

CORPORATE GOVERNANCE REPORT

The Board of Directors of Bank Nizwa SAOG (“Bank Nizwa” or the “Bank”) is committed to the highest standards of Corporate Governance as set out in the letter and spirit of the Code of Corporate Governance laid out by the Capital Market Authority (CMA) and the regulations for Corporate Governance of Banking and Financial Institutions issued by the Central Bank of Oman (CBO).

Corporate Governance is the system of rules, practices and processes by which the Bank is directed and controlled. Corporate governance essentially involves balancing the interests of them any stakeholders in the Bank - these include its shareholders, management, customers, suppliers, financiers, the government and the community. Since corporate governance also provides the framework for attaining the Bank’s objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

The CMA Code of Corporate Governance for Public Listed Companies and the CBO circular BM 932, Corporate Governance of Banking and Financial Institutions are the principal codes and drivers of Corporate Governance practices in the Sultanate of Oman. Bank Nizwa complies with all of their provisions. The CMA Code of Corporate Governance can be found at the following website: www.cma.gov.om. Corporate Governance has also been defined more narrowly as the relationship of an entity to its shareholders; or more broadly as its relationship to society.

Board of Directors

The board of Directors (the “Board”) of the Bank was elected by the Shareholders during a Constitutive General Assembly that took place on 28 July 2012, for a period of three years according to the period specified by the law.

During the Annual General Assembly held on 25/3/2015 two board members were elected to fill two vacant seats until the end of the mandate of the current board on the date of the Annual General Assembly on 27/3/2016. The Board is responsible for overseeing the Bank’s management and business affairs and makes all major policy decisions of the Bank.

The Board is responsible for approving the financial statements of the Bank, and the overall compliance of the Bank with the applicable rules and regulations. The Board continuously protects and enhances shareholders’ value by looking after the Bank’s overall corporate governance. The Board members have acknowledged that they shall, during the term of the Board, remains compliant with the applicable rules and regulations, and they shall inform the Bank of any changes in their status which might affect their category or status. The Bank’s Board’s principal responsibilities are as follows:

- Appointing key executives with integrity, technical and managerial competence and appropriate experience, and deciding their compensation package;
- Overseeing succession planning and replacing key executives when necessary;
- Reviewing key executive and Board remuneration packages and ensuring such packages are consistent with the Bank’s corporate values and strategy;
- Ensuring a formal and transparent Board nomination process;
- Effectively monitoring and evaluating management’s performance in implementing agreed strategy and business plans, and ensuring that appropriate resources are available;

- Approving budgets, reviewing performance against those budgets and deciding on the future strategies and plans;
- Meeting regularly with senior management and respective Board Committees to establish and approve policies and review key developments;
- Identifying, understanding and measuring the significant risks to which the Bank is exposed in its business activities; and
- Board members shall independently assess and question the policies, processes and procedures of the Bank, with the intent to identify and initiate management action on issues requiring improvement (i.e. to act as checks and balances on management). Procedures may be defined to appoint advisors or external experts to assist Board members in effectively discharging their responsibilities.

Composition & Classification of the Board

Bank Nizwa is represented by eight Directors, where all of them are non-executive Directors.

Composition & Classification of the Board			
Name of Director	Category	Represents	No. of Other Directorship
1. Sayyid Amjad Mohamed Ahmed Al-Busaidi	Non-Executive	Independent	2
2. Sheikh Abdulaziz Saud Ali Al Khalili	Non-Executive	Independent	0
3. Mr. Musabah Saif Musabah Al-Mutairy	Non-Executive	Royal Guard Pension Fund	3
4. Sheikh Yousuf Yaqoob Hamed Al Harthi	Non-Executive	Independent	0
5. Sheikh Saif Hilal Nasser Al Mawali	Non-Executive	Independent	0
6. Sheikh Muadh Salim Ahmed Al Ghazali	Non-Executive	Independent	4
7. Sheikh Ahmed bin Saif Al Rawahi	Non-Executive	Independent	0
8. Dr. Said bin Mohammed Al Saqri	Non-Executive	Independent	0

