

CORPORATE GOVERNANCE REPORT

The Board of Directors of Bank Nizwa SAOG (“Bank Nizwa” or the “Bank”) is committed to the highest standards of Corporate Governance as set out in the letter and spirit of the Code of Corporate Governance laid out by the Capital Market Authority (CMA) and the regulations for Corporate Governance of Banking and Financial Institutions issued by the Central Bank of Oman (CBO).

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

The CMA Code of Corporate Governance for Public Listed Companies and the CBO circular BM 932, Corporate Governance of Banking and Financial Institutions are the principal codes and drivers of Corporate Governance practices in the Sultanate of Oman. Bank Nizwa complies with all of their provisions. The CMA Code of Corporate Governance can be found at the following website: www.cma.gov.om. Corporate Governance has also been defined more narrowly as the relationship of an entity to its shareholders; or more broadly as its relationship to society.

Board of Directors

The board of Directors (the “Board”) of the Bank were elected by the Shareholders during the Annual General Assembly that took place on March 28, 2019 for a period of three years.

The Board is responsible for overseeing the Bank’s management and business affairs and makes all major policy decisions for the Bank.

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

- Appointing key executives with integrity, technical and managerial competence and appropriate experience, and deciding their compensation package;
- Overseeing succession planning and replacing key executives when necessary;
- Reviewing key executive and Board remuneration packages and ensuring such packages are consistent with the Bank’s corporate values and strategy;
- Ensuring a formal and transparent Board nomination process;
- Effectively monitoring and evaluating management’s performance in implementing agreed strategy and business plans, and ensuring that appropriate resources are available;

- Approving budgets, reviewing performance against those budgets and deciding on the future strategies and plans;
- Meeting regularly with senior management and respective Board Committees to establish and approve policies and review key developments;
- Identifying, understanding and measuring the significant risks to which the Bank is exposed in its business activities; and
- Board members shall independently assess and question the policies, processes and procedures of the Bank, with the intent to identify and initiate management action on issues requiring improvement (i.e. to act as checks and balances on management). Procedures may be defined to appoint advisors or external experts to assist Board members in effectively discharging their responsibilities.
- Approve financing transactions as per Delegation of Authority Matrix.

Composition & Classification of the Board

Bank Nizwa is represented by eight Directors, where all of them are non-executive Directors.

| Composition & Classification of the Board | | | |
|--|-----------------|-----------------------------|----------------------------------|
| Name of Director | Category | Represents | No. of Other Directorship |
| 1. Sheikh Khalid Abdullah Ali Al Khalili | Non-Executive | Aflag Investments | 2 |
| 2. Musabah Saif Musabah Al Mutairy | Non-Executive | Non-Representative | 2 |
| 3. Sayyid Amjad Mohammed Ahmed Al Busaidi | Non-Executive | Non-Representative | 1 |
| 4. Hussain Yousef Dawood Al Shalwani | Non-Executive | Non-Representative | 0 |
| 5. Sheikh Saif Hilal Nasser Al Mawali | Non-Executive | Non-Representative | 0 |
| 6. Sami Yahya Hamed Al Dughaishi | Non-Executive | Civil Services Pension Fund | 1 |
| 7. Ishaq Zayed Khalifa Al Mawali | Non-Executive | PASI | 1 |
| 8. Sheikh Majid Ali Majid Al Mamri | Non-Executive | Non-Representative | 0 |

Profile of Current Board of Directors

Sheikh Khalid Abdullah Ali Al Khalili- Chairman

Sheikh Khalid has over 20 years of experience as a businessman in various industries including retail, international agents, pharmaceuticals, aviation, and military equipment.

He is currently a board member at the OMNIVEST SAOG (deputy chairman and Executive Committee). In addition, he is the Chairman of the Board in Jabreen Capital SAOC, Member of the Board at Al Ahlia Insurance Co. SAOG and Founder and Chairman of Sumail Development Co. SAOC.

Sheikh Khalid holds a Bachelor's degree in civil engineering from Florida Tech institute, USA.

Mr. Musabah Saif Musabah Al Mutairy – Vice Chairman

Mr. Al Mutairy is currently the Manager of Accounts as well as the Pension Fund Manager at the Royal Guard of Oman. He has held important positions as the Board member of Dhofar Power Company SAOG, Hotel Management Company (Chedi), Mena Resident (Bahrain), Gulf Investment Bank and Khaleeji Commercial Bank (Islamic Investment Bank, Bahrain) and has been a member of the Investment committee for Gulf Finance House, United Security GCC Fund, NIFCO GCC Fund and Royal Guard of Oman Pension Fund. He was conferred Masters of Business Administration degree with a specialization in Finance by the University of Lincolnshire Humberside (UK) and currently is also holding a position as a board member in Takaful Oman for insurance.

