

**THE BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD  
ENDED 30<sup>th</sup> SEPTEMBER 2014**

Dear Shareholders,

Assalam Alykum Wa Rahmat Allah Wa Barakateh,

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 third quarter ended 30 September 2014. These are based on the unaudited condensed interim financial information which has been reviewed by our external auditors.

**ISLAMIC BANKING MARKET IN OMAN**

The Islamic banking industry in Oman even though still in its infancy continues to show promising results. All the participants are clearly working towards the progression and the success of Islamic banking. The five conventional banks with window operations and the two full-fledged Islamic banks, including Bank Nizwa are seeing the momentum building as a result of the hard work and investments into products, technology, branches and communication. We, as Bank Nizwa, in our capacity as one of the Banks offering Sharia compliant products and services, continued to work on two areas that will yield the results that we desire. We are committed to:

1. Creating awareness about the industry and its procedures with the population at large, and with corporates licensed to operate in the country. We are pleased that our efforts are providing the results we desired with the consumer and are also realizing the fruits of our investment in the corporate segment.
2. Continuing to increase our distribution network with branches, kiosks and alternative channels across the Sultanate particularly in areas outside the major cities.

**CORPORATE SOCIAL RESONSIBILITY**

We at Bank Nizwa believe in instilling the concept of giving back to the community within our team. The employees of the Bank have been encouraged to participate in volunteer programs; which includes training, educational seminars, working with charitable organizations to give back to our community.

**FINANCIAL PERFORMANCE**

The financial results of the third quarter ended 30 September 2014 reflect the results of our efforts and the overall performance of the Islamic banking market in the Sultanate.

The total assets of the Bank as of 30<sup>th</sup> September 2014 reached Omani Riyals 257 million which represents a 49% growth over same period in 2013.

During the quarter, growth in our gross financing portfolio which reached Omani Riyals 100.8 million has provided us the momentum that we needed to continue our growth trajectory. This momentum

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will enable us to achieve our long term objectives. During the third quarter our financing portfolio grew 49.5%.

During the quarter we enhanced the corporate product offering by building on the trade finance platform and financing products, for our retail customers we launched our product proposition in Ramadan helping us to double the volume and we continued investing in our critical resources which includes our people, launched new branches in the Governorate of Al Dakhiliya and Al Sharqiya. We also started on two new branches and are putting the final touches on technology that will enable us to better serve our customers.

During this quarter, our total revenue grew 6.4% over previous quarter with expenses increasing only 0.8%, as our financing portfolio grows the growth in revenues will be adequate to offset the operating expenses being incurred. This will result in the cost to income ratio declining to a level that is in line with established banks.

### **THE YEAR AHEAD**

Since our launch, we have focused on building our brand awareness and value. To that end, we will increase our customer base, increase our distribution foot print by additional branches, enhance our product and proposition offering and bring banking to our customers' doorstep and fingertips. We have believed in innovating to deliver to our customers which will continue in all our activities, in addition we continuously explore and research ways to give back to our customers and community to that end we have launched several initiatives with public and government entities. In the coming quarters other exciting propositions will be launched.

We will continue to drive profitability across business segments by increasing our consumer customer base to enable cross-sell, and provide solutions for every life stage of our customers. In wholesale banking segment, we will further build our product offerings to provide comprehensive client solutions, leveraging on the existing expertise in treasury, investment banking and trade finance, having successfully established retail banking, we are seeing the momentum building in wholesale banking achievements.

### **ACKNOWLEDGEMENTS**

We, the founders of Bank Nizwa, the Board of Directors and the Executive Management, extend our sincere thanks and gratitude to His Majesty for granting honourable approval for the establishment of Islamic banks, which allows the Bank to participate in the economic system as a result of His Majesty's visionary leadership. We also acknowledge the efforts of the Central Bank of Oman and the Capital Markets Authority for their continued support towards the success of Islamic banking.

Finally, On behalf of the Board of Directors' and Management of Bank Nizwa, I conclude this report by thanking the Shareholders, our customers and the community that continue to support us in the challenge of making successful the first Islamic Bank and thank them for their continued patronage and trust in Bank Nizwa.



**Ahmed Bin Saif Al Rawahi**  
Vice Chairman of Board

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