

Chairman's Report

In compliance with the rules and guidelines on Disclosure issued by the Capital Market Authority vide their administrative decision No. 1/2009 dated 18th June 2009, Bank Nizwa (the "Bank") announces its unaudited results for the quarter ended on 31 December 2012, taking into consideration that the Bank opened its doors to the public 10 days after the reported period, i.e. 10th of January 2013.

Firstly, on behalf of the Founders of Bank Nizwa, the Board of Directors Member and the Executive Management we extend our sincere thanks and gratitude to His Majesty for granting honorable approval for the establishment of Islamic banks, which no doubt will add a new tributary to the banking sector in Oman, and we ask Almighty God to help us all.

It is well-known now, that the demand for Shari'a Compliant banking products is increasing, and Islamic banking has grown globally over the past few years to reach more than a trillion US dollar by end of 2012, where the total assets of Islamic banking in GCC is around 127 billion i.e. 12% of the total global Islamic assets, and it has been growing for several years. We hope that Islamic Banking in Oman will grow to 20% of the total banking assets in Oman in the coming years, and we hope to achieve this through Bank Nizwa, other Islamic banks and Islamic windows being established by other banks in Oman.

This close correlation between financial assets expansion and growth in the economy, in real terms should augur well for the Islamic banking industry in Oman. Oman offers a very supportive economic and demographic environment for the Islamic Banking industry marked by a high GDP and stable population growth. Besides, there is substantial unmet demand for Shari'a compliant products and Oman's residents and corporates are looking forward to the launch of Islamic finance products in the market. This aspiration was clearly reflected in the overwhelming over-subscription during the IPO and where more than 99% of the capital was Omani funds.

This demand will undoubtedly give a boost to the country's economic growth and as pioneers in this domain, we at Bank Nizwa are committed to the development of Islamic banking and contributing to the development of Oman.

Bank Nizwa has hired and collaborated with international and regional experts in Islamic banking, and has a dedicated and highly skilled staff as well as very experienced industry experts at the managerial level who are driven towards creating a prosperous society and a stable economy. Equipped with state-of-the-art banking systems and software and prudent policies and procedures, Bank Nizwa is committed to offer its customers the best Islamic Banking experience.

Financial Performance of the Bank during 2012

Bank Nizwa was granted the final license from the Central Bank of Oman on 19th of December 2012, after the issuance of the Royal Decree No. 69/2012 dated 6th of December 2012 amending the Omani banking law.

The Bank started its operation on Thursday 10th of January 2013 through three branches in Muscat, Nizwa and Sohar, and we have plans to expand more, which we will be announcing in the coming days.

The Bank started its soft operation on 23rd of December 2012, where the total assets of the Bank for the quarter ended 31st December 2012 reached one hundred forty eight million, three hundred and sixty six thousand Omani Riyals, which is mainly comprised of placement with banks, which resulted mainly from the shareholders equity available to the Bank.

The Bank opened its doors to the public on 10th of January 2013, with three branches, Muscat, Nizwa and Sohar to build up a customer base and attract depositors, financing and investment through portfolios for individuals and corporates.

The unaudited financial results shows that the net loss of the Bank for the period ending 31st December 2013 is four million eight hundred and twelve thousand OMR, which all resulted from building a solid infrastructure for the Bank through investing in Human Capital, with state-of-the-art banking systems and software, equipping the branches and Head Quarters, which all took place during the preparation period before receiving the final license, these amount represents the pre-incorporation expenses in addition to the pre-operating expenses, knowing that the Bank was not able to invest its share capital before receiving the final license which took place on 19th of December 2012, as mentioned above. However, this is normally expected upon establishing any new bank, not to mention being the first Islamic Bank in the Sultanate, which required a lot of consultancy work and studies.

The Bank believes that all what has been prepared during the said period would be a fundamental pillar of the Bank's strong start in the coming years by taking advantage of staff expertise and the application of modern systems and the expansion of the branch network.



Amjad Mohamed Ahmed Al-Busaidi
Chairman