and execution.
- Review and recommend for Board approval the Bank's annual budgets and business plans, including all operating and capital expenditure budgets of the Bank in line with the long-term strategy and changes in economic, market and regulatory environments.
- Review reports and analysis of the Bank's financial and operating performance and evaluate key performance indicators against their accompanying strategies.
- Review and recommend to the Board the Bank's proposals for capital raising plans.
- Review and approve the Bank's dividend policy and recommend to the Board the proposed dividend payout.
- Review and approve the Bank's human resources manual, compensation policy, and bonus plan in accordance with market trends and regulatory guidelines.
- Asses the performance of the Chief Executive Officer, Board direct reports, and the Chief Executive Officer's direct reports.
- Review and approve the Bank's organizational structure.
- Be responsible for recommending, reviewing, and updating (as necessary) the strategy and policies governing the acquisition, ownership, and development of the Bank's properties, for Board approval.

Compensation - Qualitative Disclosures

The bank is committed towards fair, performance-oriented compensation practices that are supportive of the Bank's long term objectives and ensure long-term alignment of employee and shareholders' interests. The Bank's compensation policy is based on sound compensation principles and practices and in accordance with Central Bank of Oman guidelines. The main objectives of the compensation policy include alignment of compensation with the appropriate financial and risk measures of the bank; recognizing the employees' commitment towards achievement of the annual business plan as well as the long term objectives of the bank; sharing the rewards from the bank's success and growth with the employees and also for retention of employees.

The Compensation policy emphasizes sound risk management and avoids encouraging excessive risk-taking beyond the level of tolerance established by the board through using risk adjusted metrics that take into consideration significant types of risks. Measures are in place to prevent conflicts of interest, and the policy is reviewed on a periodic basis by the Executive Nomination and Remuneration Committee (ENRC) to ensure its effectiveness.

In line with CBO guidelines on remuneration disclosures, the Bank has outlined the relevant qualitative and quantitative disclosures in this report. The Bank's Reward Policy, which is applicable to NBO's operations in Oman and overseas.

Reward Framework - The Bank's Reward Policy, which is applicable to NBO's operations in Oman and overseas, provides a Reward Framework which includes the following key elements:

- An assessment of performance with reference to clear and relevant objectives set within a performance scorecard framework.
- A focus on the total compensation (fixed plus variable pay) with variable pay (namely bonus payments and the value of any long-term incentives) differentiated by performance.
- The use of discretion to assess the extent to which performance has been achieved rather than applying a formulaic approach which, by its nature, cannot cover all scenarios and may encourage inappropriate risk taking or mis-selling.
- A significant proportion of variable pay for Top Management is to be deferred into deferred cash, to meet the local regulatory requirements and aid employee retention.

Fixed Pay Policy - Fixed Pay is designed to attract and retain employees through market-competitive pay for the role, skills and experience of the individual and as required for the business. This may include elements, such as salary, other cash allowances and benefits provided in accordance with the local market practices. These payments are fixed and do not vary with performance. Fixed pay is also not subject to malus and clawback provisions that are applicable to variable pay awards. Fixed pay elements are reviewed as a part of the annual pay review cycle or when there is a change in the role and organizational responsibilities of the individual.

Variable Pay Policy - Variable Pay awards are designed to drive and reward performance based on annual financial and non-financial measures consistent with the Bank's medium to long-term strategy, shareholder interests and adherence to NBO values. The Variable Pay awards are to be granted in accordance with the Sound Compensation Principles and Standards, including deferral and retention requirements. This includes any guaranteed Variable Pay that an employee may be entitled to. All Variable Pay awards granted to the employee for a performance year (PY) in which he/ she was identified as a Material Risk Taker ('MRT') is subject to malus and clawback.

Business Incentive Plans - Business Incentive Plans (currently available for Retail & Wealth Management as well as Collection) are implemented under the approved Incentive Framework relevant to the respective business line and aligned to the business, compliance and risk management objectives and NBO values.

Malus & Clawback - All unvested deferred variable pay awards are subject to malus provisions which allow for the amendment, reeducation or cancellation of unvested deferred pay in certain circumstances. Also, all paid/vested awards granted to individuals for the performance year in which they have been identified as an MRT, will be subject to clawback for durations as defined by the CBO.

Material Risk Takers (MRTs) for the Bank have been identified in accordance with the regulatory guidelines and are defined as individuals who are in senior positions, heads of control functions and/or through their daily activities have a material impact on the bank's risk profile taking into account the assigned limits of authority and decision-making matrix.

Bonuses or incentive payments for MRTs are distributed over a four-year time horizon to factor for the time horizon of risks. The first-year payout is 55 percent of the bonus, with the remaining balance payout being equally distributed over the following three years, subject to certain conditions such as malus and claw back provisions. MRT bonuses are paid based on their performance and are deferred as per Bank's policy. Performance of the heads of control and assurance functions specifically are independently assessed by the respective Board Committees they report to.

Compensation - Quantitative Disclosures

As per the Compensation policy, determination of the variable compensation pool is based on Key Performance Indicators (KPIs) including the bank's performance as well as risk-based measures. The Bank-wide bonus pool is reviewed by the ENRC and approved by the Board of Directors.

Performance year 2025	Total remuneration (excluding Deferred compensation)	Total of 45 percent Variable Pay Deferred Compensation
	(﷼)	(﷼)
MRT-Excluding Control Functionaries	3,594,515	530,672
MRT-Control Functionaries Only	650,834	102,055
Total	**4,245,349**	**632,727**

Management Team

The Bank's management structure is headed by the Chief Executive Officer (CEO), whose appointment, functions and package are determined by the Board. The CEO is supported by General Managers who lead functional groups in the Bank. The organizational chart also includes Divisional Heads of all direct subordinates of the CEO. The following table gives details of the top senior management officials along with their positions:

Name	Designation
Abdullah Zahran Al Hinai	Chief Executive Officer
Faisal Hamed Al Wahaibi	General Manager - Chief Retail & Digital Banking Officer
Hassan Abdul Amir Shaban	General Manager - Chief Government & Alliance Banking Officer
Sulaiman Said Al Lamki	General Manager - Chief Risk Officer
Srinivasaraghava Varadachari Giridhar	General Manager - Chief Financial Officer
Salah Abdullah Al Sharji	General Manager - Chief Internal Auditor
Dr. Ali Mousa Al Abri	General Manager - Chief Human Resources Officer
Pullattu Radhakrishnan Anil Kumar	General Manager – Chief Corporate Banking Officer

Market Price Data

The following table shows the high, low, and closing prices of the Bank's shares and MSX Financial Index.

NBO Monthly Share Price and MSX Financial Index Movement FY 2025

NBO Monthly Share Price			
Month	**High**	**Low**	**Close**
January	0.294	0.280	0.294
February	0.280	0.280	0.280
March	0.280	0.280	0.290
April	0.295	0.295	0.295
May	0.292	0.292	0.292
June	0.300	0.295	0.300
July	0.310	0.310	0.310
August	0.335	0.330	0.334
September	0.340	0.336	0.340
October	0.366	0.365	0.365
November	0.368	0.368	0.368
December	0.382	0.381	0.382

Source: MSX monthly bulletins

MSX Financial Index Movement

Month	High	Low	Close
January	7877.405	7814.557	7824.033
February	7762.070	7701.352	7739.695
March	7719.363	7632.251	7690.733
April	7643.391	7579.944	7641.100
May	7946.835	7909.920	7941.945
June	7876.513	7813.651	7849.626
July	8120.054	8062.707	8120.054
August	8379.160	8354.587	8372.129
September	8531.794	8504.487	8524.917
October	9263.913	9099.204	9228.599
November	9212.147	9131.505	9212.147
December	9931.430	9868.952	9908.904

Source: MSX monthly bulletinsRelated Party Transactions

Details of all transactions where a Director or other related parties might have a potential interest are provided to the Board for their review and approval. The interested Director is not permitted to vote on such transactions. Details of all the related party transactions are provided to the shareholders as part of the financial statements at the Annual General Meeting, along with a statement that the Bank engages in transactions with related parties at arm's length terms and in accordance with relevant laws and regulations.

Internal Controls Review

The Board attaches great importance to maintaining a strong control environment and their review covers all controls, including financial, operational, compliance and risk management.

The Board has a collective responsibility for establishing, maintaining and reviewing a system of internal controls that provides reasonable assurance of effective and efficient operations, internal financial control, and compliance with the relevant laws and regulations.

The Board has established a management structure that clearly defines roles, responsibilities and reporting lines.

The Bank's financial position, operational performance, and business performance are regularly reported to the Board. The actual performance achieved against the budget and the prior period is reported and closely monitored.

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 of transactions and the safeguarding of assets.

Communication with Shareholders & Investors

The Board is committed to ensuring that all material information relating to the Bank's business operations is regularly communicated to its stakeholders and members of the investment community.

The Bank has its own web site, where relevant information relating to the Bank, its products, its operations and annual and quarterly financial statements are posted. The Bank's web-site address is **www.nbo.om.**

The quarterly, half-yearly, and annual results of the Bank's operations are published in leading Arabic and English newspapers in the Sultanate of Oman and are also available on the Bank's website under the Investor Relations page and on MSX. Following completion of the statutory audit, the annual report and summary financial statements are distributed via the electronic platform managed by Muscat Clearing and Depository, together with the notice of the forthcoming Annual General Meeting of the Bank. Shareholders are encouraged to contact the Bank whenever they require updated information regarding the Bank or its operations.

The Bank also displays official new releases on its website **https://www.nbo.om/en/Pages/News/Home.aspx**. for shareholders, analysts and investors.

Distribution of Dividends

The distribution of dividends to the Bank's shareholders during the last five years appears on the table below:

Year	Cash dividend	Bonus shares
2021	3.7%	0%
2022	7.4%	0%
2023	8.5%	0%
2024	9.4%	0%
2025	*	0%

* To be determined by the Annual General Meeting on March 29, 2026.

Corporate Social Responsibility (CSR)

During 2025, the Bank made donations to charitable organizations and other non-profitable organizations and participated in CSR initiatives totaling ﷼ 200,000. This was from the CSR budget of ﷼ 200,000 approved by shareholders at the Annual General Meeting held on 18 March 2025.

Details of the Bank's main donations and CSR initiatives in 2025 appear on the table below:

Supporting Areas	Implementation Mechanism	Amount (﷼)	Remarks
Community Development	Oman Charitable Organization 20%	40,000	-
	Shahar Al Atta	30,000	-
	NBO Fintech Accelerator Program	100,000	Committed from the 2025 CSR budget but not yet fully paid as the program concludes in 2026.
Request Based Support	Ministry of Social Development – Special needs day	3,000	-
	Partnership with Injaz Oman (Financial literacy for school students & sponsorship for Company Program)	20,000	-
	Sponsored the renovation of Al Suroor Village traditional souq (Wilayat Samail)	7,000	-
Total		**200,000**	

Major Shareholders (5% and above) as on December 31, 2025

Shareholder Name	No. of shares as on December 31, 2025	%
The Commercial Bank of Qatar	567,452,883	34.90%
Suhail Salim Abdullah Al Mukhaini Bahwan	239,804,865	14.75%
Social Protection Fund	162,578,376	9.99%
Al Anwar Investments SAOG	122,784,706	7.55%
Other Shareholders	533,325,525	32.81%
Total	**1,625,946,355**	**100%**

The Shareholding Pattern as on December 31, 2025

Number of Shares	Number of Shareholders	Total Shares	%
7,000,000 and above	25	1,527,461,519	93.943%
3,000,000 to 6,999,999	11	46,891,318	2.884%
1,500,000 to 2,999,999	6	11,443,588	0.704%
500,000 to 1,499,999	20	16,553,532	1.018 %
100,000 to 499,999	70	15,352,693	0.944%
Below 100,000	756	8,243,705	0.507%
Total	**888**	**1,625,946,355**	**100%**

There are no global depository receipts, warrants or any convertible instruments outstanding.

Details of Non-compliance

CBO circular BM 1134 and Annexure 3 of the Code of Corporate Governance require the Bank to provide details of non-compliance this includes any penalties and strictures imposed on the Bank by MSX, FSA and CBO. The Bank has paid the following amounts as detailed below during the last three years:

In 2024, the Bank was penalized RO 20,000 due to an instance in which an outsourced employee had access to a Bank system, RO 18,000 related to regulatory returns, RO10,000 in relation to risk classification & provisioning, RO 40,000 in relation to customer charges, RO 10,000 on an instance of balloon payment structure on a housing loan, RO 20,000 due to instances of not providing the Non-Objection Certificates (NOCs) within specified timeline, RO 10,000 in relation to our UAE branches due to not attending to system generated alerts on a timely manner.

Total Penalties: RO 128,000

In 2023, the Bank was penalized RO 10,000 due to instances of not providing the Non-Objective Certificates (NOC), within specified timeline. Further, RO 20,000 was fined in relation to the regulatory instructions on withdrawal of deposit prize schemes. Lastly, RO 40,000 was fined on certain deficiencies related to submission of periodic reports to the regulator.

Total Penalties: RO 70,000

In 2022, the Bank was penalized RO 36,000 due to certain pending control enhancements related to cross border remittances to FATF Gray List Countries, which called for real-time Enhanced Due Diligence checks, additional steps on the requirements of withdrawal of deposit prize schemes and certain non-compliances relating to bank charges and outsourcing.

Total Penalties: RO 36,000

Auditors

Having strong internal and external auditors is recognized by the Board as part of sound corporate governance, providing an independent and continuous assessment of the adequacy of, and compliance with, the Bank's established policies and procedures.

Profile of the Statutory Auditor - PwC

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

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

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

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

Statutory Auditor Remuneration & Scope of Services

The Annual General Meeting on March 18, 2025, had approved to appoint PricewaterhouseCoopers LLC (PwC) as the Bank's statutory auditor for the financial year ended on December 31, 2025. During the year ended 31 December 2025, fees paid or accrued to PwC and its network firms amounted to RO 232,886 (exclusive of VAT) for audit and audit related services, and RO 3,850 (exclusive of VAT) for other non-audit services.

The services provided by PwC and its network firms under the services agreement include annual audit of the consolidated financial statements of the Bank, Muzn Islamic Banking financial statements prepared in accordance with AAOIFI and UAE Branches financial statements , special purpose condensed consolidated financial statement for the period ended 30 September 2025, agreed upon procedures and examinations required by the respective regulatory authorities, comfort letter for the purpose of capital securities issuance and other professional services.

Declaration

The Board of Directors declares its liability for preparation of the financial statements in accordance with the applicable standards and rules.

For the year under review, 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 controls are effective and that appropriate procedures are in place to implement the Code's requirements.

The Board of Directors confirms that there are no material issues that affect the continuation of the Bank and its ability to continue its operations during the next financial year.

Amal Suhail Bahwan Al Mukhaini

Chairperson

FCPR - BM 1184 - Annual Report Requirements - Annex I to Circular No. RD/SDD/2023/218

The Financial Consumer Protection Regulation Framework (FCPRF) has been central to NBO's operations since June 2022. The Board and Senior Management have reinforced their commitment to ensure the effective implementation of the FCPRF within NBO and drive further enhancements in consumer protection.

To improve efficiency in customer service, data protection, transparency, and fair treatment, the following components have been enhanced:

- **Customer Complaints Redressal Mechanism**
- **Key Fact Statements (KFS) for products**
- **Awareness Campaign for the year 2026**
- **Customer Experience (CX) Policy**

The Bank has implemented an Awareness, Training, and Education Strategy to strengthen knowledge and understanding among internal and external stakeholders. Clarity in communications, agreements, frameworks, and disclosures has also been prioritized.

Internal and External Education Program:

#	Topic	# of Employees
1	FCP Principles online training	1318
2	Dhiyafa Philosophy and Service Culture	217

Awareness Communications in 2025 focused on the following:

No.	Topic	No. of communications
1	FCP Principles	5
2	Complaint Handling	1
3	Dhiyafa Philosophy and Service Culture	4

The financial education initiatives covered critical topics, including the Charter of Consumer Rights and Responsibilities, Fair Treatment principles, and the importance of ensuring that all customers, including persons with disabilities, can easily access and manage their banking services.

The programs also emphasized the bank's commitment to clarity and transparency across all products and services. Collectively, these efforts support the development of a strong service culture aligned with the bank's philosophy and service standards.

#	Contact Channel	National Bank of Oman (NBO)	Muzn Islamic Banking
1	Customer Service Call Centre	+968 2457 0000	+968 2457 0001
2	Email	CX@nbo.om	CX@nbo.om
3	Website	https://www.nbo.om/	https://www.muzn.om/
4	Social Media	**X:** NBObank	-
		Instagram: Nationalbankoman	Instagram: NBO_Muzn_ Islamicbanking
		LinkedIn: National Bank of Oman	-
		Facebook: National Bank of Oman	-
		Threads: Nationalbankoman	-
		YouTube: National Bank of Oman	-
5	Mobile App	NBO app – In-app customer support	-
6	Postal Address	National Bank of Oman, P.O. Box 751, PC 112, Ruwi, Sultanate of Oman	Muzn Islamic Banking, National Bank of Oman Head Office Building, 1st floor, Athaiba.
7	Branch Visit	Walk-in complaints can be submitted at any NBO branch	Walk-in complaints can be submitted at any Muzn Islamic Banking branch
8	Live Chat	**NBO WhatsApp - 24770000**	-
9	Level (1)- Not satisfied with the resolution provided	**Batool Al Ajmi** Head - Insights and Change Implementations batool@nbo.om Tel: +968 2477 8276 Working hours: (07:30 am - 03.00 pm)	
10	Level (2)- In case there is no update or resolution of your concern / complaint after escalating to level (1)	**Said Al Marhoobi** Head of Customer Experience Division saidhm@nbo.om Tel: +968 2477 8274 Working hours: (07:30 am - 03.00 pm)	

The bank's Complaints Handling Mechanism has been strengthened with a straightforward guideline document, accessible across all channels, to enhance customer accessibility and engagement.

Below is the disclosure on customer complaints redressal:

	Complaints received by NBO & Muzn from customers	NBO 31st Dec 2024	NBO 31st Dec 2025	Muzn 31st Dec 2024	Muzn 31st Dec 2025
1	Number of complaints pending at the beginning of the year	94	237	4	2
2	Number of complaints received during the year	6266	7662	202	107
3	Number of complaints disposed during the year	6293	7771	204	106
3.1	Of which, number of complaints rejected by the bank	0	0	0	0
4	Number of complaints pending at the end of the year	237	128	2	3
4.1	Of which, number of complaints pending beyond 30 days	0	0	0	0

04

Basel II - Pillar III and Basel III

Report
2025

The Board of Directors
National Bank of Oman SAOG
PO Box 751
PC 112
Muscat, Sultanate of Oman

Dear Members

Agreed-upon procedures report of factual findings to the Board of Directors of National Bank of Oman SAOG (the "Bank") in respect of Basel II - Pillar III and Basel III Disclosures (the "Disclosures") for the year ending 31 December 2025

Purpose of this Agreed-upon procedures report

This report is produced in accordance with the terms of our agreement dated 8 June 2025. The procedures as set out in Circular No. BM 1027 dated 4 December 2007 were performed solely to assist the directors of National Bank of Oman SAOG ("the Bank") in evaluating the Bank's compliance with the disclosure requirements set out in 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") issued by the Central Bank of Oman (CBO) 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.

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.

Agreed-upon procedures report of factual findings to the Board of Directors of National Bank of Oman SAOG (the "Bank") in respect of Basel II - Pillar III and Basel III Disclosures (the "Disclosures") for the year ending 31 December 2025 (continued)

Procedures and findings

We performed the procedures agreed with you and as prescribed in the CBO Circular No. BM 1114 dated 17 November 2013 with respect to the Disclosures of the Bank, set out on pages 1 to 29 as at and for the year ended 31 December 2025.

Based on the above procedures, we did not find any exceptions.

Our procedures, as stated in our agreement, did not constitute an audit or assurance engagement made in accordance with generally accepted auditing or assurance standards, the objective of which would be the expression of assurance on the contents of the Disclosures. We do not express such assurance. 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,

PricewaterhouseCoopers

Muscat, Sultanate of Oman

5 March 2026

C.R. No 1230865
PricewaterhouseCoopers LLC

Basel II - Pillar III and Basel III Report 2025

NATIONAL BANK OF OMAN SAOG

National Bank of Oman SAOG ("NBO", "the Bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman, through overseas branches in the United Arab Emirates and Egypt. In Oman the Bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licences given by the respective Central Banks. The Bank is in the process of closing down its operations in Egypt and has sought necessary approvals. The bank is head quartered in Muscat, Sultanate of Oman. The Bank's equity shares are listed on the Muscat Stock Exchange. Perpetual bonds are listed on the Euronext Dublin.

CAPITAL STRUCTURE

The authorised share capital of the bank as at 31 December 2025 is 2,000,000,000 shares of ﷼ 0.100 each.

The issued and paid up capital of the bank as at 31 December 2025 is 1,625,946,355 shares of ﷼ 0.100 each

The Bank has assigned capital for operations in UAE and Egypt, amounts equivalent to ﷼ 40.9 million and ﷼ 19.3 million respectively. These amounts cannot be withdrawn without the approval of the Central Banks of the respective countries. In addition, within Oman, the bank has allocated ﷼ 55.0 million of capital towards the Islamic banking window.

The Bank's consolidated capital structure as at close of 31 December 2025, based on Central Bank of Oman's (CBO) guidelines is as follows:

Elements of Capital	Amount in
Tier I Capital	**﷼ 000's**
Local Banks	
Paid-up capital	162,595
Share premium	34,465
Legal reserve	54,198
Retained earnings *	312,667
Common equity Tier 1 before regulatory adjustments	**563,925**
Deduction	
Revaluation reserves / Cumulative fair value gains or losses on financial assets measured at fair value through other comprehensive income	(4,818)
Common equity Tier 1	**559,107**
Additional Tier 1 Capital	
Tier 1 Perpetual Bond	398,287
Tier I capital after all deductions	**957,394**
Tier II Capital	
Revaluation reserves / Cumulative fair value gains or losses on financial assets measured at fair value through other comprehensive income	4,823
ECL allowance eligible for Tier 2	10,888
Total Tier II Capital	**15,711**
Total Regulatory Capital	**973,105**

* Note: Retained earnings are adjusted towards proposed cash dividend which is subject to CBO and Shareholders approval.

CAPITAL ADEQUACY

Qualitative Disclosures:

The ultimate objectives of capital management are three fold:

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

The capital management plan envisaged for the bank is based on the regulatory risk capital framework of Basel II and using standardised approach for calculating the credit as well market risk and the basic indicator approach for operational risk as prescribed by CBO. The Bank will also factor in the regulatory guidelines, wherever applicable on Basel III, while carrying out its assessment.

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

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

CAPITAL ADEQUACY (continued)

Qualitative Disclosures:

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

The Bank prepares ICAAP (Internal Capital Adequacy Assessment Process) document in line with Basel II guidelines to evaluate all Enterprise-wide Risks that are not fully captured in the Pillar I Risks. This document addresses through objective and subjective evaluation, the adequacy of capital after considering the impact of additional risks, such as, Residual Credit Risk, Residual Credit Risk Mitigation (CRM) Risk, Residual Credit Risk - Equity, Residual Market Risk - Currency, Credit Concentration Risk, Interest Rate Risk in Banking Book, Liquidity Risk, Settlement Risk, Reputation Risk, Climate Risk, Model Risk, Strategic Risk and Compliance Risk as well as various levels of stress tests. Following the guidelines issued by the Central Bank of Oman in December 2012, assessment under ICAAP is carried out and submitted to the Central Bank of Oman in accordance with the prescribed guidelines. The Bank will also factor in the regulatory guidelines, wherever applicable on Basel III, while carrying out its assessment.

Quantitative Disclosures:

Details	Amount
Position as at 31 December 2025	**(﷼'000)**
Tier I capital (after supervisory deductions)	**957,394**
Tier II capital (after supervisory deductions & upto eligible limits)	**15,711**
Risk Weighted Assets (RWAs) – Banking Book	**4,346,890**
Risk Weighted Assets (RWAs) – Operational Risk	**287,929**
Total Risk Weighted Assets (RWAs) – Banking Book + Operational Risk	**4,634,819**
Minimum required capital to support RWAs of banking book and operational risk	625,701
Minimum required capital comprises of;	
i) Tier I capital	609,990
ii) Tier II capital	15,711
Balance Tier I capital available for supporting Trading Book	347,404
Risk Weighted Assets (RWAs) – Trading Book	**127,638**
Total capital required to support Trading Book	17,231
Minimum Tier I capital required for supporting Trading Book	4,911
Total Regulatory Capital	**973,105**
Total Risk Weighted Assets – Whole bank	**4,762,457**
BIS Capital Adequacy Ratio (%)	**20.4**

Basel III Disclosures:

In compliance with CBO circular BM 1114 dated 17 November 2013; certain mandatory capital adequacy disclosures are made below:

Details	Gross balance (Book value)	Net balance (Book value)	Risk Weighted Assets
Position as at 31 December 2025			**(﷼'000)**
On balance sheet items	5,675,809	5,466,022	3,860,600
Off balance sheet items	521,093	521,093	467,998
Derivatives	18,292	18,292	18,292
Operational Risk	-	-	287,929
Market Risk	-	-	127,638
Total	**6,215,194**	**6,005,407**	**4,762,457**
Common equity Tier I Capital			559,107
Additional Tier 1 Capital			398,287
Tier 2 Capital			15,711
Total Regulatory Capital			**973,105**
Total required Capital @ 13.50%			642,932
Capital requirement for credit risk			586,831
Capital requirement for market risk			17,231
Capital requirement for operational risk.			38,870
Common Equity Tier 1 Ratio (%)			**11.7**
Tier I Ratio (%)			**20.1**
Total Capital Ratio (%)			**20.4**

RISK EXPOSURE AND ASSESSMENT

Risk Management

The primary objective of risk management is to safeguard the Bank's resources from the various risks which the Bank faces. The Risk Group comprises Corporate Credit Risk, SME Credit Risk, Retail Credit Risk, Market Risk, Operational Risk, Information Security and Business Continuity Risk and Loan Review section. All risk management functions report to Chief Risk Officer and are independent from Business Units.

The Bank's Credit Risk Strategy is aimed at adopting a structured approach to credit growth and de-emphasizing areas that are considered relatively high risk based on the prevailing and expected market conditions.

The administrative framework and the policies and procedures in place for the management of risks are based on international best practices, the recommendations of the Basel Committee and the guidelines of the Central Bank of Oman.

The Bank has exposure to the following risks:-

Credit Risk

Qualitative Disclosures

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fail to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank manages and controls credit risk by setting internal limits on the amount of risk it is willing to accept for individual counterparties and groups (single obligors) and industry sectors in line with the regulatory guidelines. The Bank computes expected losses on credit exposure on the basis of risk classification of both corporate and retail loans in the delinquent category based on the regulatory guidelines.

Credit Risk (continued)

The objective of the Bank in management of credit risk is to protect the credit quality of its credit exposures. Credit Risk is managed within the regulatory requirement, risk framework provided in the Risk Charter and Credit Policies and Procedures.

The policies and procedures are periodically reviewed by the Management and the Board Risk Committee to ensure alignment to the current best practices. Credit exposures are approved by delegated authorities based on delegation by the Board and Board Risk Committee. The delegation of authorities is based on the size of the single obligor exposure, the credit quality (internal, external rating) as well as level of credit risk mitigation (collateral, guarantees, etc.) for the proposed exposures. For retail exposures, there is delegation of authority for handling exceptions to approved program lending. Control, monitoring and management of credit exposures are done in coordination with respective Business Units as per established procedures.

The Bank has in place a robust credit risk management structure comprised of Corporate Credit Risk, SME credit risk, Retail Credit Risk, Loan Review Mechanism, Remedial Management and Credit Administration and Control Divisions.

Corporate Credit Risk and SME Credit Risk

Corporate Credit Risk Division is responsible for independent assessment and control of the risks related to all Corporate Banking and Financial Institutions exposures while SME Credit Risk Division independently reviews Business Banking and Small Business Unit exposures. Both the Division reviews and assesses credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews of facilities are subject to the same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries, risk grades, etc. and deviations, if any are highlighted. The bank follows risk based pricing and each credit proposal is also assessed based on internal benchmarks of required risk adjusted returns. The bank has implemented a customized Moody's Risk Analyst model for risk rating corporate borrowers. Corporate Credit Risk Division also provides advice and guidance to business units with a view to promoting best practices throughout the bank in the management of credit risk.

In addition to formal annual credit risk reviews of each corporate facility, more frequent reviews are also undertaken for watch list accounts, early warning accounts, lower rated customers, public companies and large exposures. Further, the Bank continues to undertake quarterly review of financial institutions and country portfolio including stress tests and review of adverse rating migrations and outlooks in line with best practices and regulatory guidelines. The Bank also undertook a weekly review across all its business segments of early warning accounts, which showed signs of stress, and remedial action prescribed as necessary.

Retail Credit Risk

Retail Credit Division manages the credit risk in the retail portfolio. Credit facilities are offered to retail customers primarily based on Product Programs. A programmed lending approach contains standard risk acceptance criteria and loan processing practices in order to optimize the efficiency and risk/ reward of those portfolios. Product programs are approved by Board Risk Committee and their performance is monitored on a regular basis and reviewed. Regular updates are provided to the approving committees regarding the status of the loan portfolio.

Based on the prevailing market conditions, the Bank sustained its continuous monitoring of the portfolio with a thorough review and amendments of the Credit Policy / Product Program. Credit facilities outside the Product Programs / Policy Parameters are individually reviewed and assessed by the Retail Banking division & the Retail Credit Risk Division. Ongoing efforts for implementing the Credit bureau score (Mala'a) for major loan products.

Several system enhancements and new processes have been introduced across critical activities to improve processing quality and efficiency and to enhance the recovery methodologies of the retail portfolio. The Bank has an automated Loan Collection System in order to enhance its collections and recovery processes. It also has an automated Loan Origination System to further enhance its Retail Credit Risk framework.

Loan Review Mechanism

An independent Loan Review Mechanism Division evaluates the quality of loan book, balance between risk and reward and brings about qualitative improvements in credit administration. The division evaluates effectiveness of loan administration, integrity of credit grading process, assessment of expected credit losses, portfolio quality, etc.

Remedial Management

Remedial Management is responsible for pursuing each delinquent account, by using all available measures, to reduce exposure to high risk groups, to maximize recoveries, rehabilitating these relationships so that they can be returned to the business lines as fully performing accounts and progressively improve the status of the portfolio.

Credit Administration and Control

The Credit Administration and Control section ensures:

- Documentation for all loans is properly completed, executed and maintained.
- The correct approving authority approves credit lines and details are accurately recorded.
- Production of adequate and accurate reports covering various credit risk exposures.
- Irregularities are reported and corrective action is taken.
- Review of and participation in any new/existing product offerings of the Bank.
- Various internal reporting and external reporting is prepared on a periodical basis.
- That all approved limits are input into the system under a "maker and checker" concept.
- Disbursement of funds for all approved credit exposures is appropriately authorized.

Risk Reporting and Measurement Systems

The scope and nature of the risk reporting and/or measurement system are as follows:

Risk Reporting

A comprehensive review of the Corporate Credit Portfolio is conducted on a quarterly basis and provided to the Senior Management and the Risk Committee of the Board. Salient areas covered in the review include:

- Exposures downgraded/negatively migrated
- Weighted average credit grade profile
- Portfolio concentration/ performance
- Position of restructured exposures
- Position of past due exposures
- Exposures secured by equity
- Exposures to real estate and leasing sectors
- Syndicated exposures
- New relationships
- Exposures to senior members and non-resident borrowers
- Exposures to countries / financial institutions

In addition, the bank conducts industry studies in various sectors considered to have a bearing on the portfolio credit quality, such as, real estate, leasing, and sectors impacted by volatility in commodity prices. For FIG exposures the bank conducts stress tests and quarterly reviews of adverse rating migrations and outlooks in line with best practices and regulatory guidelines. These reports are reviewed periodically by the Management and Board Risk Committees.

A review of the Retail Credit Portfolio is conducted on a monthly basis and provided to the Management Risk Committee, and every quarter the latest report is presented to the Board Risk Committee. Salient areas covered in the review include:

- Portfolio review
- Management summary, delinquency and default trends (including product-wise delinquency analysis, vintage analysis, delinquencies across various credit criteria, etc.)
- Projects undertaken / fulfilled during the month
- Recoveries

Measurement

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the bank makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risks.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

Credit Risk (continued)
Measurement (continued)

The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- A material decrease in the borrower's turnover or the loss of a major customer
- The debtor (or any legal entity within the debtor's group) filing for Bankruptcy application/protection.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Given the nature of the bank's exposures and availability of historical statistically reliable information, the bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by IMF's for each rating category.

Economic variable assumptions

During the year, the Bank implemented a new IFRS 9 tool incorporating an enhanced macroeconomic model that leverages the most recent forecasts published by the IMF. The macroeconomic model has been independently calibrated for each portfolio, with key variables determined through correlation analysis and evaluation of their influence on the expected credit loss (ECL) outcomes. The implementation and calibration of the model were subject to independent validation and management review to ensure the robustness and reasonableness of underlying assumptions and outputs

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data and assigns the internal rating.

Corporate and small business lending

For corporate and investment banking loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Economic variable assumptions

- The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Loss given default

For corporate and investment Banking financial instruments, LGD values are assessed based on historically collected loss data, cured data, and recovery data that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Bank.

Significant Increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Bank applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Credit Risk (continued)
Significant Increase in Credit Risk (continued)

a. adequate or unreliable financial or other information such as unavailability of audited financial statements within 120 days from end of accounting period.
b. Delay in documentation execution over 35 days from limit set up due to disputes with customers.
c. Borrower is subject to litigation by third parties that may have a significant impact on his financial position.
d. Frequent changes in key senior management personnel without acceptable successors or professional management.
e. Intra Group transfer of funds without underlying transactions beyond 50% of Tangible Net Worth.
f. Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.
g. Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.
h. A fall of 25% or more in the turnover or in the EBIT as compared to the previous year except in the case of change in business model/one of material events.
i. A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.
j. Rating downgrade by 3 notches for ratings from R1 to R4 and 2 notches downgrade for R5 and R6.
k. Erosion in net worth by more than 20% compared to previous year coupled with increase in leverage by 1.5 times.

Measurement of ECL - Judgemental adjustments

Where appropriate, the Bank makes adjustments to the ECL estimate outside the Bank's regular modelling process to reflect management judgements. The changes to the assumptions underlying these judgmental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes.

Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Bank's definition of PMAs because they are not calculated at a granular level through modelled analysis.

The Bank has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the Bank is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Total judgmental adjustments as at 31 December 2025 increased the overall loss allowance by 0.31% compared to ECL allowance derived through the ECL models.

Model risk management

The Bank has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS9 accounting standards.

The bank has formed a Model Oversight Committee. The committee is responsible for all significant modelling decisions related to each step of the model life cycle. The committee must ensure decisions are transparent, justified and documented The committee's main objective is to optimize the ability of models to support decision-making throughout the bank, covering all model types. The Model Oversight Committee is accountable to Senior Management and to the Board, who must ensure that the Model Oversight Committee manages Model Risk appropriately.The committee is required to provide an impartial view of the best modelling approach for the bank. It is expected to remain independent from actual, potential or perceived interests of business lines. Therefore, the majority of the Committee members are not from business lines

Each model is equired to be managed according to a cycle that includes, at a minimum, the following steps:

1. Development,
2. Pre-implementation validation,
3. Implementation,
4. Usage and monitoring,
5. Independent validation, and
6. Recalibration, redevelopment or retirement, if deemed necessary

The duration and frequency of each step is required to be specified in advance for each model and documented accordingly.

The responsibility of the Model oversight committee includes the below:

1. Design the bank's appetite for Model Risk to be approved by the Board,
2. Ensure that Model Risk is managed appropriately across the bank,
3. Escalate modelling decisions when necessary,
4. Oversee the objective and strategy of each model,
5. Approve the development of new models,
6. Request the development of new models when necessary,
7. Approve material modelling decisions throughout the model life-cycle,
8. At the end of each cycle, review the validation results and make one of the choices below:
   a) Leave the model unchanged,
   b) Use a temporary adjustment while establishing a remediation plan,
   c) Recalibrate the model,
   d) Redevelop or acquire a new model, or
   e) Withdraw the model without further redevelopment

Credit Risk Management Policy

A comprehensive set of Corporate Credit Risk Policy and Procedures Manuals, provides detailed policy guidelines and embedded in which are the regulatory/ in-house limits. Further, procedures manuals provide detailed process guidelines about the credit process and the templates to be used to process the individual credit applications. Financial Institutions Group (FIG) exposures are managed as per the Financial Institutions Policy guidelines. Retail Credit Policy outlines the policy guidelines related to retail banking and covers product programs and parameters relating to Salary Related Loans, Mortgages, Credit Cards and other retail product offerings. Credit Policies and Procedures are periodically reviewed to ensure that they are aligned to the market and regulatory guidelines.

The provisions included in this report represent the total provisions at the bank level.

Quantitative Disclosure:

(i) Total gross credit exposures, plus daily average of gross exposure over the period broken down by major types of credit exposure as at 31 December 2025 :

S. No	Type of Credit Exposure	Average Gross Exposure		Total Gross Exposure as at	
		Current Year	Previous Year	Current Year	Previous Year
					(﷼'000)
1	Overdrafts	86,166	70,224	83,544	78,564
2	Personal loans	1,561,593	1,527,957	1,562,701	1,538,728
3	Loans against trust receipts	79,158	64,762	94,895	63,653
4	Term loans, Islamic financing and others	2,510,612	2,215,565	2,574,970	2,394,567
5	Bills discounted	15,926	14,079	11,186	15,194
	Total	**4,253,455**	**3,892,587**	**4,327,296**	**4,090,706**

Credit Risk (continued)
Credit Risk Management Policy (continued)

(ii) Geographic distribution of exposures by major types of credit exposure as at 31 December 2025 :

S. No	Type of Credit Exposure	Oman	Unted Arab Emirates	Others	Total
					(﷼'000)
1	Overdrafts	73,877	9,667	-	83,544
2	Personal loans	1,562,361	340	-	1,562,701
3	Loans against trust receipts	90,333	4,562	-	94,895
4	Term loans, Islamic financing and others	2,390,768	151,626	32,576	2,574,970
5	Bills discounted	11,186	-	-	11,186
	Total	**4,128,525**	**166,195**	**32,576**	**4,327,296**

(iii) Industry or counter party type distribution of exposures, broken down by major types of credit exposure as at 31 December 2025 :

S. No	Economy	Overdraft	Term loans, Islamic financing and others	Bills Discounted	Loans against trust receipts	Gross Loans	Off-Balance Sheet Exposure
							(﷼'000)
1	Import Trade	2	66,218	-	-	66,220	-
2	Export Trade	-	7,603	-	-	7,603	-
3	Wholesale & Retail Trade	15,032	22,833	297	48,564	86,726	44,786
4	Mining & Quarrying	407	167,333	-	55	167,795	1,011
5	Construction	34,297	290,495	1,633	9,578	336,003	126,159
6	Manufacturing	6,064	341,685	348	25,033	373,130	53,973
7	Electricity, gas and water	472	306,809	100	4,856	312,237	4,821
8	Transport and Communication	1,923	306,127	893	376	309,319	34,955
9	Financial Institutions	2,250	431,337	7,604	1,317	442,508	53,053
10	Services	7,413	234,108	311	1,450	243,282	56,105
11	Personal Loans	-	1,562,701	-	-	1,562,701	220
12	Agriculture and Allied Activities	5,092	8,730	-	1,073	14,895	90
13	Government	-	269,234	-	-	269,234	-
14	Non-Resident Lending	-	62,545	-	-	62,545	-
15	All Others	10,592	59,913	-	2,593	73,098	23,813
	Total	**83,544**	**4,137,671**	**11,186**	**94,895**	**4,327,296**	**398,986**

(iv) Residual contractual maturity as at 31 December 2025 of the whole loan portfolio, broken down by major types of credit exposure:

S. No	Time Band	Overdrafts	Term loans, Islamic financing and others	Bills Discounted	Loans against trust receipts	Gross Loans	Off-Balance Sheet Exposure
							(﷼'000)
1	Upto 1 month	4,177	138,308	3,134	26,541	172,160	109,550
2	1-3 months	4,177	107,065	4,763	39,844	155,849	56,415
3	3-6 months	4,177	123,176	3,289	28,424	159,066	33,910
4	6-9 months	4,177	107,785	-	86	112,041	32,252
5	9-12 months	4,177	100,902	-	-	105,079	22,263
6	1-3 years	20,886	606,431	-	-	627,324	126,429
7	3-5 years	20,886	920,064	-	-	940,950	10,160
8	Over 5 years	20,887	2,033,940	-	-	2,054,827	8,007
	Total	**83,544**	**4,137,671**	**11,186**	**94,895**	**4,327,296**	**398,986**

(v) Total loan broken down by major industry or counter party type as at 31 December 2025 :

S. No	Economic Sector	Gross Loans	Of which, NPL as per IFRS -9	Stage -1 and stage- 2 provision as per IFRS -9	Stage 3 provision held as per IFRS -9	Provisions made during the year excluding reserve interest	Advances written off during the year
							(﷼'000)
1	Import Trade	66,220	171	2,539	8	2,002	-
2	Export Trade	7,603	-	13	-	8	-
3	Wholesale & Retail Trade	86,726	15,482	1,574	11,140	(982)	3,341
4	Mining & Quarrying	167,795	14,698	489	14,697	4,790	-
5	Construction	336,003	61,616	5,125	50,891	8,171	750
6	Manufacturing	373,130	9,438	16,587	5,842	5,467	451
7	Electricity, Gas and Water	312,237	46	1,139	46	282	-
8	Transport and Communication	309,319	3,073	494	2,815	337	31
9	Financial Institutions	442,508	-	6,073	-	820	-
10	Services	243,282	32,444	4,235	20,556	(1,322)	4,151
11	Personal Loans	1,562,701	41,406	7,967	24,028	1,777	4,509
12	Agriculture and Allied Activities	14,895	57	65	3	(160)	-
13	Government	269,234	-	80	-	17	-
14	Non-Resident Lending	62,545	-	183	-	146	-
15	All Others	73,098	16,453	1,296	6,916	2,959	-
	Total	**4,327,296**	**194,884**	**47,859**	**136,942**	**24,312**	**13,233**

Credit Risk (continued)

(vi) Amount of impaired loans as at 31 December 2025, broken down by significant geographical areas including, with the amounts of specific and general allowances related to each geographical area:

S. No	Countries	Gross Loans	Of which, NPL as per IFRS -9	Stage -1 and stage- 2 provision as per IFRS -9	Stage 3 provision held as per IFRS -9	Provisions made during the year excluding reserve interest	Advances written off during the year
							(﷼'000)
1	Oman	4,128,525	178,608	47,376	120,886	22,520	4,752
2	United Arab Emirates	166,195	16,276	483	16,056	1,792	8,481
3	Others	32,576	-	-	-	-	-
	Total	**4,327,296**	**194,884**	**47,859**	**136,942**	**24,312**	**13,233**

(vii) Movement of gross loans:

Details	Stage 1	Stage 2	Stage 3	Total
				(﷼'000)
Exposure subject to ECL				
Opening Balance - as at 1 January 2025	**3,342,348**	**557,782**	**190,576**	**4,090,706**
Transfer to stage 1	65,403	(65,403)	-	-
Transfer to stage 2	(6,649)	7,432	(783)	-
Transfer to stage 3	(6,611)	(23,408)	30,019	-
New loans, advances and Islamic financing assets	689,951	151,528	-	841,479
Recovery of loans, advances and Islamic financing assets	(534,513)	(45,448)	(11,695)	(591,656)
Write off for the period	-	-	(13,233)	(13,233)
Closing Balance - as at 31 December 2025	**3,549,929**	**582,483**	**194,884**	**4,327,296**
Total Provisions	**10,888**	**36,971**	**136,942**	**184,801**

Credit Risk –Disclosures for portfolios subject to the standardized approach.