Profile of Directors

Sayyid Amjad Mohammed Ahmed Al Busaidi - Chairman

Sayyid Amjad is currently Assistant Head of Admin and Finance at Diwan of Royal Court. He has served as the Executive President at the Diwan of Royal Court Pension Funds, and as Deputy Director General at the Directorate General of Financial Affairs. His list of memberships includes coveted positions such as Chairman of Oman Qatari Telecommunications Company (Ooredoo) and Vice Chairman of National Mass Housing Company. He holds a Masters of Business Administration degree from Southern Cross University, Australia.

Sheikh Ahmed bin Saif Al Rawahi - Vice Chairman

Starting his career in 1978 as the Deputy Director of Finance at the Diwan of Royal Court, Ahmed Saif Al Rawahi ascended the ranks of government while holding several corporate posts and was the Chairman of the Founding Committee at Bank Nizwa.

An economist with over 35 years of experience in Oman's government and the private sectors, Al Rawahi has served as Chairman and Member of various committees including the Diwan Pension Fund, the Y2K Task Force and the Royal Court Affairs Budget Committee. He was the recipient a string of commendations from various government bodies throughout his tenure topped by the third Order of Oman from His Majesty Sultan Qaboos bin Said for his exemplary work in civil society in 1995.

A holder of Bachelor of Science degree from the University of California in 1978, Rawahi also holds an MBA from The American University in Washington D.C. and a public finance budgeting diploma from Harvard University.

Sheikh Abdulaziz Saud Ali Al Khalili – Member

Sheikh Al Khalili is involved in the administration and management of family and private businesses for over a decade and has served at the Diwan of Royal Court for a duration of four years. He holds degrees in Science and Business Administration.

Mr. Musabah Saif Musabah Al Mutairy – Member

Mr. Al Mutairy is currently the Manager of Accounts as well as the Pension Fund Manager at the Royal Guard of Oman. He has held important positions as the Board member of Dhofar Power Company SAOG, Hotel Management Company (Chedi), Mena Resident (Bahrain), Gulf Investment Bank and Khaleeji Commercial Bank (Islamic Investment Bank, Bahrain) and has been a member of the Investment committee for Gulf Finance House, United Security GCC Fund, NIFCO GCC Fund and Royal Guard of Oman Pension Fund. He was conferred Masters of Business Administration degree with specialisation in Finance by the University of Lincolnshire Humberside (UK).

Sheikh Muadh Salim Al Ghazali – Member

Sheikh Muadh is the General Manager for a real estate company and has had a successful career spanning six years, working with Group companies in the Sultanate of Oman. He is a member of the Board of Directors for Golden Group of Companies and Ministry of Manpower and holds degrees in Science Accounting from Majan College.

Dr. Said bin Mohammed Al Saqri - Member

Dr. Said Al Saqri came and brings with him more than 20 years of experience as the Director of Councils and Committees at the Office of the Advisor to His Majesty Sultan Qaboos bin Said for Economic Planning Affairs. Starting his career as an Economic Researcher, Said Al Saqri is an expert of economic and financial policy formulation and bilateral and multilateral trade relations development.

Saqri is the author of several papers on trends and growth in the GCC along with a conference paper titled Total Factor Productivity, Innovation and Source of Growth in the Omani Economy for the University of Cambridge.

A Hubert H. Humphrey Fellow, Saqri also holds a PhD on petroleum resources, linkages and development from Victoria University in Australia and Masters of Science degree holder for financial economics from Boston University.

