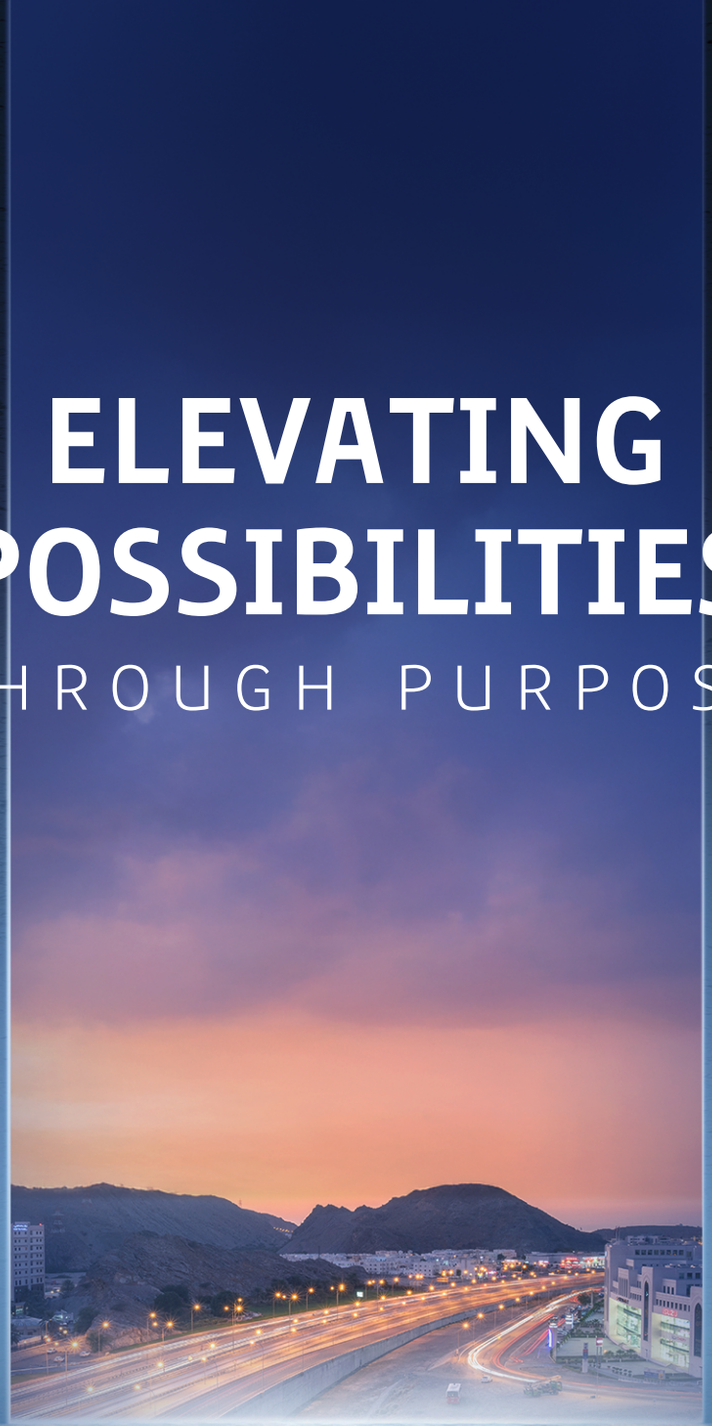
ANNUAL REPORT 2025

بنك العز الإسلامي
alizz islamic bank

ELEVATING POSSIBILITIES

THROUGH PURPOSE



HIS MAJESTY SULTAN HAITHAM BIN TARIK



Contents

بنك العز الإسلامي
alizz islamic bank

Bank Profile 4

Chairman's Message 6

Board of Directors 12

Executive Management 14

Auditor Report on Corporate Governance 16

Corporate Governance Report 2025 17

Shari'a Supervisory Board 40

Fatwas of Shari'a Supervisory Board 42

Management Discussion & Analysis 48

Basel II, Pillar III and Basel III Report 52

Financial Statements 110

Bank Profile

The Bank's Vision:

"Personalising every financial experience through innovative & smart solutions."

Values:

Ethical in our dealings
Collaborative in our approach
Leadership in our results
Agile in our actions
Trust in our services



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report for Alizz Islamic Bank SAOC (the "Bank") for the financial year ended 31 December 2025. The year 2025 was marked by significant progress and achievements for our Bank, underpinned by a supportive economic environment and our steadfast commitment to strategic growth, innovation, and adherence to our core Islamic banking principles.

Economic Overview and Outlook

The global and regional economic backdrop in 2025 has been favorable for the banking industry. Monetary conditions began to stabilize, with interest rate trends improving liquidity and credit demand. Here in Oman, prudent fiscal management and disciplined financial policies continued to strengthen the macroeconomic foundation. Public debt levels have sharply declined (to roughly 34% of GDP in 2024) and the Sultanate regained investment-grade credit ratings, boosting investor confidence. The government's ongoing economic diversification initiatives under Oman Vision 2040 further stimulated non-hydrocarbon sectors and sustainable development. As a result, Oman's real GDP growth is projected to accelerate to around 2.9% in 2025 (up from 1.7% in 2024), outpacing the broader regional growth outlook. This positive economic climate, combined with consecutive budget surpluses and a resilient financial sector, has fostered broad optimism across industries – particularly benefitting banks like Alizz Islamic Bank.

Importantly, Islamic banking has continued to gain momentum as a key growth driver in Oman's financial sector. Industry assets have been expanding at double-digit rates, with Islamic banking entities now accounting for about 20% of the nation's banking assets (up from ~18% a year earlier). This robust growth, nearly 17% year-on-year in Islamic financing and deposits significantly outpaced the growth of conventional banks in 2025. It is fueled by supportive regulatory reforms, increasing public awareness of Sharia-compliant finance, and the expansion of innovative products, digital channels, and distribution networks across the country. These trends confirm that Islamic finance is firmly entrenched as a mainstream and growing segment of the market. As one of Oman's full-fledged Islamic banks, Alizz Islamic Bank is strategically positioned to capitalize on this rising demand. We remain fully aligned with our Shari'a principles and well equipped through our people, technology, and service offerings to drive and support the continued expansion of Islamic banking both domestically and regionally.

Financial Performance

Alizz Islamic Bank delivered outstanding financial performance in 2025, reflecting successful strategic execution and operational excellence. Building on the strong momentum in the first three quarters of the year during which the Bank's net profit grew by about 17% year-on-year we closed 2025 with record results. The Bank achieved a net profit of ﷼12.0 million, marking a significant increase of 20% over the previous year's profit. Our financing portfolio expanded by 9.6%, reaching ﷼1,173.9 million, while customer deposits grew by 16%, totaling ﷼ 1,269.1 million. These robust figures affirm our sustainable growth trajectory and our commitment to maximizing value for our shareholders. Notably, our balance sheet growth was accompanied by strong asset quality and capital buffers. We maintained healthy capital adequacy well above regulatory requirements and a prudent risk management stance, ensuring the Bank's resilience and stability amid a dynamic operating environment. Overall, the financial results for 2025 underscore that Alizz Islamic Bank is not only growing in size and profitability but doing so in a sound, well-governed manner that safeguards the interests of all stakeholders.

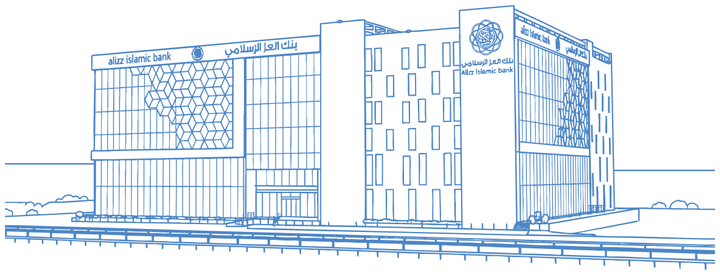
Net Profit of ﷼12 million marking a significant increase of 20% over the previous year's profit.

Financing portfolio expanded by 9.6%, reaching ﷼1,173.9 million

Deposits grew by 16% totaling ﷼1,269.1 million

Strategic Initiatives

Throughout 2025, we continued to execute our strategy with a focus on innovation, customer-centric services, and sustainable expansion. A core priority has been digital transformation enhancing our technology platforms to provide customers with greater convenience, security, and personalized solutions. Building on last year's launch of our corporate online banking platform 'Alizz Connect,' this year we introduced the Alizz Connect mobile application for corporate clients, enabling businesses to manage their accounts on-



the-go with the same ease as our retail customers. We also invested in upgrading our ATM and Cash Deposit Machine (CDM) network, deploying new smart ATMs and interactive teller machines to extend 24/7 banking services across various regions. Furthermore, the Bank rolled out a new chatbot service integrated with popular messaging platforms, allowing customers to get instant responses to inquiries and perform simple banking requests through AI-powered conversational banking. These digital initiatives are part of our broader vision to embrace financial technology and enhance the customer experience at every touchpoint.

In tandem with our digital push, we launched several innovative products and partnerships that enriched our offerings in 2025. Most notably, Alizz Islamic Bank entered a strategic partnership with Visa to elevate our card services. Under this collaboration, we introduced a suite of new Shari'a-compliant Visa card products including instant-issuance debit cards, premium credit cards, and a range of prepaid cards, all equipped with cutting-edge features for the modern, digital lifestyle. Customers now have the choice of physical or digital cards, and all our new cards are tokenization-enabled for seamless payments via Apple Pay, Samsung Pay, Google Pay and other digital wallets. These cards come with globally accepted, contactless payment capabilities and offer exclusive privileges such as access to 1,000+ airport lounges worldwide and luxury retail benefits. I am also proud to note that Alizz Islamic Bank became the first Islamic bank in Oman to introduce a multi-currency prepaid card, allowing customers to hold and spend in multiple currencies (including GCC currencies, USD, GBP, EUR, JPY and more) on a single card. This unique product caters to the needs of travelers and online shoppers by providing convenience and competitive exchange rates, all while adhering to Shari'a guidelines. The positive reception of these new card offerings has been encouraging, and they exemplify how we are personalizing the banking experience through innovation and smart solutions.

We also strengthened our capabilities in wholesale and corporate banking as part of our strategic initiatives. During the year, Alizz Islamic Bank forged partnerships with international institutions to enhance our trade finance and treasury offerings. In particular, we collaborated with the International Islamic Trade Finance Corporation (ITFC) and the Saudi Export-Import Bank (Saudi EXIM) to support cross-border trade between Oman and the region. Through this collaboration, which included a dedicated line of financing of USD 5 million – we are facilitating greater access for Omani importers to Saudi goods and helping Saudi SMEs expand into the Omani market. This initiative not only contributes to our corporate clients' growth but also aligns with broader national objectives of economic diversification and regional integration. Additionally, we hosted joint workshops with ITFC to build capacity in international trade practices and to explore new Sharia-compliant trade finance tools for our clients. By strengthening such strategic alliances, the Bank is enhancing its role in financing trade and development, and positioning itself as a conduit for investment flows in and out of Oman.

Complementing the above, we maintained a prudent expansion of our physical network and service infrastructure. We continued to operate an extensive branch network across the Sultanate, including our flagship smart branch in Muscat's Bowsher area which offers state-of-the-art self-service technology. In 2025, we optimized our branch footprint to ensure we are present where customers need us most, while encouraging greater adoption of our digital channels for everyday transactions. We have nearly twenty full-service branches covering all major governorates and have extended banking services to underserved areas through mobile units and strategic partnerships. Meanwhile, our ongoing investments in IT infrastructure and cybersecurity are ensuring that our growing digital ecosystem remains secure, reliable, and scalable. Looking forward, we will remain responsive and adaptable to customer needs continuing to introduce innovative financial products and services (including Islamic fintech solutions) that keep Alizz Islamic Bank at the forefront of modern Islamic banking. Our strategic focus is clear: to blend technology with the trusted principles of Sharia-compliant banking, thereby delivering superior value and convenience to our customers in an increasingly digital world.

Investing in Our People

Our employees are the driving force behind the Bank's success, and investing in their growth and well-being remained a central priority in 2025. This year we provided extensive training and professional development opportunities across all levels of the organization, ensuring our team possesses the skills and knowledge required to excel in a fast-evolving industry. Hundreds of staff members participated in upskilling initiatives ranging from advanced customer service and digital banking operations to risk management and product innovation. We also continued our flagship leadership development program, Ruwad Alizz, which is shaping the next generation of leaders for both the Bank and the wider community. In 2025, we proudly celebrated the graduation of the fourth cohort of the Ruwad Alizz Leadership Programme, with 41 delegates successfully completing the intensive six-month course (conducted in collaboration with Harvard ManageMentor). This batch of participants included not only Alizz employees but also talented individuals from government institutions and private sector partners, reflecting our commitment to developing leadership capacity beyond our organizational boundaries. With this cohort, the total number of Ruwad Alizz graduates has grown to over 135 since the program's inception. The success of Ruwad Alizz and the positive feedback from its graduates reinforces our belief that nurturing talent through world-class training is an investment that yields immeasurable returns for the Bank and the nation.

In line with our mission and values, we remain deeply committed to building an inclusive, performance-driven culture that rewards excellence and innovation. We are pleased to report that our Omanisation level remains one of the highest in the industry, at approximately 90% Omani staff. This reflects our dedication to recruiting, developing, and promoting Omani talent, in support of national objectives and to

ensure our business deeply understands and reflects the community we serve. We have continued to attract top graduates through partnerships with local universities and provided them mentorship under seasoned bankers. In addition, employee engagement and well-being were focal points during the year. We rolled out new health and wellness programs, offered flexible work arrangements where feasible, and actively encouraged a healthy work-life balance. The contributions of our employees in 2025 were outstanding their adaptability to new technologies, focus on customer service, and collaborative teamwork have been the cornerstone of our achievements. On behalf of the Board, I extend my sincere appreciation to every member of the Alizz Islamic Bank family for their hard work, loyalty, and passion. We will continue to invest in our people, fostering a work environment that empowers them to grow in their careers and to deliver exceptional value to our customers.

Corporate Social Responsibility

As an Islamic financial institution, Corporate Social Responsibility (CSR) is not just an add-on for Alizz Islamic Bank, it is embedded in our organizational ethos and mandate. We believe in contributing positively to the socio-economic development of Oman and in upholding the principles of compassion, equity, and sustainability that lie at the heart of Islamic banking. In 2025, the Bank sustained its strong record of community engagement through various initiatives focused on education, entrepreneurship, community welfare, and environmental stewardship. We continued our long-standing support for educational programs, including sponsorship of scholarships and skill-building workshops for youth, to help cultivate the next generation of Omani professionals. We also intensified our outreach to small and medium-sized enterprises (SMEs) by offering financial literacy seminars and mentorship, reflecting our commitment to empowering entrepreneurs and driving inclusive economic growth. In the area of environmental responsibility, Alizz Islamic Bank actively participated in national sustainability campaigns – from tree-planting drives to energy conservation initiatives aligning with Oman's goals for a greener future. Our internal operations have likewise become more eco-friendly, as we adopt digital documentation and green banking practices to reduce our carbon footprint. These efforts underscore the Bank's dedication to sustainable community development and social well-being, in harmony with the tenets of Shari'a and our corporate values.

Beyond these broad initiatives, the year 2025 saw us launch several new community partnerships and social programs that we are particularly proud of. For example, Alizz Islamic Bank partnered with the creators of the "Bustan" educational app to help inspire and teach children important Omani and Islamic values through interactive storytelling. By supporting such innovative platforms, we aim to nurture the cultural and moral development of Omani youth in a modern, engaging way. We also leveraged our digital banking channels to make charitable giving easier for our customers enabling in-app donations to reputable charities and causes. Notably, customers can now donate directly to organizations like the Association of Early Intervention for Children with Disability via our mobile banking application, seamlessly integrating philanthropy into everyday banking. This initiative reflects our belief that technology can be a powerful tool for social good, connecting resources to those in need in real time. Meanwhile, we maintained our close collaboration with esteemed charitable and civic organizations such as Dar Al Atta'a, Sultan Qaboos University, the Oman Vision 2040 implementation team, the Ministry of Social Development, and the Environment Society of Oman. Through these partnerships, we contributed to a range of projects from supporting underprivileged families and financing micro-businesses, to promoting financial inclusion and funding environmental conservation activities. Each of these CSR endeavors, big or small, is a manifestation of our corporate belief that a bank's responsibilities extend beyond financial performance to actively enriching the community it serves. We remain committed to sustaining and expanding our CSR programs in the years ahead, ensuring that Alizz Islamic Bank continues to be a force for good in society, in alignment with our ethical and religious obligations.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere appreciation to all who have contributed to the Bank's success in 2025. To our shareholders, thank you for your unwavering confidence and support your trust motivates us to strive for excellence and deliver sustainable returns. To our valued customers, we are grateful for your loyalty and for the opportunity to serve you; you remain the raison d'être of our business, and we will continue to innovate and improve to meet your needs and expectations. To the Central Bank of Oman (CBO) and other regulators, we extend our thanks for your prudent oversight and guidance, which ensure the stability and integrity of our banking sector and help us align with national financial goals. To our strategic partners and correspondents, we appreciate your collaboration and shared vision, which have enabled us to broaden our offerings and reach new heights this year. I also wish to especially acknowledge our employees, the management team, and staff of Alizz Islamic Bank for their dedication, professionalism, and hard work. Their commitment to the Bank's vision and values has been instrumental in navigating challenges and seizing opportunities throughout the year.

Finally, and most importantly, I would like to convey our profound gratitude to His Majesty Sultan Haitham Bin Tariq Al Said. Under His Majesty's wise and visionary leadership, Oman continues to prosper in an environment of stability, growth, and optimism. His support and guidance for the financial sector and the broader economy through the policies of Vision 2040 and beyond have been invaluable in steering the country toward sustained development and prosperity. We are truly inspired by His Majesty's dedication to the well-being of the Omani people and his encouragement of innovation and ethical governance, which resonate deeply with the values of Alizz Islamic Bank.

Looking ahead, we remain confident in our strategic path and in our ability to continue delivering sustainable, innovative, and impactful solutions to all our stakeholders. The year 2026 and beyond will no doubt bring new opportunities and challenges, but Alizz Islamic Bank enters this next phase with solid fundamentals, a clear vision, and a passionate team. Guided by the highest standards of governance, Shari'a compliance, and ethical practices, we will persist in our mission to drive growth and create value for our shareholders, customers, and communities. We are excited about the future of banking in Oman and the region, and we are committed to ensuring that Alizz Islamic Bank remains at the forefront of that future as a trusted Islamic bank that empowers its customers and contributes to the prosperity of our beloved nation.

Yahya Said Al Jabri
Chairman

Board of Directors



Mr. Yahya Said Al Jabri
Chairman



Mr. Hani Muhammad Al Zubair
Vice Chairman



Mr. Firas Jaser Zayyad
Board Member



Mr. Iyad Ghasoub Asali
Board Member



Mr. Sheikh Abdulaziz Khalifa Al Saadi
Board Member



Mr. Badar Al Shanfari
Board Member



Mr. Saleh bin Nasser Al Araimi
Board Member

Executive Management



Mr. Ali Al Mani
Chief Executive Officer



Dr. Muhammad Nadeem Aslam
GM – Chief Wholesale Banking Officer



Mr. Yassir Al Maawali
Chief Financial Officer



Mr. Ibrahim Abdullah Al Maamari
AGM – Chief Compliance Officer



Mr. Juma Khamis Al Sulaimani
AGM – Head of Business Banking & SME



Mr. Hamed Al Riyami
Head of Strategy



Mr. Asaad Al Kharusi
AGM – Chief Operating Officer



Mr. Syed Abdul Razak
Chief Risk Officer



Mr. Retesh Vatrana
Chief Internal Audit



Mr. Saif Al Yahyai
Chief Retail Officer



Mr. Ghalib Al Kharusi
Head of Human Capital



Mr. Khalid Al Hoqani
Head of Transformation



Mr. Issa bin Salim Al Riyami
Shari'a Audit and Compliance Department



Ms. Lina Al Abdulsalaam
Head of Marketing & Corporate Communications

Auditor Report on Corporate Governance



Deloitte.

Deloitte & Touche (M.E.) & Co. LLC
Minaret Al Qurum Building, Level 6
Al Qurum
P.O. Box 258, Postal Code 112
Muscat
Sultanate of Oman

Tel: +968 22354300 | Fax: +968 22354333
www.deloitte.com
Tax Card No. 8095014 | VATIN OM1100000087

STRICTLY PRIVATE & CONFIDENTIAL

The Board of Directors
Alizz Islamic Bank SAOC
Muscat
Sultanate of Oman

Agreed Upon Procedures report on Code of Corporate Governance
Purpose of this Agreed-upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of the Directors of Alizz Islamic Bank SAOC (the "Bank") for the preparation of Annual Report in accordance with the Article 3 of the Ministerial resolution 5/2025, "Issuing the Principles of Corporate Governance of Closed Joint Stock Companies" issued by the Ministry of Commerce, Industry and Investment Promotion (the "Code") and may not be suitable for another purpose.

The report is intended solely for the Alizz Islamic Bank SAOC (the "Engaging Party" or the "Bank") and should not be used by, or distributed to, any other parties. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement.

Responsibilities of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

The Engaging party is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed upon procedures engagement in accordance with the International Standard on Related Services 4400 (Revised), Agreed Upon Procedures Engagements. An agreed upon procedures engagement involves our performing the procedures that have been agreed with the Engaging Party, 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.

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.



Deloitte.

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and the independence requirements in accordance with the law.

Our firm applies International Standard on Quality Management ("ISQM") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and 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 upon with the Engaging Party in the terms of engagement dated 14 May 2025:

Procedures	Findings
We obtained the Annual Report issued by the Board of Directors and determined if the items listed in Article 3 of the Code are included in the Annual Report.	No findings noted

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

Very truly yours,

Deloitte & Touche

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Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
10 March 2026

Corporate Governance Report – 2025

Corporate governance at Alizz Islamic Bank SAOC (the "Bank") is governed by the Commercial Companies Law, the Bank's own Corporate Governance Framework, and best international practices. It defines how the Bank is directed and controlled, clarifies the roles of Directors, and formalizes internal control processes within the institution. The Board of Directors is committed to fostering a robust governance culture, continuously evaluating, and improving governance practices, policies, and procedures to align with global best practices. The Board ensures that the Bank complies with the Commercial Companies Law and the Central Bank of Oman's regulations for corporate governance of banking and financial institutions. As an Islamic bank, the Bank also adheres to the Central Bank of Oman's Islamic banking regulations. Moreover, the Bank's Shari'a governance practices are aligned with the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the guidelines of the Islamic Financial Services Board (IFSB), reflecting globally recognized best practices in Islamic finance.

Board of Directors

The Board of Directors is responsible for the overall supervision and control of the Bank. It defines and approves the Bank's objectives, strategy, and policies, and it monitors management's performance in achieving these objectives. The Board ensures that management acts in the best interests of the Bank and its stakeholders, and it regularly reviews the Bank's performance relative to its strategic goals.

Appointment of Directors:

The Board is comprised of seven members, all of whom were re-elected by the shareholders in March 2025 for a new three-year term expiring in 2028. This process was carried out in accordance with the Bank's Articles of Association and the Commercial Companies Law. Shareholders retain the ultimate authority to elect Board members, and any shareholder may nominate or vote for candidates regardless of any recommendations made by the incumbent Board.

Process of Nomination of Directors:

Nominations for the Board are conducted in line with the Bank's Articles and applicable laws. The Nomination and Remuneration Committee vets and recommends candidates based on established criteria (qualifications, experience, integrity, etc.), but the final election of Directors is the prerogative of the shareholders at the General Assembly.

Information Provided to the Board:

Directors receive timely and comprehensive information to enable full and effective oversight of strategic, financial, operational, compliance, and governance matters. Upon appointment, each Director is given an induction pack containing detailed information about the Bank, its operations, and their legal and regulatory obligations as a director of an Omani joint stock company. Ongoing education and updates are provided to Board members to keep them informed of regulatory changes and emerging best practices.

Composition of the Board:

The composition of the board has been changed in the second Board meeting held on the 24th of March 2025 whereby Mr. Yahya Al Jabri was appointed as Chairman and Mr. Hani Al Zubair as Vice Chairman. In addition, it was held that Mr. Badar Al Shanfari sits in the EXCOM and NRCB committee, and Shk. Abdulaziz Khalifa Al Saadi sits in the BAC and BRCC committees. Therefore,

the meetings held before the 24th of March are why there are changes to the tables which show additional members.

The composition of the Board of Directors as of 31 December 2025 is shown in Table 1 below, which lists each Director, their representation, and their category of directorship:

Table 1: Composition of the Board of Directors (as of 31-Dec-2025)

Name of Director	Representing	Category of Director*
Mr. Yahya Al Jabri – Chairman	Himself	NEX-IND
Mr. Hani Al Zubair – Vice Chairman	Himself	NEX
Mr. Saleh Nasser Al Araimi – Member	Himself	NEX-IND
Shk. Abdulaziz Khalifa Al Saadi – Member	Himself	NEX
Mr. Firas Zayyad – Member	Himself	NEX
Iyad Asali – Member	Himself	NEX
Mr. Badar Al Shanfari – Member	Himself	NEX

*NEX: Non-Executive Director, IND: Independent

Table 2 below provides details of each Director's committee memberships, Board meeting attendance in 2025, and attendance at the last Annual General Meeting (AGM):

Table 2: Board Meeting Attendance and Committee Memberships (2025)

Name of Director	Board Committee Memberships**	Board Meetings Attended (2025)	Attended last AGM (24/03/2025)
Mr. Yahya Al Jabri – Chairman	NRCB, EXCOM	6	Yes
Mr. Hani Al Zubair – Vice Chairman	BRCC, NRCB	6	Yes
Mr. Saleh Nasser Al Araimi – Member	BAC	6	Yes
Mr. Iyad Asali – Member	EXCOM, NRCB	6	Yes
Mr. Firas Zayyad – Member	BAC, BRCC	6	Yes
Shk. Abdulaziz Khalifa Al Saadi – Member	BAC, BRCC	4	No
Mr. Badar Al Shanfari – Member	EXCOM, NRCB	6	Yes
Mr. Sanjay Kawatra	EXCOM, NRCB	1	No

Upon appointment of the Board of director proceeding the AGM, Mr Sanjay Kawatra resigned from the Board on 17 March 2025. He attended the first meetings of the Board, EXCOM, and NRCB. And Sheikh Abdulaziz Khalifa Al Saadi was appointed as a Board Member.

BAC: Board Audit Committee; **BRCC**: Board Risk and Compliance Committee; **EXCOM**: Executive Committee; **NRCB**: Nomination and Remuneration Committee of the Board.

Number and Dates of Board Meetings:

The Board held six meetings during 2025. These meetings took place on 29 January, 24 March, 4 May, 8 August, 6 November, and 2 December 2025. The maximum interval between any two Board meetings was 96 calendar days, which is in compliance with the Commercial Companies Law requirement that the gap between meetings not exceed 120 days.

Remuneration to Board and Top Management: The total sum of all benefits (salaries, allowances, perquisites, gratuity, pension, bonuses, etc.) paid to the Bank's 5 highest earning senior management executives in 2025 was approximately ﷼966,559/-. All senior management contracts for expatriate officers are fixed-term (two years), and for Omani staff they are governed by prevailing labor laws. The notice period for senior management is three months.

As all members of the Board are non-executive Directors, they do not receive any fixed salaries or performance-linked incentives from the Bank. Instead, non-executive Directors are compensated through sitting fees for attending Board and Committee meetings, as well as reimbursement of any expenses incurred in relation to their Board duties. The following table details the sitting fees paid to each Board member in 2025. Additionally, in accordance with shareholder approval, the Bank paid a total annual remuneration of ﷼100000/- to the Board members for the financial year ended 31 December 2025 (this annual Board remuneration is subject to statutory limits and approval by shareholders at the AGM).

Table 3: Board of Directors – Sitting Fees Paid in 2025

Name of Director	Total Sitting Fees Paid (﷼)
Mr. Yahya Al Jabri – Chairman	6000
Mr. Hani Al Zubair – Vice Chairman	5850
Mr. Saleh Nasser Al Araimi – Member	6000
Mr. Iyad Asali – Member	6000
Mr. Firas Zayyad – Member	5700
Shk. Abdulaziz Khalifa Al Saadi – Member (Ominvest nominee)	4200
Mr. Badar Al Shanfari – Member (Ominvest nominee)	6000
Mr. Sanjay Kawatra	1200
Total	**40950**

Note: In accordance with the Executive Regulations of the Commercial Companies Law, the maximum total sitting fees permissible per Director is ﷼6,000 for a year.

The total travel and accommodation expenses reimbursed to Board members in 2025 was ﷼8,789.098/-, reflecting a decrease from the previous year due to the Board deciding not to hold any off-site meetings.

Board Committees

As of 31 December 2025, the Board of Directors has four standing committees to assist it in carrying out its oversight responsibilities. These are: the Board Executive Committee (EXCOM), the Board Audit Committee (BAC), the Board Risk and Compliance Committee (BRCC), and the Board Nomination and Remuneration Committee (NRCB). Each Committee operates under a charter approved by the Board, and each Committee regularly reports its deliberations and recommendations to the Board.

Board Audit Committee (BAC)

The Board Audit Committee comprises three non-executive, independent Board members. The BAC met four times in 2025. Table 4 below shows the Committee's composition and the attendance of its members:

Table 4: Board Audit Committee Composition and Attendance (2025)

Name	Position	Meetings Attended (2025)
Mr. Saleh Al Araimi	Chairman – Independent	4
Mr. Firas Zayyad	Member – Independent	4
Shk. Abdulaziz Khalifa Al Saadi	Member – Independent	3
Mr. Badar Al Shanfari[1]	Member – Independent	1

Meeting dates in 2025: 28 January, 5 May, 5 August, 4 November.

1 Mr. Badar Al Shanfari attended the first meeting before change in the composition.

Role and Responsibilities: The Audit Committee's primary responsibility is to assist the Board in fulfilling its oversight responsibilities for the integrity of the Bank's financial statements, the effectiveness of internal control systems, compliance with legal and regulatory requirements, and the performance of internal and external audit functions. The Committee oversees the work of the Internal Audit Department and the External Auditors, and it reviews significant audit findings and management's responses.

Authority: The BAC is empowered to:

- **Recommend the appointment, re-appointment, or removal of the External Auditor**, and negotiate their remuneration, for Board endorsement and subsequent shareholder approval at the AGM.
- **Review and approve the audit plan** (internal and external) and all audit and permitted non-audit services provided by the external auditors, ensuring these do not impair the auditor's independence.
- **Evaluate the effectiveness of the Internal Audit function** and ensure that internal audit findings and recommendations are adequately addressed by management in a timely manner.
- **Access any information** it requires from management, and meet with any officer or employee as needed. It also has direct access to external auditors and legal counsel when necessary.
- **Report significant audit findings to the Board**, especially any material weaknesses in internal controls, and follow up on the implementation of corrective actions.

Board Risk and Compliance Committee (BRCC)

The BRCC chairman directed that the BRCC holds two sessions which constitute one meeting with one sitting fee payment.

The Board Risk and Compliance Committee consists of three independent, non-executive Directors. The BRCC met four times during 2025. Table 5 illustrates the Committee's composition and meeting attendance:

Table 5: Board Risk & Compliance Committee Composition and Attendance (2025)

Name	Position	Meetings Attended (2025)
Mr. Hani Al Zubair	Chairman – Independent	3
Mr. Firas Zayyad	Member – Independent	3
Shk. Abdulaziz Khalifa Al Saadi	Member – Independent	3
Mr. Badar Al Shanfari[2]	Member – Independent	1

Meeting dates in 2025: 11 and 13 February, 28 and 29 April,28 and 29 July, 2 and 3 November.

Role and Responsibilities: The BRCC assists the Board in overseeing the Bank's risk management framework and compliance with regulatory requirements. It ensures that all key risks (credit, market, liquidity, operational, Shari'a, reputational, etc.) are identified, assessed, and managed within the Bank's risk appetite and in accordance with regulatory guidelines. The Committee treats regulatory compliance as a core component of risk management, reinforcing a culture of adherence to laws and regulations (including anti-money laundering, KYC, and other prudential regulations). Key responsibilities include:

- **Risk Strategy and Appetite:** Reviewing management's proposals on risk strategy and appetite, and recommending them to the Board. Monitoring the Bank's aggregate risk exposures and ensuring that these remain within approved limits and aligned with the Bank's strategic objectives.
- **Risk Policies and Controls:** Approving or recommending to the Board key risk management policies, and periodically reviewing the effectiveness of risk management and internal control systems to ensure they are robust and commensurate with the size and complexity of the Bank.

2 Mr. Badar Al Shanfari attended the first meeting before change in the composition.

- **Regulatory Compliance:** Overseeing the Bank's compliance with all applicable laws, regulations, and internal policies. The Committee reviews compliance reports and monitors remediation of any identified compliance issues. It ensures that the Bank's policies and practices conform to the highest standards, including Basel Committee guidelines and local regulatory expectations.
- **Oversight of Risk Functions:** Monitoring the performance and independence of the Risk Management and Compliance functions. The Committee has unrestricted access to the Bank's senior management, risk and compliance officers, external auditors, and any information necessary to perform its duties effectively.
- **Credit Risk Delegation:** While day-to-day credit decisions are delegated to management and the Board's Executive Committee, the BRCC oversees credit risk policies, credit concentration limits, and the overall health of the Bank's credit portfolio, escalating to the Board any material concerns.

Executive Committee of the Board (EXCOM)

The Board's Executive Committee comprises three Board members and met five times during 2025.Table 6 shows the EXCOM's membership and attendance:

Table 6: Board Executive Committee Composition and Attendance (2025)

Name	Position	Meetings Attended (2025)
Mr. Iyad Asali	Chairman	5
Mr. Yahya Al Jabri	Member	5
Mr. Bader Awadh Al Shanfari	Member	4
Mr. Sanjay Kawatra[3]	Member	1

Meeting dates in 2025: 12 February, 11 May, 3 September, 13 November, 30 November.

3 Mr. Sanjay Kawatra attended the first meeting before change in the composition.

Role and Responsibilities: The EXCOM is delegated by the Board to oversee certain operational and strategic matters between full Board meetings, enabling timely decision-making on urgent matters. It assists the Board in overseeing management and often acts on behalf of the Board within the authority limits defined by the Board. Key responsibilities of EXCOM include:

- **Strategic Oversight:** Reviewing, challenging, and approving key business decisions, investments, and initiatives that are within the EXCOM's delegated authority. This includes vetting major proposals from management (such as annual budgets, strategic plans, and significant capital expenditures or investments) before they are presented to the Board for final approval.
- **Credit and Investment Decisions:** As delegated by the Board, EXCOM reviews and approves credit facilities, debt settlements, write-offs, and other credit-related matters that exceed executive management's authority but fall within EXCOM's limit. This ensures credit decisions are made swiftly while maintaining robust oversight on credit risk.
- **Business Expansion and New Opportunities:** Supervising plans for geographical expansion, new lines of business, and significant projects or partnerships, ensuring they align with the Board-approved strategy.
- **Corporate Governance Review:** Periodically reviewing the Bank's corporate governance principles and practices. The EXCOM may recommend enhancements to governance policies and procedures to the Board to ensure the Bank's governance remains aligned with evolving best practices and regulatory expectations.

Nomination and Remuneration Committee of the Board (NRCB)

The Nomination and Remuneration Committee consists of four non-executive Board members. The NRCB met three times in 2025.Table 7 outlines the Committee's composition and attendance:

Table 7: Nomination & Remuneration Committee Composition and Attendance (2025)

Name	Position	Meetings Attended (2025)
Mr. Yahya Al Jabri	Chairman	3
Mr. Hani Al Zubair	Member	3
Mr. Iyad Asali	Member	3
Mr. Bader Awadh Al Shanfari	Member	2
Mr. Sanjay Kawatra[4]	Member	1

Meeting dates in 2025: 14 January, 3 August, 1 December.

Role and Responsibilities: The NRCB oversees Board and senior management nominations, succession planning, and remuneration matters, with the goal of ensuring the Bank has a competent leadership team and a remuneration framework that is fair and performance-driven. The NRCB's authority and responsibilities include:

Board Composition and Succession: Regularly reviewing the size and composition of the Board and its Committees to ensure an appropriate balance of skills, experience, independence, and diversity. It recommends to the Board (and ultimately shareholders) suitable candidates for Board membership and Committee appointments, in line with regulatory fit and proper criteria.

Executive Appointments: Overseeing policies and criteria for appointment of senior executives. The NRCB reviews and concurs with CEO recommendations for senior management appointments, and ensures adequate succession plans are in place for key management positions. It has authorized the CEO to establish a Management Human Resources Committee (HRMC) of senior executives to address management-level HR matters, within the framework approved by the NRCB.

Remuneration Policy: Developing and recommending to the Board the remuneration framework for Board members (subject to shareholder approval) and Board Committees. It reviews and approves (or recommends) the remuneration and reward packages for the Chief Executive Officer and, via the CEO, for other members of senior management. The Committee ensures that remuneration policies are in line with market practice, shareholder interests, and the Bank's strategic objectives, and that they do not encourage excessive risk-taking.

Performance and Rewards: Ensuring that performance evaluation processes are in place for the Board, Board Committees, and senior management. The NRCB reviews the performance of the CEO and other top executives against agreed targets and key performance indicators (KPIs), and it oversees the design and implementation of incentive schemes (bonus, stock options, etc.) to reward high performance while being aligned with the Bank's risk appetite and long-term strategy.

Other Authorities: Commissioning any studies or professional advice (e.g., engaging external consultants for Board evaluations or remuneration benchmarking) needed to fulfill its duties. The Committee may request any information from management and can access external legal or professional advice when required, at the Bank's expense, to assist in decision-making.

4 Mr. Sanjay Kawatra attended the first meeting before change in the composition.

Board Members' Profiles

Below are brief profiles of the Bank's Directors, highlighting their qualifications and experience:

Mr. Yahya Said Abdullah Al Jabri – Chairman: Mr. Al Jabri was first elected to the Board and appointed Chairman of Alizz Islamic Bank in October 2021. He is an accomplished leader with vast global experience in corporate, investment, and banking sectors. He has attended executive management programs at renowned institutions including the Kellogg School of Management, Harvard Business School, and Darden Business School.

Mr. Al Jabri's distinguished career includes serving as Chairman of the Special Economic Zone Authority at Duqm (2011–2020) by Royal Decree 126/2011, where he oversaw one of Oman's landmark development projects aimed at economic diversification and job creation. From 1999 to 2011, he was the Executive President of the Capital Market Authority (CMA) of Oman (appointed by Royal Decree 44/1999), responsible for regulating and developing Oman's capital markets and protecting investors.

Earlier, Mr. Al Jabri held senior positions across Oman's financial sector. Notably, he served two terms as a Member of the Board of Governors of the Central Bank of Oman, was a Board Member of the Oman Investment Fund (OIF), Vice Chairman of the Telecommunications Regulatory Authority (TRA), and Chairman of Pak Oman Investment Company. He also chaired organizations such as Oman Development Bank and the Public Authority for Investment Promotion & Export Development (Ithraa), and was a founding member of the Hawkamah Institute for Corporate Governance in the region. Prior to these roles, Mr. Al Jabri was General Manager of Oman International Bank until June 1999, where he managed a network of 81 local and 4 overseas branches.

Mr. Hani Muhammad Al Zubair – Vice Chairman: Mr. Hani Al Zubair is an experienced business leader with a strong background in finance, investment, and corporate governance in Oman and international markets. He began his career in investment banking in Geneva before moving to Morgan Grenfell Bank in London and later joining Oman International Development and Investment Co. (Ominvest).

He is currently Chairman of National Finance Company SAOG and Chairman of Sharakah (Fund for Development of Youth Projects). As well as being Vice Chairman of Alizz Islamic Bank, Hani is also Vice-Chairman of The Zubair Corporation and the National College of Automotive Technology, and Chairman of the Oman–Switzerland Friendship Association. His previous roles include Chairman of Ominvest and board positions with Oman Arab Bank, Commercial Bank of Oman, Muscat Finance Company, and Financial Corporation (FINCORP).

Mr. Al Zubair has contributed to several national initiatives, including service on the Board of the National Training Fund, the Advisory Committee for the National CEO Program, and as a private-sector representative on boards of government-owned hospitality companies. He holds a Bachelor's degree in Mathematical Sciences and Computer Science from Richmond University (UK).

Mr. Firas Jaser Zayyad – Director: Mr. Firas Zayyad was elected to the Board of Alizz Islamic Bank in July 2020. He has over 25 years of experience in finance, auditing, and banking. Mr. Zayyad currently serves as the Chief Financial Officer (CFO) of Arab Bank Group in Amman, Jordan. Previously, he was the Head of Budgeting, Planning & Financial Reporting at Arab Bank, where he also managed the bank's investment portfolio and oversaw foreign investments in subsidiaries and affiliates.

Before joining Arab Bank, Mr. Zayyad was CFO of Derayah Financial in Riyadh, Saudi Arabia. His career also includes international experience: he was Regional Financial Controller at the International Air Transport Association (IATA), Regional Finance Manager at Aramark (USA), and a Business Analyst at BP (USA). Early in his career, he worked as an auditor with Deloitte & Touche (Saba & Partners) in Amman, which provided him with a strong foundation in audit and compliance – experience that he brings to his role on the Board's Audit Committee. Mr. Zayyad holds an MBA in Finance & Accounting from the University of Illinois (USA) and a Bachelor's degree in Accounting & Finance from Yarmouk University (Jordan). He has also earned multiple professional certifications including CFA, CPA, CMA, and CFM, reflecting his strong technical expertise in finance.

