

Chairman's Report – Second Quarter 2013

Dear Shareholders',

Assalam Alykum Wa Rahmat Allah Wa Barakateh,

Alhamdulillah, by the grace of Allah we have completed the second quarter of the Bank's operations. I am pleased to report that the core business lines of the Bank continue to operate as planned.

The Bank started its full-fledged operations during the first quarter of the current year, through three branches in Muscat, Nizwa and Sohar. As part of the expansion plan the Bank is currently in the process of opening four new branches in Ibraa, Salalah, Al Khoudh and Ghubra.

As per Article 104 of the Commercial Companies Law the Bank's financial year will end on 31st December 2013, therefore all income and expenses as reported are the accumulation since the inception of the Bank.

The reviewed financial results presented in the following pages and the accompanying notes show that the assets grew to reach RO 170 mm. The deposit portfolio, which includes current accounts and funds of investment account holders' reached RO13.27 mm and RO 6.93 mm respectively, provided additional liquidity for the Bank to invest.

This liquidity in addition to net Shareholders' equity of RO141.1 mm was primarily used to invest in International Wakala Placements (RO 66.8 mm), Sukuks (RO 43.8 mm) , investment in real estate (RO 14.2 mm) and financing agreements in the form of Murabaha and Ijarah (RO 12.1 mm) and Cash and Balances with CBO and Banks (RO 25.1 mm).

During the quarter we continued to increase the range of our products and invested in marketing and events to educate the community on Islamic banking. As a result; our deposit portfolio increased by 76.5% from the previous quarter and during the same time our financing book gained momentum and increased by RO 9.3 mm a 342.1% growth.

To enable us to enhance our earnings the bank has strategically invested in industrial real estate which has been leased on long term basis to a large Omani corporation. This investment will start generating revenues from the next quarter.

As a result of the expected and planned for costs incurred during the second quarter for the normal operations of the Bank a net operating loss of RO 2.4 mm was recognized. This along with the expenses incurred previously to build a solid infrastructure for the Bank through investing in Human Capital with state-of-the-art banking systems and software, equipping the branches and head quarter which all took place during the preparation period before the main launch, the accumulated net operating losses up to June 30, 2013 including all pre-incorporating and pre-operating are Nine Million Seven Hundred fifty Two Thousand Omani Riyals



Amjad Mohammed Al Busaidi
Chairman