

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDED 31st March 2015**

Dear Shareholders,

Assalam Alykum Wa Rahmat Allah Wa Barakateh,

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 first quarter ended 31 March 2015. These are based on the unaudited condensed interim financial information which has been reviewed by our external auditors.

ISLAMIC BANKING MARKET IN OMAN

The Islamic finance sector has witnessed unparalleled growth over the past two years; the industry has now entered its third year with dedicated efforts in improving the industry position. The two full-fledged Islamic banks, including Bank Nizwa and the six conventional banks with window operations are seeing the momentum building as a result of the hard work and investments into products, technology, branches and communication. We, as Bank Nizwa, in our capacity as one of the Banks offering Sharia compliant products and services, continued to work on two areas that will yield the results that we desire. We are committed to:

1. Creating awareness about the industry and its procedures with the population at large and with corporates licensed to operate in the country. We are pleased that our efforts are providing the results we desired with the consumer and are also realizing the fruits of our investment in the corporate segment.
2. Continuing our commitment to make Islamic banking more accessible by increasing our footprint.

We continued our commitment to empower local communities with knowledge on Islamic finance and shari'a-compliant products and services with the launch of our educational platform entitled "Islamic finance knowledge series". The series aims to benefit over 1000 students and academics including corporate and public sector employees.

During the first quarter the series were conducted at over 6 colleges and universities with more visits planned throughout the year. In addition, the bank continues to utilize various platforms to communication information about Islamic finance including a weekly column with Al Watan newspaper and social media posts.

FINANCIAL PERFORMANCE

The bank's total assets as end of 31th March 2015 reached Omani Riyals 259 million. During the quarter, growth in our gross financing portfolio reached Omani Riyals 177 million with more than 6900 financing accounts, this growth in financing 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.

As a result of financing growth, we enhanced the quality and diversity of revenue base towards core revenue and revenues sustainability rather than relying on one off gain which is a positive indicator to achieve our future targets and objectives.

Growth in our Customers' deposit portfolio as end of 31th March 2015 reached Omani Riyals 108 million, is a positive indicator for the bank's market share as more customers are now enjoying Sharia Compliant competitive profits and our personalised banking services. The bank is now serving more than 37,000 retail and corporate deposit accounts.

The bank maintained high assets quality without any non-performing financing since inception. In addition, the bank has strong capital adequacy ratio and sufficient liquidity assets.

Our total revenue grew 46% over same period in 2014 while expenses increased only by 5%, as our financing portfolio grows the growth in revenues will be adequate to offset the operating expenses being incurred. This will result in declining cost to income ratio to a level that is in line with matured banks.

The interim progress of the Bank is clearly evident of the positive and upward trajectory which should enable the Bank to meet the objectives for the year 2015 and going forward

THE YEAR AHEAD

Since our launch, we have focused on building our brand awareness and value. To that end, we will continue our efforts in strengthening our operations, product and service propositions with particular focus on Corporate Banking, Investment Banking, Global Markets, SMEs and mobile solutions for retail. We have believed in innovating to deliver to our customers which will continue in all our activities, in addition we continuously explore and research ways to give back to our customers and community.

We will continue to drive profitability across business segments by increasing our consumer customer base to enable cross-sell, and provide solutions for every life stage of our customers. In wholesale banking segment, we will further build our product offerings to provide comprehensive client solutions, leveraging on the existing expertise in treasury, investment banking and trade finance, having successfully established retail banking, we are seeing the momentum building in wholesale banking achievements.

ACKNOWLEDGEMENTS

We, the founders of Bank Nizwa, the Board of Directors and the Executive Management, extend our sincere thanks and gratitude to His Majesty for granting honourable approval for the establishment of Islamic banks, which allows the Bank to participate in the economic system as a result of His Majesty's visionary leadership. We also acknowledge the efforts of the Central Bank of Oman and the Capital Markets Authority for their continued support towards the success of Islamic banking.

Finally, On behalf of the Board of Directors' and Management of Bank Nizwa, I conclude this report by thanking the Shareholders, our customers and the community that continue to support us in the challenge of making successful the first Islamic Bank and thank them for their continued patronage and trust in Bank Nizwa.



Amjad Bin Mohammed Al Busaidi
Chairman