Mr. Iyad Ghasoub Asali – Director: Mr. Iyad Ghasoub Asali – Director: Mr. Iyad Asali joined the Board of Alizz Islamic Bank in July 2020. He is a seasoned banker with a 36-year career spanning various leadership roles. Since March 2011, Mr. Asali has been the General Manager of Islamic International Arab Bank in Jordan.

Prior to that, Mr. Asali was Deputy CEO and Head of Corporate Banking at Jordan Ahli Bank. He also spent eight years in Saudi Arabia as Deputy General Manager and Head of Commercial Banking at Arab National Bank. Throughout his career, Mr. Asali has held management positions in several leading banks in Jordan and the GCC, giving him broad exposure to both conventional and Islamic banking practices.

Under Mr. Asali's leadership at Islamic International Arab Bank, the bank has achieved significant growth and innovation. He was instrumental in developing new Shari'a-compliant products and services, which resulted in massive increase the bank's investment portfolio and customer deposits, and expanded its network to 47 branches. He is actively steering the bank's digital transformation strategy to provide state-of-the-art Islamic banking services. In addition to his executive role, Mr. Asali serves on several boards and committees. Notably, he is a member of the Board of Directors of Alizz Islamic Bank and serves on AAOIFI's Ethics and Governance Board in Bahrain, contributing to the development of international Islamic finance standards. Mr. Asali holds a Bachelor's degree in Business Administration from the University of Jordan and a Master's degree in Management from the American University in Cairo.

Sheikh. Abdulaziz Khalifa Al Saadi – Director: Sheikh Abdulaziz Khalifa Al Saadi has been the Chief Executive Officer of Ubhar Capital SAOC (U Capital) since December 2020. With over 20 years of experience in the fields of finance and investment, he brings extensive industry knowledge and a strategic leadership approach to the organization. Prior to joining Ubhar Capital, he served as Deputy Director General for Operations at the Civil Service Pension Fund (CSPF), where he led the development and execution of the Fund's strategic plan. In that role, he oversaw the investment department's operations, including portfolio construction, investment strategy and risk management. He was also responsible for supervising the internal audit function.

Sheikh Abdulaziz currently serves as a board member in several prominent institutions such as Takaful Oman (2022), Muscat Clearing & Depository (MCD) (2023) and Alizz Islamic Bank (2025). He has also previously served on the boards of Bank Nizwa, Ominvest (the largest private sector investment company in Oman), Jabreen Capital (a leading private equity firm in the region) & Muscat National Development and Investment Company (ASAAS) which is a government-backed company focusing on tourism, healthcare, education, retail, logistics and transport. Sheikh Abdulaziz holds Bachelor's Degree in Accounting from Sultan Qaboos University, Master's Degree in Business from Victoria University, Melbourne (Australia) and is an Associated Chartered Certified Accountant (ACCA) from London (UK)

Mr. Saleh bin Nasser Al Araimi – Director: Mr. Saleh Al Araimi has been a member of the Board since March 2016. He served as Chairman of the Board from March 2019 until stepping down from that role in October 2021. Mr. Al Araimi is a veteran of Oman's social security and investment sectors, with a career spanning over 40 years. He was the General Manager of the Public Authority for Social Insurance (PASI) for nearly two decades, where he oversaw the management and investment of social security funds. Before PASI, he spent close to 20 years at the Ministry of Social Affairs and Labor (now the Ministry of Social Development), including roles as Director General of Social Affairs and as GM of Administration & Finance.

Mr. Al Araimi has also held board or advisory roles in numerous financial institutions and funds: he has been involved with Bank Dhofar, Oman Housing Bank, Oman Development Bank, Bank Muscat's Oman Integrated Tourism Fund, National Investment Funds Company (NIFCO), and the Mazoon First Investment Fund, among others. In the private sector, he has served in governance roles for organizations like Al Sharqiya University, Oman Fisheries, Shell Oman Marketing, and Oman Cement Company. Internationally, Mr. Al Araimi represented Oman in the International Social Security Association (ISSA) in Geneva, where he chaired the Technical Commission on Investment of Social Security Funds. He holds a Bachelor's degree in Business Administration from Cairo University and an Executive MBA from the University of Lincoln, UK.

Mr. Badar Al Shanfari – Director: Mr. Badar Al Shanfari brings over 20 years of experience in investments and financial services. He is currently the Chief Investment Officer (Private Equity) at Ominvest, where he oversees private equity investments. Previously, he served as CEO of the Uzbek-Oman Investment Company, a leading private equity firm based in Tashkent, and was Deputy CEO of Jabreen Capital (Ominvest's private equity arm). Mr. Al Shanfari has also held the role of Chief Operating Officer at Ominvest and Executive Vice President for International Strategic Business, spearheading Ominvest's expansion initiatives in Southeast Asia through EastBridge Partners in Singapore.

Throughout his career, Mr. Al Shanfari has served on the boards of multiple companies across various sectors and geographies, contributing to strategic decision-making and oversight. He earned a bachelor's degree in Business Administration from Duquesne University (USA) and an MBA from the University of Strathclyde (UK). He is also a Certified Public Accountant (CPA) from the state of Delaware, USA.

Sharia Supervisory Board (SSB)

The Sharia Supervisory Board is an independent body of scholars that oversees the Bank's Shari'a compliance. As of 2025, the SSB comprises four distinguished Shari'a scholars. The SSB held five meetings during 2025. Table 8 lists the SSB members and their meeting attendance:

Table 8: Sharia Supervisory Board Membership and Attendance (2025)

Name	Position	Meetings Attended (2025)
Sheikh Dr. Essam Khalaf Al-Enezi	Chairman	5
Sheikh Dr. Ahmed Subhi Ahmed Ayyadi	Member	5
Sheikh Dr. Ibrahim bin Nasser Al Sawafi	Member	5
Sheikh Dr. Mohammed bin Rashid Al Gharbi	Member	5

Meeting Dates in 2025: 28 January, 15 April, 15 July, 30 September, 11 December

An independent Shari'a Supervisory Board approves all of the Bank's Islamic products, services, and transactions. The SSB's members are experts in Islamic jurisprudence (Fiqh al-Muamalat) and ensure that the Bank's operations adhere strictly to Shari'a principles. They review and certify that funds are invested only in Shari'a-compliant assets and that all income is derived from Shari'a-compliant business activities. Each product or service launched by Alizz Islamic Bank is accompanied by a Fatwa certificate signed by the SSB, giving customers peace of mind that the offering complies with Islamic law.

The existence of the SSB provides an additional layer of assurance to shareholders and depositors. Undoubtedly, confidence and trust are among the most critical success factors for any bank, and the SSB's oversight helps to bolster stakeholder confidence in Alizz's commitment to Shari'a principles.

The General Assembly (shareholders) appoints the SSB based on recommendations from the Board of Directors. Per regulatory requirements, the SSB consists of at least three members, all of whom must be qualified and reputable Shari'a scholars.

Roles and Responsibilities of the SSB:

- **Product Approval:** Approve all new Islamic banking products and services and validate their structure and contracts before launch.
- **Contract & Agreement Review:** Review and endorse all standard agreements and contracts used in the Bank's Islamic financial transactions to ensure they are Shari'a-compliant.
- **Fatwas and Rulings:** Provide Shari'a opinions and rulings (Fatwas) on specific questions, transactions, or new structures proposed by the Bank. The SSB issues formal Fatwas on matters submitted to it by management or the Board.
- **Ongoing Compliance Oversight:** Oversee the Bank's operations on an ongoing basis and audit sample transactions to ensure that day-to-day activities conform to the Shari'a-approved products and Fatwas. If any transaction or practice is found non-compliant, the SSB will raise an objection and require corrective action. It has the authority to stop any activity it deems non-compliant and to advise management on not repeating such an incident. Any written objection or required corrective measure by the SSB is communicated to the Board of Directors.
- **Problem Resolution:** Suggest Shari'a-compliant solutions for any issues in financial transactions that may conflict with Islamic principles, and recommend alternatives for any conventional banking products that are deemed impermissible.
- **Review of Shari'a Audit Reports:** Examine reports from the Bank's Shari'a Compliance and Internal Shari'a Audit department. These reports detail the Bank's adherence to Shari'a in executed transactions and whether the Bank has followed all SSB Fatwas and resolutions. The SSB ensures management addresses any shortcomings identified in these audits.
- **Profit Distribution Validation:** Ensure that profits and losses are allocated between shareholders and depositors according to Shari'a principles (for example, in Mudaraba-based investment accounts) and that the calculation of profit entitlements and loss bearing is fair and in line with Islamic rules.
- **Annual Shari'a Report:** Prepare an annual report to the shareholders (presented at the AGM) giving the SSB's independent opinion on the Bank's compliance with Shari'a during the year. This report states to what extent the Bank's management has complied with SSB Fatwas, directives, and guidelines, and it highlights any areas of non-compliance, if any, with recommendations.
- **Sitting Fees and Remuneration of the SSB:** SSB members receive fees for attending meetings and an annual remuneration as approved by the shareholders. Details of the sitting fees paid to SSB members in 2025 are shown in Table 9, and their annual remuneration for 2025 is shown in Table 10.

Table 9: Sitting Fees Paid to SSB Members in 2025

Name of SSB Member	Sitting Fees Paid (৳)
Sheikh Dr. Essam Khalaf Al-Enezi (Chairman)	2000
Sheikh Dr. Ahmed Subhi A. Ayyadi (Member)	2000
Sheikh Dr. Ibrahim bin Nasser Al Sawafi (Member)	4400
Sheikh Dr. Mohammed bin Rashid Al Gharbi (Member)	4400
Total	**12800**

Table 10: Annual Remuneration Paid to SSB Members for 2025

Name of SSB Member	Total Remuneration (৳)
Sheikh Dr. Essam Khalaf Al-Enezi (Chairman)	19999.2
Sheikh Dr. Ahmed Subhi A. Ayyadi (Member)	15999.6
Sheikh Dr. Ibrahim bin Nasser Al Sawafi (Member)	15999.6
Sheikh Dr. Mohammed bin Rashid Al Gharbi (Member)	15999.6
Total	**67998**

Note: The total remuneration includes all annual honoraria for Shari'a Board service as approved by shareholders, and is separate from sitting fees.

The total travel and accommodation expenses related to SSB activities in 2025 was ৳14697.14/-, reflecting reimbursement for flights and lodging for SSB meetings and related events.

Sharia Supervisory Board Members' Profiles

Sheikh Dr. Essam Khalaf Al-Enezi – Chairman of SSB: Dr. Al-Enezi is a renowned Shari'a scholar. He serves as a faculty member in the College of Shari'a and Islamic Studies at Kuwait University. He holds a PhD in Islamic Jurisprudence from the University of Jordan and a Master's degree in Islamic Law from Kuwait University. Sheikh Dr. Al-Enezi sits on several prominent Shari'a boards regionally and internationally, including the Shari'a Board of AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) in Bahrain, the Shari'a Board of Bahrain Islamic Bank, and the Shari'a Board of Dar Al-Istithmar (UK). He is a regular speaker at Islamic finance conferences and has published numerous papers on Islamic banking and jurisprudence, contributing to the body of knowledge guiding Islamic financial practices.

Sheikh Dr. Ibrahim bin Nasser Al Sawafi – Member of SSB: Dr. Ibrahim Al-Sawafi is a prominent Omani Shari'a scholar. He currently holds the position of Fatwa Secretary in the Office of His Eminence the Grand Mufti of Oman and heads the Shari'a Office at Tawafuq Shari'a Consulting Company. Sheikh Dr. Al-Sawafi has previously worked as a lecturer and presenter of Islamic programs on Oman TV, Al-Istiqama channel, and Oman FM radio. He led the Fatwa delegation for the Omani Hajj Mission in 1426 AH and again in 1432 AH, providing religious guidance to Omani pilgrims.

Sheikh Dr. Al-Sawafi has extensive experience in issuing Fatwas and Islamic legal opinions. He has published several research papers and actively participated in many Islamic finance and jurisprudence conferences. He earned his Ph.D. in Islamic Economics from Jinan University in Tripoli, Lebanon (with first-class honors). He also holds a Master's degree in Islamic Jurisprudence and its Principles from Sultan Qaboos University (Oman) with distinction, and a high diploma in Judiciary with a Very Good grade. In addition, Dr. Al-Sawafi is a certified Shari'a Adviser and Auditor, accredited by AAOIFI, underscoring his expertise in Shari'a governance for financial institutions.

Sheikh Dr. Ahmed Subhi Ahmed Ayyadi – Member of SSB: Dr. Ahmed Ayyadi is a respected scholar in Islamic economics and finance. He holds a PhD in Islamic Economics from the University of the Holy Qur'an & Islamic Sciences in Sudan, and a Master's in Islamic Economics from Yarmouk University in Jordan. He earned his Bachelor's degree in Shari'a Studies from the University of Jordan. Sheikh Dr. Ayyadi is a member of multiple Shari'a boards and committees in Jordan, advising on Islamic banking matters. He has delivered extensive training sessions in Islamic banking and finance, helping to build capacity in the industry. With a strong academic background, Dr. Ayyadi has supervised PhD students and has authored several books and articles in reputable journals. He frequently presents papers at international conferences on topics related to Islamic banking, economics, and finance.

Sheikh Dr. Mohammed bin Rashid Al Gharbi – Member of SSB: Dr. Mohammed Al Gharbi is an Omani scholar and academic at Sultan Qaboos University. He has conducted significant research on Islamic jurisprudence, particularly in the area of financial transactions and their compliance with Shari'a. Sheikh Dr. Al Gharbi holds a PhD in Islamic Sciences from Al-Zaytouna University in Tunisia, a Master's degree from the University of Jordan, and a Bachelor's degree from the Institute of Shari'a Judiciary, Preaching and Guidance in Oman. He has presented numerous studies and research papers on Islamic law and finance. His academic contributions and involvement in research ensure that he brings a scholarly and well-reasoned perspective to the Shari'a Board's deliberations.

Executive Committee of the Sharia Supervisory Board (SSB - EXCOM)

Composition and Meetings (2025)

The Sharia Supervisory Board (SSB) has an Executive Committee (EXCOM) composed of Two SSB members. The EXCOM is chaired by Sheikh Dr. Ibrahim bin Nasser Al Sawafi (Chairman), with Sheikh Dr. Mohammed bin Rashid Al Gharbi serving as members. In 2025, the EXCOM met Eight times to facilitate prompt decision-making between full SSB meetings. Table 11 below outlines the EXCOM's composition and meeting attendance for 2025:

Table 11: Sharia Supervisory Board Executive Committee – Composition and Attendance (2025)

Name	Position	Meetings Attended (2025)
Sheikh Dr. Ibrahim bin Nasser Al Sawafi	Chairman	8
Sheikh Dr. Mohammed bin Rashid Al Gharbi	Member	8

Meeting Dates in 2025: 22 January,19 February, 19 March, 18 May, 10 July, 9 September, 30 October, 25 December.

Composition of the Management

The Bank's senior management team is led by the Chief Executive Officer (CEO) and supported by executives overseeing key areas of the Bank's operations. The appointment of the CEO, along with the terms of his service and his remuneration, is approved by the Board of Directors based on recommendations of the NRCB. Other senior management appointments are made by the CEO and the Board as per the approved delegation framework, ensuring that qualified professionals lead each critical function. The top five executive management positions at Alizz Islamic Bank and the officials holding those positions are listed in Table 12:

Table 12: Top Five Executive Management Officers (2025)

Name	Position
1. Mr. Ali Al Mani	Chief Executive Officer
2. Dr. Muhammad Nadeem Aslam	General Manager – Chief Wholesale Banking Officer
3. Mr. Yassir Al Mawali	Assistant General Manager – Chief Financial Officer
4. Mr. Retesh Vatrana	Assistant General Manager - Chief Internal Audit
5. Mr. Asaad Al Kharusi	Assistant General Manager – Chief Operating Officer

Senior Management Profiles

Mr. Ali Al Mani – Chief Executive Officer: Mr. Ali Al Mani is the CEO of Alizz Islamic Bank and a seasoned banker with over two decades of experience in Oman's banking and financial sector. He has extensive expertise across both conventional and Islamic banking, covering areas such as corporate banking, retail banking, operations, finance, project management, and banking technology.

Mr. Al Mani has a proven track record of driving business growth and organizational transformation. Before joining Alizz, he served as Deputy CEO of National Finance Company, where he helped steer one of Oman's largest finance companies. Prior to that, he held senior roles at Bank Nizwa (as Head of Retail Banking Sales) and at National Bank of Oman (as Head of Alternative Distribution Channels).

As CEO of Alizz Islamic Bank, Mr. Al Mani focuses on strategic initiatives to enhance customer experience, improve operational efficiency, and introduce innovative, Shari'a-compliant financial solutions. Under his leadership, the Bank emphasizes sustainable business performance and cost optimization, while upholding the highest standards of customer service. Mr. Al Mani holds a Master of Science degree in Innovation, Leadership and Management from the University of York (UK) and a Bachelor of Arts with Honours in Computer and Internet Applications from the University of Bedfordshire (UK). He currently contributes to the broader financial industry as well, serving as a Board member and Chairman of the Audit Committee at Takaful Oman Insurance SAOG, and as a Board member of Al Hassan Engineering Co. SAOG.

Dr. Muhammad Nadeem Aslam – General Manager, Chief Wholesale Banking Officer: Dr. Muhammad Nadeem Aslam is the Bank's Chief Wholesale Banking Officer. A Chartered Accountant turned banker, he offers a rich blend of professional financial expertise and a strong track record in banking over a 20-year career. Dr. Nadeem was instrumental in the development of Islamic banking in Oman; he was the founding head of Meethaq Islamic Banking (the Islamic window of Bank Muscat), where he established from scratch the largest Islamic banking window in Oman (achieving a balance sheet of over USD 3 billion). He later served as Assistant General Manager – Corporate & Wholesale Banking at Meethaq, overseeing corporate banking, SME finance, treasury, and investment banking for the Islamic window.

Before his pioneering work in Oman, Dr. Nadeem gained experience with Ernst & Young's Islamic Financial Services Group in Karachi, and in the Islamic Banking Division of Soneri Bank in Pakistan, among other roles. He is highly skilled in strategic planning, people management, product development, credit analysis, digital transformation, and financial modeling. Dr. Nadeem holds a Doctorate in Islamic Finance from Bayes Business School, City University of London (UK). He is also a Chartered Certified Accountant (ACCA, UK) and earned a Bachelor's degree in Applied Accounting from Oxford Brookes University (UK). In addition, he obtained a postgraduate diploma in Islamic Banking, reflecting his commitment to continual learning in his field.

Mr. Yassir Al Mawali – Assistant General Manager, Chief Financial Officer: Mr. Yassir Al Mawali is the Chief Financial Officer of Alizz Islamic Bank and a seasoned professional with more than 20 years of experience in the banking sector. He is responsible for all financial affairs and plays a key role in setting the strategy for the Bank to achieve impactful and sustainable long-term financial results.

Prior to his current role he was Deputy Chief Financial Officer of the bank and was part of the team responsible for the implementation of the latest International Financial Reporting Standard, IFRS9 and played a key role in the merger between Oman Arab Bank and Alizz Islamic Bank. His earlier career includes various positions in the financial services industry across different local banks in Oman.

Mr. Al Mawali holds an Advanced Accounting Diploma from Sultan Qaboos University and is a Certified Islamic Professional Accountant (CIPA) from the Accounting & Auditing Organization of Islamic Financial Institutions (AAOIFI) and a Certified Fraud Examiner (CFA) from the Association of Certified Fraud Examiners. Yassir has also completed the Chief Financial Officer Program from London Business School; in addition to being a member of the Institute of Public Accountant, Australia (IPA), a member of the Institute of Financial Accountants (IFA) and is a Certified Management Accountant (CMA) from the Institute of Management Accountants (IMA).

Mr. Retesh Vatrana – Assistant General Manager, Chief Audit Officer: Mr. Retesh Vatrana is the Chief Internal Audit of Alizz Islamic Bank. Internal Audit forms the 'Third Line of Defense' under the Bank's risk management model maintaining its independent status by operating under the direction and guidance of the Board Audit Committee and reporting directly to the Audit Committee Chairperson. Retesh is responsible for the primary purpose of the Internal Audit activity, which is to assist management and the Board of Directors of the Bank to discharge their responsibilities and accomplish the objectives of the Bank by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes. It does this by assessing risks, controls, ethics, quality, economy and efficiency.

Prior to his appointment with the Bank, Retesh was Partner, Audit and Financial Advisory with Mazars for Consultancy and Audit in

Oman and prior to joining Mazars in Oman, he was with Ernst & Young in Oman for over 16 years and worked as Director in Assurance Services with Ernst & Young LLC, Oman and was also Deputy EY Middle East North Africa Financial Accounting Advisory Services Quality and Risk Management Leader.

He has over 20 years of experience in the audit and financial accounting advisory services and brings a wealth of experience to the role, having worked in all areas of banking operations through his time in as an auditor and is also renowned for his ability to identify and assess fresh strategic alternatives and supporting innovation and new business models, developing and delivering agile strategy, driving sustained long-term growth by inspiring and leading the way with strong purpose and ethics, and supporting digital to develop focused, high-quality, data driven insights. He leads with a commitment to the highest level of quality as well as with integrity, independence, accountability and a social conscience.

He is a Chartered Accountant (CA) from the Institute of Chartered Accountants of India and secured all India twenty third position in all India CA Final Examinations Merit List and thirty first position in all India CA Intermediate Examination Merit List. He is also a Certified Information Systems Auditor from the Information Systems Audit and Control Association and holds a Bachelor of Laws, Professional (LL.B) from Panjab University, India and a Bachelor of Commerce with Honors from Panjab University, India.

Mr. Asaad Al Kharusi – Assistant GM, Chief Operating Officer: Mr. Asaad Al Kharusi is the Chief Operating Officer (COO) of Alizz Islamic Bank and a seasoned Islamic banker with over 16 years of experience. He has been integral to the Bank's operations and strategy, previously serving as Acting COO and Head of Strategy & Transformation at Alizz. Mr. Al Kharusi's career is marked by his proficiency in product development, process design, and re-engineering. Before joining Alizz Islamic Bank, he played significant roles in establishing and growing Islamic banking in Oman: he held senior positions at Sohar Islamic (AVP & Head of Islamic Products) and at Bank Muscat's Meethaq Islamic Banking in various capacities across product development, management, and operations.

Mr. Al Kharusi is known for his innovative approach to improving customer experience and engagement, and he has been a key player in every organization he has served. He holds a Bachelor of Science in Finance from Sultan Qaboos University (Oman) and a Master of Science in Islamic Banking & Finance from Bangor University (UK). Among his accolades, Mr. Al Kharusi was a recipient of the NTI BizPro Award in 2018, recognizing him as one of Oman's young business leaders and high achievers.

Executives' Pay and Remuneration

The Bank's executive remuneration framework is designed to attract, motivate, and retain competent leadership while ensuring that compensation outcomes are aligned with the Bank's long-term strategy, sound risk management, capital sustainability, and regulatory expectations. The remuneration framework complies with the Central Bank of Oman (CBO) Circulars , the Financial Stability Board (FSB) Principles for Sound Compensation Practices, and other applicable regulatory requirements.

The framework seeks to strike an appropriate balance between risk and reward and to discourage excessive or short-term risk-taking that could be detrimental to the Bank's financial soundness, reputation, or long-term sustainability.

A. Qualitative Disclosures – Remuneration Policy and Governance

Governance Framework and Oversight

The Nomination and Remuneration Committee of the Board (NRCB) is responsible for overseeing the design, implementation, and periodic review of the Bank's remuneration policies and practices. The NRCB operates under a Board-approved charter and exercises independent judgment in fulfilling its mandate.

In carrying out its responsibilities, the NRCB:

- Reviews and recommends the remuneration framework for the Chief Executive Officer and senior management;
- Oversees remuneration policies applicable to Material Risk Takers (MRTs);
- Ensures alignment of remuneration outcomes with the Bank's risk appetite, capital position, liquidity profile, and long-term strategic objectives;
- Reviews the application of deferral, malus, and clawback mechanisms; and
- Ensures compliance with regulatory guidance issued by the CBO and relevant international standards.

The NRCB works in coordination with the Board Risk and Compliance Committee to ensure that risk considerations are appropriately incorporated into remuneration decisions.

Determinants and Rationale of the Compensation Pool

The Bank's variable compensation pool is determined annually based on a holistic assessment of the Bank's overall performance and financial condition. In establishing the pool, the NRCB considers, among other factors:

The Bank's financial performance and profitability;

- Capital adequacy and buffer requirements;
- Liquidity position and funding sustainability;
- Risk-adjusted performance outcomes;
- Compliance with regulatory and Shari'a requirements; and
- The Bank's ability to support sustainable growth without jeopardizing long-term financial stability.

The variable compensation pool is not guaranteed and may be adjusted downward, including to zero, in periods of weak financial performance, elevated risk exposure, or adverse economic conditions. The Bank does not provide signing bonuses or guaranteed bonuses.

Material Risk Takers (MRTs)

In line with CBO Circulars, the Bank identifies Material Risk Takers as employees whose professional activities have a material impact on the Bank's risk profile. MRTs include, at a minimum:

- Senior Management (including the Chief Executive Officer, General Managers, Deputy General Managers, and Assistant General Managers); and
- Heads of control functions and other key risk-bearing functions, including Risk Management, Compliance, Internal Audit, Finance, Treasury, direct reportees to the CEO and other critical functions as determined by the Bank.

The identification of MRTs is reviewed periodically to ensure continued relevance and regulatory compliance.

Structure of Fixed and Variable Compensation

Total remuneration for executives and MRTs comprises:

- **Fixed remuneration**, including base salary and fixed allowances, which reflects the role, responsibilities, experience, and market benchmarks; and
- **Variable remuneration**, which is performance-based and risk-adjusted.

The variable component is designed to:

- Align rewards with sustainable, long-term performance;
- Reflect both financial and non-financial performance measures; and
- Incorporate appropriate risk adjustment mechanisms.

For staff in control functions, performance objectives and remuneration outcomes are determined independently of the financial performance of the business units they oversee, thereby preserving their objectivity and independence.

Deferral, Malus, and Clawback Arrangements

In accordance with regulatory guidance, the Bank applies deferral, malus, and clawback provisions to variable remuneration awarded to MRTs.

Key features include:

- A portion of variable remuneration for MRTs is deferred over an appropriate vesting period, taking into account the nature of the role and the time horizon of the risks associated with the individual's activities;
- Deferred awards vest on a pro-rata basis over the deferral period;
- Malus provisions allow the reduction or cancellation of unvested deferred awards in the event of adverse risk outcomes, material underperformance, misconduct, or significant compliance breaches; and
- Clawback provisions enable the recovery of variable remuneration already paid in cases of material misstatement of results, serious misconduct, or failure of risk management.
- These mechanisms ensure that remuneration outcomes remain aligned with actual risk and performance outcomes over time.

Linkage of Variable Remuneration to KPIs

Variable remuneration is linked to clearly defined, quantitative and verifiable Key Performance Indicators (KPIs) at multiple levels, including:

- **Bank-wide KPIs**, such as profitability, capital adequacy, liquidity metrics, asset quality, risk management effectiveness, Shari'a compliance, and strategic objectives;
- **Departmental KPIs**, aligned with functional responsibilities and risk considerations; and
- **Individual KPIs**, reflecting personal performance, conduct, compliance, and contribution to the Bank's objectives.

The KPI framework incorporates both financial metrics to ensure balanced and sustainable performance assessment.

B. Quantitative Disclosures – Remuneration Outcomes

Aggregate Remuneration Paid and Deferred to MRTs

The Bank's pay and reward framework ensures that the CEO, COO, Senior Management and Material Risk Takers (MRT) are rewarded fairly, promoting a culture of performance-based remuneration that is accountable for achieving business objectives in a risk prudent and ethical manner. Our remuneration practices help safeguard the independence and effectiveness of MRTs in the control functions (i.e. Risk Management, Compliance and Internal Audit) ensuring their KPIs are related to their respective function. Reward and recognizing executives who demonstrate high performance against agreed objectives. The vesting period for deferred variable pay will be three (3) years subsequent to the current performance period. For the performance year, 55% of the amount will be distributed, while 45% will be deferred over the vesting period is scheduled for equal annual payments of 15% as per the guidelines of the CBO and the variable pay policy. It is not based solely on financial indicators but also include elements of customer satisfaction, fair treatment and compliance with regulatory requirements. We are committed to attract, develop, motivate and retain quality talent in our organization.

Variable Compensation Pool

The total variable compensation pool approved for the year reflects the Bank's risk-adjusted performance and financial position. Deferred variable remuneration awarded to MRTs forms part of this approved pool and is subject to the deferral, malus, and clawback provisions described above.

Related Party Transactions

In line with regulatory requirements and the Bank's Related Party Transactions Policy, all transactions with related parties (which include Directors, senior management, shareholders with significant influence, and their affiliated entities) are conducted at arm's length and in the ordinary course of business. Details of any potential related party transaction are presented to the Board for review and pre-approval. Any Director with an interest in a particular transaction must declare their interest and abstain from the discussion and voting on that matter.

On a quarterly basis, the Board reviews a report of all related party transactions as part of approving the Bank's financial statements. Additionally, full disclosure of related party exposures and transactions is provided to shareholders as a note in the audited financial statements, in compliance with International Financial Reporting Standards and FSA disclosure rules. For the year 2025, the Bank's related party transactions mainly consisted of routine banking and financial transactions (such as deposits, financings, and trade transactions) with Oman Arab Bank (the parent bank) and its affiliates, all of which were conducted on normal commercial terms. There were no material related-party transactions outside the ordinary course of business.

Internal Control Review

The Board of Directors places great importance on maintaining a strong internal control environment. In 2025, the Board, through the Audit Committee and Risk & Compliance Committee, conducted a thorough review of the effectiveness of the Bank's internal control systems covering financial, operational, information technology, and compliance controls. This review included assessing the policies and procedures in place to safeguard assets, ensure accuracy in financial reporting, and guarantee compliance with laws and regulations.

The Board confirms that the Bank has an established organizational structure with clearly defined lines of authority and accountability. Key policies governing credit, investments, operations, information security, and other areas have been approved by the Board and are subject to periodic review. The Bank uses appropriate accounting policies that are applied consistently and in accordance with International Financial Reporting Standards; any changes in accounting policies or standards in 2025 were duly evaluated and approved by the Audit Committee and Board.

Operational procedures and controls are documented in comprehensive manuals to ensure that all transactions are processed completely, accurately, and in a timely manner. During the year, management continued to enhance systems and controls, particularly in the areas of cybersecurity and digital banking, reflecting the growing scale of online transactions. The internal control framework of the Bank is also subject to regular independent review by the Internal Audit department, which reports directly to the Audit Committee. Any internal audit findings are rigorously followed up, and the Board is satisfied that management has taken or is taking appropriate actions to address audit recommendations.

As part of its 2025 review, the Board has not identified any significant deficiencies or material weaknesses in the internal control environment. The Board remains vigilant and will continue to strengthen the Bank's internal controls in line with evolving industry best practices and regulatory guidance.

Financial Consumer Protection

Alizz Islamic Bank is fully committed to the principles of financial consumer protection as set out by the Central Bank of Oman's regulatory framework. In alignment with our core values, we emphasize transparency, fairness, and accountability in all customer dealings. Since the issuance of the Financial Consumer Protection Regulatory Framework (FCPRF) by the Central Bank, the Bank has undertaken comprehensive reviews and enhancements of all relevant policies, procedures, documents, and systems to ensure full compliance with these requirements and other applicable consumer

protection laws. Our efforts in 2025 encompassed multiple dimensions of consumer protection, as outlined below:

A. Disclosure and Transparency

- We ensure that all advertising and promotional materials are clear, fair, and not misleading. All product information is presented in a comprehensive and reasonable manner.
- All terms and conditions for our products and services are written in plain language that clearly sets out customers' rights and responsibilities. Legal or technical jargon is used only when absolutely necessary, and explanations are provided to facilitate understanding.
- Key Facts Statements (KFS) for all our products are readily available on the Bank's website and in our branches. For each customer at the time of a new product sale, a deal-specific KFS is generated and provided, summarizing the critical terms, fees, and customer obligations in a concise format.

B. Fair Treatment and Business Conduct

- We performed a comprehensive review of all customer forms, contracts, and documentation in 2025 to ensure they meet the standards of the FCPRF. This included ensuring terms are fair, customers have the ability to switch products or providers (customer mobility), and there are no unfair barriers or conditions.
- Multiple channels are available for customers to contact us for information or to lodge complaints and feedback. These channels include in-person at branches, phone banking, email, official social media accounts, and an online portal. We continuously train our staff to treat customers fairly and address their needs promptly.
- For each major product or service, we provide bilingual (Arabic/English) Key Facts Statements and explanatory brochures. These documents are updated regularly and published on the Bank's website so that customers can easily understand product features, fees, and risks.

C. Data Protection and Privacy

- We respect our customers' privacy and protect their personal and financial information. Robust internal controls, IT security systems, and privacy policies govern how customer data is collected, used, stored, and shared. In 2025, we further strengthened our cybersecurity measures and access controls to safeguard data against unauthorized access or breaches.
- The Bank manages conflicts of interest with great care. All employees are trained to act in the customers' best interest, and any potential conflict of interest in advice or sales is disclosed and mitigated through appropriate measures.

D. Dispute Resolution Mechanisms

- We encourage customers to inquire and discuss any aspect of our products and services, including terms or fees they do not understand. Our staff are trained to answer questions thoroughly and transparently.
- The Bank provides accessible and effective complaint handling mechanisms. Customers can raise complaints or queries through various touchpoints: at any of our branches, through our 24/7 Call Center, via our website feedback form, by email, or even through our dedicated WhatsApp number.
- We treat every customer complaint seriously and address issues promptly with the requisite attention. In 2025, we enhanced our Complaint Management System to better track and speed up resolution of customer issues. We aim to resolve most complaints within a few working days, keeping the customer informed of the progress.
- Customers can reach our dedicated Customer Care channels as follows:

Channel	Contact Details
Call Center	Within Oman: 800 7 2265 Outside Oman: +96824166000
WhatsApp	+968 24166000 (Chat support via WhatsApp)
Email	customerservice@alizzislamic.com
Website	Online feedback form at www.alizzislamic.com
Social media	Facebook: https://www.facebook.com/alizzislamicbank X: https://x.com/alizz_islamic Instagram: https://www.instagram.com/alizz_islamic/ LinkedIn: https://www.linkedin.com/company/alizz-islamic-bank YouTube: https://www.youtube.com/channel/UCnPtIVVCvrT7_QEE_V_hyEA
Mailing Address	P.O. Box 753, CBD - Area, PC 112
In Person	Any of our branches (location details on website) or the Customer Experience Unit at our Head Office (Bousher)

- We maintain an independent Customer Experience Unit that monitors service quality and ensures all customer complaints are handled fairly and efficiently. This unit reports complaint trends to senior management for continuous improvement.

E. Financial Education and Financial Capability

- The Bank conducted various financial literacy programs in 2025 aimed at different segments of the public. We organized training sessions for mid-level managers from public and private sectors focusing on essentials of finance, budgeting, making informed financial decisions, and understanding Islamic banking products. We also collaborated with universities and colleges to deliver financial literacy workshops for students, covering key topics such as personal finance, smart investing, and an introduction to Islamic banking and investment services, with a strong emphasis on Environmental, Social, and Governance (ESG) considerations in finance.
- Internally, we held training workshops for our employees to deepen their awareness of product features, fair treatment of customers, business conduct standards, and the proper process for handling customer inquiries and complaints. By equipping our front-line staff with this knowledge, we ensure that they serve customers better and uphold consumer protection principles in daily operations.
- As an innovative initiative, the Bank developed a mobile educational game called "The Little Entrepreneur" in partnership with Oman's SME Development Authority. This interactive game, targeted at youth, aims to build entrepreneurial mindset and basic financial skills in a fun, engaging way – teaching young players about budgeting, saving, and generating income.

F. Other Regulatory Requirements for Licensed Entities

- **Public Complaint Disclosure:** In compliance with regulatory guidelines, the Bank discloses the number of customer complaints and their resolution status. Below is a summary of customer complaints for the year 2025 compared to 2024:

Summary of Customer Complaints

	Description	As of 31 Dec 2024	As of 31 Dec 2025
1	Number of complaints pending at the beginning of the year	123	Nil
2	Number of complaints received during the year	5,651	104
3	Number of complaints resolved during the year	5,529	102
3.1	– of which, number of complaints rejected by the Bank	Nil	Nil
4	Number of complaints pending at the end of the year	122	2
4.1	– of which, number of complaints pending for more than 30 days	43	Nil
5	Average time taken (in days) to close the complaints	17.6	12.7

Note: The slight increase in complaints received in 2025 corresponds with the Bank's growth in customer base and transaction volume. Importantly, the Bank improved its complaint resolution rate, successfully reducing the pending cases at year-end. The complaints pending beyond 30 days largely relate to dispute cases (e.g., certain card or payment disputes) that are awaiting resolution by third parties such as international card networks. For instance, some disputes raised to Mastercard require an investigation period of 45 to 120 days as per the network's rules, causing those cases to remain open beyond 30 days despite the Bank's timely submission.

- **Charter of Customer Rights:** The Bank has published a "Charter of Customer Rights and Fair Practices" on its website. This charter clearly outlines the rights of consumers in dealing with the Bank – such as the right to transparent information, fair treatment, privacy, and a mechanism for redress – as well as the Bank's expectations of customers (e.g., truthful information disclosure, prudent use of banking services). All staff are trained to uphold this charter in their interactions with clients.
- **Mystery Shopping:** To ensure service quality and compliance with consumer protection standards, the Bank engages an independent agency to conduct an annual Mystery Shopping exercise. In 2025, this survey assessed various touchpoints (branches, call center, digital channels) to gauge the customer experience and the effectiveness of our consumer protection measures. The results were positive overall, indicating good service levels; any areas of improvement identified are being addressed through additional training and process enhancements.
- **Services for Customers with Special Needs:** Alizz Islamic Bank is committed to financial inclusion. We have taken specific measures to accommodate customers with disabilities and the elderly:
  - At least one branch in every governorate has been equipped with facilities to serve customers with physical disabilities (ramps, accessible counters, etc.).
  - Important documents, such as account opening forms and terms & conditions, are available in Braille format at our branches for visually impaired customers.
  - Frontline staff in all branches received training in basic sign language and in best practices for assisting customers with hearing impairments or other disabilities. This training, conducted in collaboration with specialists, enables our employees to communicate more effectively and respectfully with special needs customers.
  - The Bank will continue to strengthen its consumer protection measures, as we believe that safeguarding our customers' rights and interests is fundamental to our mission and to maintaining trust in our institution.

Shareholders

Communication with Shareholders and Investors:

The Board is committed to transparent and timely communication with the Bank's shareholders and the broader investor community. All material information relating to the Bank's operations and performance is disseminated regularly in accordance with regulatory requirements. This includes disclosures of financial results, new products or strategic initiatives, changes in key management or Directors, and any other significant developments.

The Bank maintains an up-to-date investor relations section on its website (www.alizzislamic.com) where quarterly and annual financial statements, management discussions, and corporate governance reports are published. Shareholders can request additional information or send inquiries to the Bank's designated investor relations contacts, and the Bank endeavors to respond promptly.

After the completion of the external audit each year, the Annual Report (which includes the audited financial statements, Board of Directors' Report, Corporate Governance Report, and Management Discussion & Analysis) is mailed to all shareholders along with the notice and agenda for the forthcoming Annual General Meeting (AGM). In 2025, as in previous years, the Annual Report was also made available electronically via the Bank's website ahead of the AGM for the convenience of shareholders.

For the financial year 2025, based on the year's performance and capital needs, the Board of Directors has recommended **no dividend distribution**. This decision reflects a prudent approach to retain earnings to support the Bank's growth, maintain a strong capital base, and comply with regulatory capital requirements. The dividend policy is reviewed annually, taking into account the Bank's profitability, growth plans, and the interests of shareholders.

Distribution of Shareholding: As of 31 December 2025, the shareholding structure of Alizz Islamic Bank is as follows (Table 13):

Table 13: Major Shareholders of Alizz Islamic Bank

Sn	Shareholder	Percentage Holding
1	Oman Arab Bank SAOG (OAB)	99.99%
2	Arab Bank PLC (Jordan)	0.01%
3	Oman International Development & Investment Co. (Ominvest) SAOG	0.01%

(Note: In mid-2020, Oman Arab Bank became the majority shareholder of Alizz Islamic Bank following a merger transaction, resulting in the above ownership structure. The Bank remains a subsidiary of OAB while continuing to operate as a separate Islamic banking entity.)

Other than the above, there are no other shareholders holding more than 0.01% of the shares. The minority shareholdings (if any, beyond those listed) are negligible. The Bank has only one class of shares (ordinary shares), and each share carries one vote at the General Assembly.

A comprehensive Management Discussion and Analysis (MD&A) report is provided as part of the Annual Report, which gives shareholders further insight into the Bank's financial performance, risk factors, and forward-looking strategies.

The Bank confirms that as of 2025, it has no outstanding instruments like Global Depository Receipts, warrants, or convertible bonds that could potentially dilute the equity of existing shareholders.

Since the introduction of the new Commercial Companies Law (Royal Decree 18/2019) and the latest CMA corporate governance code, the Bank has developed and continuously refined its own Corporate Governance framework. This framework includes a detailed Corporate Governance Policy, a Related Party Transactions Policy, an Insider Trading Policy, and Codes of Conduct/Ethics for Board members and all employees. A formal Board induction

program is in place, which has proven valuable in helping new Directors understand the regulatory environment in Oman, the Bank's business model, and their governance responsibilities from the outset of their tenure.