Sayyid Amjad Mohammed Ahmed Al Busaidi – Member

Sayyid Amjad is currently the Assistant Head of Admin and Finance at the Diwan of Royal Court. He has served as the Executive President at the Diwan of Royal Court Pension Funds, and as Deputy Director General at the Directorate General of Financial Affairs. His list of memberships include coveted positions such as Chairman of Oman Qatari Telecommunications Company (Ooredoo). He holds a Masters of Business Administration degree from Southern Cross University, Australia.

Mr. Hussain Yousef Dawood Al Shalwani-Member

Mr. Hussain was previously a board member at Bank Sohar and played an active role its set up. Moreover, he was also founding committee member of Al Tawasul Financial and Investment Services. Currently, he is serving as director on the Board of SalamAir, National Aluminum Products Company and Bank Nizwa. Mr. Hussain has earned a Bachelor's degree with over 34 years of experience, holding various posts related to finance and investment in prestigious organizations like Al Ghadeer Investments, United Securities, Al Mawarid Securities, Qurum Investments etc.

Sheikh Saif Hilal Nasser Al Mawali – Member

Sheikh Saif has worked for the Sultanate of Oman Ministry of Commerce and Industry in the Directorate General of Organizations and Foreign Relations. He has served as a Senior Customs Clearance Officer at Sultan Qaboos Sea Port as well as the Customs Liaison Officer for the regional office for MENA and Near East Region. As a key member of the Free Trade Agreement negotiations between Oman and the United States of America, Sheikh Saif represented Oman's interest in this important agreement, both at home and abroad. Sheikh al Mawali is an accredited expert for the MERCATOR program which assists governments in implementation of the WTO

Trade Facilitation Agreement and strategic planning. He has held other key positions within the burgeoning logistics sector in Oman including as an associate of the Tanfeedh Program.

Sheikh Al Mawali's experience also spans across the private sector as he has successfully overseen the development of various real estate and cultural renewal projects in Oman and the region. He is a recipient of a Bachelor's degree in Economics from Arkansas University in the United States of America.

Mr. Sami Yahya Hamed Al Dughaisi – Member

Mr. Sami holds prestigious masters in Financial Risk Management (FRM) from University of Glasgow, UK. He is currently serving as a Director of Pension Benefits Department in Civil Services Employee Pension fund. Other than Bank Nizwa, he is currently serving as a director on the board of United Power Company SAOG. Moreover, has served as director on the board of Oman Housing Bank from 2011 to 2014 and Ubar Hotels and Resorts from 2013 to 2019.

Mr. Ishaq Zayed Khalifa Al Mawali – Member

Mr. Ishaq is serving as director of Shell Oman Marketing SAOG and Al Sharqia University, along with Bank Nizwa. He has Masters in Finance from Melbourne University, Australia and around 22 years of diverse experience in funds and asset management companies, including State General Reserve Fund (SGRF), Public Authority for Social Insurance (PASI) and Oman Airport Management Company (OAMC). Currently, he is serving as Head of Asset Management-International in PASI.

Sheikh Majid Ali Majid Al Mamri – Member

Sheikh Majid is currently leading Operations of Al Ghadeer Investments as General Manager. He has a vast experience of around 10 years in banking, construction, managing real estate and properties, along with exposure of strategic analysis and decision making.

Meetings and Remuneration of the Board

The Board meets regularly, to discharge its duties, monitor the executive management, and exercise necessary control over the Bank's functioning. The Board conducts its business in formal meetings. In Board meetings, the "majority" is computed as the absolute majority of the Directors present in person. During the financial year ended December 31, 2019, the board has conducted 7 meetings.