Sheikh Saif Hilal Nasser Al Mawali – Member

Sheikh Saif has worked for the Ministry of Commerce and Industry and the Directorate General of Organisations and Foreign Relations. He has served as the Custom Clearance Officer at the Sultan Qaboos Port and also as the Customs Liaison Officer for the regional office for MENA and Near East region. He has been a member at the FTA negotiations between Oman and USA along with several other key positions in related fields. Sheikh Al Mawali's experience also spans across the private sector as he has successfully overseen the development of various real estate projects in Oman. He has received a Bachelor's degree in Economics from Arkansas University in USA.

Sheikh Yousuf bin Yaqoub Al Harthy – Member

Sheikh Yousuf is the CEO of Mazoon Trading & Contracting, and is also the founding member, Board member and executive committee member of United Finance S.A.O.G and many such prestigious organisations. Over and above his various achievements he has been serving as the Honorary Consul of Chile to the Sultanate since 1988. He received the Bachelor of Business Administration degree from USA.

Meetings and Remuneration of the Board

The Board meets regularly, to discharge its duties, monitor the executive management, and exercise necessary control over the Bank's functioning. The Board conducts its business in formal meetings. In Board meetings, the "majority" is computed as the absolute majority of the Directors present in person. During the financial year ended in 31/12/2015, the board has conducted seven meetings.

The attendance schedule of the meetings conducted during this year, and each Board member's attendance is as per the following:

Board Members Attendees for the year 2015							
Name of Director	29/1/2015	26/2/2015	28/4/2015	28/7/2015	14/9/2015	26/10/2015	16/12/2015
Sayyid Amjad Mohamed Ahmed Al-Busaidi	√	√	√	x	√	√	√
Sheikh Abdulaziz Saud Ali Alkhalili	√	√	√	x	√	√	√
Mr. Musabah Saif Musabah Al-Mutairy	√	√	√	√	√	√	√
Sheikh Yousuf Yaqoob Hamed Al Harthi	√	√	√	√	√	√	√
Sheikh Saif Hilal Nasser Al Mawali	√	√	√	√	√	√	√
Sheikh Muadh Salim Ahmed Al Ghazali	√	√	√	√	√	√	√
Sheikh Ahmed bin Saif Al Rawahi	√	√	√	√	√	√	√
Dr.Said bin Mohammed Al Saqri	x	√	√	√	√	√	√

Board of Director has received an amount of RO 49,200 as sitting fees for the year ended December 31, 2015, which included the Board sub-Committees, where the sitting fees per each Director did not exceed RO 10,000 as per the guidelines of CMA.

The total remuneration received by the top 5 Executives in Management during the year ended December 31, 2015 is 804,721 RO

Committees of the Board

The Board of Directors has created various sub-committees for specific purposes with the clearly defined term of reference and responsibilities. The committees' mandate is to ensure focused and specialized attention to specific issues related to the Bank's governance. The various committees of the Board together with the Internal Audit, Risk and Compliance Department form an important tool in the process of corporate governance.

Board Executive Committee

The members of the Board Executive Committee are playing an increasingly important role to ensure that the financing exposures and investments conform to the respective policies of the Bank and to ensure implementation of the Business Strategy, Policies and Procedures of the Bank.

Executive Committee	
Name of Members	No. of Meetings Attended
Musabah Saif Musabah Al-Mutairy;	4
Sheikh Saif Hilal Nasser Al Mawali	4
Sheikh Ahmed Saif Al Rawahi (Chairman)	4
Dr. Said Mohammed Al Saqri	3
Total Number of Meeting Held During the year:	4

Board Audit Committee

The main functions of the Audit Committee are to assist the Board in discharging its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Bank's process for monitoring compliance with laws and regulations and the code of conduct. Accordingly, to ensure the balance, transparency and integrity of published financial information.

The Audit Committee also reviews the effectiveness of the Bank's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditors; the

Bank's process for monitoring compliance with local laws and regulations affecting financial reporting and, if applicable, its code of business conduct.

