

THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD

ENDING 30th June 2025

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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 six-month period ending June 30, 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. The global market has experienced extreme volatility due to escalating trade wars and tariff-led uncertainties, particularly impacting supply chains and investment decisions. Oil markets also 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. 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.

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FINANCIAL PERFORMANCE

During the first half of the year, your bank achieved a commendable financial performance, demonstrating sustained growth across key indicators. This success is a result of our adaptability to economic realities, including a competitive environment and a resilient balance sheet.

As of June 30, 2025, our Net Profit reached OMR 9.2 million, marking a significant 15% increase compared to OMR 8 million reported in the same period last year (June 30, 2024). This solid growth reflects our commitment to delivering exceptional value to both our valued clients and esteemed shareholders.

Our Operating Income grew by 9% to OMR 29.5 million as of June 30, 2025, up from OMR 27 million in the same period previous year. Concurrently, Operating Expense increased by 9% to OMR 14.6 million from OMR 13.3 million on Year-on-Year basis, as the Bank continued to invest in enhancing operational infrastructure to address evolving market dynamics and support future growth. Consequently, our Profit before Tax saw a healthy 12% increase, reaching OMR 10.6 million compared to OMR 9.4 million in the prior year.

The bank's Total Assets demonstrated robust expansion, reaching OMR 1.96 billion as of June 30, 2025, a substantial 17% increase from OMR 1.67 billion reported for the same period last year. Our Gross Financing portfolio increased by 13% to OMR 1.6 billion (June 30, 2025) from OMR 1.4 billion (June 30, 2024), reflecting healthy demand for our Sharia-compliant products. The total Customer Deposit portfolio continued its strong upward trend, increasing by 17% to OMR 1.59 billion as of June 30, 2025, compared to OMR 1.36 billion a year ago. This momentum in both retail and corporate businesses will drive us toward our long-term goals.

Notably, Bank's shareholders' Equity has surged by 4%, reaching OMR 266.6 million as of June 30, 2025, up from OMR 255.2 million in June 2024, resulting from robust organic capital generation capabilities. These results are the outcome of 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.

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.

This positive trajectory was recently acknowledged by Moody's, which upgraded Oman's sovereign credit rating to investment grade (Baa3) with a stable outlook, reflecting the success of the government's rigorous financial and economic reforms.

In this strengthened economic environment, Bank Nizwa is exceptionally well-positioned to remain resilient, seize future opportunities, and deliver optimal value to its shareholders. Notably, Bank Nizwa's own rating was also recently upgraded by Moody's to Investment Grade (Baa3), directly benefiting from and reflecting the improved sovereign outlook. This synchronized upgrade provides strong external validation, affirming confidence in the broader strength of Oman's banking system and, crucially, in Bank Nizwa's prudent management and strong fundamentals. With a commitment to leading Islamic finance growth and leveraging its robust balance sheet and proactive 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