

# FOCUSSED STRATEGY

Bank Nizwa's Wholesale Banking Group has been at the forefront of providing Shari'a compliant financing for leading projects in the Sultanate, says R Narasimhan, General Manager- Wholesale Banking in an interview

**Omani banks in general have been well capitalised despite the pandemic causing a decline in profits in 2021. How has Bank Nizwa's Wholesale Banking Group performed in 2021?**

There were challenging macroeconomics developments and Covid-19 induced challenges, yet Oman's Islamic Banking sector have demonstrated robust and consistent performance. The market share of Islamic Banking in gross financing and total deposit reached 16.9 per cent and 16.8 per cent respectively, which indicates that Islamic Banking became systematically important in the economy. Islamic banks have been able to prove their resilience, especially in the pandemic, and there has been an increase in corporate companies who are now in favor of availing Sharia-compliant solutions.

The Wholesale Banking Group of our bank has achieved an average annual growth of 36 per cent i.e. from \$650mn in Year 2015 to \$4.75bn by the end of December 2021.

With an increasing customer base, Bank Nizwa has also recorded stellar performance in the last year. Our Wholesale Banking Group has been a key contributor to our financial growth. Recently, the bank also won the coveted title of the Best Wholesale Banking Service Provider – Oman 2021 by Global Business Outlook (GBO). The bank introduced weekly treasury newsletter to update the major the clients on local and global markets in respect of currency and commodity price movements. The bank also received "Oman Domestic Foreign Exchange Bank of the Year award," in 2021 from ABF wholesale Bankers.

The Wholesale Banking Group



currently has a total of 10 business divisions. By deploying a focused developmental strategy, the bank has reoriented its organisational structure which has led to enhanced coverage, efficiency and speed.

**How has the bank supported SMEs?**

Bank Nizwa recognises SMEs as the engines of economic growth, and continuously conceptualises innovative, tailor-made solutions to address its various needs.

We have a sizeable dedicated team for SME headed by a senior AGM. Our SME team is centrally placed at Head office for quick product and proceeded delivery. A team of dedicated Omani RMs coordinate well with retail branches for servicing SME client's requirement across Oman. Our SME team partnered with other major financing divisions like large corporate, mid corporate, project finance and Government division to finance the supplier/vendor segment.

This enables supply chain solution to our corporate clients to cover a full spectrum of banking requirements. In 2021, the bank rolled out a new strategy where it puts SME as a key target, with the support of the bank's excellent network of retail branches that have contributed to helping the wholesale banking sector of Bank Nizwa widen its network and engage with clients from every corner of the country.

In line with the economic diversification plan as outlined in Oman Vision 2040 and in an endeavour to bridge the funding gap for SMEs operating in key sectors, the bank signed many Memorandum of Understanding (MoU) with leading manufacturing units and reputed equipment vendors to support SME financing.

**What were the key challenges in 2021?**

There were numerous challenges in 2021 but COVID-19 remained to be the main challenge. The uncertainties due to the impact of COVID-19 on the operating environment, increased debt weighing on the economic growth and drop in oil prices in first nine months of 2021 did have an impact on economy and the banking sector but Islamic banks have managed to record steady profitability and reasonable asset quality indicators despite the hurdles. The prudent approach to financing helped our bank to record good asset quality in SME sector also.

Major challenges that have a direct effect on profitability are the limited short-term Sharia-compliant investment options to place surplus liquidity in treasury. The Islamic Banking sector is very much supported by CBO, besides our aim

is to achieve national development agenda through enhancing technology, financial deepening and inclusion in the Sultanate. Bank Nizwa in 2021 enhanced its capital with rights issue, with that the augmented net worth of the Bank reached RO240mn. This will enhance our capacity to take large exposures to nationally important projects.