Audit Committee	
Name of Members	No. of Meetings Attended
Yousuf Yaqoob Hamed Al Harthi- Chairman	4
Musabah Saif Musabah Al-Mutairy	4
Sheikh Saif Hilal Nasser Al Mawali	4
Total Number of Meeting Held During the year:	4

Board Remuneration & Nomination Committee

The role of the Board Remuneration & Nomination Committee is to review and approve the selection criteria and appointment procedures for the Chief Executive Officer, Senior Management and any other key position as may be determined by the Board of Directors or the applicable laws, rules and regulations. The Committee also ensures application of the remuneration framework for the Chief Executive Officer, Senior Management and any other key position as may be determined by the Board of Directors or the applicable laws, rules and regulations.

Remuneration & Nomination Committee	
Name of Members	No. of Meetings Attended
Sheikh AbdulAziz Saoud Ali Al Khalili	3
Sheikh Muadh Salim Ahmed Al Ghazali.	3
Sheikh Ahmed bin Saif Al Rawahi	3
Total Number of Meeting Held During the year:	3

Board Governance Risk Committee

The Board Governance Risk Committee's (BGRC) primary function is to assist the Bank's Board of Directors in fulfilling its governance, compliance and risk management responsibilities as defined by applicable laws, Central Bank of Oman regulations and the Bank's internal regulations. As such, the BGRC exercises the authority and power delegated to it by the Board. The BGRC's function is one of oversight, recognising that Top Management is responsible for executing the Bank's risk management policies. BGRC will neither be involved in the day-to-day management of risk nor in assessing / approving single transactions regardless of amount or risk level.

Risk Committee	
Name of Members	No. of Meetings Attended (BGRC) meetings
Sayyid Amjad Mohamed Ahmed Al-Busaidi - Chairman	2
Sheikh Muadh Salim Ahmed Al Ghazali.	2
Sheikh AbdulAziz Saoud Ali Al Khalili	2
Total Number of Meeting Held During the year:	2

Major Shareholders

Bank Nizwa incorporated with a capital of RO 150 million. The Bank's shares are listed on the Muscat Securities Market. The Shareholders, holding more than 5% as on December 2015 are tabulated hereunder:

Major shareholders	%
Civil Pension Fund	6.874
Al Ghadeer Investment	6.667
Diwan of Royal Court Pension Fund	5.000

Bank Nizwa Share Price Movements

DATE	HIGH	LOW	CLOSE	AVERAGE INDEX MSM
Jan-15	0.082	0.077	0.080	6,470.97
Feb-15	0.094	0.080	0.089	6,647.68
Mar-15	0.090	0.080	0.086	6,351.71
Apr-15	0.080	0.078	0.078	6,295.82
May-15	0.078	0.072	0.075	6,357.14
Jun-15	0.075	0.072	0.073	6,458.25
Jul-15	0.078	0.073	0.074	6,500.56
Aug-15	0.074	0.062	0.065	6,197.17
Sep-15	0.065	0.061	0.061	5,772.40
Oct-15	0.081	0.062	0.080	5,898.79
Nov-15	0.081	0.072	0.072	5,820.09
Dec-15	0.075	0.070	0.070	5,435.61

Source: BLOOMBERG

Communication with Shareholders and Investors

The Management Discussion and Analysis Report form part of the annual report besides detailed disclosures in accordance with regulatory requirements and international standards. The Bank publishes its interim financial statements on quarterly basis and also hosts these and other relevant information at its website (www.banknizwa.om) and Muscat Securities Market (MSM) website (www.msm.gov.om). The quarterly results are also published in two local newspapers in Arabic and English. These results remain available for the shareholders from the Bank. Bank's official news releases are displayed on the Bank's website.

Compliance with Regulatory Requirements

During the Calendar Year 2015, the Central Bank of Oman levied a monetary penalty of RO. 7,500/- (Rial Omani Seven Thousand Five Hundred Only) on account of noncompliance related to some operations issue(s). However, the Bank has already initiated corrective measures to set the situation right and is in compliance with the issue(s) raised by the Regulator in this regard.