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

| Board Members Attendees for the Year 2019 | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Name of Director | 28-Jan-2019 | 28-Feb-2019 | 28-Mar-2019 | 28-Apr-2019 | 28-Jul-2019 | 29-Oct-2019 | 12-Dec-2019 |
| Sayyid Amjad Mohammed Ahmed Al-Busaidi | √ | √ | √ | √ | √ | √ | √ |
| Sheikh Ahmed Saif Muslam Al-Rawahi (Retired) | X | √ | | | | | |
| Sheikh Khalid Abdullah Ali Al-Khalili | X | √ | √ | √ | √ | √ | √ |
| Mr. Hussain Yousuf Dawood Al-Shalwani | √ | √ | √ | √ | √ | √ | √ |
| Sheikh Abdulaziz Khalifa Abdullah Al-Saadi (Retired) | √ | √ | | | | | |
| Sheikh Saif Hilal Nasser Al-Mawali | √ | √ | √ | √ | √ | √ | √ |
| Sheikh Musabah Saif Musabah Al-Mutairi | √ | √ | √ | √ | √ | √ | √ |
| Sheikh Muadh Salim Ahmed Al-Ghazali (Retired) | √ | √ | | | | | |
| Mr. Sami Yahya Hamed Al Dughaishi | | | √ | √ | √ | √ | √ |
| Mr. Ishaq Zayed Khalifa Al Mawali | | | √ | √ | √ | √ | √ |
| Sheikh Majid Ali Majid Al Mamri | | | √ | √ | √ | X | √ |

Board of Director has received an amount of RO 63,600 as sitting fees for the year ended December 31, 2019, which includes the Board sub-Committees, where the sitting fees per each Director did not exceed RO 10,000 as per the guidelines of CMA. As all members of the Board are Non-Executive Directors; no fixed remuneration or performance linked incentives are applicable.

The total remuneration received by the top 5 Executives in Management during the year ended December 31, 2019 is RO 917,996.

Committees of the Board

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

Board Executive Committee

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

| Executive Committee | |
|--|---------------------------------|
| Name of Members | No. of Meetings Attended |
| Sheikh Khalid Abdullah Ali Al Khalili - Chairman | 2 |
| Sheikh Saif Hilal Nasser Al Mawali - Member | 3 |
| Sheikh Majid Ali Majid Al Mamri - Member | 3 |
| Mr. Sami Yahya Hamed Al Dughaisi - Member | 2 |
| Total Number of Meeting Held During the year: | 3 |

- ❖ The committee was reconstituted on March 28, 2019 after re-election of the board. Sheikh Khalid Abdullah Al Khalili became the new Committee Chairman, whereas, Sheikh Ahmed Saif Al Rawahi and Sheikh Abdulaziz Khalifa Al Saadi retired from the Board and Committee. Sheikh Majid Ali Majid Al Mamri and Mr. Sami Yahya Hamed Al Dughaisi joined the Committee after re-elections.

Board Audit Committee

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

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

| Audit Committee | |
|--|---------------------------------|
| Name of Members | No. of Meetings Attended |
| Sayyid Amjad Al Busaidi - Chairman | 3 |
| Mr. Hussain Al Shalwani - Member | 4 |
| Mr. Musabah bin Saif Al Mutaury - Member | 4 |
| Sheikh Muadh bin Salim Al Ghazali – Member (Retired) | 1 |
| Total Number of Meeting Held During the year: | 4 |

- ❖ The committee was reconstituted on March 28, 2019 after re-election of the board. Sayyid Amjad Al Busaidi became the new Member and Committee Chairman, whereas, Sheikh Muadh bin Salim Al Ghazali retired from the Board and Committee.

Board Remuneration & Nomination Committee

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

| Remuneration & Nomination Committee | |
|--|---------------------------------|
| Name of Members | No. of Meetings Attended |
| Sheikh Saif Hilal Nasser Al Mawali - Chairman | 5 |
| Sayyid Amjad Mohamed Ahmed Al-Busaidi– Member | 2 |
| Sheikh Ahmed bin Saif Al Rawahi – Member (Retired) | 1 |
| Mr. Musabah bin Saif Al Mutaury– Member | 2 |
| Sheikh Khalid Bin Abdullah Bin Ali Al Khalili– Member | 3 |
| Mr. Ishaq Zayed Khalifa Al Mawali– Member | 3 |
| Mr. Sami Yahya Hamed Al Dughaisi – Member | 3 |
| Total Number of Meeting Held During the year: – Member | 5 |

- ❖ The committee was reconstituted on March 28, 2019 after re-election of the board. Sheikh Saif Hilal Nasser Al Mawali retained his position as Chairman of the committee after re-elections. Whereas, three members retired after re-election, namely Sayyid Amjad Mohamed Ahmed Al-Busaidi, Sheikh Ahmed bin Saif Al Rawahi and Mr. Musabah bin Saif Al Mutaury, three new members were elected in the committee, namely Sheikh Khalid Bin Abdullah Bin Ali Al Khalili, Mr. Ishaq Zayed Khalifa Al Mawali and Mr. Sami Yahya Hamed Al Dughaisi.