Qualitative Disclosures:

- The bank is following Moody's rating for both sovereign and interbank exposures and the balance is treated as unrated at 100% risk.
- With the approval of the CBO, the bank uses the discretion to treat loans and advances as unrated at risk weight of 100%, except housing loans which are risk weighted at 35% based on the requirements as stipulated in the guidelines issued by CBO.
- Similarly, with the approval of CBO, the bank uses the discretion of the simple approach for recognising collaterals.

Credit Risk Mitigation

Qualitative Disclosures:

The Bank can hold collateral against loans and advances to customers in the form of cash, government development bonds, acceptable financial securities, mortgage interest over property, and other registered charge over assets, and guarantees. Estimates of fair value are based on the value of the collateral assessed on an on-going basis.

The Bank has adopted the simple approach for collaterals.

Quantitative Disclosures:

S. No	Details	Amount
		(﷼'000)
1	Corporate cash collateral	72,848
2	Specific provisions and reserve interest on loans and advances and due from banks	136,939
	Total	**209,787**

The capital requirement on credit risk as at 31 December 2025 is ﷼ ('000) 586,831

Market Risk

The objective of Bank's Market Risk Management is to manage and control market risk exposures which arises from fluctuations in interest rates, foreign exchange rates and equity prices while maintaining a market profile consistent with Bank's risk appetite. The board has set limits for acceptable levels of Market Risk. The Assets and Liabilities Committee (ALCO) monitors the exposure on a regular basis. Market Risk is managed based on Central Bank of Oman guidelines and the Market Risk Policy, which is approved and periodically reviewed by the Board Risk Committee. Separate Market Risk policies exist for the Bank's operations in Egypt and UAE to be compatible with the local regulatory and operational environments. Stress tests are also conducted periodically to analyze the impact of Bank and market specific stress factors crises on the earnings and capital of the Bank. The results are reviewed by ALCO, Management and Board Committees.

Market Risk Division provides risk-weightings for treasury products in line with best practices based on potential future exposure. The middle-office along with Treasury and Investment Banking Operations monitors the Market Risk positions of the Bank.

Trading Book

Foreign Exchange Risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements. The exposure under the trading book of the Bank includes relatively small foreign exchange exposure primarily arising from the holding of day-end positions in currencies overnight, and exposure towards interest rate related instruments. Positons are monitored on daily basis to ensure open currency position is maintained within the regulatory limit of 40% of networth.

Value-at-risk (VaR) is used to estimate the potential losses on risk positions as a result of movements in market rates and prices. The VaR is computed every month for all non-pegged currencies in which the Bank's end-of-the-day position is above a minimum threshold. The VaR is reviewed by ALCO, Management Risk Committee and Board Risk Committee.

The Bank holds investment that are Fair Value Through Profit and Loss account (FVTPL) consisting of investments in portfolio of equities and funds which is managed by the Investment Banking division. The exposures are daily monitored by the Middle Office as per the approved stop loss and exposure limits through Mark-to-Market (MTM) reports.

For the purpose of capital charge, the three month average positions is taken. The average is worked out on the basis of the actual positions as obtained on all the working days during the three month period immediately preceding the reporting date. The capital charge is computed at 12.5% to reflect the general market risk.

Capital required for trading book as at 31 December 2025 : Foreign Exchange Risk - ﷼ ('000) 17,231

Operational Risk

Operational risk refers to the potential for loss resulting from system failures, human errors, fraud, or external events. When controls fail, operational risks can lead to reputational damage, legal or regulatory consequences, or financial losses. While the bank cannot completely eliminate all operational risks, it effectively manages them through a robust control framework that monitors and addresses potential threats. Key controls include the segregation of duties, access and authorization protocols, reconciliation procedures, staff training and evaluation, and the involvement of internal audit.

The bank uses the Basic Indicator Approach to calculate the capital charge for operational risk. This involves averaging the gross income over the last three financial years, excluding years with zero or negative gross income, and multiplying it by 15%. Gross income is calculated as Net Interest Income (+) Non-Interest Income (+) Provisions for Unpaid Interest (-) Realized Profit on Financial Assets Measured at Fair Value Through Other Comprehensive Income Investments (-) Extraordinary/Irregular Items of Income.

Operational Risk (continued)

As per Basel II, the capital requirement for operational risk is ﷼(000s) 38,870

The bank also utilizes insurance as a risk mitigation tool, including coverage such as Bankers' Blanket Bond (BBB), Professional Indemnity, insurance for incomplete transactions, Directors and Officers Liability, and Cyber Liability insurance. These policies help protect the bank from high-severity risks by minimizing their financial impact.

Furthermore, the bank has established a special operational risk appetite framework to monitor operational incidents and losses regularly. This ensures that any potential breaches are detected, and necessary mitigants are implemented to manage these risks effectively

Climate Related Risk

Climate change has emerged as one of the most significant global challenges of the time, impacting economies, societies, and ecosystems across the planet. As the effects of climate change become increasingly apparent, businesses and institutions must recognize the urgent need to address climate risks. Among these institutions, banks play a crucial role in shaping the global financial landscape and have a unique responsibility to manage climate-related financial risks within their operations.

In recent years, the financial sector has witnessed a growing recognition of the systemic risks associated with climate change. From physical risks, such as extreme weather events and rising sea levels, to transitional risks, such as policy changes and technological disruptions, climate-related factors have the potential to profoundly impact the stability of the banking industry. In this light, the bank has developed a comprehensive climate risk policy duly approved by the board. The policy serves as a roadmap to identify, assess, and mitigate the risks and opportunities associated with climate change. By incorporating climate considerations into operations, NBO intends to effectively manage its consequent risks, seize emerging opportunities, and contribute to the transition to a low-carbon and climate-resilient economy. The Board has approved the Bank's Climate Risk Policy.

Banking book

Equity Price Risk

The proprietary equity positions are held in the Fair Value Through Other Comprehensive Income (FVOCI) category as part of Banking book exposure and not in the FVTPL category. As such, no VaR is calculated for the FVOCI portfolio. These are marked to market on a daily basis which are circulated to the management and required actions, if any, are promptly taken as per the investment Policy, which inter-alia provides sector concentration limits, trigger levels and other guidelines for prudent management of the portfolio.

Interest Rate Risk

The principal market risk to which non-trading portfolio is exposed is the risk of loss from fluctuation in the future cash flows or fair values of financial instruments because of changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities.

Interest rate risk is managed by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in yield curves to review the impact on the economic value of the assets and liabilities and the equity of the Bank and impact on the earnings of the Bank up to one year.

In respect of monitoring the impact of interest rate changes on the earnings of the Bank, the Bank has set internal limits. Positions are monitored on a monthly basis and hedging strategies used to ensure positions are maintained within established limits.

The methods for interest rate sensitivity analysis are a traditional Maturity Gap Analysis (to measure the interest rate sensitivity of earnings), and duration (to measure interest rate sensitivity of capital) as per methodology provided by Basel Committee in 2004.

Quantitative Disclosures:

The assumptions used to measure the sensitivity is parallel shift in interest rate by 200 basis points (bps) to measure the interest sensitivity of earnings and interest rate sensitivity of capital.

As at December 2025	200 bps increase	200 bps decrease
Earnings impact- ﷼000s	19,040	(19,040)

The Bank has been consistently using the above methods/assumptions to conduct interest rate sensitivity analysis. The analysis is carried out at monthly rests and results thereof monitored against the in-house prescribed limits; the results are also actively deliberated at the ALCO meetings. The interest rate risk of the Bank have been within the prescribed limit during the year.

Interest Rate Risk

The Bank's interest sensitivity position, in line with guidelines issued by Central Bank of Oman, based on contractual re-pricing arrangements at 31 December 2025 was as follows:

	Average effective interest rate	On demand within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest sensitive	Total
							(﷼'000)
Cash and balances with Central Banks	N/A	-	-	-	-	356,154	356,154
Due from Banks and other money market placements (net)	4.97%	207,681	36,056	62,582	-	28,076	334,395
Loans, advances and Islamic financing assets (net)	5.83%	1,623,895	1,196,538	722,573	607,348	-	4,150,354
Investment securities (net)	4.72%	183,183	35,526	276,601	85,156	-	580,466
Other assets	N/A	-	-	-	-	108,877	108,877
Property and equipment	N/A	-	-	-	-	60,978	60,978
Total assets		**2,014,759**	**1,268,120**	**1,061,756**	**692,504**	**554,085**	**5,591,224**
Due to Banks and other money market deposits	4.83%	220,979	154,860	25,024	-	14,020	414,883
Customers' deposits and unrestricted investment accounts	3.56%	302,653	2,342,323	738,636	-	625,505	4,009,117
Other liabilities	N/A	5,648	-	-	-	135,586	141,234
Taxation	N/A	-	-	-	-	25,984	25,984
Tier 1 Perpetual Bond	7.07%	-	-	398,287	-	-	398,287
Shareholders' equity	N/A	-	-	-	-	601,719	601,719
Total liabilities and shareholders' equity		**529,280**	**2,497,183**	**1,161,947**	**-**	**1,402,814**	**5,591,224**
Total interest rate sensitivity gap		**1,485,479**	**(1,229,063)**	**(100,191)**	**692,504**	**(848,729)**	**-**
Cumulative interest rate sensitivity gap		**1,485,479**	**256,416**	**156,225**	**848,729**	**-**	

Liquidity Risk

Qualitative Disclosures:

Liquidity may be defined as a Bank's ability to ensure the availability of funds to meet all on-balance sheet and off-balance sheet commitments at a reasonable price. Liquidity Risk occurs when the Bank is unable to meet short term obligation when falling due which may raise a potential risk to earnings and capital of the Bank. Conversely, liquidity risk also manifests itself in the form of opportunity losses due to holding excess liquidity relative to liabilities.

The strategy of the Bank in management of liquidity risk is to minimize the resultant impact on the earnings of the Bank. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or impacting Bank's reputation. The Bank manages the liquidity risk based on Central Bank of Oman guidelines, Liquidity Risk Policy and Liquidity Contingency Plan.

NBO takes a two-tiered approach to Liquidity Risk Management:

Going concern Liquidity Management - management of the liquidity position within specified parameters to ensure all liabilities can be met on a timely basis.

Event Risk Liquidity Management - ensuring that in the event of either a firm-specific or general market event, the Bank is able to generate sufficient liquidity to withstand a short term liquidity crisis. Event Risk Liquidity Management includes the following tools:

- **Stress test:** a quantitative analysis of liquidity impact of several (market and bank specific) liquidity crises.
- **Liquidity buffer:** mitigation of an event risk is achieved through the provision of standby liquidity in the form of unencumbered, Central Bank eligible collateral and stand-by lines.
- **Contingency Funding Plan:** A comprehensive Liquidity Contingency Plan that documents the procedures that the Bank would adopt to withstand either temporary or prolonged disruptions in its ability to fund some or all of its activities in a timely manner and at a reasonable cost.

The overall Liquidity Risk is kept at such a level that NBO is able to resume its business after a specified crisis.

Treasury division of the Bank receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury division maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank is subject to liquidity limits prescribed by the CBO. Additionally, the Bank has also set internal mismatch limits by currency and limits for ensuring that liquidity lines are sufficient to meet short term maturing obligations.

The liquidity position is monitored through the Statement of Maturities of Assets and Liabilities to ensure that the gaps are within the regulatory and internal limits. The Bank also periodically conducts stress tests on liquidity based on market and bank specific scenarios.

Management periodically reviews the strategy and policies related to management of liquidity to ensure that necessary actions are implemented for monitoring and controlling liquidity risk.

The Bank has in place an effective and efficient liquidity risk management structure comprising an active ALCO which meets at monthly intervals and more frequently, if required. ALCO is kept informed regularly of the liquidity position of the Bank and immediately if there are any material changes in the Bank's current or prospective liquidity position.

The scope and nature of the risk reporting and/or measurement system:

Scope and Nature of Risk Reporting:

Maturities of Assets and Liabilities is prepared on a monthly basis and more frequently, as required, setting out the maturity profile of the various assets and liabilities and off-balance sheet items. The statement contains the cumulative gaps vis-à-vis cumulative liabilities for each prescribed time band and the position of these gaps vis-à-vis the Regulatory and in-house limits is also reported therein. This statement is placed before the ALCO at its meetings and in case any of the gap limits is exceeded, the same is escalated immediately to the ALCO along with analysis and further action planned to bring the position within the limits.

Measurement:

The monitoring and control of Liquidity Risk is done on an ongoing basis. The Bank uses the maturity ladder approach, which calculates the cumulative surplus or deficit of funds at selected time bands. The cash flows are placed in different time bands based on future

behavior of assets, liabilities and off-balance sheet positions. In order to ensure uniformity in the treatment of behavioral patterns of assets, liabilities and off-balance sheet positions, the Central Bank has evolved a broad framework, which has been subscribed to by the Bank. In addition, the Bank regularly evaluates its liquidity position with respect to the liquidity ratios prescribed in the Liquidity Risk Policy.

The Bank has put in place "Liquidity Risk Policy" and "Liquidity Contingency Plan"- duly approved by the Board Risk Committee, which provides detailed guidelines for mitigating the risk. In case of a contingency, the policy provides a blue-print for asset sales, market access and restructuring the maturity and composition of assets and liabilities.

As an on-going mitigant the Bank has in place the availability of liquidity support in the form of committed lines of credit and reciprocal arrangements. Besides, the Bank ensures the liquidity of certain assets as per the Liquidity Contingency Plan as a buffer against liquidity events.

The Bank has also put in place Country and Transfer Risk Policies to primarily control and monitor cross border exposures.

Quantitative Disclosures:

The maturity profile of the assets and liabilities as at 31 December 2025 is as follows:

	On demand within 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
							('000)
Cash and balances with Central Banks	192,385	56,856	249,241	75,092	31,821	106,913	356,154
Due from Banks and other money market placements (net)	235,758	36,056	271,814	62,581	-	62,581	334,395
Loans, advances and Islamic financing assets (net)	327,989	375,962	703,951	1,552,087	1,894,316	3,446,403	4,150,354
Investment securities (net)	183,183	35,526	218,709	256,303	105,454	361,757	580,466
Other assets	104,685	4,192	108,877	-	-	-	108,877
Property and equipment	-	-	-	-	60,978	60,978	60,978
Total assets	**1,044,000**	**508,592**	**1,552,592**	**1,946,063**	**2,092,569**	**4,038,632**	**5,591,224**
Future interest cash inflows	**66,521**	**175,248**	**241,769**	**672,639**	**288,353**	**960,992**	**1,202,761**
Due to Banks and other money market deposits	228,995	160,863	389,858	25,025	-	25,025	414,883
Customers' deposits and unrestricted investment accounts	696,101	1,228,476	1,924,577	1,323,320	761,220	2,084,540	4,009,117
Other liabilities	135,063	5,060	140,123	64	1,047	1,111	141,234
Taxation	25,984	-	25,984	-	-	-	25,984
Shareholders' equity	-	-	-	-	601,719	601,719	601,719
Tier 1 perpetual bonds	-	-	-	-	398,287	398,287	398,287
Total liabilities and shareholders' equity	**1,086,143**	**1,394,399**	**2,480,542**	**1,348,409**	**1,762,273**	**3,110,682**	**5,591,224**
Future interest cash outflows	**43,217**	**96,927**	**140,144**	**317,474**	**138,076**	**455,550**	**595,694**
Total liquidity gap (total assets – total liabilities and sharedholders' equity	**(42,143)**	**(885,807)**	**(927,950)**	**597,654**	**330,296**	**927,950**	**-**
Cumulative liquidity gap	**(42,143)**	**(927,950)**	**(1,855,900)**	**(1,258,246)**	**(927,950)**	**-**	**-**

Basel III Liquidity Framework

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding (NSFR).

Liquidity Coverage Ratio (LCR)

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III : Framework on Liquidity coverage ratio and LCR disclosure standards). It is effective January 2019, with a minimum ratio of 100% as per the regulatory guidance.

	Total Unweighted Value (average) 2025	Total Weighted Value (average) 2025
		(﷼'000)
High Quality Liquid Assets		
Total High Quality Liquid Assets (HQLA)	**693,805**	**693,805**
Cash Outflows		
Stable deposits	408,255	12,248
Less stable deposits	353,625	35,363
Retail deposits and deposits from small business customers	**761,880**	**47,611**
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,609,148	661,382
Additional requirements, of which:		
Credit and liquidity facilities	40,908	4,091
Other contractual funding obligations	17,522	876
Other contingent funding obligations	634,090	177,079
Total Cash Outflows	**3,063,548**	**891,039**
Cash Inflows		
Inflows from fully performing exposures	354,764	281,414
Other cash inflows	175,357	175,357
TOTAL CASH INFLOWS	530,121	456,771
Total High Quality Liquid Assets		**693,805**
Total Net Cash Outflows		**434,267**
Liquidity Coverage Ratio (%)		**159.8**

Net Stable Funding Ratio (NSFR)

The standard of Net Stable Funding Ratio (NSFR) is a longer term structural ratio designed to address liquidity mismatches and reduce funding risk over a one year horizon. It is effective January 2018, with a minimum ratio of 100% as per the regulatory guidance.

The NSFR ratio in line with guidelines issued by Central Bank of Oman, at 31 December 2025 was as follows:

Item	Unweight value	Weighted value
Available Stable Funding		**﷼'000**
Regulatory capital	**973,105**	**973,105**
Liabilities with effective residual maturities of one year or more	2,295,337	2,295,337
Retail and small business customers		
- Stable Deposits	286,191	271,881
- Less Stable Deposits	158,593	142,734
Wholesale Funding		
- Operational and short term funding	1,709,896	854,948
- Other wholesale funding	497,912	61,745
Total Available Stable Funding	**5,921,034**	**4,599,750**
Required Stable Funding		
High quality liquid assets		
- Coins, banknotes and reserves with CBO	355,654	-
- Other Level 1 assets	409,085	20,454
Funding to financial institutions with residual maturities of less than six months not included in the above categories	255,718	38,358
Funding not included in the above categories with residual maturity of less than one year, including loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns and PSEs	1,019,586	360,069
Unencumbered residential mortgages that would qualify for the 35% or lower risk weight under Basel II standardised approach for credit risk	292,032	189,821
Other unencumbered performing loans with risk weights greater than 35% under the Standardised Approach and residual maturities of one year or more, excluding loans to financial institutions.	3,403,586	2,893,048
All other assets not included in the above categories, including non-performing loans, loans 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.	3,455	3,455
Off Balance Sheet Exposures		
Irrevocable and conditionally revocable credit and liquidity facilities to any client		
Other contingent funding obligations, including products and instruments such as guarantees, letters of credit, Unconditionally revocable credit and liquidity facilities	483,535	24,177
Total Required Stable Funding	**6,222,651**	**3,529,382**
NSFR (Min Basel III Requirement - 100%) (%)		**130.3**

Leverage Ratio

The leverage ratio deals with the risk of buildup of excessive on and off balance sheet exposures. Minimum Leverage Ratio standard of 4.5% will be made applicable to all the Banks effective from the year 2019.

Basel III leverage ratio framework and disclosure requirements

The leverage ratio in line with guidelines issued by Central Bank of Oman, at 31 December 2025 was as follows:

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	31-Dec-25
		(﷼'000)
1	Total consolidated assets as per published financial statements	5,591,224
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	18,292
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)	483,536
7	Other adjustments	-
8	**Leverage ratio exposure**	**6,093,052**

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	31-Dec-25
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	5,591,224
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)**	**5,591,224**
	Derivative Exposures	
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	18,292
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)**	**18,292**
	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	**(﷼'000)**
17	Off-balance sheet exposure at gross notional amount	483,536
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Off-balance sheet items (sum of lines 17 and 18)**	**483,536**
	Capital And Total Exposures	
20	**Tier 1 capital**	**957,394**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**6,093,052**
	Leverage Ratio	
22	**Basel III leverage ratio (%)**	**15.7**

BASEL III – Transition Disclosure:

Further to the Guidelines on composition of capital disclosure requirements (CP1 & CP2) issued by Central Bank of Oman, the following are the mandatory disclosures for the year ended 31 December 2025.

Common Disclosure Template as at 31 December 2025		Reference to the regulatory scope of consolidation from Table 2B
Common Equity Tier 1 capital: instruments and reserves	**(﷼'000)**	
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	197,060	F
Retained earnings	312,667	H
Accumulated other comprehensive income (and other reserves)	54,198	G
Public sector capital injections grandfathered until 1 January 2018	-	
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
Common Equity Tier 1 capital before regulatory adjustments	**563,925**	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	(4,818)	I
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Total regulatory adjustments to Common equity Tier 1	**(4,818)**	
Common Equity Tier 1 capital (CET1)	**559,107**	
Additional Tier 1 capital before regulatory adjustments	**398,287**	
Total regulatory adjustments to Additional Tier 1 capital	**-**	
Additional Tier 1 capital (AT1)	**398,287**	
Tier 1 capital (T1 = CET1 + AT1)	**957,394**	
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
Directly issued capital instruments subject to phase out from Tier 2	-	
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)	-	
of which: instruments issued by subsidiaries subject to phase out	-	
Provisions	10,888	(A+B+C+D+E)
Tier 2 capital before regulatory adjustments	**10,888**	

BASEL III – Transition Disclosure:

Common Disclosure Template as at 31 December 2025		Reference to the regulatory scope of consolidation from Table 2B
Tier 2 capital: regulatory adjustments	**(⃀'000)**	
of which: cumulative fair value gains or losses on financial assets measured at fair value through other comprehensive income	4,823	J
Total regulatory adjustments to Tier 2 capital	**4,823**	
Tier 2 capital (T2)	**15,711**	
Total capital (TC = T1 + T2)	**973,105**	
Risk Weighted Assets		
Total risk weighted assets	4,762,457	
Of which: Credit risk weighted assets	4,346,890	
Of which: Market risk weighted assets	127,638	
Of which: Operational risk weighted assets	287,929	
Capital Ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	11.7	
Tier 1 (as a percentage of risk weighted assets)	20.1	
Total capital (as a percentage of risk weighted assets)	20.4	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.5	
of which: capital conservation buffer requirement	2.5	
of which: bank specific countercyclical buffer requirement	-	
of which: D-SIB/G-SIB buffer requirement	-	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.24	
National minima (if different from Basel III)		
National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.0	
National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.5	
National total capital minimum ratio (if different from Basel 3 minimum)	13.5	
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	10,888	

Prepared under the guidelines on composition of capital disclosure requirements

Table 2a	
Balance sheet as in published financial statements 31 December 2025	
Assets	**(⃀'000)**
Cash and balances with Central Banks	356,154
Due from Banks and other money market placements (net)	334,395
Loans, advances and Islamic financing assets (net)	4,150,354
Investment Securities	580,466
Property and equipment	60,978
Other assets	108,877
Total assets	**5,591,224**
Liabilities	
Due to banks and other money market deposits	414,883
Customers' deposits	4,009,117
Other liabilities	141,234
Taxation	25,984
Total liabilities	**4,591,218**
Shareholders' Equity	
Share capital	162,595
Share premium	34,465
Legal reserve	54,198
Other non distributable reserves	20,722
Retained earnings	329,739
Tier 1 perpetual bond	398,287
Total shareholders' equity	**1,000,006**
Total liability and shareholders' funds	**5,591,224**

Prepared under the guidelines on composition of capital disclosure requirements

Table 2b	Balance sheet as in published financial statements As at 31-Dec-25	Under regulatory scope of consolidation As at 31-Dec-25	Reference
Assets		**(⃁'000)**	
Cash and balances with Central Bank of Oman	356,154	356,154	
Certificates of deposit	-	-	
Balance with banks and money at call and short notice	288,965	288,965	
Investments in securities	581,390	581,390	
(Less): Stage 1 ECL allowance eligible for Tier 2	924	924	A
Net -Investments in securities	**580,466**	**580,466**	
Loans and advances, of which :			
Gross - loans to banks	45,680	45,680	
(Less): Stage 1 ECL allowance eligible for Tier 2	250	250	B
Net - Loans to banks	**45,430**	**45,430**	
Gross - Loans to Customers	4,327,296	4,327,296	
(Less): Stage 1 ECL allowance eligible for Tier 2	8,972	8,972	C
(Less): Stage 2 and Stage 3 ECL allowance (Non-Qualifying for Tier 2)	167,970	167,970	
Net - Loans to customers	**4,150,354**	**4,150,354**	
Fixed assets	**60,978**	**60,978**	
Other assets, of which:	**108,877**	**108,877**	
Acceptances	84,549	84,549	
(Less): Stage 1 ECL allowance eligible for Tier 2	14	14	D
(Less): Stage 2 ECL allowance (Non-Qualifying for Tier 2)	48	48	
Net - Acceptances	**84,487**	**84,487**	
Positive value of Derivatives	8,980	8,980	
Others	15,410	15,410	
Total Assets	**5,591,224**	**5,591,224**	

Table 2b (continued)	Balance sheet as in published financial statements As at 31-Dec-25	Under regulatory scope of consolidation As at 31-Dec-25	Reference
Capital & Liabilities		**(⃁'000)**	
Paid-up Capital, of which:			
Amount eligible for CET1	197,060	197,060	F
Amount eligible for AT1	-	-	
Legal reserve	54,198	54,198	G
General reserve	-	-	
Retained earnings	329,739	312,667	H
Proposed Dividend (Not eligible for CET1)		17,072	
Other non distributable reserves, of which:	**20,722**		
CET1 adjustment:			
- Cumulative loss on Fair Value		(4,818)	I
Amount eligible for Tier 2:			
- Cumulative gains on fair value - (Positive MTM after applying 55% haircut)		4,823	J
Amount not eligible as regualtory capital:			
- Cumulative gains on fair value - (Positive MTM Non-Qualifying for Tier 2)		5,895	
- Impairment reserve (Non-Qualifying for Tier 2))		14,822	
Tier 1 perpetual bond	398,287	398,287	
Total Capital	**1,000,006**	**1,000,006**	
Deposits Of which:			
- Deposits from banks	414,883	414,883	
- Customer deposits	3,643,274	3,643,274	
- Deposits of Islamic Banking window	365,843	365,843	
Euro medium term notes	-	-	
Other deposits (Sub-debt)	-	-	
Other liabilities, of which:	167,218	166,490	
Stage 1 ECL allowance eligible for Tier 2 (Contingent Liabilities)		728	E
TOTAL	**5,591,224**	**5,591,224**	

Disclosure template for main features of all regulatory capital instruments

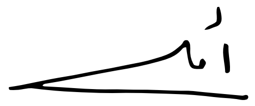
1. Common Equity

Common equity comprises of 1,625,946,355 equity shares of ﷼ 0.100 each fully paid up, issued and governed under the laws of Sultanate of Oman.

2 All other regulatory capital instruments

1	Issuer	National Bank of Oman	National Bank of Oman	National Bank of Oman	National Bank of Oman
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2320458172	XS2485968569	XS2905559816	XS3215636435
3	Governing law(s) of the instrument	English	English	English	English
4	Transitional Basel III rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Eligible	Eligible	Eligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
8	Amount recognised in regulatory capital	﷼ 115.5 million	﷼ 51.63 million	﷼ 57.90 million	﷼ 173.25 million
9	Par value of instrument	﷼ 115.5 million	﷼ 51.63 million	﷼ 57.90 million	﷼ 173.25 million
10	Accounting classification	Equity	Equity	Equity	Equity
11	Original date of issuance	01-Apr-21	29-Nov-22	23-Oct-24	19-Nov-25
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	Not applicable	Not applicable	Not applicable	Not applicable
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	01-Apr-26	29-Nov-27	23-Oct-29	19-Nov-30
16	Subsequent call dates, if applicable	Every five years	Every five years	Every five years	Every five years
Coupons / dividends					
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	8.000%	6.750%	6.750%	6.625%
19	Existence of a dividend stopper	Yes	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Non viability event	Non viability event	Non viability event	Non viability event
32	If write-down, full or partial	Full	Full (See note)	Full (See note)	Full (See note)
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to Senior Liabilities and Tier 2 - Subordinted debts	Subordinated to Senior Liabilities and Tier 2 - Subordinted debts	Subordinated to Senior Liabilities and Tier 2 - Subordinted debts	Subordinated to Senior Liabilities and Tier 2 - Subordinted debts
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

Note: The Capital Securities can be cancelled (in the case of a write-down in whole) or written-down in part on a pro rata basis (in the case of a write-down in part) as determined by the Bank in conjunction with the Regulator in accordance with the Capital Regulations.



Amal Suhail Bahwan Al Mukhaini
Chairperson

05

Financial
Statements Report 2025

Independent auditor's report

To the shareholders of National Bank of Oman SAOG

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Bank of Oman SAOG (the "Bank") and its subsidiary (together the "Group") as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of profit and loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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

Independent auditor's report (Continued)

To the shareholders of National Bank of Oman SAOG

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Independent auditor's report (Continued)

To the shareholders of National Bank of Oman SAOG

Our audit approach

Overview

Key Audit Matters	1
	Measurement of expected credit losses (EC) on loans, advances and Islamic financing assets

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

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

Independent auditor's report (Continued)

To the shareholders of National Bank of Oman SAOG

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses (ECL) on loans, advances and Islamic fianncing assets The allowance for ECL on the Bank's loans, advances and Islamic financing assets as at 31 December 2025 amounted to RO 176.94 million and the ECL charge for the year ended 31 December 2025 amounted to RO 21.39 million. The ECL provision represents the directors' best estimate of the credit losses as at the 31 December 2025. We considered the measurement of ECL on loans, advances and Islamic financing assets as a key audit matter as the determination of ECL has a material impact on the consolidated financial statements. It also requires the directors to exercise judgement and make complex estimates that impact the size and the timing of the ECL, including:	We performed the following audit procedures on the computation and the reasonableness of the ECL on loans, advances and Islamic financing assets for the year ended 31 December 2025. • We obtained an understanding of the design and tested, on a sample basis, the operating effectiveness of the relevant controls established by the Bank for the estimation of ECL on loans, advances and Islamic financing assets. • We evaluated the appropriateness of the accounting policies adopted by the Bank based on the requirements of IFRS 9.

Independent auditor's report (Continued)

To the shareholders of National Bank of Oman SAOG

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
• Identifying portfolios of similar financial instruments; • Choosing appropriate models and assumptions for the measurement of ECL including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD); • Determining criteria for significant increase in credit risk (SICR) and therefore staging; • Assessing the recoverability of Stage 3 financial assets; • Establishing the number and relative weightings of forward-looking scenarios for each type of financial instrument and the associated ECL; • Determining overlays to the ECL derived from the model to account for factors that may not have been fully captured by the model; and • Determining disclosure requirements in accordance with IFRS Accounting Standards. In addition, the directors make judgmental adjustments to modelled outcome, the measurement of which is inherently judgemental and subject to a high level of estimation uncertainty.	• We involved our internal expert to assess the following areas: ○ Reasonableness and appropriateness of the methodology and assumptions used in calculation of various components of ECL modelling including the computation of PD, LGD and EAD for the models selected for testing. ○ Reasonableness of the key assumptions and judgements made by the directors in assessing the definition of default, the application of significant increase in credit risk (SICR) and staging criteria, determining the historic and forward-looking information of macroeconomic data in estimating the ECL components and use of probability weighted scenarios. ○ For a sample of customers, testing the mathematical accuracy of the ECL calculation. • Obtained an understanding of and tested the grouping of similar financial assets in the portfolios for the purposes of measurement of ECL.

Independent auditor's report (Continued)

To the shareholders of National Bank of Oman SAOG

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
The Bank's accounting policy on measurement of expected credit losses (ECL) on loans, advances and Islamic financing assets is presented in note 3.6 to the consolidated financial statements. Information on credit risk and the Bank's credit risk management is provided in note 31 to the consolidated financial statements. Disclosure of the impairment losses for the year is provided in note 27 to the consolidated financial statements.	• Obtaining an understanding of and testing the completeness and accuracy of the historical and current data used for the ECL calculations within the Bank's ECL models. • Tested a sample of customers to determine the proper application of the staging criteria and definition of default. • Obtained an understanding of the methodology to identify and calculate individual impairment allowance and tested a sample of such credit exposures against the methodology. • Tested the appropriateness of the directors' judgmental adjustments to the ECL model provisions. • Assessed the adequacy of disclosures made by the directors in the consolidated financial statements

Independent auditor's report

To the shareholders of National Bank of Oman SAOG

Other information

The directors are responsible for the other information. The other information comprises the Chairperson's Annual Report, Management Discussion and Analysis Report, Corporate Governance Report, Basel II – Pillar III and Basel III Report, Musn Islamic Banking (comprising the Muzn Islamic Banking financial statements, Report of Shari'a Supervisory Board, and Basel II and III - Pillar III Report), (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and Bank's Annual Report, which is expected to be made available to us after that date.

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

pwc

Independent auditor's report

To the shareholders of National Bank of Oman SAOG

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report

To the shareholders of National Bank of Oman SAOG

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

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

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

Independent auditor's report (Continued)

To the shareholders of National Bank of Oman SAOG

Report on other legal and regulatory requirements

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

Kashif Kalam
Muscat, Sultanate of Oman
5 March 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025	2024
ASSETS		**RO'000**	**RO'000**
Cash and balances with Central Banks	4	356,154	302,512
Due from banks and other money market placements	5	334,395	372,364
Loans, advances and Islamic financing assets	6	4,150,354	3,926,147
Investment securities	7	580,466	473,393
Other assets	8	108,877	108,662
Property and equipment	9	60,978	59,467
TOTAL ASSETS		**5,591,224**	**5,242,545**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other money market deposits	10	414,883	192,938
Customers' deposits	11	4,009,117	4,128,523
Other liabilities	12	141,234	133,800
Taxation	13	25,984	19,123
TOTAL LIABILITIES		**4,591,218**	**4,474,384**
EQUITY			
Share capital	14	162,595	162,595
Share premium	15	34,465	34,465
Legal reserve	16	54,198	54,198
Other reserves	17	20,722	11,429
Retained earnings		329,739	280,437
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		**601,719**	**543,124**
Tier 1 perpetual bonds	18	398,287	225,037
TOTAL EQUITY		**1,000,006**	**768,161**
TOTAL LIABILITIES AND EQUITY		**5,591,224**	**5,242,545**

Director **Chief Executive Officer** **Chairperson**

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	2025	2024
		RO'000	**RO'000**
Interest income	21	246,509	250,674
Interest expense	22	(142,876)	(148,240)
Net interest income		**103,633**	**102,434**
Income from Islamic financing and investments		25,979	21,350
Interest expenses on Islamic customers' deposit		(17,673)	(15,001)
Net income from Islamic financing and investments		**8,306**	**6,349**
Net interest income and net income from Islamic financing and investments		**111,939**	**108,783**
Fee and commission income	23	45,196	37,836
Fee and commission expenses	23	(16,102)	(12,796)
Net fee and commission income		29,094	25,040
Other operating income	24	22,461	17,503
Operating income		**163,494**	**151,326**
Staff cost	25	(40,509)	(39,372)
Other operating expenses	26	(19,379)	(17,284)
Depreciation	9	(6,528)	(6,327)
Total operating expenses		**(66,416)**	**(62,983)**
Profit from operations before impairment losses and tax		**97,078**	**88,343**
Total impairment losses on financial instruments (net)	27.5	(14,515)	(14,136)
Profit before tax		**82,563**	**74,207**
Taxation	13	(12,356)	(11,144)
Profit for the year		**70,207**	**63,063**
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		23,015	(382)
Tax effect of equity investments at FVOCI – net change in fair value	13	(1,608)	(314)
Other comprehensive income / (loss) for the year		21,407	(696)
Total comprehensive income for the year		**91,614**	**62,367**
Earnings per share:			
Basic and diluted	**29**	**0.033**	**0.031**

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital (note14)	Share premium (note 15)	Legal reserve (note16)	Other reserves (note 17)	Retained earnings	Total equity attributable to the shareholder of the bank	Tier 1 perpetual bonds (note18)	Total equity
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2025	**162,595**	**34,465**	**54,198**	**11,429**	**280,437**	**543,124**	**225,037**	**768,161**
Profit for the year	-	-	-	-	70,207	70,207	-	70,207
Other comprehensive income for the year	-	-	-	21,407	-	21,407	-	21,407
Total comprehensive income for the year	-	-	-	21,407	70,207	91,614	-	91,614
Net gains on derecognition of financial instruments measured at FVOCI (net of tax)	-	-	-	(12,114)	12,114	-	-	-
Issuance of Tier 1 perpetual bonds	-	-	-	-	-	-	173,250	173,250
Issuance cost on Tier 1 perpetual bonds	-	-	-	-	(1,101)	(1,101)	-	(1,101)
Payment of interest on Tier 1 perpetual bond	-	-	-	-	(16,634)	(16,634)	-	(16,634)
Payment of dividend	-	-	-	-	(15,284)	(15,284)	-	(15,284)
Balance at 31 December 2025	**162,595**	**34,465**	**54,198**	**20,722**	**329,739**	**601,719**	**398,287**	**1,000,006**
Balance at 1 January 2024	**162,595**	**34,465**	**54,198**	**7,882**	**248,270**	**507,410**	**167,133**	**674,543**
Profit for the year	-	-	-	-	63,063	63,063	-	63,063
Other comprehensive loss for the year	-	-	-	(696)	-	(696)	-	(696)
Total comprehensive income for the year	-	-	-	(696)	63,063	62,367	-	62,367
Net losses on derecognition of financial instruments measured at FVOCI (net of tax)	-	-	-	1	(1)	-	-	-
Transfer to impairment reserve	-	-	-	4,242	(4,242)	-	-	-
Issuance of Tier 1 perpetual bonds	-	-	-	-	-	-	57,904	57,904
Issuance cost on Tier 1 perpetual bonds	-	-	-	-	(107)	(107)	-	(107)
Payment of interest on Tier 1 perpetual bond	-	-	-	-	(12,725)	(12,725)	-	(12,725)
Payment of dividend	-	-	-	-	(13,821)	(13,821)	-	(13,821)
Balance at 31 December 2024	**162,595**	**34,465**	**54,198**	**11,429**	**280,437**	**543,124**	**225,037**	**768,161**

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025	2024
OPERATING ACTIVITIES		**RO'000**	**RO'000**
Profit before taxation		**82,563**	74,207
Adjustments for:			
Depreciation	9	**6,528**	6,327
Total impairment losses on financial instruments (net)	27.5	**14,515**	14,136
Amortization of (discount) / premium (net)		**(1,071)**	(535)
Gain/(loss) on sale of property and equipment		**41**	(103)
Gain on investments at FVTPL and amortised cost	24	**(508)**	(153)
Translation differences		**1**	(6)
Income from investment securities (dividend and interest)		**(31,151)**	(30,316)
Operating cash flows before changes in operating assets and liabilities		**70,918**	**63,557**
Due from banks and other money market placements		**(111,256)**	(66,193)
Loans, advances and Islamic financing assets		**(235,795)**	(433,654)
Other assets		**(57)**	(40,362)
Due to banks and other money market deposits		**221,945**	(221,271)
Customers' deposits		**(119,406)**	518,580
Other liabilities		**4,263**	28,445
Cash used in operating activities		**(169,388)**	**(150,898)**
Taxes paid	13	**(7,267)**	(9,997)
Cash used in operating activities		**(176,655)**	**(160,895)**
INVESTING ACTIVITIES			
Purchase of investment securities		**(157,745)**	(95,975)
Proceeds from sale of investment securities		**75,438**	84,734
Purchase of property and equipment		**(5,612)**	(8,474)
Proceeds from sale of property and equipment		**17**	275
Income from investment securities (dividend and interest)		**30,614**	30,092
Net cash generated (used in)/ from investing activities		**(57,288)**	**10,652**
FINANCING ACTIVITIES			
Payment of dividend	19	**(15,284)**	(13,821)
Proceeds from Tier 1 perpetual bond		**173,250**	57,904
Interest on Tier 1 perpetual bond		**(16,634)**	(12,725)
Payment of lease liabilities		**(1,727)**	(1,665)
Issuance cost on Tier 1 perpetual bond		**(1,101)**	(107)
Net cash generated from financing activities		**138,504**	**29,586**
DECREASE IN CASH AND CASH EQUIVALENTS		**(95,439)**	**(120,657)**
Cash and cash equivalents at the beginning of the year		**511,310**	631,967
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**415,871**	**511,310**
REPRESENTING:			
Cash and balances with Central Banks	4	**355,654**	302,012
Due from banks with original maturity of three months or less		**60,217**	209,298
		415,871	**511,310**

Interest received was RO 267 million (2024: RO 257 million) and interest paid was RO 163 million (2024: RO 158 million). These are part of the operating cash flows of the Bank. There are no significant non-cash changes to be disclosed for 2025 and 2024.

The attached notes 1 to 35 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
As at 31 December 2025

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the Bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman, through overseas branches in the United Arab Emirates and Egypt. In Oman the Bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licences given by the zrespective Central Banks. The Bank is in the process of closing down its operations in Egypt and has sought necessary approvals. The Bank is head quartered in Muscat, Sultanate of Oman and its registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The Bank's equity shares are listed on the Muscat Stock Exchange. Perpetual bonds are listed on the Euronext Dublin.

Financial Services Authority of the Sultanate of Oman requires all Public Joint Stock Companies to disclose the financials of the Parent Company in a separate column in the consolidated financial statement vide circular E/2/2007 dated 21 January 2007.

The Bank has the following fully owned Special Purpose Vehicles ("SPV"):

Name of the entity	Country of incorporation	Activity of the subsidiary	Percentage of ownershipownership	
			2025	2024
NBO Global Markets Cayman Limited	Cayman Islands	Financial services	100%	100%

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

2. BASIS OF PREPARATION

2.1 Basis of measurement

The consolidated financial statements are prepared under the historical cost basis except for the following:

- financial instruments classified as trading and at fair value through profit or loss (FVTPL);
- financial instruments at fair value through other comprehensive income; and
- recognised assets and liabilities that are hedged are measured at fair value in respect of the risk that is hedged.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.4.

2.2 Functional and presentation currency

These consolidated financial statements are presented in Rial Omani rounded to the nearest thousand Rial Omani, except when otherwise indicated. The functional currencies of the Bank's operations are as follows:

- Sultanate of Oman: Omani Rial
- United Arab Emirates: UAE Dirham
- Egypt: US Dollar

2.3 Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards, applicable regulations of the Central Bank of Oman ("CBO"), and in compliance with applicable requirements of the Commercial Companies Law of Oman 2019 and the Financial Services Authority of the Sultanate of Oman.

The Bank also prepares a separate set of financial statements for its Islamic Banking Window (IBW) in accordance with the requirements of Section 1.2 of Title 3 of the Islamic Banking Regulatory Framework ("IBRF") issued by CBO. The separate set of financial statements of its IBW are prepared in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Sharia Rules and Principles as determined by the Sharia Supervisory Board of the Islamic Window (the "SSB") and other applicable requirements of CBO. The IBWs financial statements are then converted into IFRS Accounting Standards compliant financial statements and included in these consolidated financial statements. All intra group balances and transactions have been eliminated.