Dividend Policy

The Bank's dividends policy complies with the CBO and Capital Markets Authority guidelines. The Bank follows a conservative dividend policy and shall recommend the distribution of the dividends to the shareholders after due consideration of the regulatory guidelines, the future growth expectations, AGM approval and other factors.

Sharia Supervisory Board

Shareholders have elected during the Constitution General Assembly held on 28 July 2012, members of the Sharia Supervisory Board ("SSB"). The SSB members were re-elected on March 25, 2014 for a period of one year. The current SSB Members include the following scholars:

1. Dr. Abdul-Sattar Abdul-Kareem Abu Ghuddah (Chairman)
2. Sheikh Dr. Mohammad bin Rashid Al Gharbi
3. Sheikh Ibrahim bin Nasser Al Sawwafi

The main roles and responsibilities of the SSB

- Sharia Compliance department (SCD) is an element of the governance structure as established in Bank Nizwa and approved by the Sharia Supervisory Board (SSB). An effective Sharia policy enhances the diligent supervision of the Board of Directors (BOD), the SSB and the Management of the Bank to ensure that the operations and business activities of the Bank remain consistent with Sharia principles and its requirements.
- To ensure Sharia compliance in all aspects of Islamic banking activities of the Bank, the Central Bank of Oman (CBO) has mandated several provisions in relation to the establishment of a SSB and an internal SCD in an Islamic Bank. The SSB is an independent Sharia supervisory body which plays a vital role in providing Sharia views and rulings pertaining to Islamic finance and investment activities of the Bank. The SSB also acts as a monitoring body which performs a supervisory role through the Sharia Compliance Department to maintain Sharia compliance in the operations and business activities of the Bank.
- At the institutional level, SCD acts as an intermediary between the SSB and the Management team of the Bank. The SCD together with the SSB has the role to provide Sharia resolutions and guidelines to the Management who shall ensure that all activities of the Bank are in compliance with the Sharia rules and principles, in accordance with the guidelines laid down by Islamic Banking Regulatory Framework issued by the CBO. The accountability to ensure Sharia compliance as well as the implementation of SSB Sharia rulings remains with the BOD and the Management of the Bank.
- SCD reports functionally directly to SSB reports in parallel to CEO with respect to administrative issues. SSB through SCD provides copies of its Sharia decisions and resolutions to Board of Directors and CEO because management is responsible to assure that Sharia resolutions are executed in the transactions and all products and services of the bank. SSB reports its findings directly to the general assembly of shareholders at the end of each year.

- Sharia Compliance Department performs its functions based on the Sharia guidelines provided by CBO in the IBRF, and by Sharia rulings and resolutions issued by SSB, as well as the Sharia Standards issued by AAOIFI. To ensure Sharia compliance of transactions, SCD consistently conducts Sharia review before execution of transactions and Sharia audit after execution. Sharia review and audit encompasses each type of transaction across business lines, the relevant documentation and execution procedures. The overall Sharia Compliance activities are reported in the monthly report which is sent to CEO and the same report is provided to the SSB on its quarterly meeting. Meanwhile, Sharia non-compliance risk management report is done on monthly basis to record and evidence any Sharia non-compliant event, and suggested.
- Sharia Audit unit executes continuous audit for transactions of all departments. Its observations and findings are reported by Sharia Audit report to SSB which is also conveyed and discussed with Management, with documentation of Management responses in addition to recommending action plan for each observation.
- To ensure Sharia compliance in execution, all transactions are executed according to Standard Operating Procedures prepared by the Operations Department and approved by the concerned department heads including Sharia. Sharia audit uses check lists as per SSB Sharia guidelines to meet Sharia requirement and ensure that the SOPs are adhered to during execution.