In line with the national strategic initiatives, the Bank has started aligning its reporting with Environmental, Social, and Governance (ESG) disclosure standards. In 2025, Alizz Islamic Bank voluntarily enhanced its transparency on ESG matters – including reporting on our community investment initiatives, employee development programs, and environmental footprint – demonstrating our commitment to sustainability and responsible banking. We are prepared for the anticipated mandatory ESG reporting requirements, and view this as part of our broader governance and ethical responsibility to stakeholders.

Compliance with Regulatory Requirements

Alizz Islamic Bank is in full compliance with all applicable regulatory and supervisory requirements. The year 2025 saw continued strict adherence to the regulations and guidelines of the Central Bank of Oman (including Islamic Banking Regulatory Framework guidelines), the Financial Services Authority (FSA), the Muscat Stock Exchange disclosure rules, and all other relevant laws. The Board and management maintain an open and constructive relationship with regulators, promptly addressing any supervisory recommendations.

During the last three years, the Bank has largely maintained a clean regulatory record. Only a single monetary penalty was imposed by the Central Bank of Oman during this period – a fine of ﷼12,000 in 2024 for a procedural compliance matter which has since been fully rectified. There were no regulatory penalties in 2025, reflecting the Bank's strong compliance culture. This history is summarized in Table 13:

Table 14: Regulatory Penalties in the Last 3 Years

At the time of this Annual Report, the penalties for the year ending on the 31st of December 2025 have not been released. Therefore, the examination results will be disclosed in the next years.

Regulator	2023	2024	2025
Central Bank of Oman	14,000	12,000	Nil

The Board and management remain vigilant in ensuring that the Bank's operations comply with all legal and regulatory requirements. Regular internal compliance reviews, coupled with periodic inspections by regulators, provide assurance that any issues are identified and addressed in a timely manner.

In addition, as part of our commitment to compliance and good governance, all Directors annually acknowledge adherence to the Bank's Code of Conduct, and all key executives certify compliance with applicable laws and regulations in their areas of responsibility.

Auditors

During the Annual General Meeting, the Board of Directors will propose, for shareholder approval, the appointment of the external auditors for the financial year 2025, in accordance with statutory requirements and applicable regulations. The proposal follows a recommendation by the Board Audit Committee, which evaluates the performance and independence of the external auditors annually and makes a recommendation to the Board on either reappointment or rotation, as per FSA rules on auditor rotation.

Profile of Statutory Auditors:

The current external auditors of Alizz Islamic Bank are Deloitte & Touche (M.E.) LLP (DME). Deloitte is one of the world's leading professional services firms. Globally, Deloitte Touche Tohmatsu Limited (DTTL), through its network of member firms (of which DME is the Middle East member), provides audit & assurance, consulting, financial advisory, risk advisory, tax, and related services to a vast range of clients. Deloitte's network spans over 150 countries, and it serves 80% of Fortune Global 500 companies, leveraging approximately 457,000 professionals worldwide. In the Middle East, Deloitte's presence dates back to 1926, and DME operates through legally separate affiliates in various countries in the region, all under the Deloitte brand. Each Deloitte member firm is an independent legal entity, providing services in its own territory, which means Deloitte's responsibilities and liabilities are confined to the contractual engagements of each individual firm with its clients.

Deloitte (M.E.) in Oman is accredited by the FSA and Central Bank to audit banks and publicly listed companies. The Audit Committee has received confirmation from Deloitte of their continued independence and objectivity in carrying out the audit of Alizz Islamic Bank for 2025.

For the financial year 2025, the total fees paid (or accrued) to the external auditors for audit and related professional services was ﷼62940/-. This includes the statutory audit of the financial statements and limited non-audit services such as review of interim financials and compliance certifications. The external auditors did not perform any non-audit work that could conflict with their independence. The Board Audit Committee has reviewed and approved all services provided by the auditors and ensured that they were permissible under applicable regulations.

Declaration

The Board of Directors declares that it is responsible for the preparation of the financial statements of Alizz Islamic Bank in accordance with applicable accounting standards and laws. The Board confirms that, to the best of its knowledge, the financial statements for the year 2025 present a true and fair view of the Bank's financial position and results, and that they are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Central Bank of Oman.

For the year under review (2025), the Board has conducted a thorough evaluation of the effectiveness of the Bank's internal control systems and risk management framework. The Board is satisfied that these internal controls are functioning effectively and that appropriate procedures are in place to ensure compliance with the Code of Corporate Governance and other regulatory requirements. There have been no material weaknesses identified that would impact the Bank's operations or financial reporting.

The Board of Directors also confirms that there are no material matters that would affect the Bank's ability to continue as a going concern into 2026. The Bank has adequate resources to continue its operations for the foreseeable future, and the financial statements have been prepared on a going-concern basis.

This Corporate Governance Report was approved by the Board of Directors on 26 January 2026 and is signed on behalf of the Board by:

Yahya Said Abdullah Al Jabri
Chairman, Board of Directors

Shari'a Supervisory Board Report

بنك العز الإسلامي
alizz islamic bank

In the name of Allah the Most Merciful & Compassionate

Report of the Sharia Supervisory Board of the Alizz Islamic Bank

For the Financial year ended 31st December 2025

Praise be to Allah the Lord of the world, prayers and peace be upon the most honorable of the prophets and messengers, our master Prophet Mohammad, his family and all his companions.

Dear Shareholders of Alizz Islamic Bank

Pursuant to the guidelines set out in the Islamic Banking Regulatory Framework issued by the Central Bank of Oman, the Shari'a Supervisory Board prepared a comprehensive 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 Shari'a controls of Islamic transaction and with resolutions of the Shari'a Supervisory Board.

The responsibility of ensuring that the bank is operating in accordance with the Shari'a controls of Islamic transaction rests with the management, who is also responsible for the activities and business of the bank and executing them according to the rules and regulations of Islamic Shari'a. Our responsibility is limited to express an independent Shari's opinion based on our reviews of the bank's transactions and operations that we perused and prepared a report for you.

We have reviewed the regulations on which the bank has been founded, as well as the banks financial results, its investments and other operations with the objective of expressing an opinion on whether the bank has complied with the Shari'a controls of Islamic transaction in the light of the resolutions and directives were issued during the financial year ended on 31 December 2025.

Therefore, we have reviewed the financial results of the bank, balance sheet, revenues and expenses as well as the review of the placement made with other banks, all of which are Islamic banks and windows. We further reviewed areas of investment in which the bank entered during the financial year ended 31 December 2025, where we have approved Shari'a compliant transactions and guides which required any amendments in accordance with Shari'a requirements.

For the purpose of review and to follow up the activities of the bank, the Shari'a Supervisory Board held five meetings during 2025 in addition to responding to many enquiries raised to the SSB either through email or phone. The Shari'a Supervisory Board

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alizz islamic bank, P.O.Box 753, Ruwi, Postal Code 112, Sultanate of Oman Tel 8007 2265 CR No 1/15966/4
www.alizzislamic.om

بنك العز الإسلامي
alizz islamic bank

reviewed the reports submitted by the Shari'a Compliance and Audit Department on all products and operations of the Bank during this period and made the appropriate decisions in their regard either through approving the reported cases or providing appropriate solutions for such cases.

We have obtained the information and interpretations that we considered as necessary to provide us with adequate evidences that are sufficient to enable us to provide reasonable assurance that the bank did not breach Shari'a controls of Islamic transaction, within the scope of the Bank's different activities and businesses reviewed by the Shari'a Supervisory Board.

In our opinion:

First: In its various transactions, investments, deposits, all transactions, documents, related procedures and its different business transactions during the financial year ended on 31st December 2025, the bank has abided by the rules and principles of Islamic Shari'a, in the view of the documents that were made available to us, taking into account Shari'a amendments that we have requested on the transactions, contracts, investments presented to us and amendment those that needed to be modified.

Second: the affairs of the Bank have been carried out in accordance with the rules and principles of Shari'a, Central Bank's regulations and guidance related to Shari'a compliance and other rules as well as with the specific rulings issued by the SSB from time to time.

Third Since the bank's board of directors is not authorized to pay the zakat on behalf of the shareholders, the payment of zakat of the bank's shares is the responsibility of the shareholders in compliance with the third pillar of Islam. The Sharia Compliance & Audit Department in the bank will calculate the Zakat amount payable and will inform the shareholders accordingly.

Fourth: Allocating and the distributing of profits and losses relating to investment accounts of the Shareholders and Creditors are calculated in accordance to the Islamic Shari'a principle and approved by the Shari'a Supervisory Board.

Fifth: The revenues that does not comply with the Shari'a rules was forfeited and credited to Charity Account, in an intention to disburse them after the approval of the Sharia Supervisory Board of the bank.

While issuing this report, the Shari'a Supervisory Board confirms that the use of any document, instrument or contract or entering into any agreement or investment or carrying out any of the activities shall be approved in advance by the Shari'a Supervisory Board to ensure that it complies with Shari'a requirements and the correct procedures shall be out into consideration while executing them.

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alizz islamic bank, P.O.Box 753, Ruwi, Postal Code 112, Sultanate of Oman Tel 8007 2265 CR No 1/15966/4
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بنك العز الإسلامي
alizz islamic bank

The Shari'a Supervisory Board appreciated the Bank's benign approach to abide by the rules and principles of Islamic Shari'a for the sake of Al Mighty Allah and we pray to the Al Mighty Allah to bestow his blessing in our livelihood and business.

May Prayers & Blessings of Allah be on His Prophet Mohammed.

Sheikh Dr. Esam Khalaf Al-Enezi

SSB Chairman

Sheikh Dr . Mohammed bin Rashid Al Gharbi

SSB Member

Sheikh Dr. Ahmed Subhi Ayadi

SSB Member

Sheikh Dr. Ibrahim bin Nasser Al Sawafi

SSB Member

Date: 9 Shaaban 1447 AH corresponding to 28 January 2026

Muscat, Sultanate of Oman

بنك العز الإسلامي، ص.ب ٧٥٣، رويٰ، الرمز البريدي ١١٢، سلطنة عمان، هاتف ٢٤٦٥ ٨٠٠٧ ٣٢، س.ت رقم ١/١٥٩٦٦/٤
alizz islamic bank, P.O.Box 753, Ruwi, Postal Code 112, Sultanate of Oman Tel 8007 2265 CR No 1/15966/4
www.alizzislamic.om

Fatwas of Shari'a Supervisory Board

Appendix of Fatwas and Decisions of the Shari'a Supervisory Board for the Year 2025

No.	Subject	Shari'a Board Resolution
1	Financial Statements for the Fiscal Year Ended 31st December 2024	The SSB reviewed the financial statements for the fiscal year ended 31st December 2024, inquired about certain points mentioned in the report, and amended some terminologies. Based on this, the Board approved the financial statements for the fiscal year ended 31st December 2024
2	Approval of updated Bank's Internal Policies for the year 2025, as follows:	A. The SSB reviewed and approved the following existing internal policies: • Business Continuity Management Policy • Information and Cybersecurity Master Policy B. New Bank Policies: • ESG & Sustainability Policy
3	Approval to distribute the Charitable Account balance for Q4 of 2024	The SSB sees no objection to the distribution of the Charitable Account balance as per the attached proposal.
4	Request for approval to outsource activities to service providers	The SSB sees no objection in outsourcing some of the activities to third party service providers.
5	Request for approval to defer payment of installment	The SSB Approved to defer the due installment, as it was not added to the Murabaha debt
6	Request for approval to invest in the eighth issuance of the sovereign sukuk series issued by the Government of the Sultanate of Oman	The SSB sees no objection to invest in the eighth edition of the sovereign sukuk series, which was issued by the Government of the Sultanate of Oman
7	Request for approval of the updated foreign currency exchange fee schedule for debit cards	The SSB sees no objection to approving the updated foreign currency exchange fee schedule for debit cards.
8	Request for approval to a restructuring of a corporate financing	The SSB sees no objection to restructuring corporate financing due to the company's financial difficulties and in consideration of the directives of the Central Bank of Oman, which also serves the best interest of Alizz Islamic Bank.
9	Request for approval to continue with the conventional insurance	The SSB sees no objection to continuing the insurance, as it predates the Bank's purchase and covers all of the client's assets, which would result in a significant cost if the property were insured separately.
10	Briefing the Honorable SSB on the judicial ruling regarding the 'non-payment of the pledged donation amount' in a customer-related case	The SSB reviewed the judgment issued by the competent court, which is final and enforceable.
11	Request for approval of the profit distribution report for December 2024	The SSB approved the profit distribution report for December 2024.

No.	Subject	Shari'a Board Resolution
12	Request for approval to restructure a customer's financing	The SSB sees no objection to restructuring the customer's financing, as long as it aligns with the SSB's resolutions.
13	Request for approval to invest in Tier 1 Capital Sukuk of the Bank	The SSB sees no objection to investing in Tier 1 Capital Sukuk, given that the Sukuk are based on a Shariah-compliant contract and supervised by a Shariah Board, and that the risks of Mudarabah Sukuk with banks are well-assessed. Therefore, there is no objection.
14	Reviewing the Shariah Audit Report	The SSB reviewed the Shariah Audit Report for the first quarter of 2025, discussed the listed observations and non-compliances, and issued the appropriate resolutions accordingly.
15	Shariah Compliance and Non-Compliance Risk Report	The SSB examined the Shariah Compliance and Non-Compliance Risk Report for Q1 2025 and provided the necessary guidance.
16	Request to include the cost of customer life insurance in the financing	The Shariah Supervisory Board recommended that the Bank to enter into an agreement with the insurance company to purchase a number of benefits under life insurance policies, giving the customer the option to either purchase the insurance benefit directly or have the Bank to provide one of the policies from the package agreed upon with the insurance company. It is permissible for the Bank to subsequently include this cost in the Murabaha contract, given that the Bank had agreed with the insurance company prior to entering into the contract with the customer, making it part of the contract's subject matter.
17	Request for approval of the profit distribution for January 2025	The SSB approved the profit distribution report for January 2025.

No.	Subject	Shari'a Board Resolution
18	Request for approval to invest in the commercial papers issued by the company	The SSB believes that requiring a Hibah from the contracting company in case of a loss constitutes a capital guarantee, which is not permissible. In similar cases, the company may provide profits on account, to be settled at the end of the participation period. A partner may also waive part of their profits at the time, but it cannot be stipulated at the contract stage.
19	Request for approval to re-book an investment Wakala deposit with back date effect	The SSB sees no objection to the Bank waiving part of its profits in favor of the depositor with back date effect.
20	Request for approval of the updated Retail Products Manual document	The SSB reviewed the operational manuals for financing (retail, personal, and sole proprietorship businesses) and, accordingly, emphasizes the need to submit any contracts for its review prior to implementation.
21	Request for approval to enter into a settlement with a company	The SSB sees no objection to reaching a settlement with the company.
22	Request for approval to exempt a company from the donation commitment amounts	The SSB sees no objection to exempting the company from the donation commitment amounts, as the company is in financial distress.
23	Request for approval to restructure the financing of a spouses	After the discussion, it was concluded that each spouse shall replace the other in the contract signed with the Bank, and the obligations shall be transferred accordingly, with the consent of all parties.

No.	Subject	Shari'a Board Resolution
24	Request for approval to adopt the updated profit calculation method for Investment Agency (Wakala) financings	The SSB approves the recommendation of the SSB Excom after making some amendments as follows: There is no Sharia objection to the Bank agreeing with the client (Investment Agent) in the agency (Wakala) contract that the investment of the due capital and its profits may continue with the agent until it is delivered to the Bank, provided it is not proven that the delay in payment of the capital and profits was due to the impossibility of investment, insolvency, or similar reasons, which is considered acceptable in commercial and banking practice. The contract stipulates that the investment is deemed ongoing unless either party expresses a desire to discontinue it. If it is proven that the agent was unable to invest the funds as described above, the Bank is entitled only to its capital and the profits previously realized according to the terms agreed in the Investment Agency contract.
25	Request for approval to finance the company through the Investment Agency (Wakala) product	The SSB approves the recommendation of the SSB Excom after making some amendments as follows: There is no objection to the investment period being one year. If the agent (client) gives part of the profits to the Bank during the investment period, it shall be treated as advance profit and subject to review at the end of the period. If there is any default, violation, or breach of the terms by the agent (client) or the principal, the capital shall be guaranteed in case of a loss, along with the profit achieved before the occurrence of the default, violation, or breach. If the profit achieved exceeds the expected profit, the expected profit must be paid, and any excess is considered an incentive profit for the agent. If the profit achieved is less than the expected profit, the achieved profit must be paid. If funds remain with the agent after the default or breach, the agent is obliged to compensate, including both the capital and the equivalent profit.
26	Request for approval to allocate purified profits from the profit distributions of a Company	There is no objection to approving the allocation of purified profits from the company's profit distributions.
27	Discussion of the proposal to authorize the Bank to deal with retail merchants in individual Murabaha financing	There is no objection to issuing a power of attorney for sorting and allocating goods on behalf of the Bank without a formal agreement between the parties, provided that the power of attorney includes the Bank's right to visit the supplier's warehouses and verify the existence of the goods. The SSB also emphasizes that the power of attorney should include conditions to prevent any appearance of sham transactions, such as dealings among relatives or with companies related to the supplier, and other similar cases.
28	Purchase agreement for a life insurance package for retail financing between the Bank and Takaful company	There is no objection to entering into an agreement between the Bank and the Takaful Insurance Company – annual and cancellable upon any decision by the regulatory authorities – to provide a specified number of insurance policies at a fixed price. The Bank will request these policies when clients apply for financing, provided that profits are not calculated on the value of these policies, but rather on the principal of the financing. This is because the Takaful insurance policy is not subject to the contract, as it is based on donation, and a donation cannot be a subject of sale, so charging profit on it is not permissible.

Management Discussion & Analysis Report

SUSTAINABLE PERFORMANCE

The Bank recorded steady and consistent growth in 2025, supported by its well-defined strategy. As of December 2025, net profit reached 12.02 million, representing a 20.0% increase compared to 10.01 million in the prior year. The financing portfolio grew by 9.6% from 2024 to 1,174 million, while deposits increased by 16.0% to 1,269 million. The Bank enhanced its Return on Shareholders' Equity to 8.9%, up from 8.1% in 2024, supported by notable improvements in key performance indicators, including the cost-to-income ratio, which also contributed to stronger returns on assets. Business growth was well-diversified and evident across all core areas, reflecting the Bank's balanced and sustainable performance.

GROWTH & STRATEGY

The Bank continues to focus on people, digital transformation and innovation across all the core areas of banking operations and lines of business. The Bank intends to expand its reach strategically and focuses on strategic partnerships to reach common sustainable goals.

The bank issued its second Sustainability Report for the year 2024, reflecting its unyielding dedication to integrating Environmental, Social, and Governance (ESG) principles into the bank's overall strategy. The report underscores the Bank's significant role in advancing national goals, particularly Oman Vision 2040 and global frameworks.

WHOLESALE BANKING

Wholesale Banking continued to maintain focused on sustainable growth throughout the year. Within strategic segments, particularly in Small and Medium Enterprises (SMEs), the Bank has achieved significant growth in 2025, underpinned by the Bank's holistic approach to support SMEs with capacity building, technical assistance and skill development initiatives which are also aligned with Oman Vision 2040.

Alizz Islamic Bank has strengthened relationships with key corporate clients while maintaining strong underwriting procedures and proactive credit risk management practices, which has led to further improvement in credit quality and profitability. The Bank's strategic emphasis remains on sectors driving Oman's economic diversification, with Project Finance and Syndication team actively participating in financing of national infrastructure and development projects through structured financing solutions and Islamic syndicate transactions.

During the year, the Bank has partnered with the International Islamic Trade Finance Corporation and Saudi Export- Import Bank (Saudi Exim) to provide Shari'a compliant financing solutions, further reinforcing its commitment to offering innovative and ethical financial services. In addition, the Bank also partnered with Credit Oman, which is the Sultanate's national export credit agency, with the aim of empowering local businesses, supporting exporters and enhancing the competitiveness of Oman's economy on the global stage while encouraging sustainable business growth.

RETAIL & SME BANKING

The bank has strengthened its retail proposition by enhancing the savings plan scheme, the savings plus account, an improved high net worth value proposition, segmented product value propositions and a lead management system. It has also focused on integration of campaigns, sales and marketing to improve customer acquisition and cross-selling. The overall impact of Retail Banking is to focus on faster onboarding, lower operating costs and an emphasis on the overall customer experience journey.

As part of meeting the market's demand, the bank continues to support major local community developers through providing flexible home financing solutions with Oman Housing Bank - Iskan Project for urban development, this partnership reflects the Bank's commitment to national development and social well-being. In addition to other Real Estate Companies such as Zain property development, Adrak developers, Rathath Real Estate, Al Abrar, Al Masa, Al Daham, Al Dhahab, Al Madina Real Estate and Opal Residences.

As part of the Retail Banking transformation strategy, the bank successfully partnered with Visa in early 2025 on the launch of the new Visa pre-paid cards, debit cards, credit cards and the first Shari'a compliant multi-currency prepaid card in Oman with instant issuance capabilities.

At Alizz Islamic Bank, we believe that financial inclusion is a cornerstone of sustainable growth and community empowerment. By offering Shari'a-compliant financial solutions tailored to different life stages and customer needs, we ensure that individuals, families and businesses have access to the tools they need to thrive. Our offerings are designed to promote savings, encourage responsible financing and provide equitable opportunities for all segments of society.

HUMAN CAPITAL

The Bank focuses on people development and growth where Human Capital successfully trains around 420 employees across multiple competencies, continuing to develop leaders who will drive the success of the bank. With an impressive Omanisation rate of 91%, we remain committed to attracting, developing and retaining top-tier Omani talent, reinforcing our long-term organisational vision.

Ruwad Alizz Leadership Development program, in collaboration with Harvard ManageMentor, exemplifies our commitment to leadership development. This six-month program provided access to 44 courses focusing on leadership development has graduated 40 internal and external participants, covering seven themes in leadership development through a blended learning approach, which completes more than 100 Ruwad Alizz Graduates.

Manahil Alizz Program is designed to empower third-year university and college students, prepares participants for the job market by equipping them with essential skills and knowledge. The programme enhances their leadership, personal development, and project management skills through a blended approach that includes classroom sessions. We currently have more than 90 graduates since launch and the program is ongoing every year.

Manar Alizz is an umbrella initiative for various programs and training aimed at raising awareness about Islamic banking and its developmental role, particularly focusing on the Omani experience with Islamic banks. This initiative caters to a wide range of segments, including researchers, university students, educational institutions, various entities, and specialised events. Since launch we currently have more than 500 participants overall.

Tamkeen focuses on 'Empowering the Second Line of Shari'a Supervisory Board Members', we have 2 graduates last year from Batch 3 which brings us to the total of 6 since the launch of the program.

The Bank's CEO introduced a specialised training programme for staff and non-banking professionals, focused on giving participants valuable insights into banking. We had 50 attendees, including staff and partners, as part of understanding the Fundamentals of Banking.

The bank has designed a well-comprehensive program targeting the female segment of the bank's potential future leaders. This commitment reflects our ongoing efforts to build an inclusive workplace where women are empowered to grow and reach their full potential within our organisation. Initial batch are 25 women across the bank and partners.

People are one of the main core pillars of the Bank's overall strategy, hence the bank conducts regular Employee Satisfaction Surveys to gather valuable feedback and work on continuously improving the work environment. In 2025, our Internal Satisfaction Survey revealed a score of 4 out of 5, reflecting a solid level of employee contentment with their work conditions.

SHARI'A COMPLIANCE AND AUDIT DEPARTMENT (SCAD)

The SCAD has performed several important roles towards their objective of Shari'a compliance across all customer dealings, products and services. To that end, the SCAD reviews the Bank's products documentation, processes and procedures to ensure that all the Bank's transactions have been conducted in line with Shari'a principles and guidelines. Reports on their findings have been submitted to the SSB and the management who have taken the required steps to further enhance the Bank's services and products to be in line with Shari'a principles.

The SCAD has been indispensable in terms of providing Shari'a compliant solutions to the Bank's customers, especially in terms of corporate customers' needs where more sophisticated structured products are often required. In addition, the SCAD has been involved in the process of enhancement, modification and development of various products during the year, as well as products that are due to be launched in 2025 – all of which have been developed under the guidance of the Shari'a Supervisory Board (SSB). SCAD also conducted Shari'a audits on retail banking and corporate banking.

The SSB held five meetings with full quorum during 2025. It has reviewed products and its related documents and issued 170 decisions on various queries. The SSB also reviewed the monthly PDMs, policies, investment proposals, and the Shari'a audit reports and provided appropriate guidance.

DIGITAL TRANSFORMATION AND TECHNOLOGY

The Bank launched two new mobile banking applications. One for the retail customers (Alizz X) and one for corporate clients (Alizz Connect), both feature intuitive designs that focus on a seamless user experience. The new online banking platform and Mobile Application for corporate clients offers fast and flexible banking solutions.

To enhance internal processes and streamline the workflow, the Bank has onboarded a new ERP system (Odoo), an all-in-one integrated platform that provides end-to-end process automation for the bank's operations at a lower cost and with higher efficiency.

The Bank has had a major focus on enhancing Cybersecurity advancements on endpoint protection and data leak prevention.

RISK MANAGEMENT

During a year characterized by sustained trade disruptions, shifting macroeconomic dynamics and elevated credit risks, the Bank's risk management framework remained anchored in prudence and proactive oversight.

The Bank's focus on generating sustainable profits has enabled it to enhance its capital base organically. The Bank has adopted a conservative approach in terms of its risk-taking activities. As part of the Board approved strategy, the Bank continues to grow its financing base in quality asset, both in Wholesale Banking & Retail book. Further, because of continuous remedial efforts, the Bank has been able to gradually reduce the concentration of stressed assets. In parallel, the Bank continued its focus on Non-Performing Finances (NPF) management and has reduced the NPF ratio significantly over a period, which now stands below the industry average NPF ratio.

Execution of an effective recovery and collection drive forms an important element of the Bank's strategic plan. Enhancing credit provisioning on restructured portfolio & other stressed portfolio remains a priority for risk management to minimize any potential fallouts from non-performance of such exposure

While other risk areas remained within the approved risk appetite, the Bank in particular, focused on enhancing controls to address Information Security Risk, Data Privacy & Protection and Fraud Risk. With the investment in technology, people and processes, the Bank is confident that it stands at much improved position vis-à-vis addressing these emerging risks effectively.

INTERNAL AUDIT

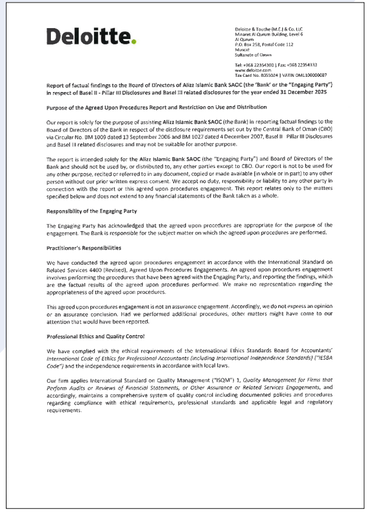
Internal Audit forms the 'Third Line of Defense' under the Bank's risk management model maintaining its independent status by operating under the direction and guidance of the Board Audit Committee and reporting directly to the Audit Committee.

During 2025, The Board of Directors and its Audit Committee, through the Internal Audit Department reviewed the effectiveness of the Bank's systems of internal controls on an ongoing basis throughout the year. Such reviews are in the form of audit engagements that are planned and performed by adopting a Risk Based Internal Audit Plan as approved by the Board Audit Committee on annual basis by following relevant Central Bank of Oman and Financial Services Authority issued regulations, and Global Internal Audit Standards and its Topical Requirements issued by the Institute of Internal Auditors. Results of Internal Audit engagements are communicated to all relevant stakeholders, and ensuing observations are followed up and monitored to ensure effective and efficient resolution of gaps identified to manage and/or mitigate risks reported.

COMPLIANCE

The bank continues its commitment to comply with all applicable laws, regulations, regulatory guidelines and supervisory requirements issued by Central Bank of Oman and other local and international authorities. The governance structure, internal controls and risk management frameworks are in place to ensure ongoing compliance with the standards & regulations.

Basel II, Pillar III and Basel III Report



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Deloitte & Touche (M.E.) & Co. LLC
Muscat Al Ghubra Building, Level 6
Al Ghubra
P.O. Box 258, Postal Code 112
Muscat
Sultanate of Oman

Tel: +968 22934301 | Fax: +968 22934313
www.deloitte.com
Tax Card No. 8101024 | VATIN: OM1100000087

Report of factual findings to the Board of Directors of Alizz Islamic Bank SAOC (the "Bank" or the "Engaging Party") in respect of Basel II - Pillar III Disclosures and Basel III related disclosures for the year ended 31 December 2025

Purpose of the Agreed Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting **Alizz Islamic Bank SAOC** (the Bank) in reporting factual findings to the Board of Directors of the Bank in respect of the disclosure requirements set out by the Central Bank of Oman (CBO) via Circular No. BM 1009 dated 23 September 2006 and BM 1027 dated 4 December 2007, Basel II Pillar III Disclosures and Basel III related disclosures and may not be suitable for another purpose.

The report is intended solely for the **Alizz Islamic Bank SAOC** (the "Engaging Party") and Board of Directors of the Bank and should not be used by, or distributed to, any other parties except to CBO. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this agreed upon procedures engagement. This report relates only to the matters specified below and does not extend to any financial statements of the Bank taken as a whole.

Responsibility of the Engaging Party

The Engaging Party has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement. The Bank is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed upon procedures engagement in accordance with the International Standard on Related Services 4400 (Revised), Agreed Upon Procedures Engagements. An agreed upon procedures engagement involves performing the procedures that have been agreed with the Engaging Party, 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.

This agreed upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and the independence requirements in accordance with local laws.

Our firm applies International Standard on Quality Management ("ISQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



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Procedures and Findings

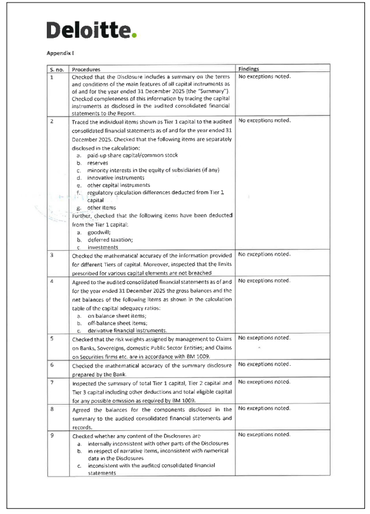
We have performed the procedures enumerated in Appendix I which are included in BM 1027 dated 4 December 2007 issued by CBO and which were agreed upon with the Engaging Party in terms of the engagement dated 14 May 2025.

You have acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

This report is based on the information provided to us by the management of the Engaging Party. We did not subject the information contained in our report or given to us by management to checking or verification procedures except to the extent expressly stated above. This is a normal practice when carrying out such limited scope procedures, but contracts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to reveal fraud.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
8 March 2026



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Appendix I

S. no.	Procedures	Findings
1	Checked that the Disclosure includes a summary on the terms and conditions of the main features of all capital instruments as of and for the year ended 31 December 2025 (the "Summary"). Checked completeness of this information by tracing the capital instruments as disclosed in the audited consolidated financial statements to the Report.	No exceptions noted.
2	Traced the individual items shown as Tier 1 capital to the audited consolidated financial statements as of and for the year ended 31 December 2025. Checked that the following items are separately disclosed in the calculation: a. paid up share capital/common stock b. reserves c. minority interests in the equity of subsidiaries (if any) d. innovative instruments e. other capital instruments f. regulatory calculation differences deducted from Tier 1 capital g. other items Further, checked that the following items have been deducted from the Tier 1 capital: a. goodwill; b. deferred taxation; c. investments	No exceptions noted.
3	Checked the mathematical accuracy of the information provided for different tiers of capital. Moreover, inspected that the limits prescribed for various capital elements are not breached.	No exceptions noted.
4	Agreed to the audited consolidated financial statements as of and for the year ended 31 December 2025 the gross balances and the net balances of the following items as shown in the calculation table of the capital adequacy ratios: a. on balance sheet items; b. off-balance sheet items; c. derivative financial instruments;	No exceptions noted.
5	Checked that the risk weights assigned by management to Claims on Banks, Sovereigns, domestic Public Sector Entities, and Claims on Securities Firms etc. are in accordance with BM 1009.	No exceptions noted.
6	Checked the mathematical accuracy of the summary disclosure prepared by the Bank.	No exceptions noted.
7	Inspected the summary of total Tier 1 capital, Tier 2 capital and Tier 3 capital including other deductions and total eligible capital for any possible omission as required by BM 1009.	No exceptions noted.
8	Agreed the balances for the components disclosed in the summary to the audited consolidated financial statements and records.	No exceptions noted.
9	Checked whether any content of the Disclosures are: a. internally inconsistent with other parts of the Disclosures b. in respect of narrative items, inconsistent with numerical data in the Disclosures c. inconsistent with the audited consolidated financial statements	No exceptions noted.

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

1. INTRODUCTION

Alizz Islamic Bank SAOC ("the Bank") was incorporated in the Sultanate of Oman ("Oman"), as a public joint stock company to carry out banking activities in accordance with the principles of Islamic Shari'a. The Central Bank of Oman ("CBO") has issued an Islamic banking license to the Bank on 5 September 2013 and the Bank commenced its operations on 30 September 2013. On 30 June 2020, the Bank's shares were acquired by Oman Arab Bank SAOG ("the Parent Company") and by virtue of that, the Bank became the subsidiary of the Parent Company and the shares were delisted from the Muscat Securities Exchange ("MSX").

The Bank has established its Enterprise Risk Management (ERM) framework in accordance with the requirements of Basel accord and Islamic Banking Regulatory Framework issued by the Central Bank of Oman (CBO).

Basel II, Pillar III disclosures include qualitative and quantitative information about the Bank's ERM framework, Shari'a governance and capital adequacy. Certain corresponding figures have been reclassified in order to conform with the presentation for the current year. Such reclassification does not affect previously reported profit/loss or owners' equity.

2. SCOPE OF APPLICATION

2.1. Qualitative disclosures

The Bank is a fully owned subsidiary of Oman Arab Bank SAOG. Basel II and Basel III guidelines are applied at the Bank level. The Bank established Alizz Sukuk SPC in Oman for the sole purpose of issuance of Sukuk eligible as additional Tier 1 Capital. Subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

2.2. Quantitative disclosures

The total paid up capital of the Bank is ﷼ 111.307 million divided into 1.113 billion shares of 0.100 ﷼ each.

3. MEDIA AND LOCATION OF DISCLOSURE

The Bank's Pillar 3 disclosure will be made available under the Annual Report (Basel III section) of the Bank's website at www.alizzislamic.com .

3.1. Basis and Frequency of Disclosure

This Pillar 3 disclosure document has been designed to be in compliance with CBO's Pillar 3 guidelines, and is to be read in conjunction with the Bank's Financial Statements for financial year ended 31st December 2025.

4. CAPITAL STRUCTURE

4.1. Qualitative disclosure

The Bank's regulatory capital is calculated as per the guidelines issued by the CBO and is classified into two categories – Tier I and Tier II.

4.1.1. Tier I Capital

The Bank's Tier I capital comprises of Common Equity Tier-1 and Additional Tier 1 capital. The Common Equity Tier-1 is further bifurcated into equity shares, legal reserves and retained earnings. The Bank has an authorized share capital of ﷼200 million divided into 2 billion shares of ﷼0.100 each, while it's paid up capital is ﷼111.307 million divided into 1.113 billion shares of ﷼0.100 each.

On 1st August 2024, the Bank through Extraordinary General Meeting passed a resolution to approve the reduction of issued share capital from ﷼139.500 million to ﷼111.307 million and Legal Reserve from ﷼1.554 million to ﷼0.780 million to set-off the Bank's accumulated losses of ﷼29.747 million as at 31 December 2022 and to retain retained profit of ﷼7.022 million.

On 9th December 2024, the Bank issued unsecured perpetual and subordinated Tier 1 sukuk amounting to ﷼30 million divided into ﷼26.150 million denominated units of ﷼1.00 each and 3.846 million USD-denominated units of USD 2.60 each. The issue was achieved by way of private placement with institutional investors within and outside Oman. The sukuk has an expected profit rate of 6.5 percent per annum, payable semi-annually in arrears. The profit payment is treated as a deduction from equity. The profit payment is non-cumulative and payable at the Bank's discretion. The sukuk form part of the Bank's Tier 1 capital after complying with Basel-III and CBO regulations. These sukuk constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity as per IFRS standards. The Sukuk have a First Call date on 9th December 2029 or on any profit distribution date thereafter subject to the prior consent of the CBO.

Tier 1 Capital is reduced by unrealized losses on investments categorized as fair value through equity, intangible assets and deferred tax.

4.1.2. Tier II Capital

Tier 2 Capital consists of eligible Expected Credit Loss (ECL) on financial assets and cumulative fair value gains on eligible investments as allowed under Basel III guidelines implemented by CBO.

In line with Basel guidelines as a measure to reflect the impact of COVID-19 and in order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the banks amid COVID-19 outbreak, the Central Bank of Oman introduced prudential filters in the issued circular BSD/CB/2020/005 on 3rd June 2020 with the following details:

a) Stage 1 ECL as 100% to be added back to Tier II capital.

b) This Stage 1 ECL amount remains subject to 1.25% of credit risk weighted assets.

c) Stage 2 ECL amount allowed to be added back to Tier II capital in prior years has now been phased out. As a result, the Bank has considered the eligible ECL as Stage 1 ECL only as on 31st December 2025.

Any unrealized gain on investments categorized as fair value through equity, is discounted by 55%.

Equity of Participatory investment accounts (PIA) is not considered as part of regulatory capital and the Bank is not reducing its risk weighted assets for jointly financed assets.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

4.2. Quantitative disclosure

Sl. No.	Elements of capital	2025	2024
		﷼ 000s	﷼ 000s
	Tier I Capital		
	Issued Capital		
1	Paid-up capital	111,307	111,307
2	Legal reserves	2,983	1,781
3	Retained earnings	23,631	16,005
	Common Equity Tier I Capital before deductions	**137,921**	**129,093**
	Deductions		
4	Deferred Tax Asset	-	-
5	Intangible Assets, including losses, cumulative unrealised losses recognised directly in equity	(2,036)	(2,049)
6	Shortfall of provision	(997)	-
7	**Common Equity Tier I after deductions**	**134,888**	127,044
8	**Additional Tier 1 Capital**	**30,000**	**30,000**
	Total Tier 1 Capital	**164,888**	**157,044**
	Tier II Capital		
9	Cumulative fair value gains on FVTE investments (up to 45%)	272	80
10	General financing loss provisions / Collective provision	3,229	4,762
11	**Total Tier II capital**	**3,501**	**4,842**
	Deductions		
12	**Total deductions from Tier II**	-	-
	Tier II Capital (Net)	3,501	4,842
13	**Total Regulatory Capital**	**168,389**	**161,885**
14	**Total amount of Participatory investment accounts**	**1,107,681**	974,344
15	**Profit Equalisation Reserve (PER)**	**-**	**-**
16	**Investment Risk Reserve (IRR)**	**-**	**-**

5. CAPITAL ADEQUACY

5.1. Qualitative disclosures

A strong capital position is essential to the Bank's business strategy and competitive position. The Bank's capital strategy focuses on long-term stability, which aims to build and invest in core banking activities.

The Bank seeks to maintain adequate levels of capital in order to:

- Support the underlying risks of the Bank's business;
- Optimize growth;
- Be able to withstand capital demands under market shocks and stress conditions.

Strategic, business plans and ICAAP (a reflection of the Bank's short to medium term strategy, i.e., 3 years and thus ties up the capital planning and risk appetite with the overall strategy of the Bank) are drawn up annually covering at least three years' time horizon. This ensures that risks based on the banks' Risk Appetite Framework (RAF) & Policy, are assessed and adequate levels of capital is maintained by the Bank to support its strategy. The above takes the following into account:

a. Growth of core financing and investment business based on business plans of the various business units. Wholesale Banking includes Large and Mid-Corporate Banking, Treasury and Investment Banking, Project Finance, SME Segment and Retail Banking include mass banking customers and wealth management customers.;

b. The funding structure and sources of funding, liabilities and equity, to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III guidelines.

c. Maintenance of Regulatory capital requirements (Capital Adequacy Ratios).

5.2. Internal Capital Adequacy Assessment Process (ICAAP)

The Bank's ICAAP is in sync with the Bank's strategy and addresses capital planning, risk appetite, assessment of all types of material risks, testing the capital requirement under different stress scenarios, capital required for covering all material risks due to current as well as prospective business profile and internal organization and processes to manage the above on an on-going basis.

At the Bank level, the overall capital adequacy is assessed through the ICAAP Framework. As a result, the organization has identified material risks and assessed the capital levels consistent with the risks identified.

The ICAAP framework determines the level of capital required to support the Bank's current and projected activities for capital under normal and stressed conditions. The ICAAP report is produced on an annual basis and is duly approved by the Board Risk & Compliance Committee (BRCC) as well as the Board of Directors.