2.4 Significant accounting judgments and estimates

The Bank makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Directors also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

2.4.1 ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 31. The calculation of the Bank's ECL under IFRS 9 requires the Bank to make a number of judgements, assumptions and estimates. The most significant are set out below:

1) Segmentation of financial assets for the ECL assessment purposes;
2) Establishing the criteria for assessing if there has been a significant increase in credit risk;
3) Determining the methodology for incorporating forward-looking information into the measurement of ECL;
4) Selection of forward-looking macroeconomic scenarios and their probability weightings;
5) Selection of appropriate models (PD, LGD and EAD) for the measurement of ECL; and
6) Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Refer note 31.1 which describes the assumptions used in determining ECL and provide an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

The Bank regularly reviews the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

2.4.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgments and estimates (continued)

2.4.3 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Bank establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Bank. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

2.4.4 Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

2.4.5 Assessment whether cash flows are solely payments of principal and interest ("SPPI") for certain Islamic financing assets

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement for certain Islamic financing assets. The management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, the management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

2.4.6. Classification of the Equity Tier 1 instrument under IAS 32

The Bank has issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities") with details mentioned in the table below. The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The key features of the instruments are as follows:

- no fixed date of maturity.
- payment of interest and/or capital is solely at the discretion of the Bank
- the instruments are deeply subordinated and rank just above the ordinary shareholders
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman. The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation.

The Directors, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed by the Directors as not being substantive for the purpose of determining the debt vs. equity classification. The Directors have considered appropriate independent legal advice in forming their judgement around this matter.

2.5 Standards issued but not yet effective

A number of new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2026 or later, and which the Bank has not early adopted.

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)
- Sale or contribution of Assets between an Investor and its associate or Joint venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Availability of optional adoption/ effective date deferred indefinitely
- Volume 11 – Annual improvements to IFRS Accounting standards - (effective from 1 January 2026)
- Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity - Effective date - on or after Jan 2026

- Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency - Effective - on or after 1 Jan 2027

The Bank is evaluating the impact on future consolidated financial statements, if any, of adopting these pronouncements.

2.6 Standards, amendments and interpretations effective in 2025 and relevant for the Bank's operations

For the year ended 31 December 2025, the Bank has adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2025. The following amendments to existing standards and framework have been applied by the Bank in preparation of these financial statements.

- Amendment to IAS 21 - Lack of Exchangeability (effective date - 1 Jan 2025)

The amendments listed above did not have any impact on the amounts recognised in prior and current periods and are not expected to significantly affect the future periods.

3. MATERIAL ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

3.1 Financial instruments

Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the group recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction, until the transaction matures, is closed out, the valuation inputs become observable or the Bank enters into an offsetting transaction.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an Expected Credit Loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Measurement categories of financial assets and liabilities

The Bank has applied IFRS 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost (AC).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments at the fair value.

3.2 Financial assets and liabilities

3.2.1 Due from Banks; Loans, advances and Islamic financing assets to customers; and Investment Securities

The Bank measures due from banks; loans, advances and Islamic financing assets; and investment securities to customers and other Investment securities at amortised cost if both of the following conditions are met:

3. MATERIAL ACCOUNTING POLICIES(continued)

3.2 Financial assets and liabilities (continued)

3.2.1 Due from Banks; Loans, advances and Islamic financing assets to customers; and Investment Securities (continued)

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Contractual terms that introduce a more than, reduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3.2.2 Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 (Financial Instruments - Presentation) and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.2.3 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

3.2.4 Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements (within Provisions) at fair value, being the commission received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, under IFRS 9 – an ECL provision.

The commission received is recognised in the profit or loss in net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 12 and 27.

3.2.5 Financial liabilities

Under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at 31 December 2025

3. MATERIAL ACCOUNTING POLICIES(continued)

3.2 Financial assets and liabilities (continued)

3.2.5 Financial liabilities (continued)

- the remaining amount of change in the fair value is presented in profit or loss.

The amount presented separately in OCI related to changes in own credit risk of a designated financial liability at FVTPL are not recycled to profit or loss, even when the liability is derecognised and the amounts are paid. Instead, own credit gains and losses should be reclassified to retained earnings within equity upon derecognition of the relevant liability.

3.2.6 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(iii) hedges of a net investment in a foreign operation (net investment hedge).

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the statement of profit or loss and other comprehensive income within 'Other operating income'.

3.2.6 Derivative financial instruments and hedging activities (continued)

Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the profit or loss in other operating income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the profit or loss in other operating income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the profit or loss.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in other operating income in the profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.

As at 31 December 2025, the Bank does not have any derivatives designated as hedging instruments.

a. Reclassifications

The Bank does not reclassify its financial assets subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2025 and 2024.

3.3 Derecognition of the financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. 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 repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss for the year.

3.4 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised

3. MATERIAL ACCOUNTING POLICIES(continued)

3.4 Modifications of financial assets and financial liabilities (continued)

and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification's Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.6 Impairment of financial assets

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition which are measured as 12-month ECL.

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

3.6.1 Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3.6.2 Overview of the ECL principles

The Bank measures the allowance for expected credit losses for all financing exposure and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9 as they are carried at fair value.

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 ECL's are calculated either on an individual basis or on 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.

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

Stage 1

When financing is first recognised, the Bank recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from Stage 2.

Stage 2

When a financing exposure has shown a significant increase in credit risk since origination, the Bank

records an allowance for the LTECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from Stage 3.

Stage 3

Financing exposure considered credit-impaired. The Bank records an allowance for the LTECLs.

At initial recognition of a financial asset, the Bank recognises a loss allowance equal to 12-month expected credit losses. After initial recognition, the three stages under the proposals would be applied as follows:

3.6.3 The calculation of ECLs

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

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 interest/profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest/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.

3.6.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL 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;
- loan commitments and financial guarantee contracts: generally, as a provision, in other liabilities; and
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision in other liabilities.

3.6.5 Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is five years for corporate and seven years for retail products.

3.7 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:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter Bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan 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

3. MATERIAL ACCOUNTING POLICIES(continued)

3.7 Credit-impaired financial assets (continued)

not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

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

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- 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 mechanisms. 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.

3.8 Write-off

Loans and debt securities 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 borrower 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.

3.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with Banks and other financial institutions, treasury bills and money market placements, deposits and certificates of deposit maturing within three months of the date of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10 Determination of fair values

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Details are set out in note 34.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Bank determines whether transfers have

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at 31 December 2025

occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the Valuation computation to contracts and other relevant documents.

The Bank also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.11 Property and equipment

Property and equipment are recorded at cost or deemed cost.

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii) Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

Land and capital work in progress are stated at cost and tested for impairment, if any. Depreciation is provided on a straight-line basis over the estimated useful lives of all property and equipment other than freehold land, which is deemed to have an indefinite life, and capital work in progress.

Right-of-use assets are presented together with property and equipment in the statement of financial position (refer note 9). Right of use assets are depreciated on a straight line basis over the lease term.

The rates of depreciation are based upon the following estimated useful lives:

• Buildings on freehold land	25 to 40 years
• Leasehold improvements	Over the lease terms 3 to 10 years
• Motor vehicles	4 years
• Furniture	3 to 10 years
• Equipment	5 to 20 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each statement of financial position date.

3.12 Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the cost or the net realisable value of the related loans and advances and the current fair value of such assets. Gains or losses on disposal, and unrealised losses on revaluation, are recognised in the profit or loss for the year.

3.13 Deposits

All money market and customer deposits are carried at amortised cost using EIR.

3.14 Other borrowed funds

Other borrowings including subordinate private placements are recognised initially at fair value on transaction date. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss over the period of the borrowings using EIR.

3.15 Taxation – current and deferred

Taxation is provided for based on the relevant tax laws of the respective countries, in which the Bank operates.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in

3. MATERIAL ACCOUNTING POLICIES(continued)

3.15 Taxation – current and deferred (continued)

the profit or loss for the year except to the extent that it relates to items recognised directly to other comprehensive income, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
ii) temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based

on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Bank. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.16 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these consolidated financial statements.

3.17 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past events and the costs to settle the obligation are both probable and reliably measurable.

3.18 Perpetual Bond

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Bank's perpetual bonds are not redeemable by holders and bear an entitlement to distribution that is non-cumulative and it is governed by the terms and conditions of the Instruments. The payment of interest and/or principal is solely at the discretion of the Bank. Accordingly, they are presented within equity. Distributions thereon are recongnised in equity. The Instrument meets all requirements of AET 1 issuance mandated by Basel and Central Bank of Oman norms.

3.19 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

3.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and similar income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost. Interest expense presented in the statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortised cost and interest expense on lease liabilities.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided by the Bank to its customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Bank based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognises revenue when it transfers control over a product or service to a customer.

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

3. MATERIAL ACCOUNTING POLICIES(continued)

3.20 Revenue recognition (continued)

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Miscellaneous income

Miscellaneous income includes various services charges charged to the customers such as locker rent, telex charges, ATM charges and charges for non- maintenance of minimum balance. Fees in scope of IFRS 15 are recognised when the Bank transfers control over a product or service to a customer, this is generally at a point in time.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Transactional services	The services include opening, closing and maintenance of deposit accounts, cheque issuance, clearing, deposit and payments transactions, remittances, safe deposit lockers. It also include card and e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place.	The Bank recognises revenue on completion of service or proportionate completion basis or satisfaction of performance obligation as per the terms of contract.
Trade services	The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract	Income is recognised on service completion basis or time proportionate basis over the period of contract.
Syndication and other loan related services	The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	The Bank recognises revenue on completion of service basis or on time proportion basis.
Advisory and asset management services	Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.	Advisory income is recognised on satisfaction of performance obligation at a point in time or over a period of time or on achievement of agreed milestones as per contract. Asset management income is recognised on time proportion basis or on completion of performance obligations as per the terms of the contract.

Repurchase and resale agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the consolidated financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the consolidated financial statements.

3.21 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office property the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office property.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

3.22 Staff terminal benefits

Contribution to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, is recognised as an expense in consolidated statement of profit or loss when incurred.

The Bank's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The end of service benefits for employees in UAE are provided for in accordance with the employees' contracts of employment and applicable requirements of the UAE labour laws. For Egyptian employees the terminal benefits are provided in accordance with the Egyptian social security law.

3.23 Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail Banking,

3.23 Segment reporting (continued)

Wholesale Banking, International banking, Islamic Banking and Funding centre. Segment results are reported to the Chief Executive Officer of the Bank, and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.24 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and they are deducted from the equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the consolidated statement of financial position date.

3.25 Directors' remuneration

The board of directors' remuneration is accrued within the limits specified by the Financial Services Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

3.26 Impairment of non-financial assets

The carrying amount of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

3.27 Earnings per share

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

3.28 Foreign currency translation

(i) Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income.

3.29 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability with a corresponding contractual right of reimbursement from the customer recognised as a financial asset

4. CASH AND BALANCES WITH CENTRAL BANKS

	2025	2024
	RO'000	RO'000
Cash	**34,808**	34,799
Other balances with Central Banks	**320,846**	267,213
Cash and cash equivalents	**355,654**	302,012
Capital deposit with Central Bank of Oman	**500**	500
Cash and balances with Central Banks	**356,154**	**302,512**

(i) At 31 December 2025, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (2024: RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.

(ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 31 December 2025 is 3% (2024: 3%) of total customer's deposits and for Central Bank of UAE, is 1% (2024: 1%) of time deposits and 14% (2024: 14%) of all other deposits.

(iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank. All the exposures are related to stage 1.

5. DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS

	2025	2024
	RO'000	RO'000
Loans and advances to banks	**45,680**	26,757
Placement with banks	**255,819**	322,398
Demand balances	**33,146**	23,315
Due from banks and other money market placement	**334,645**	372,470
Less: allowance for credit losses (note 27.3)	**(250)**	(106)
Due from banks and other money market placement	**334,395**	372,364

The credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and the year-end staging classification is disclosed in note 31.1 to the consolidated financial statements.

6. LOANS, ADVANCES AND ISLAMIC FINANCING ASSETS

	2025	2024
	RO'000	RO'000
Overdrafts	**83,544**	78,564
Personal loans	**1,562,701**	1,538,728
Loans against trust receipts	**94,895**	63,653
Bills discounted	**11,186**	15,194
Term loans, Islamic financing and others	**2,574,970**	2,394,567
Gross Loans, advances and Islamic financing assets for customers	**4,327,296**	4,090,706
Less: allowance for credit losses	**(176,942)**	(164,559)
Loans, advances and Islamic financing assets for customers	**4,150,354**	3,926,147

Gross Loans, advances and Islamic financing assets for customers include RO 125 million due from related parties at 31 December 2025 (2024 – RO 118 million) (refer note 28).

Included in above the Islamic financing asset (net of allowance for credit losses) of RO 392 million as at 31 December 2025 (31 December 2024 – RO 352 million).

The movement in the provision for impairment of loans, advances and Islamic financing assets for customers is set out below:

	2025	2024
	RO'000	RO'000
Balance at beginning of year	**164,559**	157,683
Provided during the year	**31,257**	31,874
Recovered / released during the year	**(5,641)**	(6,411)
Written off during the year	**(13,233)**	(18,587)
Balance at end of year	**176,942**	164,559

Provided during the period includes contractual interest reserved for RO 9.87 million (2024 – RO 8.73 million).

Recovered/released during the period includes recovery of reserved interest for RO 1.79 million (2024 – RO 3.03 million).

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity. Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the consolidated statement of comprehensive income.

As of 31 December 2025, loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 195 million (2024 – RO 191 million).

The credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and the year-end staging classification is disclosed in note 31.1 to the consolidated financial statements.

6. LOANS, ADVANCES AND ISLAMIC FINANCING ASSETS (CONTINUED)

The table below analyses the concentration of loans, advances and Islamic financing assets by various sectors.

	2025	2024
	RO'000	RO'000
Personal	**1,562,701**	1,538,728
Financial institutions	**442,508**	371,012
Manufacturing	**373,130**	219,234
Construction	**336,003**	200,866
Electricity, gas and water	**312,237**	311,554
Transport and communication	**309,319**	281,746
Government	**269,234**	218,597
Service	**243,282**	323,942
Mining and quarrying	**167,795**	230,435
Others	**135,643**	143,283
Wholesale and retail trade	**86,726**	160,203
Import trade	**66,220**	71,552
Agriculture	**14,895**	10,529
Export trade	**7,603**	9,025
Total	**4,327,296**	4,090,706

The geographic distribution of loans, advances and Islamic financing assets based on the location of the borrower is as follows:

	2025	2024
	RO'000	RO'000
Sultanate of Oman	**4,128,525**	3,932,151
United Arab Emirates	**166,195**	135,402
Others	**32,576**	23,153
Total	**4,327,296**	4,090,706

7. INVESTMENT SECURITIES

	2025	2024
Investments measured at Fair value through profit and loss (FVTPL)	RO'000	RO'000
Quoted investments – Oman	**2,555**	2,052
Quoted investments – foreign	**160**	166
Unquoted Investments in funds	**2,805**	2,648
Total FVTPL investments	**5,520**	4,866
Investments measured at Fair value through other comprehensive income (FVOCI)		
– Equity		
Quoted investments – Oman	**66,193**	52,167
Quoted investments – foreign	**30,069**	44,437
Total FVOCI investments	**96,262**	96,604
Investments measured at amortised cost		
Government development bonds - Oman	**306,430**	260,044
Government sukuk – Oman	**39,423**	31,832
Treasury bills	**63,232**	18,772
Quoted investments – Oman	**53,971**	45,632
Quoted investments- Foreign	**16,552**	16,202
Total – amortised cost	**479,608**	372,482
Total investment securities	**581,390**	473,952
Less: allowance for credit losses (note 27.3)	**(924)**	(559)
Total investment securities	**580,466**	473,393

Details of significant investments

Details of investments exceeding 10% of the carrying value of the Bank's investment portfolio are as follows:

	Bank's portfolio	Carrying value
	%	RO'000
2025 Government Development Bonds-Oman	**59.60%**	345,853
Treasury Bills	**10.90%**	63,232
2024 Government Development Bonds-Oman	**61.70%**	291,876

In 2025, the Bank received dividends of RO 5.58 million from its FVOCI equities (2024: RO 4.24 million for FVOCI equities), recorded as other operating income.

The fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification are disclosed in note 31.1 to the consolidated financial statements.

7. INVESTMENT SECURITIES (continued)

The Bank designated certain investments as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale and there are no plans to dispose of these investments in the short or medium term. This designation is irrevocable.

The credit rating profile of investment debt securities, based on the lowest rating assigned by the major international rating agencies, was as follows:

	2025	2024
	﷼'000	﷼'000
Rated	**70,523**	61,834
Sovereign	**409,085**	310,648
	479,608	372,482

The movement in investment securities are summarised below:

	2025	2024
	﷼'000	﷼'000
Balance at beginning of year	**473,393**	461,656
Additions	157,745	95,975
Disposals and redemption	(75,438)	(84,735)
Gain from changes in fair value	23,015	(382)
Provision of impairment losses	(365)	(33)
Amortization of discount / (premium) (net)	1,071	535
Movement in accrued interest	537	224
Gain on investments at FVTPL	508	153
Balance at end of year	**580,466**	473,393

Government Sukuk – Oman, Quoted investments – Oman and Quoted investments – Foreign of ﷼ 80.65 million (31 December 2024: ﷼ 19.21 million) are assigned as collateral against USD borrowings of ﷼ 65.23 million (31 December 2024: ﷼ 12.63 million).

8. OTHER ASSETS

	2025	2024
	﷼'000	﷼'000
Customers' indebtedness for acceptances (note 12)	**84,549**	80,066
Less: allowance for credit losses	**(62)**	(220)
Net customers' indebtedness for acceptances	**84,487**	79,846
Prepaid expenses and others	**15,410**	16,079
Positive fair value of derivatives (note 35)	**8,980**	12,737
	108,877	108,662

9. PROPERTY AND EQUIPMENT

	Freehold Land, buildings and leasehold improvements	Motor vehicles, furniture and equipment	Capital work in progress	Right of use assets	Total
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Carrying amount:					
Balance as at 1 January 2025, net of accumulated	**46,018**	**10,643**	**1,050**	**1,756**	**59,467**
Depreciation					
Additions	**6**	**2,440**	**3,166**	**2,496**	**8,108**
Disposals	**-**	**(58)**	**-**	**(11)**	**(69)**
Transfers	**701**	**1,443**	**(2,144)**	**-**	**-**
Depreciation	**(1,687)**	**(3,076)**	**-**	**(1,765)**	**(6,528)**
Balance at 31 December 2025, net of accumulated depreciation	**45,038**	**11,392**	**2,072**	**2,476**	**60,978**
At cost	**65,297**	**54,306**	**2,072**	**5,039**	**126,714**
Accumulated depreciation	**(20,259)**	**(42,914)**	**-**	**(2,563)**	**(65,736)**
Net carrying value at 31 December 2025	**45,038**	**11,392**	**2,072**	**2,476**	**60,978**
Carrying amount:					
Balance as at 1 January 2024, net of accumulated	43,339	9,469	1,260	1,825	55,893
Depreciation					
Additions	4,142	1,872	2,460	1,599	10,073
Disposals	-	(87)	(85)	-	(172)
Transfers	188	2,397	(2,585)	-	-
Depreciation	(1,651)	(3,008)	-	(1,668)	(6,327)
Balance at 31 December 2024, net of accumulated depreciation	**46,018**	**10,643**	**1,050**	**1,756**	**59,467**
At cost	65,485	53,442	1,050	3,680	123,657
Accumulated depreciation	(19,467)	(42,799)	-	(1,924)	(64,190)
Net carrying value at 31 December 2024	**46,018**	**10,643**	**1,050**	**1,756**	**59,467**

Freehold land and buildings and leasehold improvements include land at a cost of ﷼ 12.68 million (2024 – ﷼ 12.68 million) which is not depreciated.

The Bank leases a number of branches and office premises. The leases run between 1 year to 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated periodically to reflect market rentals.

The Bank also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Bank has not recognised right-of-use assets and lease liabilities for these leases.

Expenses relating to short term leases for 31 December 2025 was ﷼ 0.3 million (31 December 2024: ﷼ 0.3 million).

10. DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS

	2025	2024
	﷼'000	﷼'000
Borrowings	**407,131**	178,540
Vostro balances	**7,752**	14,398
	414,883	**192,938**

Borrowings include bank borrowings amounting to ﷼ 65.23 million (December 2024: ﷼ 12.63 million) with underlying collateral in the form of Government Sukuk – Oman, Quoted investments – Oman and Quoted investments – Foreign of ﷼ 80.65 million (December 2024: ﷼ 19.21 million).

11. CUSTOMERS' DEPOSITS

	2025	2024
	﷼'000	﷼'000
Term deposits	**2,006,644**	2,044,017
Current accounts	**1,389,348**	1,526,142
Savings accounts	**613,125**	558,364
	4,009,117	**4,128,523**

12. OTHER LIABILITIES

	2025	2024
	﷼'000	﷼'000
Liabilities under acceptances (note 8)	**84,549**	80,066
Other liabilities and accrued expenses	**35,565**	32,008
Negative fair value of derivatives (note 35)	**8,131**	11,886
Allowances for credit losses for loan commitments and financial guarantees	**6,623**	4,047
Staff entitlements	**2,453**	2,541
Deferred tax liability (note 13)	**2,006**	2,169
Lease liabilities	**1,907**	1,083
	141,234	**133,800**
Staff entitlements are as follows:		
End of service benefits	**2,080**	1,922
Other liabilities	**373**	619
Total	**2,453**	2,541

Movement in the lease liabilities:

	2025	2024
	﷼'000	﷼'000
Balance at beginning of year	**1,083**	1,372
Additions during the year	**2,496**	1,329
Finance charges on lease	**55**	47
Lease payments	**(1,727)**	(1,665)
Balance at year end	**1,907**	**1,083**

Maturity analysis of lease liabilities:

	2025	2024
	﷼'000	﷼'000
1 to 5 years	**1,907**	993
Over 5 years	**-**	90
Balance at year end	**1,907**	**1,083**

13. TAXATION

	2025	2024
	﷼'000	﷼'000
Tax expense		
Current tax expense	**11,519**	10,134
Deferred tax	**837**	1,010
Total tax expenses for the year	**12,356**	11,144

The Bank is liable to income tax at the following rates:

	2025	2024
• Sultanate of Oman (of consolidated taxable income)	**15%**	15%
• United Arab Emirates (of taxable income)		
a. National level	**9%**	9%
b. Emirates level	**20%**	20%
• Egypt (of taxable income)	**22.5%**	22.5%

For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 15% (2024: 15%). Set out below is reconciliation between income tax calculated on accounting profits with income tax expense for the year:

	2025	2024
	﷼'000	﷼'000
Accounting profit	**82,563**	74,207
Tax at applicable rate	**12,384**	11,131
Tax exempt revenues	**(946)**	(635)
Others	**81**	(362)
	11,519	10,134

The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The Bank's liabilities for taxation in the Sultanate of Oman have been assessed and agreed up to the year ended 31 December 2020.

Management believes that additional taxes, if any, in respect of open tax assessments would not be significant to the Bank's consolidated financial position as at 31 December 2025.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The Bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2023.

13. TAXATION (continued)

Tax liability

The movement in the current income tax liability is summarised as follows:

	2025	2024
	RO'000	RO'000
At 1 January	**19,123**	18,976
Charge for the year	**14,127**	10,134
Payments during the year	**(7,267)**	(9,997)
Translation difference and others	**1**	10
At 31 December	**25,984**	19,123

	2025	2024
	RO'000	RO'000
Through comprehensive income	**11,519**	10,134
Through prior years	**11,857**	8,989
Through retained earnings	**2,608**	-
	25,984	19,123

Recognised deferred tax liabilities

The deferred tax liability has been recognised at the effective tax rate of 15% (2024 - 15%). Deferred tax liability in the statement of financial position and the deferred tax charge in the consolidated statement of profit or loss and other comprehensive income relates to the tax effect of provisions and change in fair value of FVOCI investment which give rise to deferred tax liabilities are as follows:

Deferred tax liabilities are attributable to the following:

	2025	2024
	RO'000	RO'000
Deductible temporary differences relating to provisions	**2,009**	1,172
FVOCI investments	**(3)**	997
	2,006	2,169

Movement of deferred tax liability

	2025	2024
	RO'000	RO'000
Balance at the beginning of the year	2,169	845
Provided during the year	837	1,010
Tax effect of equity investments at FVOCI – net change in fair value	(1,000)	314
	2,006	**2,169**

14. SHARE CAPITAL

The Authorised share capital of the Bank is 2,000,000,000 shares of RO 0.100 each (2024 – 2,000,000,000 of RO 0.100 each). At 31 December 2025, 1,625,946,355 shares of RO 0.100 each (2024 – 1,625,946,355 shares of RO 0.100 each) have been issued and fully paid.

The following shareholders held 10% or more of the Bank's capital:

	2025		2024	
	No.of shares '000	% Holding	No.of shares '000	% Holding
The Commercial Bank of Qatar	567,453	34.90%	567,453	34.90%
Suhail Salim Abdullah Al Mukhaini Bahwan	239,805	14.75%	239,805	14.75%

The percentage shareholding is calculated based on the total shares of the Bank outstanding at the reporting date.

15. SHARE PREMIUM

The share premium of RO 34.47 million (2024 – RO 34.47 million) represents the premium collected on issue of shares by the bank through a private placement in prior years. This is not available for distribution.

16. LEGAL RESERVE

The legal reserve, which is not available for distribution, is accumulated in accordance with the requirements of the article of 274 of the Commercial Companies Law of Oman. The annual appropriations must not be less than 10% of the profit for the year until such time that the respective reserve account balance amounts to at least one third of the share capital in Oman. At 31 December 2025, the legal reserve has reached one third of the issued capital.

17. OTHER RESERVES

	FVOCI	Impairment reserve	Total
	RO'000	RO'000	RO'000
At 1 January 2025	**(3,393)**	**14,822**	**11,429**
Net movement on FVOCI	**10,901**	**-**	**10,901**
Tax effect of net results on FVOCI	**(1,608)**	**-**	**(1,608)**
At 31 December 2025	**5,900**	**14,822**	**20,722**

	FVOCI	Impairment reserve	Total
	RO'000	RO'000	RO'000
At 1 January 2024	(2,698)	10,580	7,882
Net movement on FVOCI	(381)	-	(381)
Tax effect of net results on FVOCI	(314)	-	(314)
Transfer from retained earnings	-	4,242	4,242
At 31 December 2024	**(3,393)**	**14,822**	**11,429**

The impairment reserve represents excess of impairment allowance (net of tax) calculated as per CBO norms and IFRS 9. The reserve is not available for distribution to the shareholders.

18. TIER 1 PERPETUAL BOND

The Bank has issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities") with details mentioned in the table below. The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The key features of the instruments are as follows:

- No fixed date of maturity.
- Payment of interest and/or capital is solely at the discretion of the Bank.
- The instruments are deeply subordinated and rank just above the ordinary shareholders
- These securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman.

18. TIER 1 PERPETUAL BOND (continued)

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the “Events of Default”, require interpretation. The Directors, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document, consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed by the Directors as not being genuine for the purpose of determining the debt vs equity classification. The Directors have considered appropriate independent legal advice in forming their judgement around this matter.

Issuance Month/Year	Issued Amount	Coupon Rate
April 2021	USD 300 million (﷼ 115.5 million)	Fixed interest rate of 8.00% with a reset after 5 years
November 2022	USD 134.11 million (﷼ 51.63 million)	Fixed interest rate of 6.75% with a reset after 5 years
October 2024	USD 150.40 million (﷼ 57.90 million)	Fixed interest rate of 6.75% with a reset after 5 years
November 2025	USD 450 million (﷼ 173.3 million)	Fixed interest rate of 6.63% with a reset after 5 years

These securities form part of Tier 1 Capital of the Bank and comply with Basel-III and Central Bank of Oman regulations (BM 1114).

19. DIVIDENDS PAID AND PROPOSED

The Board of Directors have proposed a cash dividend of ﷼ 0.0105 per share totalling ﷼ 17.1 million for the year ended 31 December 2025 [2024: ﷼ 0.0094 per share totalling ﷼ 15.3 million], which is subject to the approval of the shareholders at the Annual General Meeting to be held in March 2026.

20. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees, which are designed to meet the requirements of the Bank’s customers.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers’ contingent upon the failure of the customer to perform under the terms of the contract.

20.1. Contingent liabilities

As of the reporting date, commitments on behalf of customers for which there were corresponding customer liabilities consisted of the following:

	2025	2024
	﷼’000	﷼’000
Guarantees	331,864	262,589
Documentary letters of credit	67,122	50,068
	398,986	**312,657**

The table below analyses the concentration of contingent liabilities by economic sector

	2025	2024
	﷼’000	﷼’000
Construction	**126,159**	92,105
Service	**56,105**	21,227
Manufacturing	**53,973**	44,775
Financial Institutions	**53,053**	38,403
Wholesale and Retail Trade	**44,786**	35,298
Transport and Communication	**34,955**	42,985
Others	**23,813**	23,149
Electricity, Gas & Water	**4,821**	934
Mining & Quarrying	**1,011**	8,998
Personal	**220**	4,701
Agriculture	**90**	82
	398,986	312,657

20.2 Commitments

	2025	2024
	﷼’000	﷼’000
Undrawn commitment	**107,086**	140,363
Capital expenditure	**1,984**	1,602

20.3 Branches

The Bank has deposited in the countries concerned, the following amounts of capital as support for its overseas branches. These amounts cannot be withdrawn without the approval of the respective Central Banks.

	2025	2024
	﷼’000	﷼’000
UAE branch	**40,918**	40,918
Egypt branch	**19,250**	19,250
	60,168	60,168

20.4 Legal claims

There were a number of legal proceedings outstanding against the Bank at 31 December 2025. Directors have made an assessment of these cases and made appropriate provisions. The recognized provision reflects the directors’ best estimate of the most likely outcome. In cases where no provisions have been made, professional advice indicates that it is unlikely that any significant loss will arise.

20.5 Fiduciary assets

The Bank acts as fund manager and investment advisor to investment funds. For all funds managed by the Bank, the investors (whose number ranges from 30 to 100) are able to vote by simple majority to remove the Bank as fund manager without cause, and the Bank’s aggregate economic interest is in each case less than 5% per annum. As a result, the Bank has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

The Bank’s fiduciary activities consist of investment management activities conducted as trustee and manager for a number of investment funds and individuals. The aggregate amounts of funds managed, which are not included in the Bank’s statement of financial position, are as follows:

20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

20.5 Fiduciary assets (continued)

	2025	2024
	﷼’000	﷼’000
Fund under management	196,629	135,820

Involvement with unconsolidated structured entities

The following table sets out an analysis of the carrying amounts of interests held by the Bank in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held.

	2025	2024
	﷼’000	﷼’000
Carrying amount of funds invested	**937**	617

The Bank considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The following table sets out information in respect of structured entities that the Bank sponsors, but in which the Bank does not have a controlling interest.

	2025	2024
	﷼’000	﷼’000
Fund under management	**29,606**	12,075
Commission and fees	**212**	**141**

21. INTEREST INCOME

	2025	2024
	﷼’000	﷼’000
Interest from customers	**211,305**	208,530
Interest from banks	**11,559**	17,499
Interest from investments	**23,645**	24,645
	246,509	250,674

Interest bearing assets have an average effective annual rate of 5.63% per annum for the year ended 31 December 2025 (2024 – 6.04% per annum).

22. INTEREST EXPENSE

	2025	2024
	﷼’000	﷼’000
Interest to customers	**129,238**	130,405
Interest to banks	**13,638**	17,835
	142,876	148,240

For the year ended 31 December 2025, the average effective annual cost of funds was 3.61% per annum (2024 – 3.87% per annum).

23. FEE AND COMMISSION INCOME

	2025	2024
	﷼’000	﷼’000
Fee and commission income	**45,196**	37,836
Less: Fee and commission expenses	**(16,102)**	(12,796)
Net fee and commission income	**29,094**	25,040

The disaggregation of net fee and commission income is provided under note 33.

24. OTHER OPERATING INCOME

	2025	2024
	﷼’000	﷼’000
Net gains from foreign exchange dealings	**11,184**	8,208
Dividend income	**5,728**	4,346
Gain on investments at FVTPL	**508**	153
Miscellaneous income	**5,041**	4,796
	22,461	17,503

25. STAFF COSTS

	2025	2024
	﷼’000	﷼’000
Employees' salaries	**28,896**	28,062
Contribution to social insurance schemes	**2,802**	2,701
Other staff costs	**8,811**	8,609
	40,509	39,372

The Bank employed 1,454 employees as of 31 December 2025 (2024 - 1,434 employees).

26. OTHER OPERATING EXPENSES

	2025	2024
	﷼’000	﷼’000
Establishment costs	**5,286**	4,003
Operating and administration costs	**13,677**	12,873
Directors' remuneration and sitting fees	**416**	408
	19,379	17,284

27. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

27.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 December 2025:

Impairment charge and provision held as of 31 December 2025

Particular	As per CBO Norms	As per IFRS 9	Difference
	﷼’000	﷼’000	﷼’000
Impairment Loss charged to profit and loss	-	14,515	NA
Provisions required	206,059	184,801	(21,258)
Gross non-performing loan ratio (percentage)	-	4.5	-
Net non-performing loan ratio (percentage)	-	3.8	-

27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

27.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement As at 31 December 2025: (continued)

Mapping of IFRS 9 and CBO norms

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Standard	Stage 1	3,549,929	45,375	8,972	36,403	3,540,957	-
	Stage 2	386,493	4,245	9,665	(5,420)	376,828	-
	Stage 3	-	-	-	-	-	-
Subtotal		**3,936,422**	**49,620**	**18,637**	**30,983**	**3,917,785**	**-**
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	195,990	1,996	25,551	(23,555)	170,439	-
	Stage 3	-	-	-	-	-	-
Subtotal		**195,990**	**1,996**	**25,551**	**(23,555)**	**170,439**	**-**
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	7,766	1,984	4,850	(2,748)	2,916	118
Subtotal		**7,766**	**1,984**	**4,850**	**(2,748)**	**2,916**	**118**
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	9,980	4,524	3,488	1,264	6,492	228
Subtotal		**9,980**	**4,524**	**3,488**	**1,264**	**6,492**	**228**
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	177,138	114,411	124,416	23,173	52,722	33,178
Subtotal		**177,138**	**114,411**	**124,416**	**23,173**	**52,722**	**33,178**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,503,093	-	1,916	(1,916)	1,501,177	-
	Stage 2	218,165	-	1,755	(1,755)	216,410	-
	Stage 3	4,462	-	4,188	(4,188)	274	-
Subtotal		**1,725,720**	**-**	**7,859**	**(7,859)**	**1,717,861**	**-**
Total	Stage 1	5,053,022	45,375	10,888	34,487	5,042,134	-
	Stage 2	800,648	6,241	36,971	(30,730)	763,677	-
	Stage 3	199,346	120,919	136,942	17,501	62,404	33,524
	Total	**6,053,016**	**172,535**	**184,801**	**21,258**	**5,868,215**	**33,524**

Impairment charge and provision held as of 31 December 2024

Particular	As per CBO Norms	As per IFRS 9	Difference
	RO'000	RO'000	RO'000
Impairment Loss charged to profit and loss	-	14,136	NA
Provisions required	186,929	169,491	(17,438)
Gross non-performing loan ratio (percentage)	-	4.7	-
Net non-performing loan ratio (percentage)	-	4.0	-

Mapping of IFRS 9 and CBO norms

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Standard	Stage 1	3,342,348	43,160	10,573	32,587	3,331,775	-
	Stage 2	381,840	4,151	7,122	(2,971)	374,718	-
	Stage 3	-	-	-	-	-	-
Subtotal		**3,724,188**	**47,311**	**17,695**	**29,616**	**3,706,493**	**-**
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	175,942	1,800	25,594	(23,794)	150,348	-
	Stage 3	-	-	-	-	-	-
Subtotal		**175,942**	**1,800**	**25,594**	**(23,794)**	**150,348**	**-**
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	31,788	7,390	20,834	(12,809)	10,954	635
Subtotal		**31,788**	**7,390**	**20,834**	**(12,809)**	**10,954**	**635**
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	25,567	10,496	13,831	(387)	11,736	2,948
Subtotal		**25,567**	**10,496**	**13,831**	**(387)**	**11,736**	**2,948**
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	133,221	93,475	86,605	29,744	46,616	22,874
Subtotal		**133,221**	**93,475**	**86,605**	**29,744**	**46,616**	**22,874**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,345,483	-	1,083	(1,083)	1,344,400	-
	Stage 2	194,845	-	2,618	(2,618)	192,227	-
	Stage 3	4,923	-	1,231	(1,231)	3,692	-
Subtotal		**1,545,251**	**-**	**4,932**	**(4,932)**	**1,540,319**	**-**
Total	Stage 1	4,687,831	43,160	11,656	31,504	4,676,175	-
	Stage 2	752,627	5,951	35,334	(29,383)	717,293	-
	Stage 3	195,499	111,361	122,501	15,317	72,998	26,457
	Total	**5,635,957**	**160,472**	**169,491**	**17,438**	**5,466,466**	**26,457**

27. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

27.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 December 2025:

Restructured loans

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
		﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	187,772	1,908	25,529	(23,621)	162,243	-
	Stage 3	-	-	-	-	-	-
Subtotal		**187,772**	**1,908**	**25,529**	**(23,621)**	**162,243**	**-**
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	61,777	42,808	44,491	4,729	17,286	6,412
Sub total		**61,777**	**42,808**	**44,491**	**4,729**	**17,286**	**6,412**
Total	Stage 1	-	-	-	-	-	-
	Stage 2	187,772	1,908	25,529	(23,621)	162,243	-
	Stage 3	61,777	42,808	44,491	4,729	17,286	6,412
	Total	**249,549**	**44,716**	**70,020**	**(18,892)**	**179,529**	**6,412**

Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement As at 31 December 2024:

Restructured loans

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
		﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	181,735	1,854	23,088	(21,234)	158,647	-
	Stage 3	-	-	-	-	-	-
Subtotal		**181,735**	**1,854**	**23,088**	**(21,234)**	**158,647**	**-**
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	58,935	29,793	38,914	(4,894)	20,021	4,227
Sub total		**58,935**	**29,793**	**38,914**	**(4,894)**	**20,021**	**4,227**
Total	Stage 1	-	-	-	-	-	-
	Stage 2	181,735	1,854	23,088	(21,234)	158,647	-
	Stage 3	58,935	29,793	38,914	(4,894)	20,021	4,227
	Total	**240,670**	**31,647**	**62,002**	**(26,128)**	**178,668**	**4,227**

27.3 Movement in expected credit losses (ECL) as at 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL	**﷼'000**	**﷼'000**	**﷼'000**	**﷼'000**
- Central bank balances	320,846	-	-	320,846
- Due from banks and other money market placements	334,645	-	-	334,645
- Loans, advances and Islamic financing assets	3,549,929	582,483	194,884	4,327,296
- Investment securities (debt)	479,608	-	-	479,608
- Acceptances	46,014	38,535	-	84,549
- Contingent liabilities and commitments	321,980	179,630	4,462	506,072
	5,053,022	**800,648**	**199,346**	**6,053,016**
Opening Balance – as at 1 January 2025				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	106	-	-	106
- Loans, advances and Islamic financing assets	10,573	32,716	121,270	164,559
- Investment securities (debt)	559	-	-	559
- Acceptances	93	127	-	220
- Contingent liabilities and commitments	325	2,491	1,231	4,047
	11,656	**35,334**	**122,501**	**169,491**
Net transfer between stages				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	-	-	-	-
- Loans, advances and Islamic financing assets	933	(3,410)	2,477	-
- Investment securities (debt)	-	-	-	-
- Acceptances	54	(54)	-	-
- Contingent liabilities and commitments	335	(335)	-	-
	1,322	**(3,799)**	**2,477**	**-**
Charge / (release) for the period (net)				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	144	-	-	144
- Loans, advances and Islamic financing assets	(2,534)	5,910	22,240	25,616
- Investment securities (debt)	365	-	-	365
- Acceptances	(133)	(25)	-	(158)
- Contingent liabilities and commitments	68	(449)	2,957	2,576
	(2,090)	**5,436**	**25,197**	**28,543**
Write off for the period				
- Loans, advances and Islamic financing assets	-	-	(13,233)	(13,233)
	-	**-**	**(13,233)**	**(13,233)**
Closing Balance – as at 31 December 2025				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	250	-	-	250
- Loans, advances and Islamic financing assets	8,972	35,216	132,754	176,942
- Investment securities (debt)	924	-	-	924
- Acceptances	14	48	-	62
- Contingent liabilities and commitments	728	1,707	4,188	6,623
	10,888	**36,971**	**136,942**	**184,801**

27. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)
27.3 Movement in expected credit losses (ECL) As at 31 December 2025 (continued)

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL	**RO'000**	**RO'000**	**RO'000**	**RO'000**
- Central bank balances	267,213	-	-	267,213
- Due from banks and other money market placements	372,470	-	-	372,470
- Loans, advances and Islamic financing assets	3,342,348	557,782	190,576	4,090,706
- Investment securities (debt)	372,482	-	-	372,482
- Acceptances	43,656	36,410	-	80,066
- Contingent liabilities and commitments	289,662	158,435	4,923	453,020
	4,687,831	**752,627**	**195,499**	**5,635,957**
Opening Balance – as at 1 January 2024				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	50	-	-	50
- Loans, advances and Islamic financing assets	5,718	51,783	100,182	157,683
- Investment securities (debt)	526	-	-	526
- Acceptances	-	-	-	-
- Contingent liabilities and commitments	363	2,845	1,279	4,487
	6,657	**54,628**	**101,461**	**162,746**
Net transfer between stages				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	-	-	-	-
- Loans, advances and Islamic financing assets	304	(27,083)	26,779	-
- Investment securities (debt)	-	-	-	-
- Acceptances	-	-	-	-
- Contingent liabilities and commitments	(77)	77	-	-
	227	**(27,006)**	**26,779**	**-**
Charge / (release) for the period (net)				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	56	-	-	56
- Loans, advances and Islamic financing assets	4,551	8,016	12,896	25,463
- Investment securities (debt)	33	-	-	33
- Acceptances	93	127	-	220
- Contingent liabilities and commitments	39	(431)	(48)	(440)
	4,772	**7,712**	**12,848**	**25,332**
Write off for the period				
- Loans, advances and Islamic financing assets	-	-	(18,587)	(18,587)
	-	**-**	**(18,587)**	**(18,587)**
Closing Balance – As at 31 December 2024				
- Central bank balances	-	-	-	-
- Due from banks and other money market placements	106	-	-	106
- Loans, advances and Islamic financing assets	10,573	32,716	121,270	164,559
- Investment securities (debt)	559	-	-	559
- Acceptances	93	127	-	220
- Contingent liabilities and commitments	325	2,491	1,231	4,047
	11,656	**35,334**	**122,501**	**169,491**

27.4 Movement in gross exposure

27.4 (a) Movement in loans, advances and Islamic financing assets

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2025	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Opening Balance - as at 1 January 2025	3,342,348	557,782	190,576	4,090,706
Transfer to stage 1	65,403	(65,403)	-	-
Transfer to stage 2	(6,649)	7,432	(783)	-
Transfer to stage 3	(6,611)	(23,408)	30,019	-
New loans, advances and Islamic financing assets	689,951	151,528	-	841,479
Recovery of loans, advances and Islamic financing assets	(534,513)	(45,448)	(11,695)	(591,656)
Write off for the period	-	-	(13,233)	(13,233)
Closing Balance - as at 31 December 2025	**3,549,929**	**582,483**	**194,884**	**4,327,296**
As at 31 December 2024				
Opening Balance - as at 1 January 2024	**2,746,178**	**754,781**	**163,484**	**3,664,443**
Transfer to stage 1	95,919	(95,268)	(651)	-
Transfer to stage 2	(13,534)	13,776	(242)	-
Transfer to stage 3	(5,552)	(66,546)	72,098	-
New loans, advances and Islamic financing assets	1,071,569	98,561	-	1,170,130
Recovery of loans, advances and Islamic financing assets	(552,232)	(147,522)	(25,526)	(725,280)
Write off for the period	-	-	(18,587)	(18,587)
Closing Balance - As at 31 December 2024	**3,342,348**	**557,782**	**190,576**	**4,090,706**

27.4 (b) Movement in contingent liabilities and commitments

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2025	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Opening Balance - as at 1 January 2025	**289,662**	**158,435**	**4,923**	**453,020**
Transfer to stage 1	19,346	(19,346)	-	-
Transfer to stage 2	(16,915)	16,915	-	-
Transfer to stage 3	-	(120)	120	-
Originated during the year	232,586	67,476	-	300,062
Derecognised during the year	(202,699)	(43,730)	(581)	(247,010)
Write off for the period	-	-	-	-
Closing Balance - as at 31 December 2025	**321,980**	**179,630**	**4,462**	**506,072**
As at 31 December 2024				
Opening Balance - as at 1 January 2024	269,503	147,976	5,112	422,591
Transfer to stage 1	16,555	(16,555)	-	-
Transfer to stage 2	(13,731)	13,731	-	-
Transfer to stage 3	-	(174)	174	-
Originated during the year	22,610	29,674	-	52,284
Derecognised during the year	(5,275)	(16,217)	(363)	(21,855)
Write off for the period	-	-	-	-
Closing Balance - As at 31 December 2024	**289,662**	**158,435**	**4,923**	**453,020**

27. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

27.4 (c) Movement in due from banks and other money market placements (continued)

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2025	**﷼'000**	**﷼'000**	**﷼'000**	**﷼'000**
Exposure subject to ECL				
Opening Balance - as at 1 January 2025	372,470	-	-	372,470
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Derecognised during the year	(37,825)	-	-	(37,825)
Closing Balance - as at 31 December 2025	**334,645**	**-**	**-**	**334,645**
As at 31 December 2024				
Exposure subject to ECL				
Opening Balance - as at 1 January 2024	324,970	-	-	324,970
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Originated during the year	47,500	-	-	47,500
Closing Balance - As at 31 December 2024	**372,470**	**-**	**-**	**372,470**

27.4 (d) Movement in Acceptances

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2025	**﷼'000**	**﷼'000**	**﷼'000**	**﷼'000**
Exposure subject to ECL				
Opening Balance - as at 1 January 2025	43,656	36,410	-	80,066
Transfer to stage 1	164	(164)	-	-
Transfer to stage 2	(29,852)	29,852	-	-
Transfer to stage 3	-	-	-	-
Originated during the year	36,573	6,328	-	42,901
Derecognised during the year	(4,527)	(33,891)	-	(38,418)
Closing Balance - as at 31 December 2025	**46,014**	**38,535**	**-**	**84,549**
As at 31 December 2024				
Exposure subject to ECL				
Opening Balance - as at 1 January 2024	18,651	8,722	-	27,373
Transfer to stage 1	976	(976)	-	-
Transfer to stage 2	(9,692)	9,692	-	-
Transfer to stage 3	-	-	-	-
Originated during the year	40,052	21,647	-	61,699
Derecognised during the year	(6,331)	(2,675)	-	(9,006)
Closing Balance - As at 31 December 2024	**43,656**	**36,410**	**-**	**80,066**

27.4 (e) Movement in investment securities (debt)

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2025	**﷼'000**	**﷼'000**	**﷼'000**	**﷼'000**
Exposure subject to ECL				
Opening Balance - as at 1 January 2025	372,482	-	-	372,482
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Originated during the year	264,774	-	-	264,774
Derecognised during the year	(157,648)	-	-	(157,648)
Closing Balance - as at 31 December 2025	**479,608**	**-**	**-**	**479,608**
As at 31 December 2024				
Exposure subject to ECL				
Opening Balance - as at 1 January 2024	395,829	-	-	395,829
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Originated during the year	61,385	-	-	61,385
Derecognised during the year	(84,732)	-	-	(84,732)
Closing Balance - As at 31 December 2024	**372,482**	**-**	**-**	**372,482**

27.4 (f) Movement in central bank balances

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2025	**﷼'000**	**﷼'000**	**﷼'000**	**﷼'000**
Exposure subject to ECL				
Opening Balance - as at 1 January 2025	267,213	-	-	267,213
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Originated during the year	53,633	-	-	53,633
Derecognised during the year	-	-	-	-
Closing Balance - as at 31 December 2025	**320,846**	**-**	**-**	**320,846**
As at 31 December 2024				
Exposure subject to ECL				
Opening Balance - as at 1 January 2024	369,115	-	-	369,115
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Originated during the year	-	-	-	-
Derecognised during the year	(101,902)	-	-	(101,902)
Closing Balance - As at 31 December 2024	**267,213**	**-**	**-**	**267,213**

27 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

27.5 Movement in impairment credit losses for the year ended:

	2025	2024
Impairment of allowances for credit losses:	RO'000	RO'000
Due from Banks and other money market placements	**(144)**	(56)
Loans, advances and Islamic financing assets	**(21,385)**	(23,146)
Investment Securities (debt)	**(365)**	(33)
Acceptances	**158**	(220)
Contingent liabilities and commitments	**(2,576)**	440
Total	**(24,312)**	(23,015)
Recoveries and releases from provision for credit losses	**3,848**	3,386
Recoveries and releases from loans, advances and Islamic financing assets written off	**5,949**	5,493
Total	**9,797**	**8,879**
Net impairment losses	**(14,515)**	(14,136)

The most significant changes to ECL allowances is due to the allowances for credit losses on loans, advances and Islamic financing assets of RO 21.4 million relating to underlying credit quality changes, including the credit quality impact of financial instruments transferring between stages. The charge was partially offset by recoveries and releases of RO 9.8 million as provided in the table above.