Schedule of attendance for Sharia Supervisory Board members for the year 2015:

Name of Director	Position	01/03/2015	03/05/2015	29/07/2015	18/11/2015
Dr. Abdul Sattar Abou Ghuddah	Chairman	√	√	√	√
Sheikh Mohamad Al-Gharbi	Member	√	√	√	√
Sheikh Ibrahim Al Sawwafi	Member	√	√	√	√

Details of attendance in Sharia executive committee meeting held during the year 2015:

Executive Committee	
Name of Members	No. of Meetings Attended
Sheikh Dr. Mohamad Al-Gharbi	12
Sheikh Ibrahim Sawwafi	12
Total Number of Meeting Held During the year:	12

Details of Sharia Board Members remuneration during the year 2015:

No	Sharia Board Member	Total Remuneration
1	Sheikh Abdul Sattar Abou Ghuddah	16,529
2	Sheikh Ibrahim Al Sawwafi	17,646
3	Sheikh Mohammed Al Gharbi	17,646
	TOTAL AMOUNT	51,821

Sharia Supervisory Board Members Profile

SH. Mohammed Taqi Usmani (Ex-SSB Chairman – Until 03/2015)

Sheikh Muhammad Taqi Usmani joined Bank Nizwa as the Chairman of the Sharia Supervisory Board in July 2012. Sheikh Usmani is an expert in Islamic Finance, Islamic jurisprudence, research and banking

In addition to his role as Chairman of the Bank Nizwa Sharia Board, Sheikh Usmani also serves as Chairman of the Sharia Supervisory Board Standard of Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain (AAOIFI). He also sits on the Sharia Board at several other institutions around the world including the International Islamic Fiqh Academy in Jeddah, and the Islamic Fiqh Academy of Muslim World League in Makkah, KSA.

During his tenure, Usmani pioneered the concept of Islamic Banking in Pakistan when he participated in establishing the Meezan Bank in 1997. Today, he is considered one of the most influential Islamic authors outside the Middle East with published works in Arabic, Urdu and English. In 2004, Usmani was presented with an award in recognition of his lifetime service and achievement in Islamic Finance by United Arab Emirates Vice President and Prime Minister Mohammed bin Rashid Al Maktoum during the annual International Islamic Finance Forum (IIFF).

A Master's degree holder in Arabic literature from Punjab University, Usmani obtained his degree in Islamic education from Darul Uloom Karachi, the largest and most renowned Islamic educational institution in Pakistan and a law degree (LLB) from Karachi University.

Due to health reasons, Sheikh Usmani apologized from renewing his Sharia advisory contract with bank Nizwa as of the end of March 2015.

DR. Abdul-Sattar Abdul-Kareem Abu-Ghuddah(Deputy Chairman – Currently Chairman)

Dr. Abdul Sattar Abdul Kareem Abou Ghuddah is currently the Chairman of the Bank Nizwa Sharia Supervisory Board.

He is an active member of Islamic Fiqh Academy evolving from the Organization of Islamic Assembly in Jeddah, KSA, and a member of the Sharia Supervisory Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain. He is currently the Chairman and a member of the Sharia Supervisory Boards of a number of Islamic Banks and institutions in the region including the Sharia Supervisory Board of the Central Bank in Bahrain, and Dow Jones index, USA.

Prior to his current roles, Dr. Abu-Ghuddah held the positions of Expert and Reporter for the Islamic Fiqh Encyclopedia, Ministry of Awqaf & Islamic Affairs, Kuwait. He is also the author of several books on Islamic jurisprudence and Fatwa of modern financial transactions and other specialist Islamic subjects.

Dr. Abou Ghuddah holds two Bachelor degrees in Law and Sharia from the University of Damascus, and two Master's Degrees in Sharia and Hadith and a PhD degree in Comparative Islamic Jurisprudence from Al-Azhar University in Egypt.

SHEIKH DR. Mohammed Bin Rashed Al-Gharbi (Member)

Sheikh Mohammad bin Rashid Al-Gharbi has been a member of the Sharia Supervisory Board at Bank Nizwa since July 2012.