Board Governance, Risk and Compliance Committee

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

| Risk Committee | |
|--|---------------------------------|
| Name of Members | No. of Meetings Attended |
| Shaikh Musabah bin Saif Al Mutaury - Chairman | 4 |
| Sheikh Muadh Salim Ahmed Al Ghazali – Member (Retired) | 1 |
| Sheikh Abdulaziz Khalifa Al Saadi – Member (Retired) | 1 |
| Mr. Hussain Yousef Dawood Al Shalwani – Member | 3 |
| Mr. Ishaq Zayed Khalifa Al Mawali– Member | 3 |

| | |
|---|---|
| Total Number of Meeting Held During the year: | 4 |
|---|---|

- ❖ The committee was reconstituted on March 28, 2019 after re-election of the board. Shaikh Musabah bin Saif Al Mutairy retained his position as Committee Chairman, whereas two new directors joined the committee, namely Mr. Hussain Yousef Dawood Al Shalwani and Mr. Ishaq Zayed Khalifa Al Mawali. Sheikh Muadh Salim Ahmed Al Ghazali and Sheikh Abdulaziz Khalifa Al Saadi retired from the Board and Committee.

Major Shareholders

Bank Nizwa incorporated with a capital of RO 150 million. The Bank's shares are listed on the Muscat Securities Market. The Shareholders, holding more than 5% as on December 31, 2019 are tabulated hereunder:

| Major Shareholders | % |
|---------------------------------------|---------|
| Civil Employees' Pension Fund | 8.8795 |
| Al Ghadeer Investment | 8 |
| Public Authority For Social Insurance | 7.28657 |
| Diwan of Royal Court Pension Fund | 5 |
| Ubar Capital SAOC | 5.0407 |
| Aflag Investments | 6.7496 |

Bank Nizwa Share Price Movements

| DATE | Bank Nizwa Share Performance | | | Average Index MSM | Financial Sector Performance at MSM | | |
|--------|------------------------------|--------|-------|-------------------|-------------------------------------|-----------|-----------|
| | HIGH | LOW | CLOSE | | HIGH | LOW | CLOSE |
| Jan-19 | 0.0890 | 0.0880 | 0.088 | 4166.4700 | 6788.9500 | 6696.3200 | 6697.1300 |
| Feb-19 | 0.0910 | 0.0900 | 0.091 | 4144.4700 | 6714.9000 | 6668.0700 | 6691.0700 |
| Mar-19 | 0.0900 | 0.0900 | 0.090 | 3983.6600 | 6545.5300 | 6538.4200 | 6541.2800 |
| Apr-19 | 0.0890 | 0.0880 | 0.088 | 3945.6400 | 6337.9900 | 6285.9500 | 6337.9900 |
| May-19 | 0.0900 | 0.0870 | 0.090 | 3934.1500 | 6384.2200 | 6342.1400 | 6342.5100 |
| Jun-19 | 0.0900 | 0.0880 | 0.088 | 3884.9100 | 6316.2900 | 6282.0000 | 6283.3500 |
| Jul-19 | 0.0850 | 0.0840 | 0.085 | 3760.6300 | 6128.0000 | 6098.2500 | 6110.3200 |
| Aug-19 | 0.0950 | 0.0900 | 0.092 | 4004.8600 | 6534.2600 | 6472.4800 | 6534.2600 |
| Sep-19 | 0.0900 | 0.0900 | 0.092 | 4017.6900 | 6567.1900 | 6547.4300 | 6557.5900 |
| Oct-19 | 0.0950 | 0.0950 | 0.095 | 3999.8800 | 6511.7000 | 6489.1400 | 6489.1400 |
| Nov-19 | 0.0940 | 0.0930 | 0.093 | 4064.1400 | 6456.3200 | 6421.7800 | 6426.8400 |
| Dec-19 | 0.0950 | 0.0940 | 0.095 | 3981.1900 | 6366.0900 | 6288.2900 | 6349.2600 |

Source: Muscat Security Market

Communication with Shareholders and Investors

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

Compliance with Regulatory Requirements

During the calendar year of 2019, the Central Bank of Oman conducted on-site examination of the Bank. However, it did not find any major violation and no monetary penalties were levied on the bank.

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

| Regulators | 2017 | 2018 | 2019 |
|--------------------------|-------------|-------------|-------------|
| Capital Market Authority | NIL | NIL | NIL |
| Central Bank of Oman | RO 25,500 | RO 8,000 | NIL |

Dividend Policy

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

Sharia Supervisory Board

Shareholders have elected members of the Sharia Supervisory Board ("SSB") during the Annual General Meeting held on 28 March 2019, for a period of 3 years.