5.2.1. Comprehensive Risk Assessment under ICAAP Framework

Under the ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 of BASEL III (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 of BASEL III (e.g. Residual Risks);
- Risks not taken into account by Pillar 1 of BASEL III (e.g. Profit Rate Risk in the Banking Book (PRRBB), Liquidity Risk, Business/ Strategic Risk, Reputational Risk, Concentration Risk-Name and Economic Sectors); and
- External factors, including changes in economic environment and regulations.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

5.2.2. Assessment of Pillar 1 and Pillar 2 Risks under BASEL III regime

The bank quantifies its risks using methodologies that have been reasonably tested and deemed to be accepted in the industry.

Where risks are not easily quantified, due to the lack of commonly accepted risk measurement techniques, expert judgment is used to determine the size and materiality of the risk. The Bank's ICAAP then focuses on the qualitative controls in managing such material, non-quantifiable risks within the established governance framework of the bank. These qualitative measures include the following:

- Adequate governance process through Sharia's Supervisory Board, BRCC, EXCOM and the Board of Directors;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies; and
- Regular monitoring and reporting through various committees and management forums.

5.2.3. Stress Testing

The Bank has a Board approved Stress Testing Framework and Policy in place. It is embedded in the risk and capital management process. The program serves as a forward looking risk and capital management tool to understand the Bank's risk profile under extreme but plausible conditions. Such conditions may arise from the macroeconomic, strategic, political and business environmental factors.

Under the Alizz Islamic Bank's (AIB) Enterprise Risk Management Framework & Policy, approved by the Board, the potential unfavorable effects of stress scenarios on the Bank's profitability, asset quality, liquidity, risk weighted assets and capital adequacy are modelled. At AIB, the Stress Testing methodology is under constant review by Chief Risk Officer (CRO) to reflect the prevailing regulatory and global best practices along with reflecting the macroeconomic scenarios and is capable of translating the potential risks faced by the Bank into meaningful results.

Specifically, the stress testing program is designed with an objective to assess the resilience, solvency, liquidity and profitability of the Bank against various stressed events. Depending on the nature of the risk factor, the impact of the stress testing exercise where applicable, are measured on the following indicators of the Bank:

- Assets quality – increase/decrease in non-performing assets measured in terms of ratio to financing assets;
- Profitability – increase/decrease in the accounting profit & loss;
- Capital adequacy – measured in terms of changes in total amount of capital and the Capital Adequacy Ratio (CAR);
- Liquidity position – measured in terms of changes in key liquidity indicators.

Approach towards risk weighting of assets funded by Participatory investment accounts (PIA):

Assets funded by PIA funds are risk weighted at 100% in view of requirements of the CBO and displaced commercial risk.

Capital Adequacy requirements also takes into account the specific risks of the Islamic financing instruments. The financing assets in the books mainly comprise of Ijarah assets-Ijarah Muntahia Bittamleek, Murabaha, Wakala bil Istithmar, Diminishing Musharaka and Investments in Sukuk and Shari'a compliant Equities.

In case of Ijarah financing, the assets are leased to the customer, as such no market risk is accounted for the same. However, in view of the lease rentals due from the customer, charge towards credit risk is accounted based on the amount due from the customer.

In case of Murabaha based contracts, in all cases the promise to purchase undertaking is obtained from the customers before issuance of the purchase order or cheque to the seller for purchase of asset, as such no market risk is assumed by the Bank in case of Murabaha based contracts.

In case financing is extended under the Wakala bil Istithmar or Diminishing Musharaka structures, the exposures are risk weighted at 100% given the fact that the same are done on an unrestricted basis wherein the risk of loss is assumed by the Bank.

Investments in Sukuk comprise of certificates that gives the Bank the entitlement to receive returns on an asset, usufruct and services of which the undivided ownership is transferred to the Sukuk holders. Investments in Sukuk and Shari'a compliant equities are held in the financial assets at amortized cost or financial assets at fair value through other comprehensive income as the case may be and are marked to market on a daily basis wherever applicable.

5.3. Quantitative disclosures

Capital adequacy ratio, capital requirements for various types of risks and composition of capital is presented as follows:

(a) Capital Requirements	2025		2024	
	---------- 000s ----------		---------- 000s ----------	
	Risk Weighted Assets (RWA)	Capital Requirement	Risk Weighted Assets (RWA)	Capital Requirement
Credit Risk	**995,190**	**134,351**	917,547	123,869
Market Risk	**21,825**	**2,946**	7,775	1,050
Operational Risk	**65,525**	**8,846**	59,086	7,976
Total	**1,082,540**	**146,143**	984,408	132,895

(b) Capital Requirements		2025	2024
Details		000s	000s
1	Tier I Capital (after supervisory deductions)	**164,888**	157,044
2	Tier II capital (after supervisory deductions and up to eligible limits)	**3,501**	4,842
3	Risk weighted assets – Banking book	**995,190**	917,547
4	Risk weighted assets – operational risk	**65,525**	59,086
5	Total Risk Weighted Assets – Banking Book + Operational Risk	**1,060,715**	976,633
6	Minimum required capital to support RWAs of Banking book and operational risk	**142,200**	131,846
	i) Minimum required Tier I Capital for Banking book and operational risk	**138,699**	127,004
	ii) Tier II Capital required for Banking book and operational risk	**3,501**	4,842
7	Tier I capital available for supporting trading book	**26,189**	30,040
8	Tier II capital available for supporting trading book	**-**	-
9	Risk Weighted Assets – trading book	**21,825**	7,775
10	Total capital required to support trading book	**2,946**	1,050
11	Minimum Tier I capital required for supporting trading book	**840**	299
12	Total Regulatory Capital	**168,389**	161,885
13	Total Risk Weighted Assets – Whole Bank	**1,082,540**	984,408
14	BIS Capital Adequacy Ratio	**15.55%**	16.44%

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

(c) Capital Adequacy Ratio	2025	2024
	000s	000s
Total Risk Weighted Assets (RWA)	**1,082,540**	984,408
Total Eligible Capital	**168,389**	161,885
Capital Adequacy Ratio	**15.55%**	16.44%

(d) Ratio of Total and Tier I Capital to Total RWA	2025	2024
	000s	000s
Tier 1 Capital	**164,888**	157,044
Total Capital	**168,389**	161,885
Total RWA	**1,082,540**	984,408
Ratio to Total Capital to RWA	**15.55%**	16.44%
Ratio to Tier I Capital to RWA	**15.23%**	15.95%

(e) Ratio of Total Capital to Total Assets	2025	2024
	000s	000s
Total Capital	**168,389**	161,885
Total Assets	**1,465,206**	1,317,317
Total Capital to Total Assets	**11.49%**	12.29%

(f) Disclosure of Capital Requirements according to different risk categories of each Shari'a compliant financing contract	2025		2024	
	---------- 000s ----------		---------- 000s ----------	
	Credit Risk	Market Risk	Credit Risk	Market Risk
Murabaha receivables	**19,763**	**-**	19,885	-
Wakala bil Istithmar	**15,966**	**-**	16,376	-
Ijarah assets-Ijarah Muntahia Bittamleek	**8,174**	**-**	10,046	-
Diminishing Musharaka	**70,439**	**-**	62,987	-
Banks	**998**	**-**	792	-
Investments	**3,783**	**-**	1,757	-
Other assets	**6,109**	**-**	5,159	-
Letter of Guarantees	**4,096**	**-**	2,922	-
Letter of Credit	**1,068**	**-**	607	-
Irrevocable financing commitments	**3,954**	**-**	3,338	-
Total	**134,351**	**-**	123,869	-

6. PARTICIPATORY INVESTMENT ACCOUNTS (PIA):

The Bank accepts funds from investors in Equity of participatory investment account holders on Mudaraba basis and in Investment accounts on Wakala bil Istithmar basis. As the Bank currently does not accept funds on restricted basis, disclosure provided below are applicable for participatory investment account holders.

Mudaraba: Under the Mudaraba contracts, Bank Participates both as Mudarib (manager) and Rab-al-Mal (investor). Funds provided by investors are on participation basis and are merged with funds of the Bank as Rab-al-Mal and a Mudaraba pool is established in which the assets are invested. Income generated from such assets is distributed in accordance with a transparent arrangement duly approved by the Shari'a Supervisory Board of the Bank. Complete disclosure of policies, procedures, product design/type, and profit allocation basis has been explained in detail in the qualitative disclosure. The Bank currently does not accept funds on restricted basis.

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

6.1. Qualitative disclosures

Disclosures for PIA on Mudaraba basis.

The Policy governing management of participatory funds is in place, the same covers approaches to the management of the investment portfolio, establishment of prudential reserves, calculation, allocation and distribution of profits.

Bank has the following two broad categories of Mudaraba based PIA products:

- Saving accounts
- Term Investment deposits

Saving accounts and Term Investment deposits under the Mudaraba contract are available to individual customers while Term deposits under the Mudaraba contract are available to corporate customers and high net-worth Individuals.

Under saving accounts, the customers have flexibility of withdrawing and enhancing their investment with the Bank at any time without any restrictions. However, customers opting for saving account also accepts lower weightage and corresponding profit payouts as the Bank cannot invest customers' money in long term assets yielding higher returns. A combination of Qard-Hasan and Mudaraba based Izdihar saving account allows the customer to earn high weightages on the balances in savings account while it allows the customers to withdraw from current account by cheques

"Hasalati" which is a children's savings account is also based on Mudaraba principles. The Bank has a Long term Saving plan product in which customer is expected to contribute a fixed amount every month apart from the initial contribution for a predetermined investment period.

Under the Term Investment deposits, customers are required to maintain their investments with the Bank at contracted tenors. The PIA are allowed to prematurely withdraw their funds. However, the PIA will be paid adjusted profit commensurate to the tenor of their investments remaining with the Bank.

The Asset and Liability Committee (ALCO) is the governing body for managing PIA funds while investment and financing decisions have been entrusted to various committees and individuals based on a comprehensive authority matrix duly approved by the Board of Directors.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

PIA funds are invested and managed in accordance with Shari'a requirements and the same are monitored by 'Shari'a' department of the Bank which reports directly to the Shari'a Supervisory Board.

Products information is available on the Bank's website and is also included in the marketing material available at the branches.

Disclosures on Wakala Bil Isthithmar basis

The Policy governing management of Wakala Bil Isthithmar funds is in place, the same covers approaches for the management of the investment portfolio, distribution of profits and Wakil fees.

Bank has the following two broad categories of Wakala Bil Isthithmar products:

- Call Investments Accounts
- Term Deposits

Call Investment accounts and Term deposits under the Wakala Bil Isthithmar contract are available to Financial Institutions, Governments, Pension funds, corporate customers and high net-worth Individuals.

Call Investment accounts do not have defined maturity and the customers have flexibility in withdrawing and enhancing their investments without any restrictions. They are accepted on the basis of Wakala and customers are paid profit on monthly basis based on average balance maintained.

Under the Term deposits, customers are required to maintain their investments with the Bank at contracted tenors. The Wakala Bil Isthithmar depositors are allowed to prematurely withdraw their funds. However, the Wakala Bil Isthithmar depositors will be paid adjusted profit commensurate to the tenor of their investments remaining with the Bank.

The Asset and Liability Committee (ALCO) is the governing body for managing Wakala Bil Isthithmar funds while investment and financing decisions have been entrusted to various committees and individuals, based on a comprehensive authority matrix duly approved by the Board of Directors. Wakala Bil Isthithmar funds are invested and managed in accordance with Shari'a requirements and the same are monitored by 'Shari'a' department of the Bank which reports directly to the Shari'a Supervisory Board.

Products information is available on the Bank's website and is also included in the marketing material available at the branches.

Income allocated to IAH is reduced by 10% towards Profit Equalization Reserve (PER), if any. The Bank thereafter charges a Mudarib share at a maximum rate of 60% which is approved and declared on a monthly basis. These reserves are created for future contingencies. Net distributable income is distributed to different classes of IAH in accordance with the weightages coinciding with their tenor and amount of the investment which are announced in a transparent manner every month on the Bank's website and are displayed in the branches.

The Bank pay competitive rate of returns to its investors by accepting Displaced Commercial Risk (DCR) based on actual profits. In order to pay its investors competitive rate of return, the Bank may waive partially or entirely its Mudarib share.

The objective of investments of the Bank is to invest the funds without exposing the investors to excessive risks and to provide healthy payouts commensurate with their expectation.

During the year 2025, there was no change in the investment strategy of the Bank that affects IAH funds. Further, the approach adopted by the Bank of comingling of funds of IAH and Shareholders continued throughout the year.

The Bank does not charge any administrative expenses to the pool as the same are borne by the Bank as Mudarib in lieu of Mudarib share.

6.2. Quantitative disclosures

PIA funds by contract type

Contract type	2025	2024
	000s	000s
Mudaraba	**199,097**	198,389
Wakala bil Istithmar	**908,584**	775,955
Total	**1,107,681**	974,344

Disclosures for PIA on Mudaraba and Wakala Bil Isthithmar basis

Return on Assets (ROA): Amount of total net income (before distribution of profit to unrestricted IAH) / Total amount of assets financed by Shareholders' equity and minority interests, Unrestricted IAH, and current accounts and other liabilities.

Item	2025	2024
	000s	000s
Amount of Total Net Income	**32,064**	23,463
Average amount of assets	**1,391,262**	1,242,743
Return of Assets (ROA)	**2.30%**	1.89%

Return on Equity (ROE): Amount of total net income (after distribution of profit to IAH) / Amount of shareholders' equity.

Item	2025	2024
	000s	000s
Amount of Total Net Income	**32,064**	23,463
Average amount of shareholder's equity	**134,118**	123,807
Return of Equity (ROE)	**23.91%**	18.95%

Ratio of profit distributed by type of PIA on Mudaraba basis

Item	2025	2024
Saving	**93%**	91%
Investment term deposits	**7%**	9%

Equity of participatory investment account holders by type on Mudaraba basis

Item	2025	2024
	000s	000s
Saving	**185,233**	180,009
Investment Term Deposits	**13,864**	18,380
Total	**199,097**	198,389

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

Equity of participatory investment account holders by type on Mudaraba basis

Item	2025	2024	2023	2022	2021
Profit sharing ratio (Mudarib : Investment Account Holders)	**60:40**	60:40	60:40	60:40	60:40
Average Profit paid to Investment Account Holders	**1.22%**	1.40%	1.71%	2.22%	1.92%

Computation of Pool income for the year ended 31st December 2025 is as follows:

Item	2025	2024
	000s	000s
Pool Income	**75,777**	69,661
Pool Expenses	**(4,402)**	(4,005)
Net Pool Income	**71,375**	65,656
Less: Income available for quasi-equity	**(49,383)**	(44,502)
Mudarib fee less support provided by the Bank	**5,670**	2,416
Profit attributed to AT1 Sukuk holders	**(1,950)**	-
Total amount attributable shareholder funds as Rab-al-Mal	**25,712**	23,570

After issuing the Mudaraba perpetual AT1 sukuk, the Bank obtained approval from the Shari'a Supervisory Board to manage funds within a single pool. This pool includes various fund providers such as unrestricted Mudaraba account holders, shareholders, and AT1 sukuk holders. Profits are distributed on a pro-rata basis. Throughout the year, the Bank did not set up a profit equalization reserve or an investment risk reserve for any of the fund providers.

On a monthly basis, the Bank announces profit rates and weightages on its website which can be accessed at http://alizzislamic.com/Personal/Rates-Weightages.

The Bank has no off-balance sheet exposures arising from investment decisions. Further, the bank had no limits imposed on the amount that can be invested in any one type of asset.

7. RESTRICTED INVESTMENT ACCOUNTS

The Bank does not have any restricted investment accounts as at the reporting date.

8. RETAIL INVESTORS - ORIENTED DISCLOSURES FOR INVESTMENT ACCOUNTS

The disclosures mentioned under section 6 above are equally applicable for retail investors. Salient features are reproduced below in a simplified manner.

8.1. Distribution methodology

The Bank abides by the following profit distribution methodology for distributing its profits to PIA. Total income from Islamic financing and placement activities is classified under the pool and is calculated in accordance with Bank's accounting policies.

The net profit of the pool is calculated in accordance with the following formula:

Net income of the pool = (Income from financing & placements) – (General and specific provisions)

Net income of the Mudaraba pool is allocated between Shareholders and the participatory investment account holders according to their respective contribution and tenor of their investments in the Mudaraba pool. Whereas the return to Wakala account holders is deducted from the net income of the Wakala pool to calculate the incentive fee of the Wakeel.

All administrative and general expense (including staff expenses) are borne solely by the shareholders from the date of commencement of the Bank's operation.

Fees, charges (Letters of Credit, Letters of Guarantee, General Banking and allied services) is Bank's income and such income is not included in the pool calculation.

Depreciation relating to fixed assets owned by the Bank (other than those meant for the investment in the common pool) is not charged to the common pool and is charged to the shareholders.

The Mudarib's profit share is calculated by applying a predefined percentage (between the Bank and the PIA) to share the profit from the Mudaraba pool. The Bank's share as Mudarib is 60% maximum while PIA share is 40%.

Investment Risk Reserve (IRR) is created out of the IAH share of profit (maximum of 10%).

In case the balance in the reserve account is not sufficient to pay the desired rate of return, shareholders may forego their share of profit (in full or in part) to the depositors with the approval of the Bank's Shari'a Supervisory Board.

The assessment of provision is made by the Bank on a regular basis.

The PER is used for smoothing the returns that are paid to the Investment Account Holders and Shareholder. Any loss of PIA is covered from the IRR.

Any loss due to negligence or misconduct on the part of the Bank is deducted from the Bank's share in the profits of the respective pool. Any excess of such loss is deducted from the Bank's share of fund from the respective pool.

In order to ensure adequate transparency in the payout process, the profit paid to PIA is posted on the Bank's website at http://alizzislamic.com/Personal/Rates-Weightages

8.2. Profit Equalization Reserve

- The Bank (at its discretion) shall apportion an amount out of the Mudaraba income before allocating the Mudarib share, in order to maintain a certain level of return on investment for PIA.
- The percentage (up to a maximum of 10%) being set aside for the purpose is determined by the management and shall be approved by ALCO.
- The percentage of PER shall be agreed/approved by the account holder at the time of opening the PIA account by signing the terms and conditions.
- The amount accumulated as PER shall be released/distributed in the years of lower performance as decided by the ALCO, subject to approval of SSB.
- Balance of PER shall be maintained as a current account.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

8.3. Investment Risk Reserve (IRR)

- The Bank (at its discretion) shall apportion an amount out of the income of PIA, after allocating the Mudarib share, to IRR in order to cater against future losses for Investment accountholders.
- The percentage (up to a maximum of 10%) being set aside for the purpose of PER is determined by the management and shall be approved by ALCO, subject to the approval of SSB.
- The percentage of IRR (up to a maximum 10%) shall be agreed/approved by the account holder at the time of opening the PIA account.
- The amount accumulated as IRR shall be released / distributed to mitigate the account loss as decided by the ALCO.
- Balance of IRR shall be maintained as a current account.

The Bank has trained customer services' representatives in all the branches to provide appropriate guidance to customers in selection of relevant products suitable to the individual investors. Further, complete product booklet is available at the branches and on the Bank's website which can be referred in case any further clarification is required.

The Bank has in place a Customer Complaint & Grievance Management policy. Customers have been provided the following channels to register their complaints:

- Call Center Contact number 800-72265
- Mobile Banking
- Whatsapp +96824166000
- In person, walk-in-to the Head Office or any branch
- In writing via email ID: customerservice@alizzislamic.com
- Online through the website via "Contact Us" Through the web portal below
  http://alizzislamic.com/Contact-Us
- Verbally to a member of the sales staff at external sales sites
- Verbally via referrals through the Bank's staff
- On social media through the portals identified in the website.

The Bank has generated and distributed healthy payouts to IAH during 2025 but the same should not be taken as commitment from the Bank for future periods. However, the Bank will make all efforts to enhance and maintain healthy payouts.

9. RISK MANAGEMENT, RISK EXPOSURES AND RISK MITIGATION:

9.1. General Disclosures

The risk environment in which the Bank operates changes continuously, caused by a range of factors, from the transactional level to macroeconomic events. The risk environment therefore requires continuous monitoring and assessment. Initiatives under the Bank's Enterprise Risk Management program have been a major catalyst and contributor to the enhancement of risk management practices within the Bank. The risk management framework institutionalized across the Bank is designed to meet these challenges as part of Basel program.

The Bank's Six Broad Principles of Risk Management

The Six Broad Principles define the accountability, independence, structure and scope of Risk Management.

1. The risk management approach is premised on three lines of defence – risk taking business units, risk management unit & other control units like Shari'a and Internal Audit.
2. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk management units is responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and testing of risk. Complementing this are Internal Audit & Shari'a which provides independent assurance of the effectiveness of the risk management approach.
3. At Alizz Islamic Bank (AIB), the Risk Management through the Chief Risk Officer, assume the independent responsibility of reviewing and co-signing the approval through the Management Credit Committee (MCC), of all major credit proposals of the bank which are prepared, sponsored and recommended by the Business Units. In addition, Enterprise Risk Management (ERM) provides risk oversight and consultancy to all lines of business for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks that are discussed under Pillar 2 of the BASEL regime.
4. ERM ensures that the core risk policies of the Bank are consistent and current, sets the risk tolerance level through the approved Risk Appetite Framework (RAF) & Policy. Also, ERM is responsible for the execution of various risk policies and related business decisions empowered by the Board.
5. ERM is functionally and organizationally independent of the business units and other risk taking units within AIB.
6. AIB's Board, through the ALCO, Shari'a Supervisory Board, BRCC and EXCOM, maintains overall responsibility for risk oversight within the Bank.

9.1.1. Qualitative disclosure:

Objective, strategy, policies and procedures:

The primary objective of Enterprise Risk Management is to protect the Banks' assets from the various risks the Bank is exposed to and maximize shareholders value.

The Bank is exposed to key risks: credit risk, investment risk, liquidity risk, rate of return risk, market risk, displaced commercial risk, operational risk, and other residual risks like Profit Rate Risk in the Banking Book (PRRBB), Strategic Risk, Reputational Risk, Macro-economic Risk, Concentration Risk along with Shari'a non-compliance risk.

A well-defined risk management framework is in place with the overall responsibility of risk management vested with the Board of Directors managed through the Board Risk and Compliance Committee.

The Board of Directors approve the Bank's risk management policies which defines the Bank's risk strategy, which is backed by appropriate qualitative and quantitative parameters, delegation of authorities to the Executive Committee of the Board, Management Credit Committee and Executives to approve financing exposures. The policies and processes for management of risks have proved to be effective.

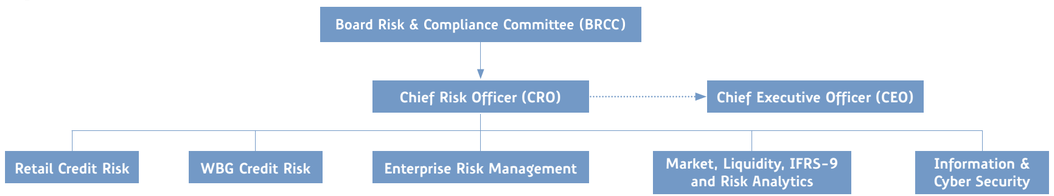
The risk management framework compliments the International Best Practices, Basel Committee, Islamic Financial Services Board and Central Bank of Oman guidelines.

The role of the Risk Management Department is to develop and implement the risk policies associated specifically with both quantifiable and non-quantifiable risks arising from the activities of the Bank and manage the day-to-day risks.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

The risk management function along with the internal audit function of the Bank provides independent assurance that all types of risk are being managed in accordance with the policies set by the Board of Directors. Independent review of the risk management framework is carried out by the Internal Audit function and Compliance function. Shari'a non-compliance risk is monitored and managed by Shari'a compliance Unit.

Organization:



Risk measurement and reporting system:

Wholesale Banking (WBG) Credit Risk is responsible for evaluating and assessment of financing proposals pertaining to Project Finance, Large Corporate, Mid Corporate & SMEs. WBG Credit Risk conducts risk due diligence and proposes financing proposals to Management Credit Committee (MCC). In addition, WBG Credit Risk also conducts review of discretionary authority matrix applicable to WBG portfolio from time to time and proposes delegations/withdrawal of delegations, as and when need arises

Retail Credit Risk function is responsible for conducting the following tasks:

- Approval of retail financing proposals as per applicable authority matrix
- Review and approval of Product Programs
- Review of Authority delegation matrix and suggest amendments in line with market conditions from time to time
- Portfolio composition & health
- Analysis of past due portfolio (DPD Analysis)
- Monitoring of Delinquent portfolio

Enterprise wide Risk Management (ERM) function is responsible for the following essential areas of risk management:

- Operational Risk Management: Identification, assessment and mitigation of risks arising from failures in processes, people, systems and external events.
- Anti Fraud Risk Assurance: To systematically, prevent, detect and respond to fraud risks.
- Data Protection and Privacy: To ensure that personal, financial and operational information is handled securely, ethically and in line with regulations.
- Credit Risk Monitoring and Control: To provide an oversight on the credit risk management area at portfolio level.

Market, Liquidity, IFRS-9 and Risk Analytics is responsible for maintaining oversight on key financial risks management areas as listed below:

- Treasury Middle Office (TMO)
- Monitoring and Reporting Market & Liquidity risks
- ALCO Reporting
- Proposing & monitoring of internal & regulatory Limits exposure limits
- Conducting Monthly/ Quarterly Enterprise Wide Risk Reviews (CRO dashboard) covering all risk areas including credit, market, liquidity, operational, information security & other risks
- Basel-III related tasks and reporting
- Internal Capital Adequacy Assessment Procedures (ICAAP)
- IFRS 9, calculation of Expected Credit Losses & related regulatory reporting, in coordination with other stakeholders

Information & Cyber security unit is responsible for managing technology related risks faced by the Bank. This unit maintains up-to-date strategies, policies and frameworks and ensures their implementation in alignment with regulatory authorities, applicable laws, and acceptable standards changes.

The Chief Risk Officer reports to the Chair of the Board Risk and Compliance Committee (BRCC) and has dotted line to the CEO for day to day Administrative functions.

Displaced Commercial Risk (DCR):

Refers to the market pressure to pay returns that exceed the rate that has been earned on the assets funded by the Unrestricted Investment Account Holders. DCR is managed by the Bank as the Mudarib foregoing a part or in all the share of the earnings. The Bank benchmarks its rates with the other banks in the Sultanate.

Policies and practices for mitigating risks:

Risk mitigants are obtained wherever possible. In respect of rate of return risk, in financing products wherever repricing is possible, clause to the effect is incorporated in the financing documents. In respect of credit risk efforts are made to obtain collateral by way of mortgage of real estate, plant and & machinery, obtaining individual/corporate guarantees towards facilities granted to individual and legal entities. In case of Operational risks, it is ensured that there are approved policies and procedures in place and the same are strictly complied with.

The Bank accepts DCR. In order to pay its investors competitive rate of return the Bank may waive partially or entirely its management fee (Mudarib share). Further, no alpha factor is used to discount the assets funded by the IAH funds for capital adequacy purposes, the same are risk weighted at 100%.

The Bank accords a great deal of importance to risk management and ensures appropriate investments are made for effective management of risks to support the growth plans of the Bank.

Basel II and III:

CBO in line with the requirements of Basel III framework, has issued guidelines on the capital norms and liquidity ratios. Capital Conservation buffer and Counter Cyclical buffer have been made applicable to all Banks in the Sultanate based on the domestic economic situation. CBO requires Banks in the Sultanate of Oman to maintain a Capital Adequacy Ratio (CAR) of 13.5% of which 2.5% is the capital conservation buffer.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

With respect to the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), reporting thereof has already been put in place. The Bank is reporting LCR & NSFR at monthly intervals to the Central Bank of Oman. The Bank is in compliance with the LCR and NSFR threshold of 100% as prescribed by the CBO.

9.1.2. Quantitative:

Bank applies same treatment for calculation of risk weighted assets for assets financed exclusively by the shareholders and the Mudaraba pool. Detailed disclosures have been provided under Credit Risk section.

9.2. Credit Risk

Credit risk is the potential loss resulting from the failure of a customer or counter party to honor its financial or contractual obligations in accordance with the agreed terms. The Bank is exposed to credit risk through its financing and investing activities. The function of credit risk management is to maximize the Bank's return by maintaining credit risk exposure within acceptable parameters.

9.2.1. Allowance for impairment/expected credit losses

The Bank has adopted FAS 30, "Impairment, Credit Losses and Onerous Commitments" which is effective on the financial statements on or after 1 January 2021. Credit provisioning through the FAS 30 standard are also applies to certain financing commitments and financial guarantee contracts but not to equity investments. Prior to adoption of FAS 30, the Bank applied IFRS 9, "Financial Instruments" for calculation of expected credit losses which is analogous to FAS 30 duly observing compliance with Shari'a principles and rules as specified by Shari'a Supervisory Board. The CBO mandated the adoption of IFRS 9 for all banks including Islamic banks and Islamic windows as per Circular "BM 1149" dated 13 April 2017. In accordance with CBO circular BM 1149, the Bank continues to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the CBO norms under circular "BM-977". The Bank did not identify any material differences during the transition from IFRS 9 to FAS 30

9.2.2. Qualitative disclosures

The Bank has set for itself clear and well defined limits to address different dimensions of credit risk including concentration risk, tenor for each type of financing, exposure limits based on the credit risk rating of the customer. Compliance with the various parameters set in the risk policy is reviewed regularly and variances from the norms are reported to the Board Risk and Compliance Committee for their information and appropriate action. Credit risk is managed by the WBG & Retail Credit Risk Units within Risk Management Department.

The financing extended to Wholesale Banking customers are generally risk weighted at 100%. However, in respect of Banks, ratings assigned by Moody's, S&P and Fitch are taken into account while arriving at the risk weighted assets computations.

It is ensured that the financing exposures assumed by the Bank are well within acceptable parameters. Policies and procedures on credit risk are periodically reviewed to ensure that the same are aligned to the current best practices.

The existing infrastructure of the financing applications both retail and corporate are reviewed by risk management, approved by delegated authorities and post sanction compliance to covenants being done by an independent department namely credit administration, which ensures that the identified credit risks are duly mitigated at the inception of the providing credit. Regular review of the portfolio and annual reviews ensures proper monitoring of the credit risks at an individual level in case of corporate financing and at a portfolio level in case of retail financings.

Credit risk makes up the largest part of the Bank's risk exposure.

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

Types of Credit Risk:

Financing contracts mainly comprise Due from banks, Murabaha receivables, Diminishing Musharaka Ijarah Muntahia Bittamleek & Wakala Bai Istithmar. Due from banks: Due from banks comprise Wakala bil Istithmar.

Wakala bil Istithmar: Bank appoints the customer as Wakil to invest the funds to achieve an expected profit with a fee.

Murabaha receivables: The Bank finances these transactions through buying the commodity which represents the object of the Murabaha contract and then resells this commodity to the purchase orderer (customer). The sale price (cost plus profit margin) is repaid in bullet payment or in installments by the customer over the agreed period. The transactions are secured at times by the object of the Murabaha contract (in case of real estate finance) and other times by a total collateral package securing the facilities given to the customer.

Diminishing Musharaka: is a form of partnership between the bank and its clients whereby each party contributes to the capital of the partnership in equal of varying degrees to acquire an asset, whereby each of the parties becomes an owner of the capital. Client purchases the Bank's shares in the asset gradually until he becomes the full owner of the asset. Client can use the Bank's portion in the asset in exchange of paying the maintenance and takaful expenses related to Bank's portion

Ijarah Muntahia Bittamleek: The legal title of the assets under Ijarah Muntahia Bittamleek only passes to the lessee at the end of the Ijarah term, through consideration, provided that all the Ijarah installments are settled.

Corporate financing risk: Includes management of all corporate and financial institutions exposures. The individual proposals are subject to credit review by the Risk Management department of the Bank. The comments of the Risk Management department along with the clarifications/responses to the same form part of the financing proposal. Each proposal is also reviewed to ensure compliance with various limits established by the Bank such as concentration limits – economic sector wise limit, financing tenor wise limit, credit risk rating wise limit. All corporate financing proposals are approved either by the Management Credit Committee, Executive Committee of the Board or the Board of Directors based on delegation of authority. Corporate and financial institutions financing proposals are subject to annual review.

Sovereign risk: Sovereign risk is managed in the same manner as credit risk, i.e. an assessment is made as to the level of exposure in a country, taking into account all relevant risk factors. Specific sovereign limits are established for each country based on its sovereign ratings assigned by external rating agencies and in the absence of such ratings, the specific country is treated as unrated. The sovereign limits matrix is part of the Credit Risk Appetite Manual approved by the Board of Directors.

Bank Counterparty risk: Exposures to Banks are guided by risk assessment based on latest ratings assigned by external rating agencies. Where a Bank is unrated an independent assessment of the Bank is carried out based on quantitative and qualitative factors. It is ensured that the overall exposure to overseas counterparties shall be within the specific country limits approved by the Board.

Retail financing risk: Parameters of retail financing are in strict compliance to CBO guidelines. Retail financing product programs are updated/revised on an on-going basis, the same are also subject to annual review. Approval authority has been delegated to the officials of Risk management department along-with Retail Banking department. Retail financing is reviewed & approved on an individual case to case basis.

Credit Risk Rating: The Bank has in place a Credit Risk Rating system from Moody's to rate its corporate customers. The Credit Risk is measured on a 22-point credit rating scale, with rating 8 onwards would be considered default cases. Default cases would be segregated based on applicable accounting standard and time-based criterion of past due days and/or qualitative parameters prescribed by the CBO. The Bank uses the Moody's, Fitch and Standard & Poor's rating for risk weighting its Sovereign and Bank exposures.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

Past-due financing exposure: Past due and impaired financing assets are classified based on the guidelines provided by the CBO and FAS 30. Specific and General Provisions is provided on the exposures in line with aforesaid guidelines. However, comprehensive risk management systems in the Bank ensures minimal impact of impairment. Detailed policy providing guidelines for classification of the assets and provisioning thereof are in place at the Bank through IFRS9 ECL Policy and Provisioning Framework.

No of days past due*	Classification	Provisioning requirement
Remain past due for 60 days or more but less than 90 days	Special Mention	Nil
Remain past due for 90 days but less than 180 days	Sub-standard	25%
Remain past due for 180 days or more but less than 365 days	Doubtful	50%
Remain past due for 365 or more days	Loss	100%

*apart from number of days past due, various qualitative criteria have also been prescribed for corporate financing accounts.

Expected credit loss computation

The accounting standard requires that the impairment model apply to all of the following:

1. Financial assets measured at amortized cost;
2. Financial assets mandatorily measured at Fair Value Through Equity (FVTE) except equity instruments;
3. Financing commitments when there is a present obligation to extend credit (except where these are measured at Fair Value Through Profit & Loss (FVTPL));
   a) Financial guarantee contracts to which IFRS 9 is applied (except those measured at FVTPL);
   b) Lease receivables within the scope of applicable accounting standard; and
   c) Contract assets within the scope of the relevant accounting standard

Measurement of impairment of financial instruments

In accordance with the requirements, the Bank shall measure expected credit losses (ECL) of a financial instrument in a way that reflects:

1. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
2. The time value of money; and
3. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
4. The ECL calculation is based on the Risk Rating of the obligors, Probability of Default (PD) mapped to each risk rating, Loss Given Default (LGD) and Exposure at Default (EAD).
5. Alizz Islamic Bank has developed ECL model based on its own historic data for internal ratings, delinquencies, default events & actual recoveries. For those collateral types for which there is insufficient recovery information to estimate LGDs, the approach uses LGD benchmarks based on Basel capital requirements. This approach is only applicable for Stage 1 and 2. The stage 3 calculations are done at a CIF level.

6. The two macroeconomic indicators used for calculating the ECL for the life cycle of the asset are as follows:
   a) Oil Price (USD/Barrel) and
   b) GDP Growth (annual %) Lag 2

The guiding principle of the ECL model is to reflect the deterioration or improvement in the credit quality of financial instruments. The amount recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. There are two measurement bases which recognize ECLs depending on the "Stage" in which the financial instrument is:

- 12-month ECLs, which applies to all financial instruments (from initial recognition), provided there is no significant deterioration in credit quality. Such financial instruments are said to be in Stage 1, and are typically the performing assets of the Bank.
- Lifetime ECLs, which applies when a significant increase in the credit risk has occurred on an individual or collective basis. Such financial instruments are said to be either in Stage 2 or 3. Stage 3 assets and are considered under-performing and credit-impaired respectively.

Certain criteria (called Staging Criteria) are set out by the applicable accounting standard, and complemented by CBO regulation, to determine what constitutes a Significant Increase in Credit Risk (SICR) for the purposes of staging of financial instruments. All criteria require the attention of Relationship Managers (RMs) and RMD in order to determine if there is evidence of increased credit risk. Any instance of each occurring would result in the movement of an account from stage 1 to 2

The criteria will not apply at point of origination (new exposures) which will initially be assigned to Stage 1. In case there is additional financing to Stage 2 customer, the incremental exposure will be classified as Stage 2.

The Bank's ECL models were recalibrated in 2024 based on Bank's internal ratings, delinquency data, default events and recovery rates. The Bank also reviewed its staging guidelines and methodology and assumptions underlying the ECL model relating to Macro-economic weightages, PDs and LGDs to better reflect bank specific factors and current market conditions. During the year 2025, the Bank got its IFRS-9 ECL methodology and models reviewed from an independent third party.

Concentration risk: Concentration of credit risk arises when a number of customers are engaged in similar business activities, located in the same geographical region, or those which have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and/or other conditions. Concentration of exposure to counterparties, geographies and sectors are governed and monitored according to regulatory norms and limits prescribed in the approved policies.

Credit Risk Mitigation: The Bank uses a variety of tools to mitigate its credit risk, the primary one being that of securing the exposures by suitable collaterals. While existence of collaterals is not a precondition for financing, in practice a large part of existing exposures is fully or partially collateralized. As an inherent nature of Islamic products, Bank has ownership of underlying asset of Ijarah and diminishing Musharaka. Additionally, the Bank has policies on the type of assets that can be accepted as collateral. In general, all collaterals are required to be valued periodically depending on the collateral type. The legal validity and enforceability of the documents used for collateral have been established by qualified personnel, including lawyers.

The collaterals that are accepted by the Bank as credit risk mitigants are cash or near cash (such as fixed deposits, marketable securities such as Stocks and Sukuk etc.), mortgage over immoveable property (real estate, warehouses etc.), mortgage over machinery and equipment. The Bank also accepts other Bank payment guarantees / stand-by LCs and Government or Corporate Guarantees of companies as part of Credit Risk mitigants. No securities are pledged to the Bank as of the reporting date

The Bank has subscribed to the simplified approach for collateral recognition under the standardized approach, where 0% risk weight is assigned for the exposures covered by cash collateral or backed by sovereign guarantees. All other financing exposures to corporate and retail are assigned 100% risk weight (except retail mortgage financings, which are assigned 35% risk weight).

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

9.2.3. Quantitative disclosures

ECL Summary YoY

IFRS 9 Stage	2025 Total Exposure (د.إ 000s)	2025 IFRS 9 ECL (د.إ 000s)	2024 Total Exposure (د.إ 000s)	2024 IFRS 9 ECL (د.إ 000s)
Stage 1	**1,437,293**	**3,347**	1,283,286	3,538
Stage 2	**159,854**	**16,737**	153,303	14,931
Stage 3	**48,332**	**29,459**	45,981	26,673
Total	**1,645,479**	**49,543**	1,482,570	45,142

Gross credit risk exposure	2025		2024	
	د.إ 000s	Percentage (%)	د.إ 000s	Percentage (%)
Due from Banks	**11,350**	**1%**	16,752	1%
Investment securities	**151,052**	**9%**	119,434	8%
Wakala bil Istithmar	**197,111**	**12%**	186,304	13%
Murabaha receivables	**156,163**	**9%**	143,259	10%
Ijarah muntahia bittamleek	**125,644**	**8%**	145,385	10%
Diminishing Musharaka	**751,090**	**46%**	646,697	44%
Other assets	**33,495**	**2%**	36,771	2%
Contingent liabilities and commitments	**219,574**	**13%**	187,968	13%
Total	**1,645,479**	**100%**	1,482,570	100%

Average risk exposure	2025		2024	
	د.إ 000s	Percentage (%)	د.إ 000s	Percentage (%)
Due from Banks	**14,051**	**1%**	19,115	1%
Investment securities	**135,243**	**9%**	96,187	7%
Wakala bil Istithmar	**191,707**	**12%**	190,405	14%
Murabaha receivables	**149,711**	**9%**	133,155	10%
Ijarah muntahia bittamleek	**135,514**	**9%**	153,290	11%
Diminishing Musharaka	**698,893**	**45%**	590,512	42%
Other assets	**35,133**	**2%**	35,612	3%
Contingent liabilities and commitments	**203,771**	**13%**	171,725	12%
Total	**1,564,023**	**100%**	1,390,001	100%

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

Geographical Concentration of net credit risk exposure				31 December 2025
Class of financial asset	Oman	GCC	Rest of the world	Total
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Due from banks	**-**	**7,860**	**3,446**	**11,306**
Investment securities	**100,791**	**8,471**	**41,726**	**150,988**
Wakala bil Istithmar	**187,390**	**-**	**-**	**187,390**
Murabaha receivables	**149,025**	**-**	**-**	**149,025**
Ijara muntahia bitamleek	**114,985**	**-**	**-**	**114,985**
Diminishing Musharaka	**722,525**	**-**	**-**	**722,525**
Other Assets	**33,319**	**-**	**-**	**33,319**
Contingent Liabilities and Commitments	**219,270**	**-**	**-**	**219,270**
Total	**1,527,305**	**16,331**	**45,172**	**1,588,808**

Geographical Concentration of net credit risk exposure				31 December 2024
Class of financial asset	Oman	GCC	Rest of the world	Total
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Due from banks	-	13,675	3,071	16,746
Investment securities	89,396	29,999	-	119,395
Wakala bil Istithmar	177,151	-	-	177,151
Murabaha receivables	137,283	-	-	137,283
Ijara muntahia bitamleek	136,029	-	-	136,029
Diminishing Musharaka	626,435	-	-	626,435
Other Assets	36,713			36,713
Contingent Liabilities and Commitments	187,677	-	-	187,677
Total	1,390,683	43,674	3,071	1,437,428

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

Economic/Industry sector concentration risk

Economic/Industry Sector concentration risk (Gross)					31 December 2025
	Due from banks	Financing	Investments	Total	Contingent Liabilities and Commitments
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Construction and real estate	**-**	**183,594**	**2,470**	**186,064**	**14,453**
Banks and financial institutions	**11,350**	**48,048**	**46,214**	**105,612**	**-**
Sovereigns	**-**	**-**	**97,796**	**97,796**	**-**
Trading and manufacturing	**-**	**266,083**	**-**	**266,083**	**39,269**
Personal	**-**	**486,837**	**-**	**486,837**	**24,851**
Other Services	**-**	**245,446**	**4,572**	**250,018**	**141,001**
Total	**11,350**	**1,230,008**	**151,052**	**1,392,410**	**219,574**

Economic/Industry Sector concentration risk (Gross)					31 December 2024
	Due from banks	Financing	Investments	Total	Contingent Liabilities and Commitments
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Construction and real estate	-	160,454	1,448	161,902	13,756
Banks and financial institutions	16,752	39,341	25,694	81,787	-
Sovereigns	-	-	88,435	-	-
Trading and manufacturing	-	248,346	-	88,435	40,706
Personal	-	437,524	-	248,346	13,525
Other Services	-	235,979	3,858	437,524	119,980
Total	16,752	1,121,644	119,435	1,257,832	187,968

Disclosure of each financing product by residual maturity has been provided under liquidity risk section.

