

STAYING AHEAD

Bank Nizwa has been at the forefront of advocating the benefits of Islamic finance and our growing customer base is a testament to our efforts, says Khalid Al Kayed, CEO in an interview

How was Bank Nizwa's performance during the year 2021?

The year 2021 saw an increase in crude oil prices, the opening of markets due to aggressive vaccination drives conducted locally and globally, and a general rise in consumer confidence. Despite the challenges of maintaining a strong liquidity position and increased competition in the market, Bank Nizwa recorded net profit RO12.526mn, indicating a 13 percent growth after tax for the period ended December 31, 2021, compared to RO11.067mn in the same period in 2020. As a progressive Islamic bank built on resilience, we continued to focus on introducing innovative banking procedures, reaffirming our position as a people-centric bank, and investing in our digitalisation channels to stay ahead of the curve.

The bank's total assets also grew by 16 percent to reach RO1,404,173mn compared to RO1,206,259mn in the preceding year. Signalling an increasing customer base, the bank's customer deposit portfolio increased by 20 percent to RO1,109,383mn against RO924,208mn on a year-on-year basis, whereas the bank's financing to customers rose by 13 percent to RO1,146,497mn for the year ending December 31, 2021 compared to RO1,014,605mn in 2020. Dedicated to creating more value for our stakeholders, Bank Nizwa also increased its capital by RO70mn in 2021 by way of rights issue. As a testament to this performance, the bank received several accolades like the Best Islamic bank in Oman, the Top Performing Bank in the mid-size banks category in Oman, Oman Domestic Foreign Exchange Bank of the Year, the Best Performing Company (Large Cap),



and the Strongest Islamic Retail Bank in Oman.

What were the key milestones during the year?

At Bank Nizwa, we believe we are spearheading transformational change in the Islamic banking sector. The Bank is strongly aligned to the country's economic diversification plans and has taken several initiatives to contribute to the development of various sectors. In its most recent partnership to develop key national projects, Bank Nizwa extended financing facilities to help build the Khazaen Dry Port. The bank has also

been a keen contributor to the education and healthcare sectors and has extended financing for Arab Open University Campus, Paradise Valley Private School, and Shifa Hospital. All through 2021, technological innovation continued to be a key focus area as we integrated digitalisation across all our operations. Driven by a vision to become the "Digital Bank of Choice" for people, Bank Nizwa formed an IT and Cybersecurity Committee, a first-of-its-kind initiative in Oman's banking industry. A leader in the industry, Bank Nizwa became the only bank in the Sultanate and internationally to benefit from a wide-ranging

relationship with AAOIFI after it signed a virtual agreement with the top Islamic Finance Standard Setting Body, AAOIFI, Bahrain. One of the key highlights of the year was the successful completion of Bank Nizwa’s Rights Issue. The bank was able to raise its share capital post Rights Issue by RO70mn which will help the bank to move to the next phase of growth.

What are the new products and services? Do you have plans to diversify your product portfolio?

Bank Nizwa has continued to conceptualise new products and services that are innovative, industry-firsts, and focus on offering added value to its customers. Earlier last year, Bank Nizwa launched the buyout campaign that allowed customers to transfer their current finance or loan from any other bank to Bank Nizwa, at reduced profit rates, hence lowering their EMI amount. Meanwhile, Bank Nizwa’s direct debit mandate (DDM) was a first-of-its-kind offering that was very well-received in the market and helped us to extend finance facilities to a larger section of the market. Fintech collaborations have been an integral part of our growth strategy. In line with the same, Bank Nizwa entered into an agreement with IFIN (Islamic Finance Initiation Network) to offer the first Shariah-compliant fintech solutions that enabled customers to finance their desired items instantly. In strong alignment with the nation’s sustainability goals, the recent sustainable finance solution launched by the bank has helped our clients integrate environmental, social, and governance (ESG) criteria into their businesses.

How is the Islamic finance industry shaping up in Oman and what are the major challenges facing the development of Islamic banking?

Islamic banking has proven its resilience in the face of unprecedented circumstances, fluctuations in the market, and various structural challenges. We are witnessing an improvement in the operating environment and the prospect for real GDP growth is favourable. An increase in oil prices, the easing of coronavirus restrictions, and a rise in profit rates are also expected to aid in

	2018	2019	2020	2021
Gross Financing (RO '000)	703,179	839,303	1,014,605	1,146,497
Customer deposits (RO '000)	711,619	797,166	924,208	1,109,383
Total assets (RO '000)	872,168	1,034,364	1,206,259	1,404,823
Non-performing assets / Gross Financing	0.04%	0.06%	1.3%	1.2%
Number of branches in Oman	13	14	15	15
Number of employees	353	379	397	415
Operating profit (RO '000)	10,440	14,588	19,598	21,473
Net profit (RO '000)	7,512	10,179	11,067	12,526

the growth of Islamic banking in the Sultanate. According to Fitch Ratings, the Islamic banking sector’s financing growth in Oman topped 11.6 percent year-on-year in 2021, in contrast to the conventional banking sector’s 3.1 percent growth, with a compounded annual growth rate of 9 percent during 2017-2021. The figures are indicative of a promising future for Islamic banks. There has also been a surge in public demand and the low-base effect has been instrumental in propelling growth in the sector. This has resulted in the market share of Islamic banking and Islamic windows increasing to 15.2 percent at the end of 2021 with total assets standing at a value of RO5.9bn. Bank Nizwa has been at the forefront of advocating the benefits of Islamic finance and our growing customer base is a testament to our efforts.

While our customer-centric strategies have helped us record strong growth in retail demand, the various supportive regulations introduced by the government have also played a catalytic role in boosting the Islamic banking sector. As the first Islamic bank in Oman, we understand that Islamic banking, as an industry, is still nascent in Oman when compared to other regions. With that being said, the Islamic banking sector has inherent challenges like a smaller capital base and limited Islamic liquidity management products. However, by focusing on enhancing our distribution channels, expanding our product offerings, and focusing on developing Sukuk investment options, we are certain that we can maximise the potential of

Islamic banking in the country.

What is the outlook for 2022? Can you share the branch expansion strategy?

While the government is taking several initiatives to accelerate economic recovery, the Islamic banking sector is also seeing a positive growth trajectory, which will continue into 2022. The industry also expects to see strong growth in credit, despite various challenges. Strategic partnerships will play a critical role in driving financial inclusion. Meanwhile, we will also continue to focus on our digitalisation and fintech collaborations. This will help us to strengthen our resilience in more volatile environments while opening new avenues for growth. With the country shifting focus to net-zero emissions and various key industry players realising the importance of aligning with environmental, social, and governance (ESG) values, we will continue to focus on and promote sustainable finance instruments like green Sukuk.

In terms of expanding our branch network, Bank Nizwa has remained steadfast in its commitment to remain connected with its customers and has opened several new branches in different Wilayats. Our state-of-the-art branches are dedicated to providing ease of accessibility, convenience, and an elevated experience to our customers. In line with our growth strategy, we will continue to add more branches to our ever-growing network while upholding the highest level of customer service. **OER**