

THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD

ENDING 31st March 2026

-

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 first quarter ending March 31, 2026, based on unaudited condensed interim financial information.

Global growth since the start of 2026 has remained resilient but is beginning to moderate as central banks work to balance inflation control with economic activity. The International Monetary Fund (IMF) projects a slight slowdown in global growth, with markets experiencing volatility due to regional conflicts and trade barriers. These uncertainties, particularly around tariffs, have impacted global supply chains and investment decisions. Similarly, oil markets have seen fluctuations driven by supply concerns and shifting trade policies. Despite these headwinds, the IMF anticipates an uptick in regional growth for the Middle East, fueled by gradual monetary easing and ongoing diversification efforts.

Oman continues to make substantial progress in strengthening its fiscal position through targeted reforms and government restructuring. Aligned with a medium-term financial plan, these efforts have successfully balanced public revenue and expenditure, resulting in fiscal surpluses. The government remains focused on debt reduction, aiming to lower public debt levels further through improved governance of state-owned enterprises, which has boosted profitability and reduced liabilities. Buoyed by stable energy prices and a thriving non-oil sector, Oman's fiscal position remains resilient, providing a solid buffer against external shocks.

Bank Nizwa has demonstrated a resilient business model by focusing on customer experience and authentic service. We recognize that every transaction represents a family's dream or a business's ambition. By listening to our clients and providing the right insights and Sharia-compliant financial solutions, we create sustainable value that supports their goals.

To further elevate the customer journey, we are making significant investments in digital transformation. By modernizing our platforms and embracing innovative technologies, we are making banking simpler, faster, and more intuitive, ensuring our services integrate seamlessly into the daily lives of our clients.

All of these strategic priorities are rooted in our alignment with Oman Vision 2040. By championing economic diversification, empowering the private sector, and fostering a knowledge-based economy, Bank Nizwa is actively contributing to a prosperous and inclusive future for the Sultanate.

FINANCIAL PERFORMANCE

During the quarter, your bank achieved a commendable top line 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.

The Bank's operating performance continue to show solid growth reflects our commitment to delivering exceptional value to both our valued clients and esteemed shareholders. Our Operating Income grew by 13% to OMR 15.9 million as of March 31, 2026, up from OMR 14.06 million in the same period previous year. Concurrently, Operating Expense increased by 17% to OMR 7.9 million from OMR 6.7 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 10% increase, reaching OMR 8.01 million compared to OMR 7.2 million in the prior year.

During the quarter, the Bank conducted a thorough review of critical accounts as part of our Asset Quality Management framework. To ensure long-term stability and support future growth, we proactively increased our credit loss reserves. As a result, net profit for the period was OMR 2.6 million, compared to OMR 4.5 million during the same period last year. This measured approach is a key component of our strategy to ensure the Bank remains robust, resilient, and well-positioned for the future.

The bank's Total Assets demonstrated robust expansion, reaching OMR 2.03 billion as of March 31, 2026, a 7% growth from OMR 1.9 billion reported for the same period last year. Our Gross Financing portfolio increased by 4% to OMR 1.7 billion (March 31, 2026) from OMR 1.6 billion (March 31, 2025), reflecting healthy demand for our Sharia-compliant products. The total Customer Deposit portfolio continued its strong upward trend, increasing by 4% to OMR 1.64 billion as of March 31, 2026, compared to OMR 1.58 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 8%, reaching OMR 280 million as of March 31, 2026, up from OMR 261 million the same period last year, 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.

To support Bank's next phase of growth and solidify Bank Nizwa market leadership, the Bank will be issuing Additional Tier 1 capital callable after 5 years, with an amount of OMR 15 million, and it will be a part of program value of OMR 60 million, subject to CBO and FSA approval.

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 continues to demonstrate resilience and steady growth through the first quarter of 2026, underpinned by successful diversification efforts and prudent fiscal management. The Sultanate’s non-oil sectors are driving expansion while the hydrocarbon sector maintains stable production, positioning the country favorably for sustained development under Vision 2040. Key sectors contributing to this momentum include manufacturing, construction, and tourism, supported by Oman’s growing appeal to 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 higher global prices will further accelerate revenue gains. Higher natural gas revenues and a broadening tax base are expected to support fiscal stability and overall economic health.

The banking sector remains robust in 2026, supported by a stable macroeconomic environment and improved national fiscal health. Consolidation efforts, combined with government support for small and medium enterprises, public-private partnerships, and investment climate reforms, are fostering private sector development and enhancing lending opportunities across the country. International credit rating agencies have acknowledged this positive trajectory, with S&P, Moody’s, and Fitch reaffirmed Oman’s sovereign credit rating to investment grade, reinforcing investor confidence in our financial stability.

The Islamic banking sector, in particular, continues its strong growth trajectory. We are well-positioned to leverage favorable regulatory support, increasing consumer demand for Sharia-compliant products, and the broader national push for diversification. Islamic banks stand to benefit from expansion across key non-oil sectors, including healthcare, technology, sustainable energy, fisheries, and tourism, all of which align with the objectives of Oman Vision 2040.

With a solid capital base, a diversified portfolio, and proven adaptability in navigating economic cycles, Bank Nizwa is exceptionally well-positioned to capture emerging opportunities in harmony with Oman’s economic journey. Our focus on organic growth, disciplined execution, and sustainable value creation remains the anchor of our strategy, enabling us to deliver long-term value to our shareholders while contributing to Oman’s economic transformation.

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