

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDED 30th SEPTEMBER 2021**

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 nine month period ended 30th September 2021. These are based on the unaudited condensed interim financial information.

As we approach towards the end of the financial year, we are encouraged by both the number and efficacy of vaccines. Supported by significant pent-up demand and rising prospects of continued government reforms programs to help sustained economic recovery. We expect an accelerated pace of vaccination distribution over the coming months to drive a robust economic recovery through 2021, resulting in GDP growth. According to the IMF the Sultanate's GDP is expected to grow by about 2.5 percent in 2021 to 3 percent average growth over the medium term. The economic recovery will be led by 1.5 per cent growth in non-oil activity this year, compared to a 3.9 per cent contraction in 2020. The revenue and spending efficiency are expected to rise while the public debt is projected to decrease in the medium term.

At Bank Nizwa, we believe Islamic banking serves a higher purpose – and we continue to fulfil ours: enriching the lives of our customers and communities. From the depths of the crisis last year to the recovery that is now emerging, we have helped facilitate the government programs that remain a lifeline for so many households and businesses; and we remain committed to providing ongoing support for our communities.

FINANCIAL PERFORMANCE

The start of the year 2021 was encouraging, underpinned by demand, improving crude oil prices and globally rolling out the vaccine. However, there are uncertainties on several fronts, from prolong disruption because of the pandemic, which is a significant threat to the growth in key economic sectors, which all impacted the liquidity position in the system and increased competition in the market.

Against this backdrop, your Bank has turned in a commendable financial performance by registering six percent growth in net profit. This is the result of our ability to adapt to the economic realities, including the competitive environment in which we operate and a resilient balance sheet.

We achieved continued growth in our core businesses, where we have been investing in creating more value for our clients and our shareholder. Recorded 51% growth in shareholder's equity which includes the successful completion of right issue exercise of OMR 70 Million, and 15% growth in operating income from last year during the same period, driven by healthy activity across both our wholesale and retail businesses and control on our cost. This results from the successful execution of our strategy 2025, which requires continued focus on growing the balance sheet in a controlled manner, diversifying revenue streams, controlling expenses, improving margins, enhancing our digital capabilities, and expanding products and client base.

The Bank's total assets grew by 22% to reach 1,385 million Omani Riyals during the period from 1,139 million Omani Riyals as of September 2021. The gross financing portfolio grew by 19% to reach 1130 Million Omani Riyals, while the total customer deposit portfolio reached 1,074 Million Omani Riyals recording a growth of 18% compared to the same period last year. This growth in financing and deposit 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.

An increase in operating income by OMR 4.3 Million (15% YoY) while the increase in operating expenses by OMR 2.2 Million (16% YoY), reflects dedicated and strategic efforts to cost management. This has led us to achieve a net profit after tax of 9 million Omani Riyals for the nine months in 2021. This outcome is considered an essential milestone towards meeting the Bank's strategic plans of improving performance.

We are confident that the Bank's unchanged strategic pillars and resilient balance sheet leave us well placed to manage any economic headwinds whilst continuing to deliver good returns for our customers and improved values for our shareholders.

FUTURE OUTLOOK

The COVID-19 pandemic remains a salient influence on the global economy at the tail-end of the third quarter, as a rise in cases of the Delta variant in both developed and emerging economies has derailed previous growth trajectories in recent months. Nevertheless, the recovery remains intact, and central banks have made it clear that they are moving towards tapering of Quantitative Ease, including the Federal Reserve.

Global growth is slowing, according to the most recent economic data for August. The extent of the slowdown, and in some regions contraction, depends on how governments have responded to the spread of the Delta variant of the coronavirus, which in turn has largely depended on progress with coronavirus vaccine rollout.

Given the speed with which governments implemented vaccination programs, the reforms government has introduced, the strategic policy initiatives and the measures taken to support the recovery from the effects of the pandemic on economic activity has yielded results. Both ratings agencies S&P and Moodys Investors' Services have revised its outlook on Oman to positive from stable in October. The ratings agency affirmed Oman's long- and short-term foreign and local currency sovereign credit ratings.

Economic risks have become more balanced relative to a few months ago. New virus variants and supply chain disruptions remain key downside growth risks in the near term. But vaccine distribution are making strong headway. This, alongside additional government reforms, policy support, improvement in oil price and excess savings, will provide a counterbalance on the upside.

Despite the challenges resulting from COVID19, Oman is already embarked upon a development program to shift the economy to a more private sector footing by developing small and medium-sized enterprises, public-private partnerships (PPPs) and improving the investment climate. The short-term challenge will be overcome in the medium- and long-term. The government initiatives and reforms in revenue collection will continue yielding results, which will help mitigate vulnerabilities and alleviate pressure on public finances. Other positive results will be improving public services within the Sultanate and the sustained growth of future infrastructure and more stable tax income to help support the economic conditions.

Challenges will persist in the remainder of 2021; however, as demonstrated in 2020, Bank Nizwa has the strength to adapt and will remain focused on delivering for clients, employees, communities, and shareholders. We are committed to spearheading Islamic finance's growth and solidifying our leadership in the sector, leading the market share towards new heights. The plan for capital raising will help shape the Bank for the future and generate more organic earnings. Indeed, when combined with the Bank's prudent risk management, diversified business mix and proven ability to steer through significant headwinds, the Board remain confident in Bank's growth strategy.

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

ACKNOWLEDGMENT

On behalf of the Board of Directors, Executive Management and staff, I would like to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq Al 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.

I also want to thank our shareholders for their ongoing support; our customers for the opportunity to serve them every day; and our employees for their continued hard work and commitment to providing legendary service to our customers. We look forward to continuing to earn and sustain your trust in 2021.


Khalid Bin Abdullah Bin Ali Al Khalili
Chairman