Past due and impaired financing

Past due and impaired financing				31 December 2025
	Neither past due nor non-performing	Past due but performing	Non-performing	Total
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Type of financing contract				
Wakala bil Istithmar	**183,083**	**1,811**	**12,219**	**197,113**
Murabaha receivables	**140,675**	**6,775**	**8,712**	**156,162**
Ijarah muntahia bittamleek	**106,971**	**8,176**	**10,496**	**125,643**
Diminishing Musharaka	**601,038**	**133,263**	**16,789**	**751,090**
Total	**1,031,767**	**150,025**	**48,216**	**1,230,008**

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

Past due and impaired financing				31 December 2024
	Neither past due nor non-performing	Past due but performing	Non-performing	Total
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Type of financing contract				
Wakala bil Istithmar	169,761	4,109	12,434	186,304
Murabaha receivables	133,844	2,246	7,169	143,259
Ijarah muntahia bittamleek	113,269	20,076	12,039	145,384
Diminishing Musharaka	531,510	100,952	14,235	646,697
Total	948,384	127,383	45,877	1,121,644

Stage wise financing by sector				31 December 2025
Sector *	Stage 1	Stage 2	Stage 3	Gross Exposure
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Import Trade	**9,727**	**4,098**	**5,763**	**19,588**
Wholesale & Retail Trade	**36,608**	**6,795**	**14,273**	**57,676**
Mining & Quarrying	**52,963**	**21,989**	**751**	**75,703**
Construction & Real Estate	**135,721**	**36,734**	**11,138**	**183,593**
Manufacturing	**53,133**	**30,027**	**8,289**	**91,449**
Electricity, Gas & Water	**35,500**	**-**	**-**	**35,500**
Transport & Communication	**96,159**	**337**	**-**	**96,496**
Financial institutions	**28,791**	**17,371**	**-**	**46,162**
Services	**64,603**	**35,218**	**2,388**	**102,209**
Personal Financing	**480,573**	**3,895**	**2,370**	**486,838**
Agriculture & Allied Activities	**21,624**	**42**	**-**	**21,666**
Financing to non-Residents	**-**	**-**	**1,887**	**1,887**
All Others	**8,077**	**1,807**	**1,357**	**11,241**
Total	**1,023,479**	**158,313**	**48,216**	**1,230,008**

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

Stage wise financing by sector				31 December 2024
Sector	Stage 1	Stage 2	Stage 3	Gross Exposure
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Import Trade	10,585	9,859	1,410	21,854
Wholesale & Retail Trade	33,210	8,180	12,560	53,950
Mining & Quarrying	48,062	22,081	-	70,143
Construction & Real Estate	113,034	33,040	14,379	160,453
Manufacturing	47,547	30,609	8,026	86,182
Electricity, Gas & Water	25,512	-	-	25,512
Transport & Communication	93,521	246	-	93,767
Financial institutions	20,245	17,210	-	37,455
Services	81,056	25,199	4,382	110,637
Personal Financing	430,719	4,077	2,728	437,524
Agriculture & Allied Activities	16,217	-	-	16,217
Financing to non-Residents	-	-	1,887	1,887
All Others	4,099	1,459	505	6,063
Total	**923,807**	**151,960**	**45,877**	**1,121,644**

* Above amount of sector wise financing exclude gross credit card receivables of ﷼ 2.98 million (2024: ﷼ 2.92 million). Expected credit losses on credit card portfolio amount to ﷼ 0.60 million.

Movement of Provision

Movement of Provision						31 December 2025
	Wakala bil Istithmar	Murabaha receivables	Ijarah Muntahia Bittamleek	Diminishing Musharaka	Others	Total
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Provision at beginning of the year	**9,152**	**6,066**	**9,267**	**20,262**	**395**	**45,141**
Charge for the year - Stage 1	**(185)**	**(23)**	**(110)**	**(100)**	**216**	**(202)**
Charge for the year - Stage 2	**(347)**	**(151)**	**(1)**	**2,337**	**(21)**	**1,817**
Charge for the year - Stage 3	**498**	**669**	**(315)**	**1,939**	**(4)**	**2,787**
Charge for the year	**(34)**	**495**	**(426)**	**4,176**	**191**	**4,402**
Impairment loss at end of the year	**9,118**	**6,560**	**8,841**	**24,438**	**586**	**49,543**

Movement of Provision						31 December 2024
	Wakala bil Istithmar	Murabaha receivables	Ijarah Muntahia Bittamleek	Diminishing Musharaka	Others	Total
	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s	﷼ 000s
Provision at beginning of the year	9,040	7,216	8,985	15,509	385	41,135
Charge for the year - Stage 1	105	140	(75)	331	62	563
Charge for the year - Stage 2	(75)	101	(85)	3,163	10	3,114
Charge for the year - Stage 3	82	(1,391)	442	1,257	(61)	329
Charge for the year	**112**	**(1,150)**	**282**	**4,751**	**11**	4,006
Impairment loss at end of the year	9,152	6,066	9,267	20,260	396	45,141

Details of Donation against late payments received from customers, Profit forfeited transferred to Charity account and its disposition.

Item	2025	2024
	﷼ 000s	﷼ 000s
Sources of charity funds		
Undistributed charity funds at beginning of the year	**32**	38
Late payments charges received from customers	**85**	205
Forfeit of Non-Shari'a Compliant Income	**2**	1
Total sources of funds during the year	**119**	244
Uses of charity funds		
University and school students	**-**	-
Philanthropic societies	**(92)**	(212)
Aid to needy families	**-**	-
Total uses of funds during the year	**(92)**	(212)
Undistributed charity funds at end of the year	**27**	32

9.3. Credit Risk Mitigation

9.3.1. Qualitative Disclosures

Risk appetite for credit risk is an expression of the amount of risk that the Bank is willing to take in pursuing its strategic objectives. Credit risk arises when the bank deals with an obligor or counterparty and the obligor or counterparty fails to fulfill his part of the agreement. In mitigating credit risk, the bank performs extensive due diligence on the obligor or counterparty analyzing both qualitative and quantitative (usually financial and business) information. The bank uses internal rating tools to determine an Obligor Risk Rating (ORR) that reflects the bank's judgment regarding the probability of default. Ratings by the major credit rating agencies used whenever available.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

The Credit risk controlled through continuous monitoring and assessment of the obligor or counterparty's ability to meet obligations through a regular calling program, visits to project sites and post approval a formal annual review of the obligors' financial position and business status. The credit process seeks to identify problems early on through Early Warning Indicators (EWI) Framework and to take effective remedial action, if needed, to protect the bank's interests. The bank sets credit limits to restrict the exposure to a single obligor or counterparty. Further restrictions are defined by type of transaction, tenor, repayment terms, and conditions precedent and subsequent. The bank also mitigates its credit risk by requiring tangible collateral where necessary.

The Bank also seeks to control portfolio risk – various risks that arise from concentrations that are sensitive to certain parameters such as economic activity, geography, collateral, risk rating etc. To mitigate these concentration risks the Bank seeks to diversify its portfolio through customer acquisition across economic sectors and by diversifying the type of financing in terms of the short term working capital financing and the typically longer term fixed capital expenditure and project financing. Obligor and Sector Financing Concentrations monitored by RMD periodically through the CRO Dashboard and regularly reviewed by the Chief Risk Officer. These are reviewed annually by the Board Risk & Compliance Committee. Concentrations in terms of funding sources is also monitored and diversification strategies in terms of reducing dependency on the large funds' providers regularly followed. The following financing portfolio concentrations monitored on an ongoing basis:

- Business Segments;
- Economic Sectors;
- Single Groups/ Obligor;
- Banks & Non-Bank Financial Institutions;
- Risk Rating;
- Types of Collaterals (specifically those secured by real estate)

The Bank continually updates its credit polices to reflect economic, market and legal realities.

The collaterals that is accepted by the Bank as credit risk mitigants are cash (Hamish Jiddiyyah) or near cash (such as fixed deposits- Profit Sharing Investment Account (PSIA), marketable securities such as Stocks and Sukuk etc.), Bank payment guarantee/stand-by LCs, mortgage over immoveable property (real estate, warehouses etc.), mortgage over machinery and equipment, Individual and Corporate Guarantees.

All other financing exposures to corporate and retail are assigned 100% risk weight without taking benefit of the value of the collateral and the same treatment is applied for assets leased under Ijarah Muntahia Bittamleek (except retail mortgage financings, which are assigned 35% risk weight).

In general, all collaterals are required to be valued periodically depending on the collateral type. The legal validity and enforceability of the documents used for collateral have been established by qualified personnel, including lawyers.

Wherever third party guarantee is taken as risk mitigants, appropriate risk weights are applicable.

Collaterals must meet the following criteria to qualify as acceptable collateral:

- Assets must be maintaining their value, at the level prevalent at inception, until settlement date of the facility;
- Such assets should be easily convertible in cash (liquidity);
- There should be a reasonable market for the assets (marketability);
- The Bank should be able to enforce its rights over the asset if necessary (enforceability).

The Bank has subscribed to the simplified approach for collateral recognition under the standardized approach, where 0% risk weight is assigned for the exposures covered by cash collateral and government guarantees. All other financing exposures to corporate and retail are assigned 100% risk weight without taking benefit of the value of the collateral and the same treatment is applied for assets leased under Ijarah Muntahia Bittamleek (except retail mortgage financings, which are assigned 35% risk weight).

9.3.2. Quantitative Disclosures

Bank does not reduce its risk weighted assets by value of collaterals as a risk mitigation and apply risk weights on the gross outstanding balances of various exposures.

Carrying amount of assets under Ijarah Muntahia Bittamleek as of reporting date is ৳116.8 million.

Rating distribution

Rating	2025	2024
	৳ 000s	৳ 000s
1	**71,192**	71,425
2	**46,511**	14,606
3	**87,427**	60,151
4	**76,021**	63,198
5	**177,874**	166,823
6	**82,150**	89,880
7	**1,731**	21,441
Stage 2	**158,313**	152,045
Stage 3	**48,216**	45,944
Total Financings – rated	**749,435**	685,513
Unrated Financings	**480,573**	436,131
Total	**1,230,008**	1,121,644

9.4. Liquidity risk:

9.4.1. 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 can in turn be defined as the risk to earnings and capital arising from a Bank's potential inability to meet its liabilities when they become due, without incurring unacceptable losses. Conversely, liquidity risk also manifests itself in the form of opportunity losses due to holding excess liquidity relative to liabilities.

The Bank has a comprehensive liquidity risk management structure in place.

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 risking damage to the Bank's reputation.

The Bank takes a two-tiered approach to Liquidity Risk Management:

Going concern liquidity management: the management of the liquidity position within specified parameters to ensure all claims on account of liabilities can be met on a timely basis.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

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.

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and inter-Bank placements, to ensure that sufficient liquidity is maintained within the Bank as a whole. Liquidity requirements are met from deposits in current accounts and PIA holders.

The Bank is subject to liquidity gap limits prescribed by the CBO and for areas where discretion is given to the Bank, internal mismatch limits by currency have been put in place. Conservative internal limits are in place vis-à-vis the limits prescribed by CBO.

The Liquidity Coverage Ratio (LCR) is intended to promote short-term resilience to potential liquidity disruptions. Maintenance of the LCR by the Bank as per Regulatory prescriptions assures that the Bank has sufficient high-quality liquid assets at all times. The level of LCR is monitored by the Bank at monthly intervals.

The Bank has diversified source of funding, funds are mobilized in Current accounts from individuals and corporates, these funds are accounted as unrestricted basis. Funds are mobilized in Savings and Term Deposits accounts from individuals and corporates, these funds are accepted on the basis of Mudaraba and are on an unrestricted basis. The Bank does raise funds in the inter-bank market both locally and regionally from Islamic banks. Placement of funds in inter-bank market is made only with Islamic banks.

The Bank has in place a Market, Liquidity & ALM Risk management policy which addresses management of Liquidity Risks, including aspects related to liquidity contingency.

Reporting and measurement of liquidity risks

Liquidity risk is measured using the stock and cash flow approaches. Important liquidity ratios and the Maturities of Assets and Liabilities statement is a calendar item at the meetings of the ALCO. ALCO meets at monthly intervals or shorter frequencies to ensure an effective monitoring of the liquidity position.

Expected inflow and outflow of funds are factored into the Maturities of Assets and Liabilities statement and resultant gaps are monitored to ensure that the gap limits are within the CBO and internal approved limits.

Stress Testing forms an important tool for liquidity risk management. Liquidity stress test are performed on monthly basis and presented for review of ALCO. ALCO monitors and prescribes mitigating strategies.

A comprehensive Contingency Funding Policy is in place, it defines the early warning indicators, responsibilities, strategies for handling a liquidity crisis, planning under alternative scenarios and alert levels.

9.4.2. Quantitative Ratios

Ratios as of 31 December	2025	2024
	Percentage	Percentage
Financing Ratio	**82.08%**	85.68%
Financing to customers to total assets	**80.12%**	81.75%
Equity to total assets	**9.52%**	9.77%
Liquidity coverage ratio	**157.40%**	113.02%
Net stable funding ratio	**106.87%**	105.33%

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

The table below summarises the maturity profile of the group's assets and liabilities as of 31 December 2025 based on expected periods to cash conversion from the reporting date:

At 31 December 2025	Up to one month	One month to six months	Six months to one year	One to five years	Over five years	Not tied to any maturity	Total
Amount in AED 000s							
Assets							
Cash and balances with CBO	**42,715**	**-**	**-**	**-**	**-**	**36,504**	**79,219**
Due from banks	**3,650**	**-**	**7,656**	**-**	**-**	**-**	**11,306**
Investment Securities	**13,477**	**27,355**	**31,673**	**15,058**	**63,425**	**3,995**	**154,983**
Financing assets	**35,818**	**118,658**	**68,759**	**418,783**	**531,907**	**-**	**1,173,925**
Property and Equipment	**-**	**-**	**-**	**-**	**-**	**5,189**	**5,189**
Intangibles	**-**	**-**	**-**	**-**	**-**	**1,587**	**1,587**
Other assets	**2,543**	**11,653**	**16,315**	**-**	**-**	**8,486**	**38,997**
Total Assets	**98,203**	**157,666**	**124,403**	**433,841**	**595,332**	**55,761**	**1,465,206**
Liabilities							
Due to banks	**497**	**-**	**36**	**-**	**-**	**-**	**533**
Customers' current accounts	**-**	**-**	**-**	**-**	**-**	**161,431**	**161,431**
Other liabilities	**893**	**4,094**	**5,732**	**-**	**-**	**15,301**	**26,020**
Total liabilities	**1,390**	**4,094**	**5,768**	**-**	**-**	**176,732**	**187,984**
Quasi-equity and owners'equity							
Participatory investments accounts	**22,738**	**194,188**	**168,588**	**185,823**	**-**	**536,344**	**1,107,681**
Owner's Equity	**-**	**-**	**-**	**-**	**-**	**139,541**	**139,541**
Sukuk eligibile as additional capital tier 1	**-**	**-**	**-**	**-**	**-**	**30,000**	**30,000**
Total Quasi-equity and owners'equity	**22,738**	**194,188**	**168,588**	**185,823**	**-**	**705,885**	**1,277,222**
Total liabilities, Quasi-equity and owners'equity	**24,128**	**198,282**	**174,356**	**185,823**	**-**	**882,617**	**1,465,206**
Net Gap	**74,075**	**(40,615)**	**(49,954)**	**248,018**	**595,332**	**(826,856)**	**-**
Cumulative Net gap	**74,075**	**33,460**	**(16,494)**	**231,524**	**826,856**	**-**	**-**

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

The table below summarises the maturity profile of the group's assets and liabilities as of 31 December 2024 based on expected periods to cash conversion from the reporting date:

At 31 December 2024	Up to one month	One month to six months	Six months to one year	One to five years	Over five years	Not tied to any maturity	Total
Amount in AED 000s							
Assets							
Cash and balances with CBO	29,222	-	-	-	-	32,858	62,080
Due from banks	12,902	3,843	-	-	-	-	16,745
Investment Securities	11,049	10,299	8,381	36,193	53,474	2,505	121,901
Financing assets	46,118	97,487	73,560	347,185	506,851	-	1,071,201
Property and Equipment	-	-	-	-	-	3,858	3,858
Intangibles	-	-	-	-	-	1,474	1,474
Other assets	2,612	11,970	16,759	-	-	8,717	40,058
Total Assets	101,903	123,599	98,700	383,378	560,325	49,412	1,317,317
Liabilities							
Due to banks	29,856	8,850	-	-	-	-	38,706
Customers' current accounts	-	-	-	-	-	119,799	119,799
Other liabilities	885	4,055	5,677	-	-	15,156	25,773
Total liabilities	30,741	12,905	5,677	-	-	134,955	184,278
Quasi-equity and owners'equity							
Participatory investments accounts	22,738	194,188	168,588	185,824	-	403,006	974,344
Owner's Equity	-	-	-	-	-	128,695	128,695
Sukuk eligibile as additional capital tier 1	-	-	-	-	-	30,000	30,000
Total Quasi-equity and owners'equity	22,738	194,188	168,588	185,824	-	561,701	1,133,039
Total liabilities, Quasi-equity and owners'equity	53,479	207,093	174,265	185,824	-	696,656	1,317,317
Net Gap	48,424	(83,494)	(75,565)	197,554	560,325	(647,244)	-
Cumulative Net gap	48,424	(35,070)	(110,635)	86,919	647,244	-	-

9.5.MARKET RISK:

9.5.1. Qualitative disclosure

Market risk is defined as the risk of losses in the value of on or off-balance sheet financial instruments caused by changes in market prices or rates including changes in profit rates, foreign exchange rates and commodity prices.

A Treasury and Capital Markets Policy is in place which provides detail guidelines for management of market risk.

The capital charge for market risk is computed as per the standardised approach.

Regulatory/In-House Policy Limits and guidelines as approved by the Board are strictly adhered to, deviations if any are immediately escalated and action taken wherever necessary. The principal categories of market risk faced by the Bank are set out below:

Foreign exchange risk:

Foreign exchange risk is the risk that the foreign currency positions taken by the Bank may be adversely affected due to volatility in foreign exchange rates. The responsibility for management of foreign exchange risk rests with the Treasury and Capital Market Department of the Bank. Foreign exchange risk management in the Bank is ensured through regular measurement and monitoring of open foreign exchange positions. The foreign exchange transactions carried out by the Bank are on behalf of customers and are on a back-to-back basis. No proprietary foreign exchange positions are assumed by the Bank. Significant amount of foreign currency is either in GCC currencies or USD which are effectively pegged to , therefore result of any sensitivity analysis is not material. The Bank restricts its Net Open Position below the Regulatory limit of 40% of Net Worth. As of 31st December 2025 the percentage of exposure to Capital is 3.9%. Limits are also in place for individual currencies.

Profit Rate Risk in the Banking Book (PRRBB):

Profit rate risk in the banking book is the risk that the Bank will incur a financial loss as a result of mismatch in the profit rate on the assets and investment account holders. The profit distribution is based on profit sharing agreements instead of guaranteed return to investment account holders, therefore, the Bank is not subject to any significant profit rate risk. However, the profit sharing arrangements will result in displaced commercial risk when the Bank's results do not allow the Bank to distribute profits in line with the market rates.

The Bank measures the PRRBB by computing the earnings at risk and Economic Value of Equity (EVE). In respect of monitoring the impact of profit rate changes on the earnings and economic value of the Bank, the Bank has developed suitable measurement approaches. The measurement systems for profit rate sensitivity analysis are: maturity gap analysis (to measure the profit rate sensitivity of earnings), and duration (to measure profit rate sensitivity of capital). The results of the sensitivity analysis are a calendar item at the meetings of the ALCO.

Price risk:

Price Risk is the risk of reduction in the market value of the Bank's portfolio as a result of diminution in the market value of individual investment. The responsibility for management of investment price risk rests with the Treasury under the supervision and guidance from the ALCO of the Bank. The Bank's investments are approved by the appropriate authorities and are subject to rigorous due diligence.

The Sukuk investments that are categorized as Fair value through other comprehensive Income are marked to market on a daily basis based on their market value. The market value of the investments is monitored against the stop loss limits and market trends of the individual investment.

The equity investments are held in the Fair value through other comprehensive Income, the same are monitored on a daily basis vis-à-vis the rates available on recognized stock exchanges, against the stop loss limits prescribed by the Bank.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

The Bank allocates capital for its investment portfolio based on the Basel II standardized approach.

Investments in Sukuk and Equity are made after a detailed due diligence of the Issuer/Company, and approved by the Management Investment Committee after risk review by the Risk Management department. Investments are made in Shari'a compliant equities which are liquid and actively traded on recognized exchanges. Investment in Sukuk are made in Sukuk issued by regional Sovereigns and Corporates of repute for which an active secondary market exists. The investments in Sukuk and equities are part of the Banking Book, made with the objective of earning constant periodic returns on Sukuk and dividend on Equities, the same are not held for speculative purposes. The Bank's investment in Sukuk and Equity held in the Fair value through other comprehensive Income category are marked to market on a daily basis.

Commodity risk:

The Bank does not have exposure to the commodity market.

In the event of any potential exposures, the various techniques recommended as per industry best practices for the purposes of measuring and monitoring of market risk are as follows:

- Overnight open positions
- Profit rate gap analysis
- Earnings at Risk
- Economic Value

Internal limits for the above tools are approved by the Board based on the recommendations of ALCO. Treasury and Capital Markets department and Risk Management department of the Bank monitors the positions vis-à-vis the limits approved by the Board.

The Bank carries out stress testing based on the guidelines laid down by CBO, however, its scope is not limited by it. The framework is comprehensive enough to ensure that all significant risks at portfolio level as well as the bank-wide level are assessed and addressed

9.5.2. Quantitative disclosures

The Bank hold its investment portfolio in the banking book and not in the trading book.

Total amount of assets subject to market risk by type of assets

Breakdown of market RWA by:

Market risk position	RWA (000s)	
	2025	2024
Foreign exchange risk	**21,826**	7,772

Foreign Exchange risk

Shari'a Compliant contracts	Amount subject to Market Risk (000s)	
	2025	2024
Foreign Exchange – NOP	**21,826**	7,772
Percentage of NOP to Regulatory Capital	**13%**	5%
Regulatory Ceiling	**68,238**	64,243

Investment Price risk

Impact of 10% fall in price

Investment type	Carrying amount (﷼ 000s)	Change in price	Effect on value (﷼ 000s)
Debt Investments	**151,052**	**10%**	**15,105**
Equity Instruments	**2,998**	**10%**	**300**
Total	**154,050**		**15,405**

9.6. Operational risk:

9.6.1. Qualitative disclosure

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises throughout the bank and from almost any activity. Operational risk excludes credit risks – the risks arising from financial transactions entered into with obligors or counterparties in which the obligor or counterparty fails to honour its part of the transaction.

The Bank has an independent Operational Risk Department under Chief Risk Officer which is tasked with monitoring and controlling the Operational Risks of the Bank. Functions of this department are guided by the Operational Risk Policy and Framework. To institutionalize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established as part of ERM program. The Bank has implemented Business Continuity and Disaster Recovery program. This will reduce the potential Operational risk. Operational Risk due to Shari'a non-compliance is monitored and reviewed on an on-going basis by the Shari'a Compliance Department.

9.6.2. Management and Monitoring of Operational Risk

The established Operational Risk Management (ORM) Framework is designed to maintain dependency between the risk management and the risk champions / owners represented by the various business groups within the bank. While keeping the responsibility of managing the business within the business groups common grounds were established to involve the operational risk management team in facilitating the risk identification, measurement and assessing of risks and relevant controls, including documenting and tracking the risk mitigation plans, or risk acceptance. During the year, the operational risk management team launched the ORM e-training which is a mandatory training program for all the employees in the Bank.

The key methods used to manage and monitor operational risks are as follows:

9.6.3. Risk & Control Self-Assessment (RCSA)

The risk register and corresponding action plans are maintained and updated regularly. The review cycle involves discussions with the members of Management Risk Committee (MRC) to seek directions on risk acceptance and treatment including decision for taking actions to review and to improve the control environment.

The progress on risk mitigation action plans and the movement of risk measurement across the risk heat-map is also monitored and discussed with the respective management.

9.6.4. Key Risk Indicators (KRIs)

A special series of workshops were conducted to produce the first list of KRIs. Based on their nature these are defined and assessed in coordination with the respective business and risk owners addressing mainly critical processes. The process includes setting means of collecting required data, analysis and management expectations for certain indicators set as acceptable threshold to create means of leading or lagging warning signals. It also involves consolidating certain common KRIs that requires actions at the bank wide level. The bank aims to improve on the KRI list to create meaningful and business relevant risk indicators.

9.6.5. Loss Data Management (LDM)

The Operational Risk team monitors and maintains a detailed register of all operational risk losses and near-miss incidents. These are linked to the respective risk profiling and key risk register, guiding the business management to direct their efforts to improve their controls and the respective services or products. Those are classified and reported based on the Basel III loss events type.

9.6.6. Business Continuity Management (BCM)

The Bank has developed and maintained a full-fledged Business Continuity Management (BCM) program that focuses on protecting the human life and building the continuity and recovery capabilities of key processes and assets. The program is structured based on international standards, best practices, and CBO requirements and its scope extends to include:

- Crisis Management and Response
- Safety and Security
- People Continuity
- Business Recovery
- IT Disaster Recovery

The Bank's BCM program is ongoing and is regularly reviewed by internal and external stakeholders. These features enhance the Bank's readiness and the capabilities to respond to and manage adverse events, protect key assets, and continue critical processes. The results are minimized negative impacts, enhanced performance and reputation, and compliance to regulatory requirements.

9.6.7. Outsourcing

Complying with CBO regulations on outsourcing, the Operational Risk Management team is involved in reviewing the risk assessment related to outsourcing of material banking activities. This involves a diligent review of operational risks and business continuity requirements that are associated with the outsourced activity.

9.6.8. Anti-Fraud Management

The bank has established an Enterprise Anti-Fraud program in coordination with several internal stakeholders, aiming to prevent and reduce to the minimum losses arising from internal and external frauds. This function is currently resides with Operational Risk unit. The bank wide anti-fraud awareness program has already been conducted and the Bank is preparing for a bank wide fraud risk assessment exercise which will be linked to the existing risk profile and control registers.

9.6.9. Measurement of Operational Risk (OR) Capital Charge

Operational Risk capital charge is calculated using the Basic Indicator Approach (BIA) as per CBO and BASEL III regime. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Bank. The Bank aims to move towards the Alternative Standardized Approach (ASA) for Operational Risk Capital Charge Calculation in the coming years. In this context, the Bank will formally seek CBO approval for adopting the ASA as and when a prudent judgement call is made. The Bank will also continue to collect loss data history and compare those against the allocated capital per business lines in preparation for the Advanced Approaches that the Bank is planning to implement in the long term as per revised BASEL III guidelines.

9.6.10. Quantitative Disclosure

Item	﷼ 000s	
	2025	2024
Net income from financing and investing activities	**75,777**	69,661
Other income - net	**6,347**	7,595
Gross Income	**82,124**	77,256
Net return on equity of participatory investment accounts	**(2,426)**	(2,942)
Profit on wakala bil Istithmar payable	**(41,287)**	(39,144)
Net Operating Income	**38,411**	35,170
Average Income	**34,947**	31,513
Gross Income times of Alpha (15%)	**5,242**	4,727
Operational risk based on Basic Indicator Approach	**65,526**	59,086

Amount of non-shari'a compliant income transferred to charity was ﷼ 2k (2024: ﷼ 1k).

9.7. Rate of Return Risk

9.7.1. Qualitative disclosure

Rate of return risk arises from the possibility that changes in return rates will affect future profitability or the fair value of financial instruments. The Bank is exposed to rate of return risk as a result of mismatches in repricing of assets and liabilities.

The profit rate risk may arise due to the financing and investing activities:

In addition, rate of return risk can also affect the Bank through market wide changes that are brought on by changes in the economy. The effect of the market rates is reflected and can be seen in the Bank's pricing of contracts as they carry competitive pricing that prevails in the market. When risks are high, the market tends to place a higher rate of return to maintain the risk /return profile. Accordingly, the market reduces the rate of return when it identifies a decrease in the market wide risk that would be reflected by banks decreasing their rate of return pricing.

As a strategy for managing the rate of return risk in the banking book the Bank

- Has identified the profit rate sensitive products and activities it wishes to engage in;
- Makes efforts to match the amount of floating rate assets with floating rate liabilities in the banking book

The Bank uses the following tools for profit rate risk measurement in the banking book:

- Re-pricing gap analysis which measures the arithmetic difference between the profit-sensitive assets and liabilities in the banking book in absolute terms; and
- Computing the Earnings at Risk and Economic value assuming a 200 bps shift in profit rates.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

The Bank's cautious asset liability strategy avoids funding short term financing facilities from long term investments.

The Bank has implemented a system to measure the profit rate risk through the use of gap analysis based on repricing buckets.

The statement of Sensitivity of Assets and Liabilities, results of the assumed shift in profits rates on the economic value and earnings at risk is a calendar item at the meetings of the ALCO, which reviews the same and actions points are determined.

9.7.2. Quantitative disclosures

Average yield on bank's financial assets and liabilities is as follows:

Item	in percentage	
	2025	2024
Balances with Central Bank of Oman - Placements	**3.69**	**4.20**
Due from banks	**4.18**	**5.17**
Financing Assets	**5.84**	**5.93**
Investments	**5.00**	**6.61**
Equity of unrestricted Investment Accountholders	**3.84**	**4.53**

The sensitivity analysis of the impact of profit rate movement in the market by 200 basis points showed it would have a negative impact on the income of the Bank by ﷼ 2.2 million.

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

The table below summarises the re-pricing profile of the group's assets and liabilities as of 31 December 2025:

At 31 December 2025	Up to 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	over 5 years	Non Sensitive	Total
Amount in AED 000s								
Assets								
Cash and balances with CBO	**32,340**	**-**	**-**	**-**	**-**	**-**	**46,879**	**79,219**
Due from banks	**7,700**	**-**	**-**	**-**	**-**	**11,306**	**-**	**11,306**
Investment Securities	**39,501**	**1,331**	**31,673**	**969**	**14,089**	**63,425**	**3,995**	**154,983**
Financing assets	**226,955**	**119,827**	**35,686**	**117,854**	**-**	**1,173,925**	**-**	**1,173,925**
Property and Equipment	**-**	**-**	**-**	**-**	**-**	**-**	**5,189**	**5,189**
Intangibles	**-**	**-**	**-**	**-**	**1,587**	**1,587**	**1,587**	**1,587**
Other assets	**-**	**-**	**-**	**-**	**38,997**	**38,997**	**38,997**	**38,997**
Total assets	**266,328**	**120,796**	**49,775**	**181,279**	**96,647**	**1,465,206**	**96,647**	**1,465,206**
Liabilities								
Due to banks	**497**	**36**	**-**	**-**	**-**	**-**	**-**	**533**
Customers' current accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**26,020**	**26,020**
Total liabilities	**497**	**36**	**-**	**-**	**-**	**-**	**187,451**	**187,984**
Quasi-equity and owners'equity								
Participatory investments accounts	**615,561**	**137,707**	**168,588**	**184,254**	**1,570**	**-**	**-**	**1,107,681**
Owner's Equity							**139,542**	**139,541**
Sukuk eligible as tier 1	**-**	**-**	**-**	**-**	**-**	**-**	**30,000**	**30,000**
Total Quasi-equity and owners'equity	**615,561**	**137,707**	**168,588**	**184,254**	**1,570**	**-**	**169,541**	**1,277,222**
Total liabilities, Quasi-equity and owners'equity	**616,058**	**137,743**	**168,588**	**184,255**	**1,570**	**-**	**356,992**	**1,465,206**
Net Gap	**(203,842)**	**200,422**	**97,740**	**(63,459)**	**48,205**	**181,279**	**(260,345)**	**-**
Cumulative Net gap	**(203,842)**	**(3,420)**	**94,320**	**30,861**	**79,066**	**260,345**	**-**	**-**

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

The table below summarises the re-pricing profile of the group's assets and liabilities as of 31 December 2024:

At 31 December 2024	Up to 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 20 years	Non Sensitive	Total
Amount in AED 000s								
Assets								
Cash and balances with CBO	18,480	-	-	-	-	-	43,600	62,080
Due from banks	16,745	-	-	-	-	-	-	16,745
Investment Securities	21,348	-	8,381	33,442	2,713	53,512	3,502	122,898
Financing assets	355,845	314,862	226,556	87,948	25,619	60,371	-	1,071,201
Property and Equipment	-	-	-	-	-	-	3,858	3,858
Intangibles	-	-	-	-	-	-	1,474	1,474
Other assets	-	-	-	-	-	-	39,061	39,061
Total assets	412,418	314,862	234,937	121,390	28,332	113,883	91,495	1,317,317
Liabilities								
Due to banks	38,706	-	-	-	-	-	-	38,706
Customers' current accounts	-	-	-	-	-	-	119,799	119,799
Other liabilities	-	-	-	-	-	-	25,773	25,773
Total liabilities	38,706	-	-	-	-	-	145,572	184,278
Quasi-equity and owners'equity								
Participatory investments accounts	379,251	56,172	319,705	148,899	70,317	-	-	974,344
Owner's Equity							128,695	128,695
Sukuk eligible as tier 1	-	-	-	-	-	-	30,000	30,000
Total Quasi-equity and owners'equity	379,251	56,172	319,705	148,899	70,317	-	158,695	1,133,039
Total liabilities, Quasi-equity and owners'equity	417,957	56,172	319,705	148,899	70,317	-	304,267	1,317,317
Net Gap	(5,539)	258,690	(84,768)	(27,509)	(41,985)	113,883	(212,772)	-
Cumulative Net gap	(5,539)	253,151	168,383	140,874	98,889	212,772	-	-

9.8. Displaced Commercial Risk (DCR)

9.8.1. Qualitative disclosure

DCR refers to the amount of risks that are transferred to shareholders in order to protect the IAH from bearing some or all of the risks to which they are contractually exposed under Mudaraba financing contracts. The risk sharing is achieved by the creation of prudential reserves and the Mudarib foregoing in full or in part his share of profit. This ensures smoothening of the returns to the IAH and enables payment of returns that are competitive in the marketplace.

Bank has in place a Profit Distribution Policy which provides detailed guidelines for creation of PER and IRR to mitigate DCR in case Mudaraba Pool performance is not in line with the market trends.

The Bank has adopted a policy of pooling the shareholder and IAH funds, the assets and investments financed by the pool are after a detailed due diligence is conducted by the business and reviewed by risk management department on individual counterparties. Moreover, the exposures are regularly monitored to ensure that the same are performing and if any adverse trend is observed, remedial measures are initiated.

On a quarterly basis, the profit earned by the Mudaraba Pool is reviewed against the market trends and profit is paid to the IAH in line with the market returns. Allocation is made to the prudential reserves: PER and IRR only if surplus is available. Most of the times a part of the Mudarib share of profit is allocated towards the IAH.

9.8.2. Quantitative disclosures

There are no benchmark rates in existence to provide comparison of historical profit pay out by the Bank to the customers against the benchmarks. Profit rate and weightages assigned have been mentioned in Participatory investment accounts holders section.

Allocations to PER has been mentioned in Participatory investment accounts holders section.

9.9. Contract Specific Risks

9.9.1. Qualitative disclosures

The Risk Appetite Framework document of the Bank has provided limits for the purpose of financing, i.e. Working Capital, Term Finance, Project Finance and Trade Finance. 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 Shari'a 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 CAR of the Bank.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

9.9.2. Quantitative disclosures

Credit risk weighted assets by type of financing contracts is as follows:

Financing Contracts	Risk Weighted Assets (﷼ 000s)	
	2025	2024
Murabaha receivables	146,395	147,294
Wakala bil Istithmar	118,267	121,304
Ijarah assets-Ijarah muntahia bittamleek	60,549	74,415
Diminishing Musharaka	521,774	466,567
Letter of Guarantees	30,339	21,641
Letter of Credit	7,909	4,498
Irrevocable financing commitments	29,290	24,726
Other Assets	2,929	2,859
Total	**917,452**	**863,304**

10. GENERAL DISCLOSURE FROM CORPORATE GOVERNANCE

10.1. Qualitative disclosures

Corporate governance deals with the way companies are managed and led, defines the roles of the Directors and formalizes the internal control process within the institution.

The Board of Directors of the Bank supports the establishment of a governance culture at the Bank. Accordingly, the Board and its Committees continuously evaluate and improve their governance practices, policies and procedures. The Board also ensures that the Bank applies the principles of the Capital Market Authority's (the CMA) Code of Corporate Governance (the Code) as well as the regulations for Corporate Governance of Banking and Financial Institutions issued by the Central Bank of Oman. As an Islamic Bank, AIB also applies the Central Bank of Oman regulation for Islamic banking institutions

Shari'a Supervisory Board is ultimately responsible for ensuring compliance with the Shari'a requirements. Shari'a Audit and Compliance Department works under the supervision of the SSB to monitor compliance through periodic audits and reviews.

The Bank has complied with all the applicable standards of Auditing and Accounting Organization of Islamic Financial Institution (AAOIFI) and relevant International Financial Reporting Standards (IFRS).

General Disclosure about Consumer

As part of the overall consumer engagement we have implemented blended approach to disclose all product & services information to customers. The following approaches has been used to publicize product & service information to customers:

- Product brochures and flyers containing specific product mechanism and features has been published
- Product information is published on the Bank's website
- We have produced and printed a booklet that contains all Frequently Asked Questions about Islamic Banking business.
- All front end facing sales and service staff has been trained on Islamic Banking concepts and product offerings to be able to answer

customer queries. Additionally, back office team members have to been trained to ensure Shari'a compliance in operational process flows.

- All Call Centre staff has been trained and equipped to handle all customer related inquires.
- Social media platforms have been used to interact with all public
- Press releases are published frequently to inform the public of AIB's services and products
- Face to face meetings with media, government agencies and NGO's

The Customer Service Staff at the branch and Call Centre note down the customer complaints and coordinate with the relevant stakeholder, who in turn initiates measure for resolving the same.

Corporate Social Responsibility (CSR)

Alizz Islamic Bank is committed to sustainable social and economic development. The approach is based on the framework of 'We Care' for our employees, shareholders, customers, and communities we serve.

The Bank shares the responsibility of improving and enriching the lives of generations to come. Alizz Islamic Bank ensures to strategically partner with organisations in the Sultanate who are committed in creating significant social and environmental impact through programs that are focusing on learning, training & development of SMEs and youth.