The current SSB Members include the following scholars:

1. Dr. Abdul-Sattar Abdul-Kareem Abu Ghuddah (Chairman)
2. Sheikh Dr. Mohammad bin Rashid Al Gharbi
3. Sheikh Ibrahim bin Nasser Al Sawwafi

The main roles and responsibilities of the SSB

- Sharia Compliance Department (SCD) is an element of the Sharia Governance vis-à-vis Corporate Governance structure as established in Bank Nizwa and approved by the Bank's Sharia Supervisory Board (SSB). An effective Sharia policy enhances the diligent supervision of the Board of Directors (BOD), the SSB and the Management of the Bank to ensure that the operations and business activities of the Bank remain consistent with Sharia principles and its requirements.

- To ensure Sharia compliance in all aspects of Islamic banking activities of the Bank, the Central Bank of Oman (CBO) has mandated several provisions in relation to the establishment of a SSB and an internal SCD in an Islamic Bank. The SSB is an independent Sharia Supervisory Body which plays a vital role in providing Sharia views and rulings pertaining to Islamic finance and investment activities of the Bank. The SSB also acts as a monitoring body which performs a supervisory role through the Sharia Compliance Department to maintain Sharia compliance in the operations and business activities of the Bank.
- At the institutional level, SCD acts as an intermediary between the SSB and the Management team of the Bank. The SCD together with the SSB has the role to provide Sharia resolutions and guidelines to the Management who shall ensure that all activities of the Bank are in compliance with the Sharia rules and principles, in accordance with the guidelines laid down by Islamic Banking Regulatory Framework issued by the CBO. The accountability to ensure Sharia compliance as well as the implementation of SSB Sharia rulings remain with the BOD and the Management of the Bank.
- SCD reports functionally directly to SSB and reports in parallel to CEO with respect to administrative issues. SSB through SCD provides copies of its Fatwa / Sharia decisions and resolutions to Board of Directors and CEO because management is responsible to assure that Sharia resolutions are executed in the transactions and all products and services of the bank. SSB reports its findings directly to the general assembly of shareholders at the end of each year.
- Sharia Compliance Department performs its functions based on the Sharia guidelines provided by CBO in the IBRF, and by Sharia rulings and resolutions issued by SSB, as well as the Sharia Standards issued by AAOIFI. To ensure Sharia compliance of transactions, SCD consistently conducts Sharia review before execution of transactions and Sharia audit after execution. Sharia review and audit encompasses each type of transaction across business lines, the relevant documentation and execution procedures. The overall Sharia Compliance activities are reported in the monthly report which is sent to CEO and the same report is provided to the SSB on its quarterly meeting.
- Sharia Audit unit executes continuous audit for transactions of all departments. Its observations and findings are reported by Sharia Audit report to SSB which is also conveyed and discussed with Management, with documentation of Management responses in addition to recommending action plan for each observation.
- To ensure Sharia compliance in execution, all transactions are executed according to Standard Operating Procedures prepared by the Operations Department and approved by the concerned department heads including Sharia. Sharia audit uses check lists as per SSB Sharia guidelines to meet Sharia requirement and ensure that the SOPs are adhered to during execution.

Schedule of attendance for Sharia Supervisory Board members for the year 2019:

| Name of Director | Position | 30-Jan-2019 | 25-Apr-2019 | 13-Jul-2019 | 16-Oct-2019 |
|-------------------------------|----------|-------------|-------------|-------------|-------------|
| Dr. Abdul Sattar Abou Ghuddah | Chairman | √ | √ | X | √ |
| Sheikh Mohamad Al-Gharbi | Member | √ | √ | √ | √ |
| Sheikh Ibrahim Al Sawwafi | Member | √ | √ | √ | √ |

Sharia supervisory board has received an amount of RO 56,300 as sitting fees for the year ended December 31, 2019, which included the SSB sub-Committee.

Details of attendance in Sharia executive committee meeting held during the year 2019:

| Executive Committee | |
|--|---------------------------------|
| Name of Members | No. of Meetings Attended |
| Sheikh Dr. Mohamad Al-Gharbi | 7 |
| Sheikh Ibrahim Sawafi | 7 |
| Total Number of Meeting Held During the year: | 7 |

Details of payments done for Sharia executive committee during the year 2019:

| No | Member | Total |
|-----------|-------------------------------|------------------|
| 1 | Dr. Abdul Sattar Abou Ghuddah | RO 16,500 |
| 2 | Sheikh Dr. Mohamad Al-Gharbi | RO 19,900 |
| 3 | Sheikh Ibrahim Sawafi | RO 19,900 |
| | Total | RO 56,300 |

Sharia Supervisory Board Members Profile

SHEIKH DR. Abdul-Sattar Abdul-Kareem Abu-Ghuddah (Chairman) - Dr. Abdul Sattar Abdul Kareem Abou Ghuddah is currently the Chairman of the Bank Nizwa Sharia Supervisory Board.

