

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDED 31st March 2023**

Dear Shareholders,

Assalamu'alaikum Wa Rahmat Allah Wa Barakatuh,

Alhamdulillah, by the grace of Allah, we have completed another progressive quarter in our efforts to grow Sharia' compliant banking in the Sultanate.

On behalf of the Board of Directors of Bank Nizwa SAOG, I am pleased to present to you the results for the three month period ended 31st March 2023. These are based on the unaudited condensed interim financial information.

At the beginning of this year, the global economy experienced significant volatility, primarily due to a surge in prices caused by pent-up demand, supply-chain disruptions, and higher energy prices. This led to inflation breaching decades-long records in major economies, prompting central banks around the world to increase rates to control it. As a result, there has been a deceleration in monthly inflation rates. Price instability has had a ripple effect on growth, particularly in emerging economies.

However, the government of Oman's reform programs aimed at sustaining economic recovery have helped stabilize the country's economy. According to the World Bank, Oman's economy is expected to grow at the fastest pace of 4.3 percent in the GCC, with the public debt to GDP ratio decreasing to 46% due to the reforms. This has strengthened the government's sovereign balance sheet and provided other benefits to consolidate economic growth.

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 of the last two years and into 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

The start of the year 2023 was encouraging, underpinned by demand, improved crude oil prices and global recovery as a result of improved economic activities.

During the quarter, your Bank has turned in a commendable financial performance by registering six percent growth in net profit. This is the result of our ability to adapt to the economic realities, including the competitive environment in which we operate and a resilient balance sheet.

We achieved continued growth in our core businesses, where we have been investing in creating more value for our clients and our shareholders. Recorded 2% growth in shareholder's equity reflecting robust organic capital generation, and 11% growth in operating income from last year during the same period, driven by healthy activity across both our wholesale and retail businesses and control on our cost. This results from the successful execution of our strategy 2025, which requires continued focus on growing the balance sheet in a controlled manner, diversifying revenue streams, controlling expenses, improving margins, enhancing our digital capabilities, and expanding products and client base.

The Bank's total assets grew by 5% to reach 1,497 million Omani Riyals as of March 31, 2023, from 1,421 million Omani Riyals compared to the same period last year. The gross financing portfolio grew by 10% to reach 1,277 million Omani Riyals, while the total customer deposit portfolio reached 1,202 Million Omani Riyals recording a growth of 6% compared to the same period last year. This growth in financing and deposit portfolio in both businesses, retail and corporate, has provided the momentum needed to continue our growth trajectory. This momentum will enable us to achieve our long-term objectives.

An increase in operating income by OMR 1.3 million (11% YoY) while the increase in operating expenses by OMR 1.1 million (21% YoY), reflects dedicated and strategic efforts to cost management. This has led us to achieve a net profit after tax of 3.5 million Omani Riyals for the first quarter in 2023. This outcome is considered an essential milestone towards meeting the Bank's strategic plans of improving performance.

We are confident that the Bank's unchanged strategic pillars and resilient balance sheet leave us well placed to manage any economic headwinds whilst continuing to deliver good returns for our customers and improved values for our shareholders.

Further to the proposal of merging Bank Nizwa SAOG with Sohar International SAOG, with an aim to build greater synergy and scale to deliver more value to our shareholders, we are currently in the process of due diligence and any progress on this transaction will be as per the regulatory requirements and accordingly investors will be informed through MSX as and when there are any material updates.

FUTURE OUTLOOK

While developed and emerging markets have been negatively impacted by rising inflation, higher interest rates, and volatility, Oman's economy has continued to gain momentum, thanks to the revival of the hydrocarbon sector and effective government policies. Despite a projected global growth slowdown in 2023, Oman's real GDP is projected to grow by 4.3%, supported by increased hydrocarbon production and a continued recovery in non-hydrocarbon economic activity.

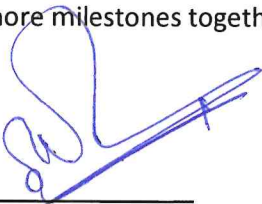
The outlook for the year 2023 is optimistic supported by an improvement in government revenues. While numerous sectors expect growth, such as manufacturing, healthcare, technology, communication, mining, sustainable energy, fisheries, food, trade and other services.

The country's banking sector, including Islamic banking, is expected to remain resilient in the face of volatile global economic conditions, and Bank Nizwa is well-positioned to capture future opportunities and deliver maximum value to its shareholders. Recent upgrades in outlook and rating by international agencies, such as Moody's and S&P, have affirmed confidence in the government's reforms and the soundness of the banking system.

ACKNOWLEDGMENT

On behalf of the Board of Directors, Executive Management and staff, I would like to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq Al Said for his foresight and visionary leadership that continues to advance the nation and the banking sector in particular. Special thanks are also extended to the Central Bank of Oman, and the Capital Market Authority for their invaluable guidance and support.

We are thrilled to celebrate our 10th anniversary, which was made possible by our hardworking employees, loyal customers, and supportive regulators and shareholders. Over the past decade, we've achieved significant milestones, including expanding our operations and diversifying our services. We're grateful to everyone who has contributed to our success and excited to continue thriving in the future with their support. Thank you for being part of this journey, and we look forward to celebrating many more milestones together.



Khalid Bin Abdullah Bin Ali Al Khalili
Chairman