28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise principal shareholders, directors and key management personnel of the Bank. Key management personnel comprise those individuals of the Bank who are involved in the strategic planning and decision making of the Bank. The terms of these transactions are approved by the Bank's management and are made on terms agreed by the Board of Directors.

In the ordinary course of business, the Bank conducts transactions with certain of its directors, shareholders, senior management and companies over which they have significant interest. The Bank engages in transactions with related parties at arm's length terms and in accordance with relevant laws and regulations. Terms of these transactions are approved by the Bank's Board and Management.

Principal shareholders of the Bank includes those shareholders who exercises significant influence on the Bank and their close family members. Other related parties include transactions with key management personnel, directors and transactions with those entities which are controlled by either the principal shareholders or key management personnel or directors of the Bank.

The aggregate amounts of balances with such related parties are as follows:

	2025			2024		
	Principal shareholders	**Others**	**Total**	Principal shareholders	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Loans, advances and Islamic financing assets	**-**	**124,728**	**124,728**	-	117,932	117,932
Customers' deposits	**341**	**40,863**	**41,204**	330	42,005	42,335
Due from Banks	**218**	**-**	**218**	147	-	147
Due to Banks	**145**	**-**	**145**	175	-	175
Letter of credit, guarantees and acceptance	**954**	**4,618**	**5,572**	667	4,868	5,535
Investment	**2,831**	**1,174**	**4,005**	2,679	619	3,298

The statement of profit or loss and other comprehensive income includes the following amounts in relation to transactions with related parties:

	2025			2024		
	Principal shareholders	**Others**	**Total**	Principal shareholders	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Interest income	**11**	**6,529**	**6,540**	303	6,056	6,359
Commission income	**6**	**487**	**493**	6	581	587
Interest expense	**-**	**960**	**960**	-	740	740
Other expenses	**-**	**1,511**	**1,511**	-	1,724	1,724

The above transactions and outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Details regarding senior management are set out below:

The Bank considers the personnel of Management Executive Committee to be key management personnel for the purposes of IAS 24 'Related Party Disclosures."

The balances in respect of these related parties included in the statement of financial position as at the reporting date are as follows:

	2025	2024
	RO'000	RO'000
Loans, advances and Islamic financing assets	**458**	900
Customers' deposits	**1,642**	**1,255**

The income and expenses in respect of these related parties included in the consolidated financial statement are as follows:

	2025	2024
	RO'000	RO'000
Interest Income	**30**	32
Interest Expense	**71**	57
Salaries and other short-term benefits	**4,515**	4,355
Post-employment benefits	**86**	90

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavorable features.

29. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year after interest on perpetual tier 1 capital, by the weighted average number of shares outstanding during the year as follows:

	2025	2024
Net Profit after tax (**RO'000**)	**70,207**	63,063
Less: Interest on Tier 1 perpetual bond (**RO'000**)	**(16,634)**	(12,725)
Profit attributable to shareholders (RO'000)	**53,573**	50,338
Weighted average number of shares outstanding during the year (in '000)	**1,625,946**	1,625,946
Basic earnings per share (RO)	**0.033**	0.031

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the years.

30. CAPITAL ADEQUACY

CBO regulations govern regulatory capital requirements for the Bank; in addition, the overseas branches in UAE is also supervised by their local regulators - CBUAE. The capital management process for the Bank is linked to the overall business strategy to ensure that capital is adequate to the level of inherent risk in the business and within the Bank's capital risk appetite. The Bank conducts capital planning in conjunction with the financial budgeting exercise. The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Central Bank of Oman in supervising the Bank.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise 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 capital to shareholders or issue capital securities. The Capital Management Policy was revised during the year to incorporate the regulatory changes.

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk.

As per CBO guidelines, the Bank needs to maintain capital adequacy ratio (CAR) at a minimum of 13.5% (including the capital conservation buffer) as at 31 December 2025. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	2025	2024
Capital base	**RO'000**	**RO'000**
Common equity Tier 1 - shareholders' funds	**559,107**	503,091
Additional Tier 1 – capital	**398,287**	225,037
Tier 2 - subordinated debt and eligible impairment provisions	**15,711**	19,165
Total capital base	**973,105**	747,293
Risk weighted assets		
Credit risk	**4,346,825**	3,996,512
Operational risk	**287,929**	272,144
Market risk	**127,638**	94,013
Total risk weighted assets	**4,762,392**	4,362,669
Common Equity Tier 1 Ratio	**11.7%**	11.5%
Tier 1 Ratio	**20.1%**	16.7%
Risk asset ratio (Basel II norms)	**20.4%**	17.1%

For more details refer Basel II Pillar III disclosure as provided by the Bank in its annual report.

31. RISK MANAGEMENT

Effective risk management is of primary importance for the Bank. The Bank's risk management process evaluates, monitors and manages the risks associated with the businesses the Bank conducts in line with the defined risk appetite. The Bank's key risks are credit risk, market risk, operational risk and strategic risk. The Bank operates on the guiding principles of three lines of defence i.e. Business, Independent control functions and internal audit. The risk management function is headed by the CRO with a team of risk professionals to manage specific risk functions.

31.1 Credit risk

Credit risk is the risk of potential loss in the event that the Bank's customers, clients or counterparties fail to honour their financial and contractual obligations to the Bank. Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman.

Credit risk management

Credit Risk is managed within the regulatory requirements of Central Bank of Oman; the risk framework is provided in the Board approved Risk Charter and Credit Policies and Procedures. The policies and procedures are periodically reviewed to ensure alignment to the current best practices. Credit exposures are approved by delegated authorities based on the delegation by the Board and Board Risk Committee. The delegation of authorities is based on the size of the single obligor exposure, the credit quality (internal, external rating) as well as level of credit risk mitigation (collateral, guarantees, etc.) for the proposed exposures. For retail exposures, there is delegation of authority for handling exceptions to approved program lending. Control, monitoring and management of credit exposures and remedial management are done in coordination with respective Business Units as per established procedures. The risk management framework also includes policies with respect to problem recognition, early warning lists, watch lists, classification parameters and risk rating adjustments. The Bank also undertakes stress testing of its portfolio and potential credit costs in the event of a downgrade or default by its customers.

Corporate credit

Corporate Credit Risk Division is responsible for independent assessment and control of the risks related to all Corporate, Business Banking, Financial Institutions as well as Small and Medium enterprise exposures. The credit risk associated with any corporate financing is assessed based on an analysis of the customer and the industry it operates in. The credit rating acts as a key factor in credit decisions at the time of approval and subsequent credit assessments. The Division reviews and assesses credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews of facilities are subject to the same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries, risk grades, etc. and deviations, if any are highlighted. The Bank follows a risk adjusted return of capital model for benchmarking risk pricing and each credit proposal is also assessed based on internal benchmarks of required risk adjusted returns. The Bank has implemented a customised Moody's Risk Analyst model for risk rating corporate borrowers. The Bank maintains an accurate and consistent corporate credit rating for all its customers.

In addition to formal annual credit risk reviews of each corporate facility, more frequent reviews are also undertaken for watch list accounts, early warning accounts, lower rated customers, public companies and large exposures. Further, the Bank continues to undertake quarterly review of financial institutions and country portfolio including stress tests and review of adverse rating migrations and outlooks in line with best practices and regulatory guidelines. The Bank also undertook a weekly review across all its business segments of early warning accounts, which showed signs of stress, and remedial action prescribed as necessary.

A comprehensive review of the Corporate Credit Portfolio is conducted on a quarterly basis and provided to the Senior Management and the Board Risk Committee. Salient areas covered in the review include: -

- Exposures downgraded/negatively migrated
- Weighted average credit grade profile
- Portfolio concentration/ performance
- Position of restructured exposures
- Position of past due exposures
- Exposures secured by equity
- Exposures to real estate and leasing sectors
- Syndicated exposures
- New relationships
- Exposures to senior members and non-resident borrowers
- Exposures to countries / financial institutions
- Clean lending and name lending exposures

The Bank introduced prudent control measures for its UAE operations in line with the changing operating environment detailed below

- Revised business focus on Oman-UAE business corridor with emphasis on businesses sponsored by Omani or reputed UAE nationals.
- Enhanced Due diligence and strengthened KYC processes
- Revised Standard Operating Procedures in line with changing business needs.

31. RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

Retail credit

Retail Credit Division manages the credit risk in the retail portfolio. Credit facilities are offered to retail customers primarily based on Product Programs. A programmed lending approach contains standard risk acceptance criteria and loan processing practices in order to optimize the efficiency and risk/ reward of those portfolios. Product programs are approved by Board Risk Committee and their performance is monitored on a regular basis and reviewed. Regular updates are provided to the approving committees regarding the status of the loan portfolio.

Based on the prevailing market conditions, the Bank sustained its continuous monitoring of the portfolio with a thorough review and amendments of the Credit Policy / Product Program. Credit facilities outside the Product Programs / Policy Parameters are individually reviewed and assessed by the Retail Banking division & the Retail Credit Risk Division. Ongoing efforts for implementing the Credit bureau score (Mala'a) for major loan products.

Several system enhancements and new processes have been introduced across critical activities to improve processing quality and efficiency and to enhance the recovery methodologies of the retail portfolio. The Bank has an automated Loan Collection System in order to enhance its collections and recovery processes. It also has an automated Loan Origination System to further enhance its Retail Credit Risk framework.

Loan review mechanism

The Bank has an independent Loan Review Mechanism Division (LRM) with a mandate for constantly evaluating the quality of the loan book, and the balance between risk and reward and to bring about qualitative improvements in credit administration. The division evaluates the effectiveness of loan administration, integrity of the credit grading process, assessment of general and specific loan loss provisions, portfolio quality, etc. In addition to the above the LRM team reviews the Bank's effectiveness of approved internal controls and procedures to ensure robust and sound practices are being followed by all stake holders. LRM also performs independent ad hoc reviews, investigations and assessments as directed by management on areas of concern relating to the credit approval process and/or the analysis processes within the Bank. Significant findings are reported to the CRO, the MRC and potentially to the BRC where warranted.

Risk mitigation policies

The Bank manages, limits and controls concentrations of credit risk – in particular, with respect to individual counterparties and groups, and industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee and Board Risk Committee.

Maximum exposure to credit risk

	Gross maximum exposure 2025	Gross maximum exposure 2024
	RO'000	RO'000
Balances with Central Banks	**321,346**	267,713
Due from Banks and other money market placements	**334,645**	372,470
Loans, advances and financing activities for customers	**4,327,296**	4,090,706
Investment securities (debt)	**479,608**	372,482
Other assets	**99,959**	96,145
Derivatives	**8,980**	12,737
Total on balance sheet exposure	**5,571,834**	5,212,253
Guarantees	**331,864**	262,589
Documentary letters of credit	**67,122**	50,068
Undrawn commitment	**107,086**	140,363
Total off-balance sheet exposure	**506,072**	453,020

The above table represents the maximum credit risk exposure to the Bank at 31 December 2025 and 2024 without taking into account the collateral held or other credit enhancements. Management is confident that the Bank has suitable policies to measure and control the credit risk. In addition credit risk is mitigated through collaterals in the form of mortgages and guarantees wherever required.

An ageing analysis of the Bank's loans which are past due but not impaired is set out below:

	Loans in arrears 1-30 days	Loans in arrears 31-60 days	Loans in arrears 61-89 days	Total
	RO'000	RO'000	RO'000	RO'000
Loans and advances to customers at				
31 December 2025	**96,231**	**17,722**	**10,550**	**124,503**
31 December 2024	24,337	21,534	48,289	94,160

Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is the common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over business assets such as property, inventory and accounts receivable
- Lien on fixed deposits
- Cash margins
- Mortgages over residential and commercial properties
- Pledge of marketable shares and securities

The housing loans are secured by mortgage over the residential property.

A robust collateral management system is in place to mitigate any credit risk. The Bank has a strong credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collateral. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants. The Bank's collaterals are located in Oman.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

An analysis of the collateral held and other credit enhancement held against loan and advances granted is as follows:

	Performing loans	Performing loans Non-performing loans	Total
	RO'000	RO'000	RO'000
Property	1,332,864	70,181	1,403,045
Equities	423,361	1,244	424,605
Others	1,229,222	3,145	1,232,367
Balance As at 31 December 2025	**2,985,447**	**74,570**	**3,060,017**

There are no significant changes to the quality of collateral held by the Bank as compared to 31 December 2024.

	Performing loans	Performing loans Non-performing loans	Total
	RO'000	RO'000	RO'000
Property	1,295,398	64,502	1,359,900
Equities	373,772	123	373,895
Others	988,156	40,734	1,028,890
Balance As at 31 December 2024	**2,657,326**	**105,359**	**2,762,685**

31. RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts as of 31 December 2025:

	Stage 1	Stage 2	Stage 3	Total
	'000	'000	'000	'000
Gross loans, advances and Islamic financing assets to customers - corporate Banking				
Performing loans (Grades 1-5)	2,059,321	259,065	-	2,318,386
Performing loans (Grades 6)	21,138	80,410	-	101,548
Performing loans (Grades 7)	-	191,183	-	191,183
Non-performing loans (Grades 8-10)	-	-	153,478	153,478
Gross loans, advances and Islamic financing assets to customers - corporate Banking	**2,080,459**	**530,658**	**153,478**	**2,764,595**
Gross loans, advances and Islamic financing assets to customers – retail Banking				
Performing loans	1,469,470	51,825	-	1,521,295
Non-performing loans	-	-	41,406	41,406
Gross loans, advances and Islamic financing assets to customers - retail Banking	**1,469,470**	**51,825**	**41,406**	**1,562,701**
Total gross loans, advances and Islamic financing assets to customers	**3,549,929**	**582,483**	**194,884**	**4,327,296**
Loss allowance - loans, advances and Islamic financing assets to customers	**8,972**	**35,216**	**132,754**	**176,942**
Credit related contingent items and commitment				
Performing loans (Grades 1-5)	316,840	144,366	-	461,206
Performing loans (Grades 6)	5,140	30,423	-	35,563
Performing loans (Grades 7)	-	4,841	-	4,841
Non-performing loans (Grades 8-10)	-	-	4,462	4,462
Total gross credit related contingent items and commitment	**321,980**	**179,630**	**4,462**	**506,072**
Loss allowance - contingent liabilities and commitment	**728**	**1,707**	**4,188**	**6,623**
Due from Banks and money market placements				
Performing Banks (Aa1 to Baa3)	254,510	-	-	254,510
Performing Banks (B1 to Ba2)	22,840	-	-	22,840
Performing Banks (Unrated)	57,295	-	-	57,295
Due from Banks and money market placements	**334,645**	**-**	**-**	**334,645**
Loss allowance - due from Banks and money market placements	**250**	**-**	**-**	**250**
Investment securities (debt) (Aa3 to Ba3)	**479,608**	**-**	**-**	**479,608**
Loss allowance – investment securities (debt)	**924**	**-**	**-**	**924**
Acceptances (Grades 1-7)	**46,014**	**38,535**	**-**	**84,549**
Loss allowance – acceptances	**14**	**48**	**-**	**62**

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts as of 31 December 2024:

	Stage 1	Stage 2	Stage 3	Total
	'000	'000	'000	'000
Gross loans, advances and Islamic financing assets to customers - corporate Banking				
Performing loans (Grades 1-5)	1,879,773	237,243	-	2,117,016
Performing loans (Grades 6)	5,571	105,072	-	110,643
Performing loans (Grades 7)	-	170,768	-	170,768
Non-performing loans (Grades 8-10)	-	-	153,551	153,551
Gross loans, advances and Islamic financing assets to customers - corporate Banking	**1,885,344**	**513,083**	**153,551**	**2,551,978**
Gross loans, advances and Islamic financing assets to customers – retail Banking				
Performing loans	1,457,004	44,699	-	1,501,703
Non-performing loans	-	-	37,025	37,025
Gross loans, advances and Islamic financing assets to customers - retail Banking	**1,457,004**	**44,699**	**37,025**	**1,538,728**
Total gross loans, advances and Islamic financing assets to customers	3,342,348	557,782	190,576	4,090,706
Loss allowance - loans, advances and Islamic financing assets to customers	**10,573**	**32,716**	**121,270**	**164,559**
Credit related contingent items and commitment				
Performing loans (Grades 1-5)	288,519	116,819	-	405,338
Performing loans (Grades 6)	1,143	38,149	-	39,292
Performing loans (Grades 7)	-	3,467	-	3,467
Non-performing loans (Grades 8-10)	-	-	4,923	4,923
Total gross credit related contingent items and commitment	**289,662**	**158,435**	**4,923**	**453,020**
Loss allowance - contingent liabilities and commitment	**325**	**2,491**	**1,231**	**4,047**
Due from Banks and money market placements				
Performing Banks (Aa1 to Baa3)	243,961	-	-	243,961
Performing Banks (B1 to Ba2)	66,809	-	-	66,809
Performing Banks (Unrated)	61,700	-	-	61,700
Due from Banks and money market placements	**372,470**	**-**	**-**	**372,470**
Loss allowance - due from Banks and money market placements	**106**	**-**	**-**	**106**
Investment securities (debt) (Aa3 to Ba3)	**372,482**	**-**	**-**	**372,482**
Loss allowance – Investment securities (debt)	**559**	**-**	**-**	**559**
Acceptances (Grades 1-7)	**43,656**	**36,410**	**-**	**80,066**
Loss allowance – acceptances	**93**	**127**	**-**	**220**

31. RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

Impairment assessment

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- A material decrease in the borrower's turnover or the loss of a major customer
- The debtor (or any legal entity within the debtor's group) filing for Bankruptcy application/protection.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Given the nature of the Bank's exposures and availability of historical statistically reliable information, the Bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by IMF's for each rating category.

Economic variable assumptions

During the year, the Bank implemented a new IFRS 9 impairment tool incorporating an enhanced macroeconomic framework. The updated framework leverages the latest macroeconomic forecasts published by the International Monetary Fund (IMF) and applies portfolio-specific calibrations to ensure that the selected variables appropriately reflect the risk characteristics of each portfolio.

The macroeconomic variables included in the model were identified through correlation analysis and an assessment of their explanatory power on expected credit loss (ECL) outcomes. The implementation, calibration and application of the model were subject to independent validation and management review to confirm the robustness, consistency and reasonableness of the underlying assumptions and outputs.

In accordance with IFRS 9 requirements, the Bank incorporates forward-looking information by considering multiple macroeconomic scenarios in the estimation of ECL. The forward-looking macroeconomic assumptions applied as at 31 December 2025 are summarized below:

Key drivers	ECL scenario	31 December 2025	
		2026	2027
GDP Growth %	Base scenario	1.58%	1.53%
	Upside scenario	0.16%	0.15%
	Downside scenario	0.63%	0.61%
Investment (% of GDP)	Base scenario	0.80%	1.00%
	Upside scenario	0.08%	0.10%
	Downside scenario	0.32%	0.40%
Current Account Balance (% of GDP)	Base scenario	0.30%	1.30%
	Upside scenario	0.03%	0.13%
	Downside scenario	0.12%	0.52%
Government Net Debt	Base scenario	-0.57	-1.07
	Upside scenario	-0.63	-1.18
	Downside scenario	-0.37	-0.87
Consumer Price Index (YoY)	Base scenario	108.47	110.64
	Upside scenario	119.32	121.71
	Downside scenario	107.83	109.77

IFRS 9 requires banks to incorporate reasonable and supportable forward-looking information, including the consideration of multiple macroeconomic scenarios, when estimating credit risk parameters. Accordingly, the Bank applies a scenario-based approach comprising baseline, downturn and upturn scenarios.

For the year ended 31 December 2025, the Bank has assigned probability weightings of 50% to the baseline scenario, 40% to the downturn scenario and 10% to the upturn scenario. In prior periods, the Bank applied equal probability weightings across scenarios. Following regulatory feedback and in light of changes in the external economic environment, the scenario weighting methodology was enhanced to better reflect prevailing economic conditions, the Bank's risk profile and market practices observed across GCC financial institutions.

To this end, the determination of scenario weights was anchored in an empirical assessment of historical economic stress experienced in Oman, with particular emphasis on real GDP growth, which is considered a key indicator of economic momentum and stress. GDP is a core macroeconomic driver within the Bank's probability of default (PD) models and reflects changes in productivity, income generation and overall economic activity.

Historical quarterly GDP growth data (constant prices) published by the IMF was analysed to assess the frequency and severity of economic contractions and expansions, along with periods of economic downturn and upturn based on observed declines and increases in GDP growth.

To ensure a balanced yet sufficiently conservative representation of economic stress, the Bank applied a percentile-based approach to the historical distribution of GDP movements. This approach allowed for a more inclusive assessment of economic stress conditions observed historically. Based on this analysis, scenario weights of 50% (baseline), 40% (downturn) and 10% (upturn) were assigned for ECL estimation purposes.

Key drivers	ECL scenario	31 December 2024	
		2025	2026
Real Interest Rate	Base scenario	7.1%	7.1%
	Upside scenario	6.3%	6.5%
GDP	Base scenario	4.0%	4.0%
	Upside scenario	4.2%	4.1%
	Downside scenario	3.7%	3.8%
GDP per capita	Base scenario	0.05%	0.05%
	Upside scenario	0.2%	0.2%
	Downside scenario	-0.2%	-0.1%

31. RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

Credit risk Grade

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

In respect of corporate banking exposures the Bank has adopted a risk rating framework having seven performing loan grades and three nonperforming loan grades. The Bank's internal Risk Rating (RR) risk rates a customer and to associate a default probability to each rating grade. The following is the definition of credit quality classifications as disclosed in note 31.1 for the corporate banking exposures of the Bank.

Risk grade	Explanation
1-5	Probability of meeting financial commitments is high in the event of market disruptions
6	Probability of meeting financial commitments is moderate in the event of market disruptions
7	Potentially weak loans, where, if left uncorrected, the weakness may result in deterioration of the repayment prospects for the loans or bank's credit position at some future date.
8-10	Defaulted. Paying capacity of borrower requires reassessment and other forms of cash flows may be explored for any further recovery of exposure.

In respect of retail banking exposure the "performing loans" exposures include the retail accounts which are not delinquent by more than 90 days.

For due from banks and money market placements, investment securities and central bank balances the Bank uses the Moody's external credit ratings.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data and assigns the internal rating.

Corporate and commercial lending

For corporate and investment banking loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the customers. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the customer's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the customer operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the customer's performance.
- The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

Sensitivity analysis

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at December 31, 2025 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	At 31 December 2025		At 31 December 2024	
	ECL	Impact on ECL	ECL	Impact on ECL
	’000	’000	’000	’000
Sensitivity of impairment estimates				
ECL on non-impaired loans under IFRS9	**47,856**	**-**	46,990	-
Simulations				
Upside case - 100% weighted	**41,141**	**6,715**	41,155	5,835
Base case - 100% weighted	**46,428**	**1,428**	46,623	367
Downside scenario - 100% weighted	**62,316**	**(14,460)**	53,194	(6,204)

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Loss given default

For corporate and investment Banking financial instruments, LGD values are assessed based on historically collected loss data, cured data, and recovery data that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Bank.

31. RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

Significant Increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Bank applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

a. Inadequate or unreliable financial or other information such as unavailability of audited financial statements within 120 days from end of accounting period.
b. Delay in documentation execution over 35 days from limit set up due to disputes with customers.
c. Borrower is subject to litigation by third parties that may have a significant impact on his financial position.
d. Frequent changes in key senior management personnel without acceptable successors or professional management.
e. Intra Group transfer of funds without underlying transactions beyond 50% of Tangible Net Worth.
f. Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.
g. Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.
h. A fall of 25% or more in the turnover or in the EBIT as compared to the previous year except in the case of change in business model/one of material events.
i. A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.
j. Rating downgrade by 3 notches for ratings from R1 to R4 and 2 notches downgrade for R5 and R6.
k. Erosion in net worth by more than 20% compared to previous year coupled with increase in leverage by 1.5 times.

Key credit risks which are unique to retail exposures include the following, this is apart from the model criteria which are common to all products as per IFRS 9 standard:

a. Stage 2 asset based on the days past due as per BM 1149
b. Inclusion of watch list based on the employer of the borrower's status.
c. Restructured accounts have selective and variable treatment based on the central bank guidelines

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When the contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.5.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Measurement of ECL - Judgemental adjustments:

Where appropriate, the Bank makes adjustments to the ECL estimate outside the Bank's regular modelling process to reflect management judgements. The changes to the assumptions underlying these judgmental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes.

Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Bank's definition of PMAs because they are not calculated at a granular level through modelled analysis.

The Bank has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the Bank is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Total judgmental adjustments as at 31 December 2025 increased the overall loss allowance by 0.48% (31 December 2024- 0.89%) compared to ECL allowance derived through the ECL models.

31. RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

Model risk management:

The Bank has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS9 accounting standards.

The Bank has formed a Model Oversight Committee. The committee is responsible for all significant modelling decisions related to each step of the model life cycle. The committee must ensure decisions are transparent, justified and documented The committee's main objective is to optimize the ability of models to support decision-making throughout the bank, covering all model types. The Model Oversight Committee is accountable to Senior Management and to the Board, who must ensure that the Model Oversight Committee manages Model Risk appropriately. The committee is required to provide an impartial view of the best modelling approach for the bank. It is expected to remain independent from actual, potential or perceived interests of business lines. Therefore, the majority of the Committee members are not from business lines

Each model is enquired to be managed according to a cycle that includes, at a minimum, the following steps:

1. Development,
2. Pre-implementation validation,
3. Implementation,
4. Usage and monitoring,
5. Independent validation, and
6. Recalibration, redevelopment or retirement, if deemed necessary

The duration and frequency of each step is required to be specified in advance for each model and documented accordingly. The responsibility of the Model oversight committee includes the below:

1. Design the Bank's appetite for Model Risk to be approved by the Board,
2. Ensure that Model Risk is managed appropriately across the Bank,
3. Escalate modelling decisions when necessary,
4. Oversee the objective and strategy of each model,
5. Approve the development of new models,
6. Request the development of new models when necessary,
7. Approve material modelling decisions throughout the model life-cycle,
8. At the end of each cycle, review the validation results and make one of the choices below:

   a) Leave the model unchanged,
   b) Use a temporary adjustment while establishing a remediation plan,
   c) Recalibrate the model,
   d) Redevelop or acquire a new model, or
   e) Withdraw the model without further redevelopment

31.2 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, the management continuously looks for opportunities to diversify its funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Bank holds certain liquid assets as part of its liquidity risk management strategy.

The Bank manages the liquidity risk based on the Central Bank of Oman guidelines and the Liquidity and Liquidity Contingency Policies, which are approved and periodically reviewed by the Board Risk Committee. Liquidity Risk position is monitored regularly through analysis of various reports, such as, Maturity of Assets and Liabilities, Liquidity Lines, Early Warning Indicators and Stock Ratios. Further, the Bank also periodically conducts stress tests on liquidity based on market and Bank specific events in line with Basel Committee recommendations. The liquidity position of the Bank and stress test scenarios are regularly reviewed by the management and also discussed at the Board Risk Committee.

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding (NSFR).

The Net Stable Funding Ratio (NSFR) is a longer term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2020, with a minimum ratio of 100% as per the regulatory guidance.

The residual maturity behavioural of the assets, liabilities and equity at 31 December 2025 is as follows:

	On demand and within 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Banks	192,385	56,856	249,241	75,092	31,821	106,913	356,154
Due from Banks and other money market placements	235,758	36,056	271,814	62,581	-	62,581	334,395
Loans, advances and Islamic financing assets	327,989	375,962	703,951	1,552,087	1,894,316	3,446,403	4,150,354
Investment securities	183,183	35,526	218,709	256,303	105,454	361,757	580,466
Other assets	104,685	4,192	108,877	-	-	-	108,877
Property and equipment	-	-	-	-	60,978	60,978	60,978
Total assets	**1,044,000**	**508,592**	**1,552,592**	**1,946,063**	**2,092,569**	**4,038,632**	**5,591,224**
Future interest cash inflows	**66,521**	**175,248**	**241,769**	**672,639**	**288,353**	**960,992**	**1,202,761**
Due to Banks and other money market deposits	228,995	160,863	389,858	25,025	-	25,025	414,883
Customers' deposits	696,101	1,228,476	1,924,577	1,323,320	761,220	2,084,540	4,009,117
Other liabilities	135,063	5,060	140,123	64	1,047	1,111	141,234
Taxation	25,984	-	25,984	-	-	-	25,984
Shareholders' equity	-	-	-	-	601,719	601,719	601,719
Tier 1 perpetual bonds	-	-	-	-	398,287	398,287	398,287
Total liabilities and shareholders' equity	**1,086,143**	**1,394,399**	**2,480,542**	**1,348,409**	**1,762,273**	**3,110,682**	**5,591,224**
Future interest cash outflows	**43,217**	**96,927**	**140,144**	**317,474**	**138,076**	**455,550**	**595,694**
Total liquidity gap (total assets – total liabilities and shareholder's' equity	**(42,143)**	**(885,807)**	**(927,950)**	**597,654**	**330,296**	**927,950**	**-**
Cumulative liquidity gap	**(42,143)**	**(927,950)**	**(1,855,900)**	**(1,258,246)**	**(927,950)**	**-**	

31. RISK MANAGEMENT (continued)

31.2 Liquidity risk (continued)

The Bank has access to committed lines from other banks to meet its liquidity (if required).

The tables below analyses the Bank's financial liabilities into relevant maturity groupings based on their contractual maturities. Where there are no contractual maturities, the balances are considered as "Due on demand".

	On demand and within 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Customers' deposits	2,279,105	977,417	3,256,522	752,595	-	752,595	4,009,117
Due to Banks and other money market deposits	228,995	160,863	389,858	25,025	-	25,025	414,883
Other liabilities	135,063	5,060	140,123	64	1,047	1,111	141,234
Future interest cash outflows	43,219	96,927	140,146	317,474	138,076	455,550	595,696
Contingent liabilities	506,072	-	506,072	-	-	-	506,072

The maturity profile of the assets, liabilities and equity at 31 December 2024 is as follows:

	On demand and within 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Banks	147,115	56,856	249,241	75,092	31,821	106,913	356,154
Due from Banks and other money market placement	306,144	52,745	358,889	7,700	5,775	13,475	372,364
Loans, advances and Islamic financing assets	353,889	287,100	640,989	1,335,962	1,949,196	3,285,158	3,926,147
Investment securities	114,848	26,007	140,855	277,472	55,066	332,538	473,393
Other assets	104,551	4,111	108,662	-	-	-	108,662
Property and equipment	-	-	-	-	59,467	59,467	59,467
Total assets	**1,026,547**	**421,914**	**1,448,461**	**1,691,606**	**2,102,478**	**3,794,084**	**5,242,545**
Future interest cash inflows	**67,352**	**176,339**	**243,691**	**697,862**	**312,541**	**1,010,403**	**1,254,094**
Due to Banks and other money market deposits	72,452	30,800	103,252	89,686	-	89,686	192,938
Customers' deposits	739,351	1,110,794	1,850,145	1,561,354	717,024	2,278,378	4,128,523
Other liabilities	129,232	4,527	133,759	41	-	41	133,800
Taxation	19,123	-	19,123	-	-	-	19,123
Shareholders' equity	-	-	-	-	543,124	543,124	543,124
Tier 1 perpetual bonds	-	-	-	-	225,037	225,037	225,037
Total liabilities and shareholders' equity	**960,158**	**1,146,121**	**2,106,279**	**1,651,081**	**1,485,185**	**3,136,266**	**5,242,545**
Future interest cash outflows	**41,254**	**95,830**	**137,084**	**299,115**	**108,196**	**407,311**	**544,395**
Total liquidity gap (total assets – total liabilities and shareholder's' equity	66,389	(724,207)	(657,818)	40,525	617,293	657,818	-
Cumulative liquidity gap	**66,389**	**(657,818)**	**(1,315,636)**	**(1,275,111)**	**(657,818)**	**-**	

	On demand and within 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Customers' deposits	2,364,192	801,674	3,165,866	962,571	86	962,657	4,128,523
Due to Banks and other money market deposits	72,452	30,800	103,252	89,686	-	89,686	192,938
Other liabilities	129,232	4,527	133,759	41	-	41	133,800
Future interest cash outflows	41,379	96,205	137,584	301,115	109,446	410,561	548,145
Contingent liabilities	453,020	-	453,020	-	-	-	453,020

Liquidity coverage ratio

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is applicable from January 1, 2015 with a minimum ratio of 60% and increasing by 10% every year thereafter till it reaches a minimum required level of 100% on 1 January, 2020.

The following table set out the Liquidity Coverage ratio (LCR) and net stable funding ratio (NSFR) of the Bank.

As at 31 December	2025	2024
LCR	159.76%	277.58%
NSFR	130.33%	118.71%

31.3 Market risk

The Bank is exposed to market risk, which is the risk that the fair value of the financial assets held by the Bank will fluctuate due to changes in market prices. Market risk arises from changes in the fair value of open positions held in foreign exchange, interest rate, currency, equity, credit spreads, etc. Market risk is managed based on the Central Bank of Oman guidelines and the Market Risk Policy, which is approved and periodically reviewed by the Board Risk Committee. Stress tests are also conducted periodically incorporating adverse movements in equity value, foreign exchange, etc. and reviewed by the Management and Board Risk Committee.

The Bank offers hedging products to its customers to hedge their genuine exposures, related to interest rate risk, foreign exchange risk and commodity risk. The counterparty credit risk exposures for such transactions (interest rate swaps, commodities contracts, currency forwards and options, etc.) are assessed based on the positive marked-to-market values of the contracts and the potential future exposures. The Bank has adopted risk weightings in line with best practices to capture the credit risk related to these exposures.

- ***Equity risk***

The proprietary equity positions are held in the 'FVOCI' category. The market risk is monitored though periodic mark-to-market reports which are circulated to the management and, if any, required actions are promptly taken. The portfolio is also monitored and managed as per the Investment Policy approved by the Board Risk Committee. If there is adverse impact of 5% on equity investment portfolio, the value of the portfolio may decrease by RO5.01 million (2024: decrease by RO 5.01 million).

- ***Interest rate risk***

The principal market risk to which non-trading portfolio is exposed is the risk of loss from fluctuation in the future cash flows or fair values of financial instruments because of changes in market interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities.

Methods and assumptions used in preparing the sensitivity analysis: The methods for interest rate sensitivity analysis are Maturity Gap Analysis (which measures the interest rate sensitivity of earnings) and

31. RISK MANAGEMENT (continued)

31.3 Market risk (continued)

Duration (which measures the interest rate sensitivity of capital). These are in line with the BIS in its paper on 'Principles for the Management and Supervision of Interest Rate Risk' issued in July 2004.

Interest rate risk is managed by monitoring the sensitivity of the Bank's financial assets and liabilities to various standardized interest rate shocks. Standardised shocks include a 100 basis point and 200 basis point parallel shifts in yield curves that are considered on a monthly basis. The impact of these shocks is analysed in the context of its impact on Earnings and Economic Value. The impact is compared against internal limits which have been formulated in line with the Central Bank of Oman and Basel Committee guidelines. The analysis is regularly reviewed by the Management and Board Risk Committee.

Earning impact of 200 basis points parallel shift in interest rate is provided below:

As at December 2025	200 bps increase	200 bps decrease
Earnings impact - RO'000	**19,040**	**(19,040)**

In addition, stress scenarios based on specific events or market disruptions are also analysed and presented at monthly ALCO meetings to estimate the impact on liquidity and earnings.

The Bank has been consistently using the above methods/assumptions to conduct interest rate sensitivity analysis. The above sensitivity analyses are carried out at monthly rests and results thereof monitored against the in-house limits and the results are also actively deliberated at the ALCO meetings and presented to the Board Risk Committee.

The Bank's interest sensitivity position based on contractual re-pricing arrangements at 31 December 2025 is as follows:

	Average effective interest rate	On demand and within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest sensitive	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Banks	N/A	-	-	-	-	356,154	356,154
Due from Banks and other money market placements	4.97%	207,681	36,056	62,582	-	28,076	334,395
Loans, advances and Islamic financing assets	5.83%	1,623,895	1,196,538	722,573	607,348	-	4,150,354
Investment securities	4.72%	183,183	35,526	276,601	85,156	-	580,466
Other assets	N/A	-	-	-	-	108,877	108,877
Property and equipment	N/A	-	-	-	-	60,978	60,978
Total assets		**2,014,759**	**1,268,120**	**1,061,756**	**692,504**	**554,085**	**5,591,224**
Due to Banks and other money market deposits	4.83%	220,979	154,860	25,024	-	14,020	414,883
Customers' deposits	3.56%	302,653	2,342,323	738,636	-	625,505	4,009,117
Other liabilities	N/A	5,648	-	-	-	135,586	141,234
Taxation	N/A	-	-	-	-	25,984	25,984
Tier 1 Perpetual Bond	7.07%	-	-	398,287	-	-	398,287
Shareholders' equity	N/A	-	-	-	-	601,719	601,719
Total liabilities and shareholders' equity		**529,280**	**2,497,183**	**1,161,947**	**-**	**1,402,814**	**5,591,224**
Total interest rate sensitivity gap		**1,485,479**	**(1,229,063)**	**(100,191)**	**692,504**	**(848,729)**	**-**
Cumulative interest rate sensitivity gap		**1,485,479**	**256,416**	**156,225**	**848,729**	**-**	

The Bank's interest sensitivity position based on contractual re-pricing arrangements at 31 December 2024 is as follows:

	Average effective interest rate	On demand and within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest sensitive	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Banks	N/A	-	-	-	-	302,512	302,512
Due from Banks and other money market placements	5.83%	285,025	52,745	13,475	-	21,119	372,364
Loans, advances and Islamic financing assets	6.24%	1,428,101	1,143,777	734,736	619,533	-	3,926,147
Investment securities	5.42%	117,552	26,007	277,473	43,659	8,702	473,393
Other assets	N/A	79,972	-	-	-	28,690	108,662
Property and equipment	N/A	-	-	-	-	59,467	59,467
Total assets		**1,910,650**	**1,222,529**	**1,025,684**	**663,192**	**420,490**	**5,242,545**
Due to Banks and other money market deposits	5.55%	58,054	30,800	89,686	-	14,398	192,938
Customers' deposits	3.72%	302,227	2,221,042	955,654	86	649,514	4,128,523
Other liabilities	N/A	79,972	-	-	-	53,828	133,800
Taxation	N/A	-	-	-	-	19,123	19,123
Tier 1 Perpetual Bond	7.39%	-	-	225,037	-	-	225,037
Shareholders' equity	N/A	-	-	-	-	543,124	543,124
Total liabilities and shareholders' equity		**440,253**	**2,251,842**	**1,270,377**	**86**	**1,279,987**	**5,242,545**
Total interest rate sensitivity gap		**1,470,397**	**(1,029,313)**	**(244,693)**	**663,106**	**(859,497)**	**-**
Cumulative interest rate sensitivity gap		**1,470,397**	**441,084**	**196,391**	**859,497**	**-**	

- **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on open positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The foreign exchange positions in the books of the Bank are generally small residual positions resulting from market coverings for customer transactions.