He is an active member of Islamic Fiqh Academy evolving from the Organization of Islamic Assembly in Jeddah, KSA, and a member of the Sharia Supervisory Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain. He is currently the Chairman and a member of the Sharia Supervisory Boards of a number of Islamic Banks and institutions in the region including the Sharia Supervisory Board of the Central Bank in Bahrain, and Dow Jones index, USA.

Prior to his current roles, Dr. Abu-Ghuddah held the positions of Expert and Reporter for the Islamic Fiqh Encyclopedia, Ministry of Awqaf & Islamic Affairs, Kuwait. He is also the author of several books on Islamic jurisprudence and Fatwa of modern financial transactions and other specialist Islamic subjects.

Dr. Abou Ghuddah holds two Bachelor degrees in Law and Sharia from the University of Damascus, and two Master's Degrees in Sharia and Hadith and a PhD degree in Comparative Islamic Jurisprudence from Al-Azhar University in Egypt.

SHEIKH DR. Mohammed Bin Rashed Al-Gharbi (Member) - Sheikh Mohammad bin Rashid Al-Gharbi has been a member of the Sharia Supervisory Board at Bank Nizwa since July 2012.

Sheikh Al-Gharbi is currently Assistant Professor in the Department of Islamic Sciences at Sultan Qaboos University. He is a published academic with an extensive research portfolio, based upon his contribution and attendance of seminars and conference proceedings across many countries. In addition to his written volumes, Sheikh Al-Gharbi has delivered his research into Sharia throughout numerous academic papers on financial transactions within Islamic jurisprudence.

Sheikh Al-Gharbi holds several degrees, including a Bachelor's from the Sharia Justice Institute in Oman, a Master's degree from Jordan University and a PhD within the field of Islamic Sciences from Zaytouna University in Tunisia.

SHEIKH Ibrahim Bin Nasser Al-Sawwafi (Member) - Sheikh Ibrahim Bin Nasser Al -Sawafi joined Bank Nizwa as a member of the Sharia Supervisory Board in July 2012. In his capacity, Sheikh Al-Sawafi also serves as the Fatwa Trustee for the Mufti of Oman and a Member of the Committee for Endowments and Zakat at the Ministry of Endowment and Religious Affairs.

As an eminent scholar, he contributes to various radio and television programs presenting Islamic issues and pens for several newspaper columns and articles. He has written more than twenty books and organized training sessions on various Islamic topics while regularly attending conferences on areas such as Islamic Finance, Takaful, Sukuk, Corporate Governance, Islamic Jurisprudence to name few.

Sheikh Al-Sawafi holds a degree of high judicial license from the Sharia Justice Institute, graduating with distinction, and is a prominent professional Sharia Auditor, certified by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Profile of Management Team:

Mr. Khalid Jamal Al Kayed, Chief Executive Officer – Khalid Al Kayed, Chief Executive Officer of Bank Nizwa, is responsible for overall leadership and effective management of the Bank, setting direction and driving total performance consistent with the interests of shareholders, employees, and other stakeholders. He oversees all aspects of the bank's business segments in line with Islamic finance principles including its progressive Shari'a-compliant portfolio of products and services.

Under his tenure, Al Kayed steered the bank to a new era, positioning Bank Nizwa as a strong, innovative, and relationship-oriented sharia compliant financial institution with the largest market share as a full-fledged Islamic bank. He leads the management team to further build the Bank Nizwa brand and its corporate and retail customers' portfolio across various industries. He is also leading the bank's ongoing and new initiatives and programs to raise awareness on the benefits of Islamic finance to the wider public across Oman. Because of his services and contribution towards the growth and development of the industry, he was recognized as 'Islamic Banker of Year' at the 7th Global Islamic Finance Awards 2018.

A financial industry veteran with over 27 years under his belt, Al Kayed is associated with Bank Nizwa since its inception. Prior to joining the bank, Al Kayed held various posts in a host of well-respected financial institutions including Deputy Chief Executive Officer & Chief Financial Officer at Jordan Dubai Islamic Bank and Chief Financial Officer at Standard Chartered Bank

Jordan. His expertise ranges from banking management, financial control, accounting, risk management, and asset liability among other fields.

