

THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDING 31st March 2025

Dear Shareholders,

Greetings and warm wishes,

With gratitude to the Almighty, we've successfully concluded another productive quarter in our journey to promote Sharia-compliant banking in the Sultanate.

On behalf of the Board of Directors of Bank Nizwa SAOG, I am pleased to present the results for the three-month period ending March 31, 2025, based on unaudited condensed interim financial information. The global growth in early 2025 has been moderate, as central banks balance between containing inflation and supporting activity. Oil markets witnessed renewed volatility on supply and tariff concerns. Despite these headwinds, the International Monetary Fund (IMF) projects an uptick in regional growth, reflecting gradual monetary easing and diversification efforts.

Oman's economy remains on a steady trajectory. The IMF projects real GDP growth of 2.3% for 2025, driven by both oil and non-oil sectors (Oman and the IMF). Non-oil activities particularly manufacturing, logistics, and tourism continue to benefit from government diversification initiatives. Inflation has moderated markedly, with the consumer price index easing to 0.6% in March 2025, the lowest level since November 2024 largely due to lower food and beverage costs. Meanwhile, Oman retains its investment-grade sovereign credit rating BBB-, stable outlook, reflecting disciplined fiscal management and prudent debt reduction policies.

Oman has made significant strides in strengthening its financial position through targeted financial and economic reforms and government restructuring. These initiatives, guided by a medium-term financial plan, have balanced revenue with public spending, resulting in financial surpluses. The government has prioritized debt reduction, aiming to lower public debt to 29% of GDP by 2027, while enhancing governance in state-owned enterprises, which has boosted profitability and reduced debt.

The current account is expected to maintain a surplus, and inflation should remain low at an average of 1.9% during 2025-2027. Favorable private sector credit conditions are projected to drive lending growth by 5%-6% annually.

At Bank Nizwa, we strongly believe that Islamic banking serves a higher purpose, and we are dedicated to fulfilling ours by enriching the lives of our customers and communities. Throughout the challenging period and the current recovery phase, we have played a critical role in facilitating government programs that have provided vital support to households and businesses. We remain committed to continuing to provide assistance to our communities as they navigate the ongoing economic recovery.

FINANCIAL PERFORMANCE

During the quarter, your bank achieved a commendable financial performance, with 17% increase in net profit. This success is a result of our adaptability to economic realities, including a competitive environment and a resilient balance sheet.

We've noted significant progress in our core business operations, exemplifying our steadfast commitment to delivering exceptional value to both our valued clients and esteemed shareholders. Notably, our shareholders' equity has surged by four percent, underscoring our robust organic capital generation capabilities while operating income increased by 7% and operating expense by 5% compared to the same period last year, as the Bank invested in enhancing operational infrastructure to address evolving market dynamics. These results underscore our dedication to balanced growth, diversification, cost management, margin improvement, digital transformation, and expansion of our product offerings and client base. We remain steadfast in our commitment to driving sustainable growth and creating long-term value for all stakeholders.

The bank's total assets reached OMR 1,903 million as of March 31, 2025, a 14% increase from the same period last year. The gross financing portfolio increased by 15% to OMR 1,636 million, while the total customer deposit portfolio increased to OMR 1,580 million, increased by 16% from the previous year. This momentum in both retail and corporate businesses will drive us toward our long-term goals.

We are confident that our unchanged strategic pillars and resilient balance sheet position us well to manage economic challenges and continue delivering value to our customers and shareholders.

FUTURE OUTLOOK

Oman's economy is poised for steady growth, with the International Monetary Fund (IMF) forecasting real GDP growth of 2.3% in 2025. This expansion will continue to be driven predominantly by the non-oil sector, which is projected to grow by 5.6%, reflecting the country's successful efforts in economic diversification. Key sectors contributing to this growth include manufacturing, construction, and tourism, supported by Oman's growing appeal to new international markets such as Europe and the planned GCC unified tourist visa, which is expected to further enhance visitor inflows.

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

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

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

In this dynamic economic landscape, Oman's banking sector, including Islamic banking, is positioned to remain resilient. Bank Nizwa, in particular, is well-prepared to seize future opportunities and deliver optimal value to its shareholders. Recent upgrades in outlook and ratings by renowned international agencies affirm confidence in the government's reforms and the strength of Oman's banking system.

With a commitment to leading Islamic finance growth and leveraging its strong balance sheet and prudent risk management, Bank Nizwa aims to capitalize on emerging opportunities and drive sustainable growth while delivering maximum value to its stakeholders.

ACKNOWLEDGMENT

On behalf of the Board of Directors, Executive Management, and staff, we express our sincere gratitude to His Majesty Sultan Haitham bin Tariq Al Said for his visionary leadership. Special thanks are extended to the Central Bank of Oman and the Financial Services Authority for their invaluable guidance and support.

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

Sincerely,

Khalid Bin Abdullah Bin Ali Al Khalili
Chairman