

THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 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 you the results for the Third quarter ended 30 September 2015. These are based on the unaudited condensed interim financial statement which has been reviewed by our external auditors.

ISLAMIC BANKING MARKET IN OMAN

The Islamic finance sector has shown a significant progress during the period. The industry has now entered its third year with dedicated efforts in improving the industry position. We believe that Islamic Banking has good potential and opportunities to grow. To strengthen the Islamic Banking sector, we believe as the First Islamic Bank, we are responsible and committed to continue working for creating awareness about the industry and its procedures and make Islamic banking more accessible for public at large by investing in technology, distribution and communication.

The focus for Bank Nizwa will be continued to build on the momentum generated over the period as a leader in Islamic Banking. This is a challenging juncture for the Islamic Banking industry and overall economy with low level of oil prices. However, the Oman government will overcome these challenges with government economic diversification efforts and contribution of private sector will fuel the Country's growth.

Key indicators of the banking sector are at comfort level with a decent growth in total assets. Banking sector continued to maintain capitalization levels well above the regulatory requirements which show soundness of the banking sector. Despite the competitive environment in the market, we will continue to observe conservative risk management practices and remain vigilant to any unexpected changes in the market environment. We believe that through our prudent approach to business, supported by our highly competent management and strategy, we have managed to steer a steady path through the challenges of current period and we are now well positioned in terms of our future growth strategy and to compete with the peers in the market.

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FINANCIAL PERFORMANCE

The bank's total assets as end of 30th September 2015 reached Omani Riyals 316 million. During the quarter, growth in our gross financing portfolio reached Omani Riyals 241 million with more than 9,700 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.

The growth in our Customers' deposit portfolio as end of 30th September 2015 reached Omani Riyals 171 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 47,000 retail and corporate deposit accounts.

The bank maintained high assets quality since inception. In addition, the bank has strong capital adequacy ratio and sufficient liquidity assets.

Our total revenue grew 55% over same period in 2014 while expenses increased just by 5%, and 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

The decline in the oil price will have some impact on asset growth of banks across the GCC region in 2015 which will improve gradually in the coming years with the efforts of diversification; however, the Country is financially in stable position with high levels of foreign reserve that will balance the fiscal outlook. In this context, our focus will be on sectors that are resilient and will continue increase and drive our revenue streams across business segments by increasing consumer customer base to enable cross-sell, leveraging existing relationships and provide solutions for every life stage.

ACKNOWLEDGEMENTS

We, the founders of Bank Nizwa, the Board of Directors and the Executive Management, extend our sincere thanks and gratitude to His Majesty Sultan Qaboos bin Said 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 and other regulatory 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