

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDED 31st MARCH 2017**

Dear Shareholders,

Assalamu'alaikum Wa Rahmat Allah Wa Barakatuh,

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 31st March 2017. These are based on the unaudited condensed interim financial information which has been reviewed by our external auditors.

The start of the year was encouraging for the Islamic banks as the Islamic finance sector has shown a significant progress during the first quarter of the year. The growth in Islamic finance sector has outperformed the market and we believe that it has enormous potential and opportunities to grow despite the challenges the banking sector is facing. Being the first Islamic Bank of the Country, it becomes our responsibility to continue working for creating awareness about the industry and its procedures and make Islamic banking more accessible for population at large by investing in technology, distribution and communication.

The focus was continued to build on the momentum generated over the period to increase profitability by executing our 2020 ambition and related growth strategy, and our ability to adapt to the economic realities including the competitive environment in which we operate. This we achieved without compromising on our commitment to provide unsurpassed customer experience and our core values.

During the quarter our primary focus was on growing our balance sheet in a controlled manner, diversifying revenue streams, and expanding our products and client base in addition to enhancing delivery channels capabilities. This is in line with our strong determination to take the Bank Nizwa success story to the next level.

We will continue to demonstrate a strong and resilient business model, built upon strategy aiming to deliver a solid financial performance across businesses through a customer-centric approach, a stable and conservative liability base, a culture of service excellence and efficiency, diligent risk management and highly talented staff.

FINANCIAL PERFORMANCE

The bank's total assets as end of March 2017 reached 562 Million Omani Riyals. During the quarter, our gross financing portfolio grew to reach 453 Million Omani Riyals while total customer deposit portfolio reached 397 Million Omani Riyals. 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.

Total revenue grew by 37% over the same period in 2016 while operating expenses increased only by 5%. This has led to achieve net profit after tax of 593 Thousand Omani Riyals. This is considered an important milestone towards meeting Bank's strategic plans of improving the performance and write-off the accumulated losses. Despite the more challenging year for liquidity, the Bank's balance sheet remains strong due to excellent asset quality and robust capital ratios.

FUTURE OUTLOOK

Amidst the global economic slowdown and lower oil price scenario, the Oman's economy growth is expected to recover and it is projected that GDP will grow by 2% and banking sector credit will grow by 8% to 10% in 2017. There have been number of positive recent fiscal and government initiative providing support to the economy, such as Tanfeeth program. Although the government has reduced its involvement, however the development process will continue this year. There is more impetus on the private sector to take forward the development process which will increase demand for credit. Numerous sector in Oman economy has a positive economic outlook entering 2017, including airlines, tourism, logistics, health care, trade and transportation.

Oil prices are expected to stay in the range of USD 50 to USD 55 per barrel. OPEC's production cut agreement has now been in force for a full three months, allowing for some perspective on supporting the oil market. Judging from the price response, compliance with the cuts by OPEC and non-OPEC producers and the impact on inventories the cuts have helped to keep the market from falling further but have not yet prompted a major turnaround in prices. We expect OPEC will extend its production cuts for another six months but an eventual return to supply growth will act as a further barrier to price rallies.

The Oman's economic environment and specifically banking sector in 2017 will continue to capitalize on its key competitive advantages to show further resilience in a volatile global economic backdrop. In addition, local authorities are working on enhancing the Oman's model by implementing various regulations to safeguard the country's economy and maintain its growth, through the implementation of number of new initiatives, in line with government vision in regards to gradual fiscal consolidation. Taking advantage of the expansion of economic activity and government's initiative of diversification, the Bank's strategy is well set to keep Bank Nizwa on the growth path.

We are fully confident that the Bank is on a right track to capture future opportunities, support sustainable growth and continue to maximise shareholder value.

ACKNOWLEDGEMENT

On behalf of the Founders, Board of Directors, Executive Management and staff, I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin Said, for his foresight and visionary leadership that continues to advance the nation and the banking sector in particular. Special thanks are also extended to the Central Bank of Oman and the Capital Market Authority for their invaluable guidance and support that has ensured the success of Islamic banking in the Sultanate.

I would also like to thank all our shareholders and customers for their loyalty and trust as we continue to retain our position as the largest full-fledged Islamic bank in the Country.



Amjad Bin Mohammed Al Busaidi
Chairman