Al Kayed holds Masters in International Accounting and Finance from Liverpool University. He is also an alumnus of Columbia Business School from where he has completed executive management program. In addition to this, he is a Certified Management Accountant and Certified Financial Manager from Institute of Management Accountants.

Mr. R. Narasimhan, GM Wholesale Banking – Mr. Narasimhan is currently serving as General Manager Wholesale Banking at Bank Nizwa. His experience spans over four decades in banking and financial services industry, including but not limited to Corporate, Retail, Treasury & Investments, SME Business and Project Financing exposure, with geographical diversity in Asian region. He has held senior positions at many banks previously, including Bank Sohar. The bank has experienced a sizeable growth in Asset base, as well as human resource development under his leadership. Mr. Narasimhan has Masters in Science and PG Diploma in Banking. He participates in local and international seminars as speaker and panelist on invitation. He has also authored on a few occasions chapters on Islamic banking in CBFS publications.

Mr. Nasser Said Al Lamki, GM Internal Audit - has over 24 years of banking experience. Prior to joining Bank Nizwa, he worked in reputed local and international banks in Oman and Saudi Arabia. During his career, he led pragmatic and advanced audit function, while developing and maintaining strong working relationships at both strategic and operational levels, promoting strong risk management and raising the profile of audit. Mr. Lamki was Vice President of Audit in one of the leading Islamic Bank in Saudi Arabia. He holds an MBA in Leadership and Sustainability from University of Cumbria, UK.

Mr. Mohamed Fida Hussain, DGM-Chief Risk Officer - He has as MS in Engineering from the USA and an MBA from Sultan Qaboos University. Has over all 26 years of experience in the banking industry and 13 years in risk management across areas of Risk Management Framework, including the Risk Mitigation strategies for the organization's critical risks, development & communicate Risk Management Policies, Risk Appetite & Limits, and Enterprise-wide Risk Management (ERM). He worked as member of various committees, participated in various task forces concerning banking and development issues. He has also served as part time lecturer at College of Banking and Financial Studies (CBFS).

Mr. Arif Al Zaabi, AGM Retail Banking - has over two decades of experience in the banking industry. His experience covers the entire spectrum of Commercial and Retail Banking; with expertise and experience in the management of Branch Banking, Retail Banking and Product & Sales. Mr. Arif previously held senior positions across different banks. He holds a BA degree in business management from Gulf College and is currently pursuing a master's degree in business management at Majan College.

Mr. Salim Rashid Ali Al Maharbi, AGM- Chief Financial Officer – He has 23 years of diversified banking experience ranging from domestic and international banks. He is a Certified Islamic Professional Accountant, Certified Accounting Technician from ACCA UK, holds B.A.

He has obtained a leadership certificate in Islamic Finance from a specialized institute from UK with distinction. He possesses expertise in all the applicable financial standards of AAOIFI, IAS, IFRS and local legislations. Prior to joining Bank Nizwa, he was Chief Manager, Commercial and Finance at Bank Sohar. He has varied experience in the field of Financial Reporting, Financial Accounting, Management Accounting, Internal Controls, Business Planning and Performance Management.

Mr. Tariq Mohammed Osman, Head of Legal Department and Board Secretary – He is a veteran in the field of legal and has 37 years of experience working with reputed financial institutions of the region. His major experience is with Dubai Islamic bank – UAE where he served as a legal advisor and lawyer for 12 years of his successful career. He has also served a reputed non-financial corporate where he served 14 years as a legal advisor and Board secretary. He holds a Master’s degree on commercial law.

Mohammed Al Balushi, Head of Information Technology - Technically sophisticated and business-savvy dedicated professional with over 23 years of experience in areas of Enterprise – Information Technology, in Financial Institutions, including Ahli Bank and Bank Dhofar. During his professional career, he has handled and implemented strategic projects that involved transformation of business processes and innovation. He holds an MSc in Computer Science from University of Glasgow. He also holds a number of professional qualifications and accreditations in the field of IT, banking, management and leadership.

H.H. Sayyida Wisam Jaifer Al Said, Head of Marketing & Communications - With 13 years of experience as a marketing and communications professional. Sayyida Wisam previously headed the corporate affairs department at Oman Oil Marketing Company before joining Bank Nizwa. She has a Bachelor’s degree in Corporate Communications from the American University of Paris with a Master’s degree in Strategic Marketing from Cardiff University, UK. Sayyida Wisam also holds a specialized certificate in Direct Marketing. Outside her career in Oman, Sayyida Wisam also trained with UNESCO’s Public Bureau of Information and the International Chamber of Commerce based in Paris, France.