**In what way is the Wholesale Banking Group contributing to Oman's Vision 2040? What are the key agreements signed with organizations to support Public and Private Participation (PPP) initiatives?**

Bank Nizwa's wholesale banking have developed a unique business model, covering major segment of corporate banking client requirements. In the past 9 years of operations, the Bank has well diversified exposure to 23 major economic sectors. The Bank could reach out to all major cities of the Sultanate to cover the wholesale banking business requirements of government, SAOG, and SAOCs, large corporate, mid corporates, project finance and SME sector. Our bank continues to innovate sharia compliant product and delivery standards with high competence in product delivery. As such the bank has been contributing to the development of each sector, promoting government initiatives and extending Sharia-compliant financing solutions to accelerate key national projects.

With regard to public and private participation, Bank Nizwa's Wholesale Banking Group has been at the forefront of providing Shari'a compliant financing for leading projects in the Sultanate. In strong alignment with Oman Vision 2040 and to support the Sultanate's socio-economic and infrastructure development goals, one of the major projects that has been financed by the bank is the 1 million date farm project - Nakheel Oman Development Company SAOC. Another important project in PPP model is Oman National Engineering & Investment Company SAOG ("ONEIC") to establish Sahnoot sanitation network for Salalah

Sanitary Drainage Services Co SAOC. Recently, it also signed an MOU with Khazaen Dry Port, which falls under the pillars of the National Logistics Strategy 2040, to extend financing facilities to help build the dry port. By supporting large-scale projects that offer tangible added value to the national economy, Bank Nizwa seeks to highlight the growing preference of Sharia-compliant financing while also establishing its distinct footprint in the country's journey of progression.

With a keen focus on building a knowledge-based economy and creating a skilled workforce, Bank Nizwa also partnered with Arab Open University to finance the construction of its new campus in Oman, therefore extending its support to the education sector too.

As an integral part of the country's financial ecosystem, the bank has continued to invest in projects that not only have the potential to generate great returns but also have a positive impact on the employment opportunity of local community.

**What are the Shari'a compliant financing and services provided to corporate customers?**

With a strong suite of innovative products, a wide range of world-class services and a keen emphasis on customer satisfaction, the bank has been able to cement its position as a leader in the Islamic banking segment. Apart from providing services like working capital finance, import and export finance, long-term finance, documentary credit requirements, and project-based financing to our diverse client portfolio, Bank Nizwa's Wholesale Banking Group also has dedicated support units that include services like treasury, transaction banking, advisory and investment banking.

In line with achieving sustainable economic growth with minimal impact on the environment, the bank recently also launched its sustainable finance initiative in an endeavour to provide an all-inclusive ecosystem that factor in sustainable programmes.

These programmes focus on climate change, environmental protection and transitioning to a green, circular economy while also enhancing the living conditions of people and giving opportunities to the local workforce to make their mark in society. Thus, we will continue to integrate the latest practices in sustainability within our banking system, which will focus on the economy, society and the environment.

**What is the outlook for the Islamic banking sector in 2022 and the way forward for Bank Nizwa?**

The Islamic banking sector expects to see sustained growth in 2022 while maintaining its asset quality. Capital buffers and liquidity are also expected to remain stable and adequate for risks.

We also foresee an increased emphasis on green Sukuk as companies realise the importance of aligning with environmental, social, and governance (ESG) values. The Sultanate's increased attention to energy transition will further give opportunities to expand these products. As per Sharia principles, sustainability also forms the backbone of our business strategies.

We focus ourselves as a progressive bank that has spearheaded digitalisation and has been a keen advocate of Fintech collaborations. Bank Nizwa seeks to further strengthen its resilience even in the face of a more volatile operating environment while also opening new avenues for growth.

To achieve continued development, Bank Nizwa will also adhere to its 2025 strategy which align with Vision 2040 of Oman that focuses on asset quality, financial performance, technological advancement and increasing market share in a safe and sustainable manner. Built on strong foundations and the highest levels of ethical practices, the bank will continuously enhance its innovative Sharia-compliant portfolio of products and services while delivering a unique banking experience for its customers.