10.2. Quantitative disclosures

Balances with related party and transactions with them during 2025 and 2024 are as follows:

﷼ 000s	Directors		Others		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Wakala bil Istithmar	-	-	**24,515**	18,391	**24,515**	18,391
Murabaha receivables	**192**	84	**9,001**	8,250	**9,193**	8,334
Ijarah assets-Ijarah muntahia bittamleek	**79**	121	**138**	-	**217**	121
Diminishing Musharaka	**605**	4,007	**3,257**	1,842	**3,862**	5,849
Other assets	**28**	15	**-**	-	**28**	15
Total assets	**904**	4,227	**36,911**	28,483	**37,815**	32,710
Liabilities						
Due to banks	-	-	**-**	15	**-**	15
Current account	**224**	31	**857**	213	**1,081**	244
Customer wakala bil Istithmar	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities	**224**	31	**857**	228	**1,081**	259
Equity of Participatory investment accounts	**745**	738	**14,501**	4,101	**15,246**	4,839
Contingent Liabilities and Commitments	-	-	**1,356**	-	**1,356**	-

Item	Amount in ﷼ 000s	
	2025	2024
Income		
Income from financing and investing activities	**2,395**	1,864
Other income	**54**	65
Total	**2,449**	1,929
Expenses		
Return on equity of PIA before Bank's share as Mudarib	**255**	240
Board expenses	**150**	151
Shari'a board expense	**100**	81
Other expenses	**1,445**	1,195
Total	**1,950**	1,667

Item	Amount in ﷼ 000s	
	2025	2024
Compensation of key management personnel is as follows:		
Salaries and allowances	**926**	952
End of service benefits	**41**	35
Total	**967**	986

11. SHARI'A GOVERNANCE FRAMEWORK

The Shari'a governance framework in the Bank comprises of the Shari'a Supervisory Board (SSB) at the Board level. The Shari'a Compliance and Audit Department (SCAD) in the Bank is headed by the Internal Shari'a Reviewer (ISR). Internal Shari'a Reviewer (ISR) reports functionally to Shari'a Supervisory Board and to CEO with respect to administrative matters. SSB decisions and guidelines are communicated to Bank management through SCAD because the responsibility for observing and implementing Shari'a guidelines rests with the management of the Bank. Shari'a guidelines issued by SSB are binding on the Bank. SSB issues a report to shareholders of the Bank regarding compliance of the Bank's activities with Shari'a guidelines. SSB has approved Shari'a Audit Charter, Shari'a Compliance Manual and Shari'a non-compliance Risk Policy.

ISR is an experienced professional and he is the Secretary of SSB in addition to his duties. SCAD is divided into Shari'a Compliance Unit (SCU) and Shari'a Audit Unit (SAU) managed by Head of Shari'a compliance unit and Head of Shari'a audit unit respectively.

Shari'a Compliance Unit facilitates the management in ensuring compliance with Shari'a guidelines as manifested by the SSB on a day to day basis in all the Bank's business activities, operations and transactions. Additionally, SCU provides appropriate recommendations to improve and enhance the compliance with Shari'a guidelines. This is done through review and approval of the contracts, agreements, policies, procedures, products' manuals, process flows, core banking system, application of accounting standards, transaction, fees, charges, commissions, financial and management reporting etc. SCU is also responsible for the Shari'a non-compliance risk management function. The mechanism of Mudaraba and Wakala pool for distribution of profit to various investment deposit classes is closely monitored by SCU.

Shari'a Audit Unit assists the ISR and SSB in forming post facto opinion on the extent of the Shari'a compliance of the Bank's operation. SAU

examines and evaluates the extent of compliance with Shari'a standards, principles, rules, Fatwa, and resolutions issued by SSB through actual audit on the business transactions. Its activities cover planning, executing, communicating, reporting and following up of audit findings included in the Shari'a audit plan.

Shari'a audit on the Banks transactions has been conducted as follows:

Departments	Percentage of total executed transactions	
	2025	2024
Retail Banking: Murabaha, Ijarah, Forward Ijarah, Service Ijarah	**35%**	35%
Corporate Banking: Murabaha, Ijarah, Wakala, Forward Ijarah, and Diminishing Musharaka	**35%**	35%
Trade Finance	**10%**	10%
Treasury: Interbank Wakala, FX Wa'ad investment	**5%**	5%

11.1. External Shari'a Audit

The external Shari'a audit is conducted by the auditors every year as required by the Central Bank of Oman.

11.2. SSB meetings

During the year 5 SSB meetings were conducted with full quorum. SSB has reviewed bank's products and product related documents and issued 170 decisions on various queries. SSB also reviewed the monthly PDMs, policies, investment proposals, and the Shari'a audit reports and provided the related guidance to rectify the mistakes and eliminate the mistakes in future.

11.3. Trainings

Alizz Islamic Bank had conducted a total of 1,300 hours of training for 228 unique number of staff aligned to Shari'a Rules in Islamic Financial Transactions and Islamic banking fundamentals, products, process and documentation, Islamic principles. A number of 398 training hours were conducted by Shari'a Team Members, and 227 hours by SSB members. Technical sessions conducted by the Shari'a Team Members were provided to Products Development employees, Branches & Corporate, Control Functions such as Risk Management & Credit Administration and Direct Sales employees, while a refresher training on Shari'a Compliance & Audit Training were conducted to the branches' employees.

11.4. Zakah

Zakah is calculated in accordance with FAS 9 - Zakah issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) using the net assets method. Whereas the Board of Directors of the bank is not authorized to pay the Zakah on behalf of the shareholders, the responsibility for payment of Zakah on the Bank's shares lays at the part of the shareholders. The Bank calculates the "Zakah base" based on audited financial statements and after approval from Shari'a Supervisory Board, notify the Shareholders of their pro-rata share of the Zakah payable annually. Payment of Zakah on the Investment Accounts and other Accounts is the responsibility of Investments Account Holders.

11.5. Earnings Prohibited by Shari'a and Donation against Late Payment

The Bank is committed to avoid recognising any income generated from Shari'a non- compliant sources such as Charity amount due to late payment received and profit from Shari'a non-compliant transactions as instructed by SSB. Accordingly, Shari'a non-compliant income as a result of Shari'a audit amounting to ﷼ 2k is credited to a charity account where the Bank uses these funds for charitable purposes. Details of movement in charity account and its disposition are highlighted in Section 9.2.3, 'Quantitative Disclosures', above.

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

11.6. Remuneration of Shari'a Supervisory Board (SSB)

Following remuneration of Shari'a Board has been approved by the general assembly for the period from January 2025 till December 2025:

- Chairman: ﷼ 20,000/- per annum
- Member: ﷼ 16,000/- per annum each

Sitting Fee of Shari'a Board has been approved by the general assembly:

- Chairman and Members ﷼ 400/- per SSB meeting each
- Chairman and Members ﷼ 300/- per SSB ExCom meeting each

12. BASEL III

12.1 Capital Disclosure

The below capital disclosures are prepared in accordance with the requirements of the CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013.

	Common Equity Tier 1 capital: instruments and reserves (﷼ 000s)	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	111,307
2	Retained earnings	23,631
3	Accumulated other comprehensive income (and other reserves)	2,983
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*	-
	Public sector capital injections grandfathered until 1 January 2018	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	137,921
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	449
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1,587
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	997
13	Securitisation gain on sale (as set out in paragraph 14.9 of CP-1)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities.	-
15	Defined-benefit pension fund net assets	-

BASEL II PILLAR III AND BASEL III REPORT

31st December 2025

16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage Servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	**Total regulatory adjustments to Common equity T1**	3,033
29	**Common Equity Tier 1 capital (CET1)**	134,888
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	30,000
31	of which: classified as equity under applicable accounting standards 5	30,000
32	of which: classified as liabilities under applicable accounting standards 6	-
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-
36	**Additional Tier 1 capital before regulatory adjustments**	**30,000**
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

39	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	-
44	**Additional Tier 1 capital (AT1)**	30,000
45	**Tier 1 capital (T1 = CET1 + AT1)**	164,888
Tier 2 capital: instruments and provisions (﷼ 000s)		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions and Fair Value adjustment related to investments	3,501
51	Tier 2 capital before regulatory adjustments	3,501
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments REGULATORY ADJUSTMENTS TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
57	Total regulatory adjustments to Tier 2 capital	-

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

58	Tier 2 capital (T2)	3,501
59	Total capital (TC = T1 + T2)	168,389
Risk Weighted Assets (﷼ 000s)		
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
60	Total risk weighted assets (60a+60b+60c)	1,082,540
60a	*Of which: Credit risk weighted assets*	995,190
60b	*Of which: Market risk weighted assets*	21,825
60c	*Of which: Operational risk weighted assets*	65,525
Capital Ratios (%)		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.46
62	Tier 1 (as a percentage of risk weighted assets)	15.23
63	Total capital (as a percentage of risk weighted assets)	15.55
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.500
65	*of which: capital conservation buffer requirement*	2.500
66	*of which: bank specific countercyclical buffer requirement*	-
67	*of which: D-SIB/G-SIB buffer requirement*	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets	2.96
National minima (if different from Basel III) %		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	9.50
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	11.50
71	National total capital minimum ratio (if different from Basel 3 minimum)	13.50
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2 (﷼ 000s)		
76	Amount eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	3,501
77	Cap on inclusion of provisions in Tier 2 under standardised approach	12,440
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase out arrangements*	-
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-
82	*Current cap on AT1 instruments subject to phase out arrangements*	-
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	-
84	*Current cap on T2 instruments subject to phase out arrangements*	-
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	-

Table 2a – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (﷼ 000s)

Year ended 31 December 2025	Published financial statements	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	**79,219**	**79,219**	
Due from Banks	**11,306**	**11,306**	
Financings – Net, of which:	**1,173,925**	**1,173,925**	
- Financings and advances to domestic customers	**1,230,008**	**1,230,008**	
- Provision against financings, Of which:	**56,083**	**56,083**	
- Amount eligible for T2		**2,852**	F
- Amount ineligible for T2		**53,231**	
Investments securities	**154,983**	**154,983**	
Fixed assets	**5,189**	**5,189**	
- Amount eligible for T1	**-**	**-**	C

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

Other assets	**40,584**	**40,584**	
- Amount eligible for T1	**-**	**-**	D
Total Assets	**1,465,206**	**1,465,206**	
Capital & Liabilities			
Paid-up Capital, of which:	**111,307**	**111,307**	
- Amount eligible for CET1		**111,307**	A
Reserves & Surplus; of which	**28,234**	**27,962**	
- Amount eligible for CET1	**27,822**	**26,614**	B
Proposed Dividend (Reduced from Retained Earnings)	**-**	**1,208**	
- Cumulative loss on Fair Value (CET1 adjustment)	**-**	**(449)**	E
- Investment fair value gains	**412**	**589**	E
Amount eligible for CET2			
- Cumulative gains on fair value- (after applying 55% haircut)	**-**	**272**	G
Additional Tier 1 Sukuk	**30,000**	**30,000**	
Total Capital	**169,541**	**169,541**	
Deposits	**1,269,112**	**1,269,112**	
Due to Banks and financial institutions	**533**	**533**	
Other liabilities & provisions	**26,020**	**26,020**	
TOTAL	**1,465,206**	**1,465,206**	

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (﷼ 000s)			
		Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	111,307	A
2	Accumulated profit and legal reserves	26,614	B
3	Common Equity Tier 1 capital before regulatory adjustments	**137,921**	
4	Intangible Assets including deferred tax	(1,587)	C, D
5	Cumulative Losses on Fair Value	(449)	E

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

6	Shortfall of provisions to expected losses	(997)	
	Common Equity Tier 1 capital (CET1)	**134,888**	
	Additional Tier 1 capital: instruments		
7	Additional Tier 1 capital (AT1)	30,000	-
	Tier 1 capital (T1 = CET1 + AT1)	**164,888**	
	Tier 2 capital: instruments and provisions		
8	Provisions	3,229	F
9	Fair value reserve gains of AFS investments	272	G
	Tier 2 capital before regulatory adjustments	**3,501**	
	Tier 2 capital: regulatory adjustments	-	
	Tier 2 capital (T2)	**3,501**	
Total capital (TC = T1 + T2)		**168,389**	

Main Features of Regulatory Capital

Table below discloses the key features of all the regulatory capital issued by the Bank;

1	**Alizz Islamic Bank SAOC**	**Common Equity Share Capital**	**Additional Tier 1 – Capital**
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	OM0000009924 (﷼ tranche) OM0000009940 (USD tranche)
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and FSA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and FSA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital	Perpetual Tier 1 securities
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	100 million	30 million
9	Par value of instrument	100 million	30 million
10	Accounting classification	Shareholders' Equity	Equity
11	Original date of issuance	02 November 2012	09 December 2024
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity

14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	NA	First Call Date on 9 Dec 2029 at Bank's sole discretion
16	Subsequent call dates, if applicable	NA	Any profit distribution date after 9 Dec 2029
	Coupons / dividends *		
17	Fixed or floating dividend/coupon	NA	Fixed
18	Coupon rate and any related index	NA	NA
19	Existence of a dividend stopper	NA	Yes
20	Fully discretionary, partially discretionary or mandatory	NA	Full discretionary
21	Existence of step up or other incentive to redeem	NA	No
22	Noncumulative or cumulative	NA	Non-cumulative
23	Convertible or non-convertible	NA	Convertible
24	If convertible, conversion trigger (s)	NA	Occurrence of Non-Viability trigger subject to CBO approval
25	If convertible, fully or partially	NA	To be determined in case of Non-Viability event
26	If convertible, conversion rate	NA	The Conversion will take place at the Conversion Ratio which is being fixed at 9.36 Ordinary Shares for each ﷼ Certificate and 9.36 Ordinary Shares for each U.S.$ Certificate at the time of issuance. The Conversion Ratio will be adjusted at the end of each financial year of the Bank, based on the latest audited financial statements of the Bank.
27	If convertible, mandatory or optional conversion	NA	Mandatory
28	If convertible, specify instrument type convertible into	NA	Common equity share capital
29	If convertible, specify issuer of instrument it converts into	NA	Alizz Islamic Bank SAOC
30	Write-down feature	NA	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	Subordinate to depositors and general creditors
36	Non-compliant transitioned features	NA	NA
37	If yes, specify non-compliant features	NA	NA

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

12.2 Liquidity Coverage Ratio

The below Liquidity Coverage Ratio disclosure is prepared in accordance with the requirements of the CBO Circular BM 1127 'Basel III – Framework of Liquidity Coverage Ratio (LCR) and LCR disclosure standards.

Liquidity Coverage Ratio Disclosure as at 31st December 2025 in ﷼000s

		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	188,339	183,815
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	476,847	26,969
3	Stable deposits	94,455	4,723
4	Less stable deposits	382,392	22,246
5	Unsecured wholesale funding, of which:	341,728	136,779
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,442	861
7	Non-operational deposits (all counterparties)	336,473	134,106
8	Unsecured debt	1,813	1,813
9	Secured wholesale funding	-	-
10	Additional requirements, of which	58,033	4,669
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	58,033	4,669
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	158,480	7,924
16	**TOTAL CASH OUTFLOWS**	**1,035,088**	**176,341**
Cash Inflows			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	62,928	40,704
19	Other cash inflows	3,658	-
20	**TOTAL CASH INFLOWS**	**66,585**	**40,704**
	Total Adjusted Value		
21	**TOTAL HQLA**		**183,815**
22	**TOTAL NET CASH OUTFLOWS**		**135,637**
23	**LIQUIDITY COVERAGE RATIO (%)**		**135.52%**

12.3 Net Stable Funding Ratio

Net Stable Funding Ratio Disclosure as at 31st December 2025 in 000s

ASF Item		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to <1yr	≥ 1yr	Weighted value
1	Capital:	168,389	-	-	-	168,389
2	*Regulatory capital*	168,389	-	-	-	168,389
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers	297,638	65,236	93,304	31,481	450,225
5	*Stable deposits*	140,237	11,691	11,741	-	155,485
6	*Less stable deposits*	157,401	53,545	81,563	31,481	294,740
7	Wholesale funding:	288,243	163,380	163,780	155,441	463,143
8	*Operational deposits*	5,239	-	-	-	2,620
9	*Other wholesale funding*	283,004	163,380	163,780	155,441	460,523
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	-	-	89,476	-
12	*NSFR derivative liabilities*					
13	*All other liabilities and equity not included in above categories*	--	-	-	-	-
14	**Total ASF**					**1,081,756**
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					
16	Deposits held at other financial institutions for operational purposes	46,879	-			-
17	Performing financings and securities:	3,650	39,001	133,014	1,125,498	865,299
18	Performing financings to financial institutions secured by Level 1 HQLA				96,228	4,811
19	Performing financings to financial institutions secured by non- Level 1 HQLA and unsecured performing financings to financial institutions	-	-	-	-	-

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

20	Performing financings to non-financial corporate clients, financings to retail and small business customers, and financings to sovereigns, central banks and PSEs, of which	3,650	39,001	133,014	657,399	618,772
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk				71,000	46,150
22.	Performing residential mortgages, of which:				371,871	241,716
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				371,871	241,716
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other Assets:	-	-	135,986	-	135,986
27	Physical traded commodities, including gold	-	-	-		-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	-		135,986	-	135,986
32	Off-balance sheet items				219,574	10,979
33	**TOTAL RSF**					**1,012,264**
34	**NET STABLE FUNDING RATIO (%)**					**106.87%**

BASEL II PILLAR III AND BASEL III REPORT
31st December 2025

12.4 Leverage Ratio 31st December 2025

Basel III leverage ratio framework and disclosure requirements - Reports for Quarter ended Dec-2025

(All amounts in '000)

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure

(Please refer to paragraph 52 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

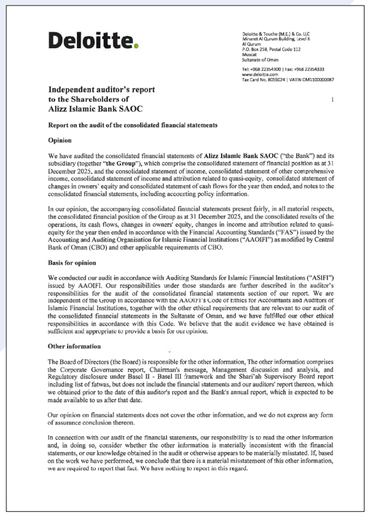
	Item	Current Quarter	Previous Quarter	Previous Year
1	Total consolidated assets as per published financial statements	1,465,206	1,450,752	1,317,317
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-
4	Adjustments for derivative financial instruments	-	-	-
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-	-
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	79,692	76,054	65,414
7	Other adjustments	-	-	-
8	**Leverage ratio exposure**	**1,544,898**	**1,526,806**	**1,382,731**

Table 2: Leverage ratio common disclosure template

(Please refer to paragraph 53 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

	Item	Current Quarter	Previous Quarter	Previous Year
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,465,206	1,450,752	1,317,317
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	-	-
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	1,465,206	1,450,752	1,317,317
	Derivative Exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	-	-	-
5	Add-on amounts for PFE associated with all derivatives transactions	-	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	-	-	-
	Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
14	CCR exposure for SFT assets	-	-	-
15	Agent transaction exposures	-	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-	-	-
	Other Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	219,574	214,983	187,968
18	(Adjustments for conversion to credit equivalent amounts)	(139,881)	(138,929)	(122,554)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**79,693**	**76,054**	**65,414**
	Capital and total exposures			
20	**Tier 1 capital**	**164,888**	**156,161**	**157,044**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1,544,898**	**1,526,806**	**1,382,731**
	Leverage Ratio			
22	**Basel III leverage ratio (%)**	**10.7**	**10.2**	**11.4**

Financial Statements



Deloitte.

Deloitte & Touche (M.E.) & Co. LLC
Al Ufuq Tower (Zurich Building, Level 3
Al Qurum
P.O. Box 258, Postal Code 112
Muscat
Sultanate of Oman

Tel: +968 22554500 | Fax: +968 22554333
www.deloitte.com
Tax Card No. 8035624 | VAT/IN OM/1300000087

Independent auditor's report
to the Shareholders of
Alizz Islamic Bank SAOC

1

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **Alizz Islamic Bank SAOC** ("the Bank") and its subsidiary (together **"the Group"**), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of income and attribution related to quasi-equity, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and the consolidated results of the operations, its cash flows, changes in income and attribution related to quasi-equity for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") as modified by Central Bank of Oman (CBO) and other applicable requirements of CBO.

Basis for opinion

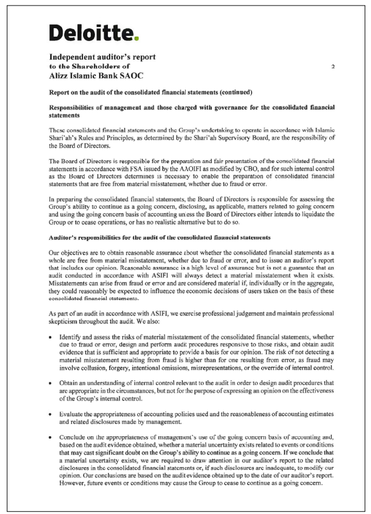
We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFI") issued by AAOIFI. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, together with the other ethical requirements that are relevant to our audit of the consolidated financial statements in the Sultnate of Oman, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors (the Board) is responsible for the other information, The other information comprises the Corporate Governance report, Chairman's message, Management discussion and analysis, and Regulatory disclosure under Basel II – Basel III framework and the Shari'ah Supervisory Board report including list of fatwas, but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditor's report and the Bank's annual report, which is expected to be made available to us after that date.

Our opinion on 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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Independent auditor's report
to the Shareholders of
Alizz Islamic Bank SAOC

2

Report on the audit of the consolidated financial statements (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'ah's Rules and Principles, as determined by the Shari'ah Supervisory Board, are the responsibility of the Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FSA issued by the AAOIFI as modified by CBO, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has 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 ASIFI 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 consolidated financial statements.

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

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



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Independent auditor's report
to the Shareholders of
Alizz Islamic Bank SAOC

3

Report on the audit of the consolidated financial statements (continued)

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

- 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 Group 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.

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Further, as required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021, we report that:

(i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

(ii) the Group has maintained accounting records and the financial statements are in agreement therewith;

(iii) the financial information included in the Chairman's message is consistent with the books of accounts of the Group; and

(iv) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2025, any of the applicable provisions of the Commercial Companies Law of 2019 or of its Articles of Association, which would materially affect the financial performance of the Group for the year ended 31 December 2025 or its financial position as at 31 December 2025.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
8 March 2026

Deloitte. C.R. No.1173225 0001-25 Deloitte & Touche (M.E.) & Co. LLC

Signed by
Ahmed Al Qassabi
Partner
ACCA Membership No. 0820917

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 ﷼'000	2024 ﷼'000
Assets			
Cash and balances with the Central Bank of Oman	5	**79,219**	62,080
Due from banks	6	**11,306**	16,745
Investment securities	7	**154,983**	122,898
Financing assets	8	**1,173,925**	1,071,201
Property and equipment	9	**5,189**	3,858
Intangibles	10	**1,587**	1,474
Other assets	11	**38,997**	39,061
Total assets		**1,465,206**	1,317,317
Liabilities, Quasi Equity and Owner's Equity			
Liabilities			
Due to banks		**533**	38,706
Customers' current accounts		**161,431**	119,799
Other liabilities	12	**26,020**	25,773
Total liabilities		**187,984**	184,278
Quasi Equity			
Participatory investment accounts	13	**1,107,681**	974,344
Equity			
Share capital	14	**111,307**	111,307
Legal reserve	14	**2,983**	1,781
Fair value reserve	14	**412**	(398)
Retained earnings	14	**24,839**	16,005
Total equity attributable to the equity holders		**139,541**	128,695
Sukuk eligible as additional capital (Tier 1)	15	**30,000**	30,000
Total equity		**169,541**	158,695
Total Liabilities, Quasi-Equity and Equity		**1,465,206**	1,317,317
Contingencies and Commitments	17	**219,574**	187,968

The consolidated financial statements and accompanying notes were approved by the Board of Directors on 26 January 2026 and signed on their behalf by:

Chairman of the Board | **Chief Executive Officer**

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2025

	Notes	2025 د.إ'000	2024 د.إ'000
Income from financing and investing activities	18	**75,777**	69,661
Fee and commission income	19	**5,690**	5,508
Fee and commission expense	19	**(931)**	(887)
Net fee and commission income		**4,759**	4,621
Other income	20	**1,588**	2,974
Total income		**82,124**	77,256
Staff expenses		**(14,006)**	(13,651)
Depreciation	9	**(1,485)**	(2,091)
Amortisation of intangibles	10	**(360)**	(330)
Other operating expenses	21	**(4,009)**	(3,379)
Total operating expenses		**(19,860)**	(19,451)
Allowance for impairment and expected credit losses - net	8	**(4,402)**	(4,005)
Profit for the year - before tax and attribution to quasi equity		**57,862**	53,800
Less: Net profit attributable to quasi equity		**(43,713)**	(42,086)
Profit for the year - before tax		**14,149**	11,714
Income tax	22	**(2,132)**	(1,703)
Net profit for the year		**12,017**	10,011
Earnings per share			
Basic	23	**0.0090**	0.0077
Diluted	23	**0.0090**	0.0090

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 د.إ'000	2024 د.إ'000
Net profit for the year	**12,017**	10,011
Items that may not be subsequently classified to consolidated income statement		
Fair value changes of equity-type investments carried at fair value through other comprehensive income	**622**	(291)
Items that may be subsequently classified to consolidated income statement		
Fair value changes of debt-type investments carried at fair value through other comprehensive income	**157**	57
Total other comprehensive income for the year	**779**	(234)
Total comprehensive income for the year	**12,796**	9,777

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

For the year ended 31 December 2025

	2025	2024
	د.ب'000	د.ب'000
Net profit for the period before net profit attributable to quasi-equity after tax	**55,730**	52,097
Adjusted for:		
Less: income not attributable to quasi-equity	**(6,347)**	(7,595)
Total income available for quasi-equity	**49,383**	44,502
Less: Mudarib's share	**(6,630)**	(4,764)
Add: Support provided by bank	**960**	2,348
	(5,670)	(2,416)
Net profit attributable to quasi-equity	**43,713**	42,086

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025	2024
		د.ب'000	د.ب'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**14,149**	11,714
Adjustments for:			
Depreciation	9	**1,485**	2,091
Amortisation of intangibles	10	**360**	330
Allowance for impairment and credit losses - net	8	**4,402**	4,005
Operating profit before changes in operating assets and liabilities		**20,396**	18,140
Net changes in operating assets and liabilities:			
Due from banks		**(7,700)**	-
Financing assets		**(107,101)**	(108,556)
Other assets		**97**	(5,753)
Due to banks		**(38,209)**	23,306
Customers' current accounts		**41,632**	(12,145)
Other liabilities		**(820)**	4,759
Net cash used in from operating activities		**(91,705)**	(80,249)
Income tax paid		**(1,065)**	-
Net cash used in operating activities		**(92,770)**	(80,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		**(176,413)**	(78,787)
Proceeds from sale / maturities of investments		**145,086**	29,579
Purchase of property and equipment	9	**(2,816)**	(1,630)
Additions to intangibles	10	**(473)**	(420)
Net cash used in investing activities		**(34,616)**	(51,258)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in participatory investment accounts		**133,337**	92,490
Proceeds from issuance of sukuk eligible as additional capital (Tier 1)	15	**-**	30,000
Profit Paid on Sukuk eligible as additional capital (Tier 1)	15	**(1,950)**	-
Net cash generated from financing activities		**131,387**	122,490
Net increase / (decrease) in cash and cash equivalents		**4,001**	(9,017)
Cash and cash equivalents at the beginning of the year		**78,832**	87,849
Cash and cash equivalents at end of the year	24	**82,833**	78,832

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share Capital	Legal Reserve	Fair Value Reserve	Retained Earnings / (Accumulated Losses)	Total Equity Attributable to Equity Holders	Sukuk Eligible as Additional Capital Tier 1	Total equity
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Balance at 1 January 2025	**111,307**	**1,781**	**(398)**	**16,005**	**128,695**	**30,000**	**158,695**
Net profit for the year	**-**	**-**	**-**	**12,017**	**12,017**	**-**	**12,017**
Other comprehensive income	**-**	**-**	**779**	**-**	**779**	**-**	**779**
Total comprehensive income for the year	**-**	**-**	**779**	**12,017**	**12,796**	**-**	**12,796**
Transfer to retained earnings upon disposal of FVOCI equity instruments	**-**	**-**	**31**	**(31)**	**-**	**-**	**-**
Transfer to legal reserve	**-**	**1,202**	**-**	**(1,202)**	**-**	**-**	**-**
Profit on sukuk eligible as additional capital tier 1	**-**	**-**	**-**	**(1,950)**	**(1,950)**	**-**	**(1,950)**
Balance at 31 December 2025	**111,307**	**2,983**	**412**	**24,839**	**139,541**	**30,000**	**169,541**
Balance at 1 January 2024	139,500	2,334	(191)	(22,725)	118,918	-	118,918
Net income for the period	-	-	-	10,011	10,011	-	10,011
Other comprehensive income	-	-	(234)	-	(234)	-	(234)
Total comprehensive income for the year	-	-	(234)	10,011	9,777	-	9,777
Transfer to retained earnings upon disposal of FVOCI equity instruments	-	-	27	(27)	-	-	-
Transfer to legal reserve	-	1,001	-	(1,001)	-	-	-
Write off previous years accumulated losses	(28,193)	(1,554)	-	29,747	-	-	-
Sukuk eligible as additional capital tier 1	-	-	-	-	-	30,000	30,000
Balance at 31 December 2024	111,307	1,781	(398)	16,005	128,695	30,000	158,695

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1 INCORPORATION AND ACTIVITIES

Alizz Islamic Bank SAOC ("the Bank or the Parent Company") was incorporated in the Sultanate of Oman ("Oman") as a public joint-stock company to carry out banking activities in accordance with the principles of Islamic Shari'a. The Central Bank of Oman ("CBO") has issued an Islamic banking license to the Bank on 5 September 2013. The Bank commenced its operations on 30 September 2013. On 30 June 2020, the Bank's shares were acquired by Oman Arab Bank SAOC and by virtue of that, the Bank became the subsidiary of the Oman Arab Bank, and the shares were delisted from the Muscat Stock Exchange ("MSX"). The ultimate parent company of the Bank is Arab Bank PLC ("the Ultimate Parent Company"). The consolidated financial statements of the Bank for the year ended 31 December 2025 comprise the Bank and its subsidiary (together referred to as "the Group" and individually as "the Bank or the Parent Company").

The group has seventeen branches as of 31 December 2025 (31 December 2024: eighteen branches).

The group has 409 employees as of 31 December 2025 (31 December 2024: 408 employees).

The group provides banking services which include accepting customer deposits and providing financing through various Islamic instruments such as Murabaha, Wakala, Diminishing Musharka, Ijara and other products as defined in the Central Bank of Oman's Islamic Banking Regulatory Framework. The Bank's registered office is P.O.Box 753, PC 112 Bousher, Muscat.

The principal subsidiary of the group which is consolidated in these consolidated financial statements is as follows:

Name	Country of Incorporation	Entity's capital	Entity's activities	Effective % of Ownership
Alizz Sukuk SPC	Sultanate of Oman	﷼ 30,000,000	Sukuk Issuance	100%

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 the CBO, the consolidated financial statements have been prepared in accordance with Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the group and the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by CBO and other applicable regulations of CBO. In accordance with the requirements of AAOIFI, matters that are not covered by FAS, the group uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the consolidated financial statements are prepared in accordance with FAS issued by AAOIFI and in compliance with the relevant requirements of the Commercial Companies Law.

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

2.2 Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for financial assets classified as fair value through equity measured at fair value.

2.3 Functional and presentation currency

The consolidated financial statements have been presented in Omani Rial (﷼), which is the functional and presentation currency of the group. One Omani Rial is equivalent to one thousand Baizas. The financial information presented in Omani Rial has been rounded to nearest thousands.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of judgements and estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on various factors, including the expectation of future events that are believed by the group to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant items of consolidated financial statements where judgement is exercised are as follows:

2.4.1 Going concern

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

2.4.2 Liquidity

The group manages its liquidity through consideration of the maturity profile of its assets, liabilities and investment accounts which is set out in the liquidity risk disclosures in note 26.3. This requires judgment when determining the maturity of assets and liabilities with no specific maturities.

2.4.3 Taxation

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Royal Decree 9/2017 has promulgated certain amendments to the Income Tax Law 28/2009 ("the Tax Law") with regard to the tax treatment of Islamic financial transactions. The amended Tax Law has specific provisions to deal with Islamic finance, which requires that Islamic transactions are treated in accordance with their substance for tax purposes and consistent with conventional financial transactions. 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 group establishes provisions, based on reasonable estimates, for possible consequences of the finalisation of tax assessments. The amount of such provision is based on various factors, such as the experience of other groups and differing interpretations of tax regulations by the group and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.4.4 Depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses a method that reflects the pattern in which economic benefits are expected to be consumed by the group. The method applied is reviewed at each financial year-end, and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of judgements and estimates (continued)

2.4.5 Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and return on the principal amount outstanding.

2.4.6 Measurement of right of use asset

The measurement of the right of use assets involves certain estimates and judgements with respect to the residual values, useful life, intention and continuity of usage of ijarah assets and deferred ijarah cost.

2.4.7 Measurement of the allowance for impairment / expected credit losses (ECL)

The measurement of the ECL allowance for financial assets measured at amortised cost and fair value through equity (FVTE) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting including significant assessment of credit risk and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

a) Determining criteria for a significant increase in credit risk;
b) Choosing appropriate models and assumptions for measurement of ECL;
c) Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
d) Establishing groups of similar financial assets for the purposes of measuring ECL.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiary as at and for the year ended 31 December 2025. The financial statements of the subsidiary are prepared for the same reporting year as the bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that control ceases. Control is achieved where the bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Bank's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non controlling interests' share of changes in equity since the date of combination. Statement of income and each component of OCI are attributed to the equity holders of the parent of the bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents, as referred to in the statement of cash flows comprise cash in hand, balances with the central bank (excluding mandatory reserves) and due from banks and financial institutions with an original maturity of ninety days or less.

3.2 Due from banks

Due from banks and financial institutions comprise current accounts and interbank Wakala bil Istithmar. Wakala bil Istithmar is stated at Wakala Capital plus accrued expected profit, less agency fee and provision for impairment if any.

3.3 Murabaha receivables

Murabaha receivables are stated net of deferred profits, any amounts written off and provision for impaired debts if any.

Murabaha are sales on deferred payment terms. The group executes a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to the customer (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is repaid in instalments by the customer over the agreed period. Promise made in the murabaha by the purchase orderer is obligatory.

3.4 Investment in ijarah muntahia bittamleek

An agreement whereby the group (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing / acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease terms / periods, payable on fixed or variable rental basis. The group leases the asset under Ijarah muntahia bittamleek whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah instalments are settled.

These are initially recorded at cost, including initial direct costs and subsequently depreciated at the rates calculated to write off the cost of each asset over its lease term in a systematic manner. Ijarah Muntahia Bittamleek are presented at cost net of accumulated depreciation and accumulated impairment, if any.

Ijarah income receivables represent outstanding rentals at the end of the year less any expected credit losses. The ijarah income receivable is classified under Profit Receivable from Financing and Investing Activities. These are initially recorded at cost including initial direct costs. Ijarah muntahia bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah installments are settled.

Depreciation is calculated on Ijarah muntahia bittamleek assets at the rates calculated to write off the cost of each asset over its lease term in a systematic manner. Ijarah income receivables represent outstanding rentals at the end of the year less any expected credit losses. The ijarah income receivable is classified under Profit Receivable from Financing and Investing Activities.

3.5 Wakala bil Istithmar

An agreement whereby the principal provides a certain sum of money (Wakala Capital) to an agent, who invests it according to specific conditions in return for a certain fee. The arrangement may also include agreement on an expected profit rate for principal and incentive fee for Wakeel for performance beyond the agreed expected profit, 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. It is stated at cost less impairment, if any. The group accepts money from the customer on Wakala bil Isthithmar basis and also invests with other counterparties in accordance with the same arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Diminishing Musharaka

Diminishing Musharaka is a contract, based on Shirkat-ul-Milk, between the group and a customer for joint ownership of a fixed asset (e.g. house, land, plant or machinery). The group divides its share in the fixed asset into units and gradually transfers the ownership of these units to a customer through sale (at carrying value). The use of group's share by the customer is based on the commitment of the customer to bear the cost of maintenance and takaful insurance for the group's share in the Musahraka asset. Diminishing Musharaka is stated initially at historical cost of consideration given, less any impairment.

3.7 Investment securities

3.7.1 Classification and Measurement of financial instruments

The classification and measurement is based on the business model for managing the financial asset and contractual cash flow characteristics associated with it. Investment securities comprise of debt type instruments a) carried at amortised cost b) carried at fair value through equity and equity-type instrument carried at fair value through equity.

Debt type instruments carried at amortised cost

These are investments that have fixed or determinable payments of profit and capital. Subsequent to initial recognition, these are measured at amortised cost using the effective profit rate method less impairment, if any. Any gain or loss on such instruments is recognised in the statement of income when the instruments are de-recognised or impaired.

Debt type instruments carried at fair value through equity

These are investments that have fixed or determinable payments of profit and capital and are held within a business model whose objective is achieved by both collecting expected cashflows and selling the investments. These are initially recognised at fair value, being the value of the consideration given, including transaction costs directly attributable to the acquisition. The remeasurement gain or loss, if any, being the difference between the carrying amount and the fair value is recognised in the income statement.

Equity type instruments carried at fair value through equity

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence residual interest in the assets of an entity after reducing all its liabilities. On initial recognition, equity-type instruments that are not designated to fair value through statement of income are classified as investments at fair value through equity. Gains and losses on such equity-type instruments are never subsequently reclassified to consolidated income statement, including on disposal. However, cumulative gains and losses recognised in fair value reserve are transferred to retained earnings on disposal of an investment.

Business model assessment

The group 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 management. The information considered includes:

a) 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 revenue, maintaining a particular profit 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 assets;

b) how the performance of the portfolio is evaluated and reported to the group's management;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Investment securities (continued)

3.7.1 Classification and Measurement of financial instruments (continued)

Business model assessment (continued)

c) 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;

d) 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

e) 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 group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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.

Reclassifications

Financial Assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing Financial Assets.

Assessment of whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing 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 profit, the group 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.

Modifications of Financial Assets

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

3.8 Impairment of financial contracts

Financing and Investment Contracts

Financing and investment contracts consist of balances with banks and the Central Bank of Oman, due from banks, investment securities, Wakala bil Istithmar, Murabaha receivables (net of deferred profits), Diminishing Musharaka, Ijarah Muntahia Bittamleek, Sukuk, financing commitments and guarantees and other Financial Assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial contracts (continued)

3.8.1 Impairment of financial contracts (continued)

Impairment assessment – Expected credit losses (ECL)

The group applies three-stage approach to measure ECL. Assets subject to ECL approach shall include all established receivables and off-balance sheet exposures including guarantees, letters of credit, forward foreign exchange and other similar positions. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Measurement of ECL

The ECL model results in a provision for credit losses being recorded on credit exposures regardless of whether there has been an actual loss event. ECL reflects an unbiased, probability-weighted outcome as opposed to the single best estimate allowed under the previous approach. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts.

The group's approach leveraged the existing regulatory capital models and processes for Bank's credit exposures that use the existing Internal Rating based and behavioural credit models which. FAS 30 considers the calculation of ECL based on the following:

a) amount (including receivable and exposure) at risk;

b) risk weightage, probability of default and other considerations including internally set indicators and effective rate of return;

c) changes in credit risk, deterioration in credit ratings (internal or external), modifications to the original contracts, breach of contracts or contractual covenants, industry and geographical parameters etc.;

d) availability of collaterals and other credit enhancements considering haircuts and their effect on expected credit losses; and

e) Impairment model uses a three stage approach based on the extent of credit deterioration since origination.

Stage 1: Twelve months ECL

12-month ECL applies to all Financial Assets credit exposures subject to ECL approach that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

Stage 2: Lifetime ECL – not credit impaired

When a credit exposure financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset.

Stage 3: Lifetime ECL – credit impaired

Financial Assets credit exposures that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the provision for credit losses will continue to capture the lifetime expected credit losses. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial contracts (continued)

3.8.1 Impairment of financial contracts (continued)

Credit impaired financial contracts

At each reporting date, the group assesses whether Financial Assets carried at amortised cost are credit impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

(i) the significant financial difficulty of the obliger or issuer,

(ii) a breach of contract such as a default or past due event, and

(iii) the probability that the obliger will enter bankruptcy or other financial reorganization.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the statement of income. Financing contracts together with the associated provisions are written off when there is no realistic prospect of future recovery and collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced in the statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective profit rate. If a financial asset has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

The key inputs into the measurement of ECL are the term structure of the following variables:

(i) Probability of Default (PD)

(ii) Loss Given Default (LGD)

(iii) Exposure At Default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information. The caliberation of the models on Bank specific data was last carried out in financial year ended 31 December 2024.

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

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. For financing commitments and financial guarantees, the EAD is converted to statement of financial position equivalents. The EAD is estimated using the outstanding exposure adjusted by Credit Conversion Factor ("CCF") times undrawn portion of the facilities. In case of financial guarantee, EAD is estimated as CCF times the committed amount. The outstanding exposure is equivalent to the principal outstanding. The undrawn portion refers to the portion of the unutilized credit limit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial contracts (continued)

3.8.1 Impairment of financial contracts (continued)

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 lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. The group applies LGD of 0% on any exposure either through financing, exposure guaranteed by the Government or investments in instruments issued.

Assessment of significant increase in credit risk

The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing financing and the recognition of lifetime expected losses on financing that have experienced a significant increase in credit risk since origination.

When determining whether the risk of default on a financial contract has increased significantly since initial recognition, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and expert credit assessment including forward looking information.

The determination of a significant increase in credit risk takes into account of many different macroeconomic factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability weighted probability of default since origination and certain criteria such as 30 day past due and watch list status. The assessment of a significant increase in credit risk will require experienced credit judgement. The group also considers qualitative factors as per the CBO guidelines BM 1149, para 12(d) for assessing the significant increase in credit risk to corporate customers.

Renegotiated financing contracts

The contractual terms of a financing may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer.

