

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD
ENDED 31st March 2016**

Dear Shareholders,

Assalamu'alaikum Wa Rahmat Allah Wa Barakatuh,

Alhamdulillah, by the grace of Allah we have completed the first quarter of 2016 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 first quarter ended 31st March 2016. These are based on the unaudited condensed interim financial statement which has been reviewed by our external auditors.

FINANCIAL PERFORMANCE

The bank's total assets at end of 31st March 2016 reached Omani Riyals 383 million. During the quarter, growth in our gross financing portfolio reached Omani Riyals 313 million with more than 11,600 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 continued growth in financing, 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 31st March 2016 reached Omani Riyals 218 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 around 57 thousand retail and corporate deposit accounts.

The bank has strong capital adequacy ratio with 30.36%, and our total revenue grew 62% over same period in 2015 while expenses increased only by 1%, following Bank's strategy of controlling cost by achieving operational efficiency. As result cost to income ratio has declined to be lower than 100%.

The interim progress of the Bank is clearly evident of the positive and upward trajectory which should enable the Bank to meet the objectives set for the year 2016 and onwards in line with Bank's 2020 strategy.

ISLAMIC BANKING MARKET IN OMAN

The Islamic finance sector has shown significant progress during the period. The industry has now entered its fourth year with dedicated efforts in improving the industry position. We believe that Islamic Banking has a 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 in creating awareness about the industry and its procedures and to ensure Islamic banking is more accessible to the public at large by investing in technology, distribution and communication.

The focus for Bank Nizwa will be to continue 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 the current period and we are now well positioned in terms of our future growth strategy and to compete with our peers in the market.

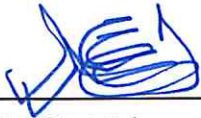
THE YEAR AHEAD

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

ACKNOWLEDGEMENT

On behalf of the Founders, Board of Directors, Executive Management and staff, I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin 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 that has ensured the success of Islamic banking in the Sultanate.

I would also like to thank all our shareholders and customers for their loyalty and trust as we continue to retain our position as the largest full-fledged Islamic bank in the Country. I look forward to 2016 being another successful year for Bank Nizwa.



Amjad Bin Mohammed Al Busaidi
Chairman