

THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDING 30th June 2024

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, 2024, based on unaudited condensed interim financial information. As we conclude the first half of this year, the global economy has shown remarkable resilience despite significant interest rate adjustments by central banks aimed at restoring price stability. Some central banks, having maintained elevated rates, are now considering rate cuts as price stability targets appear achievable in the near term.

While monthly inflation rates show signs of slowing in major economies, US data still indicates persistent inflation. Recent GDP data points to a slowdown in growth, suggesting that the Federal Reserve may contemplate a rate cut later in the year.

Additionally, the subdued outlook for key emerging economies poses challenges for global trade dynamics, highlighting the interconnected nature of economies worldwide.

Confronting these challenges, the government of Oman initiated reform programs to ensure economic recovery and stability. Inflation in Oman is well contained and the government successfully reduced its debt by 11%, amounting to OMR 1.9 billion, resulting in a decreased Debt-to-GDP ratio below 38%, the lowest since 2016. Further reductions are expected, with forecasts indicating a favorable ratio of 35%. Despite challenges like increased borrowing costs, the government strengthened its position in global markets.

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

During the period, your bank achieved a commendable financial performance, with eleven percent 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 an impressive five percent, underscoring our robust organic capital generation capabilities and the enduring strength of our financial standing. While operating income saw almost no change year-over-year compared to 3% increase in operating expense, 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 1,673 million as of June 30, 2024, a 7% increase from the same period last year. The gross financing portfolio increased by 9% to OMR 1,442 million, while the total customer deposit portfolio increased to OMR 1,365 million, increased by 10% 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

The International Monetary Fund (IMF) forecasts Oman's economic growth to remain moderate at 0.9 percent in 2024 due to oil output cuts in the first half of the year. However, growth is expected to accelerate to 4.1 percent in 2025 if hydrocarbon activity rebounds following the anticipated relaxation of OPEC+ quotas.

As per IMF, projected Oman's non-hydrocarbon growth to rise to 2.6 percent in 2024 and 3.2 percent in 2025, up from 2.1 percent in 2023. Additionally, average headline inflation decelerated to zero percent in the first quarter of 2024 from 0.9 percent in 2023, reflecting the ongoing easing of core, food, and transport inflation.

These positive developments, combined with ongoing reforms, improved revenue streams, and effective expense control, garnered recognition from global rating agencies. This progress has bolstered the government's financial position, contributing to overall economic growth, leading to an upgrade in Oman's rating by Moody's Investors Service to Ba1 with a stable outlook in the first half.

Despite challenges posed by OPEC+ agreements limiting oil production growth, Oman anticipates stable oil revenues. However, higher natural gas revenues and a diversified tax base are expected to offset any declines in oil income. Additionally, as the Federal Reserve is anticipated to begin cutting US Treasury rates in the latter half of 2024, Oman is poised to follow suit, encouraging consumption and investments while maintaining subdued inflation at 2 percent. These factors contribute to an optimistic outlook for Oman's fiscal surplus, continuing the trend of financial improvement.

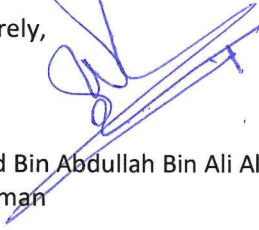
In this dynamic economic landscape, Oman's banking sector, including Islamic banking, is positioned to remain resilient. Bank Nizwa, in particular, is well-prepared to seize future opportunities and deliver optimal value to its shareholders. Recent upgrades in outlook and ratings by renowned international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

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.

Sincerely,



Khalid Bin Abdullah Bin Ali Al Khalili
Chairman