The group considers renegotiated financing to customers due to financial difficulties as one of the reasons for determining the significant increase in credit risk. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

Macroeconomic factors

In its models, the group relies on a broad range of forward-looking information as economic inputs, such as GDP growth and oil prices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

Forward Looking Information (FLI) and Multiple Scenarios

The group's ECL provision methodology, requires the group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of financial contracts (continued)

3.8.1 Impairment of financial contracts (continued)

Presentation of provision for impairment in the consolidated statement of financial position

Impairment provision for ECL are presented in the statement of consolidated financial position as follows:

(i) financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

(ii) financing commitments and financial guarantee contracts: generally, as a provision;

(iii) where a financial instrument includes both a drawn and an undrawn component, and the group cannot identify the ECL on the financing commitment component separately from those on the drawn component: the group presents a combined impairment provision for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the impairment over the gross amount of the drawn component is presented as a provision; and debt instruments measured at FVTE: impairment loss has been recognised in the statement of consolidated financial position and the same is disclosed and is recognised in the fair value reserve.

Expected Life

When measuring ECL, the group considers the maximum contractual period over which the group is exposed to credit risk. All contractual terms considered in determination of 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 group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Definition of Default

The group considers a financial asset to be in default when:

(a) The customer is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or

(b) The customer is past due more than 90 days on any material credit obligation to the group.

In assessing whether a customer is in default, the group considers indicators that are:

- Qualitative - e.g. breaches of covenant;
- Quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the group; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Backward transition

FAS 30 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2 and Stage 3) to 12 month ECL measurement (Stage 1). Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 are subject to certain criteria such as cooling off period, SICR indicators and payment history, where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Other Financials Assets and Liabilities

3.9.1 Recognition and initial measurement

The group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

3.9.2 De-recognition of financial assets and financial liabilities

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

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

(ii) the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

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

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

3.9.3 Offsetting

Financial Assets and liabilities are offset only when there is a legal and sharia enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.10 Property and equipment

3.10.1 Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised financing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components).

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognised in other income / other expenses in statement of income.

3.10.2 Subsequent costs

The cost of replacing a component of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in statement of income as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Property and equipment (continued)

3.10.2 Subsequent costs (continued)

Depreciation is recognised in statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value.

The estimated useful lives are as follows:

Computer hardware and equipment	5 years
Leasehold improvements	10 years
Furniture and fixture	5 years

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Item of property and equipment is derecognised when disposed off, replaced or when no future economic benefits are expected from its use.

3.11 Intangible assets

Intangible assets (computer software) are amortised over their estimated useful life of 5 years and carried net of accumulated amortisation and impairment losses. For intangible assets with indefinite useful life, impairment in value is reviewed at the reporting date and any impairment in their value is recorded in statement of income.

3.12 Due to banks

Due to banks and financial institutions comprise of Wakala bil Istithmar. Wakala bil Istithmar are recognised at principal being the carrying value and shall take into account undistributed profits, profit equalization reserves or other special reserves, if any, created specifically for the account of investment accountholders less any losses on the assets attributable to investment accountholders.

3.13 Participatory investment accounts

Equity of participatory investment account holders are funds held by the group in participatory investment accounts, which it can invest at its own discretion. Equity of participatory investment account holders comprises of deposits obtained on the basis of mudaraba, wakala bil istithmar and includes accrued profit, profit equalisation reserve and investment risk reserve. The investment account holder authorises the group to invest the account holders' funds in a manner which the group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

Equity of participatory investment account holders is invested through islamic financing contracts and the income attributable to customers is allocated to investment accounts after setting aside provisions, reserves (Profit equalization reserve and Investment risk reserve) and deducting the group's share of income as a Mudarib. The allocation of income is determined by the management of the group within the allowed profit sharing ratio as per the terms and conditions of the investment accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the group and are not charged separately to investment accounts. Investment accounts are carried at their book values and include amounts retained towards profit equalisation and investment risk reserves, if any. Profit equalisation reserve is the amount appropriated by the group out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the group out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders. Creation of any of these reserves results in an increase in the liability towards the pool of participatory investment accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Leases

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

a) Right of use asset

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

The cost of right-of-use assets represents the fair value of total consideration paid / payable and includes initial direct costs and any dismantling or decommissioning costs. The group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The carrying value of right to use the underlying asset is presented in "property and equipment" in the statement of consolidated financial position.

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

b) Ijarah liability

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the group recognises 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 amortisation of deferred Ijarah cost and reduced to reflect the Ijarah rentals made.

The group may make payments in the nature of advance rentals prior to the commencement of lease term. Such advance rental payments are presented as 'advance Ijarah rentals paid' under receivables prior to the commencement of lease term. However, after the commencement date, such advance rental payments should be netted-off against Ijarah liability.

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 presented in "other liabilities" notes to the consolidated financial statement..

The group presents net Ijarah costs in other general and administrative expenses comprising of:

a) Amortization of right-of-use asset;

b) Amortization of deferred Ijarah cost;

c) Variable Ijarah rentals; and

d) Gain or loss on Ijarah modifications and other adjustments.

The group has applied the exemptions allowed under FAS 32 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue Recognition

Profit on amounts due from banks and financial institutions

Profit on amounts due from banks and financial institutions is recognised on a time apportioned basis over the period of the contract based on the wakala capital outstanding and the expected profit agreed with counterparties.

Murabaha receivables

Profit on murabaha receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised by proportionately allocating the attributable profits over the deferred period whereby each financial period carries its portion of profits irrespective of when cash is received. Income related to non performing financing installments that are above 90 days is excluded from the statement of income from the day they become overdue.

Ijarah muntahia bittamleek

Ijarah income is recognised on a time apportioned basis over the Ijarah term and is stated net of depreciation and impairment. In case of forward Ijarah advance rental (profit) during the construction period will be accounted for on a time-apportioned basis over the construction period on account of rentals. These profit amounts are received either during the construction period as advance rental payment or with the first rental payment after the commencement of the lease. Income related to non performing ijarah muntahia bittamleek accounts and ijarah installments that are above 90 days is excluded from the statement of income from the day they become overdue.

In various Ijarah muntahia bittamleek transactions, the effective rate of return method is employed. While applying the effective rate of return method, any excess of Ijarah revenue recognized over the Ijarah rentals due shall be recognized as accrued Ijarah rentals.

Effective rate of return method is a method of allocating income from an asset uniformly, and equitably over the contractual (or expected) period of expected benefit from the asset.

Wakala bil Istithmar

Income from Wakala bil Istithmar placements is recognised on a time apportioned basis so as to yield a expected rate of return based on the wakala capital.

Bank's share of income from equity of participatory investment account holders (as Rabalmal and Mudarib)

Income is allocated proportionately between equity of participatory investment accountholders and shareholders on the basis of their respective investment in the pool before allocation of the mudarib share of profit. The group's share as a mudarib for managing the equity of participatory investment accountholders is accrued based on the terms and conditions of the related mudaraba agreements.

Diminishing Musharaka

Income from Diminishing Musharaka is recognised when group's right to receive payment is established once the group sell its shares of the Musharaka asset to the customer. Income related to non-performing customers is excluded from statement of income.

Fees and commission income

Fees and commission income that is integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management fees, placement, arrangement and syndication fees are recognised as the related services are performed.

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue Recognition (continued)

Income from investments

Income from investments is recognised when earned.

3.16 Expected profit on Wakala bil Istithmar (banks and non banks)

Expected profit on these is accrued on a time-apportioned basis over the period of the contract based on the wakala capital.

3.17 Taxation

Tax expense comprises current and deferred tax. Taxation is provided in accordance with Oman tax regulations relating to banks.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax

Deferred tax assets or liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets / liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilise.

3.18 Fair values of Financial Assets

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

(i) For quoted investments that are traded in the active market, fair value is determined by reference to the quoted market bid prices prevailing on the reporting date.

(ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the group using current profit rates for investments with similar terms and risk characteristics.

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.20 Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-shari'a compliant sources. Accordingly, income from non-shari'a compliant sources is credited to a charity fund where the Group uses these funds for social welfare activities upon approval of Shari'a Supervisory Board.

3.21 Foreign currencies

Transactions in foreign currencies are translated into Omani Rial at exchange rates ruling at the value dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Omani Rial 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 Omani Rial at the beginning of the period, adjusted for effective profit 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 statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Omani Rial at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary Financial Assets and liabilities such as Equity-type instruments at fair value through statement of income are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary Financial Assets, such as Equity-type instruments at fair value through equity are included in statement of changes in equity.

3.22 Earnings per share (EPS)

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

3.23 Employee benefits

Obligations for contributions to an unfunded defined benefit retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as an expense in statement of income as incurred. The group's obligation in respect of non-Omani terminal benefits, under an unfunded defined benefits retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. Employees' entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of such services upto the reporting date. These accruals are recorded in other liabilities.

3.24 Joint and self-financed

Investments, financing and receivables that are jointly owned by the group, the equity of participatory investment accounts and wakala customers are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivables that are financed solely by the group are classified under "self-financed".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Profit distribution on participatory investment account holders

The group abides by the following profit distribution methodology for distributing its profits to participatory investment account holders (IAH). Total income from Islamic financing and placement activities in respect of the mudaraba and wakala pool is calculated using the accounting practices in accordance with the Shari'a standards as well as the Accounting Standards published by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The net profit of the pool is calculated as income from financing, investments & placements less collective and specific provisions. Net income of the Mudaraba pool is allocated between Shareholders and IAH according to their respective contribution of their investments in the Mudaraba pool. All administrative and general expense (including staff expenses) are borne solely by the shareholders from the date of commencement of the group's operation. Fees and charges pertaining to letters of credit, letters of guarantee, general banking and allied services are group's income and such income is not included in the mudaraba and wakala pool. Allocation of profit between Mudarib and IAH is set at 60:40, however group at its discretion lowers percentage of Mudarib share to enhance the share of profit of investment holders in the form of hiba. Depreciation expenses relating to the fixed assets owned by the group shall not be charged to any of the above mentioned pool and shall be charged to the shareholders. Undesired income relating to the Shari'a repugnant transactions shall be deducted from their respective pool.

3.26 Shari'a Supervisory Board

The group's business activities are subject to the supervision of a Shari'a supervisory board consisting of members appointed by the general assembly of shareholders.

3.27 Directors' remuneration

The Board of Directors' remuneration is accrued within the limits specified by the Ministry of Commerce, Industry and Investment Promotion.

3.28 Dividend on ordinary shares

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

3.29 Segment reporting

An operating segment is the component of the group 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 group's other components whose operating results are reviewed regularly by the management to make decisions about the resources allocated to each segment and assesses its performance and for which discrete financial information is available. The group's primary format for reporting segmental information is business segment, based upon management internal reporting structure. The group's main business segments comprises of retail, corporate and treasury.

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS

4.1 New and amended standards and interpretations that are effective during the year

4.1.2 FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions

AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies". The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari'a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 43 – Accounting for Takaful: Recognition and Measurement, provided that FAS 1 (Revised 2021) has already been adopted or is simultaneously adopted.

4.2 New and amended standards and interpretations that are effective from the next year or not yet effective

At the date of authorisation of these financial statements, the group has not applied the following new and revised FASs that have been issued but are not yet effective. The management anticipate that these new standards, interpretations and amendments will be adopted in the group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the group's financial statements in the period of initial application.

4.2.1 FAS 45 – Quasi - Equity (including Investment Accounts)

AAOIFI has issued FAS 45 in 2023. This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance-sheet accounting and are reported as quasi equity. This standard also provides the overall criteria for on-balance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues. This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026. The concept of quasi-equity has been introduced in FAS 1 "General Presentation and Disclosures in the Financial Statements (Revised 2021)". The group shall address the requirements of FAS 45 "Quasi-Equity (Including Investment Accounts)" on the effective date of the standard.

4.2.2 FAS 46 – Off-Balance sheet Assets Under Management

AAOIFI has issued FAS 46 in 2023. This standard prescribes the criteria for characterisation of off-balance sheet assets under management, and the related principles of financial reporting in line with the "AAOIFI Conceptual Framework for Financial Reporting". The standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies, related to off-balance-sheet assets under management, as well as certain specific aspects of financial reporting such as impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements particularly aligning the same with the requirements of the revised FAS 1 "General Presentation and Disclosures in the Financial Statements" in respect of the statement of changes in offbalance sheet assets under management. This standard, along with, FAS 45 "Quasi-Equity (Including Investment Accounts)", supersedes the earlier FAS 27 "Investment Accounts". This standard shall be effective for the financial periods beginning on or after 1 January 2026 and shall be adopted at the same time of adoption of FAS 45 - Quasi-Equity (Including Investment Accounts).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

4.2 New and amended standards and interpretations that are effective from the next year or not yet effective (continued)

4.2.3 FAS 47 – Transfer of Assets Between Investment Pools

AAOIFI has issued FAS 47 in 2023. This standard prescribes the financial reporting principles and disclosure requirements applicable to all transfers between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off-balance sheet assets under management of an institution. It requires adoption and consistent application of accounting policies for such transfers in line with Shari'a principles and rules and describes general disclosure requirements in this respect. This standard shall be effective for the financial periods beginning or after 1 January 2026 and supersedes the earlier FAS 21 "Disclosure on Transfer of Assets".

4.2.4 FAS 48 – Promotional Gifts and Prizes

AAOIFI has issued FAS 48 in 2024. This standard prescribes the accounting and financial reporting principles for recognition, measurement, presentation and disclosures applicable to promotional gifts and prizes awarded by Islamic financial institutions (IFIs / the institutions) to their customers, including quasi-equity and other investment accountholders. It requires adoption and consistent application of accounting policies in line with Shari'a principles and rules and describes general disclosure requirements in this respect. This standard shall be effective for the financial periods beginning or after 1 January 2026.

4.2.5 FAS 49 – Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 48 in 2024. This standard prescribes the principles of financial reporting for the institutions applying AAOIFI Financial Accounting Standards (FASs) operating in hyperinflationary economies, duly considering the relevant Shari'a principles and rules and their unique business models. This standard is applicable to the institutions whose functional currency is the currency of hyperinflationary economy. This standard shall be effective for the financial periods beginning or after 1 January 2026.

4.2.6 FAS 50 – Financial Reporting for Islamic Investment Institutions (including Investment Funds)

AAOIFI has issued FAS 48 in 2024. This standard prescribes the principles of financial reporting for Islamic investment institutions (IIIs) particulary 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'a principles and rules. This standard is applicable to all Islamic investment institutions (IIIs). This standard shall be effective for the financial periods beginning or after 1 January 2027.

4.2.7 FAS 51 – Participatory Ventures

AAOIFI has issued FAS 48 in 2025. This standard prescribes the principles of accounting and financial reporting for the participatory ventures. The standard aims to provide comprehensive guidance for transparent financial reporting from the perspective of the investor, the working partner, and the participatory venture itself, aligning with the AAOIFI Conceptual Framework. This standard introduces significant improvements to its predecessor standards (namely, FAS 3 "Mudaraba Financing" and FAS 4 "Musharaka Financing"). This standard shall be effective for the financial periods beginning or after 1 January 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

5 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

	Notes	2025 ﷼'000	2024 ﷼'000
Cash in hand		**5,443**	6,018
Balances with the Central Bank of Oman:			
Current account	5.1	**41,436**	37,582
Placement		**32,340**	18,480
		73,776	56,062
		79,219	62,080

5.1 This includes amount kept with the Central Bank of Oman for mandatory reserve requirement in accordance with the regulation and are not available for the daily operations of the group. During the year, average minimum balance to be kept with Central Bank of Oman as statutory reserves was ﷼ 34.9 million.

6 DUE FROM BANKS

	2025 ﷼'000	2024 ﷼'000
Current accounts – Foreign banks	**3,650**	3,277
Inter bank wakala bil istithmar – Local banks	**7,700**	13,475
Less: Allowance for impairment and credit losses	**(44)**	(7)
	11,306	16,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

7 INVESTMENT SECURITIES

Debt type instrument measured at fair value through equity

	2025 ﷼'000	2024 ﷼'000
Regional listed sukuks	**151,052**	119,435
Less: Allowance for impairment and credit losses	**(64)**	(39)
	150,988	119,396

Equity type measured at fair value through equity

	2025 ﷼'000	2024 ﷼'000
Regional listed equities	**2,998**	2,505
Regional unlisted equities	**997**	997
	3,995	3,502
Total investment securities	**154,983**	122,898

8 FINANCING ASSETS

	2025 ﷼'000	2024 ﷼'000
Wakala bil Istithmar	**197,111**	186,304
Murabaha receivables	**158,741**	147,294
Ijarah Muntahia Bittamleek	**125,644**	145,385
Diminishing Musharaka	**751,090**	646,697
Total financing assets	**1,232,586**	1,125,680
Less: Deferred Profit	**(2,578)**	(4,035)
Less: Allowance for impairment and expected credit losses	**(48,955)**	(44,747)
Less: Reserve profit	**(7,128)**	(5,697)
	(58,661)	(54,479)
Net Financing assets	**1,173,925**	1,071,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

8 FINANCING ASSETS (CONTINUED)

8.1 Movement of Wakala Bill istithmar

	2025	2024
	৳'000	৳'000
Opening balance	**186,304**	194,506
Investments acquired at cost	**74,328**	104,087
Less: Investments redeemed during the year	**(63,521)**	(112,289)
	197,111	186,304

8.2 Movement of Murabaha deferred profit

	2025	2024
	৳'000	৳'000
Deferred profit at the beginning of the year	**4,035**	4,409
Murabaha sales during the year	**79,927**	79,246
Murabaha cost of sales	**(72,503)**	(70,702)
Deferred profit recognized during the year	**(8,881)**	(8,918)
Deferred profit at the end of the year	**2,578**	4,035

8.3. Impairment and expected credit losses

In accordance with the CBO circular, BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on the restructuring of accounts for regulatory reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

8 FINANCING ASSETS (CONTINUED)

8.3. Impairment and expected credit losses (continued)

In accordance with the CBO circular, BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on the restructuring of accounts for regulatory reporting purposes.

8.3.1. Comparison of provision held as per IFRS 9 / FAS 30 and required as per CBO norms

Disclosure requirements containing the risk classification-wise gross and net amount outstanding, the provision needed as per CBO norms, allowance made as per IFRS 9, profit recognised as per IFRS 9 and reserve profit required as per CBO are given below based on CBO circular BM 1149.

The table below summarises the provision held as per IFRS 9 / FAS 30 and required as per CBO norms balances as at 31 December 2025:

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	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Profit recognised in P&L as per IFRS 9	Reserve profit as per CBO norms
		৳'000							
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)	(9)	(10)
	Stage 1	**1,026,339**	**10,745**	**2,854**	**7,891**	**1,015,594**	**1,023,485**	**-**	**-**
Standard	Stage 2	**31,675**	**332**	**1,846**	**(1,514)**	**31,343**	**29,829**	**-**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal		**1,058,014**	**11,077**	**4,700**	**6,377**	**1,046,937**	**1,053,314**	**-**	**-**
	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Special Mention	Stage 2	**126,670**	**3,610**	**17,156**	**(13,546)**	**123,060**	**109,514**	**-**	**2,284**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal		**126,670**	**3,610**	**17,156**	**(13,546)**	**123,060**	**109,514**	**-**	**2,284**
	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**968**	**252**	**141**	**111**	**716**	**827**	**-**	**2**
Subtotal		**968**	**252**	**141**	**111**	**716**	**827**	**-**	**2**
	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Doubtful	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**7,165**	**3,668**	**2,879**	**789**	**3,497**	**4,286**	**-**	**118**
Subtotal		**7,165**	**3,668**	**2,879**	**789**	**3,497**	**4,286**	**-**	**118**
	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**40,175**	**38,021**	**31,267**	**6,754**	**2,154**	**8,908**	**-**	**4,724**
Subtotal		**40,175**	**38,021**	**31,267**	**6,754**	**2,154**	**8,908**	**-**	**4,724**
Other items not covered	Stage 1	**410,954**	**-**	**493**	**(493)**	**410,954**	**410,461**	**-**	**-**
under CBO circular BM 977	Stage 2	**1,509**	**-**	**19**	**(19)**	**1,509**	**1,490**	**-**	**-**
and related instructions	Stage 3	**24**	**10**	**16**	**(6)**	**14**	**8**	**-**	**-**
Subtotal		**412,487**	**10**	**528**	**(518)**	**412,477**	**411,959**	**-**	**-**
	Stage 1	**1,437,293**	**10,745**	**3,347**	**7,398**	**1,426,548**	**1,433,946**	**-**	**-**
Total	**Stage 2**	**159,854**	**3,942**	**19,021**	**(15,079)**	**155,912**	**140,833**	**-**	**2,284**
	Stage 3	**48,332**	**41,951**	**34,303**	**7,648**	**6,381**	**14,029**	**-**	**4,844**
	Total	**1,645,479**	**56,638**	**56,671**	**(33)**	**1,588,841**	**1,588,808**	**-**	**7,128**

8 FINANCING ASSETS (CONTINUED)

8.3. Impairment and expected credit losses (continued)

8.3.1. Comparison of provision held as per IFRS 9 / FAS 30 and required as per CBO norms (continued)

The table below summarises the provision held as per IFRS 9 and required as per CBO norms balances as at 31 December 2024:

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	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Profit recognised in P&L as per IFRS 9	Reserve profit as per CBO norms
		'000							
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)	(9)	(10)
	Stage 1	926,581	9,467	3,261	6,206	917,114	923,320	-	-
Standard	Stage 2	52,697	538	3,783	(3,245)	52,159	48,914	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		979,278	10,005	7,044	2,961	969,273	972,234	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	99,340	2,332	12,425	(10,093)	97,008	86,915	-	1,317
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		99,340	2,332	12,425	(10,093)	97,008	86,915	-	1,317
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	1,831	486	371	115	1,345	1,460	-	8
Subtotal		1,831	486	371	115	1,345	1,460	-	8
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,998	711	675	36	3,287	3,323	-	1
Subtotal		3,998	711	675	36	3,287	3,323	-	1
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	40,115	37,273	29,985	7,288	2,842	10,130	-	4,370
Subtotal		40,115	37,273	29,985	7,288	2,842	10,130	-	4,370
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	356,705	-	277	(277)	356,705	356,428	-	-
	Stage 2	1,266	-	40	(40)	1,266	1,226	-	-
	Stage 3	37	15	20	(5)	22	17	-	-
Subtotal		358,008	15	337	(322)	357,993	357,671	-	-
	Stage 1	1,283,286	9,467	3,538	5,929	1,273,819	1,279,748	-	-
Total	**Stage 2**	153,303	2,870	16,248	(13,378)	150,433	137,055	-	1,317
	Stage 3	45,981	38,485	31,051	7,434	7,496	14,930	-	4,379
	Total	1,482,570	50,822	50,837	(15)	1,431,748	1,431,733	-	5,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

8 FINANCING ASSETS (CONTINUED)

8.3. Impairment and expected credit losses (continued)

8.3.2. Restructured Financing

The table below summarises the provision held as per IFRS 9 and required as per CBO norms balances on restructured financings as at 31 December 2025:

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Profit recognised in P&L as per IFRS 9	Reserve profit as per CBO norms
		'000							
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6) = (4)-(5)**	**(7)=(3)-(4)**	**(8) = (3)-(5)**	**(9)**	**(10)**
	Stage 1	**21,940**	**230**	**191**	**39**	**21,710**	**21,749**	**-**	**-**
Classified as performing	Stage 2	**120,128**	**3,541**	**16,638**	**(13,097)**	**116,587**	**103,490**	**-**	**2,284**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal		**142,068**	**3,771**	**16,829**	**(13,058)**	**138,297**	**125,239**	**-**	**2,284**
	Stage 1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Classified as non-performing	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**21,998**	**17,077**	**12,899**	**4,178**	**4,921**	**9,099**	**-**	**1,865**
Sub total		**21,998**	**17,077**	**12,899**	**4,178**	**4,921**	**9,099**	**-**	**1,865**
	Stage 1	**21,940**	**230**	**191**	**39**	**21,710**	**21,749**	**-**	**-**
Total	**Stage 2**	**120,128**	**3,541**	**16,638**	**(13,097)**	**116,587**	**103,490**	**-**	**2,284**
	Stage 3	**21,998**	**17,077**	**12,899**	**4,178**	**4,921**	**9,099**	**-**	**1,865**
	Total	**164,066**	**20,848**	**29,728**	**(8,880)**	**143,218**	**134,338**	**-**	**4,149**

The table below summarises the provision held as per IFRS 9 and required as per CBO norms balances on restructured financings as at 31 December 2024:

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Profit recognised in P&L as per IFRS 9	Reserve profit as per CBO norms
		'000							
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)	(8) = (3)-(5)	(9)	(10)
	Stage 1	40,035	409	643	(234)	39,626	39,392	-	-
Classified as performing	Stage 2	112,495	2,466	13,149	(10,683)	110,029	99,346	-	1,317
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		152,530	2,875	13,792	(10,917)	149,655	138,738	-	1,317
	Stage 1	-	-	-	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	19,804	13,978	9,666	4,312	5,826	10,138	-	1,321
Sub total		19,804	13,978	9,666	4,312	5,826	10,138	-	1,321
	Stage 1	40,035	409	643	(234)	39,626	39,392	-	-
Total	**Stage 2**	112,495	2,466	13,149	(10,683)	110,029	99,346	-	1,317
	Stage 3	19,804	13,978	9,666	4,312	5,826	10,138	-	1,321
	Total	172,334	16,853	23,458	(6,605)	155,481	148,876	-	2,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

8 FINANCING ASSETS (CONTINUED)

8.3 Impairment and expected credit losses (continued)

8.3.3 Impairment charge and provisions held

	2025		
	As per CBO Norms	As per IFRS 9	Difference
	৳'000	৳'000	৳'000
Impairment loss charged to statement of income	**(4,402)**	**(4,402)**	**-**
Provisions required as per CBO norms including reserve profit held as per FAS 30	**56,638**	**56,671**	**(33)**
Gross NPA ratio (percentage)	**3.92%**	**3.92%**	**-**
Net NPA ratio (percentage)	**0.54%**	**1.19%**	**-0.65%**

	2024		
	As per CBO Norms	As per IFRS 9	Difference
	৳'000	৳'000	৳'000
Impairment loss charged to statement of income	(4,005)	(4,005)	-
Provisions required as per CBO norms including reserve profit held as per FAS 30	50,822	50,837	(15)
Gross NPA ratio (percentage)	4.09%	4.09%	0.0%
Net NPA ratio (percentage)	0.70%	1.39%	-0.7%

In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

8.4 Movement in the allowance for impairment and expected credit losses

2025	Financing Assets	Others	Total
	৳'000	৳'000	৳'000
At 1 January 2025	**44,747**	**394**	**45,141**
Charge for the year - Stage 1	**1,273**	**219**	**1,492**
Charge for the year - Stage 2	**3,398**	**(21)**	**3,377**
Charge for the year - Stage 3	**963**	**(4)**	**959**
Charge for the year	**5,634**	**194**	**5,828**
Recoveries / reversals during the year	**(1,426)**	**-**	**(1,426)**
At 31 December 2025	**48,955**	**588**	**49,543**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

8 FINANCING ASSETS (CONTINUED)

8.4 Movement in the allowance for impairment and expected credit losses

2024	Financing Assets	Others	Total
	৳'000	৳'000	৳'000
At 1 January 2024	40,751	385	41,136
Charge for the year - Stage 1	502	62	564
Charge for the year - Stage 2	3,104	10	3,114
Charge for the year - Stage 3	2,621	(63)	2,558
Charge for the year	6,227	9	6,236
Recoveries / reversals during the year	(2,231)	-	(2,231)
At 31 December 2024	44,747	394	45,141

9 PROPERTY AND EQUIPMENT

	Leasehold improvements	Computer hardware and other equipment	Furniture, fixtures and office equipment	Capital work in progress	Right of use assets (ROUA)	Total
	৳'000	৳'000	৳'000	৳'000	৳'000	৳'000
Cost						
At 1 January 2025	**4,767**	**3,002**	**1,922**	**86**	**5,386**	**15,163**
Additions	**128**	**131**	**140**	**151**	**2,374**	**2,924**
Transfers	**-**	**-**	**-**	**(108)**	**-**	**(108)**
Disposals / adjustments	**(421)**	**(8)**	**(21)**	**-**	**-**	**(450)**
At 31 December 2025	**4,474**	**3,125**	**2,041**	**129**	**7,760**	**17,529**
Accumulated depreciation						
At 1 January 2025	**3,662**	**2,673**	**1,487**	**-**	**3,483**	**11,305**
Depreciation	**200**	**130**	**154**	**-**	**1,001**	**1,485**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**
Disposals / adjustments	**(421)**	**(8)**	**(21)**	**-**	**-**	**(450)**
At 31 December 2025	**3,441**	**2,795**	**1,620**	**-**	**4,484**	**12,340**
Net book value						
At 31 December 2025	**1,033**	**330**	**421**	**129**	**3,276**	**5,189**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements	Computer hardware and other equipment	Furniture, fixtures and office equipment	Capital work in progress	Right of use assets (ROUA)	Total
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Cost						
At 1 January 2024	3,797	2,831	1,504	1,400	4,001	13,533
Additions	325	152	245	86	1,385	2,193
Transfers	645	19	173	(984)	–	(147)
Disposals / adjustments	–	–	–	(416)	–	(416)
At 31 December 2024	4,767	3,002	1,922	86	5,386	15,163
Accumulated depreciation						
At 1 January 2024	3,414	2,552	1,350	–	1,898	9,214
Depreciation	248	121	137	–	1,585	2,091
Disposals / adjustments	–	–	–	–	–	–
At 31 December 2024	3,662	2,673	1,487	–	3,483	11,305
Net book value						
At 31 December 2024	1,105	329	435	86	1,903	3,858

The group leases several assets including buildings, offices and IT equipment. The average lease term for buildings, offices is 3 years and IT equipment is 5 years (2024: 5 years). The average effective profit rate contracted approximates 5% (2024: 5%) per annum.

10 INTANGIBLES

	2025	2024
	﷼'000	﷼'000
Carrying value as at 01 January 2025	**6,609**	6,189
Addition during the year	**365**	273
Transfers / Adjustments	**108**	147
Less: Amortisation	**(5,495)**	(5,135)
Carrying value as at 31 December 2025	**1,587**	1,474

Movement of amortization in intagibles is as follows:

	2025	2024
	﷼'000	﷼'000
At 1 January 2025	**5,135**	4,805
Amortization during the year	**360**	330
At 31 December 2025	**5,495**	5,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

11 OTHER ASSETS

	2025	2024
	﷼'000	﷼'000
Profit receivable on financing and investing activities	**30,511**	27,243
Prepaid expenses	**864**	978
Credit card receivables - gross	**2,984**	2,917
Financing assets available for sale	**1,910**	4,586
Capital deposit with Central Bank of Oman	**500**	500
Other deposit with Central Bank of Oman	**25**	25
Assets acquired in satisfaction of claims	**630**	–
Others	**1,633**	2,869
Total	**39,057**	39,118
Less: Allowance for impairment and credit losses	**(60)**	(57)
	38,997	39,061

12 OTHER LIABILITIES

	2025	2024
	﷼'000	﷼'000
Profit payable on deposits and due to banks	**10,719**	10,572
Managers cheque payable	**1,204**	1,909
Accrued expenses	**1,102**	695
Financing liabilities - payable to suppliers	**1,784**	4,729
Provision for staff benefits	**2,086**	1,951
Impairment against contingencies and commitments	**421**	213
Provision for taxation	**2,010**	925
Deferred tax liability	**139**	157
Net Ijarah liability	**3,263**	1,974
Others	**3,292**	2,648
	26,020	25,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

13 PARTICIPATORY INVESTMENT ACCOUNTS

	2025 ﷼'000	2024 ﷼'000
Participatory investment accounts	**1,107,681**	974,344
Participatory investment accounts by type		
Saving deposits	**185,233**	180,008
Call Deposits	**351,111**	318,270
Term deposits	**571,337**	476,066
Participatory investment accounts	**1,107,681**	974,344
Participatory investment accounts by sector		
Government	**546,570**	463,249
Corporates	**72,450**	47,574
Individuals	**488,661**	463,521
Participatory investment accounts	**1,107,681**	974,344

14 OWNERS' EQUITY

(i) Share capital

	2025 ﷼'000	2024 ﷼'000
Authorised 2,000,000,000 ordinary shares (2024: 2,000,000,000) of 100 baizas per share	**200,000**	200,000
Issued and fully paid 1,113,070,190 ordinary shares (2024: 1,113,070,190) of 100 baizas per share	**111,307**	111,307

Names of the major shareholders of the group's outstanding shares are set out below:

	Numbers of Shares	
	2025	2024
Oman Arab Bank SAOG	**1,112,910,610**	1,112,910,610
Arab Bank PLC	**79,790**	79,790
Oman International Development and Investment Company SAOG	**79,790**	79,790
	1,113,070,190	1,113,070,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

14 OWNERS' EQUITY (CONTINUED)

In 2024, the shareholders of the group approved in Extra Ordinary General meeting of shareholders dated 1st August 2024, the reduction of the issued share capital of the Bank by partially writing off the accumulated losses of ﷼29,746,997 by using legal reserve of ﷼1,554,016 and share capital amounting to ﷼28,192,981 as at 31 December 2023.

(ii) Legal reserve

In accordance with the Commercial Companies Law of Oman, the group is required to transfer 10% of profit for the year to legal reserve until the accumulated balance of the reserve equals one third of the group's paid up share capital. The reserve is not available for distribution.

(iii) Fair value reserve

This represents the net unrealised fair value gains and losses relating to investment securities recorded at fair value through equity.

15 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

In December 2024, the bank has issued its first unsecured perpetual Mudaraba Sukuk eligible as additional tier 1 with an aggregate amount of ﷼30 million. The instrument pays an indicative profit rate of 6.5% p.a payable semi-annually. These certificates are listed on Muscat Stock Exchange (MSX) being issued in dual currency with Omani Rial tranche of ﷼26 million and US Dollar tranche of USD 10 million (equivalent to ﷼4 million approximately). The entire US Dollar tranche is subscribed by the group's associated company.

For the purpose of issuing this Sukuk, Alizz Sukuk SPC has been established as a sole proprietor company, in accordance with Article 239 of the Commercial Companies Law. The entity in its separate capacity as the issuer and the trustee is licensed by the FSA as a special purpose vehicle.

During the year ended 31 December 2025, the Group has paid profit on these sukuks amounting to ﷼1.950 million.

16 NET ASSETS PER SHARE

	2025 ﷼'000	2024 ﷼'000
Net assets	**139,541**	128,695
Number of shares at reporting date	**1,113,070,190**	1,113,070,190
Net assets per share	**0.1254**	0.1156

17 CONTINGENCIES AND COMMITMENTS

	2025 ﷼'000	2024 ﷼'000
Letter of guarantees	**60,678**	43,282
Letters of credit	**100,315**	95,234
Irrevocable financing commitments	**58,581**	49,452
	219,574	187,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

18 INCOME FROM FINANCING AND INVESTING ACTIVITIES

	2025 AED'000	2024 AED'000
Wakala bil istithmar placement with customers	**8,999**	10,297
Murabaha receivables	**8,881**	8,918
Ijarah muntahia bittamleek - net	**5,374**	4,474
Diminishing musharaka	**44,458**	39,900
Wakala bil istithmar placement with banks	**1,347**	1,959
Profit from debt type instrument at fair value through equity	**6,718**	4,113
	75,777	69,661

19 FEE AND COMMISSION INCOME

	2025 AED'000	2024 AED'000
Financing related income	**2,538**	2,571
Trade income	**991**	819
Service charges	**2,161**	2,118
Total fee and commission income	**5,690**	5,508
Fee and commission expense	**(931)**	(887)
Net fee and commission income	**4,759**	4,621

20 OTHER INCOME

	2025 AED'000	2024 AED'000
Foreign exchange gain - net	**1,276**	1,120
Dividend income	**246**	147
Gain on sale of investments	**19**	-
Others	**47**	1,707
	1,588	2,974

In 2024, the group has recognized an upfront gain realized on the acquisition of a financing exposure from another financial institution at discounted value and simultaneously entered into an agreement for disbursement of the financing acquired at a gross value and at a commercial profit rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

21 OTHER OPERATING EXPENSES

	2025 AED'000	2024 AED'000
Information technology maintenance cost	**1,074**	923
Communication	**395**	205
Net Ijarah costs	**149**	139
Occupancy costs	**68**	97
Advertisement and marketing	**502**	320
Card centre expenses	**100**	144
Licenses and statutory payments	**422**	305
Board expenses	**150**	151
Shari'a board expenses	**100**	81
Professional services	**272**	299
Insurance	**130**	125
Other expenses	**647**	590
	4,009	3,379

22 TAXATION

	2025 AED'000	2024 AED'000
Current tax	**2,150**	807
Deferred tax	**(18)**	896
	2,132	1,703

	2025 AED'000	2024 AED'000
Deferred tax		
As at 1 January	**(157)**	739
Movement for the year	**18**	(896)
As at 31 December	**(139)**	(157)

The tax rate applicable to the Group is 15% (2024 - 15%). Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The tax assessment for the years 2013-2022 has been finalised. All the other assessments are pending with the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

22 TAXATION (CONTINUED)

Income Tax Reconciliation

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

	2025	2024
	﷼'000	﷼'000
Profit before tax as per financial statements	**14,149**	11,714
Tax at the applicable rate (15%)	**2,122**	1,757
Tax impact of:		
Non-deductible expenses and permanent differences	**(21)**	-
Deferred tax in respect of prior year	**44**	(54)
Others	**(13)**	-
	2,132	1,703

Deferred tax asset / (liability) in the statement of financial position and the deferred tax credit / (charge) in the statement of comprehensive income relates to the tax effect of provisions, right-of-use assets and accelerated depreciation.

	As at 1 January 2025	Recognised in income	As at 31 December 2025
	﷼'000	﷼'000	﷼'000
Taxable temporary differences	**(157)**	**18**	**(139)**
Net deferred tax asset / (liability)	**(157)**	**18**	**(139)**

	As at 1 January 2024	Recognised in income	As at 31 December 2024
	﷼'000	﷼'000	﷼'000
Taxable temporary differences	(119)	(38)	(157)
Losses carried forward	858	(858)	-
Net deferred tax asset / (liability)	739	(896)	(157)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

23 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per share

	2025	2024
	﷼'000	﷼'000
Profit for the year	**12,017**	10,011
Less: profit on perpetual sukuk	**(1,950)**	-
Profit attributable to ordinary shareholders	**10,067**	10,011
Weighted average number of shares outstanding	**1,113,070,190**	1,296,401,597
	0.0090	0.0077

Diluted earnings per share

	2025	2024
	﷼'000	﷼'000
Profit for the year	**12,017**	10,011
Less: profit on perpetual sukuk	**(1,950)**	-
Profit attributable to ordinary shareholders	**10,067**	10,011
Weighted average number of shares outstanding	**1,113,070,190**	1,113,070,190
Effect of sukuk conversion to shares	**3,205,128**	3,205,128
Adjusted weighted average number of shares outstanding	**1,116,275,318**	1,116,275,318
	0.0090	0.0090

24 CASH AND CASH EQUIVALENTS

	2025	2024
	﷼'000	﷼'000
Cash in hand	**5,443**	6,018
Balance with CBO excluding mandatory reserves	**73,776**	56,062
Current accounts with foreign banks	**3,650**	3,277
Due from banks	**-**	13,475
Due to Banks	**(36)**	-
	82,833	78,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

25 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors and key management personnel of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group and Shari'a supervisory board. The transactions with related parties are conducted by the Group in the ordinary course of business, on mutually agreed terms with the approval of Board of Directors.

The significant balances with related parties at reporting date are as follows:

	Directors and key executives		Associate companies		Total	
	2025	2024	2025	2024	2025	2024
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets:						
Financing Assets	**876**	4,211	**36,911**	28,484	**37,787**	32,695
Other assets	**28**	15	**-**	-	**28**	15
	904	4,226	**36,911**	28,484	**37,815**	32,710
Liabilities:						
Due to bank	**-**	-	**-**	15	**-**	15
Current account	**224**	31	**857**	213	**1,081**	244
	224	31	**857**	228	**1,081**	259
Quasi-equity	**745**	738	**14,501**	4,101	**15,246**	4,839
Contingent Liabilities and Commitments	**-**	-	**1,356**	-	**1,356**	-

The transactions with the related parties included in the statement of income are as follows:

	2025	2024
	AED'000	AED'000
Income from financing and investing activities	**2,395**	1,864
Other income	**54**	65
	2,449	1,929
Expenses		
Return on equity of IAH before Bank's share as a Mudarib	**255**	240
Board expenses	**150**	151
Shari'a board expense	**100**	81
Other expenses	**1,445**	1,195
	1,950	1,667
Compensation of key management personnel is as follows:		
Salaries and allowances	**926**	952
End of service benefits	**41**	35
	967	987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT

26.1 Introduction

Risk management is an integral part of the group's decision-making process. The group's aim is to achieve a balanced approach towards risk & reward as well as minimise potential adverse impacts on it financial performance as a result of taking unnecessary risk in the normal course of banking business.

An appropriate risk management structure is in place within the group which ensures Board level oversight through a dedicated committee, Board Risk & Compliance Committee (BRCC). A management level Management Risk Committee (MRC) is also in place, which assist BRCC in performing its strategic level roles and responsibilities. Other management level committees which are responsible for inculcating effective risk management culture and discipline within the group include Management Credit Committee (MCC) and Asset Liability Committee (ALCO).

All risk management policies are regularly reviewed to align these with the changing market dynamics and best practices. Risk Management is carried out under policies duly approved by the Board of Directors. In addition, the group manages exposures by setting Risk Appetite Limits which are also approved by the Board of Directors.

