

THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD

ENDING 30th September 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 nine-months period ending September 30, 2025, based on unaudited condensed interim financial information.

Global growth in 2025 has been resilient but is slowing, as central banks' balance between containing inflation and supporting activity. The International Monetary Fund (IMF) projects global growth to moderate to 3.2% in 2025. The global market continues to experience significant volatility due to heightened trade barriers and tariff-led uncertainties, particularly impacting supply chains and investment decisions. Oil markets have also witnessed volatility on supply and tariff concerns. Despite these headwinds, the IMF projects an uptick in regional growth for the Middle East, forecasting 3.5% in 2025, reflecting gradual monetary easing and successful diversification efforts.

Oman's economy remains on a steady trajectory. The IMF projects real GDP growth of 2.9% for 2025, driven by both oil and non-oil sectors. Non-oil activities, particularly logistics, manufacturing, tourism, and green energy investments, continue to benefit from government diversification initiatives and have become a key stabilizer for the economy. Inflation has remained exceptionally low, with the consumer price index (CPI) at 1.1% year-on-year in September 2025, largely due to stable food and beverage costs. Meanwhile, Oman retains its investment-grade sovereign credit rating of BBB– with a stable outlook (affirmed by S&P in September 2025), 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, successfully lowering public debt from 68% of GDP in 2020 to approximately 34-36% by mid-2025, while enhancing governance in state-owned enterprises, which has boosted profitability and reduced debt.

The current account, which posted a surplus in 2024, is expected to narrow and shift to a modest deficit in 2025 due to oil price fluctuations. Inflation is projected to remain subdued at an average of 0.9% to 1.5% during 2025-2026. Favorable private sector credit conditions are projected to drive lending growth by 5%-6% annually.

FINANCIAL PERFORMANCE

During the nine months 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 September 30, 2025, our Net Profit reached OMR 14.8 million, marking a significant 19% increase compared to OMR 12.4 million reported in the same period last year (September 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 10% to OMR 45.2 million as of September 30, 2025, up from OMR 40.9 million in the same period previous year. Concurrently, Operating Expense increased by 9% to OMR 21.8 million from OMR 20.1 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 17% increase, reaching OMR 17.1 million compared to OMR 14.6 million in the prior year.

The bank's Total Assets demonstrated robust expansion, reaching OMR 1.96 billion as of September 30, 2025, a substantial 11% increase from OMR 1.76 billion reported for the same period last year. Our Gross Financing portfolio increased by 9% to OMR 1.64 billion (September 30, 2025) from OMR 1.5 billion (September 30, 2024), reflecting healthy demand for our Sharia-compliant products. The total Customer Deposit portfolio continued its strong upward trend, increasing by 11% to OMR 1.59 billion as of September 30, 2025, compared to OMR 1.44 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 5%, reaching OMR 274 million as of September 30, 2025, up from OMR 260 million in September 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.

During the period, the Board has approved capital plan designed to fuel the next phase of organic growth and solidify Bank Nizwa market leadership. This initiative will strengthen the Bank's capital base by issuing Additional Tier 1 capital in multiple tranches through IPO or Private Placement options, with total program value of OMR 60 millions, subject to CBO and FSA approval, enhancing its capacity to meet the increasing demand for Sharia-compliant financing across its retail, corporate, and international banking divisions.

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) in its October 2025 outlook forecasting real GDP growth of 2.9% in 2025. This expansion continues to be driven predominantly by the non-oil sector, with projections for non-oil activities suggesting growth of 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 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 fixing of oil price, fiscal indicators remain positive. Inflation remains subdued, with the consumer price index (CPI) reported at 1.1% in September 2025, 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 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

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