Foreign exchange VAR is computed monthly for all non-pegged currencies at 99% confidence level and a holding period of 10 days. Additionally, earnings impact of a 15% adverse movement in exchange rates for all open positions is factored in the monthly stress tests.

The Bank had the following significant net exposures denominated in foreign currencies:

	2025	2024
	RO'000	RO'000
US Dollar	51,849	121,327
UAE Dirham	18,061	39,048
Others	**2,535**	**1,154**

31. RISK MANAGEMENT (continued)

31.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, frauds or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the use of internal audit. Further, the Bank has established an operational loss appetite statement to monitor losses under various operational loss categories and any breaches of set-off thresholds are reported to the Board Risk Committee. In addition to this, the Bank has an operational loss reporting database.

Information Security is an essential component of Operational Risk Management. The Bank has implemented the latest security infrastructure like firewalls, intrusion prevention systems, anti-virus soft wares, etc. Periodic vulnerability assessments are conducted to ensure the security of the systems.

As a part of Business Continuity Management initiatives, the Bank has taken necessary actions to ensure effective measures in case of a crisis situation, e.g. evacuation drills, testing of critical systems and applications from the Disaster Recovery site. The Bank has the capability to ensure that critical Banking processes are tested to ascertain availability during such situations.

31.4.1 Fraud Risk

The Bank has adopted a 'zero tolerance' policy towards fraud and corruption and as such will seek to take disciplinary and/or legal action against those who perpetrate, are involved in, or assist with fraudulent or improper activities. The Fraud risk management (FRM) unit manages the fraud risk for the Bank at an enterprise level. The unit monitors transactions originating from Cards, POS and other Digital channels. Besides, the unit conducts Fraud Risk Assessments to assess fraud risks on a pro-active basis, verifies the existing controls and proposes new controls, if required.

The unit is also responsible for managing Incidents across the Bank and maintenance of Operational Loss Database.

31.5 Strategic risks

The Bank monitors strategic risks through regular quarterly assessment and reporting at the Board Risk Committee level. This includes reviews of human resource, economic (both at the macro and micro levels), regulatory/compliance, information technology and information security, legal and reputational related risks and the monitoring of strategic project risk arising from initiatives undertaken by the Bank. Furthermore, the Bank has augmented its Internal Capital Adequacy Assessment Process (ICAAP) to align the business strategy and the capital management processes. The Bank had engaged an internationally renowned consultant to review the current ICAAP process and to recommend enhancements that will, once implemented, escalate the ICAAP process and documentation to international best practices. This initiative was proposed and sponsored at the highest level by the Board Risk Committee and its recommendations are being progressively completed.

31.6 Climate related risks

Climate change has emerged as one of the most significant global challenges of the time, impacting economies, societies, and ecosystems across the planet. As the effects of climate change become increasingly apparent, businesses and institutions must recognize the urgent need to address climate risks. Among these institutions, banks play a crucial role in shaping the global financial landscape and have a unique responsibility to manage climate-related financial risks within their operations.

In recent years, the financial sector has witnessed a growing recognition of the systemic risks associated with climate change. From physical risks, such as extreme weather events and rising sea levels, to transitional risks, such as policy changes and technological disruptions, climate-related factors have the potential to profoundly impact the stability of the banking industry. In this light, the Bank has developed a comprehensive climate risk policy duly approved by the board. The policy serves as a roadmap to identify, assess, and mitigate the risks and opportunities associated with climate change. By incorporating climate considerations into operations, NBO intends to effectively manage its consequent risks, seize emerging opportunities, and contribute to the transition to a low-carbon and climate-resilient economy. This needs to be enhanced especially considering CBO's and FSA's guidelines.

32. CONCENTRATIONS

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

The distribution of assets, liabilities and contingent items by geographical regions as of 31 December 2025 is as follows:

	Sultanate of Oman	UAE	Egypt	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Banks	**261,320**	**94,145**	**689**	**-**	**356,154**
Due from Banks and other money market placements	**66,978**	**9,616**	**4,313**	**253,488**	**334,395**
Loans, advances and Islamic financing assets	**3,970,188**	**147,654**	**-**	**32,512**	**4,150,354**
Investment securities	**533,763**	**-**	**-**	**46,703**	**580,466**
Other assets	**51,685**	**57,031**	**161**	**-**	**108,877**
Property and equipment	**60,059**	**919**	**-**	**-**	**60,978**
Total assets	**4,943,993**	**309,365**	**5,163**	**332,703**	**5,591,224**
Due to Banks and other money market deposits	**5,000**	**137,673**	**21,175**	**251,035**	**414,883**
Customers' deposits	**3,854,307**	**154,449**	**361**	**-**	**4,009,117**
Other liabilities	**44,962**	**97,605**	**(1,333)**	**-**	**141,234**
Taxation	**24,711**	**1,228**	**45**	**-**	**25,984**
Shareholders' equity	**604,922**	**(4,980)**	**1,777**	**-**	**601,719**
Tier 1 perpetual bond	**398,287**	**-**	**-**	**-**	**398,287**
Liabilities and shareholders' equity	**4,932,189**	**385,975**	**22,025**	**251,035**	**5,591,224**
Contingent liabilities	**325,775**	**40,027**	**-**	**33,184**	**398,986**

The distribution of assets, liabilities and contingent items by geographical regions as of 31 December 2024 is as follows:

	Sultanate of Oman	UAE	Egypt	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Banks	221,877	80,154	481	-	302,512
Due from Banks and other money market placements	102,140	5,565	476	264,183	372,364
Loans, advances and Islamic financing assets	3,791,899	111,123	-	23,125	3,926,147
Investment securities	412,670	20,996	-	39,727	473,393
Other assets	69,995	38,516	151	-	108,662
Property and equipment	58,413	1,054	-	-	59,467
Total assets	**4,656,994**	**257,408**	**1,108**	**327,035**	**5,242,545**
Due to Banks and other money market deposits	15,000	64,186	-	113,752	192,938
Customers' deposits	3,959,181	168,981	361	-	4,128,523
Other liabilities	94,864	38,844	92	-	133,800
Taxation	18,265	814	44	-	19,123
Shareholders' equity	552,068	(10,599)	1,655	-	543,124
Tier 1 perpetual bond	225,037	-	-	-	225,037
Liabilities and shareholders' equity	**4,864,415**	**262,226**	**2,152**	**113,752**	**5,242,545**
Contingent liabilities	**260,201**	**24,555**	**-**	**27,901**	**312,657**

33. SEGMENTAL INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the management. The Bank is organised into five operating segments based on business units and are as follows:

- Retail Banking offers various products and facilities to individual retail and high net-worth customers to meet everyday banking needs. This includes asset products like personal loans, housing loan, credit cards and term loans and liability products like savings account, current account and term deposits.
- Wholesale Banking delivers a variety of products and services to Corporate, Government and Financial Institutions, that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes investment banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.
- International operations include UAE and Egypt operations.
- Islamic Banking offers various products as per Shari'a principles.
- Funding Centre – The Funding centre is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the Bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the support functions are allocated to operating segments for performance measurement purposes.

Segment information by business line is as follows:

Year ended 31 December 2025	Retail Banking	Wholesale Banking	International Banking	Islamic Banking	Funding centre	Total
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Net Interest income and net Income from Islamic financing and Investment activities	44,356	38,147	4,287	8,306	16,843	111,939
Fees, Commission and other operating income	18,193	28,343	2,358	2,660	1	51,555
Operating income	**62,549**	**66,490**	**6,645**	**10,966**	**16,844**	**163,494**
Operating expenditure	(36,977)	(18,578)	(5,054)	(6,503)	696	(66,416)
Operating profit	**25,572**	**47,912**	**1,591**	**4,463**	**17,540**	**97,078**
Loan impairment losses	(3,879)	(10,333)	706	(1,009)	-	(14,515)
Net profit before tax	21,693	37,579	2,297	3,454	17,540	82,563
Taxation	(3,226)	(5,588)	(934)	-	(2,608)	(12,356)
Net profit after tax	**18,467**	**31,991**	**1,363**	**3,454**	**14,932**	**70,207**
Total assets	**1,507,536**	**2,838,140**	**298,293**	**511,484**	**435,771**	**5,591,224**
Total liabilities and equity	**1,345,267**	**2,137,996**	**298,293**	**511,484**	**1,298,184**	**5,591,224**

Disaggregated revenues 2025

IFRS 15 requires the disclosure of disaggregated revenue from contracts with customers for major products / service lines. The below table provides disaggregation of commission and fee income into revenues within Bank's reportable segments. Contract revenue is further segregated based on the products and services:

2025	Retail Banking	Retail Banking	Retail Banking	Retail Banking	Retail Banking
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Transactional	12,024	-	1	112	12,137
Trade Income	73	2,762	264	55	3,154
Account Services	23	1,516	(12)	43	1,570
Underwriting & Syndication	783	7,945	768	860	10,356
Investment banking	-	1,877	-	-	1,877
Total	**12,903**	**14,100**	**1,021**	**1,070**	**29,094**

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

i) Oman
ii) United Arab Emirates (UAE)
iii) Egypt

Transactions between the above segments are conducted at estimated market rates.

Segment information by geography is as follows:

For the year ended 31 December 2025	Oman	UAE	Egypt	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Net Interest income and Income from Islamic financing and Investment activities	107,652	4,286	1	111,939
Fees, Commission and other operating income	49,197	2,325	33	51,555
Operating income	**156,849**	**6,611**	**34**	**163,494**
Operating expenses	(63,930)	(2,449)	(37)	(66,416)
Operating profit	**92,919**	**4,162**	**(3)**	**97,078**
Total impairment losses (net) and taxation	(26,645)	(323)	97	(26,871)
Segment profit for the year	**66,274**	**3,839**	**94**	**70,207**
Other information				
Segment assets	**5,292,931**	**297,443**	**850**	**5,591,224**

Note: Operating expenses does not include cost allocation.

33 SEGMENTAL INFORMATION (continued)

Segment information by business line is as follows:

Year ended 31 December 2024	Retail Banking	Wholesale Banking	International Banking	Islamic Banking	Funding centre	Total
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Net Interest income and net Income from Islamic financing and Investment activities	41,044	49,275	4,961	6,350	7,153	108,783
Fees, Commission and other operating income	15,451	23,559	1,155	2,023	355	42,543
Operating income	56,495	72,834	6,116	8,373	7,508	151,326
Operating expenditure	(36,625)	(16,555)	(4,822)	(5,543)	562	(62,983)
Operating profit	19,870	56,279	1,294	2,830	8,070	88,343
Loan impairment losses	(1,287)	(13,419)	(54)	624	-	(14,136)
Net profit before tax	18,583	42,860	1,240	3,454	8,070	74,207
Taxation	(2,419)	(5,579)	(2,095)	-	(1,051)	(11,144)
Net profit after tax	**16,164**	**37,281**	**(855)**	**3,454**	**7,019**	**63,063**
Total assets	**1,477,795**	**2,661,583**	**244,340**	**532,111**	**326,716**	**5,242,545**
Total liabilities and equity	**1,276,463**	**2,355,077**	**244,340**	**532,111**	**834,554**	**5,242,545**

Disaggregated revenues 2024

IFRS15 requires the disclosure of disaggregated revenue from contracts with customers for major products / service lines. The below table provides disaggregation of commission and fee income (net) into revenues within Bank's reportable segments. Contract revenue is further segregated based on the products and services:

2024	Retail	Wholesale	International	Islamic	Total
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Transactional	9,908	-	4	31	9,943
Trade Income	65	2,712	213	45	3,035
Account Services	120	1,283	(20)	42	1,425
Underwriting & Syndication	668	6,987	236	967	8,858
Investment banking	-	1,779	-	-	1,779
Total	**10,761**	**12,761**	**433**	**1,085**	**25,040**

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

i) Oman
ii) United Arab Emirates (UAE)
iii) Egypt

Transactions between the above segments are conducted at estimated market rates.

Segment information by geography is as follows:

For the year ended 31 December 2024	Oman	UAE	Egypt	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Net Interest income and Income from Islamic financing and Investment activities	103,822	4,958	3	108,783
Fees, Commission and other operating income	41,388	1,421	(266)	42,543
Operating income	145,210	6,379	(263)	151,326
Operating expenses	(60,348)	(2,520)	(115)	(62,983)
Operating profit	84,862	3,859	(378)	88,343
Total impairment losses (net) and taxation	(23,132)	(2,272)	124	(25,280)
Segment profit for the year	**61,730**	**1,587**	**(254)**	**63,063**
Other information				
Segment assets	**4,998,205**	**243,707**	**633**	**5,242,545**
Segment capital expenses	**8,131**	**343**	**-**	**8,474**

Note: Operating expenses does not include cost allocation.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Based on the valuation methodology outlined below, the fair values of all financial instruments at 31 December 2025 and 2024 are considered by the Management not to be materially different to their book values.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of assets and liabilities:

1. Loans, advances and Islamic financing assets

Fair value is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that do not have fixed repayment dates or that are subject to prepayment risk, repayments are estimated based on experience in previous periods when interest rates were at levels similar to current levels, adjusted for any differences in interest rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

2. Investments

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

3. Current account balances due to and due from Banks

The carrying amount of current account balances due to and from Banks was considered to be a reasonable estimate of fair value due to their short term nature.

4. Bank and customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

33 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

5. Other financial instruments

No fair value adjustment is made with respect to credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams materially reflect contractual fees and commissions actually charged at the reporting date for agreements of similar credit standing and maturity.

Foreign exchange contracts are valued based on market prices. The market value adjustments in respect of foreign exchange contracts are included in other assets and other liabilities.

The fair values of financial instruments that are traded in active markets are based on quoted market prices. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices. Industry standard valuation models are used to calculate the expected future value of payments by product, which is discounted back to a present value. The model's interest rate inputs are benchmark and active quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced from brokers and consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Total
	RO’000	RO’000	RO’000
31 December 2025 **Investment measured at FVTPL**			
Quoted equities	2,715	-	2,715
Unquoted equities	-	2,805	2,805
Total	**2,715**	**2,805**	**5,520**
Investment measured at FVOCI			
Quoted equities	96,262	-	96,262
Total	**96,262**	**-**	**96,262**
Total financial assets	**98,977**	**2,805**	**101,782**

	Level 1	Level 2	Total
	RO’000	RO’000	RO’000
31 December 2024 **Investment measured at FVTPL**			
Quoted equities	2,218	-	2,218
Unquoted equities	-	2,648	2,648
Total	2,218	2,648	4,866
Investment measured at FVOCI			
Quoted equities	96,604	-	96,604
Total	**96,604**	**-**	**96,604**
Total financial assets	**98,822**	**2,648**	**101,470**

The Bank's primary medium and long-term financial liabilities are the borrowed funds and subordinated liabilities. The fair values of these financial liabilities not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 35). There are no transfers between levels of fair value measurement hierarchy during the years ended 31 December 2025 and 2024.

35. DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments may dependent on movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value.

The Bank uses the following derivative instruments for non-hedging purposes:

Forwards are contractual agreements to either buy or sell a specified currency or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity, foreign currency or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The table below shows the positive and negative fair values of derivative financial instruments entered with and on behalf of customers, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

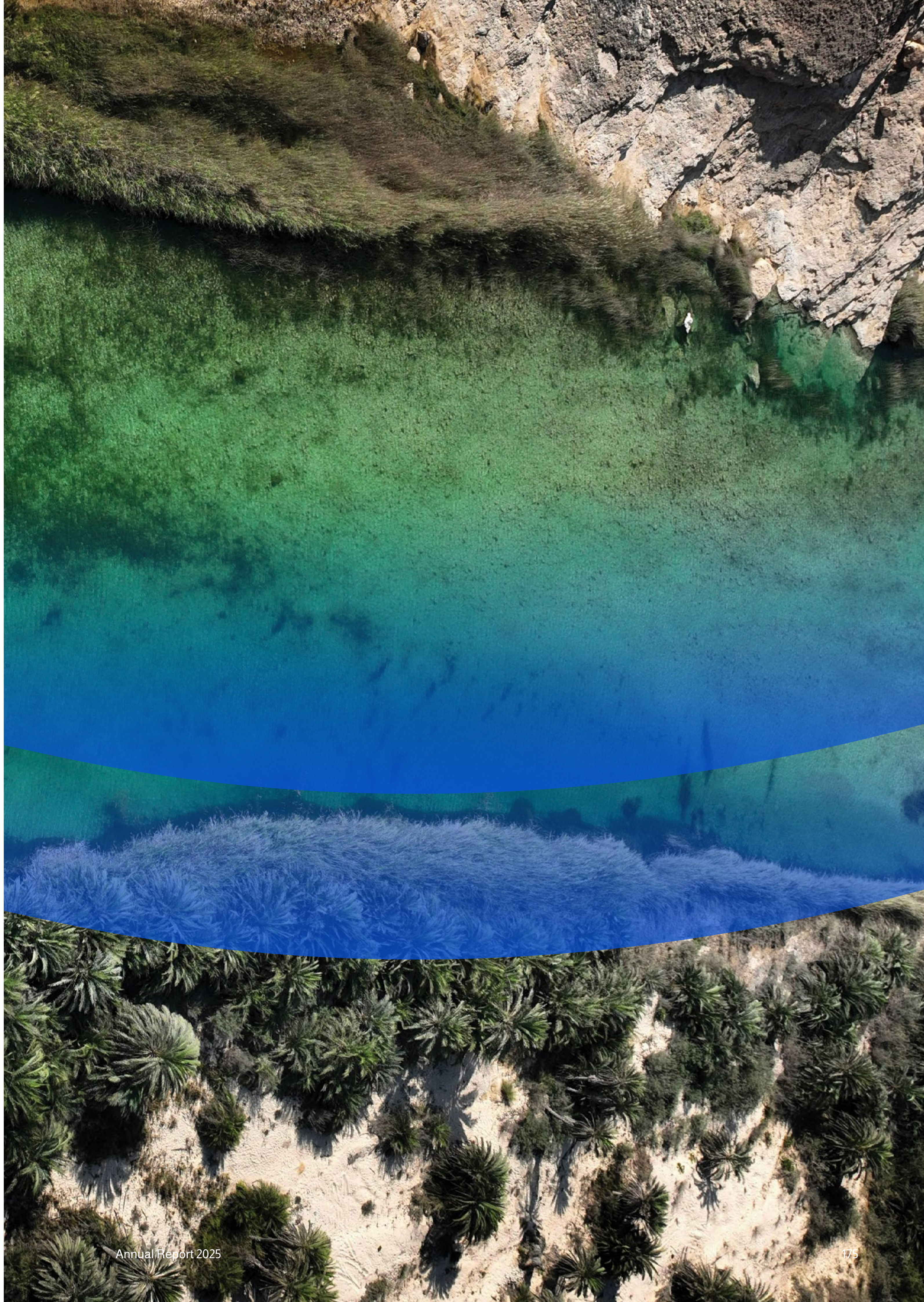
34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Estimation of fair values (continued)

5. Other financial instruments (continued)

31 December 2025	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 -12 months	More than 1 year
	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
	(note 8)	(note 12)				
Interest rate swaps	8,100	(8,100)	758,217	21,548	62,891	673,778
Forward foreign exchange purchase contracts	6	(13)	375,229	240,358	125,251	9,620
Forward foreign exchange sales contracts	874	(18)	375,229	240,476	125,133	9,620
Total	**8,980**	**(8,131)**	**1,508,675**	**502,382**	**313,275**	**693,018**

31 December 2025	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 -12 months	More than 1 year
	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
	(note 8)	(note 12)				
Interest rate swaps	11,840	(11,840)	375,400	9,684	29,683	336,033
Forward foreign exchange purchase contracts	4	(6)	245,196	153,955	63,116	28,125
Forward foreign exchange sales contracts	893	(40)	245,196	154,053	63,041	28,102
Total	**12,737**	**(11,886)**	**865,792**	**317,692**	**155,840**	**392,260**



06

Islamic

Muzn

Banking

"In the name of Allah, The Very Merciful"

Report of Shari'a Supervisory Board
Muzn Islamic Banking, National Bank of Oman

Dear Shareholders of National Bank of Oman

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

Pursuant to the guidelines set out in the Islamic Banking Regulatory Framework issued by the Central Bank of Oman, the Shari'a Supervisory Board of the Bank ("SSB") prepared a report on the business and transactions of the bank during the year. The objective of this report is to illustrate the extent of the Bank's compliance with Islamic Shari'a rulings and principles as set out in the pronouncements and resolutions of the SSB.

For the purpose of reviewing and following up on the activities of the Bank, the SSB held four meetings during the year 2025 in addition to responding to many enquiries submitted to the SSB. The SSB reviewed the reports submitted by the Shari'a Department on all products and operations of the Bank during this period and made the appropriate resolutions in this regard, either through approving the reported cases or providing appropriate solutions for such cases.

We have also conducted our review to form an opinion as to whether the Bank complied with Shari'a principles and with the specific Shari'a pronouncements, rulings and guidelines issued by the SSB.

We planned and executed our review to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shari'a principles. As per our opinion, we conclude:

a) The Contracts, transactions, and dealings entered by the Bank during the year ended 31st December 2025 that we have reviewed are in compliance with the Shari'a principles.

b) In relation to the investment accounts, the basis of allocating the profits and bearing the losses conform with Shari'a principles.

c) Earnings that have been realized from sources or by means prohibited by Shari'a principles have been identified and segregated for disposal to charity.

d) Calculation and payment of Zakah is the individual responsibility of Shareholders and Depositors.

We beg Allah the Almighty to grant us all success and straightforwardness.

Sheikh Dr. Muhammad bin Ali Elgari
Chairman Muzn Shari'a Supervisory Board

Sheikh Dr. Abdul Reham Al Saadi
Member Muzn Shari'a Supervisory Board

Sheikh Dr. Saleh Al Kharusi
Member Muzn Shari'a Supervisory Board

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The Board of Directors
National Bank of Oman SAOG
PO Box 751
PC 112
Muscat, Sultanate of Oman

Dear Members

Agreed-upon procedures report of factual findings to the Board of Directors of National Bank of Oman SAOG (the "Bank") in connection of Basel II - Pillar III and Basel III Disclosures (the "Disclosures") of Muzn Islamic Banking - Window of National Bank of Oman SAOG (the "Window") for the year ending 31 December 2025

Purpose of this Agreed-upon procedures report

This report is produced in accordance with the terms of our agreement dated 8 June 2025. The procedures, as set out in Islamic Banking Regulatory Framework (IBRF) with respect to the Bael II – Pillar III Disclosures and Circular No. BM 1114 dated 17 November 2013 with respect to the Basel III were performed solely to assist the directors of the Bank in evaluating the Bank's compliance with the disclosures related requirements of the IBRF issued by the Central Bank of Oman ("CBO") and circular No. BM 1114 dated 17 November 2013, letter BSD/CB/2020/005 dated 3 June 2020 and letter SDD/CBS/CB/2024/108 dated 26 June 2024 (the "Circulars") and may not be suitable for another purpose.

Your responsibilities

The directors of the Bank have prepared the Disclosures in accordance with the Circulars as issued by the CBO and remain solely responsible for it and for the creation and maintenance of all accounting and other records supporting its contents. The Bank's directors are also responsible for identifying and ensuring that the Window complies with the Disclosure requirements as set out in the Circulars as issued by the CBO.

You are responsible for determining that the scope of the services is sufficient for your purposes and have confirmed that the procedures described herein are appropriate for the purpose for which the services were engaged.

Our responsibilities

We have performed the procedures agreed with you as set out as prescribed in the Central Bank of Oman (CBO) Islamic Banking Regulatory Framework (IBRF) with respect to the Basel II - Pillar Ill Disclosures and Circular No. BM 1114 dated 17 November 2013 with respect to the Basel III Disclosures of Muzn Islamic Banking - Window (the Islamic window). The procedures, as set out in Article 10.1.2 of title 5 'Capital Adequacy' of the IBRF, were performed solely to assist you in evaluating the Islamic window of the Bank's compliance with the disclosure requirements set out in the IBRF issued by the CBO and Circular No. BM 1114 dated 17 November 2013 and letter BSD/CB/2020/005 dated 3 June 2020 and letter SDD/CBS/CB/2024/108 dated 26 June 2024. Our work was performed in accordance with the International Standard on Related Services (ISRS) 4400 (Revised) 'Agreed-upon procedure Engagements.'.

An Agreed-upon procedures engagement involves performing the procedures that have been agreed with you, and reporting the findings, which are the factual results of the Agreed-upon procedures performed. We make no representation regarding the appropriateness of the Agreed-upon procedures.

pwc

Agreed-upon procedures report of factual findings to the Board of Directors of National Bank of Oman SAOG (the "Bank") in respect of Basel II - Pillar III and Basel III Disclosures (the "Disclosures") of Muzn Islamic Banking - Window of National Bank of Oman SAOG for the year ending 31 December 2025 (continued)

Professional Ethics and Quality Management

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

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

Procedures and findings

We have performed the procedures agreed with you and as prescribed in the Central Bank of Oman (CBO) Islamic Banking Regulatory Framework (IBRF) with respect to the Basel II - Pillar Ill Disclosures and Circular No. BM 1114 dated 17 November 2013 with respect to the Basel Ill Disclosures (the disclosures) of Muzn Islamic Banking - Window (the window) of the Bank, set out on pages 1 to 26 as at and for the year ended 31 December 2025.

Based on the above procedures, we did not find any exceptions.

Our procedures, as stated in our agreement, did not constitute an audit or assurance engagement made in accordance with generally accepted auditing or assurance standards, the objective of which would be the expression of assurance on the contents of the Disclosures. We do not express such assurance. We had performed additional procedures or we had performed an audit or assurance engagement on the Disclosures, other matters might have come to our attention that we would have reported to you. This report relates only to the Disclosures and does not extend to any financial statements of the Bank or the Window taken as a whole.

Our obligations in respect of this report are entirely separate from, and our responsibility and liability are in no way changed by, any other role we may have (or may have had) as auditors of the Window 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 or the Window.

Restriction on distribution and use

This report is solely for your use in connection with the purpose specified above and as set out in our agreement and is not to be used for any other purpose. No part of this report is to be copied or distributed to any other party except as permitted under the terms of our agreement. We do not accept any liability or responsibility to any third party.

Yours faithfully,

PricewaterhouseCoopers

Muscat, Sultanate of Oman

5 March 2026

C.R. No 1230865
PricewaterhouseCoopers LLC

Introduction

MUZN ISLAMIC BANKING– WINDOW OF NATIONAL BANK OF OMAN SAOG, was established in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Sharia rules and regulations. Muzn operates under an Islamic Banking license granted by the Central Bank of Oman on 17 January 2013. Muzn's Sharia Supervisory Board is entrusted to ensure adherence to Sharia rules and principles in its transactions and activities. This document presents Basel II, Pillar III disclosure pertaining to Muzn on a standalone basis. There is no restriction on the transfer of the funds from the bank towards Muzn. However, under the Islamic Banking regulatory framework (IBRF), Muzn cannot place funds with the bank. Muzn does not hold controlling interest in any other entity.

CAPITAL STRUCTURE

The assigned capital of the MUZN ISLAMIC BANKING as at 31 December 2025 is RO 55,000,000 (2024: RO40,000,000). Muzn' s capital structure as at close of 31 December 2025, based on Central Bank of Oman's (CBO) guidelines is as follows:

Elements of Capital	RO'000
Tier I Capital	
Local Banks	
Assigned capital	55,000
Share premium	-
Legal reserve	-
General reserve	-
Other reserve	(59)
Subordinated debt reserve	-
Stock dividend (Proposed)	-
Retained earnings	20,836
Common equity Tier 1 before regulatory adjustments	**75,777**
Deduction	
Deferred tax asset	-
Common equity Tier 1	**75,777**

Elements of Capital	RO'000
Tier I capital after all deductions	**75,777**
Tier II Capital	
Revaluation reserves / Cumulative fair value gains or losses on available for sale	
Instruments	809
Permissible ECL Allowance	2,890
Subordinated debt (After amortization)	-
Total Tier II Capital	**3,699**
Total Regulatory Capital	**79,476**
Amount of Quasi equity account holders' funds	401,188
Profit equalization reserve	1,281
Investment risk reserve	565
Total Quasi Equity account holders	**403,034**

CAPITAL ADEQUACY

The ultimate objectives of capital management are three-fold:

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

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

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

The Asset Liability Committee (ALCO) currently reviews and monitors capital adequacy and requirements for capital on an ongoing basis for the Muzn window. Risk weights are assigned to assets as per regulatory requirements from CBO. Assets funded by Quasi equity are also assigned same risk weights as assets funded by own equity.

Qualitative Disclosures:

A set of triggers is followed as part of capital management to provide the bank with an early warning system in terms of its level of capital, and to enable it to take suitable measures at an early stage to prevent capital falling below acceptable limits. For this purpose, it has been decided by ALCO that the triggers set for the Bank will become applicable for Muzn as well.

The Bank prepares ICAAP (Internal Capital Adequacy Assessment Process) document in line with Basel II guidelines to evaluate all Enterprise-wide Risks that are not fully captured in the Pillar I Risks. Following the guidelines issued by the Central Bank of Oman in December 2012, assessment under ICAAP comprehensively for the whole bank is carried out and submitted to the Central Bank of Oman in accordance with the prescribed guidelines. The bank will also factor in the regulatory guidelines, wherever applicable on Basel III, while carrying out its assessment. Currently, a separate ICAAP is not prepared for Muzn.

Quantitative Disclosures:

Position as at 31 December 2025

Details	RO'000
Tier I capital (after supervisory deductions)	**75,777**
Tier II capital (after supervisory deductions & up to eligible limits)	**3,699**
Risk Weighted Assets (RWAs) – Banking Book	**385,490**
Risk Weighted Assets (RWAs) – Operational Risk	**15,256**
Total Risk Weighted Assets (RWAs) – Banking Book + Operational Risk	**400,746**
Minimum required capital to support RWAs of banking book and operational risk	54,101
Minimum required capital comprises of;	
i) Tier I capital	50,402
ii) Tier II capital	3,699
Balance Tier I capital available for supporting Trading Book	25,375
Risk Weighted Assets (RWAs) – Trading Book	**23,361**
Total capital required to support Trading Book	3,154
Minimum Tier I capital required for supporting Trading Book	899
Total Regulatory Capital	**79,476**
Total Risk Weighted Assets – Islamic Window	**424,107**
BIS Capital Adequacy Ratio	**18.74**

CAPITAL ADEQUACY (continued)

Basel III Disclosures:

In compliance with CBO circular BM 1114 dated 17 November 2013; mandatory disclosures are made in this report.

Certain additional capital adequacy disclosures are as follows:
Position as at 31 December 2025

Details	Gross balance (Book value)	Net balance (Book value)	Risk Weighted Assets
			﷼'000
On balance sheet items	510,919	503,473	373,117
Off balance sheet items	12,373	12,373	12,373
Derivatives	-	-	-
Operational Risk	-	-	15,256
Market Risk	-	-	23,361
Total	**523,196**	**515,750**	**424,107**
Common equity Tier 1 Capital	-	-	75,777
Tier 2 Capital	-	-	3,699
Tier 3 Capital	-	-	-
Total Regulatory Capital	**-**	**-**	**79,476**
Total required Capital	-	-	57,255
Capital requirement for credit risk	-	-	52,041
Capital requirement for market risk	-	-	3,154
Capital requirement for operational risk	-	-	2,060
Common equity Tier 1 Ratio	**-**	**-**	**17.87**
Tier 1 Ratio	**-**	**-**	**17.87**
Total Capital Ratio	**-**	**-**	**18.74**

Disclosures for Quasi Equity Account Holders (QE)

Muzn accepts funds from Quasi Equity holders under Sharia compliant Mudaraba contracts and Wakala agreements. These funds are unrestricted in nature i.e. it is at the discretion of Muzn to invest in any Sharia compliant assets. There are no limits on the investment of Quasi Equity fund in any particular type of asset.

Currently, Muzn offers three types of Investment accounts:

- Savings accounts.
- Term deposits of various maturities from 1 month to five years; and
- Flex Wakala.

Investment from Quasi account holders is pooled with Muzn's funds. Fee based income is not allocated to the joint pool. From the distributable profits earned by the pool assets, and after charging Mudarib share, allocation is made between shareholder funds and funds of Quasi equity.

Under Wakala arrangement for Islamic Wakala Investment, the customer becomes the Principal (Muwakkil), and Muzn becomes the Investment Agent (Wakeel) for the funds invested by the customer. Muzn will accept deposits from Wakala Investment holders under a Wakala agreement and allocate these funds to an investment pool. While accepting the deposit from the customers, Bank informs the "Expected Targeted Profit Rate" on the deposit. Funds from this investment pool will be utilized to provide financing to customers under Islamic modes and to invest in other Shari'a compliant investments opportunity. The profit earned from the investment and financing activities from the investment pool, shall be paid to the investors (as the Muwakkil) based on their pre-assigned weightages, less performance fee and the fixed fees payable to the bank (as a Wakeel). Investor's share of profit shall be returned to the investors together with the principal on maturity date.

Muzn appropriates an amount in excess of the profit to be distributed to investment account holders before taking into consideration the Mudarib (Manager of assets) share of income. This reserve is called Profit Equalization Reserve (PER). Further, Investment Risk Reserve (IRR) is also maintained out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders.

Ratios and returns

Profit Equalization Reserve (PER) to Profit Sharing Investment Account (PSIA)

Particulars ﷼'000	2025	2024
		﷼'000
Amount of Total PER	**1,281**	1,026
Amount of PSIA by Quasi equity holders	**403,034**	451,884
PER to PSIA Ratio	**0.32%**	0.23%

Investment Risk Reserves (IRR) to Profit Sharing Investment Account (PSIA)

Particulars (﷼'000)	2025	2024
Amount of Total IRR	**565**	440
Amount of PSIA by Quasi equity holders	**403,034**	451,884
IRR to PSIA Ratio	**0.14%**	0.10%

Return on Assets (ROA)

Particulars (﷼'000)	2025	2024
Amount of total net income		
(Before distribution of profit to Quasi equity holders)	**24,712**	22,998
Amount of assets	**503,473**	525,149
Return on assets (ROA)	**4.91%**	4.38%

Return on Equity (ROE)

Particulars (﷼'000)	2025	2024
Amount of total net income (after distribution of profit to Quasi equity holders)	**6,413**	5,709
Amount of equity	**78,114**	54,346
Return on equity (ROE)	**8.21%**	10.50%

Rate of profit distributed to PSIA by type of Quasi equity

As at reporting date, Muzn has Quasi equity and has allocated attributable profit amounting to ﷼ 18,299 (000s) during the year.

Latest Profit rates paid to investment account holders for year ended 31 December 2025.

	Weightages	Declared Profit Rate
Savings Account (Mudarabah)	13	0.65%
Flexi Wakala	40	0.10%
Flexi Wakala – Elite	40	2.25%
Flexi Wakala – Premium	40	1.75%
Wakala- Upto 6 months	35	1.25% - 2.25%
Wakala - ≥ 6months to 1 Year	40	2.75% - 3.50%
Wakala - ≥ 1 Year to 3 Years	40	3.75%
Wakala - ≥ 3 Years	40	3.50%
Government Flexi Wakala	40	0.75%

CAPITAL ADEQUACY (continued)

Jointly Funded Assets and Return to Quasi equity

	31 December 2025	31 December 2024
Assets		**'000**
Murabaha receivables	24,895	23,608
Ijarah Muntahia Bittamleek	43,723	48,721
Diminishing Musharaka	219,411	176,400
Forward Ijara	283	283
Service Ijarah	11	17
Wakala Bil Istithmar	91,829	93,525
Credit Card	95	31
Total amount invested	**380,247**	**342,585**
Share of profit of Quasi equity before PER and IRR for the year	18,680	17,624
Transfers to:		
PER	(255)	(228)
IRR	(126)	(107)
Share of profit of Quasi equity after PER and IRR for the year	**18,299**	**17,289**

RISK EXPOSURE AND ASSESSMENT:

Risk Management

The primary objective of risk management is to appropriately safeguard the Bank's resources from the various risks which the Bank faces. Muzn's risk management incorporates the same essential principles and practices that govern the Bank's risk management which are detailed in the Bank's Basel II disclosures.

Bank's risk management processes have proven effective for Muzn throughout the current year. The Bank's Board of Directors have remained closely involved with key risk management initiatives and ensured that Muzn's risks are effectively managed and adequate capital is held in line with the requirements. Detailed risk governance structure of the bank, which is also applicable to Muzn is disclosed in the main Pillar III document of the bank. In addition, a dedicated Sharia Supervisory Board (SSB) has been established which reports to the Board of Directors of the bank and ensures Sharia compliance in the operations of Muzn.

Specifically, Muzn has exposure to the following risks.

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Rate of return risk, and
- Displaced commercial risk

Credit Risk

Credit risk is the risk of financial loss to Muzn if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Muzn's financings and advances to customers and other banks.

Corporate Credit:

Muzn manages and controls credit risk by setting internal limits on the amount of risk it is willing to accept for individual counterparties and groups (single obligors) and industry sectors in line with the guidelines of Central Bank of Oman.

Muzn has a prudent provisioning policy for its financings and provisions are made taking into account both the Central Bank's norms and Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

For risk management reporting purposes for the corporate portfolio, Muzn considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Retail Credit:

Retail Credit Division manages the credit risk in the Muzn retail portfolio. The small retail credit portfolio is focused on Ijara, Murabaha and Diminishing Musharaka product programs approved by the Board

Risk Committee. Both corporate and retail credit portfolios are monitored by the management through periodic performance reports which are presented to the Board Risk Committee.

Impairment Loss on Finances:

Muzn reviews its individually significant Finances at each reporting date to assess whether an impairment loss should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cashflows when determining the impairment loss. In estimating these cash flows, Muzn makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about several factors and actual results may differ, resulting in future changes to the allowance.

Finances that have been assessed individually and found not to be impaired and all individually insignificant finances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from loan portfolio (such as credit quality, levels of arrears, credit utilization, finance to collateral ratios etc.) and concentration risks.

A) Definition of default and cure

The Window considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Window considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Window also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Window
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decreases in the underlying collateral value where the recovery of the financing is expected from the sale of the collateral
- A material decreases in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Window
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection. Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Window's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

B) Incorporation of forward-looking information

The Window incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Window formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Given the nature of the Window's exposures and availability of historical statistically reliable information, the Window derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by Moody's for each rating category.

C) Economic variable assumptions

During the year, the Bank implemented a new IFRS 9 impairment tool incorporating an enhanced macroeconomic framework. The updated framework leverages the latest macroeconomic forecasts published by the International Monetary Fund (IMF) and applies portfolio-specific calibrations to ensure that the selected variables appropriately reflect the risk characteristics of each portfolio.

The macroeconomic variables included in the model were identified through correlation analysis and an

RISK EXPOSURE AND ASSESSMENT: (continued)
Impairment Loss on Finances: (continued)

assessment of their explanatory power on expected credit loss (ECL) outcomes. The implementation, calibration and application of the model were subject to independent validation and management review to confirm the robustness, consistency and reasonableness of the underlying assumptions and outputs. In accordance with IFRS 9 requirements, the Bank incorporates forward-looking information by considering multiple macroeconomic scenarios in the estimation of ECL.

D) Corporate and small business lending

For corporate and investment banking Islamic finances, the borrowers are assessed by specialized credit risk employees of the window. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.
- The complexity and granularity of the rating techniques vary based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer financing and retail financing

Consumer financing comprises Murabaha, Ijarah, and Diminishing Musharaka. These products along with retail financing and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer financing products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail financing: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

E) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 financing, the Window assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 financing is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Window determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Window's models.

F) Loss given default

For Islamic financing instruments, LGD values are assessed at least every twelve months by account managers and reviewed and approved by the Window's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Window segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-

looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the bank.

The Window estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

G) Significant Increase in Credit Risk

The Window continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Window assesses whether there has been a significant increase in credit risk since initial recognition.

The Window also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Window may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

a. Inadequate or unreliable financial or other information such as unavailability of audited financial statements within 120 days from end of accounting period.

b. Delay in documentation execution over 35 days from limit set up due to disputes with customers.

c. Borrower is subject to litigation by third parties that may have a significant impact on his financial position.

d. Frequent changes in key senior management personnel without acceptable successors or professional management.

e. Intra Group transfer of funds without underlying transactions beyond 50% of Tangible Net Worth.

f. Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.

g. Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.

h. A fall of 25% or more in the turnover or in the EBIT as compared to the previous year except in the case of change in business model/one of material events.

i. A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.

j. Rating downgrade by 3 notches for ratings from R1 to R4 and 2 notches downgrade for R5 and R6.

k. Erosion in net worth by more than 20% compared to previous year coupled with increase in leverage by 1.5 times.

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Window determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When the contractual terms of financing have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Window monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

RISK EXPOSURE AND ASSESSMENT: (continued)

Where appropriate, the Window makes adjustments to the ECL estimate outside the Window's regular modelling process to reflect management judgements. The changes to the assumptions underlying these judgmental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes.

Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Window's definition of PMAs because they are not calculated at a granular level through modelled analysis.

The Window has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the Window is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Total judgmental adjustments as at 31 December 2025 is nil, the overall loss allowance increased by 0.29% as at 31 December 2024 compared to ECL allowance derived through the ECL models.

H) Model risk management:

The Window has utilized models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS9 accounting standards.

To manage the model risks, the Window has implemented the IFRS 9 Governance Framework (the Framework). The Framework is a bank wide policy and is applicable to all models of the bank. According to the Framework, all internally or externally (vendor based) developed risk quantification models that directly affect the financial reporting on Expected Loss (EL) and Lifetime Expected Loss (LEL) require independent validation.

The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework must be approved by the Board of Directors or the BRC.

The Window has a practice of doing independent validation of model which provides recommendation to approve the use of the new risk quantification / valuation models. In addition to new model validation, it also evaluates the performance of existing models through an annual validation process. The independency of the team will serve as an effective second line of defense for the Window in terms of usage of models.

(i) Total gross credit exposures over the period broken down by major types of credit exposure:

Sl No	Type of Credit Exposure	Total Gross Exposure as at	
		31-December-25	31-December-24
			﷼'000
1	Murabaha receivables	25,461	23,833
2	Ijarah Muntahia Bittamleek	45,237	50,942
3	Diminishing Musharaka	223,890	179,891
4	Forward Ijara	293	290
5	Service Ijarah	11	17
6	Wakala Bil Istithmar	92,238	93,756
7	Credit Card	99	31
	Total	**387,229**	**348,760**

(ii) Geographic distribution of exposures by major types of credit exposure as at 31 December 2025:

As at 31 December 2025, all the credit exposures are within Oman (2024: all exposures within Oman).