The major risk associated with Banking Business include Credit Risk, Market Risk, Liquidity Risk & Operational Risk.

26.2 Overview

The group's business involves taking risks in a bankable manner through established target market and Risk Acceptance Criteria and managing them proactively.

The core functions of the group's risk management division are establishing a sustainable, reputable and dependable Enterprise Risk management Framework and Architecture so that the risks of the group's business model are monitored and mitigated, and accordingly allows to determine capital allocations. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practices.

The group's aim is to achieve an appropriate balance between risk and reward while minimizing potential adverse effects on the group's financial performance.

The key features of the group's Risk Management Framework are:

- The Board of Directors ("the Board") has the overall responsibility of managing risks and provides the overall risk management direction and oversight through various Board approved frameworks such as 'Credit Risk Management Policy' along with all associated policies covering Target Market & Risk Acceptance Criteria (TM&RAC), Early Warning Indicator (EWI) Framework, Risk Appetite Framework & Policy (RAF) and IFRS-9 ECL Policy & Provisioning Framework.
- The group's overall risk management process is managed by experienced risk management professionals, led by the Chief Risk Officer ("CRO"). This function is independent of the business divisions and reports to the Board Risk & Compliance Committee (BRCC).
- Credit, market, operational and liquidity risks are managed in a coordinated manner within the organization through 'Enterprise Risk Management Policy & Framework'.
- Board committees meet regularly and are responsible for monitoring compliance with the risk management policies and procedures and reviewing the adequacy of the control and governance framework through enterprise risk management function.
- All risk management policies are reviewed by Management Risk Committee (MRC), BRCC and duly approved by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.2 Overview (continued)

The responsibility of each department with respect to the risk management framework is outlined below:

- Identifying, measuring and mitigating the risks that the group is exposed to in that specific area and assessing whether those risks are significant;
- Working in close coordination with Risk Management Division (RMD), develop and recommend for review and approval of appropriate risk management policies and procedures spanning those activities of business units which are susceptible to significant risk, including business continuity management and disaster recovery plans;
- Working in close coordination with the Chief Risk Officer contribute to the development of overall direction regarding the group's risk management framework and risk appetite, including exploring whether certain new business proposals are acceptable from a risk management perspective;
- Adherence and Monitoring on a continual basis for the compliance of risk management policies and procedures and;
- Reporting any policy or major practice changes, unusual situations, significant exceptions and new strategies through Chief Risk Officer to the Board of Directors for review, approval and / or ratification.

Distribution of profit to shareholders and participatory customers' accounts is subject to a comprehensive risk management system that is reviewed at the management, the Shari'a Board and the ALCO level to maintain the appropriate distribution levels taking into account the group's performance vis-a-vis the competitors' profit distributions and market conditions.

26.3 Liquidity Risk

Liquidity risk is the risk that the group may not be able to meet its repayment obligations when they fall due under normal and stressed business conditions. To manage this risk, the group focusses on diversified funding sources, manage assets and liabilities in mind, and monitors liquidity on a regular basis through the ALCO. The group's risk management strategy is highlighted in the 'Market Liquidity and ALM Risk Management Policy' which is regularly reviewed by the Board. The Treasury department is mandated to manage the liquidity on a day-to-day basis.

The financing ratio, which is a regulatory ratio of the total financing to customer deposits and capital, is monitored on a daily basis in line with the regulatory guidelines. The maximum financing ratio permitted by CBO is 87.5% and the Bank has set an internal limits which is conservative than the regulatory cap.

In addition, the Bank also monitors Basel III framework related liquidity ratios such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) which have been adopted by CBO vide circular BM 1127 and BM 1147. The minimum regulatory limit for both these ratios is defined at 100% and the Bank has approved an internal limits which requires a higher ratio to be maintained. The position of the bank is as follows:

	2025	2024
	%	%
Financing Ratio	**82.08**	85.68
LCR	**157.40**	113.02
NSFR	**106.87**	105.33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3 Liquidity Risk (continued)

The table below summarises the maturity profile of the group's assets and liabilities as of 31 December 2025 based on expected periods to cash conversion from the reporting date:

	Up to one month	One month to six months	Six months to one year	One to five years	Over five years	Not tied to any maturity	Total
At 31 December 2025	'000						
Assets							
Cash and balances with CBO	**42,715**	**-**	**-**	**-**	**-**	**36,504**	**79,219**
Due from banks	**3,650**	**-**	**7,656**	**-**	**-**	**-**	**11,306**
Investment Securities	**13,477**	**27,355**	**31,673**	**15,058**	**63,425**	**3,995**	**154,983**
Financing assets	**35,818**	**118,658**	**68,759**	**418,783**	**531,907**	**-**	**1,173,925**
Property and Equipment	**-**	**-**	**-**	**-**	**-**	**5,189**	**5,189**
Intangibles	**-**	**-**	**-**	**-**	**-**	**1,587**	**1,587**
Other assets	**2,543**	**11,654**	**16,314**	**-**	**-**	**8,486**	**38,997**
Total Assets	**98,203**	**157,667**	**124,402**	**433,841**	**595,332**	**55,761**	**1,465,206**
Liabilities							
Due to banks	**497**	**-**	**36**	**-**	**-**	**-**	**533**
Customers' current accounts	**-**	**-**	**-**	**-**	**-**	**161,431**	**161,431**
Other liabilities	**893**	**4,094**	**5,732**	**-**	**-**	**15,301**	**26,020**
Total liabilities	**1,390**	**4,094**	**5,768**	**-**	**-**	**176,732**	**187,984**
Quasi-equity and owners'equity							
Participatory investments accounts	**22,738**	**194,188**	**168,588**	**185,823**	**-**	**536,344**	**1,107,681**
Owner's Equity	**-**	**-**	**-**	**-**	**-**	**139,541**	**139,541**
Sukuk eligibile as additional capital tier 1	**-**	**-**	**-**	**-**	**-**	**30,000**	**30,000**
Total Quasi-equity and owners'equity	**22,738**	**194,188**	**168,588**	**185,823**	**-**	**705,885**	**1,277,222**
Total liabilities, Quasi-equity and owners'equity	**24,128**	**198,282**	**174,356**	**185,823**	**-**	**882,617**	**1,465,206**
Net Gap	**74,075**	**(40,615)**	**(49,954)**	**248,018**	**595,332**	**(826,856)**	**-**
Cumulative Net gap	**74,075**	**33,460**	**(16,494)**	**231,524**	**826,856**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3 Liquidity Risk (continued)

The table below summarises the maturity profile of the group's assets and liabilities as of 31 December 2024 based on expected periods to cash conversion from the reporting date:

	Up to one month	One month to six months	Six months to one year	One to five years	Over five years	Not tied to any maturity	Total
	﷼'000						
At 31 December 2024							
Assets							
Cash and balances with CBO	29,222	–	–	–	–	32,858	62,080
Due from banks	12,902	3,843	–	–	–	–	16,745
Investment Securities	11,049	10,299	8,381	36,193	53,474	3,502	122,898
Financing assets	46,118	97,487	73,560	347,185	506,851	–	1,071,201
Property and Equipment	–	–	–	–	–	3,858	3,858
Intangibles	–	–	–	–	–	1,474	1,474
Other assets	2,612	11,970	16,759	–	–	7,720	39,061
Total Assets	101,903	123,599	98,700	383,378	560,325	49,412	1,317,317
Liabilities							
Due to banks	29,856	8,850	–	–	–	–	38,706
Customers' current accounts	–	–	–	–	–	119,799	119,799
Other liabilities	885	4,055	5,677	–	–	15,156	25,773
Total liabilities	30,741	12,905	5,677	–	–	134,955	184,278
Quasi-equity and owners'equity							
Participatory investments accounts	22,738	194,188	168,588	185,824	–	403,006	974,344
Owner's Equity	–	–	–	–	–	128,695	128,695
Sukuk eligibile as additional capital tier 1	–	–	–	–	–	30,000	30,000
Total Quasi-equity and owners'equity	22,738	194,188	168,588	185,824	–	561,701	1,133,039
Total liabilities, Quasi-equity and owners'equity	53,479	207,093	174,265	185,824	–	696,656	1,317,317
Net Gap	48,424	(83,494)	(75,565)	197,554	560,325	(647,244)	–
Cumulative Net gap	48,424	(35,070)	(110,635)	86,919	647,244	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.4 Market Risk

Market risk is the risk of loss arising from unexpected changes as a result of fluctuations in profit rates, foreign exchange rates, equity and commodity prices. Consistent with the group's approach to ensure strict compliance with Shari'a, the group does not enter into speculative foreign exchange transactions.

Market risk activities are governed by the 'Market Liquidity and ALM Risk Management Policy' of the group. The implementation of the policy, procedures and regulatory limits in the group is the responsibility of the relevant business units with oversight by the ALCO and the MRC and BRCC.

26.4.1 Profit rate risk

Profit rate risk is the risk that the group will incur a financial loss as a result of a mismatch in the profit rate on the group's assets and participatory Investment accounts (PIA). The profit distribution to PIA is based on profit-sharing agreements where the profit paid is based on the income generated from the assets funded by the PIA deposits. Therefore, the group's profit rate risk is relatively less significant vis-a-vis conventional peers.

Effective profit rate on profit bearing assets, liabilities and equity of participatory investment account holders is set below:

	2025	2024
	%	%
Balances with the Central Bank of Oman	**3.69**	4.20
Due from banks	**4.18**	5.17
Financing assets	**5.84**	5.93
Investment securities	**5.01**	6.61
Quasi-Equity	**3.84**	4.53

Basel-II Accord has recommended for assessing the impact of profit rate risk by applying upto 200 bps profit rate sensitivity. Earning impact of a 200 basis points parallel shift in profit rate is provided below:

	2025	2024
	﷼'000	﷼'000
Net profit earned	**12,017**	10,011
Impact of +200 bps profit rate increase	**(2,200)**	(1,731)
Impact of -200 bps profit rate decrease	**2,200**	1,731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.4 Market Risk (continued)

26.4.2 Foreign exchange risk

Foreign exchange risk arises from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure compliance with the established limits.

The group has the following exposures in a foreign currency at a reporting date:

	2025			2024		
	Long	Short	Net	Long	Short	Net
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
US Dollar	**6,418**	**-**	**6,418**	6,675	-	6,675
Euro	**38**	**-**	**38**	408	-	408
GCC currencies	**262**	**-**	**262**	232	-	232
Great Britain Pound	**17**	**-**	**17**	361	-	361
Others	**19**	**1**	**18**	99	-	99
	6,754	**1**	**6,753**	7,775	-	7,775

26.4.3 Price risk

Price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The effect on the group's equity as a result of a change in the fair value of investment instruments held as Fair Value through Other Comprehensive Income due to reasonably possible change in prices, with all other variables held constant, is as follows:

	2025		2024	
	Change in price	Effect on equity	Change in price	Effect on equity
Investment type	%	AED '000	%	AED '000
Regional listed sukuks	**10%**	**15,105**	10%	11,943
Regional listed equity investments	**10%**	**300**	10%	251
	10%	**15,405**	10%	12,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.4 Market Risk (continued)

26.4.3 Price risk (continued)

The table below summarises the re-pricing profile of the group's assets and liabilities as of 31 December 2025 based on expected periods to cash conversion from the reporting date:

	Up to 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 20 years	Non Sensitive	Total
At 31 December 2025	AED '000							
Assets								
Cash and balances with CBO	**32,340**	**-**	**-**	**-**	**-**	**-**	**46,879**	**79,219**
Due from banks	**3,606**	**-**	**7,700**	**-**	**-**	**-**	**-**	**11,306**
Investment Securities	**39,501**	**1,331**	**31,673**	**969**	**14,089**	**63,425**	**3,995**	**154,983**
Financing assets	**336,769**	**336,834**	**226,955**	**119,827**	**35,686**	**117,854**	**-**	**1,173,925**
Property and Equipment	**-**	**-**	**-**	**-**	**-**	**-**	**5,189**	**5,189**
Intangibles	**-**	**-**	**-**	**-**	**-**	**-**	**1,587**	**1,587**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**38,997**	**38,997**
Total assets	**412,216**	**338,165**	**266,328**	**120,796**	**49,775**	**181,279**	**96,647**	**1,465,206**
Liabilities								
Due to banks	**497**	**36**	**-**	**-**	**-**	**-**	**-**	**533**
Customers' current accounts	**-**	**-**	**-**	**-**	**-**	**-**	**161,431**	**161,431**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**26,020**	**26,020**
Total liabilities	**497**	**36**	**-**	**-**	**-**	**-**	**187,451**	**187,984**
Quasi-equity and owners'equity								
Participatory investments accounts	**615,561**	**137,707**	**168,588**	**184,255**	**1,570**	**-**	**-**	**1,107,681**
Owner's Equity	**-**	**-**	**-**	**-**	**-**	**-**	**139,541**	**139,541**
Sukuk eligible as tier 1	**-**	**-**	**-**	**-**	**-**	**-**	**30,000**	**30,000**
Total Quasi-equity and owners'equity	**615,561**	**137,707**	**168,588**	**184,255**	**1,570**	**-**	**169,541**	**1,277,222**
Total liabilities, Quasi-equity and owners'equity	**616,058**	**137,743**	**168,588**	**184,255**	**1,570**	**-**	**356,992**	**1,465,206**
Net Gap	**(203,842)**	**200,422**	**97,740**	**(63,459)**	**48,205**	**181,279**	**(260,345)**	**-**
Cumulative Net gap	**(203,842)**	**(3,420)**	**94,320**	**30,861**	**79,066**	**260,345**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.4 Market Risk (continued)

26.4.3 Price risk (continued)

The table below summarises the re-pricing profile of the group's assets and liabilities as of 31 December 2024 based on expected periods to cash conversion from the reporting date:

At 31 December 2024	Up to 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 20 years	Non Sensitive	Total
	'000							
Assets								
Cash and balances with CBO	18,480	-	-	-	-	-	43,600	62,080
Due from banks	16,745	-	-	-	-	-	-	16,745
Investment Securities	21,348	-	8,381	33,442	2,713	53,512	3,502	122,898
Financing assets	355,845	314,862	226,556	87,948	25,619	60,371	-	1,071,201
Property and Equipment	-	-	-	-	-	-	3,858	3,858
Intangibles	-	-	-				1,474	1,474
Other assets	-	-	-	-	-	-	39,061	39,061
Total assets	412,418	314,862	234,937	121,390	28,332	113,883	91,495	1,317,317
Liabilities								
Due to banks	38,706	-	-	-	-	-	-	38,706
Customers' current accounts	-	-	-	-	-	-	119,799	119,799
Other liabilities	-	-	-	-	-	-	25,773	25,773
Total liabilities	38,706	-	-	-	-	-	145,572	184,278
Quasi-equity and owners'equity								
Participatory investments accounts	379,251	56,172	319,705	148,899	70,317	-	-	974,344
Owner's Equity	-	-	-	-	-	-	128,695	128,695
Sukuk eligible as tier 1	-	-	-	-	-	-	30,000	30,000
Total Quasi-equity and owners'equity	379,251	56,172	319,705	148,899	70,317	-	158,695	1,133,039
Total liabilities, Quasi-equity and owners'equity	417,957	56,172	319,705	148,899	70,317	-	304,267	1,317,317
Net Gap	(5,539)	258,690	(84,768)	(27,509)	(41,985)	113,883	(212,772)	-
Cumulative Net gap	(5,539)	253,151	168,383	140,874	98,889	212,772	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk

Credit risk is the risk of potential loss arising from failure of counterparty to meet its contractual obligations. The group manages its credit risk arising from its banking book by implementing robust policies and procedures with respect to identification, measurement, mitigation, monitoring and controlling the risks. The group has in place, a well-defined credit structures comprising of dedicated units for Wholesale Banking & Retail segments of the financing portfolio. Management Credit Committees (MCC) comprising of senior officers including CRO & CEO, analyses, scrutinizes and approves all WBG financing exposures up to the delegated authority. WBG Exposures over and above the delegated authority are approved by Board Executive Committee (BEC) and Board of Directors.

Financing exposures are managed on an individual counterparty basis, as well as by groups of counterparties that share similar attributes.

The financing activity of the group is governed by limits prescribed by the CBO and the ones prescribed by the policies of the group. Portfolio diversification is the basis of the group's financing strategy. Diversification is achieved by setting customer, industry and geographical limits.

Retail Credit Risk is being managed through a dedicated units which is responsible for approval of retail financing proposals as per applicable authority matrix, review and approval of Product Programs, review of Authority delegation matrix, portfolio composition & health, analysis of past due portfolio (DPD Analysis) & monitoring of Delinquent portfolio.

For purpose of capital charge, the group uses Basel II Standardized approach.

The financing activity of the group is governed by limits prescribed by the CBO and the ones prescribed by the policies of the group. Portfolio diversification is the basis of the group's financing strategy. Diversification is achieved by setting customer, industry and geographical limits.

The group uses a robust Management Information System to monitor its Corporate and Retail financing portfolio by various dimensions.

The group has in place a robust strategy of collection and recovery led by the Remedial team against stressed portfolio. The group from time to time may provide waivers/write-offs on certain exposures where recoverability is low in line with group's policy. As a result, the group has made certain write-offs/waivers related to profits and other charges amounting to 0.19 million. However, no principle financing write-offs were made during the year.

Credit risk grading

The group uses Moody's Credit Lens for internal credit risk rating of corporate & SME financing customers, that reflect its assessment of the probability of default of individual counterparties. The group's internal Risk Rating (IRR) system is developed on a 22-point rating scale-enumerated from RR 1 to RR 10 with sub-classes under each notch to risk rate a customer and to associate a probability of default to each rating grade. The ratings also assists studying the distribution of customers, grade-wise exposures, transition of credit risk ratings over time, grade wise defaults, Non-Performing Financing (NPF) etc & determining risk appetite.

Credit Quality	Risk Rating(RR)	Classification
Standard	RR1 to RR6 including + and - modifiers	Stage 1 or 2 depending on criteria
Special Mention	RR7	Identified SICR since initial recognition but is not deemed to be credit impaired - Classified under Stage 2
Non performing	RR8 to RR10	Credit impaired - Classified under Stage 3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.1 Risk gross maximum exposure

Credit risk mitigation strategy

The group uses a variety of tools to mitigate its credit risk, the primary one being that of securing the exposure by suitable collaterals. In practice a large part of existing exposures are fully or partially collateralized. The legal validity and enforceability of the documents used for collateral have been established by qualified personnel, including lawyers and Shari'a professionals/scholars.

The group's credit portfolio is supported by various types of collateral such as deposits under lien, mortgage over land and property, moveable assets including inventory, securities and guarantees. Collaterals are valued as a general rule as per the policy. However, desktop valuations are also carried out depending on the nature of collateral and general economic condition. This enables the group to assess the fair market value of the collateral and ensure that risks are appropriately covered.

The table below shows the maximum exposure to credit risk for the components of the statement of consolidated financial position. The maximum exposure is shown gross, before the effect of use of master netting and collateral agreements.

	Gross maximum exposure to credit risk	
	2025	2024
	৳'000	৳'000
Due from banks	**11,350**	16,752
Investment securities	**151,052**	119,435
Financing assets	**1,230,008**	1,124,562
Other assets	**33,495**	36,201
Contingencies and commitments	**219,574**	187,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.2 Credit quality

The table below shows the credit quality of the portfolio along with the associated expected credit losses.

	Gross exposure				Expected credit loss			
	2025				2025			
	৳'000				৳'000			
	Neither past due nor non performing	Past due but performing	Non performing	Total	Neither past due nor non performing	Past due but performing	Non performing	Total
Financing assets	**1,031,767**	**150,025**	**48,216**	**1,230,008**	**6,399**	**13,164**	**29,392**	**48,955**
Other assets	**2,819**	**73**	**92**	**2,984**	**4**	**4**	**52**	**60**
	1,034,586	**150,098**	**48,308**	**1,232,992**	**6,403**	**13,168**	**29,444**	**49,015**

	Gross exposure				Expected credit loss			
	2024				2024			
	৳'000				৳'000			
	Neither past due nor non performing	Past due but performing	Non performing	Total	Neither past due nor non performing	Past due but performing	Non performing	Total
Financing assets	948,376	127,392	45,877	1,121,645	8,074	10,061	26,611	44,746
Other assets	2,575	275	67	2,917	4	12	42	58
	950,951	127,667	45,944	1,124,562	8,078	10,073	26,653	44,804

Ageing analysis of past due but performing by type of financing contracts

	Gross exposure				Expected credit loss			
	2025				2025			
	৳'000				৳'000			
	Less than 30 Days	30 - 59 days	60 - 89 days	Total	Less than 30 Days	30 - 59 days	60 - 89 days	Total
Financing assets	**117,750**	**11,489**	**20,786**	**150,025**	**6,145**	**712**	**6,307**	**13,164**
Other assets	**52**	**-**	**20**	**72**	**1**	**-**	**3**	**4**
	117,802	**11,489**	**20,806**	**150,097**	**6,146**	**712**	**6,310**	**13,168**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.2 Credit quality (continued)

Ageing analysis of past due but performing by type of financing contracts

	Gross exposure 2024 ৳'000				Expected credit loss 2024 ৳'000			
	Less than 30 Days	30 - 59 days	60 - 89 days	Total	Less than 30 Days	30 - 59 days	60 - 89 days	Total
Financing assets	80,274	18,039	29,079	127,392	3,336	723	6,002	10,061
Other assets	213	50	12	275	4	2	6	12
	80,487	18,089	29,091	127,667	3,340	725	6,008	10,073

Ageing analysis of past due but performing by customer concentration

	Gross exposure 2025 ৳'000				Expected credit loss 2025 ৳'000			
	Less than 30 Days	30 - 59 days	60 - 89 days	Total	Less than 30 Days	30 - 59 days	60 - 89 days	Total
Corporate	**110,419**	**9,380**	**20,186**	**139,985**	**5,987**	**478**	**6,204**	**12,668**
Retail	**7,383**	**2,109**	**620**	**10,112**	**159**	**234**	**106**	**500**
	117,802	**11,489**	**20,806**	**150,097**	**6,146**	**712**	**6,310**	**13,168**

	Gross exposure 2024 ৳'000				Expected credit loss 2024 ৳'000			
	Less than 30 Days	30 - 59 days	60 - 89 days	Total	Less than 30 Days	30 - 59 days	60 - 89 days	Total
Corporate	57,327	15,829	28,401	101,557	3,125	580	5,892	9,597
Retail	23,160	2,260	690	26,110	215	145	116	476
	80,487	18,089	29,091	127,667	3,340	725	6,008	10,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.2 Credit quality (continued)

An analysis of the financings and advances for which collaterals or other credit enhancements are held is as follows:

	2025 ৳'000			
	Neither past due nor non performing	Past due but performing	Non performing	Total
Financing with collateral & guarantees available	**224,084**	**76,348**	**19,718**	**320,151**
Percentage of exposure with collateral and guarantees	**21.66%**	**50.87%**	**40.82%**	**25.97%**

	2024 ৳'000			
	Neither past due nor non performing	Past due but performing	Non performing	Total
Financing with collateral & guarantees available	188,450	78,974	29,685	297,109
Percentage of exposure with collateral and guarantees	19.82%	61.86%	64.71%	26.42%

The internal rating distribution of the Bank's gross financing exposure as at 31 December 2025 is as follows:

	2025		2024	
	Gross Exposure	ECL	Gross Exposure	ECL
Internal Rating Bands	৳'000	৳'000	৳'000	৳'000
1	**71,192**	**4**	71,425	17
2+ to 2-	**46,511**	**57**	14,606	22
3+ to 3-	**87,427**	**115**	60,151	161
4+ to 4-	**76,021**	**224**	63,198	232
5+ to 5-	**177,874**	**931**	166,823	1,116
6+ to 6-	**82,150**	**716**	89,880	820
7+ to 7-	**1,731**	**47**	21,441	344
Stage 2	**158,313**	**16,715**	152,045	14,883
Stage 3	**48,216**	**29,392**	45,944	26,611
Total Financings – rated	**749,435**	**48,201**	685,512	44,206
Unrated Financings	**480,573**	**754**	439,068	540
Total	**1,230,008**	**48,955**	1,124,581	44,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.2 Credit quality (continued)

The gross credit exposure to credit risk of the group on Financial Assets and off-balance sheet items subject to ECL is as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Due from banks	**11,350**	**-**	**-**	**11,350**
Investment Securities	**151,052**	**-**	**-**	**151,052**
Financing assets	**1,023,478**	**158,313**	**48,217**	**1,230,008**
Other assets	**21,883**	**11,520**	**92**	**33,495**
Contingencies and commitments	**218,041**	**1,509**	**24**	**219,574**
Gross carrying amount	**1,425,804**	**171,342**	**48,333**	**1,645,479**
Expected credit loss allowance	**(3,347)**	**(16,737)**	**(29,459)**	**(49,543)**
Reserve profit	**-**	**(2,284)**	**(4,844)**	**(7,128)**
Net carrying amount	**1,422,457**	**152,321**	**14,030**	**1,588,808**

	2024			
	Stage 1	Stage 2	Stage 3	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Due from banks	16,752	-	-	16,752
Investment Securities	119,435	-	-	119,435
Financing assets	923,800	151,968	45,877	1,121,645
Other assets	30,017	76	67	30,160
Contingencies and commitments	186,325	1,266	377	187,968
Gross carrying amount	1,276,329	153,310	46,321	1,475,960
Expected credit loss allowance	(3,538)	(14,931)	(26,672)	(45,141)
Reserve profit	-	(1,317)	(4,379)	(5,696)
Net carrying amount	1,272,791	137,062	15,270	1,425,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.3 Sensitivity analysis of expected credit losses

"The calculation of expected credit losses depends on the current conditions and forecasts of future economic conditions. The Bank's macro-economic framework is utilized to incorporate a broad range of forward looking information into the expected credit loss estimation approach. This framework revolves around the Cyclicality Index (CI), which can be considered as a measure of where the economy sits in the credit cycle at any time. The macro model uses Oman level default rates (dependent variable) as a basis for the CI. The independent variables include real GDP growth rate (2 year lag) and Oil prices. All scenarios used for IFRS 9 calculation are linked with a CI forecast which directly impacts the ECL calculation through the adjustment of PDs.

The following table shows a comparison of the loss allowances on non-impaired financial contracts (Stages 1 and 2) based on the probability weightings of three scenarios with loss allowances resulting from simulations of each scenario weighted at 100%. For computation of ECL, the Bank considers three scenarios ie., good, base and bad with weightage determined through an analytical model which takes into account the macro-economic position and outlook. As a result, the weightage for each scenarios is 20%, 66% and 14%, under the good, base and bad scenarios, respectively for the year 2025

	2025		2024	
	ECL	Impact on ECL	ECL	Impact on ECL
	﷼'000	﷼'000	﷼'000	﷼'000
ECL on non impaired financial assets	**20,084**	**-**	18,469	-
Good scenario - 100% weighted	**15,171**	**(4,913)**	12,870	(5,599)
Base scenario - 100% weighted	**20,369**	**285**	18,308	(161)
Bad scenario - 100% weighted	**28,111**	**8,027**	28,281	9,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.4 Movement of exposures and expected credit losses

	Stage 1	Stage 2	Stage 3	Total
	৳'000	৳'000	৳'000	৳'000
Gross exposure - at 1 January 2025				
Financing assets	923,807	151,961	45,877	1,121,645
Investment securities	119,435	-	-	119,435
Financing commitments and financial guarantees	186,665	1,266	37	187,968
Due from banks, central banks and other financial assets	53,379	76	67	53,522
	1,283,286	153,303	45,981	1,482,570
Gross exposure transfer between stages				
Financing assets	(17,161)	9,673	7,488	-
Investment securities	-	-	-	-
Financing commitments and financial guarantees	-	-	-	-
Due from banks, central banks and other financial assets	-	-	-	-
	(17,161)	9,673	7,488	-
Addition during the year - net				
Financing assets	116,833	(3,321)	(5,148)	108,363
Investment securities	31,617	-	-	31,617
Financing commitments and financial guarantees	31,376	243	(13)	31,606
Due from banks, central banks and other financial assets	(20,146)	11,444	25	(8,677)
	159,680	8,366	(5,136)	162,909
Gross exposure - at 31 December 2025				
Financing assets	1,023,478	158,313	48,217	1,230,008
Investment securities	151,052	-	-	151,052
Financing commitments and financial guarantees	218,041	1,509	24	219,574
Due from banks, central banks and other financial assets	33,233	11,520	92	44,845
	1,425,804	171,342	48,333	1,645,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.4 Movement of exposures and expected credit losses (continued)

	Stage 1	Stage 2	Stage 3	Total
	৳'000	৳'000	৳'000	৳'000
Provision - opening balance at 1 January 2025				
Financing assets	3,253	14,883	26,610	44,746
Investment securities	39	-	-	39
Financing commitments and financial guarantees	231	40	20	291
Due from banks, central banks and other financial assets	15	8	42	65
	3,538	14,931	26,672	45,141
Net transfer between stages				
Financing assets	(1,695)	(1,560)	3,255	-
Investment securities	-	-	-	-
Financing commitments and financial guarantees	-	-	-	-
Due from banks, central banks and other financial assets	-	-	-	-
	(1,695)	(1,560)	3,255	-
Charge for the year - net				
Financing assets	1,292	3,391	(474)	4,209
Investment securities	25	-	-	25
Financing commitments and financial guarantees	154	(21)	(4)	129
Due from banks, central banks and other financial assets	33	(4)	10	39
	1,504	3,366	(468)	4,402
Provision - closing balance at 31 December 2025				
Financing assets	2,850	16,714	29,391	48,955
Investment securities	64	-	-	64
Financing commitments and financial guarantees	385	19	16	420
Due from banks, central banks and other financial assets	48	4	52	104
	3,347	16,737	29,459	49,543
Net exposure - at 31 December 2025				
Financing assets	1,020,629	141,598	18,826	1,181,053
Investment securities	150,988	-	-	150,988
Financing commitments and financial guarantees	217,656	1,490	8	219,154
Due from banks, central banks and other financial assets	33,185	11,516	40	44,741
Reserve profit	-	(2,284)	(4,844)	(7,128)
	1,422,458	152,320	14,030	1,588,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.5 Geographical distribution of Financial Assets

Class of financial asset and off-balance sheet (net exposure)	2025			
	Oman	GCC	Rest of the world	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Due from banks	-	7,860	3,446	11,306
Investment securities	100,791	8,470	41,727	150,988
Financing assets	1,173,925	-	-	1,173,925
Other assets	33,435	-	-	33,435
Contingencies and commitments	219,154	-	-	219,154
Total	1,527,305	16,330	45,173	1,588,808

Class of financial asset and off-balance sheet (net exposure)	2024			
	Oman	GCC	Rest of the world	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Due from banks	-	14,596	2,149	16,745
Investment securities	91,902	8,242	19,251	119,395
Financing assets	1,071,201	-	-	1,071,201
Other assets	29,814	-	-	29,814
Contingencies and commitments	187,968	-	-	187,968
Total	1,380,885	22,838	21,400	1,425,123

26.5.6 Sector Concentration of Financial Assets

	Gross exposure				
	2025				
	Due from banks	Financing	Investment Securities	Total	Off balance sheet items
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Construction and real estate	-	183,593	2,471	186,064	14,453
Banks and financial institutions	11,350	48,048	46,214	105,612	-
Sovereigns	-	-	97,796	97,796	-
Trading and manufacturing	-	266,083	-	266,083	39,269
Personal	-	486,837	-	486,837	24,850
Other Services	-	245,447	4,571	250,018	141,002
Total	11,350	1,230,008	151,052	1,392,410	219,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Credit risk (continued)

26.5.6 Sector Concentration of Financial Assets

	Gross exposure				
	2024				
	Due from banks	Financing	Investment Securities	Total	Off balance sheet items
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Construction and real estate	-	160,454	1,448	161,902	13,756
Banks and financial institutions	16,752	39,341	25,694	81,787	-
Sovereigns	-	-	88,435	88,435	-
Trading and manufacturing	-	248,346	-	248,346	40,706
Personal	-	437,524	-	437,524	13,525
Other Services	-	235,979	3,858	239,837	119,980
Total	16,752	1,121,645	119,435	1,257,832	187,968

26.5.7 customer concentration of financial assets

Class of financial asset and off-balance sheet (gross exposure)	2025			
	Personal	Corporate	Government	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Due from banks	-	11,350	-	11,350
Investment securities	-	53,256	97,796	151,052
Financing assets	485,497	744,511	-	1,230,008
Other assets	2,984	30,511	-	33,495
Contingencies and commitments	24,850	121,783	72,941	219,574
Total	513,331	961,411	170,737	1,645,479

	2024			
	Personal	Corporate	Government	Total
	﷼'000	﷼'000	﷼'000	﷼'000
Due from banks	-	16,752	-	16,752
Investment securities	-	31,000	88,435	119,435
Financing assets	440,208	681,437	-	1,121,645
Other assets	2,917	27,243	-	30,160
Contingencies and commitments	701	64,881	72,941	138,523
Total	443,826	821,313	161,376	1,426,515

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.6 Operational risk

Operational risk is the risk of loss arising from failure of systems, people, processes, fraud and / or any 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 group cannot eliminate all the operational risks, but it endeavours to manage these risks through a Risk Control Self Assessment (RCSA) and Key Risk Indicator (KRI) Frameworks there by monitoring and mitigating those potential risks. Controls include effective segregation of duties & responsibilities, access control management, authorization and reconciliation procedures, Maker-Checker, staff education and assessment processes, along with the use of internal audit observations.

27 CAPITAL ADEQUACY RATIO

CBO sets and monitors the capital requirements of the Group operating in Oman. In implementing Basel III's capital requirement, the CBO requires the Group to maintain a minimum of 13.5% ratio of total capital to total risk-weighted assets. The Group's regulatory capital is analysed into two tiers:

- Tier I capital, which includes ordinary share capital, legal reserve and retained earnings.
- Tier II capital includes fair value reserves.
- The Asset-Liability Committee devises capital utilisation strategy and monitors compliance with CBO's regulations in this regard.

The risk asset ratio, calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2013, minimum capital adequacy ratio requirement for the year is 13.5% inclusive of capital conservation buffer of 2.25% (2024: 13.50% inclusive of capital conservation buffer of 2.50%).

The relevant details of the capital adequacy ratio of the Group is as follows:

	2025	2024
	﷼'000	﷼'000
Common equity tier 1 (CET1)	**134,888**	127,043
Sukuk eligible as Tier I	**30,000**	30,000
Tier 1	**164,888**	157,043
Tier 2	**3,501**	4,842
Total regulatory capital	**168,389**	161,885
Risk-weighted assets		
Credit risk	**995,190**	917,547
Market risk	**21,825**	7,775
Operational risk	**65,525**	59,086
Total risk-weighted assets	**1,082,540**	984,408
Capital adequacy ratio		
CET1 capital (Tier I) expressed as a percentage of total risk-weighted assets	**12.46%**	12.91%
Tier II capital as a percentage of total risk weighted assets	**0.32%**	0.49%
Total Regulatory Capital expressed as a percentage of total risk-weighted assets	**15.55%**	16.44%

28 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments held by the group as at 31 December 2025:

	2025		
	Amortised cost	Fair value through equity	Fair value through profit and loss
	﷼'000	﷼'000	﷼'000
Financial assets			
Cash and balances with Central Bank of Oman	**79,219**	**-**	**-**
Due from banks	**11,306**	**-**	**-**
Investment Securities	**-**	**154,983**	**-**
Financing assets	**1,173,925**	**-**	**-**
Other assets	**38,997**	**-**	**-**
Total	**1,303,447**	**154,983**	**-**
Financial liabilities			
Due to banks	**533**	**-**	**-**
Customers' current accounts	**161,431**	**-**	**-**
Quasi-Equity	**1,107,681**	**-**	**-**
Other liabilities	**26,020**	**-**	**-**
Total	**1,295,665**	**-**	**-**

	2024		
	Amortised cost	Fair value through equity	Fair value through profit and loss
	﷼'000	﷼'000	﷼'000
Financial assets			
Cash and balances with Central Bank of Oman	62,080	-	-
Due from banks	16,745	-	-
Investment Securities	-	122,898	-
Financing assets	1,071,201	-	-
Other assets	39,061	-	-
Total	1,189,087	122,898	-
Financial liabilities			
Due to banks	38,706	-	-
Customers' current accounts	119,799	-	-
Quasi-Equity	974,344	-	-
Other liabilities	25,773	-	-
Total	1,158,622	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

28 FINANCIAL INSTRUMENTS (CONTINUED)

28.1 Fair Value of financial instruments

The fair value of the financial assets and financial liabilities, other than those disclosed in the table below and in note 3, approximate their carrying values.

The group's primary medium and long-term financial liabilities are the financed funds. The fair values of these financial liabilities are not materially different from their carrying values since these liabilities are repriced at intervals of three or nine months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for financing with similar maturities.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in an arm's length transaction.

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy on reporting date:

2025	**Level 1**	**Level 2**	**Level 3**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**
Equity type instruments at fair value through other comprehensive income	**2,998**	**-**	**997**	**3,995**
Debt type instruments at fair value through other comprehensive income	**-**	**151,052**	**-**	**151,052**

2024	Level 1	Level 2	Level 3	Total
	AED '000	AED '000	AED '000	AED '000
Equity type instruments at fair value through other comprehensive income	2,505	-	997	3,502
Debt type instruments at fair value through other comprehensive income	-	119,435	-	119,435

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

29 SEGMENTAL INFORMATION

Segment information is presented in respect of the group's operating segments. For performance management purposes, the group is organised into three operating segments based on products and services as follows:

(i) Retail banking includes customers' deposits, participatory investment account consumer financing, credit card and general banking services.

(ii) Corporate banking includes deposits and financing for corporate and institutional customers and the provision of trade finance services.

(iii) Treasury includes placements with financial institutions and managing the proprietary investment portfolio of the group.

(iv) Others includes assets and liabilities pertaining to headoffice and does not include any assets attributable to other operating segments.

31 December 2025	**Retail**	**Corporate**	**Treasury**	**Others**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**	**AED '000**
Net income from islamic financing and investment activities	**13,490**	**13,926**	**4,667**	**-**	**32,082**
Fees, Commission and other operating income	**1,349**	**3,655**	**1,323**	**-**	**6,328**
Operating Income	**14,839**	**17,581**	**5,990**	**-**	**38,410**
Operating Expenditure	**(4,786)**	**(1,724)**	**(316)**	**(13,033)**	**(19,859)**
Cost allocation	**(7,449)**	**(5,077)**	**(507)**	**13,033**	**-**
Operating Profit	**2,604**	**10,780**	**5,167**	**-**	**18,551**
Impairment loss allowance	**940**	**(5,301)**	**(41)**	**-**	**(4,402)**
Net profit before tax	**3,544**	**5,479**	**5,126**	**-**	**14,149**
Taxation	**(534)**	**(826)**	**(772)**	**-**	**(2,132)**
Net profit	**3,010**	**4,653**	**4,354**	**-**	**12,017**
Total assets	**546,442**	**679,104**	**144,309**	**95,351**	**1,465,206**
Total liabilities	**535,561**	**744,272**	**533**	**15,299**	**1,295,665**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

29 SEGMENTAL INFORMATION (CONTINUED)

31 December 2024	Retail	Corporate	Treasury	Others	Total
	﷼'000	﷼'000	﷼'000	﷼'000	﷼'000
Net income from islamic financing and investment activities	11,533	12,175	3,865	-	27,573
Fees, Commission and other operating income	1,357	5,120	1,120	-	7,597
Operating Income	12,890	17,295	4,985	-	35,170
Operating Expenditure	(5,207)	(2,147)	(289)	(11,808)	(19,451)
Cost Allocation	(7,040)	(4,333)	(435)	11,808	-
Operating Profit	644	10,814	4,261	-	15,719
Impairment loss allowance	(86)	(3,895)	(25)	-	(4,005)
Net profit before tax	558	6,920	4,236	-	11,714
Taxation	(81)	(1,004)	(617)	-	(1,703)
Net profit	477	5,915	3,619	-	10,011
Total assets	482,790	631,096	122,461	80,970	1,317,317
Total liabilities and equity	480,133	624,217	38,645	15,627	1,158,622

30 SHARI'A SUPERVISORY BOARD

The Shari'a Supervisory Board (SSB) is an independent body of Shari'a scholars specialising in Fiqh al Mu'amalat (Islamic commercial jurisprudence) and shall oversee the group operations from a Shari'a compliance perspective. The SSB is entrusted with the responsibility of directing, reviewing, and supervising the activities of the group to ensure they are in compliance with Shari'a rules and principles and regulatory requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

31 SOURCES AND USES OF CHARITY FUND

	2025	2024
	﷼'000	﷼'000
Undistributed charity funds at beginning of the year	**32**	38
Donation from customers due to late payment	**85**	205
Forfeiture of non-shari'a compliant income	**2**	1
Total sources of funds at end of the year	**119**	244
Uses of charity funds		
Philanthropic societies	**(92)**	(212)
Undistributed charity funds at end of the year	**27**	32

32 SOCIAL RESPONSIBILITY

The group discharges its social responsibilities through donations to charitable causes and organisations.

33 PROPOSED DIVIDEND

The Board of Directors in their meeting held on 26 January 2026 has proposed a cash dividends of 1.085 Baiza per share; amounting to ﷼1.207 million. The Board of Directors' resolution of dividend distribution will be presented to the shareholders at the Annual General Meeting which will be held on 24 March 2026.

34 COMPARATIVE INFORMATION

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current year for the purpose of comparison and for better presentation. Such reclassifications are not considered material and do not affect previously reported net income or owner's equity.

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