Sheikh Al-Gharbi is currently Assistant Professor in the Department of Islamic Sciences at Sultan Qaboos University. He is a published academic with an extensive research portfolio, based upon his contribution and attendance of seminars and conference proceedings across many countries. In addition to his written volumes, Sheikh Al-Gharbi has delivered his research into Sharia throughout numerous academic papers on financial transactions within Islamic jurisprudence.

Sheikh Al-Gharbi holds several degrees, including a Bachelor's from the Sharia Justice Institute in Oman, a Master's degree from Jordan University and a PhD within the field of Islamic Sciences from Zaytouna University in Tunisia.

SHEIKH Ibrahim Bin Nasser Al-Sawwafi (Member)

Sheikh Ibrahim Bin Nasser Al -Sawwafi joined Bank Nizwa as a member of the Sharia Supervisory Board in July 2012. In his capacity, Sheikh Al-Sawwafi also serves as the Fatwa Trustee for the Mufti of Oman and a Member of the Committee for Endowments and Zakat at the Ministry of Endowment and Religious Affairs.

As an eminent scholar, he contributes to various radio and television programs presenting Islamic issues and pens for several newspaper columns and articles. He has written more than twenty books and organized training sessions on various Islamic topics while regularly attending conferences on areas such as Islamic Finance, Takaful, Sukuk, Corporate Governance, Islamic Jurisprudence to name few.

Sheikh Al-Sawwafi holds a degree of high judicial license from the Sharia Justice Institute, graduating with distinction, and is a prominent professional Sharia Auditor, certified by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Profile of Management Team:

Dr. Jamil El Jaroudi, Chief Executive Officer – Lebanese national with over 40 years business experience. Dr. Jaroudi started his gulf experience in the 1970s as a consultant with Booz Allen Hamilton, in the UAE and the Kingdom Of Saudi Arabia, after which he held various senior executive roles with Al Mawarid Group, Saudi Arabia. In 1996 he coestablished the Middle East Capital Group in Lebanon, the region's first merchant bank with a pan-Arab focus. Subsequent to this Dr. Jaroudi held senior positions with DMI Trust, Islamic Investment Company of the Gulf and Shamil Bank, and was involved in the establishment of Arab Finance Bank in Lebanon and most recently Elaf Bank in Bahrain, where he was the Chief Executive Officer.

Dr. Jaroudi holds an MBA from the Ivy League school Columbia University, and a PhD in Finance from Kellogg School, Northwestern University, USA. Among other activities for NGOs and charitable organizations, he is a Board member of the Beirut Islamic University, and a

member of the Board of Trustees of the Lebanese American University Institute of Family Businesses. Just recently, Dr. Jaroudi was nominated on the Governing Council of INCEIF, the Global University of Islamic Finance in Malaysia.

Dr. Ashraf Nabhan Al Nabhani, GM Corporate Support - Omani National; Dean of the College of Banking & Financial Studies, after having worked for several years in the Ministry of Finance & Economy and the Capital Market Authority; Has been on the Board of a number of newly established listed companies. He received his PhD in Financial Markets from the University of Cambridge in the UK.

Khalid Jamal Al Kayed, General Manager Finance – Jordanian national, has 21 years of experience in the field of banking and finance. Prior to joining Bank Nizwa, Mr. Al Kayed worked for three years with Jordan Dubai Islamic Bank as the Deputy CEO – Chief of Finance. He started his career as a supervisor for Jordan National Bank in 1993 and moved on to challenging positions as Financial Controller with Jordan National Bank OBU Cyprus-Limassol. He held the position of Chief Financial Officer for three years in Standard Chartered Bank-Jordan. He holds an CMA (Certified Management Accounting) and CFM (Certified financial Manager)..

Helmi Izham bin Harun Rashid, General Manager Wholesale Banking– Malaysian national, has 19 years of experience working for prestigious banks in Malaysia and the Middle East. Prior to joining Bank Nizwa he was working with Elaf Bank in Bahrain where he held the position of General Manager of Treasury and Capital Markets for four years. He has held senior management positions with Bank Muamalat Malaysia Berhad, Standard Chartered Bank Malaysia Berhad and Commerce, International Merchant Bankers Bhd. During the first half of his career he held various positions in Investment Operations and Financial Markets.