(iii) Industry or counter party type distribution of exposures, broken down by major types of credit exposure as at 31 December 2025:

S. No	Economic Sector	Deferred sales under Muraaha	Ijarah	Diminishing Musharaka	Forward Ijara	Service Ijara	Wakala Bil Istithmar	Credit Card	Total	Percentage composition	Off Balance sheet exposure*
											﷼'000
1	Personal	8,111	5,134	26,873	284	11	-	99	40,512	10%	2,000
2	Construction	-	34,086	161,008	9	-	-	-	195,103	50%	5,002
3	Manufacturing	752	4,737	15,575	-	-	-	-	21,064	5%	-
4	Trade	16,247	-	-	-	-	-	-	16,247	4%	-
5	Services	351	1,280	20,434	-	-	92,238	-	114,303	30%	-
6	Others	-	-	-	-	-	-	-	-	0%	12,750
	Total	**25,461**	**45,237**	**223,890**	**293**	**11**	**92,238**	**99**	**387,229**	**100%**	**19,752**

* Off balance sheet exposure relates to commitments under standard business norms, letter of credits, guarantees.

As at 31 December 2025, the assets were funded by Quasi equity & Wakala Account and shareholders in the following ratio:

Quasi equity	80%
Shareholders	20%

(iv) Residual maturity as at 31 December 2025 of the whole financing portfolio, broken down by major types of credit exposure:

S. No	Time Band	Deferred sales under Murabaha	Ijara	Diminishing Musharaka	Forward Ijara	Service Ijara	Wakala Bil Istithmar	Credit Cards	Total
									﷼'000
1	Up to 1 month	2,911	642	602	-	-	417	-	4,572
2	1-6 months	14,680	1,206	2,759	-	2	6,758	95	25,500
3	6-12 months	796	1,864	3,426	-	2	13,047	-	19,135
4	1-5 years	2,699	8,405	22,668	-	3	28,856	-	62,631
5	Over 5 years	3,809	31,606	189,956	283	4	42,751	-	268,409
	Total	**24,895**	**43,723**	**219,411**	**283**	**11**	**91,829**	**95**	**380,247**

(v) Movement of Gross Finance

Movement of Gross Finances during the year ended 31 December 2025

S. No	Details	Stage 1	Stage 2	Stage 3	Total
					﷼'000
1	Opening balance	276,876	64,191	7,692	348,759
2	Migration / changes (+ / -)	(13,157)	11,731	1,426	-
3	New Finances (+)	72,328	5,001	-	77,329
4	Recovery of Financing (-)	(10,085)	(26,886)	(1,888)	(38,859)
5	**Closing balance**	**325,962**	**54,037**	**7,230**	**387,229**
6	Total ECL	2,536	2,433	2,014	6,983

(vi) Movement of Provisions and Reserve Profit

Particulars	2025	2024
		RO'000
Provision at beginning of the period	**6,209**	6,606
Provided / (release) during the year	**774**	(749)
Recovered during the year	**235**	125
Reserve Profit for the period	**161**	227
Provision at end of the period	**7,379**	6,209

Credit Risk –Disclosures for portfolios subject to the standardized approach.

Qualitative Disclosures:

- The bank is following Moody's rating for both sovereign and interbank exposures and the unrated balance is considered at 100% risk.
- With the approval of the CBO, the bank uses the discretion to treat Finances as unrated at risk weight of 100%, except housing finances which are risk weighted at 35% based on the requirements stipulated in the guidelines issued by CBO.
- Similarly, with the approval of CBO, the bank uses the discretion of the simple approach for recognising collaterals.

Quantitative Disclosures:

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

Sr No	Product / Rating	Carrying 0%	Carrying 20%	Carrying 35%	Carrying 50%	Carrying 100%	Carrying 150%	Total
								RO'000
	Rated							
1	Sovereign	59,995	-	-	-	-	-	59,995
2	Banks	-	27,030	-	6,212	4,812	-	38,054
	Unrated							
1	Corporate	20,000	-	-	-	72,238	-	92,238
2	Retail	-	-	-	-	7,520	-	7,520
3	Claims secured by residential property	-	-	41,812	-	19,022	-	60,834
4	Claims secured by commercial property	-	-	-	-	218,022	-	218,022
5	Past due Financing	-	-	-	-	8,616	-	8,616
6	Other assets	1,490	-	-	-	24,150	-	25,640
7	Venture Capital & Private Equity Investments	-	-	-	-	-	-	-
8	Off-balance Sheet Items	-	-	-	-	12,373	-	12,373
	Total Banking Book	**81,485**	**27,030**	**41,812**	**6,212**	**366,753**	**-**	**523,292**

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 Muzn is exposed to. Credit risk mitigates reduce the credit risk by allowing Muzn to protect against counterparty non-performance of credit contracts through collaterals, netting agreements and guarantees.

Qualitative Disclosure

The Bank only considers Sharia approved collaterals and guarantees to mitigate credit risk. Assets offered by the 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
- Muzn should be able to enforce its right over the assets if necessary.

Currently Muzn undertakes ownership/joint ownership of assets provided by customers.

Collateral Management:

Muzn employs a range of policies and procedures to mitigate credit risk. The credit risk mitigates include collaterals like:

- Real estate
- Joint ownership

Collateral management is exercised for Muzn at the centralized level. A robust collateral management system is in place to mitigate any credit risk. The Bank has a strong credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collaterals. Securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants.

Liquidity Risk

Liquidity Risk is defined as the ability to suitably sell the assets and meet obligations as they come due, is crucial to the ongoing viability of a banking organization. For this reason, the analysis of liquidity requires the bank management to not only measure the liquidity position of the bank on an on-going basis but also examine how funding requirements are likely to evolve under various scenarios. Muzn manages its liquidity on a daily basis through its Treasury. In managing liquidity, Muzn takes into account the various regulatory requirements.

Muzn Treasury division ensures compliance with the liquidity ratios and the maturity gaps vis-à-vis the regulatory/in house caps/limits. Market Risk and Muzn Treasury divisions will evaluate on an on-going basis the liquidity profile of the Bank, depending on the changing market conditions. Liquidity will be estimated under Bank specific crisis scenarios and Market crisis scenarios; with suitable assumptions built into each scenario

Qualitative Disclosures:

Liquidity may be defined as a Muzn's ability to ensure the availability of funds to meet all on-balance sheet and off-balance sheet commitments at a reasonable price. Liquidity Risk can in turn be defined as the risk to earnings and capital arising from a Muzn's potential inability to meet its liabilities when they become due.

Besides its funding sources, Muzn has the support of its Parent Bank in meeting some of its liquidity needs.

The liquidity risk in Muzn is monitored through a regular reporting mechanism to the ALCO. In order to ensure that Muzn meets its financial obligations as and when they fall due, cash flow positions are closely monitored. Sufficient liquidity is required to be maintained by Banks not only for ensuring the continuation of operations, but also for the generation of earning assets and repayment of existing liabilities.

Liquidity ratios of Muzn (i.e. Liquid assets to total assets) are regularly monitored. The average ratio of liquid assets to total assets during the year for Muzn was 18.82% (as shown below). In addition, the cumulative gaps vis-à-vis cumulative liabilities prescribed by the Regulators/Internal Policies are monitored.

Muzn monitors its liquidity risk of funding related to current accounts and other equity with investment account holders on an individual basis as well as on an aggregate basis through cash flow and stock approach.

Treasury department of the Muzn window and the Asset Liability Committee (ALCO) controls and monitors the liquidity and ensures that the window is not exposed to undue liquidity risk and at the same time makes optimum use of its funds through Sharia compliant financing and investment activities.

Indicators of exposure to liquidity risk – short-term assets to short-term liabilities

Particulars	RO'000
Short-term Assets	130,206
Short-term Liabilities	233,621
Short-term Assets to Liabilities	**55.73%**

Indicators of exposure to liquidity risk - liquid assets ratio

Particulars	RO '000
Liquid Assets	94,764
Total Assets	503,473
Short-term Liabilities	233,621
Total Liabilities	425,359
Liquid Assets to Total Assets	**18.82%**
Liquid Assets to Short-term Liabilities	**40.56%**
Liquid Assets to Total Liabilities	**22.28%**

Quantitative Disclosures:

The maturity profile of the assets and liabilities in line with guidelines issued by Central bank of Oman, at 31 December 2025 was as follows:

31 December 2025	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
						RO '000
Cash and balances with Central Bank of Oman	11,878	3,245	1,291	3,927	1,856	22,197
Due from banks and financial institutions	17,579	15,487	4,813	-	-	37,879
Investments in Sukuk, shares and other securities	9,228	1,382	10,952	1,275	34,048	56,885
Murabaha receivables	2,911	14,680	796	2,699	3,809	24,895
Ijarah Muntahia Bittamleek	642	1,206	1,864	8,405	31,606	43,723
Diminishing Musharaka	602	2,759	3,426	22,668	189,956	219,411
Forward Ijarah	-	-	-	-	283	283
Service Ijarah	-	2	2	3	4	11
Wakala Bil Istithmar	417	6,758	13,047	28,856	42,751	91,829
Credit Card		95				95
Property and equipment	-	-	-	-	1,121	1,121
Other assets	5,144	-	-	-	-	5,144
Total assets	**48,401**	**45,614**	**36,191**	**67,833**	**305,434**	**503,473**
Future Profit cash inflows	**2,174**	**10,058**	**11,326**	**77,964**	**42,843**	**144,365**
Current accounts	2,534	4,435	2,534	-	3,167	12,670
Due to banks	1,331	-	-	-	-	1,331
Other liabilities	8,324	-	-	-	-	8,324
Quasi Equity Account holders	21,566	121,982	70,915	126,008	62,563	403,034
Mudaraba savings account (including reserves)	1,024	2,044	2,044	3,066	3,890	12,068
Due to banks and financial institutions under Wakala	1,925	7,700	19,250	25,025	-	53,900
Customer Wakala accounts	18,617	112,238	49,621	97,917	58,673	337,066
Owner's equity	-	-	-	-	78,114	78,114
Total liabilities and Quasi equity accountholders and owners' equity	**33,755**	**126,417**	**73,449**	**126,008**	**143,844**	**503,473**
Future Profit cash inflows	**1,594**	**6,605**	**5,726**	**24,000**	**6,560**	**44,485**
Total liquidity gap	**14,646**	**(80,803)**	**(37,258)**	**(58,175)**	**161,590**	**-**
Cumulative liquidity gap	**14,646**	**(66,157)**	**(103,415)**	**(161,590)**	**-**	**-**

Market Risk

Qualitative Disclosures:

Market risk is the risk of a change in the actual or effective market value and earnings of a portfolio due to the adverse movements in market variables. The market variables inter-alia include equity prices, bond price, commodity price and Foreign Exchange rates. The objective of Market Risk management is to facilitate business growth but operates at the optimal risk levels.

As at 31 December 2025, Muzn has minimal exposure to market risk as:

- Muzn does not have material exposure in currencies other than Omani Riyal;
- Muzn does not hold trading positions in equity;
- Muzn has no position in commodities.

Market Risk arises from fluctuations in profit rates. There are no trading positions in equities or derivatives. Market Risk is managed based on Central Bank of Oman guidelines. The Muzn ALCO regularly monitors the portfolio of assets and liabilities in the banking book for any interest rate risks. Stress tests are also conducted periodically to analyze the impact of Bank and market specific stress factors crises on the earnings and capital of the Bank. The results are reviewed by ALCO, Management and Board Committee.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial losses. Muzn cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, Muzn is able to manage risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the use of internal audit.

The bank follows basic indicator approach for determining operational risk.

The Capital charge for operational risk under Basic Indicator approach is calculated by taking the average of gross income multiplied by 15%, for each of the last three financial years, excluding years of negative or zero gross income. The gross income is Net profit income (+) other income (+) Provisions for unpaid profit (-) realized profit on sale of Investments measured through equity (-) extraordinary / irregular items of income.

Capital Charge for Operational Risk under Basic Indicator Approach as per Basel II is RO 1,220 (000s).

The Risk weighted assets for operational risk as per Basel II is RO 23,361 (000s).

Insurance is another tool used by the bank as an operational risk mitigant. Insurance such as Bankers' Blanket Bond, Electronic and Computer Crimes, Professional Indemnity, incomplete transactions, etc as obtained by the bank aim at protecting the bank from high severity risks by reducing the financial impact of the same.

In addition to the above and in order to keep control of operational incidences / losses the bank has set in place a special operational risk framework against which incidents / losses are being monitored regularly for possible breaches and appropriate mitigates are put in place.

Rate of return risk

Qualitative Disclosures:

Rate of return risk refers to the possible impact on the net income of Muzn arising from the impact of changes in market rates and relevant benchmark rates on the return on assets and on the returns payable on funding. An increase in benchmark rates may result in Quasi equity having expectation of a higher rate of return, while the returns on assets may be adjusting more slowly due to longer maturities, thereby affecting the net income of Muzn.

The profit distribution to Investment Accounts is based on profit sharing agreements. Therefore, Muzn is not subject to any significant profit rate risk. However, the profit sharing agreements will result in Displaced Commercial Risk (DCR) when Muzn' s results do not allow distribution of profits in line with market rates. To cater against DCR, Muzn creates a Profit Equalization Reserve.

Rate of return risk is managed by monitoring the sensitivity of the bank's financial assets and liabilities to various standardised profit rate shocks. Standardised shocks include 200 basis point parallel shifts in yield curves that are considered on a monthly basis. The impact of these shocks is analyzed in the context of its impact on Earnings and Economic Value. The impact is compared against internal limits which have been formulated in line with the Central Bank of Oman and Basel Committee guidelines. The analysis is regularly reviewed by the Management and Board Risk Committee.

Rate of return risk (continued)

Quantitative Disclosures:

The assumptions used to measure the sensitivity is parallel shift in interest rate by 200 basis points (bps) to measure the profit sensitivity of earnings and profit rate sensitivity of capital.

As at December 2025	200 bps increase	200 bps decrease
Earnings impact - RO'000s	3,043	(3,043)

Muzn's profit sensitivity position, in line with guidelines issued by Central bank of Oman, based on contractual re-pricing arrangements at 31 December 2025 was as follows:

31 December 2025	Effective average profit rate %	Due on demand and within 6 months	Due within 7 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-profit bearing	Total
	%						RO'000
Cash and balances with Central Bank of Oman ("CBO")	N/A	-	-	-	-	22,197	22,197
Due from banks and financial Institutions	0.0%	34,030	-	-	-	3,849	37,879
Investments in Sukuk, shares and other securities	5.2%	10,610	10,952	18,858	16,465	-	56,885
Murabaha receivables	5.3%	17,591	796	2,699	3,809	-	24,895
Ijarah Muntahia Bittamleek	4.1%	1,848	1,864	8,405	31,606	-	43,723
Diminishing Musharaka	6.2%	3,361	3,426	22,668	189,956	-	219,411
Forward Ijarah	5.6%	-	-	-	-	283	283
Service Ijarah	5.3%	2	2	3	4	-	11
Wakala Bil Istithmar	0.6%	7,175	13,047	28,856	42,751	-	91,829
Credit card	0.0%	-	-	-	-	95	95
Property and equipment – net	N/A	-	-	-	-	1,121	1,121
Other assets	N/A	-	-	-	-	5,144	5,144
Total assets		**74,617**	**30,087**	**81,489**	**284,591**	**32,689**	**503,473**
Current accounts	N/A	-	-	-	-	12,670	12,670
Due to banks	0.0%	1,331	-	-	-	-	1,331
Other liabilities	N/A	-	-	-	-	8,324	8,324
Quasi Equity Account holders	**N/A**	**135,848**	**59,365**	**120,233**	**87,588**	**-**	**403,034**
Mudaraba savings account (including reserves)	0.7%	3,068	2,044	3,066	3,890	-	12,068
Due to banks and financial institutions under Wakala	4.7%	1,925	7,700	19,250	25,025	-	53,900
Customer Wakala accounts	5.1%	130,855	49,621	97,917	58,673	-	337,066
Owners' equity	N/A	-	-	-	-	78,114	78,114
Total liabilities and owners' equity		**137,179**	**59,365**	**120,233**	**87,588**	**99,108**	**503,473**
On-balance sheet gap		**(62,562)**	**(29,278)**	**(38,744)**	**197,003**	**(66,419)**	**-**
Cumulative profit sensitivity gap		**(62,562)**	**(91,840)**	**(130,584)**	**66,419**	**-**	**-**

Displaced commercial risk

Displaced commercial risk refers to the magnitude of risks that are transferred to the shareholders of Muzn in order to cushion the Quasi equity Account Holders from bearing some or all of the risks to which they are contractually exposed to in Mudaraba funding contracts. Muzn creates and manages both PER and Investment risk reserve to smoothen Quasi equity returns. Further, Muzn also adjusts its Mudarib share in order to smoothen returns of Quasi equity.

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 Quasi equity on investments financed by PSIA, namely:

- Profit Equalization Reserve (PER)

  PER comprises amount appropriated out of the gross income from the Mudaraba to be available for smoothing returns paid to the Quasi equity 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 Quasi equity after deduction of the Mudarib share of income, to meet any future losses on the investments financed by the PSIA.

An analysis of distribution during the year to Quasi equity by Muzn is as follows:

Particulars	RO'000
Total profits available for distribution	21,954
- Muzn 's share as fund provider	3,674
- Share of Quasi equity	18,680
Profits for Quasi equity before smoothening	18,680
Smoothening:	
- PER	(255)
- IRR	(126)
Profits paid out to Quasi equity after smoothening	**18,299**

- During the year the Bank utilized RO Nil (2024: Nil) from PER for the purpose of enhancing the returns to depositors.
- The Bank is taking all the Risk Weighted Assets funded by Quasi equity for the purpose of arriving at Total Risk Weighted Assets and capital requirement is calculated accordingly.

Quantitative Disclosures

Historical Rate of Return of Quasi equity:

Historical Rate of Return of unrestricted Investment Accountholder:	2025	2024	2023	2022	2021
					RO'000
Profits available for distribution	**21,954**	20,903	14,845	10,934	9,469
Profit Distributed	**18,299**	17,289	10,097	5,334	5,174
Funds Invested	**380,247**	342,585	266,751	179,971	157,445
Rate as % age of fund invested	**4.81%**	5.05%	3.79%	2.96%	3.29%

Five years comparison of historical profit rates for unrestricted Quasi equity.

	2025	2024	2023	2022	2021
Savings Account (Mudarabah)	0.65%	0.64%	0.54%	0.66%	0.53%
Flexi Wakala	0.10%	0.10%	0.10%	0.10%	0.10%
Flexi Wakala – Elite	2.25%	2.25%	2.25%	2.25%	2.25%
Flexi Wakala – Premium	1.75%	1.75%	1.75%	1.75%	1.75%
Wakala- Upto 6 months	1.25% - 2.25%	1.25% - 3.00%	0.25% - 1.75%	0.25% - 1.75%	0.10% - 0.25%
Wakala - ≥ 6months to 1 Year	2.75% - 3.50%	3.00% - 4.00%	1.75% - 3.25%	1.75% - 3.25%	0.40% - 0.75%
Wakala - ≥ 1 Year to 3 Years	3.75%	4.15% - 4.25%	3.25% - 3.75%	2.75% - 3.75%	1.75% - 2.50%
Wakala - ≥ 3 Years	3.50%	3.50% - 4.15%	3.75% - 4.25%	3.35% - 4.25%	3.00% - 3.50%
Government Flexi Wakala	0.75%	0.75%	0.75%	0.75%	0.75%

Contract Specific Risks

The Credit Risk Appetite document of Muzn has provided limits for the purpose of financing, it is defined within the purpose of financing are the various Shari'a compliant financing contracts that can be used. The risk weighting requirement for each of the Sharia compliant financing contracts, based on the risk profile of the customer as provided in the IBRF is taken into account for the purposes of computing the Capital Adequacy Ratio of Muzn.

Quantitative Disclosures:

Credit risk weighted assets by type of financing contracts is as follows:

Financing Contracts	Risk Weighted Assets
	﷼'000
Murabaha receivables	25,461
Ijarah Muntahia Bittamleek	36,860
Diminishing Musharaka	202,936
Forward Ijara	209
Service Ijara	11
Wakala Bil Istithmar	72,238
Credit Card	98
Letter of Guarantee	10,039
Letter of Credit	68
Total RWA of Financing Contracts	**347,920**
Total RWA from Non-Financing Contracts	**37,570**
Total RWA – Banking Book	**385,490**

General Governance Disclosures

The CMA code of Corporate Governance for Public Listed Companies and the CBO guidelines as per IBRF Corporate Governance and Banking and Financial Institutions are the principal codes and drivers of Corporate Governance practices in the Sultanate of Oman. Muzn complies with all their provisions.

The following disclosure summarizes the disclosures of related party:

Deposits and other accounts	2025	2024
		﷼'000
Directors, Sharia Supervisors and shareholders	**2,033**	3,119
Financings		
Directors, Sharia Supervisors and shareholders	**59,231**	43,306

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

Income from Islamic financing	2025	2024
		﷼'000
Income from Islamic financing	**3,097**	1,424

Remuneration paid to Directors & Sharia Supervisors	2025	2024
		﷼'000
Chairman		
– remuneration proposed	8	8
– sitting fees paid	2	2
– other expenses paid	-	1
Other Directors		
– remuneration proposed	11	14
– sitting fees paid	3	1
– other expenses paid	-	1
Management fee payable to conventional banking	**276**	256

Muzn maintains a formal procedure on handling of customer complaints. Complaints related to Muzn are dealt with by the conventional banking call center equipped with the required resources to respond to customer calls in a professional manner. The complaint management team of the Conventional Bank takes active part in resolution of customers' complaint and considers customers feedback on products and services. All complaints are logged and investigated by persons not directly related to the subject matter of the complaint.

Sharia Governance Disclosures

Sharia Supervisory Board (SSB)

Muzn's independent Shari'a Supervisory Board is an external Shari'a Committee comprising of independent and well renowned Shari'a Scholars who guide and ensure that the operations, services and products offered by Muzn comply with the principles of Shari'a.

In case SSB rules any earnings Sharia non-compliant, such income is diverted to a charity account and disbursed to charitable organization. Income generated from late payment charges (whereby client undertakes to donate to charity a certain amount in case of delay in installment payments) and whenever a transaction which is treated as Shari'a non-Compliant by Sharia Audit Unit and endorsed by SSB, the income from such Shari'a non-compliant account becomes part of charity Account.

The Internal Sharia reviewer performs functions based on the Shari'a guidelines provided by CBO in the IBRF, Sharia rulings and resolutions issued by SSB. Sharia audit includes continuous audit for transactions of all departments. Its observations and findings are reported in the Sharia audit report to SSB which is also conveyed and discussed with management, with documentation of management responses in addition to recommending action plan for each observation.

As per IBRF, Islamic banks are required to apply accounting standards issued by AAOIFI and abide by the comprehensive IBRF regulatory framework and guidelines.

Muzn's Sharia Supervisory Board consists of following members namely:

Sheikh Dr. Mohamed bin Ali Elgari– Chairman

- Dr. Mohamed Ali Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi
- Dr Elgari is the recipient of the Islamic Development Bank Prize in Islamic Banking and Finance and holds the KLIFF Islamic Finance Award for Most Outstanding Contribution to Islamic Finance (Individual).
- Member on the editorial board of several academic publications in the field of Islamic Finance and Jurisprudence, among them Journal of the Jurisprudence Academy (of the IWL), Journal of Islamic Economic Studies (IDB), Journal of Islamic Economic (IAIE, London), and the advisory board of Harvard Series in Islamic Law, Harvard Law School.

- Dr. Elgari is also an advisor and Shari'a Board member to numerous Islamic financial institutions throughout the world and is notably on the Shariah board of the Dow Jones Islamic index.
- Member of the Islamic Fiqh Academy and the Islamic Accounting & Auditing Organisation for Islamic Financial Institution (AAOIFI). He holds PhD in Economics from University of California, USA.

Sheikh Dr. Abdulrahman Abdullah Al-Saadi – Member

- PhD, Business administration, Islamic Finance, Imam Mohammad Bin Saud Islamic University, Saudi Arabia, 2012
- Assistant Professor, Islamic Banking Department, University of Bahrain, since 2013.
- Shariah and Legal Advisor, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), since 2012.
- Member of sharia board of NBF bank, UAE, since 2020
- Member of sharia board, JEQUITY PARTNERS, Bahrain.
- Member of Islamic Banking Shariah Practitioners Forum, United Arab Emirates, since 2019
- Rapporteur, Shari'ah Board, AAOIFI, since 2012.
- Orator, Ministry of Islamic Affairs, Bahrain, since more than 10 years.

Sheikh Saleh Al Kharusi – Member

- MA in Islamic Jurisprudence from Sultan Qaboos University, Oman, 2011
- Director of the Notary Public Office – Ministry of Justice
- Part-time lecturer in Institute of Sharia Sciences.

There was a total of four SSB meetings held in 2025. Date of the meetings and attendance of each SSB Member is follows:

Name of the SSB Member	Date of Meeting and attendance			
	14/05/2025	07/09/2025	30/11/2025	21/12/2025
Sheikh Dr. Muhammad bin Ali Elgari	✓	✓	✓	✓
Sheikh Dr. Abdulrahman Al Saadi	✓	✓	✓	✓
Shaikh Saleh Nasser Al Kharusi	✓	✓	✓	✓

Remuneration for Sharia Supervisory Board Members in 2025:

Total Remuneration paid to the Four Scholars for the year 2025 was RO 23,870. The breakup is as follows: -

Name of the SSB Member	Total Fees
	RO'000
Sheikh Dr. Muhammad Elgari	9,240
Sheikh Dr. Abdulrahman Al Saadi	7,315
Sheikh Saleh Nasser Al Kharusi	7,315

Sharia compliance key controls

Sharia compliance is ensured in day to day business of Muzn through the following key controls:

- All the products being offered by Muzn are approved by the SSB;
- All investments made by Muzn are approved by SSB;
- The Fatwa approving such products are available on the website of Muzn;
- The responsibility of payment of zakat is on individual shareholders and investment account holders;
- There has been no non-compliance with Sharia rules and regulations during the year;
- Muzn has in place a Sharia Compliance Unit (SCU) which facilitates the management in ensuring compliance with Sharia (as manifested by the guidelines and Fatwa issued by the SSB) and Islamic banking stipulations of the Central Bank on a day to day basis in all its business activities, operations and transactions. This is achieved through review and approval of the contracts, agreements, policies, procedures, products, process flows, transactions, reports (profit distribution calculations), etc;
- Templates of agreements used by Muzn are approved by SSB;
- Islamic banking knowledge and experience is considered to be a compulsory requirement for hiring of staff handling core Muzn functions; staff has been provided training throughout the year on Sharia matters;

Disclosure of the nature, size and number of violations of Sharia compliance during the year:

There is no violation to SSB's Sharia ruling and AAOIFI Sharia standard have been found during the year.

Disclosure of annual Zakah 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 calculation and payment is the responsibility of the shareholders.

Social service and customer education

To promote the cause of Islamic Banking, Muzn Islamic Banking actively takes part in educating the public and customers about various aspects of Islamic Finance. The Muzn team also took active part in various Islamic banking conferences and forums, engaging in healthy discussions regarding issues, developments and opportunities of Islamic banking and the ways in which the industry is helping the country in promoting financial inclusion, SME sector, trade and economic growth.

Muzn Islamic Banking as part of National Bank of Oman distributed food hampers to the poor and needy people in the holy month of Ramadan. A team of volunteers including the senior management team delivered several food hampers to low income families across the Muscat Governorate to inaugurate this initiative.

BASEL III – Transition Disclosure:

Further to the Guidelines on composition of capital disclosure requirements (CP1 & CP2) issued by Central Bank of Oman, the following are the mandatory disclosures for the year ended 31 December 2025.

Basel III common disclosure template to be used during the transition of regulatory (RO '000)

	AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
Common Equity Tier 1 capital: instruments and reserves	**RO'000**
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	55,000
Retained earnings	20,836
Accumulated other comprehensive income (and other reserves)	(59)
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
Common Equity Tier 1 capital before regulatory adjustments	**75,777**
Common Equity Tier 1 capital: regulatory adjustments	
Deferred tax assets arising from temporary differences (net of related tax liability)	-
National specific regulatory adjustments	
of which: Shortfall in MCR of Islamic Banking window and foreign branches of the bank	-
Total regulatory adjustments to Common equity Tier 1	**-**
Common Equity Tier 1 capital (CET1)	**75,777**
Additional Tier 1 capital: instruments – NIL	
Additional Tier 1 capital: regulatory adjustments	
Total regulatory adjustments to Additional Tier 1 capital	-
Additional Tier 1 capital (AT1)	-
Tier 1 capital (T1 = CET1 + AT1)	**75,777**

Tier 2 capital: instruments and provisions	﷼'000
Directly issued qualifying Tier 2 instruments plus related stock surplus	-
Directly issued capital instruments subject to phase out from Tier 2	-
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)	-
of which: instruments issued by subsidiaries subject to phase out	-
Permissible ECL Allowance	2,890
Cumulative fair value (losses) or gains on available for sale instruments	809
Tier 2 capital before regulatory adjustments	**3,699**
Tier 2 capital: regulatory adjustments	**﷼'000**
National specific regulatory adjustments	-
REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT.	-
OF WHICH: Cumulative fair value gains or losses on available for sale instruments	-
Total regulatory adjustments to Tier 2 capital	**-**
Tier 2 capital (T2)	**3,699**
Total capital (TC = T1 + T2)	**79,476**
Total risk weighted assets	**424,107**
Of which: Credit risk weighted assets	385,490
Of which: Market risk weighted assets	23,361
Of which: Operational risk weighted assets	15,256
Capital Ratios	
Common Equity Tier 1 (as a percentage of risk weighted assets)	17.87
Tier 1 (as a percentage of risk weighted assets)	17.87
Total capital (as a percentage of risk weighted assets)	18.74
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	-
of which: capital conservation buffer requirement	-
of which: bank specific countercyclical buffer requirement	-
of which: D-SIB/G-SIB buffer requirement	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-
National minima (if different from Basel III)	
National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	9.500
National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.500
National total capital minimum ratio (if different from Basel 3 minimum)	13.500
Total Quasi Equity account holders	
Amount of Quasi Equity account holders' funds	401,188
Profit equalization reserve	1,281
Investment risk reserve	565
Total Quasi equity account holders	**403,034**

Prepared under the guidelines on composition of capital disclosure requirements

Balance sheet as in published financial statements

	Balance sheet as in published financial statements 31-Dec-25
Assets	**﷼'000**
Cash and balances with Central Bank of Oman	22,197
Certificates of deposit	-
Due from banks	37,879
Financing to banks	-
Financing to Customers	380,247
Investments	56,885
Property and equipment	1,121
Deferred tax assets	-
Other assets	5,144
Total assets	**503,473**
Liabilities	
Due to banks	55,231
Customer deposits	361,804
Euro medium term notes	-
Other liabilities	8,324
Subordinated bonds	-
Total liabilities	**425,359**
Shareholders' Equity	
Assigned capital	55,000
Share premium	-
Legal reserve	-
General reserve	-
Retained earnings	20,836
Other reserves	539
Cumulative changes in fair value of investments	1,739
Subordinated debt reserve	-
Tier 1 perpetual bond	-
Total shareholders' equity	**78,114**
Total liability and shareholders' funds	**503,473**

Balance sheet as in published financial statements expanded

	Balance sheet as in published financial statements 31-Dec-25	Reference
Assets		**﷼'000**
Cash and balances with Central Bank of Oman	22,197	
Certificates of deposit	-	
Balance with banks and money at call and short notice	37,879	
Investments	56,885	
Financing Of which :		
Financing to Banks - Gross	-	
General Provisions considered for Tier 2	-	
Net Financing to banks	**-**	
Financing to Customers - Gross	387,230	
ECL Stage 1	(2,537)	
ECL Stage 2	(2,432)	A1
ECL Stage 3	(2,014)	
Net Financing to customers	**380,247**	
Fixed assets	1,121	
Other assets of which:	5,144	
Deferred tax assets	-	
Amount considered for CET1		
Current year allocation - not eligible	-	
Total Assets	**503,473**	
Paid-up Capital	-	
Of which:		
Amount eligible for CET1	55,000	C1
Amount eligible for AT1	-	
Reverses and Surplus	20,836	
Of which: Amount eligible for CET1		
Retained earnings carried forward	14,423	C2
Profit for current year not eligible	6,413	
Impairment reserve	-	
General reserve	-	
Subordinated debt reserve	-	
Proposed Stock Dividend	-	
Total Amount eligible for CET1	**-**	
Tier 1 perpetual bond	-	
Proposed Cash Dividend	-	
Cumulative changes in fair value of investments	1,739	
Amount eligible for Tier 2	-	
Other reserve	539	
Total Capital	**78,114**	
Deposits Of which:		
Deposits from banks	55,231	
Customer deposits	361,804	
Euro medium term notes	-	
Other deposits (Sub-debt)	-	
Other liabilities & provisions Of which:	8,324	
TOTAL	**503,473**	

MUZN – ISLAMIC BANKING
BASEL II and III – PILLAR III REPORT 2025

Basel III common disclosure template to be used during the transition of regulatory adjustments

Component of regulatory capital reported by bank	Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from step 2
Common Equity Tier 1 capital: instruments and reserves	**﷼'000**	
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	55,000	C1
Retained earnings	20,836	C2
Accumulated other comprehensive income (and other reserves)	-	
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
Common Equity Tier 1 capital before regulatory adjustments	**75,836**	
Common Equity Tier 1 capital: regulatory adjustments		
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Total regulatory adjustments to Common equity Tier 1	-	
Common Equity Tier 1 capital (CET1)	**75,836**	
Additional Tier 1 capital: instruments (TIER1 PERPETUAL BOND)	-	
Additional Tier 1 capital: regulatory adjustments - Nil		
Tier 1 capital (T1 = CET1 + AT1)	**75,836**	
Tier 2 capital: instruments and provisions		

Disclosure template for main features of all regulatory capital instruments

1.Common Equity

Common equity comprises of assigned capital amounting to ﷼ 55,000,000 transferred from National Bank of Oman SAOG.

2. All other regulatory capital instruments – Nil

This report on Basel II & III disclosures set out from pages no 1 to 29 was authorized for issue on 28 January 2026.

Amal Suhail Bahwan Al Mukhaini

Chairperson

Independent auditor's report

To the Board of Directors of National Bank of Oman SAOG on the financial statement of Muzn Islamic Banking - Window

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Muzn Islamic Banking – Window (the "Window") of National Bank of Oman SAOG (the "Bank") as at 31 December 2025, 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 Window's financial statements comprise:

- the statement of financial position as at 31 December 2025;
- the statement of income and 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 owner's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, comprising significant accounting policies and other explanations.

Independent auditor's report (Continued)

To the Board of Directors of National Bank of Oman SAOG on the financial statement of Muzn Islamic Banking - Window

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 Window in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of 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.

Emphasis of matter

We draw attention to the fact that, as described in Note 2 to the financial statements, the Window has not operated as a separate legal entity. These financial statements are, therefore, not necessarily indicative of results that would have occurred if the Window had been a separate stand-alone entity during the year presented or future results of the Window.

Our opinion is not modified in respect of this matter.

pwc

Independent auditor's report (Continued)

To the Board of Directors of National Bank of Oman SAOG on the financial statement of Muzn Islamic Banking - Window

Other information

The Bank's Board of Directors are responsible for the other information. The other information comprises the report of Shari'a Supervisory Board and Basel II and III – Pillar III 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.

Our opinion on the financial statements does not cover the other information and we do 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.

pwc

Independent auditor's report (Continued)

To the Board of Directors of National Bank of Oman SAOG on the financial statement of Muzn Islamic Banking - Window

Responsibilities of the Bank's Board of Directors for the financial statements

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

The Bank's Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Financial Accounting Standards issued by the AAOIFI and the relevant requirements of the CBO, and for such internal control as the Bank's Board of Directors determines 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 Bank's Board of Directors are responsible for assessing the Window'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 Window or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

To the Board of Directors of National Bank of Oman SAOG on the financial statement of Muzn Islamic Banking - Window

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 these financial statements.

As part of an audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgement 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 Window's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Board of Directors.

Independent auditor's report (Continued)

To the Board of Directors of National Bank of Oman SAOG on the financial statement of Muzn Islamic Banking - Window

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

- Conclude on the appropriateness of the Bank's Board of 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 Window'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 Window 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 Bank's 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.

pwc

Independent auditor's report

To the Board of Directors of National Bank of Oman SAOG on the financial statement of Muzn Islamic Banking - Window

Report on other legal and regulatory requirements

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.

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

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

Pricewaterhouse Coopers

Muscat, Sultanate of Oman

5 March 2026

برايس وترهاوس كوبرز ش.م.م
س.ت ١٢٣٠٨٦٥
C.R. No 1230865
PricewaterhouseCoopers LLC

MUZN ISLAMIC BANKING – WINDOW OF NATIONAL BANK OF OMAN SAOG

Statement of financial position as at 31 december 2025

	Note	2025	2024
ASSETS			﷼'000
Cash and balances with Central Bank of Oman	6	**22,197**	35,051
Due from banks and financial institutions	7	**37,879**	103,138
Investments in Sukuk, shares and other securities	8	**56,885**	40,202
Murabaha receivables	9	**24,895**	23,608
Ijarah Muntahia Bittamleek	10	**43,723**	48,721
Diminishing Musharaka	11	**219,411**	176,400
Forward Ijarah	12	**283**	283
Service Ijarah	13	**11**	17
Wakala Bil Istithmar	14	**91,829**	93,525
Credit Card	15	**95**	31
Other assets	17	**5,144**	3,258
Property and equipment	16	**1,121**	915
Total assets		**503,473**	525,149

LIABILITIES, QUASI EQUITY HOLDERS AND OWNERS' EQUITY

LIABILITIES			
Current accounts		**12,670**	10,342
Due to banks	18	**1,331**	389
Other liabilities	19	**8,324**	8,188
TOTAL LIABILITIES		**22,325**	18,919
QUASI-EQUITY			
Participatory investment accounts	21	**403,034**	451,884
OWNERS' EQUITY			
Assigned capital	22	**55,000**	40,000
Impairment reserve		**539**	1,367
Retained earnings		**20,836**	13,595
Investment fair value reserve		**1,739**	(616)
TOTAL OWNERS' EQUITY		**78,114**	54,346
TOTAL LIABILITIES, QUASI EQUITY HOLDERS AND OWNERS' EQUITY		**503,473**	525,149

The financial statements were approved by the Board of Directors on 28 January 2026

Director **Chairperson** **Chief Executive Officer**

The notes and other explanatory information on pages 13 to 71 form an integral part of these financial statements.

Independent auditor's report- pages 1 to 7.

MUZN ISLAMIC BANKING – WINDOW OF NATIONAL BANK OF OMAN SAOG

Statement of income and other comprehensive income for the year ended 31 december 2025

	Note	2025	2024
INCOME			﷼'000
Income from Islamic financing and receivables	23	**20,925**	17,897
Inter-bank Wakala		**3,555**	3,988
Investment income		**1,778**	1,325
Income from jointly financed investments and receivables		**26,258**	23,210
Other operating income	25	**2,661**	2,023
Total operating income		**28,919**	25,233
General and administrative expenses	26	**(2,398)**	(2,214)
Depreciation	16	**(419)**	(310)
Total operating expenses		**(2,817)**	(2,524)
Profit before impairment losses		**26,102**	22,709
Impairment for credit losses – net	20	**(1,009)**	624
Profit before net profit attributable to Quasi-Equity		**25,093**	23,333
Net Profit attributable to Quasi-Equity		**(18,680)**	(17,624)
Profit for the year		**6,413**	5,709
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to income statement			
Equity investments at FVOCI – net change in fair value		**2,355**	(632)
Total comprehensive income for the year		**8,768**	5,077

The notes and other explanatory information on pages 13 to 71 form an integral part of these financial statements.

Independent auditor's report- pages 1 to 7.

MUZN ISLAMIC BANKING – WINDOW OF NATIONAL BANK OF OMAN SAOG

Statement of income and attribution related to quasi-equity For the year ended 31 december 2025

	2025	2024
		RO'000
Net profit for the year before net profit attributable to quasi-equity	**25,093**	23,333
Less: Income not attributable to quasi-equity	**(10,525)**	(7,870)
Add: Expenses not attributable to quasi-equity	**3,826**	1,900
Total income available for Quasi Equity holders	**18,394**	17,363
Profit equalization reserve – net movement	**255**	228
Investment risk reserve – net movement	**126**	107
Net profit attributable to quasi-equity before Mudarib's share	**18,775**	17,698
Less: Mudarib's share	**(95)**	(74)
Net profit attributable to quasi-equity	**18,680**	17,624

Statement of changes in owner's equity for the year ended 31 december 2025

	Assigned capital	Impairment reserve	Investment fair value reserve	Retained earnings	Total
					RO'000
Balance as at 1 January 2025	**40,000**	**1,367**	**(616)**	**13,595**	**54,346**
Profit for the year	-	-	-	6,413	6,413
Additional capital	15,000	-	-	-	15,000
Transfer to impairment reserve	-	(828)	-	828	-
Other comprehensive income for the period	-	-	2,355	-	2,355
Balance as at 31 December 2025	**55,000**	**539**	**1,739**	**20,836**	**78,114**
Balance as at 1 January 2024	35,000	605	16	8,648	44,269
Profit for the year	-	-	-	5,709	5,709
Additional capital	5,000	-	-	-	5,000
Transfer to impairment reserve	-	762	-	(762)	-
Other comprehensive loss for the period	-	-	(632)	-	(632)
Balance as at 31 December 2024	40,000	1,367	(616)	13,595	54,346

The notes and other explanatory information on pages 13 to 71 form an integral part of these financial statements.

Independent auditor's report- pages 1 to 7.

MUZN ISLAMIC BANKING – WINDOW OF NATIONAL BANK OF OMAN SAOG

Statement of cash flows for the year ended 31 december 2025

	Note	2025	2024
Operating activities			RO'000
Profit for the year		**6,413**	5,709
Adjustment for:			
Depreciation	16	**419**	310
Impairment for credit losses – net	20	**1,009**	(624)
Investment amortization		**(41)**	(40)
Gain/(Loss) on investments at FVTPL	25	**(339)**	35
Profit equalization reserve		**255**	228
Investment risk reserve		**126**	107
Operating income before changes in operating assets and liabilities		**7,842**	5,725
Changes in:			
Murabaha receivables	9	**(1,627)**	(13,112)
Ijarah Muntahia Bittamleek	10	**5,826**	(795)
Diminishing Musharaka	11	**(44,000)**	(38,917)
Forward Ijarah	12	**(3)**	61
Service Ijarah	13	**6**	1
Wakala Bil Istithmar	14	**1,518**	(22,414)
Credit Card	15	**(67)**	(31)
Due to Banks		**942**	(397)
Other assets		**(1,896)**	275
Current accounts		**2,328**	(12,127)
Other liabilities		**30**	1,133
Net cash used in operating activities		**(29,101)**	(80,598)
Investing activities			
Purchase of property and equipment	16	**(400)**	(892)
Purchase of investments		**(17,229)**	(14,740)
Proceed from maturity of investments		**3,000**	-
Net cash used in investing activities		**(14,629)**	(15,632)
Financing activities			
Movement in participatory investment accounts	21	**(49,230)**	150,304
Increase in assigned capital	22	**15,000**	5,000
Payment of lease liabilities (principal)		**(153)**	(129)
Net cash (used in) / generated from financing activities		**(34,383)**	155,175
Net (decrease)/increase in cash and cash equivalents		**(78,113)**	58,946
Cash and cash equivalents at the beginning of the year		**138,189**	79,243
Cash and cash equivalents at the end of the year		**60,076**	138,189
REPRESENTING:			
Cash and balances with Central Banks		**22,197**	35,051
Due from banks maturing within three months		**37,879**	103,138
		60,076	138,189

Profit received was RO 26 million (2024: RO 23 million) and profit paid was RO 19 million (2024: RO 18 million). These are part of the operating cash flows of the Window. There is an addition in Right of use of RO 0.224 million as a no cash non-cash item for the year 2025 (2024 : 153 K).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Muzn Islamic Banking - Window of National Bank of Oman SAOG ('Muzn' or "the Window") was registered in the Sultanate of Oman as a Window of National Bank of Oman SAOG ("the Bank"). Muzn's principal place of business is in Muscat, Sultanate of Oman. Muzn's operations commenced on 17 January 2013 and it currently operates through eight branches in the Sultanate under the license issued by the Central Bank of Oman on 15 January 2013.

