

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK NIZWA SAOG

Report on the financial statements

We have audited the accompanying statement of financial position of Bank Nizwa SAOG (the "Bank") as of 31 December 2017, and the related statements of income, cash flows, changes in owners' equity and sources and uses of charity fund for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2017, the results of its operations, cash flows and changes in owners' equity and sources and uses of charity fund for the year then ended in accordance with the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and the Financial Accounting Standards issued by AAOIFI.

Report on other legal and regulatory requirements

In our opinion the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Capital Market Authority of the Sultanate of Oman as set out in note 2.1 of the financial statements.

Ernst & Young LLC
Sanjay

Sanjay Kawatra
Muscat
28 February 2018



STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RO	2016 RO
Assets			
Cash and balances with Central Bank of Oman	4	42,813,968	16,599,658
Due from banks and financial institutions	5	3,464,495	4,919,573
Inter-bank Wakala investments	6	16,397,550	41,397,905
Financial assets at fair value through equity	8	40,721,137	22,359,510
Financial assets at amortised cost	9	7,000,000	7,000,000
Sales receivables and other receivables – net	7	161,398,328	100,103,333
Musharaka Financing – net	10	25,726,666	799,441
Investment in real estate	11	14,175,000	14,175,000
Ijara Muntahia Bittamleek – net	12	282,109,561	234,053,765
Wakala Bil Istethmar – net	13	91,310,805	62,850,817
Property and equipment – net	15	2,428,106	3,105,323
Intangible assets	16	2,203,452	2,121,330
Other assets	17	6,888,903	6,509,722
Total assets		696,637,971	515,995,377
Liabilities, equity of unrestricted investment accountholders and owners' equity			
Liabilities			
Inter-bank Wakala	18	19,338,529	23,232,872
Customers' Wakala	19	229,764,141	124,176,399
Customers' accounts	20	68,310,219	69,117,814
Other liabilities	21	20,400,075	13,432,586
Total liabilities		337,812,964	229,959,671
Equity of unrestricted investment accountholders	22	228,075,630	158,974,261
Owners' equity			
Paid-up capital	23	150,000,000	150,000,000
Share premium	24	2,091,192	2,091,192
Investment fair value reserve	25	35,746	134,314
Legal Reserve	25	389,622	10,972
Special reserve		3,975	-
Accumulated losses		(21,771,158)	(25,175,033)
Total owners' equity		130,749,377	127,061,445
Total liabilities, equity of unrestricted investment accountholders and owners' equity		696,637,971	515,995,377
Net assets per share (RO)	36	0.087	0.085
Contingent liabilities and commitments	26	225,444,814	161,176,664

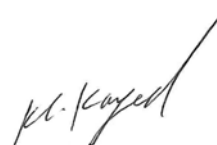
The financial statements were approved by the Board of Directors on 28 January 2018 and signed on their behalf by



Amjad Bin Mohammed Al-Busaidi
Chairman



Ahmed Bin Saif Al Rawahi
Vice Chairman



Khalid Al Kayed
Chief Executive Officer

The attached notes 1 to 42 form part of these financial statements.