Shantanu Ghosh, DGM Operations – has over 34 years of working experience. Mr. Ghosh was DGM Operations, Information Technology and E-channels in one of the leading bank in Oman. He worked as Head of Central Banking & Capital Markets in iGate Patni which is a provider of IT services & Business solutions and is a subsidiary of iGATE Corporation. Between 2001 and 2007 he was the Country Head for Retail Banking in India for ING Bank. Mr. Ghosh holds a Master in Economics and Post Graduate Diploma in International Trade.

Nasser Said Al Lamki, GM Internal Audit has over 20 years of banking experience; Mr. Lamki was Vice President of Audit in one of the leading Islamic Bank in Saudi Arabia. He holds ACCA qualification the Association of Chartered Certified Accountants.

Yousif Mohamed Janahi, Assistant General Manager IT – Bahraini national, has more than 25 years of experience in the field of banking and finance. Prior to joining Bank Nizwa, Mr. Al Janahi worked for five years with Elaf Bank as Head of IT. He started his career as Head of Systems for Bahrain Islamic Bank in 1990 and moved to Bank of Bahrain and Kuwait as supervisor in 1988 and Assistant manager for National Bank of Bahrain in 1996. He holds PhD (The Practice of International Transfer Management: Strategic Management in Multinational Corporations).

Asad Batla - AGM Retail Banking, – Australian national and has an MBA in Finance and Marketing from LUMS and B.S in Electrical Engineering from Rutgers University, USA. He has over 20 years of industry experience having worked in Banks like Citibank where he was Senior Vice President Cards in South Korea, ANZ Banking Group as Head of Cards Portfolio in Australia, Barclays Bank as Retail Banking Director Egypt and more recently Islamic banks where he served as Head of Retail Banking Noor Bank, UAE, Group Head Retail Banking Ajman Bank UAE. Over these years Asad has managed various regional and senior country positions, working across and managing geographies like, Korea, Indonesia, Philippines, Pakistan, Middle East and Australia. Over the last two decades his experience has been in establishing businesses, growing them and in a few cases managing in an economic downturn. Asad has managed complex P&L businesses in many countries and large scale bank integrations over his career. In the last seven years he has played instrumental part in establishing and running of two successful Islamic Banks. Noor Bank of UAE and the most recent one is our Bank Nizwa, the first Islamic Bank of Oman. Asad is currently AGM Retail Banking Heading the Retail Banking division of Bank Nizwa.

Related Party Transaction

Details of related party transaction have been disclosed in the financial statements without any special rate or treatment for the SSB members.

Internal Control review

The board gives great importance to maintaining a strong control environment and board review has covered all controls including financial, operational, compliance and risk management.

The board has established a management structure that clearly defines roles and responsibility and reporting lines and has approved the policies.

Financial information is prepared using appropriate accounting policies that are consistently applied. Operational procedures and controls have been established to facilitate complete accurate and timely processing to transactions and the safeguarding of assets through policies and procedures manuals, desk performance instructions and other circulars

Auditors' Profile

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2015. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1974. KPMG in Oman employs more than 180 people, amongst whom are 4 Partners, 7 Directors and 21 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 150 countries and has more than 174000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOGs). During the year 2015, KPMG billed an amount of RO 35,500 towards professional services rendered to the Company (RO 34,150 for audit and RO 1,350 for tax and other services)"

Declarations

For the reporting year the board has conducted a review of the effectiveness of the Bank's internal control, policies and procedures; and is satisfied that the Bank's internal control are effective and that appropriate procedures are in place to implement the regulatory and internal requirements.

Further, the Board of Directors confirms that there is no issue on going concern and that the Bank is able to continue its operations during the next financial year.