The principal activities of Muzn are taking demand, saving and deposit accounts, providing Murabaha finance, Ijarah financing, Musharaka financing and other Sharia compliant forms of financing as well as managing investor's money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. Muzn's activities are regulated by the Central Bank of Oman ('CBO') and supervised by Sharia Supervisory Board ('SSB') comprising of three members.

Muzn's registered address is PO Box 751 and PC 112, Muscat, Sultanate of Oman.

Muzn employed 68 employees as at 31 December 2025 (2024: 62).

The Window is not a separate legal entity, the separate financial statements of Muzn has been prepared to comply with the requirements of Articles 1.5.1.2 to 1.5.1.4 of Title 2 'General Obligations and Governance' of Islamic Banking Regulatory Framework (IBRF) issued by Central Bank 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 Muzn and the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and other applicable regulations of CBO. In accordance with requirements of AAOIFI, matters that are not covered by FAS, Muzn uses guidance from the relevant IFRS Accounting Standards in so far as those requirements do not contravene with Shari'a principles and rules and the AAOIFI "Conceptual Framework for Financial Reporting by Islamic Financial Institutions" (the conceptual framework). The Window is not a separate legal entity but meets the definition of a reporting entity under the Conceptual Framework for IFRS Accounting Standards. The Window is in the business of Islamic banking, which represents its economic activities. All the operating activities of the Window are clearly defined and separately managed from the other businesses of the Bank and accounting records are maintained on this basis. The assets of the Window are for the sole use of the Window and are registered in the name of the Window. Similarly, the liabilities all relate to the Window activities.

Statement of restricted investment accountholders and statement of Qard fund and Zakah are not presented as these are not applicable to Muzn's operations.

2.2 Basis of measurement

The financial statements are prepared under the historical cost basis except for the following:

- Financial instruments classified as trading and at fair value through profit or loss (FVTPL); and
- Financial instruments at fair value through other comprehensive income.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with AAOIFI requires directors to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set below have been consistently applied in dealing with items that are considered material in relation to Muzn's financial statements to the period presented.

3.1 FOREIGN CURRENCY TRANSLATIONS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of income.

3.2 Cash and cash equivalents

Cash and cash equivalents are carried at amortized cost in the statement of financial position. For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash on hand, non-restricted balance with the Central Bank of Oman and amounts due from/to other banks and financial institutions, interbank Wakala with original maturity of three months.

3.3 Determination of fair values

A number of the Window's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on several accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Window.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Window uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value is determined for each financial asset individually in accordance with the valuation policies set out in note 5.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Window determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Window analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Window's accounting policies. For this analysis, the Window verifies the major inputs applied in the latest valuation by agreeing the information in the Valuation computation to contracts and other relevant documents.

The Window also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Window has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Further, this should also be as per the Sharia principles and guidelines.

Income and expenses are presented on a net basis only for permitted transaction.

3.5 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Window evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Window plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Window first recalculates the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective profit rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income calculated using the effective profit method.

Financial liabilities

The Window derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective profit rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification's Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective profit rate on the instrument.

3.6 Murabaha receivables

Murabaha receivables are stated net of deferred profits and allowances for credit losses. Muzn considers the promise made in the deferred sales to the purchase order as obligatory. Murabaha receivables are sales on deferred payment terms. Muzn arranges a Murabaha transaction by buying an asset and then selling this asset to Murabaha (beneficiary) after computing a margin profit over cost. The sales price (cost plus profit margin) is repaid in instalments by the Murabaha over the agreed period. Promise made in the Murabaha to the purchase order is binding upon the customer.

3.7 Ijarah Muntahia Bittamleek

Assets acquired for leasing (Ijarah) are stated at cost, less accumulated depreciation. Leased assets are depreciated over the life of the lease in systematic manner. Muzn assesses at each reporting date whether there is objective evidence that these assets are impaired. Impairment losses are measured as the difference between the carrying amount of the asset (including lease rental receivables) and the estimated recoverable amount. Impairment losses, if any, are recognized in the statement of income and other comprehensive income.

3.8 Diminishing Musharaka

Musharaka contract represents a partnership between Muzn and a customer whereby each party contributes to the capital in equal or varying proportions to develop a new asset or share an existing one, and whereby each of the party becomes an owner of the capital on a permanent or declining basis and shall have a share of profits or losses. These are stated at the fair value of consideration given less any amounts written off and provision for impairment, if any. In Diminishing Musharaka based transactions, Muzn enters into a Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house or land) with its customers and enters into periodic profit payment agreement on Ijarah basis for the utilization of Muzn's Musharaka share by thecustomer. Over the tenor, one partner's investment in the partnership declines on account of the other partner's increase in the partnership investment through repayment of the former partner's share.

3.9 Forward Ijarah

Forward Ijarah is a specific type of Ijara contract structured to facilitate the leasing of an asset that is not yet in existence or not immediately available for use. After completion of the project, Forward Ijara follows the same principle as that of Ijarah Muntahia Bittamleek

3.10 Service Ijarah

Deferred Contracts under Service Ijarah are stated net of deferred profits and provisions for impairment. Muzn considers the payments to be made under Deferred Service Ijarah Contracts as obligatory.

3.11 Wakala Bil Istithmar

The Window invests money with banks and other customers on Wakala bil Istithmar basis in return for a Wakala Profit. The Window also accepts money from customers on Wakala bil Istithmar basis on unrestricted Wakala arrangement. The arrangement may include an agreement that any profit over and above the expected profit rate will be retained by Wakil as performance fee. The principal would be responsible to bear any loss of Wakala Capital unless it is due to the negligence of Wakala contractual terms on the part of Wakil.

Wakala Investment Accounting

FAS 31 requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the Wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

In case of Wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the Wakala venture, net of any agent's remuneration including variable remuneration payable as of that date.

From the principal's perspective, the Window opted to use Wakala venture approach using equity method of accounting instead of pass-through approach given the practical difficulties for the principal to identify the assets in which funds are invested in and the principal is unable to obtain relevant information with regards to the assets and their performance without undue cost and efforts.

The Window provides funds to other banks and non-banking customers under this Wakala venture arrangement where the Window is acting as principal. Those Wakala funds are mainly invested in money market placements and other Shari'a-compliant businesses.

3.12 Credit card

Credit card provide a revolving credit facility within the credit limit and credit period determined by the issuer of card. Credit cards are based on the concept of Qard Hassan and Ujra. The holder of a card can utilize the limit to pay for purchase of goods and services and to withdraw cash. The Window charges the customers a fixed monthly fee (fees vary depending upon the type of card) irrespective of the amount utilized for the services / facilities associated with the card. The Window may refund the Ujrah fee back to customers if due amount is paid on or before the due date. Ujra Fee is recognized to income when not returned to customers

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment loss. Depreciation is calculated to write off the cost of property and equipment, by equal installments over their estimated economic useful lives from the date the asset is brought into use, as follows:

The rates of depreciation are based upon the following estimated useful lives:

Leasehold improvements	**3 to 10 years**
Motor vehicles	4 years
Furniture	3 to 10 years
Equipment	5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are considered in determining operating profit. Repairs and renewal charged to statement of income and other comprehensive income when the expense is incurred. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in statement of income as an expense when incurred.

3.14 Quasi Equity holders

Funds of Quasi Equity holders are held by the Window in one common pool of unrestricted investment account, which is invested by the Window ('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 an investment account holder.

Under both the Mudaraba and a comingled Wakala arrangement, the investment accountholder authorizes the Window to invest the accountholder's funds in a manner which the Window deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Window charges management fee (Mudarib fees) to investment accountholders. The allocation of income is determined by the management of the Window at a pre-agreed ratio with Quasi Equity holders. Administrative expenses incurred in connection with the management of the fund are borne directly by the Window and are not charged to investment accounts. Only profits earned on pool of assets funded from Quasi Equity holders are allocated between the owners' equity and Quasi Equity holders. All equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled.

The basis applied by the Window in arriving at the equity of investment accountholder's share of income is total investment income less shareholders' income. In case of Wakala contracts, the Window does not act 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 Sukuk, shares and other securities

Equity-type instruments at fair value through profit and loss

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

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 remeasurement to fair value are included in the statement of income.

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

Investments which are held with the objective of both collecting the expected cashflow and selling the investment and represent a non-monetary debt-type instrument are measured at investment at fair value through other comprehensive income. Subsequent to acquisition, investments designated at fair value through other comprehensive income are re-measured at fair value with unrealised gains or losses recognized in owner's equity until the investment is derecognized 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. Where a reliable measure of fair value for equity instruments is not available, these are measured at cost. Investments carried at fair value through other comprehensive income are tested for impairment at each reporting period.

Debt type instruments at amortized 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 profit or loss are classified as debt-type instruments at amortized cost. Such investments are carried at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognized in the statement of income, when the investment is de-recognized or impaired.

3.16 Investment risk reserve

Investment risk reserves (IRR) are amounts appropriated out of the equity of investment account holders, after allocating the Mudarib share, to cater against future losses for equity of investment account holder.

3.17 Profit equalization reserve

Profit equalization reserves (PER) are amounts appropriated out of the Mudaraba income, before allocating the Mudarib share, to maintain a certain level of return on investments for equity of investment account holder.

3.18 Provisions

Provisions are recognized when Muzn has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be measured reliably.

3.19 Earnings prohibited by shari'ah

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

3.20 Zakah

The responsibility of payment of zakah is on individual shareholders and investment account holders.

3.21 Joint and self-financed

Financing and receivables that are jointly owned by Muzn and the unrestricted investment accounts holders will be classified under the caption "jointly-financed" in the financial statements. Financing and receivables that are financed solely by Muzn will be classified under "self-financed". As of the reporting date, all the financing and receivables are jointly financed by Muzn and the unrestricted account holders.

3.22 Funds for Muzn

Muzn functions with funds specifically available for its Islamic banking activities and there is no commingling of funds with conventional banking business.

3.23 Revenue recognition

3. 23.1 Murabaha profit

Murabaha profit is recognized when the income is quantifiable and contractually determined at the commencement of the contract, income will be recognized on a time-proportionate basis over the period of the contract based on the principal amounts outstanding. Where the income from a contract is not quantifiable or contractually determinable, it will be recognized when realized. Income related to non-performing accounts will be excluded from the statement of income.

3.23.2 Diminishing Musharaka

Income on Musharaka is recognized when the right to receive payment is established or when distribution is made, net of suspended profit.

3.23.3 Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek (Ijarah MBT) is an 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, after the end of the term of the Ijarah period. Such transfer of the ownership is executed through a sale or a gift– independent of Ijarah contract. The Islamic Window, in its capacity as a lessor classifies its Ijarah as an Ijarah MBT – with expected transfer of ownership after the end of the Ijarah term – either through a sale or a gift

Assets acquired for Ijarah are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the period of the lease or useful life, whichever is lower. Ijarah income receivables represent outstanding rentals at the end of the period less any expected credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Revenue recognition (continued)

3. 23.4 Service Ijarah

Where the income is quantifiable and contractually determined at the commencement of the contract, income will be recognized on a time-apportioned basis over the period of the contract based on the principal amounts outstanding. Where the income from a contract is not quantifiable or contractually determinable, it will be recognized when realized. Income related to non-performing accounts will be excluded from the statement of income.

3.23.5 Wakala Bil Istithmar

Wakala profit is usually reliably estimated and is internally accounted for on time-apportioned basis over the Wakala tenure based on the Wakala capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala agreement, otherwise the loss would be borne by the Muwakkil.

3.23.6 Dividend income

Dividend income will be recognized when the Window's right to receive payment is established.

3.23.7 Fee and Commission Income

The Window earns fee and commission income from a diverse range of services it provides to its customers. Fee income, which is not an integral part of the effective profit rate of a financial instrument, is earned from a diverse range of services provided by the Window to its customers, and are accounted for in accordance with IFRS 15 Accounting Standards 'Revenue from Contracts with Customers'. Under the IFRS 15 Accounting Standards, fee income is measured by the Window based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Window recognises revenue when it transfers control over a product or service to a customer. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Miscellaneous income

Miscellaneous income includes various services charges charged to the customers such as locker rent, telex charges, ATM charges and charges for non-maintenance of minimum balance. Fees in scope of IFRS 15 Accounting Standards are recognised when the Window transfers control over a product or service to a customer, this is generally at a point in time.

3.23.8 Sukuk & investment income

Income on Sukuk is recognized on a time-proportionate basis based on underlying rate of return of the respective type of Sukuk. Income from investments is recognized when earned.

3.23.9 Muzn 's Share as a Mudarib

Muzn's share as a Mudarib for managing unrestricted investment accounts will be accrued based on the terms and conditions of the related Mudaraba agreements.

3.23.10 Income allocation

Income from jointly financed activities will be allocated proportionately between unrestricted investment accounts and shareholders based on the average balances outstanding during the year.

3.24 Staff terminal benefits

Contribution to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, is recognized as an expense in statement of income when incurred.

The Window's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

Employee entitlements to annual leave and leave passage are recognized when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date.

Voluntary end of service benefits is recognized as an expense when the Window is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if it is probable that the offer made by the Window will be accepted, and the number of acceptances can be estimated reliably.

3.25 Segment reporting

An operating segment is a component of Muzn 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 Muzn's other components whose operating results are reviewed regularly by the management to make decisions about the resources allocated to each segment and asses its performance and for which discrete financial information is available. Muzn's primary format for reporting segmental information is business segment, based upon management internal reporting structure. Muzn's main business segments comprise of retail, corporate and treasury operations.

3.26 Sharia supervisory board

All business activities, products, transactions, agreements, contracts and other relevant documents are subject to the supervision of the Sharia Supervisory Board of Muzn, which meets four times a year and consists of three prominent Sharia scholars as voting members and one non-voting member who is an expert in the field. The current SSB members are:

- Sheikh Dr. Mohamed bin Ali Elgari-Chairman
- Dr. Abdulrahman Abdullah Al-Saadi - Member
- Dr. Saleh Al Kharusi - Member

3.27 Financial Instruments

(a) Classification of financial instruments

Financial assets consist of Cash and balances with Central Bank of Oman, due from banks and financial institutions, investments in Sukuk, shares and other securities, equity investments, Murabaha receivables, Ijarah, Diminishing Musharaka, Forward Ijarah, Service Ijarah, Wakala bil Istithmar and other receivables.

Financial liabilities contracts consist of placement from financial institutions, placements from customers, customers' current accounts and other payables. All financial assets and financial liabilities are carried at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

(b) 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 recognized and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability. The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate.

(c) Trade and settlement date accounting

The Window recognizes financing, investments, deposits and equity of investment accountholders on the date on which they are originated. Purchases and sale of all other financial assets and liabilities are recognized on the trade date, i.e. the date that the Window contracts to purchase or sell the asset or liability.

(d) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Window 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 Window could be required to pay.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Financial Instruments (continued)

(e) Impairment

Overview of ECL principles

The Window has been recording the allowance for expected credit losses for all financing exposure and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts.

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 orientation, 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 2 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 Window 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.

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

Stage 1: Twelve months ECL

For exposures where 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 recognized.

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 recognized. LTECL (Stage 2) is a probability – weighted estimate of credit losses and it is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is 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.

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit is subsequently recognized based on a credit-adjusted effective profit rate (EPR). ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Window has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Window calculates ECLs based on three 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 derecognized and is still in the portfolio.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, considering 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 Window would expect to receive, including from the realization of any collateral, if any. It is usually expressed as a percentage of the EAD.

Credit-impaired financial assets

At each reporting date, the Window assesses whether financial assets carried at amortized 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 Window on the terms that the Window would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; 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, the financing exposure that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Window 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 mechanisms. 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 Window 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 Window's procedures for recovery of amounts due.

Presentation of allowance for credit losses in the statement of financial position

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

- Financial assets measured at amortized 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 Window has identified the ECL on the financing commitments off-balance sheet component separately from those on the drawn component, the Window 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 calculations

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 Window 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 Window's existing risk management processes.

The Window'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. The Window will

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Financial Instruments (continued)

consider a financial asset to have experienced a significant increase in credit risk when one or more quantitative, qualitative or backstop criteria have been met. Refer to note 29.1 for details of the quantitative and qualitative criteria.

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.

Macroeconomics 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 Window's 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 Window 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 Window considers any exposure greater than 90 days past due as a default account.

Expected life

When measuring ECL, the Window must consider the maximum contractual period over which the Window 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 Window is exposed to credit risk and where the credit losses would not be mitigated by management actions.

3.28 Right-of-use asset

The Window 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 amortization 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 Window 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. Right-of-use asset is also subject to impairment in line with FAS 30 requirements. The carrying value of right-of-use asset is recognized under "Property and equipment "in the statement of financial position.

3.29 Ijarah liability

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Window recognizes Ijarah liability measured at the fair value of total rentals payable for Ijarah term. After the commencement date, the amount of Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortization of deferred Ijarah cost and reduced to reflect the Ijarah rentals made. In addition, the carrying amount of Ijarah liability is remeasured if there is a modification, a change in the Ijarah term or change in the in-substance fixed lease payments. The carrying value of Ijarah liability is recognized under "Other liabilities" in the statement of financial position.

3.30 Due to banks

Due to banks comprise of payables under Wakala contracts. These are recognized at fair value of consideration received less amounts settled, if any. Profits on these accounts are paid as per the respective agreement. Under these contracts, the Window acts as agent and corresponding bank is Muwakkil.

3.31 Placements with financial institutions

Placements with financial institutions comprise of short-term treasury contracts with financial institutions in the form of Wakala investments. These placements are stated at amortized cost net of deferred profits and allowance for credit losses. if any

3.32 Current accounts

Customers' current accounts balances are in non-investment accounts and are recognized when received by the Window. The transaction is measured at the cash equivalent amount received by the Window at the time of contracting. At the end of the accounting year, the accounts are measured at their book value, which represents the settlement value to the customers.

3.33 De-recognition 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 Window 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 derecognized when the obligation specified in the contract is discharged, cancelled or expires.

3.34 New standards, amendments and interpretations

3.34.1 New standards, amendments and interpretations issued and adopted

Standards issued and effective from 1 January 2025

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

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

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

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

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

FAS 43 Accounting for Takaful Recognition and Measurement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.34 New standards, amendments and interpretations (continued)

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.

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

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 Window's financial statements are disclosed below. The Window intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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 Muzn'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 about 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 Muzn's financial statements.

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 pool 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 Muzn's financial statements.

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 ((IIs) 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 (IIIs) 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. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4.1 ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 3.27. The calculation of the Window's ECL under FAS 30 requires the Window to make several judgements, assumptions and estimates. The most significant are set out below:

1) Segmentation of financial assets for the ECL assessment purposes.
2) Establishing the criteria for assessing if there has been a significant increase in credit risk.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 ECL measuremen (continued)

3) Determining the methodology for incorporating forward-looking information into the measurement of ECL;
4) Selection of forward-looking macroeconomic scenarios and their probability weightings.
5) Selection of appropriate models (PD, LGD and EAD) for the measurement of ECL; and
6) Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Refer note 29.1 which describes the assumptions used in determining ECL and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

The Window regularly reviews the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

4.2 Going concern

The Window's management has assessed its ability to continue as a going concern and is satisfied that the window has the resources to continue its business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the window's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Based on the valuation methodology outlined below, the fair values of all financial instruments at 31 December 2025 and 2024 are considered by the Management not to be materially different to their book values.

Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of assets and liabilities:

5.1 Islamic financing assets

Fair value is calculated based on discounted expected future principal and profit cash flows. Financing repayments are assumed to occur at contractual repayment dates, where applicable. For financing that do not have fixed repayment dates or that are subject to prepayment risk, repayments are estimated based on experience in previous periods when profit rates were at levels similar to current levels, adjusted for any differences in profit rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of finances reflect changes in credit status since the finances were made and changes in profit rates in the case of fixed rate finances.

5.2 Investments

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

5.3 Current account, balances due to and due from Banks

The carrying amount of current account balances due to and from Banks was considered to be a reasonable estimate of fair value due to their short term nature.

5.4 Quasi equity accountholders

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

5.5 Other financial instruments

No fair value adjustment is made with respect to credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams materially reflect contractual fees and commissions actually charged at the reporting date for agreements of similar credit standing and maturity.

Foreign exchange contracts are valued based on market prices. The market value adjustments in respect of foreign exchange contracts are included in other assets and other liabilities.

The fair values of financial instruments that are traded in active markets are based on quoted market prices. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices. Industry standard valuation models are used to calculate the expected future value of payments by product, which is discounted back to a present value. The model's profit rate inputs are benchmark and active quoted profit rates in the swap, bond and futures markets. Profit rate volatilities are sourced from brokers and consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.

The Window measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3
			RO'000
31 December 2025 **Investment measured at FVTPL**			
Quoted equities	1,382	-	1,382
Total	**1,382**	**-**	**1,382**
Investment measured at FVOCI			
Quoted equities	10,503	-	10,503
Total	**10,503**	**-**	**10,503**
Total financial assets	**11,885**	**-**	**11,885**

	Level 1	Level 2	Level 3
			RO'000
31 December 2024 Investment measured at FVTPL			
Quoted equities	1,043	-	1,043
Total	1,043	**-**	1,043
Investment measured at FVOCI Quoted equities	7,489	-	7,489
Total	7,489	**-**	7,489
Total financial assets	8,532	**-**	8,532

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

5.5 Other financial instruments (continued)

6. CASH AND BALANCES WITH CENTRAL BANK OF OMAN ("CBO")

	2025	2024
		﷼'000
Cash in hand	**1,490**	1,156
Balances with Central Bank of Oman	**20,707**	33,895
	22,197	35,051

All the above exposures are classified as Stage 1 as at 31 December 2025 (2024: Stage 1).

ECL on the cash and balances with Central Bank of Oman is not material and accordingly no adjustment has been made by Muzn.

7. DUE FROM BANKS AND FINANCIAL INSTITUTIONS – JOINTLY FINANCED

	2025	2024
		﷼'000
Due from foreign banks	**37,907**	66,602
Due from local banks	**-**	36,555
	37,907	103,157
Less: Allowances for credit losses	**(28)**	(19)
	37,879	103,138

8. INVESTMENT IN SUKUK, SHARES & OTHER SECURITIES

	2025	2024
		﷼'000
Investments measured at Fair value through profit and loss (FVTPL)		
Quoted investments-Oman – self financed	**1,382**	1,043
Investments measured at Fair value through other comprehensive income		
Quoted investments- local – self financed	**9,228**	6,251
Quoted investments- foreign - self financed	**1,275**	1,238
Total investments measured through other comprehensive income	**10,503**	7,489
Investments in Sukuk, shares and other securities		
Government Sukuk - jointly financed	**39,289**	31,684
Quoted investments - Oman - jointly financed	**6,000**	-
Less: Allowance for credit losses (refer 8.1)	**(289)**	(14)
Total financial assets at amortized cost	**45,000**	31,670
	56,885	40,202

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

	2025	2024
		﷼'000
Balance at 1 January	**14**	10
Added during the year	**275**	4
Balance at 31 December	**289**	14

9. MURABAHA RECEIVABLES – JOINTLY FINANCED

	2025	2024
		﷼'000
Gross Murabaha receivables	**26,912**	24,995
Less: Deferred profit (refer note 9.1)	**(1,451)**	(1,162)
	25,461	23,833
Less: Allowances for credit losses	**(566)**	(225)
	24,895	23,608

The Murabaha receivables pertain to finance provided to retail and corporate customers. The credit quality of the Murabaha receivables is disclosed in note 29.

9.1 Deferred profit movement

	2025	2024
		﷼'000
Deferred profit at the beginning of the period	**1,162**	930
Murabaha sales revenue during the period	**20,302**	13,538
Murabaha cost of sales	**(20,013)**	(13,306)
Deferred profit at the end of the period	**1,451**	1,162

10. IJARAH MUNTAHIA BITTAMLEEK – JOINTLY FINANCED

	2025	2024
		﷼'000
Gross book value	**119,368**	119,955
Accumulated depreciation	**(74,131)**	(69,013)
Net book value at 31 December	**45,237**	50,942
Less: Allowances for credit losses	**(1,514)**	(2,221)
	43,723	48,721

The Ijarah pertains to finance provided to retail and corporate customers. The credit quality of the Ijarah is disclosed in note 29.

11. DIMINISHING MUSHARAKA – JOINTLY FINANCED

	2025	2024
		﷼'000
Diminishing Musharaka receivables	**223,890**	179,891
Less: Allowances for credit losses	**(4,479)**	(3,491)
	219,411	176,400

Diminishing Musharaka pertains to finance provided to retail and corporate customers. The credit quality of the Diminishing Musharaka is disclosed in note 29.

12. FORWARD IJARAH – JOINTLY FINANCED

	2025	2024
		⃁'000
Forward Ijarah receivables	**293**	290
Less: Allowances for credit losses	**(10)**	(7)
	283	283

Forward Ijarah pertains to finance provided to retail and corporate customers. The credit quality of the Forward Ijarah is disclosed in note 29.

13. SERVICE IJARAH – JOINTLY FINANCED

	2025	2024
		⃁'000
Gross deferred Service Ijarah	**12**	19
Less: Unearned income	**(1)**	(2)
	11	17
Less: Allowances for credit losses	**-**	-
	11	17

Service Ijarah pertains to finance provided to retail customers. The credit quality of the Service Ijarah is disclosed in note 29.

14. WAKALA BIL ISTITHMAR – JOINTLY FINANCED

	2025	2024
		⃁'000
Wakala Bil Istithmar	**92,238**	93,756
Less: Allowances for credit losses	**(409)**	(231)
	91,829	93,525

Wakala Bil Istithmar pertains to finance provided to retail and corporate customers. The credit quality of the Wakala Bil Istithmar is disclosed in note 29.

15. CREDIT CARD – JOINTLY FINANCED

	2025	2024
Credit Card	99	31
Less: Allowances for credit losses	(4)	-
	95	**31**

Credit Card pertains to finance provided to retail customers. The credit quality of the product is disclosed in note 29.

16. PROPERTY AND EQUIPMENT

	Motor Vehicles, furniture and equipment	Leasehold Improvement	Right-of-use Asset	Total
Cost				**⃁'000**
At 1 January 2025	2,102	654	154	2,910
Additions	147	253	224	624
Disposals	(18)	(27)	(115)	(160)
At 31 December 2025	**2,231**	**880**	**263**	**3,374**
Accumulated Depreciation				
At 1 January 2025	1,391	537	67	1,995
Charge for the year	187	90	142	419
Disposals	(18)	(27)	(116)	(161)
At 31 December 2025	**1,560**	**600**	**93**	**2,253**
Net carrying amount At 31 December 2025	671	280	170	1,121

	Motor Vehicles, furniture and equipment	Leasehold Improvement	Right-of-use Asset	Total
Cost				**⃁'000**
At 1 January 2024	1,375	586	342	2,303
Additions	756	136	153	1,045
Disposals	(29)	(68)	(341)	(438)
At 31 December 2024	**2,102**	**654**	**154**	**2,910**
Accumulated Depreciation				
At 1 January 2024	1,289	549	285	2,123
Charge for the year	131	56	123	310
Disposals	(29)	(68)	(341)	(438)
At 31 December 2024	**1,391**	**537**	**67**	**1,995**
Net carrying amount At 31 December 2024	711	117	87	915

17. OTHER ASSETS

	2025	2024
		⃁'000
Profit receivable	**4,069**	2,923
Acceptances	**166**	108
Miscellaneous assets	**909**	227
	5,144	3,258

18. DUE TO BANKS

	2025	2024
		RO'000
National Bank of Oman	**1,331**	389

19. OTHER LIABILITIES

	2025	2024
		RO'000
Profits payable	5,933	7,121
Sundry creditors	2,292	1,042
Lease liabilities	99	25
	8,324	8,188
Lease liabilities movement		
Balance at 1 January	**25**	-
Additions during the year	**224**	153
Finance charges on leases	**3**	1
Payment of lease liabilities (principal)	**(153)**	(129)
Balance at 31 December	**99**	25

The lease liabilities are maturing within 1 to 5 years

20. MOVEMENT IN ALLOWANCES FOR THE CREDIT LOSSES

	2025	2024
		RO'000
At 1 January	**6,209**	6,606
Charge / (release) during the year	**1,244**	(749)
Recovered during the year	**235**	125
Contractual profit reserved	**122**	227
At 31 December	**7,340**	6,209

21. QUASI EQUITY – PARTICIPATORY INVESTMENT ACCOUNTS

	2025	2024
		RO'000
Mudaraba savings account	**10,222**	7,971
Wakala from financial institutions	**53,900**	132,405
Wakala from customers	**337,066**	310,042
Profit equalization reserve	**1,281**	1,027
Investment risk reserve	**565**	439
Total	**403,034**	451,884

There are no restricted investments as of 31 December 2025 (2024: Nil).

Quasi Equity holders' fund is commingled with Window's equity to form one general Mudaraba pool. This pooled fund is used to invest in banking assets, generating income. However, no priority is granted to any party for the purpose of investments and distribution of profits.

The Window does not allocate non-performing assets to Quasi Equity holders pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to Quasi Equity holders. The profits earned on pool of assets funded from Quasi Equity holders and owners' equity are allocated between the owners' equity and Quasi Equity holders.

As per the policy of the Window, minimum of 40% of return on assets earned is distributed to investment accountholders and 60% is retained by the Window as Mudarib share. The Window did not charge any administration expenses to investment accounts.

The average profit rate attributed to the equity of investment accountholders based on the above ratio for the year was 4.31% (2024: 4.71%).

Basis of distribution of the profit between owners' equity and Quasi Equity holders

The investment profits are distributed between owners' equity and Quasi Equity holders for the year ended 31 December 2025 and year ended December 2024 as follows:

	2025	2024
Quasi Equity holders share	**40%**	40%
Mudarib share	**60%**	60%

(a) The investment risk reserve at 0.5 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 Quasi Equity holders. Investment risk reserve will revert to the investment accountholders as per terms and conditions of Mudaraba contract.

(b) The profit equalisation reserve at 1 percent is the amount Muzn appropriates in excess of the profit to be distributed to unrestricted accountholders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalisation reserve will revert to owners' equity and Quasi Equity holders.

22. ASSIGNED CAPITAL

The assigned capital consists of RO55,000,000 transferred from National Bank of Oman SAOG (2024: RO40,000,000). During the year, Muzn received additional capital of RO15,000,000 from National Bank of Oman SAOG (2024: RO5,000,000).

23. INCOME FROM FINANCING

	2025	2024
		RO'000
Profit from Murabaha receivables	**1,200**	794
Profit from Ijarah Muntahia Bittamleek	**2,525**	2,326
Profit from Diminishing Musharaka	**11,943**	9,948
Profit from Wakala Bil Istithmar	**5,257**	4,829
	20,925	17,897

24. RETURN ON QUASI EQUITY HOLDERS

	2025	2024
		RO'000
Mudarabha savings account	**64**	51
Wakala	**11,915**	12,359
Flex Wakala	**2,646**	2,268
Inter-bank Wakala	**3,674**	2,611
Total*	**18,299**	17,289

* The total does not include profit equalisation reserve and investment risk reserve.

25. OTHER OPERATING INCOME

	2025	2024
		RO'000
Fee and commission income (refer note 25.1)	**1,070**	1,085
Dividend income	**654**	572
Gains / (loss) on investments at FVTPL	**339**	(35)
Gains from foreign exchange dealings	**510**	312
Miscellaneous income	**88**	89
	2,661	2,023

25.1 Fee and commission income

	2025	2024
		RO'000
Transactional	**112**	31
Trade Income	**55**	45
Account Services	**43**	42
Underwriting & Syndication	**860**	967
	1,070	1,085

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2025	2024
		RO'000
Salaries and allowances	**1,427**	1,429
Operating and administration costs	**815**	707
Establishment costs	**156**	78
	2,398	2,214

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise principal shareholders of NBO, directors of NBO, members of Shari'a Supervisory Board and key management personnel.

Key management personnel comprise those individuals of the Window who are involved in the strategic planning and decision making of Muzn.

In the ordinary course of business, Muzn conducts transactions with certain directors and shareholders of NBO and companies over which they have significant interest. Terms of these transactions are approved by the NBO's Board and Management.

Principal shareholders of NBO includes those shareholders who exercise significant influence on NBO and their close family members. Other related parties include transactions with key management personnel, directors of NBO and transactions with those entities which are controlled by either the principal shareholders of NBO or key management personnel or directors of NBO.

The aggregate amounts of balances with such related parties are as follows:

	2025 Others	2024 Others
		RO'000
Diminishing Musharaka	**59,159**	43,173
Murabaha receivables	**72**	133
	59,231	43,306
Customers' deposits	**2,033**	3,119

27. RELATED PARTY TRANSACTIONS (continued)

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

	2025	2024
		RO'000
Income from Islamic financing	**3,097**	1,424
Profit expense from Islamic deposits	**190**	85
Remuneration paid to Sharia Supervisory Board Members		
Chairman		
- Remuneration	**8**	8
- Sitting fees paid	**2**	2
-Other expenses paid	**-**	1
Others		
- Remuneration proposed	**11**	14
- Sitting fees paid	**3**	1
- Other expenses paid	**-**	1
- Management fee payable to conventional banking (refer 27.1)	**276**	256

27.1 Muzn Islamic banking pays NBO management fees for the shared services at 1% on gross income (that includes fees and charges).

28. CONTINGENT LIABILITIES AND COMMITMENTS

28.1 Credit related contingent items

The Window is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Window's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount.

The risk involved is essentially the same as the credit risk involved in extending financing facilities and therefore these transactions are subject to the same credit organization, portfolio maintenance and collateral requirements for customers applying for financing to customers.

The outstanding contract value or the notional amounts of these instruments at 31 December were as follows:

	2025	2024
		RO'000
Letters of credit	**342**	337
Letters of guarantee	**12,408**	8,303
	12,750	8,640

The contingent liabilities are concentrated to corporate and retail trade sector only.

28.2 Capital and investment commitments

	2025	2024
		RO'000
Contractual commitments for Forward Ijarah	**3**	37
Contractual commitments for Diminishing Musharaka	**6,999**	6,107
	7,002	6,144

28.3 Legal claims

By nature of the Banking sector, litigation whether by or against the Bank is expected. In order to properly manage such litigation, Muzn has in place effective mechanism and controls. Muzn does not have any major/ material litigation pending in a court of law in Oman or outside either instituted by or against the Window, other than normal cases filed by or against customers in the normal course of business. However, there are certain unresolved legal claims filed against Muzn which are not expected to have any significant implication on the Window's financial statements.

29. FINANCIAL RISK MANAGEMENT

The primary objective of risk management is to safeguard the Muzn's resources from the various risks which Muzn faces. Muzn risk comprises of Credit risk, Market risk, Liquidity risk and Operational risk. All risk management functions report to Chief risk officer and are independent from business units.

29.1 Credit risk

Credit risk is the risk that Muzn will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations to Muzn. Muzn manages and controls credit risk by setting internal limits on the amount of risk it is willing to accept for individual counterparties and groups (single obligors) and industry sectors in line with the guidelines of Central Bank of Oman.

Credit risk management

To manage the level of credit risk, Muzn deals with counter-parties of good credit. Corporate Credit Committee of the Board, is the final credit approving authority of Muzn which is mainly responsible for approving all credit proposals beyond the authority level of the management. The Management Credit Committee ("MCC") is the management decision making body which is empowered to consider all credit related issues upto certain limits.

Credit risk mitigation policies

Muzn manages, limits and controls concentrations of credit risk -in particular, with respect to individual counterparties and groups, and industries and countries. Muzn structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee and Board Risk Committee of the Bank.

To facilitate risk mitigation systems from renowned ratings agenesis have also been set up and are also being used as guidelines to ensure portfolio diversification in terms of sovereign risk ratings and geographical exposure. These limits are approved by the Board of the Bank. Retail financing is strictly in accordance with the CBO guidelines. The analysis of financing portfolio is provided below.

The Window has enhanced credit risk management 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.

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 significant increase in credit risk and the calculation of ECL both incorporate forward-looking information.

(a) Geographical concentrations

All the financial asset and financial liabilities reported in the balance sheet and all the items reported in off balance are based in Sultanate of Oman.

(b) Customer concentrations

	Due from Banks and financial institutions	Investments in Sukuk, shares and other securities	Murabaha receivables	Ijarah Muntahia Bittamleek	Credit Card
On Assets (RO'000)					RO'000
31 December 2025					
Retail	-	-	7,509	33,751	95
Corporate	37,879	56,885	17,386	9,972	-
	37,879	**56,885**	**24,895**	**43,723**	**95**

	Diminishing Musharaka	Forward Ijarah	Service Ijarah	Wakala Bil Istithmar
On Assets (RO'000)				
31 December 2025				
Retail	25,860	276	11	-
Corporate	193,551	7	-	91,829
	219,411	**283**	**11**	**91,829**

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

	Current accounts	Wakala accounts	Wakala from financial institutions	Due to banks	Mudaraba saving account (including reserves)
On Liabilities					**RO'000**
31 December 2025					
Retail	772	67,590	-	-	12,068
Corporate	11,898	269,476	53,900	1,331	-
	12,670	**337,066**	**53,900**	**1,331**	**12,068**

	Due from Banks and financial institutions	Investments in Sukuk, shares and other securities	Murabaha receivables	Ijarah Muntahia Bittamleek	Credit Card
On Assets					**RO'000**
31 December 2024					
Retail	-	-	6,501	38,071	31
Corporate	103,138	40,202	17,107	10,650	-
	103,138	40,202	23,608	48,721	31

	Diminishing Musharaka	Forward Ijarah	Service Ijarah	Wakala Bil Istithmar
On Assets				**RO'000**
31 December 2024				
Retail	20,989	270	17	-
Corporate	155,411	13	-	93,525
	176,400	283	17	93,525

	Current accounts	Wakala accounts	Wakala from financial institutions	Due to banks	Mudaraba saving account (including reserves)
On Liabilities					**RO'000**
31 December 2024					
Retail	464	53,398	-	-	9,437
Corporate	9,878	256,644	132,405	389	-
	10,342	310,042	132,405	389	9,437

(c) Economic sector concentrations

Assets							
	Murabaha receivables	Ijara Muntahia Bittamleek	Diminishing Musharaka	Forward Ijara	Service Ijara	Wakala Bil Istithmar	Credit Card
31 December 2025							**RO'000**
Personal	8,111	5,134	26,873	284	11	-	99
Construction	-	34,086	161,008	9	-	-	-
Manufacturing	752	4,737	15,575	-	-	-	-
Trade	16,247	-	-	-	-	-	-
Services	351	1,280	20,434	-	-	92,238	-
	25,461	**45,237**	**223,890**	**293**	**11**	**92,238**	**99**

	Current accounts	Quasi Equity holders
31 December 2025		**RO'000**
Personal	771	77,822
Services	11,899	325,212
	12,670	**403,034**

Assets							
	Murabaha receivables	Ijara Muntahia Bittamleek	Diminishing Musharaka	Forward Ijara	Service Ijara	Wakala Bil Istithmar	Credit Card
31 December 2024							**RO'000**
Personal	6,555	6,183	21,151	274	17	-	31
Construction	-	38,175	107,644	16	-	-	-
Manufacturing	2,501	5,845	13,988	-	-	-	-
Trade	14,239	-	-	-	-	-	-
Services	538	739	37,108	-	-	93,756	-
	23,833	50,942	179,891	290	17	93,756	31

	Current accounts	Quasi Equity holders
31 December 2024		**RO'000**
Personal	463	61,379
Services	9,879	390,505
	10,342	451,884

(d) Collateral and other credit enhancements

The Window employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is the common practice. The Window implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over business assets such as property, inventory and accounts receivable
- Lien on deposits
- Cash margins
- Mortgages over residential and commercial properties

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

(d) Collateral and other credit enhancements (continued)

The housing finance are secured by mortgage over the residential property. The Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Window's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Window does not occupy repossessed properties for business use.

An analysis of the collateral held and other credit enhancement held against financing granted is as follows:

	Stage 1	Stage 2	Stage 3	Total
				﷼'000
Property	164,266	59,980	13,143	237,389
Others	166,426	15,857	-	182,283
Balance As at 31 December 2025	**330,692**	**75,837**	**13,143**	**419,672**

	Stage 1	Stage 2	Stage 3	Total
				﷼'000
Property	147,856	49,380	16,357	213,593
Others	48,876	41,869	4,810	95,555
Balance As at 31 December 2024	196,732	91,249	21,167	309,148

There are no significant changes to the quality of collateral held by the Window as compared to 31 December 2024.

Impairment assessment

Definition of default and cure

The Window considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Window considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Window also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Window carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- A material decrease in the borrower's turnover or the loss of a major customer
- The debtor (or any legal entity within the debtor's group) filing for Bankruptcy application/protection.

It is the Window's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Incorporation of forward-looking information

The Window incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Window formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Economic variable assumptions

During the year, the Bank implemented a new IFRS 9 impairment tool incorporating an enhanced macroeconomic framework. The updated framework leverages the latest macroeconomic forecasts published by the International Monetary Fund (IMF) and applies portfolio-specific calibrations to ensure that the selected variables appropriately reflect the risk characteristics of each portfolio.

The macroeconomic variables included in the model were identified through correlation analysis and an assessment of their explanatory power on expected credit loss (ECL) outcomes. The implementation, calibration and application of the model were subject to independent validation and management review to confirm the robustness, consistency and reasonableness of the underlying assumptions and outputs.

In accordance with IFRS 9 Accounting Standards requirements, the Bank incorporates forward-looking information by considering multiple macroeconomic scenarios in the estimation of ECL. The forward-looking macroeconomic assumptions applied as at 31 December 2025 are summarized below:

Key drivers	ECL scenario	31 December 2025	
		2026	2027
GDP Growth	Base scenario	1.58%	1.53%
	Upside scenario	0.16%	0.15%
	Downside scenario	0.63%	0.61%
Investment (% of GDP)	Base scenario	0.80%	1.00%
	Upside scenario	0.08%	0.10%
	Downside scenario	0.32%	0.40%
Current Account Balance (% of GDP)	Base scenario	0.30%	1.30%
	Upside scenario	0.03%	0.13%
	Downside scenario	0.12%	0.52%

IFRS 9 Accounting Standards requires banks to incorporate reasonable and supportable forward-looking information, including the consideration of multiple macroeconomic scenarios, when estimating credit risk parameters. Accordingly, the Bank applies a scenario-based approach comprising baseline, downturn and upturn scenarios.

For the year ended 31 December 2025, the Bank has assigned probability weightings of 50% to the baseline scenario, 40% to the downturn scenario and 10% to the upturn scenario. In prior periods, the Bank applied equal probability weightings across scenarios. Following regulatory feedback and in light of changes in the external economic environment, the scenario weighting methodology was enhanced to better reflect prevailing economic conditions, the Bank's risk profile and market practices observed across GCC financial institutions.

To this end, the determination of scenario weights was anchored in an empirical assessment of historical economic stress experienced in Oman, with particular emphasis on real GDP growth, which is considered a key indicator of economic momentum and stress. GDP is a core macroeconomic driver within the Bank's probability of default (PD) models and reflects changes in productivity, income generation and overall economic activity.