Dr. Mansour Al Qudah, Head of Sharia - Has over 20 years of experience in the Islamic Banking and Sharia audit. He worked in Jordan Islamic Bank as a Sharia board secretary and Sharia audit manager and in the Saudi-based Al Inma Bank as the Assistant General Manager of Sharia Group as well as section manager of Sharia policies and procedures auditing. Dr. Mansour has a PhD in Islamic Banking and Economics from the University of Yarmouk in Jordan. In addition, he has Professional Diploma in Accounting and Auditing from Arab Academy for Banking and Financial Sciences, Jordan. He is also Certified Islamic Banker (CIB) and Certified Islamic Specialist Sharia Auditing (CISSA).

Mr. Khalid Abdulrahman Al Zadjali, Head of Administration - Professional career spanning over 19 years. He is an MBA in Business Management and have worked in the entire spectrum

of Banking including academia. As a Subject-Matter Expert, he culminated core competency in Human Resource, Training, Development and Administration. He is responsible for bank's procurement and logistics in order to maximize cost efficiencies, price control and quality in all administrative expenses. During his tenures, he has held senior roles where he led long-range strategic planning in order to anticipate the innovation of change initiatives that promote people productivity, Organizational efficiency, and cost effectiveness.

Mr. Zahir Hamed al Saqri , Head of Operations - has 23 years of banking experience. Mr Zahir is in charge of Operations department. Prior to Bank Nizwa, he worked with Bank Dhofar, HSBC and Bank Sohar. He has diversified experience ranging from Customers Service, Collections, Remedial Management, Administration and Operations. He has strong experience in startups as he contributed in establishing departments from scratch in two banks in Oman including Bank Nizwa. He holds a Diploma in Engineering from Royal Guard of Oman College of Technology. He is also in the final stage of completing his MBA in business management from University of Napier Edinburgh in The UK.

Mr. Mohammed Al Hashmi, Head of Compliance - is currently leading Regulatory Compliance, Corporate Governance and Anti-Money Laundering & Counter terrorism Financing functions. Mohammed's professional career spans over 10 years, including six (6) years of handful experience as an External Bank Examiner at Central Bank of Oman. Mohammed holds a Bachelor's degree in Accounting from Sultan Qaboos University. Moreover, he has obtained multiple specialized international trainings and certifications, including certifications from Federal Deposit Insurance Corporation (FDIC) from the United States on Banks Examination and Financial Analysis and certification in Islamic Banking by Islamic Financial Services Board (IFSB). His portfolio of trainings now also include certification with distinction in Cambridge Leadership Program from University of Cambridge, UK.

Ms. Haifa Abdul Ali Al Lawatia, Head of Human Resource - With 25 years of total professional experience, she has previously worked in reputed organizations like PDO and Oxy Oman. She has an MBA, BSc, and other professional accounting certifications and has cross posting experience in Houston USA. She joined Bank Nizwa at foundation stage and helped in building HR department from scratch. Her core competencies include Human Resources, Compensations & Benefits, Staffing, and Strategic HR. She has over 17 years of experience in Human resource management and is currently responsible to support and align HR objectives with bank's overall vision, implement HR change initiatives to support the business strategy and continuous improvements in HR management to achieve organizational objectives.

Related Party Transaction

Details of related party transaction have been disclosed in the financial statements without any special rate or treatment for the SSB members.

Internal Control review

The board gives great importance to maintaining a strong control environment and board review has covered all controls including financial, operational, compliance and risk management.

The board has established a management structure that clearly defines roles and responsibility and reporting lines and has approved the policies.

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

Auditors' Profile – Ernst & Young (EY)

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,889 partners and approximately 124,318 professionals. Globally, EY operates in more than 150 countries and employs 328,597 professionals in 700 offices. Please visit ey.com for more information about EY.

For the year 2019, total remuneration of OMR 60,000 is approved for E&Y as per the following details:

| Details | Amount |
|-------------------------------|------------------|
| Financial Audit Fees for 2019 | RO 58,800 |
| Tax fees | RO 1,200 |
| TOTAL | RO 60,000 |

Declarations

During the period, the board has conducted a review of the effectiveness of the Bank's internal control, policies and procedures; and is satisfied that the Bank's internal control are effective and that appropriate procedures are in place to implement the regulatory and internal requirements.

Further, the Board of Directors confirms that there is no issue on going concern and that the Bank is able to continue its operations during the next financial year.