Historical quarterly GDP growth data (constant prices) published by the IMF was analysed to assess the frequency and severity of economic contractions and expansions, along with periods of economic downturn and upturn based on observed declines and increases in GDP growth.

To ensure a balanced yet sufficiently conservative representation of economic stress, the Bank applied a percentile-based approach to the historical distribution of GDP movements. This approach allowed for a more inclusive assessment of economic stress conditions observed historically. Based on this analysis, scenario weights of 50% (baseline), 40% (downturn) and 10% (upturn) were assigned for ECL estimation purposes.

Credit risk grade

The Window allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

(d) Credit risk grade *(continued)*

are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

In respect of corporate banking exposures the Window has adopted a risk rating framework having seven performing loan grades and three nonperforming loan grades. The Window's internal Risk Rating (RR) risk rates a customer and to associate a default probability to each rating grade. The following is the definition of credit quality classifications for the corporate banking exposures of the Window.

Risk grade	Explanation
1-5	Probability of meeting financial commitments is high in the event of market disruptions
6	Probability of meeting financial commitments is moderate in the event of market disruptions
7	Potentially weak loans, where, if left uncorrected, the weakness may result in deterioration of the repayment prospects for the loans or window's credit position at some future date.
8-10	Defaulted. Paying capacity of borrower requires reassessment and other forms of cash flows may be explored for any further recovery of exposure.

In respect of retail banking exposure the "performing finance" exposures include the retail accounts which are not delinquent by more than 90 days.

For due from window and financial institutions, investment sukuks, shares and other securities and balances with central bank of Oman, the Window uses the Moody's external credit ratings.

Corporate and small business lending

For corporate and investment banking financing, the borrowers are assessed by specialized credit risk employees of the Window. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.
- The complexity and granularity of the rating techniques varies based on the exposure of the Window and the complexity and size of the customer. Some of the less complex small business financing are rated within the Window's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises secured personal financing and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected profit repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected profit repricing.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- Profit rate, given its impact on companies' likelihood of default; and
- GDP, given the significant impact on companies' performance and collateral valuations.

The following table shows a comparison of the Window's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 Accounting Standards as at December 31, 2025 and 2024 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	At 31 December 2025		At 31 December 2024	
	ECL	Impact on ECL	ECL	Impact on ECL
				'000
ECL on non-impaired loans under IFRS9	**5,326**	**-**	2,660	-
Simulations				
Upside case - 100% weighted	**4,579**	**747**	2,274	386
Base case - 100% weighted	**5,167**	**159**	2,632	28
Downside scenario - 100% weighted	**6,935**	**(1,609)**	3,074	(414)

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 financing, the Window assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 financing that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Window determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The PDs are then assigned to each economic scenario based on the outcome of Window's models.

Loss given default

For Islamic financing instruments, LGD values are assessed at least every twelve months by account managers and reviewed and approved by the Window's specialized credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Window segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in Muzn.

The Window estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9 Accounting Standards, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

The following tables set out the key drivers of expected loss and the assumptions used for the Window's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2024.

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

Loss given default (continued)

Key drivers	ECL scenario and assigned weightage	31 December 2024	
		2025	2026
Real InterestProfit Rate	Base scenario	7.1%	7.1%
	Upside scenario	6.3%	6.5%
	Downside scenario	8.4%	8.0%
GDP	Base scenario	4.0%	4.0%
	Upside scenario	4.2%	4.1%
	Downside scenario	3.7%	3.8%
GDP per capita	Base scenario	0.1%	0.05%
	Upside scenario	0.2%	0.2%
	Downside scenario	-0.2%	-0.1%

Significant Increase in Credit Risk

The Window continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Window assesses whether there has been a significant increase in credit risk since initial recognition.

As a backstop, the Window considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number or days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Window's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Window also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Window may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

a. Inadequate or unreliable financial or other information such as unavailability of audited financial statements within 120 days from end of accounting period.
b. Delay in documentation execution over 35 days from limit set up due to disputes with customers.
c. Borrower is subject to litigation by third parties that may have a significant impact on his financial position.
d. Frequent changes in key senior management personnel without acceptable successors or professional management.
e. Intra Group transfer of funds without underlying transactions beyond 50% of Tangible Net Worth.
f. Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.
g. Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.
h. A fall of 25% or more in the turnover or in the EBIT as compared to the previous year except in the case of change in business model/one of material events.
i. A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.
j. Rating downgrade by 3 notches for ratings from R1 to R4 and 2 notches downgrade for R5 and R6.
k. Erosion in net worth by more than 20% compared to previous year coupled with increase in leverage by 1.5 times.

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured at 12-month.

ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Window determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When the contractual terms of a financing have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Window monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2)

Impairment charge and provisions held as at 31 December 2025

	As per CBO Norms	As per FAS 30	'000 Difference
Impairment loss charged to statement of income and other comprehensive income	(1,009)	(1,009)	-
Provisions required as per CBO norms / held as per IFRS 9/FAS 30	7,409	6,210	(1,199)
Gross NPF ratio	2.16	2.16	-
Net NPF ratio	1.88	1.88	-

Where appropriate, the Window makes adjustments to the ECL estimate outside the Window's regular modelling process to reflect management judgments. The changes to the assumptions underlying these judgmental adjustments could materially affect ECL within the next 12 month. These adjustments include post-model adjustments (PMAs) and overlays.

PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgment. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes.

Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Window's definition of PMAs because they are not calculated at a granular level through modelled analysis.

The Window has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the Window is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Total judgmental adjustments as at 31 December 2025 is nil, the overall loss allowance increased by 0.29% as at 31 December 2024 compared to ECL allowance derived through the ECL models.

29.1 Credit risk (continued)

Impairment charge and provisions held as at 31 December 2024

	As per CBO Norms	As per FAS 30	'000 Difference
Impairment loss charged to statement of income and other comprehensive income	-	624	-
Provisions required as per CBO norms / held as per IFRS 9/FAS 30	6,849	5,240	(1,609)
Gross NPF ratio	-	2.41	-
Net NPF ratio	-	2.14	-

The related difference between the existing financing loss impairment computed in accordance with the requirements of AAOIFI and CBO guidelines and the impairment allowance computed under FAS 30, has been transferred to a financing loss impairment reserve from accumulated losses.

Comparison of provision held as per FAS 30 and required as per CBO guidelines as at 31 December 2025.

Asset Classification on 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)+(9)-(5)	(7)=(3)-(4)	(8)=(3)-(5)	(9)
								'000
Standard	Stage 1	325,962	3,768	2,537	1,231	322,194	323,425	-
	Stage 2	31,451	28	656	(628)	31,423	30,795	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		**357,413**	**3,796**	**3,193**	**603**	**353,617**	**354,220**	**-**
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	22,586	226	1,776	(1,550)	22,360	20,810	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		**22,586**	**226**	**1,776**	**(1,550)**	**22,360**	**20,810**	**-**
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,230	3,387	884	3,633	2,713	6,346	1,130
Subtotal		**7,230**	**3,387**	**884**	**3,633**	**2,713**	**6,346**	**1,130**
Other items not covered under CBO	Stage 1	113,451	-	354	(354)	113,451	113,097	-
	Stage 2	-	-	3	(3)	-	(3)	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		**113,451**	**-**	**357**	**(357)**	**113,451**	**113,094**	**-**
Total	Stage 1	439,413	3,768	2,891	877	435,645	436,522	-
	Stage 2	54,037	254	2,435	(2,181)	53,783	51,602	-
	Stage 3	7,230	3,387	884	3,633	2,713	6,346	1,130
	Total	**500,680**	**7,409**	**6,210**	**2,329**	**492,141**	**494,470**	**1,130**

Comparison of provision held as per FAS 30 and required as per CBO guidelines as at 31 December 2024.

Asset Classification on 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)+(9)-(5)	(7)=(3)-(4)	(8)=(3)-(5)	(9)
								'000
Standard	Stage 1	276,876	3,305	616	2,689	273,571	276,260	-
	Stage 2	38,747	40	804	(764)	38,707	37,943	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		315,623	3,345	1,420	1,925	312,278	314,203	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	25,444	254	1,206	(952)	25,190	24,238	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		25,444	254	1,206	(952)	25,190	24,238	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	1,587	377	364	94	1,210	1,223	81
Subtotal		1,587	377	364	94	1,210	1,223	81
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	2,335	195	265	(49)	2,140	2,070	21
Subtotal		2,335	195	265	(49)	2,140	2,070	21
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	3,770	2,678	1,951	1,594	1,092	1,819	867
Subtotal		3,770	2,678	1,951	1,594	1,092	1,819	867
Other items not covered under CBO	Stage 1	157,115	-	33	(33)	157,115	157,082	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	3	-	1	(1)	3	-	-
Subtotal		157,118	-	34	(34)	157,118	157,082	-
Total	Stage 1	433,991	3,305	649	2,656	430,686	433,342	-
	Stage 2	64,191	294	2,010	(1,716)	63,897	62,181	-
	Stage 3	7,695	3,250	2,581	1,638	3,476	5,112	969
	Total	505,877	6,849	5,240	2,578	498,059	500,635	969

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

Comparison of provision held as per FAS 30 and required as per CBO guidelines as at 31 December 2025.

Restructured Financing

Asset Classification as per CBO Norms	Asset Classification as per FAS 30	Gross carrying amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision held under FAS 30	Net Carrying Amount as per FAS 30	Reserve profit as per CBO Norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
							⃁'000
Classified as performing	Stage 1	18	0	-	0	18	-
	Stage 2	14,267	143	501	(358)	13,766	-
	Stage 3	-	-	-	-	-	-
Subtotal		**14,285**	**143**	**501**	**(358)**	**13,784**	**-**
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	74	20	-	24	74	4
Subtotal		**74**	**20**	**-**	**24**	**74**	**4**
Total	Stage 1	18	0	-	0	18	-
	Stage 2	14,267	143	501	(358)	13,766	-
	Stage 3	74	20	-	24	74	4
	Total	**14,359**	**163**	**501**	**(334)**	**13,858**	**4**

Comparison of provision held as per FAS 30 and required as per CBO guidelines as at 31 December 2024.

Restructured Financing

Asset Classification as per CBO Norms	Asset Classification as per FAS 30	Gross carrying amount	Provision required as per CBO Norms	Provision held as per FAS 30	Difference between CBO provision held under FAS 30	Net Carrying Amount as per FAS 30	Reserve profit as per CBO Norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
							⃁'000
Classified as performing	Stage 1	201	2	-	2	201	-
	Stage 2	16,275	163	1,204	(1,041)	15,071	-
	Stage 3	-	-	-	-	-	-
Subtotal		16,476	165	1,204	(1,039)	15,272	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	238	64	92	(28)	146	16
Subtotal		238	64	92	(28)	146	16
Total	Stage 1	201	2	-	2	201	-
	Stage 2	16,275	163	1,204	(1,041)	15,071	-
	Stage 3	238	64	92	(28)	146	16
	Total	16,714	229	1,296	(1,067)	15,418	16

Movement in Expected credit losses (ECL) as at 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
				⃁'000
Exposure subject to ECL				
- Central bank balances	20,707	-	-	20,707
- Financing contracts with customers	325,962	54,037	7,230	387,229
- Investments in Sukuk and equities measured at FVOCI	55,792	-	-	55,792
- Unutilized portion of financing contracts and Financial Guarantees	19,752	-	-	19,752
- Due from financial institutions	37,907	-	-	37,907
	460,120	**54,037**	**7,230**	**521,387**
Opening Balance as at 1 January 2025				
- Financing contracts with customers	615	2,010	3,548	6,173
- Investments in Sukuk	14	-	-	14
- Unutilized portion of financing contracts and Financial Guarantees	2	-	1	3
- Due from financial institutions	19	-	-	19
	650	**2,010**	**3,549**	**6,209**
Transfer between stages				
Net transfer between stages				
- Transfer to Stage 1	29	(20)	(9)	-
- Transfer to Stage 2	(96)	96	-	-
- Transfer to Stage 3	(20)	(4)	24	-
- Investments in Sukuk	-	-	-	-
- Unutilized portion of financing contracts and Financial Guarantees	-	-	-	-
- Due from financial institutions	-	-	-	-
	(87)	**72**	**15**	**-**
Charge/(release) for the Period (net)				
- Financing contracts with customers	2,009	350	(1,549)	810
- Investments in Sukuk	275	-	-	275
- Unutilized portion of financing contracts and Financial Guarantees	35	3	(1)	37
- Due from financial institutions	9	-	-	9
	2,328	**353**	**(1,550)**	**1,131**
Closing Balance - as at 31 December 2025				
- Financing contracts with customers	2,536	2,433	2,014	6,983
- Investments in Sukuk	289	-	-	289
- Unutilized portion of financing contracts and Financial Guarantees	37	3	-	40
- Due from financial institutions	28	-	-	28
	2,890	**2,436**	**2,014**	**7,340**

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

Movement in Expected credit losses (ECL) as at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**⃁'000**
- Central bank balances	33,895	-	-	33,895
- Financing contracts with customers	276,876	64,191	7,692	348,759
- Investments in Sukuk and equities measured at FVOCI	39,173	-	-	39,173
- Unutilized portion of financing contracts and Financial Guarantees	14,785	-	-	14,785
- Due from financial institutions	103,157	-	-	103,157
	467,886	64,191	7,692	539,769
Opening Balance as at 1 January 2024				
- Financing contracts with customers	409	4,311	1,854	6,574
- Investments in Sukuk	10	-	-	10
- Unutilized portion of financing contracts and Financial Guarantees	-	4	-	4
- Due from financial institutions	17	-	-	17
	436	4,315	1,854	6,605
Transfer between stages				
Net transfer between stages	-	-	-	-
- Transfer to Stage 1	119	(119)	-	-
- Transfer to Stage 2	(29)	73	(44)	-
- Transfer to Stage 3	(367)	(267)	634	-
- Investments in Sukuk	-	-	-	-
- Unutilized portion of financing contracts and Financial Guarantees	-	-	-	-
- Due from financial institutions	-	-	-	-
	(277)	**(313)**	**590**	**-**
Charge/(release) for the Period (net)				
- Financing contracts with customers	483	(1,988)	1,104	(401)
- Investments in Sukuk	4	-	-	4
- Unutilized portion of financing contracts and Financial Guarantees	2	(4)	1	(1)
- Due from financial institutions	2	-	-	2
	491	(1,992)	1,105	(396)
Closing Balance - as at 31 December 2024				
- Financing contracts with customers	615	2,010	3,548	6,173
- Investments in Sukuk	14	-	-	14
- Unutilized portion of financing contracts and Financial Guarantees	2	-	1	3
- Due from financial institutions	19	-	-	19
	650	2,010	3,549	6,209

Movement in financing contracts with customers as at 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**⃁'000**
Opening Balance – as at 1 January 2025	276,876	64,191	7,692	348,759
Net transfer between stages	(13,157)	11,731	1,426	-
Originated during the year	72,328	5,001	-	77,329
Recovery of Islamic financing assets	(10,085)	(26,886)	(1,888)	(38,859)
Closing Balance – as at 31 December 2025	**325,962**	**54,037**	**7,230**	**387,229**

Movement in financing contracts with customers as at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**⃁'000**
Opening Balance – as at 1 January 2024	195,276	73,585	4,464	273,325
Net transfer between stages	634	(4,346)	3,712	-
Originated during the year	85,164	12,085	-	97,249
Recovery of Islamic financing assets	(4,197)	(17,133)	(484)	(21,814)
Closing Balance – as at 31 December 2024	276,877	64,191	7,692	348,760

Movement in Investments in Sukuk as at 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**⃁'000**
Opening Balance – as at 1 January 2025	31,684	-	-	31,684
Net transfer between stages	-	-	-	-
Originated during the year	13,605	-	-	13,605
Derecognized during the year	-	-	-	-
Closing Balance – as at 31 December 2025	**45,289**	**-**	**-**	**45,289**

Movement in Investments in Sukuk at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**⃁'000**
Opening Balance – as at 1 January 2024	22,292	-	-	22,292
Net transfer between stages	-	-	-	-
Originated during the year	9,392	-	-	9,392
Derecognized during the year	-	-	-	-
Closing Balance – as at 31 December 2024	31,684	-	-	31,684

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

Movement in unutilized portion of financing contracts and Financial Guarantees as at 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**RO'000**
Opening Balance – as at 1 January 2025	14,783	-	1	14,784
Net transfer between stages	(19)	19	-	-
Originated during the year	6,049	50	-	6,099
Derecognized during the year	(1,131)	-	-	(1,131)
Closing Balance – as at 31 December 2025	**19,682**	**69**	**1**	**19,752**

Movement in unutilized portion of financing contracts and Financial Guarantees as at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**RO'000**
Opening Balance – as at 1 January 2024	21,349	3,234	-	24,583
Net transfer between stages	95	(96)	1	-
Originated during the year	2,503	-	-	2,503
Derecognized during the year	(9,164)	(3,138)	-	(12,302)
Closing Balance – as at 31 December 2024	14,783	-	1	14,784

Movement in due from financial institutions as at 31 December 2025

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**RO'000**
Opening Balance – as at 1 January 2025	103,157	-	-	103,157
Net transfer between stages	-	-	-	-
Originated during the year	-	-	-	-
Derecognized during the year	(65,250)	-	-	(65,250)
Closing Balance – as at 31 December 2025	**37,907**	**-**	**-**	**37,907**

Movement in due from financial institutions as at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL				**RO'000**
Opening Balance – as at 1 January 2024	57,658	-	-	57,658
Net transfer between stages	-	-	-	-
Originated during the year	45,499	-	-	45,499
Derecognized during the year	-	-	-	-
Closing Balance – as at 31 December 2024	**103,157**	**-**	**-**	**103,157**

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts as of 31 December 2025:

	Stage 1	Stage 2	Stage 3	Total
Gross financing to customers - corporate Banking				**RO'000**
Performing financing (Grades 1-5)	253,912	28,335	-	282,247
Performing financing (Grades 6)	5,079	1,625	-	6,704
Performing financing (Grades 7)	-	22,586	-	22,586
Non-performing financing (Grades 8-10)	-	-	6,389	6,389
Gross financing to customers - Corporate Banking	**258,991**	**52,546**	**6,389**	**317,926**
Gross financing to customers - Retail Banking				
Performing financing (Grades 1-7)	67,053	1,409	-	68,462
Non-performing financing (Grades 8-10)	-	-	841	841
Gross financing to customers - retail Banking	**67,053**	**1,409**	**841**	**69,303**
Total gross financing to customers	**326,044**	**53,955**	**7,230**	**387,229**
Loss allowance-carrying amount	**-**	**-**	**3,633**	**3,633**
Credit related contingent items				
Performing financing (Grades 1-5)	19,596	103	-	19,699
Performing financings (Grades 6)	-	50	-	50
Performing financings (Grades 7)	-	-	-	-
Non-performing financing (Grades 8-10)	-	-	3	3
Total gross credit related contingent items	**19,596**	**153**	**3**	**19,752**
Loss allowance-carrying amount	**354**	**3**	**-**	**357**
Due from banks and financial institutions				
Performing Banks (Aa1 to Baa3)	28,213	-	-	28,213
Performing Banks (Unrated)	4,813	-	-	4,813
Due from banks and financial institutions	**4,881**	**-**	**-**	**4,881**
Loss allowance-carrying amount	**37,907**	**-**	**-**	**37,907**
Investment in Sukuk	**20**	**8**	**-**	**28**
Performing Sukuk (Aa3 to Ba3)	45,289	-	-	45,289
Loss allowance-carrying amount	**289**	**-**	**-**	**289**
Acceptances (Aa3 to Ba3)	**166**	**-**	**-**	**166**
Loss allowance-carrying amount	**1**	**-**	**-**	**1**

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts as of 31 December 2024:

	Stage 1	Stage 2	Stage 3	Total
Gross financing to customers - corporate Banking				﷼'000
Performing financing (Grades 1-5)	210,779	17,473	-	228,252
Performing financing (Grades 6)	2,647	19,279	-	21,926
Performing financing (Grades 7)	-	25,444	-	25,444
Non-performing financing (Grades 8-10)	-	-	6,862	6,862
Gross financing to customers - Corporate Banking	213,426	62,196	6,862	282,484
Gross financing to customers - Retail Banking				
Performing financing (Grades 1-7)	63,450	1,995	-	65,445
Non-performing financing (Grades 8-10)	-	-	830	830
Gross financing to customers - retail Banking	63,450	1,995	830	66,275
Total gross financing to customers	276,876	64,191	7,692	348,759
Loss allowance-carrying amount	616	2,010	3,549	6,175
Credit related contingent items				
Performing financing (Grades 1-5)	14,782	-	-	14,782
Performing financings (Grades 6)	-	-	-	-
Performing financings (Grades 7)	-	-	-	-
Non-performing financing (Grades 8-10)	-	3	-	3
Total gross credit related contingent items	14,782	3	-	14,785
Loss allowance-carrying amount	33	-	1	34
Due from banks and financial institutions				
Performing Banks (Aa1 to Baa3)	87,689	-	-	87,689
Performing Banks (Unrated)	15,468	-	-	15,468
Due from banks and financial institutions	103,157	-	-	103,157
Loss allowance-carrying amount	11	8	-	19
Investment in Sukuk				
Performing Sukuk (Aa3 to Ba3)	31,684	-	-	31,684
Loss allowance-carrying amount	14	-	-	14
Acceptances (Aa3 to Ba3)	108	-	-	108
Loss allowance-carrying amount	-	-	-	-

Model risk management:

The Window has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss.

To manage the model risks, the Window has implemented the Governance Framework (the Framework). The Framework is a bank wide policy and is applicable to all models of Muzn. According to the Framework, all internally or externally (vendor based) developed risk quantification models that directly affect the financial reporting on Expected Loss (EL) and Lifetime Expected Loss (LEL) require independent validation.

The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework must be approved by the Board of Directors or the BRC.

The Window has a practice of doing independent model validation which provides recommendation to approve the use of the new risk quantification/ valuation models. In addition to new model validation, it also evaluates the performance of existing models through an annual validation process. The independency of the team will serve as an effective second line of defense for the Window in terms of usage of models.

29.2 Liquidity risk

Liquidity risk is the potential inability to meet Muzn's liabilities as they become due. It arises when Muzn is unable to generate cash to cope with a decline in deposits or increase in assets.

Muzn's liquidity risk management is governed by the Treasury Risk Policy document approved by the Board of Directors as well as the provisions of the relevant CBO guidelines on liquidity risk management through cash flow approach. The liquidity management does not only measure the liquidity position of Muzn on an going basis but also examine how funding requirement are likely to evolve under various scenarios.

Muzn monitors its liquidity risk through cash flow approach and stock approach. Under the cash flow approach, Muzn 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 over five years. The mismatches in various time buckets indicate liquidity gap and Muzn strictly adheres to the CBO set limit of cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets up to one year. In addition, Muzn has also set up internal limit on mismatches in time buckets beyond one year.

Treasury department of Muzn controls and monitors the liquidity risk and ensures that Muzn is not exposed to undue liquidity risk and at the same time makes optimum use of its funds. The middle office in Credit risk division also monitors the liquidity position of Muzn and provides the liquidity gap to Treasury Department to meet liquidity gaps.

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding (NSFR).The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BMI 127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is required to maintain a minimum required level of 100% effective from January 1, 2020.

29. FINANCIAL RISK MANAGEMENT (continued)

29.2 Liquidity risk (continued)

The net Stable Funding Ratio (NSFR) is a longer term structural ratio designed to address liquidity mismatches and reduce funding risk over a one year horizon. It is required to maintain a minimum ratio of 100% as per the regulatory guidance. The residual maturity profile of the assets, liabilities and equity at 31 December 2025 is as follows:

31 December 2025	On demand within 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
						﷼'000
Cash and balances with Central Bank of Oman	11,878	3,245	1,291	3,927	1,856	22,197
Due from banks and financial institution	17,579	15,487	4,813	-	-	37,879
Investments in Sukuk	9,228	1,382	10,952	1,275	34,048	56,885
Murabaha receivable	2,911	14,680	796	2,699	3,809	24,895
Ijarah-net	642	1,206	1,864	8,405	31,606	43,723
Diminishing Musharaka	602	2,759	3,426	22,668	189,956	219,411
Forward Ijarah	-	-	-	-	283	283
Service Ijarah	-	2	2	3	4	11
Wakala Bil Istithmar	417	6,758	13,047	28,856	42,751	91,829
Credit Card		95				95
Property and equipment (net)	-	-	-	-	1,121	1,121
Other assets	5,144	-	-	-	-	5,144
Total assets	**48,401**	**45,614**	**36,191**	**67,833**	**305,434**	**503,473**
Future Profit cash inflows	**2,174**	**10,058**	**11,326**	**77,964**	**42,843**	**144,365**
Current accounts	2,534	4,435	2,534	-	3,167	12,670
Due to banks	1,331	-	-	-	-	1,331
Other liabilities	8,324	-	-	-	-	8,324
Quasi Equity holders	21,566	121,982	70,915	126,008	62,563	403,034
Mudaraba savings account (including reserves)	1,024	2,044	2,044	3,066	3,890	12,068
Due to banks and financial institutions	1,925	7,700	19,250	25,025	-	53,900
Customer Wakala accounts	18,617	112,238	49,621	97,917	58,673	337,066
Owner's equity	-	-	-	-	78,114	78,114
Total liabilities and Quasi Equity holders and owners' equity	**33,755**	**126,417**	**73,449**	**126,008**	**143,844**	**503,473**
Future Profit cash outflows	**1,594**	**6,605**	**5,726**	**24,000**	**6,560**	**44,485**
Total liquidity gap	**14,646**	**(80,803)**	**(37,258)**	**(58,175)**	**161,590**	**-**
Cumulative liquidity gap	**14,646**	**(66,157)**	**(103,415)**	**(161,590)**	**-**	**-**

The maturity profile of the assets, liabilities and equity at 31 December 2024 is as follows:

31 December 2024	On demand within 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
						﷼'000
Cash and balances with Central Bank of Oman	26,015	2,202	2,426	2,582	1,826	35,051
Due from banks and financial institution	37,688	61,600	3,850	-	-	103,138
Investments in Sukuk	6,251	1,043	3,000	10,952	18,956	40,202
Murabaha receivable	2,216	14,165	778	2,795	3,654	23,608
Ijarah-net	260	1,042	1,561	7,718	38,140	48,721
Diminishing Musharaka	391	2,157	2,959	23,548	147,345	176,400
Forward Ijarah	-	-	-	-	283	283
Service Ijarah	-	2	2	6	7	17
Wakala Bil Istithmar	300	5,387	7,311	32,538	47,989	93,525
Credit Card	-	31	-	-	-	31
Property and equipment (net)	-	-	-	-	915	915
Other assets	3,258	-	-	-	-	3,258
Total assets	76,379	87,629	21,887	80,139	259,115	525,149
Future Profit cash inflows	2,271	9,845	10,637	72,189	38,168	133,110
Current accounts	2,068	3,619	2,068	-	2,587	10,342
Due to banks	389	-	-	-	-	389
Other liabilities	8,188	-	-	-	-	8,188
Quasi Equity holders	79,129	165,406	87,659	61,031	58,659	451,884
Mudaraba savings account (including reserves)	799	1,594	1,594	2,391	3,059	9,437
Due to banks and financial institutions	45,777	86,628	-	-	-	132,405
Customer Wakala accounts	32,553	77,184	86,065	58,640	55,600	310,042
Owner's equity	-	-	-	-	54,346	54,346
Total liabilities and Quasi Equity holders and owners' equity	89,774	169,025	89,727	61,031	115,592	525,149
Future Profit cash outflows	2,106	6,625	3,909	16,800	6,722	36,162
Total liquidity gap	(13,395)	(81,396)	(67,840)	19,108	143,523	-
Cumulative liquidity gap	(13,395)	(94,791)	(162,631)	(143,523)	-	-

29. FINANCIAL RISK MANAGEMENT (continued)

29.2 Liquidity risk (continued)

The tables below analyses the Window's financial liabilities into relevant maturity groupings based on their contractual maturities. Where there are no contractual maturities, the balances are considered as "Due on demand".

At 31 December 2025	On demand within 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Total
					'000
Current accounts	**12,670**	**-**	**-**	**-**	**12,670**
Quasi Equity – Participatory investment accounts	**137,545**	**129,261**	**266,806**	**136,228**	**403,034**
Due to Banks	**1,331**	**-**	**1,331**	**-**	**1,331**
Other liabilities	**8,324**	**-**	**8,324**	**-**	**8,324**

At 31 December 2024	On demand within 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Total
					'000
Current accounts	10,342	-	-	-	10,342
Quasi Equity – Participatory investment accounts	243,695	141,477	385,172	66,712	451,884
Due to Banks	389	-	389	-	389
Other liabilities	8,163	-	8,163	-	8,163

Liquidity coverage ratio for the year ended 31 December 2025:

	2025 Percentage	2024 Percentage
Liquidity coverage ratio	**244.5**	105.8

Net Stable Funding ratio for the year ended 31 December 2024:

	2025 Percentage	2024 Percentage
Net stable funding ratio	116.2	122.71

29.3 Market risk

Market risk includes currency risk, profit rate risk and equity risk.

(a) Currency risk

Muzn is exposed to currency risk through its transactions in foreign currencies. The major foreign currency to which Muzn is exposed is the US Dollar which is effectively pegged to Rial Omani. Muzn finances a significant portion of its financial assets in the same currencies as the relevant measurement currencies to mitigate its foreign currency risk.

(b) Profit rate risk

Profit rate risk (PRR) is the risk that Muzn will incur a financial loss as a result of mismatch in the profit rates on assets & investment accountholders. The profit distribution to investment accountholders in based on Profit Sharing Agreements. Therefore, Muzn is not subject to any significant PRR. However, the profit sharing agreements will result in displaced commercial risk when Muzn's results do not allow it to distribute profits in line with the market rates.

Muzn has a detailed Profit Distribution Policy in place which details the process and management of Profit Distribution, including setting up of Profit Equalization & Investment Risk Reserve. The responsibility of profit rate risk management rests with Muzn's Asset and Liability Management Committee (ALCO).

Profit rate risk is managed by monitoring the sensitivity of Muzn's financial assets and liabilities to various standardized profit rate shocks. Standardised shocks include a 100 basis point and 200 basis point parallel shifts in yield curves that are considered on a monthly basis. The impact of these shocks is analysed in the context of its impact on Earnings and Economic Value. The impact is compared against internal limits which have been formulated in line with the Central Bank of Oman and Basel Committee guidelines. The analysis is regularly reviewed by the Management and Board Risk Committee.

Earning impact of 200 basis points parallel shift in profit rate is provided below:

As at December 2025	200 bps increase	200 bps decrease
Earnings impact - RO'000s	**3,043**	**(3,043)**
As at December 2024	200 bps increase	200 bps decrease
Earnings impact - RO'000s	383	(383)

Profit rate sensitivity gap

Sensitivity to profit rates arises from mismatches in the period to re-pricing of assets and that of the corresponding liability. Muzn manages these mismatches by following policy guidelines and reduces risk by matching the re-pricing of assets and liabilities.

31 December 2025	Effective average profit rate	On demand within 6 months	3 to 12 months	1 to 5 months	Over 5 year	Non-profit bearing	Total
	%						'000
Cash and balances with Central Bank of Oman	N/A	-	-	-	-	22,197	22,197
Due from banks and financial institution	0.0%	34,030	-	-	-	3,849	37,879
Financial assets at amortization cost	5.2%	10,610	10,952	18,858	16,465	-	56,885
Murabaha receivable	5.3%	17,591	796	2,699	3,809	-	24,895
Ijarah-net	4.1%	1,848	1,864	8,405	31,606	-	43,723
Diminishing Musharaka	6.2%	3,361	3,426	22,668	189,956	-	219,411
Forward Ijarah	5.6%	-	-	-	-	283	283
Service Ijarah	5.3%	2	2	3	4	-	11
Wakala Bil Istithmar	0.6%	7,175	13,047	28,856	42,751	-	91,829
Credit card	0.0%	-	-	-	-	95	95
Property and equipment (net)	N/A	-	-	-	-	1,121	1,121
Other assets	N/A	-	-	-	-	5,144	5,144
Total assets		**74,617**	**30,087**	**81,489**	**284,591**	**32,689**	**503,473**
Current accounts	N/A	-	-	-	-	12,670	12,670
Due to banks	0.0%	1,331	-	-	-	-	1,331
Other liabilities	N/A	-	-	-	-	8,324	8,324
Quasi Equity holders	N/A	135,848	59,365	120,233	87,588	-	403,034
Mudaraba savings account (including reserves)	0.7%	3,068	2,044	3,066	3,890	-	12,068
Due to banks and financial institutions	4.7%	1,925	7,700	19,250	25,025	-	53,900
Customer Wakala accounts	5.1%	130,855	49,621	97,917	58,673	-	337,066
Owner's equity	N/A	-	-	-	-	78,114	78,114
Total liabilities and owners' equity		**137,179**	**59,365**	**120,233**	**87,588**	**99,108**	**503,473**
On-balance sheet gap		**(62,562)**	**(29,278)**	**(38,744)**	**197,003**	**(66,419)**	**-**
Cumulative liquidity gap		**(62,562)**	**(91,840)**	**(130,584)**	**66,419**		

29. FINANCIAL RISK MANAGEMENT (continued)

29.2 Liquidity risk (continued)

31 December 2024	Effective average profit rate	On demand within 6 months	3 to 12 months	1 to 5 months	Over 5 year	Non-profit bearing	Total
	%						'000
Cash and balances with Central Bank of Oman	N/A	-	-	-	-	35,051	35,051
Due from banks and financial institution	5.4%	101,986	-	-	-	1,153	103,139
Financial assets at amortization cost	5.6%	7,295	3,000	15,608	14,299	-	40,202
Murabaha receivable	5.8%	16,381	778	2,795	3,654	-	23,608
Ijarah-net	4.3%	1,302	1,561	7,718	38,140	-	48,721
Diminishing Musharaka	6.2%	2,548	2,959	23,548	147,345	-	176,400
Forward Ijarah	5.5%	-	-	-	-	283	283
Service Ijarah	4.9%	2	2	6	7	-	17
Wakala Bil Istithmar	0.6%	5,687	7,311	32,538	47,989	-	93,525
Credit card	0.0%	-	-	-	-	31	31
Property and equipment (net)	N/A	-	-	-	-	915	915
Other assets	N/A	-	-	-	-	3,258	3,258
Total assets		135,201	15,611	82,213	251,434	40,691	525,149
Current accounts	N/A	-	-	-	-	10,342	10,342
Due to banks	0.0%	389	-	-	-	-	389
Other liabilities	N/A	-	-	-	-	8,188	8,188
Quasi Equity holders	N/A	157,907	174,287	61,031	58,659	-	451,884
Mudaraba savings account (including reserves)	0.6%	2,393	1,594	2,391	3,059	-	9,437
Due to banks and financial institutions	5.7%	45,777	86,628	-	-	-	132,405
Customer Wakala accounts	5.6%	109,737	86,065	58,640	55,600	-	310,042
Owner's equity	N/A	-	-	-	-	54,346	54,346
Total liabilities and owners' equity		158,296	174,287	61,031	58,659	72,876	525,149
On-balance sheet gap		(23,095)	(158,676)	21,182	192,775	(32,186)	-
Cumulative liquidity gap		(23,095)	(181,771)	(160,589)	32,186	-	

29.4 Equity risk

The proprietary equity positions are held in the 'FVOCI' category. The market risk is monitored though periodic mark-to-market reports which are circulated to the management and, if any, required actions are promptly taken. The portfolio is also monitored and managed as per the Investment Policy approved by the Board Risk Committee

29.5 Operational risk

Muzn has adopted the Basic Indicator Approach under Basel II for the purpose of measuring capital charge for Operational Risk. The approach requires Muzn to provide 15% of the average three years gross annual income as capital charge for operational risk.

Operational risk is the risk of loss arising from systems failure, human error, frauds or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Window cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Window is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the use of internal audit. Further, the Window has established an operational loss appetite statement to monitor losses under various operational loss categories and any breaches of set-off thresholds are reported to the Board Risk Committee. In addition to this, the Window has an operational loss reporting database.

Information Security is an essential component of Operational Risk Management. The Window has implemented the latest security infrastructure like firewalls, intrusion prevention systems, anti-virus soft wares, etc. Periodic vulnerability assessments are conducted to ensure the security of the systems.

As a part of Business Continuity Management initiatives, the Window has taken necessary actions to ensure effective measures in case of a crisis situation, e.g. evacuation drills, testing of critical systems and applications from the Disaster Recovery site. The Window has the capability to ensure that critical Banking processes are tested to ascertain availability during such situations.

30. CAPITAL RISK MANAGEMENT

The ultimate objectives of capital management are three-fold:

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

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

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

The Asset Liability Committee (ALCO) currently reviews and monitors capital adequacy and requirements for capital on an ongoing basis for the Muzn window. Risk weights are assigned to assets as per regulatory requirements from CBO. Assets funded by Quasi equity are also assigned same risk weights as assets funded by own equity.

The capital adequacy for Muzn is set out as below:

	2025	2024
		'000
Capital base		
Tier I capital	**75,777**	52,979
Tier II capital	**3,699**	940
Total capital base	**79,476**	53,919
Risk weighted assets		
Credit risk	**385,490**	352,908
Market risk	**23,361**	9,106
Operational risk	**15,256**	12,721
Total risk weighted assets	**424,107**	374,735
Capital ratios		
Total Tier I ratio	**17.87%**	14.14%
Total Capital ratio	**18.74%**	14.39%

31. SEGMENTAL INFORMATION

Muzn is organised into three main business segments:

1. Retail banking - incorporating private customer current accounts, savings, deposits, Murabaha receivables, Ijarah, Forward Ijarah, Wakala and Diminishing Musharaka.
2. Corporate banking - incorporating corporate customer current accounts, savings, deposits, Murabaha receivables, Diminishing Musharaka, Ijarah and Forward Ijarah.
3. Treasury and investments includes borrowing and financing of short term funds and foreign exchange activities.
4. Other operations comprise investment management and institutional finance neither of which constitutes a separately reportable segment.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and deposits.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis..

31. SEGMENTAL INFORMATION (continued)

At 31 December 2025	Retail banking	Corporate banking	Treasury and investments	Others	Total
					⃁'000
Segment operating revenues	3,582	17,343	5,333	-	26,258
Other revenues	107	803	1,604	147	2,661
Total revenues	3,689	18,146	6,937	147	28,919
Return on Quasi Equity holders	(2,635)	(11,990)	(3,674)	(381)	(18,680)
Net operating income	**1,054**	**6,156**	**3,263**	**(234)**	**10,239**
Operating expenses	(910)	(211)	(129)	(1,567)	(2,817)
Net Impairment	(1,353)	667	(313)	(10)	(1,009)
Net Profit for the year	**(1,209)**	**6,612**	**2,821**	**(1,811)**	**6,413**
Segment assets	68,992	312,745	115,471	6,265	503,473
Segment liabilities	**78,352**	**281,531**	**55,231**	**88,359**	**503,473**

At 31 December 2024	Retail banking	Corporate banking	Treasury and investments	Others	Total
					⃁'000
Segment operating revenues	3,550	14,347	5,313	-	23,210
Other revenues	76	967	906	74	2,023
Total revenues	3,626	15,314	6,219	74	25,233
Return on Quasi Equity holders	(2,344)	(12,333)	(2,611)	(336)	(17,624)
Net operating income	1,282	2,981	3,608	(262)	7,609
Operating expenses	(854)	(250)	(139)	(1,281)	(2,524)
Net Impairment	(89)	591	122	-	624
Net Profit for the year	339	3,322	3,591	(1,543)	5,709
Segment assets	67,037	276,704	177,235	4,173	525,149
Segment liabilities	61,829	266,462	132,794	64,064	525,149

32. SOURCES AND USES OF CHARITY FUND FOR THE YEAR

	2025	2024
		⃁'000
Balance as at 1 January	-	8
Non-Islamic income for the year	4	12
Total source	**4**	20
	-	
Use of charity fund:	-	
Association for Welfare of Children Disabilities	(2)	
Oman Association for disabled	(1)	
Oman Charitable Organization	-	(8)
Ihsaan Association	-	(3)
Oman Society for the Hearing Impaired	-	(3)
Omani Bahja Orphan Society	-	(3)
Omani Association for Down syndrome	(1)	(3)
Undistributed charity fund as at 31 December	-	-

The Main Charity Fund is dedicated to providing contributions to organizations registered with the Ministry of Awqaf and Religious Affairs. This fund is sourced from late payment fees as well as purified dividend income, ensuring that all contributions align with our ethical and religious standards.

Branches Network

58 Branches in Oman

16 Sadara Priority Banking Centre

8 Muzn Islamic Banking Branches

2 Branches in the UAE

Branch	Telephone No.	
Azaiba - HO Branch	24778190	24778355
Batinah North		
Sohar Hambar	26859104	26859105
Shinas	26747663	
Khabourah	26802380	26805155
Saham	26855299	26855146
SIA	26755878	26755875
Sohar	26840234	26843780
Liwa	26762075	26762075
Batinah South		
Al Suwaiq	26862764	26860518
Barka	26882007	26882368
Bidaya	26709340	26709240
Musana	26870182	26871118
Rustaq	26878334	26878332
Dhofar		
Mirbat	23268345	23268346
New Salalah	23291346	23298027
Saada	23225283	23225927
SQH	23211042	23211092
Salalah	23298037	23291601
Dakhliya & Dahirah		
AL Araqi	25694342	25694341
AL Hamra	25422008	25423121
Bahla	25363613	25363859
Buraimi	25653037	25655226
Dhank	25676283	25676284
Fanja	25361190	25360444
Firq	25432149	25431140
Ibri	25691161	25690782
Nizwa	25410073	25410043
Sumail	25350355	25351483

Branch	Telephone No.	
Muscat North		
Airport	24521448	24510007
Al Khoudh	24537950	24537951
Al Khuwair	24486441	24486481
Azaiba	24591341	24597855
Bousher	24587291	24587294
Bukha	26828014	
Khassab	26731442	26730467
Mabelah	24453314	24455957
MOH	24253771	24253772
Muwaleh	24511164	24511165
NHO	24778190	
OAA	24253775	24253772
Seeb Town	24420441	24423511
SQU	24446768	24446556
Muscat South		
Corniche	24713040	24715103
Shati Al Qurum	24607161	24607687
Quram	24565561	24566860
CBD	24778350	24778365
Amerat	24875766	24879464
Wattaya	24563830	25638251
Qurriat	24846100	24846415
Hamriya	24833792	24831520
Sharqiyah		
Sur	25545158	25540246
Massirah	25504516	25504026
Duqum	25427130	25427101
Jallan	25550110	25550950
B B Ali	25554138	25554015
Ibra	25570144	25570015
Al Kamil	25557524	25557770
Mudhaibi	25578484	25578014
Sinwa	25524212	25524223

Branch	Telephone No.
Muzn Islamic Banking	
Azaiba	24902958
Sohar	26846692
Nizwa	25411241
Sur	25540642
Salalah	23291310
Mabellah	24468094
Ibra	25575694
Al Musannah	26871299
Sadara Priority Banking Centre	
Azaiba HO	24777378/ 8958/8159
Al Khoudh	24778608
Al Mawaleh	24348118
OAA	24253774
Al Khuwair	24487356
CBD	24774339/ 8222/4497
Sur	25545414
Sohar Hambar	26859103
Rustaq	26878334
SIA	26755886
Saham	26855299
Barka	26882368
Buraimi	25642989
Nizwa	25431401
Firq	25431122
Salalah	23298092
UAE	
Abu Dhabi	0097126974000
Dubai	0097143049400

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